

Influence of Performance Contracting on Customer Satisfaction in Public Universities, Kenya

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Abstract

The Government of Kenya introduced Performance Contracting (PC) in the public service as one of the tools to improve service delivery. The public service is confronted with many challenges that constrain customer satisfaction as an indicator of service delivery. The study was guided by the following objective: To evaluate the effectiveness of performance contracting on customer satisfaction in the public universities in Kenya. The study was based on the assumption that all the respondents were aware of the government policies on performance contracting in public universities. The study used descriptive survey research design and the target population for the study was 132,021 subjects comprising of 84,290 students, 15,937 academic staff, 31,789 non-teaching staff and 05 directors of performance contracting in the five public universities. For a population of 132,016 subjects, a normal sample size of 384 respondents was appropriate for the study but 507 respondents were used to take care of attrition. Purposive sampling was used to select the directors of performance contracting and simple random sampling and stratified sampling to select academic staff, nonacademic staff and students. Questionnaires for the staff and students and interview schedule for director performance were used for data collection. Piloting of the instruments was done in three public universities which had similar characteristics with the sampled universities. Reliability of the instruments results was tested using split half technique and Cronbach formula was used to compute reliability. Reliability coefficient of the academic staff, non-academic staffs, directors of performance contracting and students were found to be, 0.81, 0.78, 0.73 and 0.79 respectively. Data was analyzed with the help of Statistical Package for Social Sciences version 18. Descriptive statistics used for data analyses were mean and standard deviation and inferential statistics used was Pearson's Product Moment Correlation and regression analysis. The study achieved a response rate of 93%. The study established a positive correlation between the effectiveness of performance contracting and customer satisfaction with $r=0.588$ from the staff respondents and $r=0.468$ from students respondents. Therefore, the study concludes that there is a strong positive association between performance contracting and customer satisfaction in the public universities in Kenya. The study recommended that the public universities should reward staff that performs well as part of customer satisfaction. The findings of the study could be significant to policy makers in performance contracting to come up with improved models of improving customer satisfaction in public sector and public universities. The study could also provide university management with data that can help strengthen customer satisfaction in universities.

Keywords: Performance Contracting, Customer Satisfaction

Background to the Study

The primary development goal for any country is to achieve broad-based, sustainable improvement in the standards and the quality of life for its citizens (GOK, 2010). This can be achieved by effective and quality delivery of services by the human resource in various public and private institutions (Kobia & Mohammed, 2006). As part of service delivery management, performance contracting is a central element of new public service management, which is a global movement reflecting liberation management and market-driven management. Liberation management means that public sector managers are relieved from a plethora of cumbersome and unnecessary rules and regulations, which usually hinders quick decision making in the organization (Gianakis, 2002). The debate in the public sector has been more complex than just increasing the effectiveness of strategic management systems and narrowing the gap between ambitious strategies and annual planning. The main concern has been to improve external accountability, improve customer satisfaction and increase internal efficiency and effectiveness at the same time. In particular, performance contracting is seen as a tool for improving public budgeting, promoting a better reporting system and modernizing public management while enhancing efficiency in resource use and effectiveness in service delivery (Greiling, 2006). Performance contract system originated in France in the late 1960's and has been used in about 30 developing countries in the last fifteen years, including India, Pakistan and Korea (OECD, 1997). It has been adopted in developing countries in Africa, including Nigeria, Gambia, Ghana and now Kenya (Kobia and Mohamed, 2006). Performance contract gained more strength when they were introduced in the United States as part of Government Performance and Results Act (GPRA) of 1993. Performance contracts in the United Kingdom were introduced by Margaret Thatcher as part of the creation of Next Step Agencies. Today, performance contracts are used in all British government agencies serving under public service agreements. Performance contracting is a freely negotiated performance agreement between the government acting as the owner of public agency on one

hand and the management of the agency on the other hand (GOK, 2010).

In Kenya, the concept of performance contracting was first introduced in the management of State Corporations in 1989 and was adapted to reform public institutions that previously performed poorly out of the need to enhance their performance (Muthaura, 2007). To this effect, a Parastatal Reform Strategy paper was approved by Cabinet in 1991 as a first official recognition of the concept of performance contracting (reform strategy paper of 1991). Among the policies that were recommended to streamline and improve the performance of state corporations were: divestiture or liquidation of nonstrategic parastatal, contracting out commercial activities to the private sector, permitting private sector competition with existing state monopolies, and improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objects as depicted by Economic Commission of Africa (ECA) (2003 December); Blomqvist and Stanley (2000). In 2003, the government re-introduced performance contracts. The initiative to reintroduce performance contracts in Kenya 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 that is Performance Steering Committee. The steering committee made a decision to introduce performance contract in state corporations on a pilot basis in 2004. Sixteen state corporations signed performance contracts by December, 2004. The criteria for selecting the pilot companies included representation of diverse sectors and corporations with strategic plans (Republic of Kenya, 2006 December). Following success in implementing performance contract in state corporations, the government extended the process to public service, beginning with permanent secretaries and accounting officers. Further, in April, 2005, the Government decided to place the management of 175 Local Authorities on performance contract (Republic of Kenya, 2009). It is within this context that the Kenyan Government introduced performance contract as a management tool for measuring performance against negotiated performance targets (GOK, 2003). To ensure that standards of the quality life are achieved, performance contracting use has been acclaimed as an effective and promising means of improving the services like customer satisfaction in public sector all over the world (GOK, 2010). The expected outcomes of the introduction of Performance Contracts in Kenya included: improved efficiency in service delivery to the public by ensuring that holders of public office are held accountable for results; improvement in performance and efficiency in resource utilization and ensuring that public resources are focused on attainment of the key national policy priorities; institutionalization of a performance-oriented culture in the Public Service; ability to measure and evaluate performance; ability to link reward for work to measurable performance; instilling accountability for results at all levels in the Government; ensuring that the culture of accountability pervades all levels of Government; reduction or elimination of reliance on Exchequer funding by Public Agencies; ability to strategize the management of public resources; recreating a culture of results-oriented management in the Public Service (GoK, 2010).

Obong'o (2009) notes that the general public and even high ranking public servants have embraced the idea of performance contracting and measuring performance as it has developed a culture of professionalism, competitiveness, innovation and target setting. On the negative side, Obong'o (2009) notes that despite the signing and evaluations of performance contracts between the respective public agencies with the government of Kenya, the culture of non-performing, poor service delivery, lack of accountability and inefficiency is fighting back to resist the performance contracting reform in many state corporations. No studies have been done to evaluate the effectiveness of performance contracting on customer satisfaction in public universities. It is against this background that the need arises for a research to evaluate the effectiveness of performance contracting on customer satisfaction in public universities in Kenya.

Statement of the Problem

The government of Kenya is tasked with the responsibility of providing quality services to its citizens. To achieve quality service delivery, the government has initiated major reforms in the public sector where all the public universities were put on performance contracts as one of the current reform measures. Despite the gains anticipated with the introduction of performance contracting as a new approach to organizational performance in public universities, concerns are raised on effectiveness of performance contracting on service delivery. The concern on service delivery in public universities is on customer satisfaction. This study therefore, was designed to establish the effectiveness of performance contracting on customer satisfaction in public universities in Kenya.

Objectives

To evaluate the effectiveness of performance contracting on customer satisfaction in the public universities in Kenya.

Hypotheses

H₀1: There is no statistically significant relationship between performance contracting and customer satisfaction in public universities in Kenya.

Conceptual Framework

The conceptual framework of the study was developed based on the literature review. In this study effectiveness of performance contracting was hypothesized to cause improvement customer satisfaction either directly or indirectly through interaction with the intervening variables.

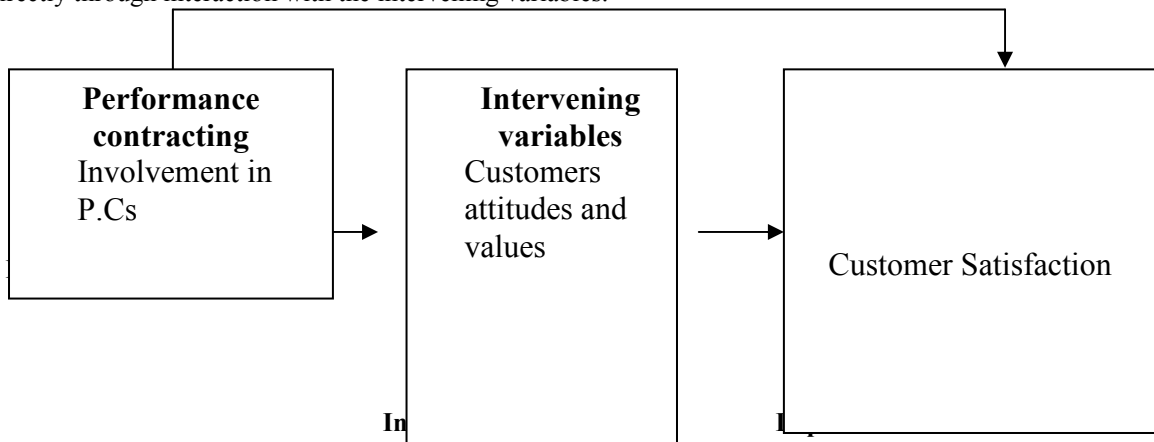


Figure 1: Performance Contracting on Customer Satisfaction

This study conceptualizes performance contracting as the independent variable which impacts on the dependent variable, customer satisfaction. In this study, the indicators that show effectiveness in the performance contracting process was involvement in performance contracting by staff and students and influenced the dependent variable, customer satisfaction. The intervening variables were controlled by randomization. It was expected that performance contracting would lead to improved customer within the public universities in Kenya.

Methodology

This study adopted a descriptive survey research design. Descriptive survey research design is used in preliminary and exploratory studies to allow researchers to gather information, summarize, present, and interpret for the purpose of clarification (Mugenda & Mugenda, 2003). The target population for the study was 132,016 subjects which consisted of 15,937 academic staff, 31,789 non-teaching staff, 07 head of performance contracting and 84,290 students. The researcher used a sample size of 507 for the study to take care of attrition and to enhance representativeness of the sample to the population. The researcher used random sampling to select 5 universities from the public universities. The staff were stratified into various strata and selected through simple random sampling to attain the required sample size. Through simple random sampling 60 academic staff, 120 non-academic staff and 320 students were selected and proportionally distributed in the 5 universities. Purposive sampling was used to select the head of performance contracting in the universities. The instruments that were used for data collection were the questionnaires and interview schedule. The research instruments were piloted in 3 of the public universities that have similar characteristics like the other public universities in Kenya. To validate the instruments the researcher checked on the content validity and face validity. Validity of the research instruments was ensured by the supervisors who gave expert judgment and were competent in research techniques and performance contracting process.

Results and Discussion

The study sought to establish the effectiveness of performance contracting in on customer satisfaction in the Public Universities. Table 1 summarizes the results from staff respondents:

Table 1:
Performance Contracting and Customer Satisfaction

P.C Activities	N	Mean	Std. Deviation
Remuneration	145	3.14	1.275
Promotion	156	2.67	1.302
Training and development	156	2.94	1.321
Staff retention	155	3.23	1.288
Assess fulfillment	156	3.15	1.243
Customer care	152	3.03	1.245
Customer complains	150	3.13	1.239
Handling of customers	154	3.18	1.212
Timely promotion	151	2.77	1.328
Communication channels	153	3.26	1.185
Effective collaboration	154	3.08	1.160
Accessibility of the senior managers	153	3.22	1.273
Accountability of my performance	155	3.20	1.266
Space to express my work frustrations	155	2.77	1.236
Reward system	150	2.61	1.441
Courtesy of the front office staff	152	3.16	1.298
Quickness of service delivery	156	3.32	1.175
Competency	146	3.29	1.227
Quality service delivery	156	3.13	1.265
Product and services	152	3.01	1.201
Conflict resolution	156	3.06	1.273
Mean	153	3.07	1.260

Source: Primary Data

The results in Table 1 shows that the overall mean score for the effectiveness of performance contracting on customer satisfaction was ($M=3.07$, $S.D=1.26$). For customer satisfaction to be high the actual expectations must be met which implies that customer is an important measure of service delivery. The study revealed that majority of the public universities had competent front office staff as indicated by ($M=3.29$, $S.D=1.227$) and this confirmed the findings that the front office staff were courteous as indicated by ($Mean=3.16$, $S.D=1.298$). The findings of the current study are in line with the findings of Obongo (2009) that the competency of front office staff not only makes customer satisfied but also improves service delivery in an institution. Table 8 shows that performance contracting was effective to a small extent in staff promotion and reward system in public universities as indicated by the lowest score of ($Mean=2.67$, $S.D=1.302$) and ($Mean=2.61$, $S.D=1.441$) respectively. The study further found out that majority of the staff respondents that performance contracting was effective to a small extent in improving staff training and development in the public universities as indicated by ($Mean=2.94$, $S.D=1.321$). However, the study revealed that performance contracting was effective as shown Table in improving the quickness of service delivery and staff retention in the public universities.

The study further sought the students' responses on the effectiveness of performance contracting in on customer satisfaction in the public universities. The responses obtained are indicated in Table 2:

Table 2:
Performance Contracting and Customer Satisfaction

PC Activities	N	Mean	Std. Deviation
Hostel facilities	304	3.14	1.298
Catering facilities	301	3.64	.882
Sanitation	298	3.05	1.249
Safety measures	299	2.99	1.222
Health care	304	3.78	1.117
Learning resources	299	2.84	1.229
Recreation facilities	302	3.59	1.125
Student council	304	3.21	1.217
Laboratories	292	3.60	1.062
Education trips	301	2.78	1.330
Industrial attachment	301	3.22	1.163
Rules and regulations	302	3.64	1.135
Data collection	304	3.02	1.284
Customer care desk	304	3.12	1.333
Customer complaints	299	2.99	1.326
Communication channel	298	3.02	1.318
Collaboration	299	3.07	1.251
Accessibility	301	2.73	1.295
Expressing	299	2.84	1.399
Reward system	301	2.73	1.291
Courtesy	304	2.73	1.276
Quickness	304	3.12	1.291
Competency	304	3.30	1.123
Quality services delivery	304	3.42	1.160
Products and services	304	3.40	1.104
Conflict Resolution	304	3.17	1.345
Mean	301	3.25	1.224

Source: Primary Data

The results in Table 2 yield an overall mean score of 3.25. The overall mean score of 3.25 (Neutral) shows that the effectiveness of performance contracting in improving the students' satisfaction was average in the public universities in Kenya. Health care facilities had the highest mean score (Mean=3.78, S.D=1.117). This shows that public universities that with the introduction of performance contracting the health care facilities' in have improved. The lowest mean score was noted on the reward system in public universities with the mean score (Mean=2.73, S.D=1.295). The study also revealed that performance contracting was effective in improving the hostel facilities as indicated by mean score of (Mean=3.14, S.D=1.298) as well as catering and sanitation facilities as indicated by mean scores of (Mean=3.64, S.D=.882) and (mean=3.05, S.D=1.249). The findings of the current study are consistent with the findings of Uwheraka (2005) that stability of resources enhances the motivating effect of performance contracts hence improving service delivery. When resources are not available the staff and students service delivery gets frustrated and hindered. From Table 2 the study further revealed that performance contracting was to a small extent effective in ensuring that students had educational trips in the public universities as indicated by mean score of (Mean=2.78, S.D=1.330). The results suggest that there is need to improve on academic field trips for the university students as supported by a study by DeWitt and Storksdieck (2008) that demonstrated that field trips can be designed to more effectively support student learning. Field trips work best when they provide support for students to explore in a personally meaningful way. Learning in field trips is impacted by many factors. The study revealed that performance contracting has effectively improved the quality of service delivery in the public universities as indicated by mean score of (Mean=3.42, S.D=1.160). The findings of the current study are in agreement with the study by Obongo (2009) who argued that performance contracting has played a role in influencing employees' behavior positively towards expected or pattern of outcomes. This is a pointer to the fact that performance contracting has played a role in enhancing service delivery in public universities.

Correlation analyses using Pearson Product Moment Correlation Coefficient technique was used to

establish the relationship between performance contracting and customer satisfaction, Table 3 summarizes the staff results.

Table 3:
 Correlation Analysis Results for Staff

		Performance contracting	Customer satisfaction
Performance contracting	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	161	
Customer satisfaction	Pearson Correlation	.588**	1
	Sig. (2-tailed)	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

The results in Table 3 indicates that the relationship between performance contracting and customer satisfaction is fairly strong, positive and statistically significant ($r = 0.588$, $p\text{-value} = .000$). Similarly, the relationship between performance contracting and accountability was moderate and statistically significant ($r = 0.401$, $p\text{-value} = .000$). The relationship between performance contracting and efficiency in service delivery was also moderate, positive and statistically significant ($r = 0.449$, $p\text{-value} = .000$). Generally, the findings from this study reveal that performance contracting significantly influences service delivery in the public universities in Kenya.

Table 4:
 Correlation Analysis Results for Students

		Performance Contracting	Customer Satisfaction
Performance Contracting	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	301	
Customer Satisfaction	Pearson Correlation	.468**	1
	Sig. (2-tailed)	.000	
	N	301	304

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The results in Table 4 indicates that the relationship between performance contracting and customer satisfaction is moderate, positive and statistically significant ($r = 0.468$, $p\text{-value} = .000$). Similarly, the relationship between performance contracting and efficiency was moderate, positive and statistically significant ($r = 0.322$, $p\text{-value} = .000$). The relationship between performance contracting and feedback was also moderate, positive and statistically significant ($r = 0.262$, $p\text{-value} = .000$) and the relationship between performance contracting and conflict resolution was also moderate, positive and statistically significant ($r = 0.204$, $p\text{-value} = .000$). Generally, the findings from this study reveal that performance contracting significantly influences service delivery in the public universities in Kenya. To establish the statistical significance of respective hypotheses simple regression analyses was conducted at 95% significance level. To assess the performance contracting and customer satisfaction relationship, the following hypotheses was tested:

H₀₁: There is no statistically significant relationship between performance contracting and customer satisfaction in public universities in Kenya. The results from staff are presented in Table 5:

Table 5:
 Regression Analysis of Performance Contracting on Customer Satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.369	.197		6.966	.000
Performance contracting	.519	.058	.588	9.012	.000
R-squared=34.5%		F-statistics=81.22(P-value=0.00)			

The results in Table 5 show that performance contracting had statistically significance in influence on customer satisfaction in the public universities in Kenya. It explained that 34.5% of the customer satisfaction variations are influenced by performance contracting. The regression coefficient value (composite Index) of performance contracting was 0.519 with a T-test of 9.012 and p-value of 0.000. This implies that an increase of performance contracting by one unit increases customer satisfaction by a factor of 0.519 and in addition, the overall significant of the model and F-value of 81.22 with a p-value of 0.00. This implies the goodness of the

model in establishing the relationship between effectiveness of performance contracting and customer satisfaction. The hypotheses that there is no statistically significant relationship between performance contracting and customer satisfaction is not supported by this study.

The regression equation to estimate the customer satisfaction was stated as follows:

$$C.S = 1.369 + 0.519P.C$$

Where: C.S= Customer Satisfaction, P.C= Performance Contracting, 1.369= Constant

0.519= An estimate of expected increase in C.S upon an increase in P.C

The study went further to establish from the students the relationship between performance contracting and customer satisfaction in public universities. The results from staff are presented in Table 6:

Table 6:

Regression Analysis of Performance Contracting on Customer Satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.254	.116		19.454	.000
Performance Contracting	.343	.038	.468	9.150	.000
F-Statistic=83.73(P-value=0.000)					
R-squared=21.9%					

The results in Table 6 show that performance contracting had statistically significance in influence on customer satisfaction in the public universities in Kenya. It explained that 21.9% of the student's customer satisfaction variations are influenced by performance contracting. The regression coefficient value (composite Index) of performance contracting was 0.343 with a T-test of 9.150 and p-value of 0.000. This implies that an increase of performance contracting by one unit increases customer satisfaction by a factor of 0.343 and in addition, the overall significant of the model and F-value of 83.73 with a p-value of 0.00. This implies the goodness of the model in establishing the relationship between effectiveness of performance contracting and customer satisfaction. The hypotheses that there is no statistically significant relationship between performance contracting and customer satisfaction is not supported by this study.

The regression equation to estimate the students' customer satisfaction was stated as follows:

$$C.S = 2.254 + 0.343P.C$$

Where: C.S= Customer Satisfaction, P.C= Performance Contracting, 2.254=Constant

0.343= An estimate of expected increase in C.S upon an increase in P.C

Conclusions

Based on the findings of the current study, the following conclusions are made:

The findings showed that with the introduction of performance contracting in the public universities, performance contracting has been significantly effective in improving customer satisfaction. From the findings of the study, performance contracting explains positive variations in the improvements of customer satisfaction in public universities in Kenya

Recommendations

Based on the findings the study recommends that the universities should improve on the reward systems to the best staff and students performers and best performed sections, develop structured and timely promotion criteria and have active customer complains handling systems. This would probably enhance customer satisfaction hence improvement on service delivery in the public universities in Kenya

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