

## Factors Affecting Implementation of Performance Contract Initiative at Municipal Council of Maua-Kenya

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### Abstract

Drastic and fundamental changes are increasingly occurring in the environment in which organizations operate. An obvious manifestation of the responses towards this turbulent environment is the introduction of performance contracting as part of the broader public sector reforms aimed at improving efficiency and effectiveness in the management of the services. The main objectives of this study were to determine factors affecting implementation of performance contracts initiative at municipal council of Maua. The purpose was to find out factors affecting implementation performance contract initiative at municipal council of Maua. The scope of the study was limited to the effect of performance contract implementation on business leaving out aspects like human and financial resources. Members of staff involved provided research data needed for study. Study targeted licensed service recipients. Study adopted a cross-sectional descriptive research design in which qualitative and quantitative data was collected. The target population was the employees and business owners in the Municipality. A random sample of 56 employees and 150 business owners was collected through stratified sampling. Questionnaires and personal interviews were utilized to collect primary data from respondents. Secondary data was gathered from Municipal Council of Maua offices and other sources. The study findings showed a general profile of business owners and employees within the jurisdiction of MCM and majority of them were satisfied with service delivery since P.Cs initiatives were introduced. Hypothesis testing showed that it is significant that majority of service recipients do not know about PC. The study recommends that more research should be carried out to study impact of performance contract initiative at MCM by repeating the study on implementation of performance contract on the same group of business owners and employees two years from now and results compared with these findings.

**Keywords:** implementation; Performance contract initiative; municipal council

### 1.0 Introduction

Organizations that provide products and services in response to consumer wants and needs are faced with significant and expanding challenges and opportunities in the twenty first century. Given the on-going emphasis on organizational governance and accountability, the competitive nature of the global economy, impact of technology and needs of a dynamic workforce, local authorities are faced with an increased emphasis on organizational leadership.

Performance based contracting has been identified by both the private and public sectors as an effective way of providing and acquiring quality goods and services within available budgetary resources. Whereas within the private sector, profit orientation and competitiveness have necessitated the introduction of performance contracts, the public sector has taken long to embrace the practice, especially in Local Authorities.

Performance contract is defined as a management tool for measuring performance that establishes operational and management autonomy between government and public agencies. Performance contracting is a freely negotiated agreement between government acting as the owner of a public enterprise and the enterprise itself in which the intentions, obligations and responsibilities of the two parties are freely negotiated and then clearly set it out. It organizes and defines tasks so that management can perform them systematically and with reasonable probability of accomplishment.

It reduces quantity of controls and enhances the quality of service. The performance contract privatizes the style of public sector management by focusing on results and not processes. It also measures performance and enables recognition and reward of good performance and sanction bad performance.

Organizations today face turbulent and rapid changing external conditions that are translated into a complex, multifaceted and interlinked stream of initiatives. These are affecting work and organizations design, resource allocation, systems and procedures in a continuous attempt to improve performance. With these environmental changes, the public sector has come under intense pressure to improve their operations and processes so as to reduce its reliance on exchequer funding. Further, there is need to increase transparency in operations and utilization of public resources, increase accountability for results and to deliver services more efficiently and at affordable prices to the tax payer/ customer thereby, forcing governments to institute reforms in the public sector.

Performance contracting has been widely used in the public sector by the developed countries such as France, the Netherlands and New Zealand among others with marled success. The experiences in developing Countries though, citing case studies in China, India, Morocco, South Africa, Cote D' Vore and Gambia among others have shown mixed results.

The government of Kenya (2003) started sensitizing the public sector corporations local authorities inclusive on the concept of performance contracting using the performance contracting sensitization manual Republic of Kenya and developed an information booklet on performance contracts to guide on the process of performance contracting.

According to Torrington and Hall (1998), there is a general move away from the contract of employment towards a contract of performance. Many organizations are embracing the concept of performance management. In this perspective, organizations in the private sector have been very serious about employee performance and they have been using measures to quantify the contribution of employees to the achievement of organizational goals and objectives. The story has been different in the public sector.

### *1.1 Performance contracts*

Nellis (1989) defines performance contracts as a freely negotiated agreement between the government acting as the owner of a public enterprise and the enterprise itself in which the intentions, obligations and responsibilities of the two parties are freely negotiated and then clearly

set out. It is an agreement between two parties that clearly specifies their mutual performance obligations, intentions and responsibilities.

He presents the view that performance contracts whether in public or private sector, have the major objective of providing a performance management technique that largely draws on performance measurement and monitoring and gives a basis for performance appraisal and rewards. He observes that the problems inhibiting performance in government agencies are excess controls and regulations, multiplicity of principals, frequent political interference, brain drain, bloated staff levels, and poor management.

According to England, R. (2000) a performance contract addresses economic, social or other tasks that an agency has to discharge for economic performance or for other desired results. It organizes and defines tasks so that management can perform them systematically, purposefully, and with reasonable probability of accomplishment. It also assists in developing points of view, concepts and approaches for determining what should be done and how to go about it. Performance contracts comprise determination of mutually agreed performance targets and review and evaluation of periodic and terminal performance.

Performance contracts should focus on two levels. For state corporations, the first level is between the government and the Board of Directors. Generally, Boards of Directors and management of public enterprises bind themselves to the achievement of mutually agreed targets, in return for operating autonomy and specified rewards.

The second level is between the Board of Directors and the Chief Executive, since the Board is not in charge of routine management of the corporation.

It assigns its responsibility assumed in the contract with the government through signing of a performance contract with the Chief Executive. For the civil service, the first level contract is signed between the President and the Ministers, Head of Public Service and the Permanent Secretaries with the respective ministries counter-signing.

### *1.2 Local authorities in Kenya*

Local Authorities are governed under Cap 265, laws of Kenya. The authority is usually composed of multiple and competing interests. Once the local authority has been created, its mission and objectives are still defined under Cap 265 Laws of Kenya on which it is dependent for its authority.

Despite the fact that local authorities are created to ensure efficient and effective delivery of essential services, majority have been mismanaged. However, performance contract initiatives have resulted to gradual improvement in service delivery.

Organizations today face turbulent and rapid changing external conditions that are translated into a complex, multifaceted, fluid and interlinked stream of initiatives. These are affecting work and organizational design, resource allocation, systems and procedures therefore a continuous attempt to improve performance. Huezynski and Huchanan, (2001) state that with these environmental changes, local authorities have come under intense pressure to improve their operations and processes so as to reduce reliance on exchequer funding and also to increase transparency in operations and utilization of public resources, increase accountability for results and deliver services more efficiently and at affordable prices.

The Republic of Kenya recognized need to enhance efficient service delivery through the policy paper on Economic Recovery Strategy for Wealth and Employment Creation (2003 - 2007) which envisaged efficient

service delivery by local authorities as a basic necessity to growth and development. This policy argues that in order to improve on performance, corporate governance and management of Local Authorities, performance contracts should be introduced in the councils.

The objectives of the policy were to improve service delivery to the public by ensuring that top-level managers are accountable for results, improve efficiency and ensure resources are focused on attainment of key national policy priorities, institutionalize performance - oriented culture in the public service, measure and evaluate performance, link reward and sanctions to measurable performance, reduce or eliminate reliance on exchequer funding or government agencies which should generate revenues or make profit therefore enhance performance of loss making government agencies.

### *1.3 Objectives of the study*

The overall objective of this study was to determine factors affecting the implementation of performance contracts initiative in Municipal Council of Maua.

The study was specifically set out to:-

- i. To determine level of employees' understanding of the major aspects of performance contracts at Municipal Council of Maua.
- ii. To examine effect to which performance contracts affect management procedures and practices at the Municipal Council of Maua.
- iii. To determine how implementation of performance contract affect staff performance.
- iv. To determine the effect of performance contracts on, service delivery, customer and employee satisfaction.

### *1.4 Hypothesis*

H<sub>a</sub>: Majority of service recipients do not know about Performance

Contracting

### *1.5 Scope of the study*

The study was carried out at Municipal Council of Maua in Meru North District. It also limited itself to the effect of performance contract implementation on businesses leaving out aspects of performance contract like human, financial resources. Members of staff involved in the negotiations and implementation of the performance contracts targets provided the research data needed for the study. The study targeted licensed recipients of the service and was to take one year to complete.

## **2.0 Methodology**

### *2.1 Research design*

A cross sectional descriptive research design was adopted for this study, and both qualitative and quantitative methods in nature were used. we used both descriptive and explanatory approach in which situations were given as they existed. Detailed information was obtained to the useful conclusion.

We considered this design appropriate for the study because it required a report on social-political characteristic of service delivery recipients without describing relationships among variables.

#### *2.1.1 Target population*

The population of this study consisted of 70 employees of Maua Municipal Council who were charged with the responsibility of ensuring that the performance contracts set targets were achieved. These employees are responsible for implementation of the annual organizational / council's plans. The research was carried out at the Municipal Council of Maua which is divided into three (3) departments, Town Clerk's department with forty (40) employees, Treasurer's with twenty eight (28) and Engineer's with two (2) employees.

This study also targeted the business community within Maua Municipality who were the recipients of the service. The respondents comprised owners of 500 licensed business premises within Maua Municipality. We interviewed the respondents who provided in depth data on performance contract initiative.

### *2.1.2 Sample and sampling technique*

The study adopted stratified random sampling to achieve desired representation. The employees were chosen on the basis of their departments. The research then selected 80% of the employees from each department and gave findings about implementation of performance contract initiative by Municipal Council of Maua. The sample size was 80% of 70 employees which was 56 respondents, Shirley (2003).

For the business community, we selected 30% of 500 licensed business premises within Maua Municipality and therefore simple random method was sampled. A sample of 150 business premises was selected using random numbers which involved giving a number to every member of the accessible population, placing the numbers in a container and then picking any number at random. The subjects corresponding to the numbers picked were included in the sample. The actual respondents here were the owners of the licensed businesses.

### *2.1.3 Data collection instruments and procedure*

In collecting data for this research, primary and secondary data was used. The research was conducted using quantitative and qualitative research methods. Questionnaires were administered to the respondents to collect data. Respondents were given time to complete answering questionnaires as the researcher waited to collect them after the given response time was over.

Data was also collected through interviews in which the interviewer had asset of questionnaire posed to different respondents. The questionnaires were pre-tested by giving 3 questionnaires to the Municipal Council of Maua respondents and 5 to the business owners for piloting purposes. The questionnaire contained both structured and unstructured questions. Respondents were asked to give in-depth information about the performance contracts initiative in the Municipal Council.

We identified two research assistants and trained them. Training covered understanding the background of the study, purpose, objectives of the study and how to administer data collection instruments.

## *2.2 Theoretical literature review.*

Jody et al (2004) states that performance contracts define expectations of the concerned parties. They define work to be done, results to be attained, attributes (skills, knowledge and expertise) and competencies required to achieve these results. They also identify measures used to monitor, review and assess performance.

Peterson (2005), a performance contract is defined as: "A freely negotiated performance agreement between the Government, acting as the owner of the Government agency, and the agency. It specifies the intentions, obligations and responsibilities of the parties."

The United Nations Secretariat (1997), states that despite Local Authorities playing important roles in many countries, both developed and developing, there has been increasing concern about the financial performance of local authorities, with their dependence on the Government for subsidies and other forms of assistance contributing to deficits in councils budgets and aggravating inflationary pressures. Two major options for reform of the local authorities have emerged. These are restructuring and privatization.

Malathy et al (2003) observed that when privatization as an alternative to public enterprise reform strategy is not feasible or palatable, some developing country governments have sought to improve the performance of state enterprise by negotiating performance contracts with their managers usually with the assistance of the World Bank, as an instrument of reform or an interim policy of commercialization to improve performance.

Jenkins (2003) states that a performance contract is defined as a management tool for measuring performance that establishes operational and management autonomy between government and public agencies. It reduces quantity of controls and enhances the quality of service. The performance contract privatizes the style of public sector management by focusing on results and not processes. It also measures performance and enables recognition and reward of good performance and sanction bad performance.

According to UNDP ([www.undp.org/governance/public.htm](http://www.undp.org/governance/public.htm)) more developing countries are undertaking efforts to re-focus capacities of the public sector to meet their economic, social and environmental challenges. There is also increased emphasis on efficiency, effectiveness, transparency and accountability in the civil service.

OECD ([www.oecd.org/puma](http://www.oecd.org/puma)) says that governments need to be better owners of state owned enterprises. In this regard, OECD has approved new guidelines on Corporate Governance of State Owned Enterprises to give concrete advice to countries on how to manage more effectively their responsibilities as company owners.

Having established that governments are important owners of large firms operating in key sectors example energy and telecommunications, the performance contract guidelines aim to help make state-owned enterprises more competitive, efficient and transparent. They call on the governments to ensure a level playing field for state owned enterprises competing with the private sector, by clearly separating the states ownership role from its regulatory role, and allowing more flexibility in capital structures while making sure that state-owned enterprises face competitive access to finance.

Grandy (2003) states that governments should also become more informed and active shareholders by simplifying the chain of accountability through centralizing or more effectively coordinating shareholding responsibilities within the state administration, reducing political interference in day – to – day management, and introducing a transparent nomination process for boards, based on competence and skills. They also need to empower Council's by clarifying their mandates and respecting their independence, separating the role of civic leaders and staff and giving local authorities power to appoint management staff from current tradition practiced by public service commission and systematically monitoring performance.

Local authorities therefore should endeavor to be transparent by strengthening internal controls, carrying out independent, external audits based on international standards, disclosing any financial assistance from the state, and producing aggregate performance reports.

A study of the Kenyan situation by OECD ([www.oecd.org](http://www.oecd.org)) found out that the economic performance of Local authorities has been well below potential in recent years. In Republic of Kenya (2002), government embarked on reforms aimed at jumpstarting the economy at the local level in order to create additional jobs, improve governance and reduce poverty levels. In 2003, the government put in place an Economic

Recovery Strategy (ERS) for 2003 – 2007, as part of broader reform agenda. The economic recovery strategy (ERS) aims to create productive employment and wealth.

The OECD study also highlights the fact that Kenya Local government reform initiated by the Kenya government has seen the downsizing of the number of Local authorities' staff from 239,000 in 2001 to 193,000 in 2007.

In Kenya, the process of performance contracts started with the establishment of a Performance contract Steering Committee in 2003, and the issue of Legal Notice No. 93 and the State Corporations (Performance contract) Regulations, 2004.

### *2.2.1 Performance contracts and management*

Habermas (2005) who studied performance contract and management stated that the relationship between performance contracts and performance management is that the former focuses on outcome and results while performance management is the integrating force that is concerned with what people do how they do it and what they achieve. It is therefore concerned with both inputs and the outputs.

Results based management is a system that is used by government agencies to achieve specified targets by focusing on inputs, processes and outcomes and is a process that is used to mobilize the entire staff in an organization in achieving the agreed targets.

### *2.2.2 Objectives of performance contract*

In OECD/PC (1999) states that, Governments need to make savings from the organizations they own, be they commercial or non-commercial Institutions.

Local authorities should be responsive to the demands and requirements of their clients and customers, while ensuring effectiveness in product and service delivery. Key objectives are expressed in terms of performance expectations linked to budget, service, outcomes and management ability. The objectives influence the kinds and numbers of performance targets that are set and the performance measures that are to be used to measure performance.

### *2.2.3 Performance contract, management procedures and practices*

In order to be effective in conducting business or rendering service, local authorities need to implement management procedures and practices that will yield the desired results. Under performance contracts, targets are set and although the areas of concern are the outcomes rather than the processes, the processes do determine the outcomes.

One of the first things local authorities are required to do before entering into performance contract is to develop Strategic Plans. A strategic plan enables an organization to be better focused on its core business. It also helps the local authority to clearly set out its objectives and action plans that will enable it achieve the targets. In effect what the councils are called upon to do is to plan performance.

### *2.2.4 Performance contract and staff performance*

According to Williams (2004), performance is multi-faceted. It is measured in terms of output and outcome, profit, internal processes and procedures, organizational structures, employee attitudes and organizational responsiveness to environment among others. Performance contract has been viewed as a management process that is supposed to improve staff performance so that what is measured gets done.

In Denmark, contract management was introduced in 1992. According to a study on Public Sector Performance contract by the Ministry of Finance, Denmark, performance contracts are a powerful tool

that motivates managers and employees to live up to the contract requirements due to its nature as a commitment with another party.

Therefore, performance contract management has been viewed as an important instrument for the implementation of performance management and it is used to improve target setting and follow-up on results. It is quite clear that performance of local authorities' employees determines whether councils achieve their objectives of providing services to the public.

### *2.2.5 Performance contracts and autonomy*

Mburugu (2005) in his study he stated that, one of the main reasons for poor performance, low management morale and lack of management accountability in local authorities Maua included, is the pervasive tendency of politicians and ministries to treat local authorities as government departments, to require all major decisions to be made or approved by the Minister of Local Government, and to leave no room for the local authorities to be autonomous.

James L (2003) states that performance contracts are now being advocated as a mechanism to increase the autonomy of the local authorities. Without autonomy, local authorities cannot run efficiently. It is therefore important for local authorities to have the necessary amount of autonomy to make decisions and act on them. In Belgium, public institutions were put under performance contracts so as to deregulate public monopolies in the field of, for example, telecommunications and postal services – this is also happening in Kenya whereby the government has emphasized on local authorities to enter into similar performance contracts where targets are set and are embedded in an overall performance management strategy.

### *2.2.6 Performance contract and service delivery*

Republic of Kenya initiated performance contract in local authorities in order to improve on controlling the financial expenditure of the local authorities involved in service delivery by stipulating intended outputs against fixed amounts of financial input.

This would enhance efficiency and effectiveness of service delivery and management by reducing traditional input controls and by focusing on steering by results which would be another reason for putting local authorities under performance contracts. Government in initiating performance contracts would in future hire employees of local authorities on performance contracts, as opposed to the current permanent and pensionable basis. This is aimed at enhancing efficiency within local authorities.

### *2.2.7 Conceptual framework*

The use of performance contracts is a process of performance management that leads to effective and efficient management practices, ensures improved staff performance, increased autonomy, and accelerated service delivery. Boston Institute for Developing Economies ([www.BIDE.com](http://www.BIDE.com)) opined that many countries have had success in improving the performance of their own public enterprises local authorities inclusive, by designing performance contracts for them.

In Kenya, an evaluation of the performance contracts system has established that efficiency gains for local authorities that had fully embraced performance contracts initially exceeded councils that delayed in adopting performance contracts initiative. Performance contracts were found to contribute to efficiency and quality improvements.

In the Danish experience, the performance contract has a considerable psychological effect, as its nature of a contract with another party implies that management as well as employees feel more obliged to live up to the contract requirements than they would have done had it just been an internal action plan.

### *2.3 Empirical literature*

According to Peters, (1987) decision making in local authorities settings is a political process. In such a situation, decisions are typically not purely rational but rather incremental, adaptive and predetermined by interactions of political influence and sudden changes in the environment. He further states that strategic planning has to be accomplished in a pluralistic environment where power is distributed among many and varied interest groups. However, there are very few empirical and theoretical studies on factors affecting implementation of performance contract initiatives. This study aims to contribute to filling this gap using both theoretical and empirical approaches.

Opiyo, H. (2006) researched on financial sources of finance in local authorities and observed that many of them were suffering financially and needed assistance. This resulted from unclear and conflicting objectives, poor management and lack of accountability. Though this responded to addressing financial status in local enterprises, it did show over reliance on exchequer. However, he did not bring out how public enterprises can control and avoid over reliance an exchequer. This study will explore on how implementation of performance contract improve on service delivery in Municipal council of Mara.

Stephen Covey (2003) too observed that public servants are working so hard to be sure things are being done right that they hardly have time to decide if they are doing the right things.

Though he highlighted a need to have a hands-on approach to issues by council officers, he did not identify a clear formula on how to ensure councils operations are attained.

By addressing factors leading to implementation of effective working formula geared to improving delivery of services, performance contracting is very important and should be researched on all aspects as an on-going process.

Ray R (2004) argues that performance of public enterprises and quest for meeting the citizen needs should progressively be measured to determine attainment of these goals. There must be appropriate tools for monitoring the progress of targets being proposed. This did not come out in his research study and therefore calls for further investigation on factors affecting implementation of positive performance of public enterprises to meet citizens' needs.

Liener I (2003) studied on public institutions and how they are confronted with many challenges which constrain their delivery capacities. A perennial problem of factors adversely affecting service delivery was not addressed in his research. This study will explore further by looking at implementation of performance contract initiatives ensuring that performance management are improved and accountability aspect is clear.

(OECD 1999) attempted to investigate performance contract as a range of management instrument used to define responsibility and expectations between government and its agencies.

This study will investigate further on performance contracting initiatives which will be used as a management tool to help local authorities' policy makers, define responsibilities and expectations between the contracting parties to achieve common mutually agreed targets.

Suresh Kumar (1994) researched on performance contracting as advocated by the governments in Africa. He argues that performance contracting process has been mixed in that in some local authorities has been a general and sustained improvement while in others have not responded. This calls for an investigation into this area.

Musa (2001) sought to research on viable control mechanisms for public enterprises which were continuing to be financial as well as administrative burden on the government. He argues that

performance agreement of mid 1990s failed to achieve its stated objectives of improving performance of the public enterprises because of widespread consultants in the formulation of contract plans and not developing sense of ownership and commitment. This calls for further research which will create ownership of the performance contract and citizens of Maua municipality will be involved and let them manage the process.

While Smith (1999) argues that a common definition of performance contracting can be found while there are a considerable variety of uses and forms for quasi-contractual arrangements. This research will investigate performance contracting as management tools to help municipal council of Maua improve on delivery and timeliness of services to citizens. Although various researches have been carried out on performance contract, none has researched on factors affecting the implementation of performance contract initiative

### **3.0 Findings and discussion**

The study analysed on factors affecting performance contract initiatives at Municipal Council of Maua with a view of generating Council's profile on service delivery both to business owners and employees.

#### *3.1 Determine level of employees' understanding*

GOK (2003) identifies education as a key determinant in provision of services. Employees within local authorities act as the driving force which triggers development by implementing policies. This was analysed through employees understanding about performance contract, employees' participation in setting targets, utilization of resources, training sessions and increase in council's revenue.

#### *3.2 Employee understanding about performance contract*

The study showed that seventy five percent of employees were able to deliver service targeted. This could be due to the fact that performance contract document is designed to cascade the intended purpose of performance contract initiatives using relevant communication methods that were easily understood. This implied that managers did understand performance contract.

#### *3.3 Employees' participation in setting targets*

MCM embraced performance contract modules of management despite the minimal level of understanding on how to operationalise the new methods. The study revealed that fifty nine percent of employees were not involved in setting performance contract targets, only were involved. The findings confirm that low levels of academic qualifications resulted to less number of employees been involved in setting targets. The available option open to MCM is to enhance training programmes on P.Cs, structured to accommodate those who have low academic levels.

#### *3.4 Training sessions*

OECD (1999) identifies training as a key determinant in performance contract related activities. Training improves managers' ability to take advantage of the opportunities that can add value to the institutions' day to day operations.

Information on training sessions at MCM is provided in figure 23 where sixty five (65) percent of the employees have been trained on performance contract. This could be due to influence of the managers who aspire to have employees undergo such trainings in order to understand what performance contract is all about and to allow delegation of duties.

Opondo (2004) states that survey of Strategic Planning and Performance of Public Operations found out that an institution with employees who are specialized will achieve targets more than those with little training.

The council is making efforts to provide more funds in its budget meant to conduct more relevant training on PCs.

### *3.5 Increase in council's revenue*

This indicator reflects relationship between managers' understanding of performance contract vis-à-vis Council's revenue. The study revealed that seventy nine percent of the respondents consented to increased revenue while twenty percent did decry of no revenue increase.

The results suggests that MCM employees contributed to increased revenue generation as a result of targets set under the performance contract initiatives on revenue collection with the guidance of managers.

### *3.6 Level of education*

This indicator revealed that forty two percent of business owners attained secondary school level of education. However, study findings showed that majority of them had not heard of performance contracting.

### *3.7 Management procedures and practices*

Performance contracts and management form part of the integral force that is concerned with how procedures will generate desired results through human resource.

OECD (1999) found that results based management is a procedure that is used by institutions to achieve specified targets by focusing on inputs, processes and outcomes, in a process that is used to mobilize entire staff in an organization in achieving agreed targets.

Study implied that fifty four percent of the employees concurred that performance contract initiatives had positively injected new management procedures and practices influencing timeliness in service delivery.

The results confirm findings of Malathy (1997) that under performance contracts, targets are set and although the areas of concern are the outcomes rather than the processes, processes do determine the outcomes.

A major tool that is identified as a success factor in performance contracting and forms basis of management procedures and practices is strategic plan. Management has to have a strategic plan which enables an organization to be better focused on its core operations. For MCM it had a strategic plan where objectives and action plans were clearly set out only that it is required to be reviewed in the year under review.

The purpose of management procedures and practices is to improve control of the use of MCM resources, monitor performance and safeguard tangible assets.

### *3.8 Staff performance*

Employees' perceptions in an organization are crucial to its success since the driving force behind the success rests on them. This is developed overtime and can change as new procedures, practices and experiences are adopted and acquired. Williams (2004) points out that performance contract have been viewed as a management process that is supposed to improve staff performance. Study revealed that sixty

one percent of staff concurred of being satisfied with their performance since introduction of performance contract.

Employees opinion on performance improvement showed that with the introduction of performance based module, employees indicated that work environment in their areas had improved as they were able to work towards given targets which if met on time had a reward and if not, sanctions.

Staff performance under performance contract has been viewed as an important instrument for the implementation of performance management used to set and improve targets between parties. GOK (2005) on performance contracts in the public sector, has encouraged use of appropriate technology and value addition advocating for change.

### *3.9 Service delivery, customer and employee satisfaction*

In this objective, researcher analysed a list of indicators of service recipients namely garbage collection, road maintenance, bus/matatu park, sanitary, market facilities and approval of building plans. GOK (2004) initiated performance contract in local authorities in order to improve on controlling operations in the area of service delivery, customer and employee satisfaction. Study showed that forty six percent of business respondents had noticed fairly positive changes in service delivery. The study findings agree with those of Nellis (1995) that introduction of performance contract initiatives will enhance better service delivery by public institutions.

Results in above implied that forty six percent of service recipients were dissatisfied with services been offered by MCM. Sixty one percent of employees were satisfied with services that council was delivering since introduction of PCs.

The response on service delivery, customer and employee satisfaction relied mostly on how respondent viewed services been offered in line with particular business activity that he/she was operating. This implied that both respondents and MCM employees showed each analyzing service delivery depending on particular activity carried by the MCM.

### *4.0 Recommendations:*

The recommendations derived from the study were as follows:

MCM and other Local Authorities should emphasize on stakeholders' participation in setting out targets under P.Cs in order to mainstream service delivery as the core competence activity based on employees understanding of P.Cs, management procedures and practices and staff performance. The results of the study indicate that both business owners and employees are heterogenous group with different perspective in delivering and receiving of services based on their socio-economic characteristics.

From the United Nations Millennium Development Goals (MDGs), the goal of 2015 is to have all L.As fulfill the eight millennium goals which are key to service delivery. The government, through the Ministry of Local Government has already made commendable steps to increase stakeholders' participation at every local level in order to ensure appropriate utilization of devolved and other local funds.

The government should think of increasing percentage of devolved funds from current 7.5% to 20% of the national income in order to strengthen L.As development index which will enhance improvement in service delivery.

Local authorities should work closely with other arms of government at all levels including stakeholders to enable them to operate their businesses in a conducive environment free of conflicts of various

regulations. A partnership between L.As government and development partners could see structures established with primary objective being delivery of services satisfactorily.

Findings of the study showed that MCM did not create enough awareness to stakeholders on P.C's and its objective probably because of the inherent resistance and adverse public image. MCM should work out a way of attracting prospective entrepreneurs by giving timely services in order to facilitate them access to business start ups preferably at subsidized rate of interest.

MCM should consider increasing more training sessions to all members of staff with the primary objective being the understanding of P.Cs initiatives in relation to current duties and responsibilities being performed, embrace new practices and procedures with service recipient in mind, and involve staff members in decision making concerning their areas of operations. This might give a positive approach in delivery of service.

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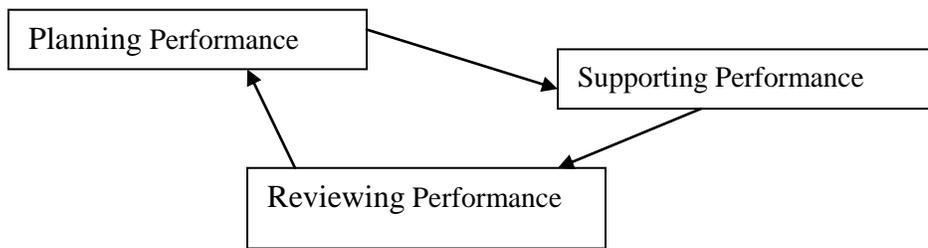
Table 1: Target Population

Department	Population Frequency	Percentage
Town Clerks	40	57.2%
Treasurer's	28	40
Engineers	2	2.8
Total	70	100%

Table 2: Sampling Framework

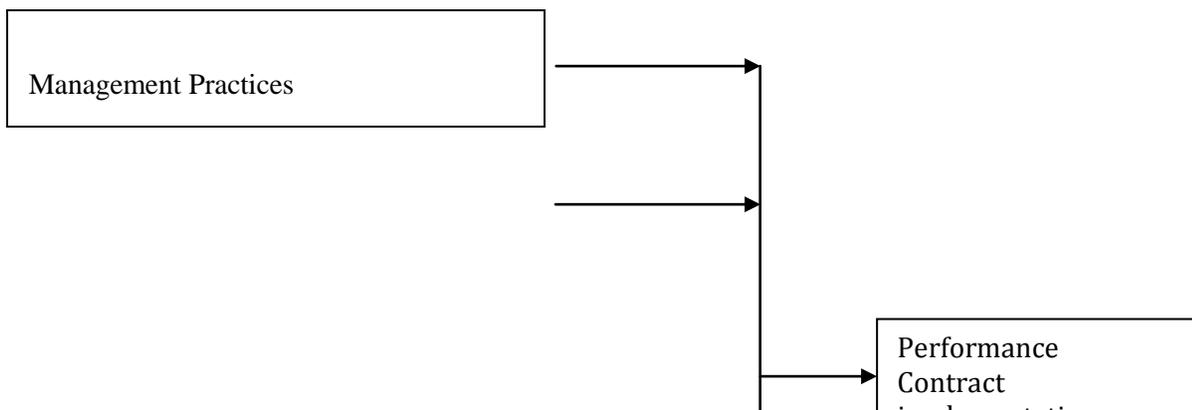
Department	Population Frequency	Sample Ratio	Sample Size
Town Clerks	40	0.8	32
Treasurer's	28	0.8	22
Engineers	2	0.8	2
<b>Total</b>	<b>70</b>	<b>0.8</b>	<b>56</b>

Fig. 1 Three key aspects of effective performance



Source Torrington & Hall (2002)

Fig. 2 Conceptual Framework



Staff Performance

Customer satisfaction

Service Delivery

**Independent Variables**

**Dependent Variable**

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