

Influence of Performance Contracting on Efficiency on Service Delivery 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 efficiency on service delivery with $r = 0.449$ from the staff respondents and $r = 0.322$ from students respondents. Therefore, the study concludes that there is a strong positive association between performance contracting and efficiency on service delivery in the public universities in Kenya. The findings of the study could be significant to policy makers in performance contracting to come up with improved models of improving efficiency on service delivery in public sector and public universities. The study could also provide university management with data that can help strengthen efficiency on service delivery in universities.

Keywords: Performance Contracting, Efficiency, Service Delivery

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 efficiency on service delivery 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 efficiency on service delivery 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 efficiency on service delivery 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 efficiency on service delivery 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 efficiency on service delivery 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).

Efficiency on service delivery 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). Efficiency on service delivery is about those with authority being answerable for their actions to the citizens, whether directly or indirectly, and managerial efficiency on service delivery is about making those with delegated authority answerable for carrying out agreed tasks according to agreed criteria of performance (Hope, 2002). The interest in efficiency on service delivery 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 efficiency on service delivery because clear and explicit managerial targets, combined with managerial autonomy and incentives to perform, make it easier to establish the basis for managerial efficiency on service delivery and to achieve outputs (Hills & Gillespie, 2006; Lane, 2005). According to Therkildsen (2001), this in turn increases efficiency on service delivery 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 efficiency on service delivery 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 efficiency on service delivery 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 efficiency on service delivery 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 efficiency on service delivery on service delivery in public universities.

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 efficiency on service delivery in public universities. This study therefore, was designed to establish the influence of performance contracting on efficiency on service delivery in public universities in Kenya.

Hypotheses

The following hypotheses guided the study:

H₀₁: There is no statistically significant relationship between the performance contracting and efficiency 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 efficiency on service delivery on service delivery either directly or indirectly through interaction with the intervening variables.

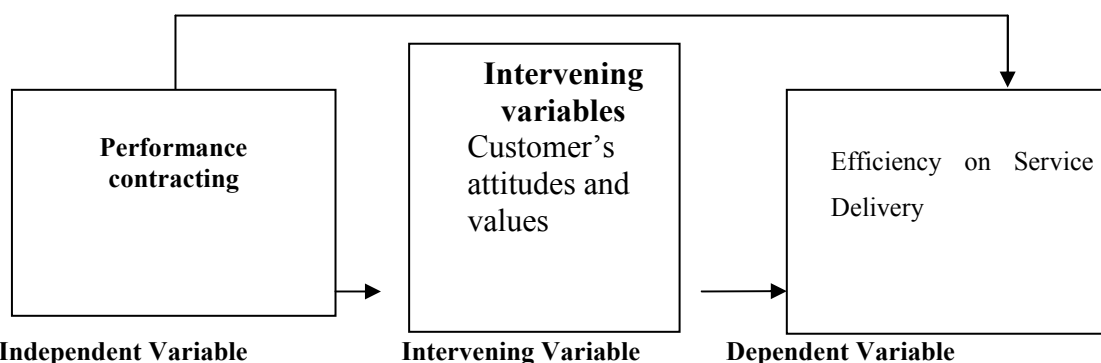


Figure 2: Performance Contracting and Efficiency on Service Delivery

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

Performance Contracting and Efficiency on Service Delivery

Efficient institutions provide good value for resources to customers in both quantitative and qualitative terms. An efficient institution must provide exceptional services within an appropriate cost structure (Lasthaus et al., 1999). Table 1 summarizes the study findings:

Table 1
Staff Responses on Performance Contracting and Efficiency

P.C Activities	N	Mean	Std. Deviation
Resolving complains	155	3.31	1.220
Performance Monitoring	154	3.54	1.061
Performance evaluation	153	3.48	1.125
Performance Feedback	150	3.44	1.096
Timeliness	152	3.60	1.056
Resource Utilization	149	3.31	1.224
Performance reporting	151	3.63	1.024
Research and extension services	147	3.51	1.049
Appraising	149	3.38	1.136
Procurement procedures	150	3.08	1.298
Communication	151	3.22	1.183
Signing contracts	152	3.13	1.259
Provision of ICT services	147	3.41	1.338
Cascading P.C	145	3.13	1.088
Availing Services	147	3.22	1.242
Availing Quality services	147	3.08	1.247
Mean Score	150	3.34	1.165

Source: Primary Data

The results in Table 1 shows that the overall mean score for the influence of performance contracting on efficiency in service delivery was mean=3.34 and S.D=1.165. Accounting for performance reporting and timelines had the highest mean score of 3.63, SD=1.024 and 3.60, SD=1.056 respectively. This implies that performance contracting influenced efficiency and responsive reporting of performance and keeping timelines by the university staff. Efficiency on procurement procedures and availing quality services had the lowest mean score of 3.08, SD=1.247 and 3.08, S.D=1.298 respectively. This may be attributed to by the long procurement procedures in public sector leading to inefficiency in provision of procurement services. In relation to the findings of this study in the public universities staff members are required to set and negotiate the performance targets with their supervisors who are required to efficiently monitor and evaluate the performance of their staff (GoK, 2010).

Table 2
Students Responses on Performance Contracting and Efficiency

P.C activities	N	Mean	Std. Deviation
Resolving student complains	295	3.17	1.210
Issuance of Transcripts	301	3.38	1.266
Evaluation, Appraisals	299	3.15	1.104
Feedbacks eg CATs.	301	3.43	1.119
Timeliness	298	3.71	.927
Utilization of resources	301	3.56	1.027
Registration	298	3.37	1.283
Examination management	298	3.54	1.161
Commitment to service delivery	298	3.26	1.136
Concern when in problems	292	3.02	1.269
Admission process	301	3.44	1.181
Communication	301	3.31	1.312
Feedback channels	293	3.07	1.223
ICT Services	298	3.62	1.067
Service availability	301	3.56	1.052
Service quality	301	3.48	1.130
Mean	299	3.38	1.154

Source: Primary Data

The results in Table 2 show that the average mean score for efficiency measure on service delivery was 3.38, SD=1.154. Individual responses of the efficiency indicators are varied with the highest score of efficiency on timelines (Mean=3.71, S.D=0.927) and the lowest mean score on the concern when in problems and feedback channels with (Mean=3.02, SD=1.269) and (Mean=3.07, SD=1.223) respectively. The study reveals that the respondents felt that performance contracting influences efficiency in keeping timeliness. The findings of the current study agree with the findings of Wang (2009) that for many students, time is their most precious resource. Making the most of the time they have enables students to be as efficient and successful as possible, leading a

balanced life of work and play. A clear understanding of time is required for students to manage their own time effectively, e.g plan long term projects, organize schedules etc. As such, time management skills are an important component of a student's success in school and beyond. The findings in Table 14 on efficiency on service delivery are also supported by findings of a study by Greiling, (2006) who argued that 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 efficiency on service delivery and increase internal efficiency in organizations.

To make inferences on the relationship between performance contracting and efficiency, the following hypotheses was tested:

H₀₁: There is no statistically significant relationship between performance contracting and efficiency on service delivery in public universities in Kenya.

Correlation analyses using Pearson Product Moment Correlation Coefficient technique was used to test the relationship between performance contracting and efficiency on service delivery. Table 3 summarizes the staff results:

Table 3

Correlation Analysis Results for Staff

		Performance Contracting	Efficiency
Performance Contracting	Pearson Correlation	1	.449**
	Sig. (2-tailed)		.000
	N	155	155

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

Table 3 shows the relationship between performance contracting and efficiency on service delivery was also moderate, positive and statistically significant ($r=0.449$, $p\text{-value}<0.05$). The finding supports the findings from a study by Kobia and Mohammed (2006) who found out that that performance contracting was part of the broader public sector reforms aimed at improving efficiency and effectiveness of service delivery in the public sector. The correlation analyses results from the students are indicated in Table 4:

Table 4

Correlation Analysis Results for Students

		Performance Contracting	Efficiency
Performance Contracting	Pearson Correlation	1	.322**
	Sig. (2-tailed)		.000
	N	301	301

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

Table 4 shows the relationship between performance contracting and efficiency was moderate, positive and statistically significant ($r=0.322$, $p\text{-value}<0.05$). The results implied that performance contracting influences efficiency on service delivery in the public universities in Kenya.

The regression analysis was computed to predict the variables on the relationship between performance contracting and efficiency. The results are presented in Table 5:

Table 5

Regression Analysis of Performance Contracting on Efficiency

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.054	.220		9.326	.000
Performance contracting	.401	.065	.449	6.222	.000

F-statistics=38.71(P-value=0.00)

R-squared=20.2%

The results in Table 5 show that performance contracting had statistically significance influence on efficiency in service delivery in the public universities in Kenya. It explained that 20.2% of efficiency variations are influenced by performance contracting. The regression coefficient value (composite Index) of performance contracting was 0.401 with a T-test of 6.222 and $p\text{-value} < 0.05$. This implies that an increase of performance contracting by one unit increases efficiency by a factor of 0.401 and in addition, the overall significant of the model and F-value of 38.71 with a $p\text{-value} < 0.05$. This implies the goodness of the model in establishing the relationship between performance contracting and efficiency. The hypothesis that there is no statistically significant relationship between performance contracting and efficiency on service delivery was rejected. The study revealed that performance contracting influenced the variations on efficiency with a higher percentage on

staff; R-squared=20.2% compared to R-squared=10.4% from the students. The regression equation to estimate the customer satisfaction was stated as follows:

$$EFF = 2.054 + 0.401P.C$$

Where: AFF= Efficiency
 P.C= Performance Contracting
 2.054=Constant
 0.401= An estimate of expected increase in EFF upon increase in P.C

The regression analyses results from students are presented in Table 6:

Table 6

Regression Analysis of Performance Contracting on Efficiency

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.674	.128		20.952	.000
Performance Contracting	.243	.041	.322	5.888	.000
R-squared=10.4%		F-Statistic=34.67(P-value=0.000)			

The results in Table 6 show that performance contracting had statistically significance influence on efficiency in service delivery in the public universities in Kenya. It explained that 10.4% of student's efficiency variations are influenced by performance contracting. The regression coefficient value (composite Index) of performance contracting was 0.243 with a T-test of 5.888 and p-value<0.05. This implies that an increase of performance contracting by one unit increases efficiency by a factor of 0.243 and in addition, the overall significant of the model and F-value of 34.67 with a p-value<0.050. This implies the goodness of the model in establishing the relationship between performance contracting and efficiency. The null hypothesis that there is no statistically significant relationship between performance contracting and efficiency on service delivery was rejected. The regression equation to estimate the efficiency was stated as follows:

$$EFF = 2.674 + 0.243P.C$$

Where: AFF= Efficiency
 P.C= Performance Contracting
 2.674=Constant
 0.243= An estimate of expected increase in EFF 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 efficiency on service delivery positively. From the findings of the study, performance contracting influences positive variations in the improvements on efficiency on service delivery. However, the findings of the study indicate that there are a number of challenges influencing performance contracting on efficiency on service delivery that needs to be addressed in public universities.

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