

An Evaluation of the Performance Contracting on Organisation Performance: A Case of Kenyatta University, Kenya

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ABSTRACT

The main objective of the study was to evaluate the performance contracting on organization performance. Specific objectives included: an evaluation of the effect of performance contracting on the improvement of service quality at Kenyatta University; an assessment of the influence of the performance contract on the improvement of efficiency at Kenyatta University and a determination of whether performance contracting improves effectiveness at Kenyatta University. Content and descriptive analyses were employed to analyse the respondents' views on effect performance contracting on performance. The data was then be coded to enable the responses to be grouped into categories. Descriptive statistics was also used mainly to summarize the data. A Likert scale and the use of Statistical Package for Social Sciences (SPSS version 12.0), was employed. Tables and graphs were used as appropriate to present the data collected for ease of understanding and analysis. The study concluded that performance contracting indeed increases service delivery in institutions, and greatly so. Performance contracting was found to indeed increase overall efficiency in institutions to a great extent. With standards and performance targets as well as monitoring and evaluation in performance contracting as proxies in determining organizations' effectiveness, the study establishes that performance contracting improves institutions' overall effectiveness.

Key Words: Performance Contracting, Kenyatta University

1.0 Background of the Study

Performance Contracting is a branch of management science referred to as Management Control Systems and is a contractual agreement to execute a service according to agreed-upon terms, within an established time period, and with a stipulated use of resources and performance standards. Performance contracting is one element of broader public sector reform aimed at improving efficiency and effectiveness, while reducing total costs (Domberger, 1998). A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. 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 (Greer *et al.*, 1999).

Kumar, (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent. OECD (1999) defines performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agree results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution.

In this dynamic and changing environment, one way to create growth and sustain performance is to innovate (Higgins, 1996). Furthermore, it has been suggested that innovation is essential in order to generate long-term stability, growth, sustainable performance and remain at the leading edge of the organization's industry (Cook, 1998).

Thus, one way to achieve growth and sustain performance is to foster and encourage creativity and innovative practices internally within the organization. Mckeown (2008) refers innovation to both radical and incremental changes in thinking, things, and processes or in services. In many fields, something new must be substantially different to be innovative, not an insignificant change such as in the arts, economics, business and government

policy. Facing rapid increases in both environmental turbulence and complexity, organizations are find themselves in an enhanced uncertainty and increased competition. According to D'Aveni (1994), this has also led to an increased focus on innovation and creativity as a means of creating and maintaining sustainable high level of performance. Luecke and Katz (2003), gave a convenient definition of innovation from an organizational perspective; successful introduction of a new thing or method. Innovation is the embodiment, combination or synthesis of knowledge in original, relevant, valued new products, processes or services.

The use of Performance Contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. Essentially, a Performance Contract is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets (Hunter and Gates, 1998). They include a variety of incentive-based mechanisms for controlling public agencies—controlling the outcome rather than the process. The success of Performance Contracts in such diverse countries as France, Pakistan, South Korea, Malaysia, India, and Kenya has sparked a great deal of interest in this policy around the world (Wheeler, 2001).

Governments are increasingly faced with the challenge to do things but with fewer resources and above all, differently performance contracts can be defined as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. Performance contracting provides a framework for generating desired behaviour in the contest of devolved management structures. Employers view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves.

Performance 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). It has been adopted in developing countries in Africa, including Nigeria, Gambia, Ghana to mention just a few. In Kenya the concept of performance contracting was first introduced in the management of State Corporation in 1989 as a way of responding to the needs of the taxpayers. This was against the backdrop of the government's key priorities of implementing and institutionalizing public sector reforms that would lead to an efficient, effective and ethical delivery of services to the citizens. A Parastatal Reform Strategy Paper, which was approved by cabinet in 1991, was the first official recognition of the concept of performance contracting as it was part of the policies that were recommended to streamline and improve the performance of State Corporations. These policies were divestiture or liquidation of non-strategic parastatals, contracting out commercial activities to the private sector, permitting private sector competition for existing state monopolies and improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives. Performance Contracts, where applicable were to be used to make transparent the cost of social services and to compensate the parastatals for their net costs (Sensitization Training Manual, 2004).

The first two parastatals to be on performance contracting were Kenya Railways in April 1989 and National Cereals and Produce Board signed in November 1990. The PC's of Kenya Railways Corporation and the National Cereals and Produce Board failed because of lack of political goodwill to drive this process (it was perceived as donor-driven), the PC's did not conform to the requirements of the three sub-systems of PC's as they lacked the performance incentive system and there was no provision for the impact of external factors such as changes in GoK policy, inflation, exchange rate fluctuations that would have made evaluation fair (Kobia and Mohammed, 2006).

Kenya decided to re-introduce performance contracting in 2003. The initiative to introduce PC's in Kenya came from H.E. the president and was clearly spelt out in the Economic Recovery Strategy for wealth and Employment Creation (ERSWEC). In August 2003, the government appointed a committee to spearhead the introduction and implementation of performance contracts namely the performance contracts steering committee. The government made a decision to introduce PC in state corporations on a pilot basis in 2004. Sixteen state corporations signed the PC's by December 2004. The criteria for selecting the pilot companies included representation of diverse sectors and corporations, the government extended the process to public service beginning with permanent secretaries and accounting officers. Further, in April 2005, Government decided to place the management of 175 local authorities on performance contracts. Accordingly, five major municipalities completed performance contracts on 30th September 2005 on pilot basis; City Council of Nairobi, Mombasa Municipal Council, Eldoret Municipal Council, Kisumu Municipal Council and Nakuru Municipal Council.

Kenyatta University, (commonly initialized as KU) is located in Nairobi, Kenya. The University main campus is located in Kahawa, about 20 kilometres (12 mi) from Nairobi's city centre, along the Nairobi-Thika road. The institution is the second largest in Kenya. In 1997 it had about 8,000 students. As of 2012, it has over 35,000

students. Kenyatta University has been accredited by the Kenya Commission for Higher Education, Inter-university Council for East Africa, African Association of Universities, International Association of Universities and Commonwealth Universities. The university offers bachelor's degrees, master's degrees, and doctoral degrees, and medical and law degrees through 11 campuses. The university has open-learning, e-learning, school-based, part-time and full-time teaching.

1.1 Statement of the Problem

The primary role of any government is to maximise on the welfare of its citizens and its development goal is to achieve broad based, sustainable improvement in the standards of the quality of life for its citizens. The public service and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy. When the delivery of services is constrained or becomes ineffective, it affects the quality of life of the people and nation's development process (AAPAM, 2005).

However with the implementation of performance contracting in the last seven years (since 2004), there is need to establish how the implementation has impacted on performance of the public sector and especially the Kenyatta University. A close scrutiny at some of these implementation documents and tools shows that the figures and indices do not necessarily reflect improved service delivery. Although the employee is the main focus point in the PC of any organization, corresponding improvement in service delivery is not reflected on the ground. There is a missing link between the implementation of the PC and the employee performance in the organization.

Previous studies conducted on performance contracting have concentrated on implementation (Ogoye, 2002, Choke, 2006 and Langat, 2006) while one study has tackled the general impact of performance contracting in state corporations (Korir, 2006). However, no study has been done in Kenya so far to correlate performance contracting with organizational performance. A gap therefore exists regarding the effect of performance contracting on performance of employees, that is, whether performance contracting increases the employees' performance. This is attributed to various factors which require further research, whether endogenous or exogenous (Review of PC in public Sector Report, PERPC, 2010). The purpose of this research is therefore to evaluate and identify this gap on the performance contracting in relation to organization performance at the Kenyatta University.

2.0 LITERATURE REVIEW

2.1 Performance Contracting

In many African countries, parastatals are confronted with many challenges, which constrain their delivery capacities. They include the human resource factor, relating to shortages of the manpower in terms of numbers and key competencies, lack of appropriate mindsets and sociologists that are necessary to support effective service delivery. On the other hand, the gradual erosion of the ethics and accountability has continued to bedevil the public sector in the delivering of public services to the people effectively. Public sector reforms meant to address these challenges have achieved minimal results

Wheeler (2001) defines Performance Contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. While Needy (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. In this study, performance contracting is used as a management tool to help public sector executives and policy makers define responsibilities and expectations between the contracting parties to achieve common mutually agreed goals.

Performance contract is the agreement between management and subordinates on the responsibilities and standards for the subordinate for the budget period (Montana 2000). There are two parts to the performance contract: Statement of the key responsibilities and standards of performance for each of these responsibilities (Musa, 2001).

According to Chiapori (2000), performance contracts also known as performance agreements, define expectations, the results to be achieved and the competencies required to attain these results.

It covers such points as objectives and standards of performance, performance measures and indicators to assess the extent to which objectives and standards of performance have been achieved, competence assessment and cover values or operational requirements for quality, customer service, team working and employee development expected of employees to successfully carry out their work (Chiapori, 2000). In the performance

contract, the expectations are put in writing (the manager's and the employee's) and the commitments for the coming period (Montana, 2000).

The Government of Kenya (2003) defines performance contract (PC) as a freely negotiated agreement between Government, acting as the owner of a Public Enterprise, and the Public Enterprise. It clearly specifies the intentions, obligations, responsibilities and powers of the parties, addresses economic/social/other tasks to discharge for economic or other desired gain, organizes and defines tasks so management can perform them systematically and purposefully with reasonable probability of achievement, and assists in developing points of view, concepts and approaches to determine what should be done and how to go about doing it.

Performance Contracts originated in France in the late 1960's to improve performance of State-Owned Enterprises (SOEs) including the national electric power utility and the national railroad company. It was named "contract plan", in which an agreement regarding the performance was established between the government and the State Owned Enterprises (SOEs) based on a five year work plan. However, due to lack of indicators and measure the performance of SOEs, whenever the plan was not achieved, the contract was modified and reprogrammed (Mallon, 1983).

In mid 1980s, Korea applied the contractual approach and developed the "signal systems", incorporating the collection of goals and incentives that would guide managers and administrators. In the system the national goals were translated into explicit and quantifiable targets in performance criteria. The inclusion of performance measurements and indicators enabled the system a useful instrument to scale the performance of SOEs (Mallon, 1983).

Since then, PCs have evolved and been adopted by a number of countries in different forms and names. Currently, PCs are widespread in both developed and developing countries. The name "contract plan" is prominent in francophone African countries, while Pakistan uses the name "signal system" as in Korea. India calls it the 'memoranda of understanding.' There is diverseness in terms of duration, varying from one year to five years. The system varies as well. Some include investment while other focus only on current operating performance. Some set up the system of performance-related pay while others do not (World Bank, 1991).

Parastatals in many African countries are confronted with many challenges, which constrain their delivery capacities (Lienert, 2003). They include the human resource factor, relating to shortages of the manpower in terms of numbers and key competencies, lack of appropriate mind-sets and sociologist that are necessary to support effective service delivery. On the other hand the gradual erosion of the ethics and accountability has continued to bedevil the public sector in the delivering of public services to the people effectively. Public sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005).

The Kenyan Government responded to Parastatals' delivery challenges by formulating and implementing Public Sector Reforms (PSR) way back in 1993. The program implementation was in three phases. The first phase focused on cost containment, which entailed staff rightsizing initiatives and rationalization of government functions and structures. Under the first phase, a Voluntary Early Retirement Scheme was put in place that targeted civil servants in job group A –G in which 42, 132 civil servants retired.

The second phase of the reform program focused on rationalization of government ministries/departments to determine appropriate structures and optimal size of the civil service for effective performance of the government's core functions within budgetary limits. As a result of rationalization exercise, 23, 448 civil servants who were occupying posts that were no longer required were retrenched by year 2000. Both phases of the reform coupled with the embargo on recruitment reduced the core civil servants size from 272,000 in 1992 to 191,670 in 2003 (GOK, 2003). While there was a reduction in the size of the core civil service of about 30%, it was noted that productivity and performance in the public service was not as expected (Opiyo, 2006). Further reform initiatives targeting performance improvement and management in the public service were required, thus introducing the third phase of the public sector reforms guided by Economic Recovery Policy Direction (DPM, 2004).

In the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) 2003 – 2007 policy document, the government accords high priority to economic recovery and improving the performance of public service to deliver results to the people.

Up to this point, the goal of public sector reform was the restoration so as to equip it well in order to play a pivotal role in national development. This called for fundamental changes in the way the sector operates in

institutional organization and relationships, and in the individual and collective behaviour of those serving in the sector. The aim is to enhance efficiency and effectiveness together with probity and integrity. In an effort to achieve the objectives and targets of ERS and to manage performance challenges in public service, the Government adopted performance contracting (PC) in public service as a strategy for improving service delivery to Kenyans. The performance contract is one element of the broader public sector reforms aimed at improving efficiency and effectiveness while reducing total costs (Opiyo, 2006).

The initiatives to adopt Performance Contracts in public institutions have been driven by the changes in political environment in terms of securing better value for money in public services, encouraging greater openness and accountability, and for service improvements in dealing with the general public as consumers (Brown, 1996).

Many countries have applied the idea of PCs to their public institutions, for example, in Pakistan, Korea, Australia, and United States among others. Many have installed variations of PCs to improve efficiency of public service delivery and hold public institutions accountable for results. Developing countries have not been left behind. Developing countries including India, Gambia, Malaysia, Ghana and the Philippines have also incorporate PCs as part of public sector reform.

2.2 Theoretical Orientation of performance contracting

According to the happiness and success theory, which attempted to relate success of work and happiness, people feel happy when they feel to be achieving their set goals, and especially so 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 (Bentham 1789). This classic philosophy is not only more accepted these days, but also more practicable, now that scientific research provides more view on the conditions for happiness (Veenhoven 2004).

The first logical question is about the subjects' level of involvement. According to Ahorani (1986), when a person is emotionally involved in an issue they will process information and hence react in a different way to when the issue is not important and they are not really paying attention to it. The involved people want to make their own decisions and the non-involved people do not want to put effort into decisions and will probably let you tell them what to think. Involved people want clear and sufficient information from which to draw conclusions. People can be encouraged to become non-involved people when they are snowed with a lot of complex information. Quantity may thus be inaccurately equated to quality.

Another important theoretical view of analyzing the new performance contract policy in the public sector in Kenya is by employment of the adoption of innovations theory. According to Ahorani (1986), an innovation is an idea, practice, or object that is perceived 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, nor have adopted or rejected it. On the other hand, diffusion is defined 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 this author, the general convention is to use the word "diffusion" to include both the planned and the spontaneous spread of new ideas.

2.3 Improved Service Quality

In relation to studies that consider performance contracting and service quality, three themes emerge: the variations and problems in measurement of quality, the lack of information about the reasons for perceived changes in quality, and the dearth of studies on quality when compared to economic efficiency (Hodge et al, 1998, 1998). In their review of ten studies, Domberger and Rimmer (1994, p. 449) noted that many of the studies used incomplete and narrow measures of service quality, and that the review provided consensus that performance contracting enhance quality.

The studies illustrate marked inconsistencies in approaches to measuring quality. Rimmer (1994, p. 83) notes that: There are no generally accepted measures of quality. Frequently used measures include surveys of users, changes in inputs, the range or number of outputs and performance indicators, such as a systematic assessment of user complaints. Similarly, the Industry Commission of Australia report (1996, p. 544) states: Information has

been obtained from one or more of three sources ... the direct response of service consumers (the number of customer complaints as a proxy for service quality), independent observation and assessment (performance indicators), and information from contract managers.

Difficulties and deficiencies in quality measurement are, at least in part, related to the difficulties in defining quality and the diverse application of the term. Hall and Rimmer (1994, p. 456) state that the term quality means a high level of quality in an economic sense (that is, as having valued characteristics) but the term quality to describe fitness for purpose is the one which is most relevant to the development of performance indicators for contracts.

The trend to an increasing emphasis on the customer is clear from the economics and operations views of quality while the services marketing view is entirely dependent on the consumers' perceptions of quality as a point of comparison to their expectations. A comprehensive review and comparison of the literature on TQM and service quality is provided by Silvestro (1998) and will not be repeated here. What is evident from the literature is that the services view has not yet been embraced nor integrated in the context of contracting.

2.4 Improved Efficiency

In the public sector, managers and policy makers are embracing the role that competition can play in increasing efficiency and effectiveness, and contracting has been widely adopted as a vehicle to achieve reform in the new public management (Williams, 1994). The OECD (1997) alleges that the use of contracting in government services is increasing, as the evidence is fairly clear that contracting out can lead to efficiency gains, while maintaining or increasing service quality levels.

From the beginning onwards increasing the efficiency of public services has been high on the agenda of the promoters of new public management. Cutting through red tape, minimizing public waste and value-for-money reporting have been important drivers for the introduction of performance measurement in the public sector. Many official documents show that increasing efficiency as an input/output relationship and reducing X-inefficiency ranks high on the official political agenda. This sentiment is for example well articulated in section 2 of the 1993 American Government Performance and Result Act (GPRA) or in a recent publication by the British Treasury who still regards it, after more than two decades of new public management, as a challenge to raise the productivity of public services. Improved information about performance is regarded by the British Treasury as one out of four remedies to cope with the productivity challenge for public services (HM Treasury, 2003). Doing the job efficiently was, according to Norman (2004, p. 431), for a decade the central theme of the public sector reform in New Zealand. Inter-administrative comparison circles at the local administrative level in Germany were introduced on a voluntary basis back in the early 1990s in order to increase efficiency (Greiling, 2005, p. 556). These few examples may serve as illustrations that increasing efficiency of public services was, and still is, high on the political agenda.

2.5 Enhanced Consistency

Scholars have long realized that in order for employers to get desired contributions from their employees, they must provide appropriate inducements (Schein, 1965). Satisfied and well adjusted employees, work willingly towards organizational objectives and respond flexibly to organizational problems (Ostroff, 1992). However it has never been easy for employers to know what employees expect and which kinds of inducements will influence employees to make desired contributions consistently. Norman (2004) indicates that PC can be used as a tool to ensure consistency in a decentralized context.

Within the national guidelines each department is able to design a local strategy, flexible enough for a very wide range of circumstances, but consistent with the strategic priorities set by the central government. Integrating the action plans of the departments through performance contracts can be a way of checking the consistency of decisions taken at decentralized levels.

2.6 Improved Creativity

Today, creativity forms the core activity of a growing section of the global economy capitalistically generating (generally non-tangible) wealth through the creation and exploitation of intellectual property or through the provision of creative services and products. The creativity is becoming a more integral part of industrialized nations' economies.

Fields such as science and engineering have, by contrast, experienced a less explicit (but arguably no less important) relation to creativity (Simonton, 1999). Accounting has also been associated with creativity with the

popular euphemism creative accounting. Although this term often implies unethical practices, Amabile (1998) has suggested that even accounting profession can benefit from the (ethical) application of creative thinking. He further, argued that to enhance creativity in business, three components were needed: expertise (technical, procedural and intellectual knowledge), creative thinking skills (how flexibly and imaginatively people approach problems) and motivation (intrinsic motivation). Nonaka (1991) examined several successful Japanese companies, similarly saw creativity and knowledge creation as being important to the success of organizations. In particular, he emphasized the role that tacit knowledge has to play in the creative process.

Because creativity and proactivity are closely related behaviours (Unsworth and Parker, 2003) and because individuals can gain positive self-regard, a feeling of competence and a sense of independence by solving work problems in a creative way, the creativity in an employee is hard to achieve with performance contract due to lack of independence in actions and target and in recognition of over performance.

2.7 Performance Contracting and Organizational performance

Successful stories of PC (OECD, 1999) show that Performance management strategies pursue three objectives namely, saving, internal management improvement through better services to customer and better accountability. The kingpin involved here is how to improve service delivery.

2.8 Research Gap

The objectives of performance contracts in the civil service include: improving service delivery to the public by ensuring that top-level managers are accountable for results, and in turn hold those below them accountable, reversing the decline in efficiency and ensuring that resources are focused on attainment of the key national policy priorities of the Government; institutionalizing performance oriented culture in the civil service through introduction of an objective performance appraisal system; measuring and evaluating performance; linking reward to measurable performance and strengthening and clarifying the obligations required of the Government and its employees in order to achieve agreed targets. Previous studies conducted on performance contracting have concentrated on implementation (Ogoye, 2002, Choke, 2006 and Langat, 2006) while one study has tackled the general impact of performance contracting in state corporations (Korir, 2006). However, no study has been done in Kenya so far to correlate performance contracting with performance. A knowledge gap therefore exists regarding the effect of performance contracting on performance of employees, that is, whether performance contracting increases the employees' performance.

3.0 METHODOLOGY

3.1 Research Design

Research design refers to the way the study is designed, that is, the road map to carry out a research. Descriptive research design was used with an aim of having information that can be used to generalize the information. The researcher used descriptive research design in this study. The target population was 961 Teaching and 1800 non-teaching staffs whose sample size was 276 randomly picked. Data was coded for the purpose of getting the respondent's views on the effects of performance contracting and descriptively analyzed data using the Statistical Package for Social Sciences (SPSS version 12.0).

4.0 Results and Discussions

4.1 Effect of performance contracting on the improvement of service quality at Kenyatta University

To determine the effect of performance contracting on the improvement of service quality at Kenyatta University, a 5-point likert scale was developed, where 1= strongly disagree, 2= disagree, 3=Not sure, 4=Agree and 5= strongly agree. To this effect, respondents were asked to affirm to their opinion, on a range of issues used as parameters for service quality, as illustrated in table 1 below.

Table1. Effect of performance contracting on the improvement of service quality at Kenyatta University

	N	Mean	Std. Deviation
Customer complaints have reduced	50	4.90	.303
Fewer reported losses in Mails	50	4.70	.463
Fewer reported losses in financial management	50	4.70	.463
Fewer reported losses in Procurement	50	4.72	.757
Reduced delays in services	50	4.10	1.147
Improved customer satisfaction rating index	50	4.14	1.107
Increase in customer compliments	50	4.10	1.147
Staff able to offer better services	50	3.98	.979
Faster queries are handled faster	50	4.30	1.055
Improved performance and service delivery in general	50	4.70	.463

From the above findings, it is evident that the performance contracting has improved overall performance and service delivery in general, with most respondents affirming to 'strongly agree', when asked on service delivery proxy questions, as seen in the table.

Questions included whether since the adoption of the performance contracting, there was: a reduction in customer complaints ($X=4.90$, $SD=.303$); fewer reported losses in Mails ($X=4.70$, $SD=.463$); fewer reported losses in financial management ($X=4.70$, $SD=.463$); fewer reported losses in Procurement ($X=4.72$, $SD=.757$); reduced delays in services ($X=4.10$, $SD=1.147$); improved customer satisfaction rating index ($X=4.14$, $SD=1.107$); increase in customer compliments ($X=4.10$, $SD=1.147$); staff able to offer better services ($X=3.98$, $SD=.979$); faster queries are handled faster ($X=4.30$, $SD=1.055$) and improved performance and service delivery in general ($X=4.70$, $SD=.463$).

It can therefore be concluded from the findings above that performance contracting indeed increases service delivery in institutions, as overwhelmingly attested to by the findings, and greatly so, going by the respondents' high levels of agreement.

4.2 Influence of performance contracting on the improvement of efficiency at Kenyatta University

As a proxy for improvement in efficiency at Kenyatta University, the performance incentive system as an efficiency motivator employed in the institution was assessed, in relation to its observable impacts since the adoption of the performance contracting. The findings to this affect are as displayed in table 2 below.

Table2. Influence of performance contracting on the improvement of efficiency at Kenyatta University

	N	Mean	Std. Deviation
More delegation of duties	50	4.38	1.105
Resulted in employee empowerment	50	3.72	1.310
Employees are being coached better	50	3.00	1.457
More training and staff development	50	4.44	.993
Enhanced appraisal system	50	4.44	.760
Better communication	50	3.60	1.278
Adequate compensation	50	4.30	1.199
Enhanced teamwork	50	4.60	.670
More transparent promotions	50	4.20	1.616

From the findings, performance contracting has greatly influenced efficiency at the university, with most respondents affirming to 'strongly agree', when asked on the impacts its adoption has had on efficiency related proxy questions, as seen in table 2 above.

Questions included whether since the adoption of the performance contracting, there was: more delegation of duties (X=4.38, SD=1.105); a result in employee empowerment (X=3.72, SD=1.310); employees were being coached better (X=3.00, SD=1.457); more training and staff development (X=4.44, SD=.993); enhanced appraisal system (X=4.44, SD=0.760); better communication (X=3.60, SD=1.278); adequate compensation (X=4.30, SD=1.199); enhanced teamwork (X=3.60, SD=.670) and more transparent promotions (X=4.20, SD=1.616)

It therefore goes that performance contracting indeed increases overall efficiency in institutions, as overwhelmingly attested to by the findings, and to a great extent at that, as can be concluded from the findings above, by the high levels of agreement from the respondents.

4.3 Performance contracting and improvement of effectiveness at Kenyatta University

From the 5-point scale, standards and performance targets as well as the monitoring and evaluation aspect of performance contracting, crucial in ensuring organization systems' effectiveness, with regard to the changes observed since the adoption of the performance contracting system were used as proxies for improvement in effectiveness at Kenyatta University. The findings to this affect are as displayed in table 3 below.

4.4 Performance contracting and the influence on standards and performance targets at Kenyatta University

Standards and performance targets applied at Kenyatta University and the observable change on the same since the adoption of performance contracting was employed by the study as a proxy for the institution's effectiveness. Questions were generated with a view to defining the influence the relationship and findings presented in table 4 below.

Table4 Performance contracting and the influence on standards and performance targets as a measure of effectiveness at Kenyatta University

	N	Mean	Std. Deviation
Clearer goals and objectives	50	4.70	.463
Tasks are prioritized	50	4.40	.495
Participatory standards and performance targets	50	4.42	1.052
Clearer Standards and performance targets	50	3.84	1.235
Achievable standards and performance targets	50	3.86	1.262
Clear linkage between strategic plan, work plan implementation and target implementation	50	4.40	.926

From the findings, performance contracting has greatly improved effectiveness at the university, as attested to by most respondents affirming to ‘strongly agree’, when asked on standards and performance targets as impacted upon by performance contracting as determinants of effectiveness as seen in table 4 above.

Questions included whether since the adoption of the performance contracting: Clearer goals and objectives are formulated ($X=4.70$, $SD=.463$); tasks are prioritized ($X=4.40$ $SD=.495$); participatory standards and performance targets ($X=3.00$, $SD=1.457$); more training and staff development ($X=4.42$, $SD=1.052$); clearer Standards and performance targets ($X=3.84$, $SD=1.235$); achievable standards and performance targets ($X=3.86$, $SD=1.262$) and clear linkage between strategic plan, work plan implementation and target implementation ($X=4.40$, $SD=.926$).

The study can thus conclude that performance contracting indeed greatly influences institutions’ standards and performance targets, an important proxy in determining organizations’ effectiveness, as overwhelmingly attested to by the findings, going by the high levels of agreement from respondents across the departments.

4 Performance contracting and the influence of monitoring and evaluation on effectiveness at Kenyatta University

Monitoring and evaluation aspect of performance contracting at Kenyatta University since its adoption was employed by the study to assess the institution’s effectiveness. Questions were generated with a view to defining the influence this has had on the institution’s effectiveness and the findings presented in table 5 below.

Table5 Monitoring and evaluation aspect of performance contracting and improvement in effectiveness at Kenyatta University

	N	Mean	Std. Deviation
Performance contract and evaluation tools are used adequately	50	4.32	.999
Methods of evaluation and on performance contracting are well understood	50	4.58	.859
There is continuous monitoring and evaluation	50	4.16	.792
Results of M&E are influenced by the appraiser	50	4.50	.839
Evaluation system is fair to all	50	4.20	.881
There is feedback of M&E results	50	4.28	.970

From the findings, performance contracting has also greatly improved effectiveness at the university, going by the affirmation of most of the respondents to ‘strongly agree’, when asked questions directed at determining whether monitoring and evaluation had in any way improved effectiveness in the institution with the advent of performance contracting. This is seen in table 5 above.

Questions included whether since the adoption of the performance contracting: Performance contract and evaluation tools are used adequately ($X=4.32$, $SD=.999$); methods of evaluation and on performance contracting are well understood ($X=4.58$ $SD=.859$); there is continuous monitoring and evaluation ($X=4.16$, $SD=.792$); more training and staff development ($X=4.42$, $SD=1.052$); clearer Standards and performance targets ($X=3.84$, $SD=1.235$); Results of M&E are influenced by the appraiser ($X=4.50$, $SD=.839$); evaluation system is fair to all, ($X=4.20$, $SD=.881$) and there is feedback of M&E results ($X=4.28$, $SD=.970$).

The study therefore deduces that monitoring and evaluation in performance contracting indeed greatly improves institutions’ effectiveness. This is justified by the high levels of agreement from respondents across the departments.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

The study, through its main objective sought to evaluate the performance contracting on organization performance, with reference to Kenyatta University. To this end, the effect of performance contracting on the improvement of service quality at Kenyatta University was evaluated; the influence of performance contracting on the improvement of efficiency at Kenyatta University assessed and a determination of whether performance contracting improves effectiveness at Kenyatta University made.

Males were found to be the most dominant gender in various across the positions in the various departments in the university. A majority of the respondents are also diploma holders, closely followed by single degree holders then post graduates and certificate holders a distant fourth. All of whom indicating certificate education level. With all the other departments having an average of 10% representation, majority of the respondents were from the academic affairs department, which is reasonable considering the academic nature of activities in a university. A majority of the respondents have further served in the institution for a period of between 6 to 10 Years. This is followed by the 0-5 Years category, then 11-15 and 26-30Yyears categories respectively. With the majority having served for at least 5 years, the data collected can be deemed reliable, with respect to assessing the relationship between the variables over the years.

A key finding is also that, most of respondents were either in the top or middle level management, which is to the advantage of the study, considering resourceful aspect of the positions as regards the state of affairs, crucial to the study.

Performance contracting was found to have improved overall performance and service delivery in the university, with most respondents affirming to 'strongly agree', when asked on service delivery proxy questions.

From the findings, performance contracting has also greatly influenced efficiency at the university, with most respondents affirming to 'strongly agree', when asked on the impacts its adoption has had on efficiency related proxy questions.

Performance contracting was also found to have greatly improved effectiveness at the university, as attested to by most respondents affirming to 'strongly agree', when asked on standards and performance targets as impacted upon by performance contracting as determinants of effectiveness.

Improved effectiveness at the university was also established, going by the affirmation of most of the respondents to 'strongly agree', when asked questions directed at determining whether monitoring and evaluation had in any way improved effectiveness in the institution with the advent of performance contracting.

5.2 Conclusion

With the data reliability ascertained, the study hereby conclusively deduces that performance contracting improves organization performance.

The study also concludes from the findings that performance contracting indeed increases service delivery in institutions, as overwhelmingly attested to by the findings, and greatly so, going by the respondents' high levels of agreement.

It is also the study's conclusion that performance contracting indeed increases overall efficiency in institutions, as overwhelmingly attested to by the findings, and to a great extent at that, going by the high levels of agreement from the respondents.

It also goes that performance contracting indeed greatly influences institutions' standards and performance targets, an important proxy in determining organizations' effectiveness, as overwhelmingly attested to by the findings, going by the high levels of agreement from respondents across the departments.

The study also deduces that monitoring and evaluation in performance contracting indeed greatly improves institutions' effectiveness. This is justified by the high levels of agreement from respondents across the departments.

From the two last conclusions, the study establishes that performance contracting improves institutions' overall effectiveness.

5.3 Recommendations

Since the findings of this survey study ascertained that implementation of the strategy of performance contracting improves the performance of public institutions, the researcher made the following recommendations that will lead to the improvement of the strategy and its application. From the foregoing, the study recommends the following performance contracting aspects as gaps identified from the study:

To improve service delivery in public institutions, there is need to ensure that top-level managers are accountable for results, and in turn hold those below them accountable

A reversal of the decline in efficiency and ensuring that resources are focused on attainment of the key national policy priorities of the Government

Institutionalizing performance oriented culture in the civil service through introduction of an objective performance appraisal system

Development of Reward/Sanction System: Experience from other countries practicing a similar system indicates that performance contracts succeed better where a reward suction application is in place. A Performance Incentive/Sanction System should therefore be developed for rewarding the good performers and punishing non-performers depending on the actual achievements of individuals as per the evaluation results. This would encourage individual public officers to perform well and also discourage poor performance in general. This will link reward to measurable performance and strengthening and clarifying the obligations required of the Government and its employees in order to achieve agreed targets

Establishment of Legal Framework to institutionalise Performance Contracting: There is need to establish a legal framework by legislating and entrenching in the laws of Kenya in order to ensure sustainability. The existing legal and institutional framework that guides the operations of public institutions should be reviewed to include the requirements that all public should be placed on performance contracts.

Benchmarking for continual improvement: For continual improvement of the strategy of performance contracting, the implementation of performance contracting in Kenya should incorporate experiences and lessons learnt during the previous periods since the beginning of implementation of PCs in order to improve the process. In addition, benchmarking with other similar modern management practices in the rest of the world should be undertaken to ensure that the new strategy of adopted by the Government of Kenya to improve the performance of its public institutions keeps abreast with the best management practices internationally.

Capacity Building on PCs: Since performance contracting is a new strategy adopted by the Government of Kenya, to improve the performance of its public institutions, not all the Government employees are well conversant with its implementation. There is therefore a need for the Government to build capacity by training all its public officers at all levels on performance contracting for effective implementation and cascading of performance contracts to lower levels.

Cascading of PCs to lower levels: The process of performance contracting should be cascaded to all levels of the public intuitions. This is because the overall performance of an institution is the responsibility of all the employees in the organization and not only the top management who according to the currently arrangements are the only ones who sign performance contracts. This will ensure that every employee is involved in achieving the targets for the entire organization.

5.4 Suggestions for further studies

In the Kenyan public service, gaps or areas of further research that may provide more insights on the successes and challenges and lessons learned from PC include the following:

- i. Public servants perceptions on the role of PC in improving service delivery, is needed to unravel a relationship between perceptions and behaviour. This can lead to further studies.
- ii. There is a need to establish if customers perceive service delivery improvements since the inception of PC in other ministries and institutions. Results of such a study would confirm if the objectives of implementing PC are being achieved and if so to what extent.
- iii. Role of Results Office in the implementation of PC. Such investigations would reveal the strength of the secretariat in leading the implementation of PC in all the ministries.
- iv. Assessment of legal and regulatory environment to find out the extent to which it facilitates or inhibits implementation of PC in Kenya.
- v. Investigation of the extent to which State Corporations and the Ministries are in implementing the PC. The differences in the successes or failure in State corporation and Ministries would be an interesting area to explore to gain insights into factors that enhance or inhibit the implementation of PC in the public service.

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