FACTORS DETERMINING SUCCESSFUL IMPLEMENTATION OF PERFORMANCE CONTRACTING IN A PUBLIC ORGANIZATION: THE CASE OF NATIONAL HOUSING CORPORATION

BY

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University in Nairobi for academic credit.

Signed ___________________________ Date 16/05/2012

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This project has been presented for examination with my approval as the appointed supervisor.

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ABSTRACT

Performance-based contracting has in the last two decades received great attention as a way of improving the efficiency, quality and effectiveness of civil service delivery. The practice has emerged as a tool of public sector reform with most governments applying it as a strategy for better service output. Performance contracting has the potential to improve the effectiveness and efficiency of the public sector, while ensuring appropriate accountability is maintained for the use of public money. The degree of success of the implementation of performance contracting among various government agencies varies greatly. Whereas it has taken root and somehow succeeded in a number of agencies, implementation of performance based contracting has also been a total failure in some government bodies.

The purpose of this study was to establish the factors that influence successful implementation of performance contracting in a public entity with a case study of National Housing Corporation (NHC). The objectives of the study included determining whether clarity of objectives, employee commitment and government policy have any effect in successful implementation of performance contracting as a strategy.

Descriptive research design was used in this study. Random sampling technique was applied in selecting a sample size of 60 respondents from all staff levels at National Housing Corporation. A questionnaire which included structured (close-ended) and unstructured (open-ended) questions was distributed to the sampled respondents. The drop and pick method was used to collect data. Data collected from respondents was both quantitative and qualitative in nature. Quantitative data was analyzed using the Statistical Package for Social Scientists (SPSS) tools where frequencies, percentage as well as standard deviation guided the researcher to interpret the data. Data was interpreted using descriptive statistics such as frequencies, mean scores and the standard deviations. The findings were then presented using tables, pie charts, and bar graphs for easier interpretation.

The study found that clarity of objectives among employees is a key to successful implementation of performance contracting. Employees are more productive when they understand and own the corporate goals of the organisation. From the corporate objectives,
they are able to derive clear departmental and individual goals and generate appropriate tasks that will meet these objectives.

On commitment of employees, study found that engaged employees tend to own the performance contracting process with desirable performance results. The study also outlined a number of measures that employees at National Housing Corporation felt engaged them to the organisation.

The study also found that government policies play a key role towards successful implementation of performance contracting. National Housing Corporation being a government agency receives its overall mandate from the government. Although the government did not directly run the agency, it aimed to achieve its goal of quality housing for its citizenry through National Housing Corporation.

As a recommendation then, the study suggests that organisations and governments need to invest in continuous training of employees to understand and agree to their individual, departmental and corporate objectives in order to succeed in implementing performance contracting. Organisations also need to employ means that will make employees feel more committed to their roles and the organisation. Finally as a recommendation, organisations need to be aware of the government policies around performance management as political and legislative support is key to successful implementation of performance contracting.
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DEDICATION

I would like to dedicate this study to my family. My wife Beth, my daughters Esther and Keziah Njuguna and my son Ryan Njuguna. I also dedicate it to my mother Esther Wanjiru and my late father Jeremiah Mbogo for their value of education and their sacrifice to see me through school.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Organizations today face turbulent and rapidly changing external conditions that translate into a complex, multifaceted and interlinked stream of initiatives. These conditions are affecting work and organization designs, 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 in order to reduce its reliance on exchequer funding. Further, there is need to increase transparency in operations and utilization of public resources, increase accountability and deliver services more efficiently and at affordable cost to the taxpayer/customer thereby, forcing governments to institute reforms in the public sector (Opiyo, 2006).

Organisation for Economic Co-operation and Development (OECD) (1997) defines performance contract as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. Mallan and Richard (1983) argue that a common definition of performance contracting cannot be found. There are a considerable variety of uses and forms for quasi-contractual arrangements (Lippitti, 2007).

In Kenya, Performance Contracting is defined as a freely negotiated performance agreement between the Government and the respective Ministry, Department or Agency that clearly specifies the intentions, obligations and responsibilities of the two contracting parties. As such, it stipulates the results to be achieved by the contracted party and the commitments of Government as the contracting party (GoK, 2003).

According to England, (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 needs to 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 (Locke, 1997).

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 marked 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 (Lienert, 2003).

According to Ranft, and Lord (2000), 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 Chef 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 (Mak and Sockel, 1999).

KavussiShal (1999) believes that the performance contracting is a good instrument to improve the quality and quantity of the manpower’s performance. Nowadays, performance contracts are considered as an important aspect in human resources management and a part of the control process in administration. Planning the contracting process is an important subject in the government's official system which is annually conducted in the governmental organizations, spending a large amount of time and expenditures to reach the objectives like: manpower development, promotions and assignments in managerial
positions, persuasion and punishment, salary increase, personnel's performance feedback and determining their educational needs (KavussiShal, 1999).

There is a rational framework to evaluate the effectiveness of performance contracts found among the tools of performance contracting. The balanced scorecard introduced by Kaplan and Norton (2001) was developed as a framework to communicate and implement performance contracts. It has turned out that the balanced scorecard approach is also applicable in planning strategies (Kettunen, 2004). It is also important to find out a rational framework to evaluate the performance contracts against actual performance. Otherwise, the effectiveness of performance contract will be based on subjective judgments of different persons.

The concept of Performance Contracting in Kenya can be traced to 1990 when Government approved the introduction of Performance Contracts in the management of public agencies (Korir, 2006). A Parastatal Reform Strategy Paper, which was approved by cabinet in 1991, was the first official recognition of the concept of Performance Contracting. The strategy paper covered the following policies that were recommended to streamline and improve the performance of Parastatals: Divestiture or Liquidation of non-strategic Parastatals; Contracting out commercial activities to the private sector; Permitting private sector competition for existing state monopolies; Improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives. Performance Contracts were therefore to be used to make transparent the cost of social services and to compensate the parastatals for their net costs (Lienert, 2003).

The Government of Kenya - GOK (2003) started sensitizing the public sector corporations, local authorities included on the concept of performance contracting using the performance contracting. The government developed an information booklet on performance contracts to guide the process of performance contracting. Most organizations already include performance specifications in their employment contracts. The widely accepted rationale for Performance Contract is that the Public Enterprises have got multiple objectives and multiple principals. However, this results to fussy objectives leading to poor financial
performance in many cases. One view is that Public Enterprises are required to carry out several functions and they are unable to do all of them very well (Harris, 1999).

The reason for implementing Performance Contracting is that, Public Enterprises may have to pursue certain social goals not within their mandates and such pursuits may affect the financial results of their operations (Heather et al., 1996). It is therefore important that a prior understanding of the extent to which financial results can be traded against social objectives to be achieved by the Enterprise be agreed upon between the two parties, as this would help to clarify the Public Enterprise’s objectives. In addition, some Public Enterprises could be recording losses but their balance sheet results alone would not indicate the efforts put in and the successes achieved by the management of the Public Enterprises in improving their operations. For example, if a Performance Contract target for a year is to reduce loss from the level of previous years, the achievement of such a target should win commendation to boost the morale of the current management and spur them to better performance (Rose, 2002).

1.2 Statement of the Problem

Opiyo, H. (2006) researched on financial sources of finance in local authorities and observed that many of them were suffering financially and needed assistance. Though this responded to addressing financial status in local enterprises, it did show over-reliance on government exchequer. However, he did not bring out how public enterprises can control and avoid this over-reliance on exchequer. Gourlay (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. 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 (Johnson et al., 2000).

At NHC performance contract was introduced with the aim of improving productivity. It has, nonetheless been noted that, the employees at NHC lack clarity of the direction the company is taking and are not actively engaged on organizational objectives. It is not clear what is causing poor adoption of performance contracts. According to Rose (2002), good
adoption is demonstrated by employees motivation and increased productivity. Other researchers say that, the most important factors which influence successful adoption of performance contract include clarity of objectives, commitment of employees and political support (Salas, Burke and Cannon, 2000). It is not clear how these factors are affecting adoption of performance contracting at NHC. To date no research has been carried out at NHC to establish the factors which affect performance contracting adoption. This study therefore seeks to close this gap by establishing how clarity of objectives, commitment of employees and government policies affect the adoption of performance contracting at NHC.

1.3 Purpose of the Study
The purpose of this study was to investigate factors influencing successful implementation of performance contracting at National Housing Corporation

1.4 Objectives of the Study
The study was guided by the following objectives

1.4.1 To establish if clarity of objectives affect successful implementation of performance contracting at NHC
1.4.2 To establish if commitment of employees affect successful implementation of performance contracting at NHC
1.4.3 To establish if government policies affect successful implementation of performance contracting at NHC

1.5 Importance of the Study
1.5.1 Government
The findings will be of great use to the Government who is the largest employer in the country to understand how employees in the public sector could contribute to performance. It will help the Government make strategic decisions regarding staff training that equips employees with relevant skills to improve performance. It will also help the Government to appreciate the need for training and development.
1.5.2 Strategists
The study is useful in strategic management as it highlights the current performance and factors influencing this performance. It also provides appropriate interventions strategies that will help the Government to make informed strategic decisions on issues regarding staff training and development to improve performance. The study will help to show the extent of both internal and external influences affecting employee performance.

1.5.3 Scholars
Scholars and researchers will gain vast knowledge on performance contracts and their impacts to organizations especially the parastatals.

1.6 Scope of the Study
This study is limited to employees of National Housing Corporation based in Nairobi. NHC employs close to 400 staff throughout the country with nearly three quarters of these based in Nairobi. This study does not cover other factors that could influence successful adoption of Performance Contracting outside the three research objectives: clarity of objectives, commitment of employees and government policies. It also does not cover organisations and entities other than government parastatals.

1.7 Definition of Terms
1.7.1 Performance contracting
According to GoK (2007), a performance contract is a management tool for measuring negotiated performance targets. It 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. The performance contract specifies the mutual performance obligations, intentions and the responsibilities of the two parties. It organizes and defines tasks so that management could 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.
1.7.2 Performance Appraisal

Flippo (1984) defines Performance Appraisal as the systematic, periodic and an impartial rating of an employee’s excellence in the matters pertaining to his present job and his potential for a better job. Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze the employee’s achievements and evaluate his contribution towards the achievements of the overall organizational goals.

1.7.3 Employee Commitment

Brown, (1996), defines Employee commitment as a stabilizing force that acts to maintain behavioural direction when expectancy/equity conditions are not met and do not function. Mowday, (1979) defines it as the relative strength of an individual’s identification with and involvement in a particular organisation.

1.7.4 Parastatal

Although there is no agreed definition of Parastatal, Efange (1987) define public enterprises or parastatals as institutions or organizations which are owned by the state or in which the state holds a majority interest, whose activities are of a business in nature and which provide services or produce goods and have their own distinct management. The basic reason for establishing public enterprises in all economies has been to propel development. Hanson (1972) reflecting on Turkey, Mexico, India and Nigerian noted that the establishment of public enterprises is premised on what he considered as obstacles to economic development in the post independence states.

1.7.5 Performance Objectives

Goals or objectives are statements of end results to be achieved within a given period of time. They specify the degree of accomplishment expected within each Key Result Area. They are linked to higher-level goals and objectives (e.g. team, department, committee, national organization) that are formulated in a partnership between an individual and his/her customers.
1.8 Chapter Summary

This chapter presented the background of the study by examining both the conceptual and contextual assertions. The concept of the study entailed definition of performance contracting within the context of National Housing Corporation (NHC). The purpose of the study was therefore investigating factors influencing successful implementation of performance contracting in National Housing Corporation particularly in establishing how clarity of objectives, commitment of employees and government policies affect successful implementation of performance contracting at NHC. The chapter also discussed the value of this study to the various stakeholders including the government, strategists and scholars. Chapter two will present the literature review relating to performance contracting. Chapter three outlines the methodologies used in the study, whereas chapter four gives the results and findings. Finally Chapter five discusses the findings, draws conclusions and makes recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter presents the literature review. The chapter is organized into sections addressing the influence of: clarity of objectives, commitment of employees and government policies on successful implementation of performance contracts. The chapter ends with a summary.

2.2 Clarity of Objectives and Performance Contracting
David (1986) defines objectives as the long-term results that an organization seeks to achieve in pursuing its basic mission. These objectives are vital to an organization’s success because they provide direction, aid in evaluation, create organizational synergy, reveal priorities, allow coordination and are essential for the successful management of organizations (Ansoff, 1990). Objectives are the end results of planned activity which the organization seeks to achieve through its existence and operation (Jauch and Glueck, 1998). They state what is to be accomplished by when and where possible should be quantified. Thompson and Strickland (2003) agree that objectives are an organization’s performance targets; the results are outcomes it wants to achieve. They function as yardsticks for tracking an organization’s performance and progress. Therefore the objectives must be SMART (Specific, Measurable, Achievable, Realistic and Time bound).

2.2.1 Importance of Clarity of Objectives in Performance Contracting
According to Thompson and Strickland (2003), an organization has a single objective, that is, to make profit. However, it cannot be the only objective of business. While pursuing the objective of earning profit, business units do keep the interest of their owners in view. However, any business unit cannot ignore the interests of its employees, customers, the community, as well as the interests of society as a whole. Nutt (1993) argues that, no business can prosper in the long run unless fair wages are paid to the employees and customer satisfaction is given due importance. Again, a business unit can prosper only if it
enjoys the support and goodwill of people in general. In addition, business objectives need to be directed towards contributing to national goals and aspirations as well as towards international well-being. Thus, the objectives of business may be classified as economic, social, human, national and global (Nutt, 1993).

A performance contract for a public entity would remedy the situation of multiple objectives by listing the preferred objectives that the owner (Government) would like the public entity to achieve. It would also remedy the multiplicity of principals by ensuring one-agency signs the contract with one principal only (Armstrong and Baron, 2004). Other reasons for advocating the Performance Contracting include; the strong persuasion of the International Finance Agencies (IFAS) and several other bilateral agencies who advocate the Performance Contracting system as an important element of the reforms in the public sector (Chiapori, 2000). IFAS have emphasized this because of the routine interference of Governments in the day-to-day operation of their enterprises. Such interferences have in the past discouraged innovation and productivity because of the tendency to make agencies operate within defined procedures and guidelines (GOK, 2003).

2.2.2 Successful Performance Contracting Through Organizational Objectives
As indicated by Lawford (2003), an effective performance contract starts with objectives. Clarity of objectives indicate what management expects to accomplish, while planning sets forth how, when, where and by whom the objectives will be attained. Clarity of objectives therefore enables employees understand the goals which give rise to performance contracting maturities. These maturities reflect the scheduled points in time by which strategic objectives are scheduled to be accomplished. In turn, performance contracting maturities are established within planning horizons (Kargar and Parnell, 1996). Hewlett (1999) suggests that “a performance contract and the performance contracting process itself offers a competitive edge and enables a company to measure achievements against expectations.”

According to Hall (1992), people feel happy when they feel to be achieving their set goals, and especially so when it is a hard-won objectives. Positive anticipation and attendant happiness occurs when we predict that we will achieve our goals and feel confident about
those predictions, perhaps because they have been right recently. According to this view, happiness is not a permanent state, and no matter what we get, we will always swing between happiness and sadness.

Secondly, people feel a sense of their own significance where they have made positive impact on other people they care about. The sense of significance grows with the size of the impact and the number of people affected. Thus if they save the world they will feel pretty significant. Thirdly, people’s sense of legacy has to do with what they leave behind themselves. Most of all, if they can establish values that help others find future success, and then they will feel a strong sense of success. The happiness and success theory suggests why it is important to involve employees in setting the performance contract goals so that they can derive happiness from their successes and hope to leave a legacy of key accomplishments (Hall, 1992).

The main functions of performance contract have been explained by Johnson and Scholes (2003) as identifying the organization's current mission, objectives, and strategies, analyzing the environment, identifying the opportunities and threats, analyzing the organization's resources, identifying the strengths and weaknesses, formulating and implementing strategies, and evaluating results.

Strategic decisions determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of functional areas in the organization, have a direct influence on the administrative and operational activities, and are vitally important to long-term health of an organization. According to Hamel and Prahalad (1989), strategies must be well formulated and implemented in order to attain organizational objectives.

Clarity of objectives is a critical success factor in performance contracting because they ensure that the organization's direction is converted into specific achievable performance targets. They also serve to provide more specific definition of the organization (Glueck and Jauch, 1998). Objectives change over time as a result of alterations of goal orientations, crisis, and demands from coalition groups within the sector and normal life-cycle changes.
Without a considered, communicated and verifiable set of objectives, positive management of an organization becomes impossible. The comparison between objectives with current performance reveals the gap, if any, to be filled in the future performance of the business. The objectives set for an organization over a specific period of time must be the means used to appraise an organization, hence the requirement for specific verifiable objectives. Without objectives, organizational performance will not be achieved since there will be no direction in the activities of the organization as individuals and departments will most likely pursue different goals (Glueck and Jauch, 1998).

2.3 Commitment of Employees and Performance Contracting
Commitment is defined as both a willingness to persist in a course of action and reluctance to change plans, often owing to a sense of obligation to stay the course. People are simultaneously committed to multiple entities, such as economic, educational, familial, political or religious institutions. They also commit themselves to specific individuals, including their spouses, children, parents and siblings, as well as to their employers, co-workers, supervisors and customers (Kueng, 2000). Commitment manifests itself in distinct behavior. For example, people devote time and energy to fulfill their on-the-job responsibilities as well as their family, personal, community and spiritual obligations. Commitment also has an emotional component (Chiapori and Selanie, 2000).

In organizations, employees and employers have traditionally made a tacit agreement, In exchange for employees’ commitment; organizations would provide forms of value for employees, such as secure jobs and fair compensation. Reciprocity affects the intensity of a commitment. When an entity or individual to whom someone has made a commitment fails to come through with the expected exchange, the commitment erodes (Kueng, 2000). A committed employee is one that will remain with the organization. Through the years, numerous research studies have been conducted to determine the accuracy of this statement. In the end many have concluded that committed employees remain with the organization for longer periods of time than those which are less committed. Richard Steers (1977) hypothesized and found true that the more committed an employee is, the less of a desire they have to terminate from the organization. These “highly committed” employees were found to have a higher intent to remain with the company, a stronger desire to attend work,
and a more positive attitude about their employment. Steers (1977: 54) concluded that “commitment was significantly and inversely related to employee turnover.”

2.3.1 Importance of Employees’ Commitment in Performance Contracting

To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers and employees have the same perceptions of the performance contract and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Rapa and Kauffman, 2005). At the same time, performance contract implementation is not a top-down-approach. Consequently, the success of any implementation effort depends on the level of involvement of middle managers. To generate the required acceptance for the implementation as a whole, the affected middle managers’ knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Rapa and Kauffman, 2005).

Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth targeted and accepted strategy implementation process increases substantially (Kueng, 2000). Research studies indicate that less than 5 percent of a typical workforce understands their organization’s strategy (Kaplan and Norton, 2001). This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to a strategy implementation. It is only after an employee fully understands the company strategy that he/she will commit to its successful implementation.

2.3.2 Achieving Employees Commitment for Performance Contracting

To involve employees is an important milestone to make strategy everyone’s everyday job. That is why the involvement of middle managers is essential to increase the general awareness of the strategy. Moreover, involvement of middle managers helps build consensus for implantation of performance contracts (Chiapori and Selanie, 2000). A lack
in strategic consensus can limit a company’s ability to concentrate its efforts on achieving a unified set of goals. The most important thing when implementing a performance contract is the employees’ commitment to the strategic direction itself. This is undoubtedly a prerequisite for performance contracting (Kenny, 1999). Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Rapa and Kauffman, 2005).

Strategic decisions create a wave of sub-decisions that must be successfully implemented (Mintzberg et al., 1976). Typically, the manager-leader (middle managers and supervisors) is held accountable for the implementation of these sub-decisions. Sub-decision implementation is defined as a sequence of tasks carefully executed so that a favourable business outcome can be achieved in the medium to short term. It is clear that the particulars of such implementation vary widely from decision to decision, but virtually all decisions require efficient implementation to be successful (Nutt, 1993). Or in other words, a brilliant decision can prove worthless without its efficient implementation. Even the best decisions fail to be implemented due to the inadequate supervision of subordinates, among other reasons. Kenny (1999) emphasizes that those who implement decisions to the best of their ability are usually those who have made them. The leadership expounded here has a bearing on the leadership.

The process defines the steps to take to formulate what will hopefully be the optimal strategy or solution results in the plan or solution that is to be implemented. To prevent these problems from occurring and maintain overall financial health in these economically difficult times, Organisations must establish a sound, tightly controlled Leadership process. Clearly, no single system is suitable for all banks. Each organisation must tailor its own in light of its objectives and the economic environment it faces (Kueng, 2000).

Basically, Leadership should consist of a recurring three-phase approach: planning, measurement and control, and interpretation, with total process no stronger than its weakest element. All levels of management should participate in each phase, and be totally committed to achieving the planned results. Firm should match its strengths to the
opportunities that it has identified, while addressing its weaknesses and external threats. To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost or differentiation.

According to Rogers (1983), before implementing the performance contracts the government should try to draw people in, get them involved, before giving them things to do and letting them make decisions about the performance measurements evaluation criteria. In addition to this, the government should also understand the principle of action theory that there is no action without intentionality and we are able to get results after we have acted. In terms of performance, this theory explains why individuals will never act unless they have intentions.

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

It is critical that leadership follow these steps because the information gathered and decisions made in these phases are the foundation for strategy creation and selection. The statement of the organization's ultimate goal provides the direction to which the strategies should ultimately lead. The critical issues list serves as the specific focus and framework for the activities of the organization and the pattern of these activities (developing and selecting the strategies). External market data and program evaluation results provide critical data to support strategy development. The way in which the strategy is implemented can have a significant impact on whether it will be successful. In an implement the strategy likely will be different people from those who formulated it. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the implementation might not succeed if the strategy is misunderstood or if lower-level
managers resist its implementation because they do not understand why the particular strategy was selected.

2.4 Government Policies and Performance Contracting

A policy is a plan or course of action, as of a government, political party, or business, intended to influence and determine decisions, actions, and other matters. Government policy as government action is generally the principled guide to action taken by the administrative or executive branches of the state with regard to a class of issues in a manner consistent with law and institutional customs. In general, the foundation is the pertinent national and subnational constitutional law and implementing legislation (GoK, 2003).

The government, as an important institution, provides public goods and services and designs the rules and regulations of the society that allow markets to flourish. It also puts in place the necessary policies that will facilitate the efficient distribution and allocation of resources to enhance the welfare of the people. The government also provides important institutional infrastructure, such as laws that protect property rights, as well as maintaining public order, without which long term investment and sustainable socio-economic development are impossible.

2.4.1 Importance of Government Policies in Performance Contracting

The government promotes economic development through a number of channels. The government can undertake large-scale investment such as investment in industry and infrastructure projects that are beyond the scope of the private sector. The government also provides social goods such as education, public health, etc., and thus raises the stock of human capital and its productivity in the long run.

Governments all over the world view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves. It organizes and defines tasks so management can perform them systematically, purposefully and with reasonable probability of achievement. Performance Contracts are based on the premise that what gets measured gets done; if you cannot see
and measure success, you cannot reward it; if you cannot recognize failure, you cannot correct it and if you can demonstrate results, you can win public support (Chiaporí and Selanie, 2000).

Because of this, developing countries, including many African countries, have until recently opted for a strategy of expanded public sector as the main development strategy. This state-dominated policy has increased the role of the public sector in the economic life of developing countries and thereby increased the share of their government expenditure in GDP from about 15 percent in 1960 to about 28 percent in 1990 (World Bank, 1997).

According to Kaplan and Norton (2001), the government, through its expenditure policies, plays a crucial role, not only in mobilizing and allocating resources, but also redistributing the costs and revenues raised both at home and abroad among different economic sectors and households of a society. Generally, the government has different options for spending the revenue raised at home and abroad. It can then direct those public resources either to productive capital investment that generates future income, socio-economic services such as public health, education or non-productive forms of government consumption such as the military, police, etc.

According to Werlin (2000), the issue of whether resources are channeled into productive or non-productive forms of government consumption has important policy implications because the economic development of a country partly depends on how the scarce resources are allocated and utilized among different economic sectors. Therefore, much controversy surrounds the basic nature of the relationship between public expenditure and economic development. Some scholars argue that non-productive government expenditures drain the meager resources of African countries and thereby hamper economic development (Landau, 1986). For instance, available data show that in the 1960s income per capita in Africa and in most East Asian countries was at the same level. However, by the mid-1990s, the income levels in East Asian countries increased to more than five times that of African countries (World Bank, 1997). A number of scholars and policymakers attribute this divergence partially to the growing non-productive public consumption and the weak institutional capability of African countries to design and implement effective and pragmatic
development policies. A successful development policy, \textit{inter alia}, requires a committed government with strong visionary leadership. It also requires effective legislation and its enforcement. The lack of effective institutions in Africa and the state's inability to enforce existing laws and rules often leads to corruption and mismanagement, thereby increasing the cost of conducting business in Africa (Kaplan and Norton, 2001).

2.4.2 Achieving Performance Contracting through Government Policies

An important theoretical view of analyzing the new performance contract policy in the public sector in Kenya is by employment of the adoption of innovations theory. According to Rogers (1983), an innovation is an idea, practice, or object that is perceived new by an individual or other unit of adoption. The novelty in an innovation need not just involve new knowledge because some may have known about an innovation for some time but not yet developed a favorable attitude towards it, nor have adopted or rejected it. On the other hand, diffusion is defined as the process by which an innovation is communicated through certain channels over time among the members of a social system. It is the novelty of the idea in the message content of communication that gives diffusion its special character. According to this author, the general convention is to use the word “diffusion” to include both the planned and the spontaneous spread of new ideas (Werlin, 2000).

Therefore, it is crucial to improve the planning and implementation capacity of the government by enhancing the capability of public institutions to design effective policies and rules that check arbitrary state actions and combat rampant corruption (World Bank, 1997). This is crucial because to the “degree that individuals believe in the rules, contracts, property rights, etc., of a society, they will be willing to forgo opportunities to cheat, steal or engage in opportunistic behaviour” (North, 1989, p. 1322). This, of course, is possible where there is what Werlin (2000) refers to as primary corruption where people fear official punishment and popular condemnation.

However, where there is what Werlin (2000) calls secondary (chronic, rampant and uncontrollable) corruption, as in the case of Nigeria and Kenya, individuals will not fear punishment or reprisal because they are rarely punished for corruption. In this case, punitive measures may not be effective, and therefore a radical and fundamental political
reform becomes necessary. Otherwise, secondary corruption will weaken government institutions, including the judicial system, and undermine the legitimacy of the whole political system (Werlin, 2000).

2.5 Chapter summary
This chapter presented the past studies on factors determining successful implementation of performance contracting. From the review, objectives are vital to an organization's success because they provide direction, aid in evaluation, create organizational synergy, reveal priorities, allow coordination and are essential for the successful management of organizations. While pursuing the objective of earning profit, business units do keep the interest of their owners in view. However, any business unit cannot ignore the interests of its employees, customers, the community, as well as the interests of society as a whole. Clarity of objectives therefore enables employees understand the goals which give rise to performance contracting. Maturities. These maturities reflect the scheduled points in time by which strategic objectives are scheduled to be accomplished.

In addition, the success of any implementation effort depends on the level of involvement of middle managers. To involve employees is an important milestone to make strategy everyone's everyday job. That is why the involvement of middle managers is essential to increase the general awareness of the strategy (Kaplan and Norton, 2001). Governments all over the world view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves. It organizes and defines tasks so management can perform them. The next chapter will discuss the research methodology used in this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
The chapter presents the research design and methodology of the study. It gives the way the study was designed, the population, the data collection techniques, and the data analysis procedure.

3.2 Research Design
This is a case study that was carried out at NHC. Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods. Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. The study will be assessing factors determining successful implementation of performance contracting in organizations.

3.3 Population and sampling Design
3.3.1 Population
According to Orodho (2008) target population is all the items or people under consideration in any field of inquiry which constitute a universe or targeted population. The target population of this study will be employees in National Housing Corporation who entailed job levels 1 to 11. Currently there is a total of 149 employees within the firm.
3.3.2 Sampling Design and Sample Size

3.3.2.1 Sampling Frame
In this study, the frame consists of 149 employees who work at the National Housing Corporation in Nairobi. The list of employees was given from the Human Resources Manager of the corporation. The HR manager keeps an updated list of all employees records and hence the frame obtained was quite accurate.

3.3.2.2 Sampling Technique
The study applied stratified sampling technique. This technique appropriately captured opinions of different levels of employees. The strata and target population are shown in the table 3.1. Thereafter, a Simple Random Sampling (SRS) technique was used to get a population sample for each stratum. In the SRS technique, each individual stands an equal chance of selection (probability) for the sample (Cooper and Schindler, 2006).

3.3.2.3 Sample Size
According to Ngecu (2006) sampling in research is important since it is not possible to study every member or element in the whole population as it would be costly and time consuming. And according to Norman and Fraenkel (2001), a sample size of twenty percent is sufficient to carry out a study though higher proportion would be preferred for better results. The sample size for this study is therefore adequate for the study since it was 40% of the total population. The researcher used random sampling technique to select a sample size of 60 respondents from all levels in the organization as illustrated by Table 3.1.
Table 3.1 Population Sample and Sampling Size

<table>
<thead>
<tr>
<th>Stratum/levels</th>
<th>Target population</th>
<th>Sample size 40% proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>3 and 4</td>
<td>32</td>
<td>13</td>
</tr>
<tr>
<td>5 and 6</td>
<td>51</td>
<td>20</td>
</tr>
<tr>
<td>7 and 8</td>
<td>47</td>
<td>19</td>
</tr>
<tr>
<td>9, 10 and 11</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>149</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

The study used primary and secondary data. The primary data was obtained through the use of questionnaires. The questionnaires include structured (close-ended) and unstructured (open-ended) questions. The drop and pick method was used to collect data. The structured questions were used in an effort to conserve time and money as well as to facilitate in easier analysis as they are in immediate usable form; while the unstructured questions were used so as to encourage the respondent to give an in-depth response without feeling held back in revealing any information.

The questionnaire was divided into four sections. Section A presented demographic information of the respondents including their age, gender, education level, job level as well as the department of the respondents. Section B addressed the first research objective which is the effects of clarity of objectives on successful implementation of performance contracting. Section C and Section D addressed the second research objective (effects of employees' commitment on successful implementation of performance contracting) and the third research objective (effects of government policies on successful implementation of performance contracting) respectively.
3.5 Research Procedures
The researcher conducted a pilot study before the administration of research instrument. The pilot research enabled refining the instrument by making corrections. Based on the observation made new items were added while others were deleted. An assessment of the time taken by the respondent to fill in the questionnaire was executed too. According to Ary, Razavieh and Soorensen, (2006) the pilot study will administrate the adequacy of the research procedures and the anticipated problems that may be solved thereby saving time. Questionnaires were personally distributed to the respondents. At the point of issuing the questionnaire to the respondent, a date and time of picking the filled questionnaire was agreed.

3.6 Data Analysis Methods
According to Ogula (1998), data analysis involves reducing the data into summaries. Data collected from respondents were both quantitative and qualitative in nature. Quantitative data was analyzed using the Statistical Package for Social Scientists (SPSS) tools. Data were interpreted using descriptive statistics such as frequencies, mean scores and the standard deviations. The basis of using descriptive approach was to give a basis for determining the weights of the variables under the study. The findings will then be presented using tables, pie charts, percentages and bar graphs for easier interpretation. On the other hand, qualitative data was analyzed using content analysis. This analysis enabled the researcher to analyze the data that was not quantitative in nature.

3.7 Chapter Summary
This chapter presented the research methodology where the case study at NHC was identified as the most appropriate research design due to the excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research.

The chapter provided a detailed account on the type and reasons for the research design adopted for this study. It further dealt with the definition of population and the population sample used. The sampling frame, sample size and sample technique used are also defined.
and explained. Data collection methods along with the research procedures, data analysis and presentation approach have also been covered in this chapter. The next chapter presents the findings of the research.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents data analysis and interpretation. The purpose of this study was to investigate factors influencing successful implementation of performance contracting at National Housing Corporation (NHC). The data was analyzed using SPSS where frequencies, percentages as well as standard deviation guided the researcher to interpret the data. The chapter is divided into sections based on the research objectives which were: how clarity of objectives influence successful implementation of performance contracting at National Housing Corporation; how commitment of employees influence successful implementation of performance contracting at National Housing Corporation as well as how government policies influence successful implementation of performance contracting at National Housing Corporation.

4.1.1 Response Rate
The target sample size for this study was 60 employees distributed across the various job levels of the company. The response rate was 100% which was absolutely good for the targeted respondent as shown in Figure 4.1. The 60 staff were very receptive of the questionnaire which was dropped with them and picked later. They all filled in the questionnaire and had it ready for the researcher to pick on the agreed date and time. All the questionnaires were filled appropriately.
4.2 General Information
Demographic information was based on the gender of the respondents, their age, and level of the education as well as their job group.

4.2.1 Gender
Findings on the gender of the respondents indicated that, majority (56.7%) of the respondents were male while the remaining 43.3% were female. This is illustrated by Figure 4.2 below.
4.2.2 Age

Concerning the age of the respondents, 41.7% were aged 30 – 39 years while 25% of the respondents were aged between 40 – 59 years. Others (18.3%) were less than 30 years. Few 8.3% of the respondents were above 60 years and the remaining 6.7% were aged 50 – 59 years. This implies that majority of employees at National Housing Corporation are over 30 years. The results are presented in Table 4.1

Table 4.1: Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 30 years</td>
<td>11</td>
</tr>
<tr>
<td>30 – 39 years</td>
<td>25</td>
</tr>
<tr>
<td>40 – 49 years</td>
<td>15</td>
</tr>
<tr>
<td>50 – 59 years</td>
<td>4</td>
</tr>
<tr>
<td>60 years and above</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>
4.2.3 Level of Education

According to the findings on level of education of the respondents, 43.3% had secondary school certificates while 21.7% were graduates. Another 20% of the respondents had a Diploma and the remaining 8.3% and 6.7% had Master Degree and Doctor of Philosophy (PhD) respectively. This indicates that majority of employees at National Housing Corporation had post secondary education. The level of education is crucial for performance contracting since tasks are mostly allocated to employees based on the level of education. The results are presented in Figure 4.3

![Figure 4.3: Level of Education](image)

4.2.4 Job Level

The job level of the respondents was also determined. According to the findings, 33.3% were at Job Level 5 and 6 while 31.7% were in Job Level 7 and 8. Only 8.3% were in Job Level 9 and 10. This implies that majority of employees in National Housing Corporation are within Job Levels 5 to 10 as presented in Table 4.2.
Table 4.2: Job Level

<table>
<thead>
<tr>
<th>Job Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>3 and 4</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>5 and 6</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>7 and 8</td>
<td>19</td>
<td>31.7</td>
</tr>
<tr>
<td>9 and 10</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.5 Length of Service

Table 4.3 below presents the duration the respondents have worked with the organization. According to the findings, 10% of respondents have worked with the corporation for over 20 years. Majority of the respondents (51.7%) had worked at NHC for over 10 years while only 13.3% had less than 5 years in the organization. This implies that, majority of the employees working at NHC have been working with the organization for quite a long term to address the research objectives on performance contracting.

Table 4.3: Length of Service

| Years of Service     | Distribution |  |
|----------------------|--------------|
|                      | Frequency    | Percent |
| Less than 5 years    | 8            | 13.3    |
| 5 – 9 years          | 21           | 35.0    |
| 10 – 14 years        | 16           | 26.7    |
| 15 – 19 years        | 9            | 15.0    |
| 20 years and above   | 6            | 10.0    |
| Total                | 60           | 100.0   |
Table 4.2: Job Level

<table>
<thead>
<tr>
<th>Job Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>3 and 4</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>5 and 6</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>7 and 8</td>
<td>19</td>
<td>31.7</td>
</tr>
<tr>
<td>9 and 10</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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Table 4.3: Length of Service

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>8</td>
<td>13.3</td>
</tr>
<tr>
<td>5 – 9 years</td>
<td>21</td>
<td>35.0</td>
</tr>
<tr>
<td>10 – 14 years</td>
<td>16</td>
<td>26.7</td>
</tr>
<tr>
<td>15 – 19 years</td>
<td>9</td>
<td>15.0</td>
</tr>
<tr>
<td>20 years and above</td>
<td>6</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.3 Clarity of Objectives in Successful Performance Contracting

This section sought to establish the relationship between clarity of objectives and successful implementation of performance contracting. Specifically, it determined whether the organizational objectives are indicated in employees' job cards, the extent to which the tasks are indicated in their job cards, and the best way these tasks should be assigned to enhance successful implementation of performance contracting in the organization. If the objectives and tasks are clearly outlined in the employee's jobcard, then the employees are assumed to have clarity of the company's objectives and are able to relate their day-to-day tasks to these corporate objectives.

4.3.1 Employee's Task is Indicated in Employee Job Cards

On whether respondents' tasks are indicated in their job cards, majority (76.7%) of the respondents consented, while 23.3% said their tasks were not indicated in their job cards. The same information is presented in Figure 4.4.

![Figure 4.4: Employee's Task Indicated in Job Card](image-url)
4.3.2 Organizations Objectives Reflected in Employees’ Daily Tasks
The findings on the extent to which organizations’ objectives are reflected in the employees’ job cards and hence on their daily tasks were also determined. Majority (58.3%) of the respondents indicated that their tasks reflected the company’s objectives to a great extent while 25% said the reflection was only to a moderate extent. Of the rest, 10% of the respondents said that the tasks reflected the company’s objectives to a very little extent and the remaining 6.7% only to a little extent. This implies that, majority of employees at National Housing Corporation have their tasks indicated in their job cards as presented in Table 4.4.

Table 4.4: Corporate Objectives Reflected in Employees’ Daily Tasks

<table>
<thead>
<tr>
<th>Scale</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Very little extent</td>
<td>6</td>
</tr>
<tr>
<td>Little extent</td>
<td>4</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>15</td>
</tr>
<tr>
<td>Great extent</td>
<td>26</td>
</tr>
<tr>
<td>Very great extent</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

4.3.3 Clarity of objectives in Successful Performance Contracting
According to respondents’ response on how clarity of objectives affect organization successful implementation of performance contracting, majority (53.3%) of the respondents said that clarity of objectives affected successful implementation of performance contracting to a great extent while 25% felt that the effect was moderate. Another 21.7% of the respondent felt that clarity of objectives had a less effect on successful implementation of performance contracting. The same information is presented in Figure 4.5.
4.3.4 Employees' Awareness of Objectives

Table 4.5 presents the extent to which the employees at NHC are aware of their organization's objectives. The results indicated that the renewal of the employment contract depended on the extent to which they meet the laid down objectives with a high of 4.6 and standard deviation of 0.8. At the same time, they claimed to be aware of the objectives of the organization as documented in the strategic document. They also agreed that basing performance contracts on corporate objectives generally improved the performance of individuals. The results are as given by mean of 4.5 and 4.0 and standard deviation of 0.7 and 0.8 respectively. The item on meeting the overall objectives of NHC due to successful performance contracting has a mean of 3.2 and a standard deviation of 0.8. These results are shown in Table 4.5.
Table 4.5: Employees’ Awareness of Objectives

<table>
<thead>
<tr>
<th>Question</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I know the objectives of the organization as they are laid down in the strategic document</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>4.50</td>
<td>0.7</td>
</tr>
<tr>
<td>The objectives are clear and SMART in nature</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>3.60</td>
<td>0.9</td>
</tr>
<tr>
<td>The renewal of my employment contract is based on the extent to which I meet the laid down objectives</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>4.60</td>
<td>0.8</td>
</tr>
<tr>
<td>Basing performance contracts on meeting objectives generally improves the performance of an individual</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>4.00</td>
<td>0.8</td>
</tr>
<tr>
<td>The overall objectives of the NHC has in the recent years been met as a result of successful implementation of Performance Contracting</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>3.20</td>
<td>0.8</td>
</tr>
</tbody>
</table>

**Key**

N - Sample

Min – Minimum

Max – Maximum

Std. Dev – Standard Deviation
4.3.5 Task Assignment and Implementation of Performance Contracting

The employees were asked whether tasks were assigned appropriately in the performance contracting initiative and what factors were considered in the assignment of these tasks. Likert scale was used where 1 point was given to factors which had the least weight while 5 points were awarded to those factors which employees felt should be applied to assign them tasks in the best ways. Therefore, a higher mean, represents a better way of assigning tasks to employees and vice versa.

Results indicated that, academic qualifications and experience were identified as the best ways in which objectives should be set and tasks assigned to enhance successful implementation of performance contracting at National Housing Corporation with mean of 4.02 and 4.72 respectively and standard deviation of 1.07 and 1.17 respectively. On the other hand, assignment of tasks and setting of objectives on random basis and assigning the tasks based on employees' preference were cited as the worst ways of achieving clarity of objectives with mean of 2.37 and 2.55 and standard deviation of 1.21 and 1.49 respectively. The results are shown in Table 4.6.

Table 4.6: Assignment of Tasks for Successful Performance Contracting

<table>
<thead>
<tr>
<th>Method</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std.Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on Academic experience</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>4.02</td>
<td>1.07</td>
</tr>
<tr>
<td>Based on task experience</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>3.72</td>
<td>1.17</td>
</tr>
<tr>
<td>Based on employee preference/wish</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>2.55</td>
<td>1.49</td>
</tr>
<tr>
<td>Based on rotational criteria</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>2.63</td>
<td>1.12</td>
</tr>
<tr>
<td>Clarity of objectives to employees on Random base</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>2.37</td>
<td>1.21</td>
</tr>
</tbody>
</table>
4.4 Commitment of Employees and Performance Contracting

This section was based on employees' response regarding how they would describe employees' commitment to NHC and the extent to which the respondents are monitored on successful implementation of performance contracting.

4.4.1 Effectiveness of Supervision at National Housing Corporation

The employees were asked to give their opinions on how effectiveness of supervision in their departments affected Performance Contracting. Majority (66.7%) said that the supervision was effective while 16.7% said the supervision was fairly effective. Few 8.3% of the respondents felt that the organization supervision was very effective. The remaining 3.3% said that the supervision was ineffective whereas another 5% said it was very ineffective as illustrated in Figure 4.6.

![Figure 4.6: Employees' Response on Supervision](image_url)
4.4.2 Commitment to Implementation of Performance Contracting

When the employees were asked how committed they were to successful implementation of performance contracting, majority (60%) of the respondents agreed that employees were committed for successful implementation of performance contracts to a great extent while 23% felt that employees were committed to a moderate extent. Another 17% of respondents felt employees were only committed to a less extent. This is presented in Figure 4.7.

![Figure 4.7: Respondents Commitment to Performance Contracting](image)

4.4.3 Factors Driving Employees' Commitment to Performance Contracting

The opinion of employees was sought with regard to the factors, which influenced their commitment to successful implementation of performance contracting at NHC. Employees felt that motivating working conditions at NHC had the highest mean of 4.7 and standard deviation of 0.8 while reward and other material recognition had a mean of 3.7 and standard deviation of 1.1. Mandatory requirement to have all employees comply with the performance contracting requirement had a mean of 3.5 and standard deviation of 1.1. Details are presented in Table 4.7.
Table 4.7: Factors Driving Commitment to Performance Contracting

<table>
<thead>
<tr>
<th>Question</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel motivated with working conditions of NHC and thus strongly committed towards meeting its goal</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>4.70</td>
<td>0.8</td>
</tr>
<tr>
<td>Majority of employees in the organization are committed towards improved performance of the organization</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>2.60</td>
<td>1.0</td>
</tr>
<tr>
<td>Apart from renewal of the employment contracts, there are some performance-based rewards that make me get more committed on my role</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>3.70</td>
<td>1.1</td>
</tr>
<tr>
<td>Implementation of performance contracts translates to more commitment on the part of employees</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>3.50</td>
<td>1.2</td>
</tr>
<tr>
<td>The management of NHC have follow up mechanisms on the implementation of performance contracting</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>2.50</td>
<td>1.2</td>
</tr>
</tbody>
</table>

4.5 Government Policies and Performance Contracting

This section was based on whether respondents thought government policies influence on the organization’s performance contracting as well as factors relating to government policies that influence successful implementation of performance contracting at NHC.
4.5.1 Government Policies Influence on Performance Contracting

The findings on whether the respondents think government policies influence the organization’s successful implementation of performance contracting was also analyzed where majority (60%) of the respondents agreed that the influence is to a great extent. Only 23% felt that government policies influenced successful implementation of performance contracting at NHC whereas 17% said the influence is only to a less extent.

Figure 4.9 presents whether government policies influence the organization successful implementation of performance contracting

![Figure 4.8: Government Policies Influence on Performance Contracting](image)

4.5.2 Performance Contracting Aspects Influenced by Government Policies

The respondents were asked to clarify which performance contracting aspects were influenced by government policies. As shown in political interest indicated the highest mean of 4.0 and a standard deviation of 1.0. Processing of policies from a central authority had a mean of 3.4 and a standard deviation of 1.3. At the same time, although employment at NHC is largely influenced by government policies with a mean of 3.3 and a standard
deviation of 1.3, employees denied that NHC is completely run by the government. This means the organisations' rules and regulations are not set by government. These results are as shown in Table 4.8.

Table 4.8: Extent to which Government Policies Influence Performance Contracting

<table>
<thead>
<tr>
<th>Question</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHC is completely ran by the government and therefore rules/regulations pertaining to its operations are fixed by the government</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>1.60</td>
<td>0.8</td>
</tr>
<tr>
<td>Employment within NHC is largely influenced by the government policies</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>3.30</td>
<td>1.3</td>
</tr>
<tr>
<td>State agents and corporations have successful implementation of performance contracting since the relevant policies are processed from a central authority</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>3.40</td>
<td>1.3</td>
</tr>
<tr>
<td>State corporations are inseparable with political affiliations and interests</td>
<td>60</td>
<td>1</td>
<td>5</td>
<td>4.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>
4.6 Chapter Summary

This chapter presented the results and findings on factors that influence successful implementation of Performance Contracting in a public entity. National Housing Corporation was used as the case study. In particular, the extent to which clarity of objectives among employees determine success in performance contracting adoption was analysed from collected data. Similarly, employees’ commitment to the organisation as well as government policies were also analysed in their extent in influencing performance contracting adoption in a public entity.

The results and findings of the study were based on the research objectives that covered the three factors and the extent to which they influence success of performance contracting. A sample of sixty employees was randomly picked across the various levels or grades of employment in the company. All the sixty employees responded to the questionnaire items of the research objectives. The data collected was analysed and the findings presented quantitatively with descriptive statistics in the form of tables, pie charts and explanations describing percentages, mean, standard deviation of the respondents. The presentation began with background information that gave the purpose of the study and the demographic information of respondents. This was followed by the findings on the three research objectives. The next chapter will discuss the findings, before making conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents summary of the study, findings of the study and the conclusions drawn from these findings. The chapter also makes suggestions for future study. The purpose of the study was to investigate factors influencing successful implementation of performance contracting in National Housing Corporation. This chapter is organised as follows: Summary of the study, discussions, conclusions and recommendations.

5.2 Summary
The purpose of this study was to investigate the factors influencing successful implementation of performance contracting at National Housing Corporation (NHC). The specific research objectives included establishing the extent to which clarity of objectives, employee commitment and government policies affect implementation of performance contracting at NHC.

Descriptive research design was used in this study. Stratified random sampling technique was applied in selecting a sample size of 60 respondents from all levels in the organization. This was done using questionnaires which included structured (close-ended) and unstructured (open-ended) questions. The drop and pick method was used to collect data. Data collected from respondents was both quantitative and qualitative in nature. Quantitative data was analyzed using the Statistical Package for Social Scientists (SPSS) tools where frequencies, percentage as well as standard deviation guided the researcher to interpret the data. Data was interpreted using descriptive statistics such as frequencies, mean scores and the standard deviations. The findings were then presented using tables, pie charts, and bar graphs for easier interpretation.
From the study, majority (76.7%) of the respondents consented that their tasks are indicated in their job cards. At the same time, 58% indicated that their tasks are greatly reflected the company's objectives. On how clarity of objectives affect organization successful implementation of performance contracting, majority (53.3%) of the respondents said that clarity of objectives affected successful implementation of performance contracting to a great extent while 25% felt that the effect was moderate. Another 21.7% of the respondent had their responses that objectives had a less effect on successful implementation of performance contracting. Regarding the extent to which the employees at NHC are aware of their organization's objectives. The results indicated that the renewal of the employment contract was based on the extent to which they meet the laid down objectives with mean of 4.6 and standard deviation of 0.8. Results indicated that, academic qualifications and experience were identified as the best ways in which objectives should be set and tasks assigned to enhance successful implementation of performance contracting at National Housing Corporation with means of 4.02 and 4.72 respectively and standard deviation of 1.07 and 1.17 respectively.

The study also revealed that, majority of employees (66.7) saw supervision NHC being effective while 16.7% said the supervision was fairly effective. At the same time, 60% of employees are committed to successful implementation of performance contracts to a great extent. The findings on whether the respondents think government policies influence the organization successful implementation of performance contracting was also analyzed where majority (60%) of the respondents agreed that the influence is to a great extent.

Finally, on whether government policies influence the organization's successful implementation of performance contracting, majority (71.7%) of the respondents agreed while 28.3% disagreed that monitoring of employees improved the organization successful implementation of performance contracting.

Reviews indicate that, the significance of successful implementation of performance contracting, being a major and pivotal Human Resource activity, can hardly be overemphasized for the growth, development and success of any organization. Unfortunately, in most of the public sector organizations, this fundamental activity is not
given due importance. The ultimate corollary of this scenario appears in the shape of slow progress and lower productivity of the employees and of the organization as a whole.

5.3 Discussions

As indicated by this study, the key elements of successful implementation of performance contracting practices include clarity of objectives- the process of setting performance contracting targets for ministries/parastatals, groups or individuals in carrying out specific work objectives, commitment of employees to their work and the organisation and the favourable government policies.

The expected outcomes of the introduction of performance contracts include: improved service delivery; improved efficiency in resources utilization; institutionalization of a performance-oriented culture in the public service; measurement and evaluation of performance; reduction or elimination of reliance of public agencies on exchequer funding and enhancing overall performance. The underlying assumption driving the performance contracting concept is that ‘once performance can be measured and performance shortfalls identified (including non-performers), actions can be taken to address the shortfall (Jones and Thompson: 2007). Performance evaluation, and by extension contracting is therefore based on the premise that ‘what gets measured gets done’.

5.3.1 Clarity of objectives and successful implementation of performance contracting

The study indicated that, 76.7% of employees at National Housing Corporation have their tasks indicated in their job cards. Results also indicated that, academic qualifications and experience were identified as the best ways in which objectives should be assigned to enhance successful implementation of performance contracting at National Housing Corporation with mean of 4.02 and 4.72 respectively.

The study indicated that, most employees in National Housing Corporation do have their tasks indicated in their job cards even though they feel that clarity of objectives affect successful implementation of performance contracting to a great extent. This is asserted by Beardwell and Holden (1997)” by observing that, clarity of objectives is central when matching the size and skills of the workforce to the productive requirements of the
organization, and by raising the quality of individual employee's contributions to production, organizations can make significant improvements towards successful implementation of performance contracting.

Like the private sector, public sector organisations around the world face pressure to improve service quality, lower their costs, become more accountable, customer focused and responsive to stakeholders' needs. While Performance Contracting have long been advocated as successful in the private sector, it was once, considered impossible to implement in the public sector. This was mainly because the whole process of setting objectives, and monitoring their achievement was a completely new phenomena in the public sector. The first attempts at the evaluation and review were associated with the failed attempts at large scale strategic planning in the 1970s and it was not until the appearance of organisational and managerial reforms introduced by the western governments in the 1980s and 1990s that public sector performance measurement became firmly established. (Boland and Fowler, 2000).

It is important to note that the general lack of clear objectives for the public sector organisations on the other hand, makes it problematic to set intermediate objectives for all levels of employees within the public sector. It should be also be noted at this stage that a key potential role of performance indicators in performance measurement in the public sector is clarification of objectives, which becomes even more important when considered in the implementation of performance contracting and other performance management systems (Mayston, 2000).

The study also indicated that, academic qualifications and experience are the best ways in which objectives should be assigned to enhance successful implementation of performance contracting at an organization. This includes setting performance targets at different levels within the organization. At National Housing Corporation, performance targets are only set at the departmental and organizational level only.

On whether National Housing Corporation had clear objectives, majority (93.3%) were aware that NHC has performance objectives but these were at the corporate and departmental level. Regarding the extent to which employees at National Housing
Corporation think clear objectives exist in the different levels within the organization; employees indicated that, departmental level and the whole organizational level were the two levels with existing targets with means of 4.47 and 4.37 respectively.

The study revealed that, supervision in National Housing Corporation is effective. Continuous monitoring of employee is an effective administrative role towards performance contracting and that makes employees more responsible in their tasks. As indicated Herzberg (1990), there are many factors; job identification, the essence of job, responsibility, advancement and improvement that determine how clear objectives are. In addition, there are other factors, such as: the administration quality and its policy in an organization, the supervision quality, the relations between personnel, terms of reference, pays and status, security that also affect successful implementation of performance contracting practices.

As mentioned earlier, reinforcing the daily performance indicators of general employees is done through linking performance measures to rewards. In fact one of the characteristics of performance measurements consistently mentioned is that PM should be derived from the organisations’ business strategies and hence can be used as a strategic control system to influence employees’ behaviours (Robert and Kaplan, 1992; Neely et al., 1995). This is particularly relevant to the public sector where the overall performance is dependent on the human factor. In fact, according to Lynch and Cross’s (1992) performance pyramid, the translation of measures goes from bottom up, where the bottom represents the departments and work centres which are daily monitored against four performance measures.

5.3.2 Employee Commitment and Success of performance contracting

Employee commitment or Engagement to the organization can be defined as the result that is achieved by stimulating employees’ enthusiasm for their work and directing it toward organizational success. This result is only achievable when employers offer an implicit contract to their employees that elicit specific positive behaviors aligned with the organization’s goals.
Getting Engaged Performance is not just about investing financially in employees through perks or pay hikes. It is about striking a new contract in which the organization invests emotionally in its workforce. In exchange, employees make a similar emotional investment, pouring their “discretionary effort” into their work and delivering superior performance. The new contract says, “We’ll make your job (and life) more meaningful. You give us your hearts and minds.” (HayGroup, 2011)

An extensive portion of the literature on Performance contracting has been concerned with the economic benefits of the application of such systems as strategic control systems to increase productivity through monitoring employees’ activities and influencing their behaviours (Kaplan and Norton, 1996b; Neely, 1995). This however, brings attention to two issues that raise doubts in the lucidity of this literature and the validity of using, mainly, economic theories to assess the benefits of PMS. The first is that though one can note that the most important element influencing organisational performance is the human factor, economists and scholars have mostly referred to the success of performance measurement and incentive systems in terms of productivity, which though incorporating both financial and non-financial measures still ignores employee relations and organisational behaviour theories.

The concerns expressed by Hunter, et al. (1993), that the short-term benefits of performance contracting and outsourcing in general could be negated by the decline in employee commitment do not appear to be substantiated by the study. This finding may be due to employees engaging in more extra-role behavior to gain social acceptance (Pearce, 1993). On the other hand, the result may reflect the particular set of circumstances facing these workers. For example, civil service reforms had led to mass retrenchment of thousands of civil servants in the previous decade or so. Those who were spared the axe at NHC and other public entities were so committed to their roles and this may have contributed greatly to the success of performance contracting adoption.

Organizational working relationships have changed in the past two decades or so. Previously, an unspoken contract existed between employer and employee where the employee was supposed to commit to working in the organization for the long term and
return receive job security, good pay and promotions. However, due to the recession and other macro-economic factors, organizations started to reengineer and downsize and in the process broke that contract. Performance Contracting started gaining eminence as a mode of keeping and raising performance and keeping the employees engaged.

Today, people who started their careers in the last decade or so do not expect lifetime employment with a single employer. Rather, they consider personal fulfillment in their work as a birthright — and this is extremely unlikely to change during economic downturn. They will just take different options like free agency or self-employment rather than work for a low-reputation employer. Many organizations that have not recognized this significant change in agenda are struggling to cope despite raising employee salaries, giving staff performance-based incentives and even instituting flextime. They still grapple with productivity problems. According to Hay (2011) organizations should start thinking about the employees the same way they think about customers. That means offering them a rewarding environment to work in and not just financial rewards.

This research emphasizes this fact. From the study, employees felt that the motivating working conditions at NHC, which had the highest mean of 4.7 and standard deviation of 0.8 was the greatest factor that contributed greatly to their commitment and in turn led them to readily embrace performance contracting. Material recognition had a mean of 3.7 and standard deviation of 1.1. Mandatory requirement to have all employees comply with the performance contracting requirement had a mean of 3.5 and standard deviation of 1.1.

### 5.3.3 Government Policies and Successful Performance Contracting

Most African countries have grown increasingly interested in the use of contract type arrangements in the 1990s as a means of improving public sector performance. This interest reflects a number of broad challenges to traditional governance structures. These challenges include the demand for greater efficiency through highly adaptive and flexible public sectors and the increasing pressure of accumulated public debt and fiscal deficits. “Governments must strive to do things better, with fewer resources, and, above all, differently.”
Many countries have pursued a strategy of developing a more performance-oriented culture in the public sector. This has generally involved an increased focus on results, in terms of efficiency, effectiveness and quality of service as well as a move from centralised bureaucratic structures, to more decentralized managerial environments.

One of the ways that this performance oriented culture is driven through is by use of performance contracting strategy. The government may choose to legislate performance management and making it mandatory for all civil servants and employees of state agencies to enter into performance contracting. However, as shown in the above section, mandatory requirement for Performance contracting does not have as result a high response to performance contracting. This is because there is less commitment or engagement to the organization when it becomes a mandatory requirement.

As indicated by the study, government policies are crucial for successful implementation of performance contracting. Results indicated that state corporations are inseparable with political affiliations and interests as indicated by a mean of 4.0. This political aspect influences implementation of performance contracting since the relevant policies are processed from a central authority, again as shown by a mean of 3.4. At the same time, employment within NHC is largely influenced by the government policies with the study showing a mean of 3.3. However, employees denied that, NHC is completely ran by the government and therefore rules and regulations pertaining to its operations are not fixed by the government.

It is therefore, it is crucial to improve the planning and implementation capacity of the government by enhancing the capability of public institutions to design effective policies. This is in line with the Rogers (1983) argument that before implementing the performance contracts the government should try to draw people in, get them involved, before giving them things to do and letting them make decisions about the performance measurements evaluation criteria.
Government policy as government action is generally the principled guide to action taken by the administrative or executive branches of the state with regard to a class of issues in a manner consistent with law and institutional customs. In general, the foundation is the pertinent national and subnational constitutional law and implementing legislation (GoK, 2003).

5.4 Conclusions

5.4.1 Clarity of Objectives and Implementation of Performance Contracting
The key elements to successful implementation of performance contracting practices include clarity of objectives which is defined as the process of setting clear performance targets for ministries/parastatals, groups or individuals in carrying out specific work objectives. In an ideal world, successful implementation of performance contracting measurement in a team-based setting is straightforward: a firm perfectly observes both the individual contributions of each team member and the total value generated by the team.

In this regard, it can be concluded that avoiding ambiguity or uncertainty over roles, and clarifying employee’s accountability for the conduct of those roles is key to successful adoption of performance contracting and improved performance. This is of benefit to both the organization and the employee. There is a risk that a high degree of delegation, combined with poorly specified objectives, could result in what J Q. Wilson (1989) has termed “mission madness”. This refers to a situation where, a manager charging off to implement his or her private version of some ambiguous public goal. From the employee’s perspective, possible effects on their reputation in the labor market can be a powerful motivation for them to seek clarity.

5.4.2 Employee Commitment and Implementation of Performance Contracting
Another factor cited as very key in successful implementation of performance contracting is the prevalent way in which employees are committed to their tasks at National Housing Corporation as well as efficiency, attendance and innovativeness. The objectives of successful performance contracting practices in the civil service include improving service
delivery to the public by ensuring that top-level managers are committed to efficiency and ensuring that resources are focused on attainment of the key national policy priorities of the Government; institutionalizing performance oriented culture in the civil service through introduction of an objective based performance contracting practice system; measuring and evaluating successful implementation of performance contracting; linking reward to measurable successful implementation of performance contracting and strengthening and clarifying the obligations required of the government and its employees in order to achieve agreed targets.

5.4.3 Government Policies and Implementation of Performance Contracting

Findings in this study confirm that, in any government system which is annually conducted in a governmental organization, planning the appraisal process is an important subject, spending a large amount of time and expenditures to reach the objectives like: manpower development, including improvements, promotions and objectives in managerial positions, persuasion and punishment, salary increase, personnel's successful implementation of performance contracting feedback and determining their educational needs. At the same time, teamwork appraisals are not enhanced within National Housing Corporation. Respondents however indicated that teamwork appraisal is important for organization successful implementation of performance contracting where it can be induced using incentives ultimately depends on the type of successful implementation of performance contracting measures available to the firm. In an ideal world, successful implementation of performance contracting measurement in a team-based setting is straightforward: a firm perfectly observes both the individual contributions of each team member and the total value generated by a team.

From the outcome performance contracting viewed against the challenge of improving service delivery and as a performance management system on the whole has proven this far to be good and a necessary step. While recognizing that its implementation may have brought with it other challenges to public sector agencies and even to the evaluators and negotiators, including high temptations to cheat in reporting of results to score highly, its execution has added value in reforming the bureaucracy from the business as usual attitude.
The successful introduction is partly attributed to the political goodwill and leadership which in this case has been provided by the highest office in the land, the presidency. The enthusiasm and commitment of the Permanent Secretary, Secretary to the Cabinet and Head of the Public Service has also significantly contributed to this success. The independent ad-hoc committees has brought into the process a high degree of autonomy from the management of public service, in addition to infusing credibility, objectivity and professionalism into the entire exercise. The strategy has also been implemented in an inclusive and interactive manner such that there have been very limited cases of organizations claiming unfair evaluation or being denied an opportunity for expression of opinions and ideas.

Performance contracting tool is emerging as a very efficient and effective planning tool which bring to the fore various aspects of an organization, some of which are often ignored. Corporate planning and the itemization of annual work plans, adequately supported by budgetary provisions and delineation of lines in addition to levels of responsibility for performance as well as effective measurement is an effective tool for management of public resources.

The use of performance measures within a contract-type approach in the public sector should be approached with care. A simple principal/agent framework may be highly inappropriate in certain situations, and there can be severe difficulties in specifying and measuring desired performance. Care should be taken in the use of some of the theoretically efficient contracting principles described earlier in the design of funding relationships within the public sector.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Clarity of Objectives
Clarity of objectives should always be done based on competence of an individual as marked by the qualifications, skills and the level of experience of the employee. When
employees are aware of the corporate and individual goals, they will be more willing to commit themselves into the achievement of these goals through performance contracting.

5.5.1.2 Commitment of Employees
Employees incentives should be introduced to enable a collaborative environment, which is created by a firm establishing and then maintaining a corporate culture that nurtures and reinforces teamwork to enhance performance contracting. Employees appraisal should also be introduced. The team should be given targets that should be met at both individual and synergic level. There should be performance at all levels of organization including the employees’ level, departmental level, teamwork level as well as sectional level. This would ensure that employees are evaluated at the mentioned level for creation of efficiency. In addition, performance contracts should be done in line with motivation of employees to enable them work with minimum supervisions.

5.5.1.3 Government Policies
Government policies should be focussed towards improved performance in public organizations. The government being the primary owner of public corporations can turn these entities into efficient and profit making enterprises if it inculcates the spirit of high performance through performance Contracting. And for successful adoption of performance contracting, there is a lot of goodwill required from the state.

5.5.2 Recommendations for Further Studies
The researcher suggests that further studies should be carried out. A study on performance contracting in private sector should also be carried out for comparison purpose. At the same time, a replica of the study should be carried out focusing on cross sectional data. This would entail performing a survey on several other parastatals.
6.0 REFERENCES


Hanson H., (1972). 'Using Adult Development to facilitate career happiness; Career planning journal. 15 (4) winter 1999-2000


Mowday, R. (1979). *The measurement of organizational commitment*, Graduate School of Management, University of Oregon


Appendix I: Letter of Introduction

United States International University,
P.O. Box 14634, 00800
Nairobi

Human Resources Manager,
National Housing Corporation
P.O. Box
Nairobi

Dear Sir,

Re: Research Project on Performance Contracting

Thank you very much for the attention you accorded me during our telephone conversation. As I mentioned to you, I am a final year MBA student at United States International University (USIU) Nairobi, majoring in Strategic Management. As part of my academic research I have identified National Housing Corporation for a case study on successful implementation of performance contracting. My project is titled FACTORS DETERMINING SUCCESSFUL IMPLEMENTATION OF PERFORMANCE CONTRACTING IN A PUBLIC ORGANIZATION: THE CASE OF NATIONAL HOUSING CORPORATION.

Please assist me in mobilising the identified employees in filling the questionnaire correctly and in time. This will increase the success rate of my research.

Regards

Simon Njuguna Mbogo

MBA Student
Appendix II: Questionnaire

PART ONE: DEMOGRAPHIC INFORMATION

1) Kindly state your gender
   Male [ ]  Female [ ]

2) What is your age?
   a) Less than 30 years [ ]
   b) 30 – 39 years [ ]
   c) 40 – 49 years [ ]
   d) 50 – 59 years [ ]
   e) 60 years and above [ ]

3) Kindly state your level of education
   a) Secondary certificate [ ]
   b) Diploma [ ]
   c) Graduate [ ]
   d) Masters degree [ ]
   e) Ph.D [ ]

   Any other (Kindly specify)

4) What is your job level? (Kindly tick on the appropriate box)
   a) 1 and 2 [ ]
   b) 3 and 4 [ ]
   c) 5 and 6 [ ]
   d) 7 and 8 [ ]
   e) 9 and 10 [ ]

5) How long have you been working with your organization
   a) Less than 5 years [ ]
   b) 5 – 9 years [ ]
   c) 10 – 14 years [ ]
   d) 15 – 19 years [ ]
   e) 20 years and above [ ]

PART TWO: CLARITY OF OBJECTIVES AND PERFORMANCE CONTRACTING

6) Are employee’s tasks indicated in their job cards?

7) Organizations objectives are reflected in employee’s daily tasks as indicated in their job cards

8) How clarity of objectives influence successful implementation of performance contracting
9) Best way tasks should be assigned to enhance successful implementation of performance contracting

10) Indicate the extent to which you agree with the following statement on the given scale of 1 to 5 where 1 represents ‘strongly disagree’ while 5 indicates ‘strongly agree’

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>11) I know the objectives of the organization as they are laid down in the strategic document</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12) The objectives are clear and SMART in nature</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13) The renewal of my employment contract is based on the extent to which I meet the laid down objectives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14) Basing performance contracts on meeting objectives generally improves the performance of an individual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15) The overall objectives of the NHC has in the recent years been met as a result of successful implementation of PC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Best way tasks should be assigned to enhance successful implementation of performance contracting

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>16) Based on academic qualification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17) Based on task experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18) Based on employee’s preference/wish</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19) Based on rotational criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20) Clarity of objectives to employees on random based</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21) Kindly explain your answers in (9) above

____________________________________________________________________

____________________________________________________________________

PART THREE: COMMITMENT OF EMPLOYEES AND PERFORMANCE CONTRACTING

1) Employees' response on how they would describe supervision in their respective organization?

<table>
<thead>
<tr>
<th>Description</th>
<th>[ ]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very ineffective</td>
<td>[ ]</td>
</tr>
<tr>
<td>Ineffective</td>
<td>[ ]</td>
</tr>
<tr>
<td>Fairly effective</td>
<td>[ ]</td>
</tr>
<tr>
<td>Effective</td>
<td>[ ]</td>
</tr>
<tr>
<td>Very effective</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

57
2) To what extent do you think employees at NHC are committed to implementation of performance contract?

- Very little extent [ ]
- Little extent [ ]
- Moderate extent [ ]
- Large extent [ ]
- Very large extent [ ]

3) Indicate the extent to which you agree with the following statement on the given scale of 1 to 5 where 1 represents ‘strongly disagree’ while 5 indicates ‘strongly agree’

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>4) I feel motivated with working conditions of NHC and thus strongly committed towards meeting its goal</td>
<td></td>
<td></td>
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<td>5) Majority of employees in the organization are committed towards improved performance of the organization</td>
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<td>6) Any other performance-based rewards that make me get more committed on my role</td>
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<td>7) Implementation of performance contracts translates to more commitment on the part of employees</td>
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<td>8) The management of NHC have follow up mechanisms on the implementation of performance contracting</td>
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</table>
9) Kindly explain your answers in (13) above


PART FOUR: GOVERNMENT POLICY AND PERFORMANCE

CONTRACTING

1) Government policies influence the organization successful implementation of performance contracting?
Yes [ ] No [ ]
Kindly explain your answer

Indicate the extent to which you agree with the following statement on the given scale of 1 to 5 where 1 represents ‘strongly disagree’ while 5 indicates ‘strongly agree’

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
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</thead>
<tbody>
<tr>
<td>2) NHC is completely ran by the government and therefore rules and regulations pertaining to its operations are fixed by the government</td>
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<td>3) Employment within NHC is largely influences by the government policies</td>
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<td>4) State agents and corporations have successful implementation of performance contracting since the</td>
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</tbody>
</table>
relevant policies are processed from a central authority

5) State corporations are inseparable with political affiliations and interests

6) Kindly explain your answers in (16) above
5) State corporations are inseparable with political affiliations and interests

6) Kindly explain your answers in (16) above

__________________________________________________

__________________________________________________

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