

# Influence of Performance Contracting on Conflict Resolution 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  $r=0.403$  from the staff respondents and  $r=0.204$  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, Conflict Resolution

## INTRODUCTION

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 accounting for quality service delivery 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. The main concern in the countries has been to improve external conflict resolution and increase internal efficiency and effectiveness at the same time. In Canada the government's approach to performance contracting and management were rooted in early 1990's expenditure management systems designed to account and cut costs during a period of budget deficits (Kamonche, 1997) and in France they were first introduced in the Directorate General for Taxes (DGI) specifically designed to respond to two main concerns (Kiragu, 2002). First, as tools meant to ensure consistency in a decentralized context and second, as tools to enhance pressure on the entire services network in order to account and on improve performance. The fundamental principle of performance contracting is the devolved management style where emphasis is management by outcome rather than management by process (RBM Guide, 2005).

Public services in many African countries are confronted with many challenges, which constrain their conflict resolution on service delivery capacities (Leinart, 1997). They include the human resource factor, relating to shortages of the manpower in terms of numbers and key competencies, lack of appropriate mindsets, and sociopsychological dispositions. There is also the perennial problem of the shortage of financial and material logistics that are necessary to support effective service delivery. On the other hand, the gradual erosion of the ethics and conflict resolution has continued to bedevil the public sector in delivering public services to the people effectively. Public sector reforms meant to address these challenges have achieved minimal results

(AAPAM, 2005). This gives the gap for this study to establish the influence of performance contracting on conflict resolution on service delivery in public universities in Kenya as part of public sector.

In Kenya's context 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). The performance contract specifies the mutual performance obligations, intentions and responsibilities of the two parties. It organizes and defines tasks so that management can perform them systematically, purposefully and with reasonable probability of achievement. These also assist in developing points of view, concepts and approaches to determine what should be done and how to go about doing it. The expected outcome of the introduction of the performance contracts in Kenya included improved service delivery, improved efficiency in resource utilization, institutionalizing of a performance oriented culture in institutions of higher learning, measurement and evaluation of performance, linking rewards and sanctions to measurable performance, retention or elimination of public agencies on exchequer funding, instilling conflict resolution for results at all levels and enhancing performance in institutions of higher learning. These government initiatives lack the performance information system, comprehensive evaluation system and performance incentive system (GOK, 2005).

Conflict resolution involves both the political justification of decisions and actions, and managerial answerability for implementation of agreed tasks according to agreed criteria of performance (GOK, 2005). Conflict resolution is about those with authority being answerable for their actions to the citizens, whether directly or indirectly, and managerial conflict resolution is about making those with delegated authority answerable for carrying out agreed tasks according to agreed criteria of performance (Hope, 2002). The interest in conflict resolution within public sector reform is a desire to make public sector staff more accountable for their decisions and actions. In more detail, this means that some set of recipients receive information about the outcomes of decisions made by identified individuals who are source decision-makers; those sources can be made to explain their decisions; and some sanctions can be imposed if the explanations are unsatisfactory (Therkildsen (2001). Performance contracting is expected to increase conflict resolution because clear and explicit managerial targets, combined with managerial autonomy and incentives to perform, make it easier to establish the basis for managerial conflict resolution and to achieve outputs (Hills & Gillespie, 2006; Lane, 2005). According to Therkildsen (2001), this in turn increases conflict resolution by making it easier for managers to match targets with political priorities. Politicians can, in turn, hold managers accountable for their performance, and also performance targets can make service provision more transparent to customers. In this line of reasoning, increased transparency and explicit performance targets are further steps toward better control and conflict resolution of the bureaucracy (Forje, 2009). It is a means of getting results from individuals, teams and the organizations at large, and allows for the development of indicators against which performance can be later measured. Performance management systems are currently in place in Botswana, Ghana, South Africa and Uganda. Performance contracts or agreements specify standards of performance or quantifiable targets which a government requires public officials or the management of public agencies or ministries to meet over a stated period of time (Salemi, 2007). As part of the performance orientation in government, the common purposes of performance contracting are to clarify the objectives of service organizations and their relationship with government, and to facilitate performance evaluation based on results instead of conformity with bureaucratic rules and regulations. The setting of specific performance targets, in a format that can be monitored, is intended to provide a basis for evaluating performance and improving conflict resolution in the public enterprise sector (Hope, 2001). Obong'o (2009) still notes that the general public in Kenya and even high ranking public servants has 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 conflict resolution and inefficiency is fighting back to resist the performance contracting reform in many state corporations. It is against this background that the need arises for a research to establish the influence of performance contracting on conflict resolution on service delivery in public un

### **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 influence of performance contracting on service delivery. The concern is on conflict resolution on service delivery in public universities. This study therefore, was designed to establish the influence of performance contracting on conflict resolution on service delivery in public universities in Kenya.

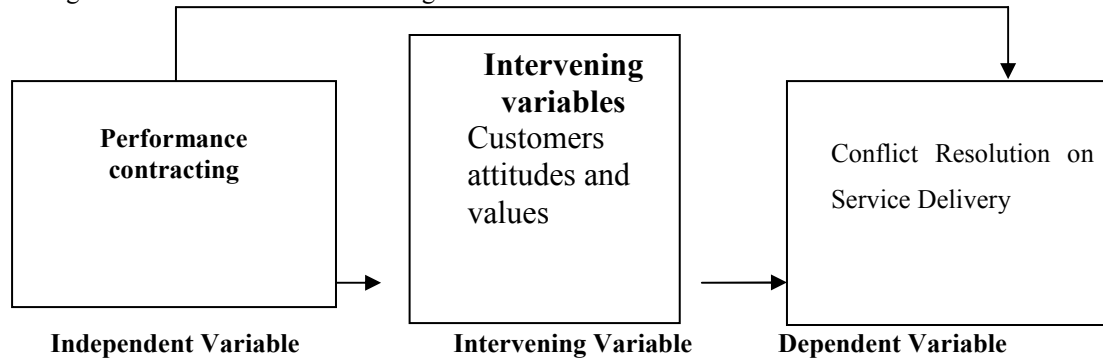
## Hypotheses

The following hypotheses guided the study:

**H<sub>01</sub>:** There is no statistically significant relationship between the performance contracting and conflict resolution on service delivery in public universities in Kenya.

## Conceptual Framework

The conceptual framework of the study was developed based on the literature review. In this study performance contracting was hypothesized to influence conflict resolution on service delivery either directly or indirectly through interaction with the intervening variables.



**Figure 1: Performance Contracting and Conflict resolution on Service Delivery**

This study conceptualizes performance contracting as the independent variable which impacts on the dependent variable, conflict resolution on service delivery. In this study, the indicators show that performance contracting process influenced the dependent variable, conflict resolution on service delivered in the public universities. The intervening variables were controlled by randomization. It was expected that performance contracting would lead to improved conflict resolution 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, 2009). 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

### Performance Contracting and Conflict Resolution on Service Delivery.

The study sought to establish from the staff the influence of performance contracting in addressing conflicts from various sources in the public universities. The findings obtained are revealed on the Table 1:

Table 1  
Staff Response on Performance Contracting and Conflict Resolution.

P.C Activities	N	Mean	Std. Deviation
Interpersonal	150	3.41	1.281
Organizational	148	3.61	1.047
Trends	150	3.30	1.116
Poor communication	144	3.23	1.321
Limited resources	148	3.31	1.319
Perception and values	148	3.23	1.305
Poor Performance	149	3.26	1.231
Competition	148	3.12	1.272
Goals and priorities	149	3.48	1.244
Delivery methods	150	3.28	1.306
Harassment	150	2.89	1.342
Mean	149	3.28	1.253

Source: Primary Data

The results in Table 1 reveals that the average mean score on influence of performance contracting on conflict resolution was 3.28, S.D=1.253. Resolving organizational conflicts had the highest mean score of 3.61, S.D=1.047 and resolving conflicts resulting from harassments had the lowest mean score of 2.89, S.D=1.342 while conflicts resulting from competition for supremacy had mean of 3.12, S.D=1.272. The findings of this study as shown in Table 10 shows that performance contracting influences resolving conflicts from various sources in public universities agree with the findings from the study by Lovelock (1994) who argued that complaint sources data are key in quality management efforts because they can be used to correct problems with service delivery and design which makes it more likely that performance will be done right the first time. The responses from the students are indicated in Table 2:

Table 2

Students Responses on Performance Contracting and Conflict Resolution

P.C Activities	N	Mean	Std. Deviation
Interpersonal	298	3.46	1.239
Organizational	296	3.54	1.125
Trends	295	3.26	1.142
Poor communication	295	3.63	1.184
Limited resources	292	3.53	1.159
Perception and values	298	3.28	1.168
Poor Performance	295	3.20	1.289
Competition for supremacy	298	3.23	1.221
Goals and priorities	287	3.00	1.236
Delivery methods	295	3.40	1.179
Harassment	298	3.09	1.387
Mean	295	3.33	1.212

Source: Primary Data

The results in Table 2 reveal that the average mean score from students respondents on influence of performance contracting on resolving conflicts was 3.33, S.D=1.212. Resolving conflicts resulting from poor communication had the highest mean score (mean=3.63, S.D=1.184) and resolving conflicts resulting from goals and priorities and harassments had the lowest mean score (mean=3.00, S.D=1.236) and (Mean=3.09, S.D=1.387) respectively. The results imply that the public universities are utilizing performance contracting as tool of management in resolving conflicts amongst the students. Further, a test was computed to establish the relationship between performance contracting and conflict resolution and the following hypotheses was tested:

**H<sub>01</sub>:** There is no statistically significant relationship between performance contracting and conflict resolution in public universities in Kenya.

Correlation analyses using Pearson Product Moment Correlation Coefficient technique was used to test the relationship between performance contracting and conflict resolution and Table 3 summarizes the staff results:

Table 3  
Correlation Analysis Results for Staff

		Performance Contracting	Conflict resolution
Performance Contracting	Pearson Correlation	1	.403**
	Sig. (2-tailed)		.000
	N	150	150

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

The results in Table 3 indicates that the relationship between performance contracting and conflict resolution is fairly strong, positive and statistically significant( $r=0.403$ ,  $p\text{-value}<0.05$ ). The findings reveal that performance contracting significantly influences conflict resolution on service delivery in the public universities in Kenya. The students' responses are indicated in Table 4:

Table 4  
Correlation Analyses Results for student

		Performance Contracting	Conflict resolution
Performance Contracting	Pearson Correlation	1	.204**
	Sig. (2-tailed)		.000
	N	301	295

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

The results in Table 4 indicates that the relationship between performance contracting and conflict resolution is fairly strong, positive and statistically significant( $r=0.204$ ,  $p\text{-value}<0.05$ ). The findings reveal that performance contracting significantly influences conflict resolutions on service delivery in the public universities in Kenya. The regression analyses results used for the prediction of variables are presented in Table 29:

Table 5  
Regression Analysis of Performance Contracting on conflict Resolution (Staff)

	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	1.957	.258		7.587	.000
Performance contracting	.403	.075	.403	5.363	.000

F-statistics=28.76(P-value=0.00)

R-squared=16.3%

The results in Table 5 show that performance contracting had statistically significance influence on conflict resolution in the public universities in Kenya. It shows that 16.3% of conflict resolution variations are influenced by performance contracting. The regression coefficient value (composite Index) of performance contracting was 0.403 with a T-test of 5.363 and  $p\text{-value}<0.05$ . This implies that an increase of performance contracting by one unit increases conflict resolution by a factor of 0.403 and in addition, the overall significant of the model and F-value of 28.76 with a  $p\text{-value} < 0.05$ . This implies the goodness of the model in establishing the relationship between effectiveness of performance contracting and conflict resolution. The hypothesis that there is no statistically significant relationship between performance contracting and conflict resolution is not supported by this study. The regression equation to estimate the customer satisfaction was stated as follows:

$$CR = 1.957 + 0.403P.C$$

Where  
 CR= Conflict resolution  
 P.C= Performance Contracting  
 1.957=Constant  
 0.403= An estimate of expected increase in CR upon increase in P.C

The results from students are presented in Table 6:

Table 6  
Regression Analysis of Performance Contracting on Conflict Resolution (student)

	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	2.835	.145		19.553	.000
Performance Contracting	.168	.047	.204	3.558	.000

F-Statistic=12.66(P-value=0.000)

R-squared=4.1%

The results in Table 6 show that performance contracting had statistically significance influence on conflict resolution in the public universities in Kenya. It shows that 4.1% of conflict resolution variations are influenced by performance contracting.

The regression coefficient value (composite Index) of performance contracting was 0.168 with a T-test of



3.558 and  $p$ -value $<0.05$ . This implies that an increase of performance contracting by one unit increases conflict resolution by a factor of 0.168 and in addition, the overall significant of the model and  $F$ -value of 12.66 with a  $p$ -value  $<0.05$ . This implies the goodness of the model in establishing the relationship between effectiveness of performance contracting and conflict resolution. The null hypothesis that there is no statistically significant relationship between performance contracting and conflict resolution was rejected. The study revealed that performance contracting influenced the variations on service delivery with a higher percentage on staff;  $R$ -squared=16.3% compared to  $R$ -squared=4.1% from the students. The regression equation to estimate the customer satisfaction was stated as follows:

$$CR = 2.835 + 0.168P.C$$

Where

CR= Conflict resolution

P.C= Performance Contracting

2.835=Constant

0.168= An estimate of expected increase in CR upon increase in P.C

## Conclusion

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

The findings showed that with the introduction of performance contracting as tool of management in the public universities it has significantly influenced conflict resolution on service delivery positively. From the findings of the study, performance contracting influences positive variations in the improvements on conflict resolution on service delivery. However, the findings of the study indicate that there are a number of challenges facing the performance contracting on conflict resolution service delivery that needs to be addressed in public universities.

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