



## **FACTORS INFLUENCING IMPLEMENTATION OF PERFORMANCE CONTRACTING IN PUBLIC INSTITUTIONS IN KENYA: A CASE OF THE MINISTRY OF SPORTS, CULTURE AND THE ARTS**

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**Abstract:** Performance contracting is a management tool for measuring performance that establishes operational and management autonomy between government and public agencies; it also measures performance and enables recognition and reward of good performance and sanction bad performance. The performance of the public sector has become a common phenomenon the world over especially in developing countries. Delivery of efficient and effective services to its citizens continues to be a major concern to Governments. One of the key priorities of the Kenyan Government is to implement and institutionalize public sector reforms geared towards efficiency and effectiveness in the delivery of service to the public. The study sought to investigate into the factors influencing implementation of performance contracting in the public institutions where the focus was on the Ministry of Sports, culture and the Arts. The general research objective of this study was to investigate into the factors that influence implementation of performance contracting in the public institutions. The research problem was studied through the use of a descriptive research design and adopted census sampling technique. The target population of this study was the two hundred (200) staff working at management levels at the Ministry of Sports Culture and the Arts, Headquarters in Nairobi. Both primary and secondary data was used during data collection. Data collection involved a self-administered questionnaire. Data collected was quantitative and it was analysed by descriptive analysis techniques. The findings were presented using tables, charts, percentages, tabulations, means and other central tendencies. The researcher also conducted a multiple regression analysis so as to determine the effects of the four variables on performance contracting in the public institutions in Kenya. This generated quantitative reports through tabulations, percentages, and measure of central tendency. The study found out that organizational culture greatly affected the implementation of performance contracting through the various aspects such as the composition of the PC committee, employees' awareness and commitment. Top management commitment especially their adherence to PC procedures highly affected the implementation of Performance contracting. The regression equation shows that employee turnover, top management commitments highly influence the implementation of performance contracting in the ministry. The study concludes that various aspects of organizational culture, top management commitment, political influence and employee turnover highly influenced the implementation of performance contracting in the ministry. The study recommends that for effective and efficient implementation of PC there should be involvement and creation of awareness to all staff; proper communication channels be provided; leadership of the organization is the major drawing force in PC implementation; PC be in line with the Ministry objectives and that adequate budget should be allocated for PC implementation.

**Key Words:** Organizational Culture, Performance Contract, Political Influence, Employee Turnover

## **Introduction**

According to Corporate Leadership Council (2008), for performance to be realized the human and capital resources in the organizations need to be managed, it is the need to manage these scarce resources that the concept of performance management has become a core activity of today's organizations. Performance contracting is practiced in a world faced with unpredictable dynamic environment brought about by technological advancement, social alterations, economic influences and political pressures. Shen and Cannella (2002), Schuler et al (2001) posit that the main function of human resource management as a recruitment and selection, training and development, compensation, labour relations, employee security and safety and the development and management of performance appraisal/measurement systems.

Performance contract system concept was began by Simon Nora and commenced in 1960 and since that time several countries in the world have adopted it in customized forms (Mehdi, 1994), Mintzeberg, (1938). Different definitions on performance contract have been given at different periods by several scholars. Jenkins, (2003) indicates that a management tool that measures performance and determines management and operational independence between public agencies and the government is known as a performance contract. The tool improves service quality and reduces quantity controls. Performance contract do not focus on the processes but the results and therefore privatizing the public sector style. Performance is also measured and this assists in recognizing and rewarding of the good performance and sanctioning the bad performance. According to (Hunter & Gates 1998), an accord between the government and the public agency and that which determines the general objectives for the agency, provides incentives required in order to achieve the targets and also sets targets to be used in measuring of performance is a performance contract.

In the past 47 years since 1970, performance contracting has remained in use in 30 unindustrialized countries starting with France (Lienart, 2003). The performance contract that has been accepted has been used India, Bangladesh, Pakistan, China, Sri Lanka, and Korea. Performance contracts have remained in use in Africa's enterprises such as Kenya, Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire. In Latin America, they have been used at different times in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Others include Malaysia, United Kingdom, U.S.A, Canada, Denmark and Finland among others (Lienart, 2003).

Performance agreement has been negotiated between the Kenyan government and the particular Department, Ministries, or Agencies freely and it defines the intentions clearly, responsibilities or and obligations of the two parties that are contracting. Therefore, the government is the contracting party and is obliged to help the contracted party to achieve the results (GoK, 2012). The Economic Recovery Strategy for Wealth and Employment Creation (2003-2007) assisted in the introduction performance contract management of resources in the public. Kenya's Vision 2030 acknowledges that performance contract is amongst the important strategies that will help strengthen the service delivery and administration of the public. The strategies focus expanding citizen's delivery charters so as to use them as tool for accountability and to entrench performance in public service as a culture. All Permanent Secretaries/ Accounting Officers of ministries departments and Chief Executive Officers of State Corporations were to be placed in performance contracts by June 2004 in the large commercial state corporations as per the Government Cabinet Memo No.(03) 1115 On 15<sup>th</sup> January, 2004. In 2005/2006, there were 34 government departments/departments, 116 state corporations and 5 pilot local Authorities which signed the performance contract and evaluation was done in September

2006. This was the initial and official recognition of strategies in order to make recommendations on how to streamline and manage state corporations performance. When performance in the public sector had constantly gone below the public expectations, performance contracts were established. In order to improve efficiency of public service, reforms in the public sector were formed and the Performance Contracting fell as part of these reforms. Poor management, principles multiplicity, political interference and excessive controls are the problems that inhibit government agencies from performing. Various approaches have been used to address the challenges and there is hope that productivity will be managed using performance contract. The perception of performance contracts was that that government agencies and public sector had gone below the expectations consistently during the introduction of performance contract in 2003 (Office of the President –Performance Contracts Steering Committee, Sensitization Manual, 2005). Little research has been conducted on the aspects that affect performance contracts and their effect on performance in state corporations. In MOSCA, there is no study that has been done in order to establish the factors that affect performance contract implementation.

In Kenya, Choke (2006) did a research on the supposed studied the perceived relation between performance contracting and strategic planning in Kenyan state corporations. The results of the study indicated that performance contracts are viewed as tools of management that are used to achieve the set targets. On the other hand, Kiboi (2006) carried out a study on the management perception on performance contracting in state corporations and the results achieved were similar to those of Choke. Korir (2005) also studied on the effect of performance contracting at the East African Portland Cement. From the study, performance is improved where performance contracts exist.

To improve on delivery of services in the public sector, the Kenyan Government initiated performance contracting. It was introduced in 20004 and since then, only a few of the state corporations were taking part. Currently, performance contracting is being initiated in most of the ministries, departments and agencies (MDAs). This decision of introducing performance contracting in MDAs was because of the increased advantages that had begun to manifest in the institutions that were taking part in performance contracting. The benefits were through the improvement in administrative and financial performance and also in delivering of services. For the first time, ministries were therefore required to set targets draw service charters with their clients, and finally to compare their performance with those that were best performers in the world. From this, there was a great significance in the results to an extent that international recognition was won and several of the countries in Africa were willing to learn from the experience of Kenya (GoK, 2010). Kenya has borrowed performance contracting from the best international practices and the Balanced Score Card. The best practices in performance contracting and evaluation were obtained from: India, Morocco South Korea, United Kingdom, China, Malaysia and USA but were tamed in order to fit the local context. A rational connection between the mission, vision and strategic objectives was provided in the Balanced Score Card since it is a tool of evaluation and the results were desired in terms of financial/budget, Stakeholder and Customer needs, capacity building in terms of learning and growth and internal processes. The score card also relates the strategic objectives to the annual budgets and the targets that are long term (GoK, 2012).

The agreement is freely negotiated between the owner of the public agency, the government and the agency management on the other hand. In the performance contract, performance obligations, responsibilities and intentions of the two parties are mutually specified. Social/economic and other tasks that are discharged for the gain in the economy are similarly addressed. Tasks are defined and organized in order for the management to perform them purposefully, systematically and with a reasonable probability that there will be an achievement. Development of points of view, approaches

and concepts on what is to be done and how it is to be done is assisted by these. Improvement in efficiency on resource utilization, improvement service delivery, , institutionalization of a performance-oriented culture in the public service, performance evaluation, relating rewards and sanctions to measurable performance, elimination of public agencies being relied on as exchequer funding, accountability instillation for results and enhancing performance are some of expectations in the outcomes due to performance contract introduction (GoK, 2007).

Poor performance over the years has been encountered in the public sector and specifically in public resource management and this has delayed achievement of a sustainable economic (GoK, 2005). In the Economic Recovery Strategy (ERS) the government has repeated the factors that are affecting public sector performance adversely. These factors include poor management, political interference, excess controls and regulations, expansion in staff establishment and outright mismanagement. A number of measures are being undertaken by the government in order to improve performance. Nonetheless, the measures have not offered a background towards which results will be attained or accountability will be ensured in the use of public resources and efficient delivery of services. Comprehensive evaluation of performance, lack of information systems in performance and performance incentive system are lacking in these initiatives (GoK, 2005).

The success of an organization largely depends on achievement of its objects as set out in the performance contract, Hughes (2001). One of the key priorities of the Kenyan Government is to implement and institutionalize public sector reforms geared towards efficiency and effectiveness in the delivery of service to the public. The introduction of performance contract in 2003 was due to the general perception that the performance of the public sector in general and government agencies in particular had consistently fallen below expectations (GoK, 2005). The performance contract is in its twelfth cycle and service delivery in the government has improved though not 100% to the satisfaction of the public. The general public has and is still complaining of poor if not inadequate provision of services. There are certain areas though there are certain areas of service delivery that has not felt much improvement (Ogoye, 2002; Choke, 2006; Langat, 2006). The study investigated on the factors that are affecting the implementation of performance contracting in public institutions and what contributes to lack of 100% achievements in the implementation of performance contract. While some studies have tackled the general impact of performance contracting in state corporations (Kiboi, 2006) others have just concentrated on effects of performance contracting in public institution. Thus the focus on the factors influencing the implementation of implementation has not been fully tackled by most researchers. The general research objective of this study was to investigate the factors that influence implementation of performance contracting in the public institutions.

The study was guided by the following specific objectives:

- i. To determine the effects of organizational culture on implementation of Performance Contracting.
- ii. To investigate the effects of top management commitment on implementation of performance contracting.
- iii. To assess the effects of political influence on implementation of performance contracting.
- iv. To establish the effects of employee turnover on implementation of performance contracting.

## Theoretical Review

### Agency Theory

Agency theory resulted from the work of Berley and Colt (1932). This theory has considerably borrowed from economics and has mostly focused on shareholder bondholder and conflicts. The principal or agency theory argues that principals, who are owners and managers, have to develop various ways of controlling and monitoring activities of their agents (staff). The theory makes a suggestion that principals may experience problems in making sure that agents do what they are told. It is paramount to clear up existing ambiguities by developing objectives and goals and by monitoring performance to make sure that the set objectives are achieved (Michael, 2006).

Agency theory involves the development of arrangements where plans and determines the working undertaken by an agent. It also focuses at giving solutions to two main problems occurring in agency relationships. The first problem is the conflict prospect between the goals and desires of the principal and the goals and desires of the agents (Eisenhardt, 1989). Agency theory proponents make an assumption that each of the parties act on their own self-interest. This assumption leads to agency problem as the principal's interests and the agent's conflicts may be conflicting. The agent may start avoiding the fulfilment of obligations and start engaging in self-serving behaviours like using organizational resources and work time for individual's activities and personal gains. The more the independence and autonomy an agent enjoys and the greater the requirement for specialized knowledge, the more considerable and significant the moral hazard (Holmstrom, 1979). As indicated in agency theory, agency relationship works when one party (principal) hires another party (an agent) that possess skills and knowledge (Eisenhardt, 1989). The key assumption of this theory is that human beings are by nature selfish, thus principals and agents with most likely have differences in attitudes and interests towards risk, which leads to differing preferences in decision making (Eisenhardt, 1989).

In an effort to decrease the moral hazard in agency relationships, most of the times, principals develop rules of the game and mechanisms and also monitor the actions of the agents, reward them appropriately when they act within the objectives of the principal (Jensen, 1983). In cases where the agent has high independence, autonomy as well as highly specialized knowledge, monitoring becomes expensive and challenging, which leaves the principals to rely on incentives as a way of rewarding agents for appropriate outcomes (Tosi & Gomez-Mejia, 1994). According to Alchian and Woodward (1988), lack of accurate and proper flow of information from the agent makes it difficult for the principal to develop and implement a contract indicating how the agent should behave under different circumstances, which makes it impossible for the principal to make sure that the agents make appropriate decisions. Rutherford and Buchholtz (2007) argue that information distribution imbalance between agents and principals is often regarded as information asymmetry. According to Hendry (2005), adverse selection is a risk of selecting employees that are incompetent. Eisenhardt (1989) supports the idea that to overcome these problems, principals should monitor the agents' actions and put incentive programs in place. At this point the role of human resource management becomes important the agent and the principal.

In addition, the agency theory indicates that monitoring systems should be in place to measure as well as evaluate agents' performance as well as the intervening environmental conditions. The monitoring system acts as a bonding arrangement through which the agent provides guarantees for working according to the interests' of the principal and through which "contractual limitations on the managers' decision making power" are put in place. In addition, financial incentive systems that link the reward

of agents to their performance leading to risk-turn-over from the principal to the agents (Verhoest, 2005). It is often imagined that the agency theory captures the quality and the characteristics of the relations between employees and employers and how performance can be managed to improve service delivery in the public sector areas such as the Ministry of Sports, Culture and The Arts particularly in the implementation of performance contract targets.

Agency theory is relevant to implementation of performance contracting as it advocates for continual monitoring of employees/ministries/state departments/corporations performance. The government as the principal represented by the performance contracting division in ensures continual quarterly and annual monitoring and evaluation of government agencies. Performance contracting is seen as a way of the government (principal) controlling the activities of government agencies (agents) in ensuring they and efficiently perform, utilize allocated resources and deliver service to the public promptly, and impartially. Thus the application of this theory advocates for implementation of performance contracting in the public sector.

### **Kotter's Theory of Change Process**

Kotter (1995) came up with number of factors that he believed influence successful changes and others that he believed that led to failure. The developed eight steps of change, where the first four steps look at organization de-freezing, the other three steps make change to take place and the final step leads to a re-freezing of the organization with a new culture. When organizations need to make big changes significantly and he says that this goes best if the 8 steps happen in order. "The most general lesson to be learned from the more successful cases is that the change process goes through a series of phases that, in total, usually require a considerable length of time. Skipping steps creates only the illusion of speed and never produces satisfactory results" and "making critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains". Kotter summarizes the eight phases as follows.

Establishing a sense of urgency involves talking of change. This typically begins with some people noticing vulnerability in the organization. The threat of losing ground in some way sparks these organizations into action, and they in turn try to communicate that sense of urgency to others. Kotter (1995) notes that over half the companies he has observed have never been able to create enough urgency to prompt action. "Without motivation, people won't help and the effort goes nowhere. Executives underestimate how hard it can be to drive people out of their comfort zones". In other cases that are considered successful, a leadership group enables free discussions of possibly unpleasant facts. These may include declining market share, new competition, flat earnings or even other relevant indicators. It is helpful to use outsiders who can share the "big picture" from a different perspective and help broaden the awareness of organization members (Rosabeth, 1999). Kotter (1995) suggests urgency is enough when 75 per cent of leadership in an organization is honestly convinced that business as usual is no longer an acceptable plan.

Leaders in an organization should form powerful guiding coalitions. In any organization, change efforts normally start with one person or two people and should grow exponentially to include more people in the organization believing that the change being implemented is necessary. The requirement in this stage is to bring together a large group of initial believers. This group should be powerful in regards to the roles and responsibilities that they hold in the firm, skills they have, relationships they have and their reputations. Irrespective of an organisation's size, the guiding coalition for change requires about three to five people leading the efforts to make the changes. This group helps in bringing new ideas on board. The development of building of a coalition, urgency, sense of what is

going on and what is required is crucial. The involvement of respected leaders in this coalition normally brings in good outcomes later (Reed et al, 2000).

Successful transformation rests on "a picture of the future that is relatively easy to communicate and appeals to customers, stakeholders, and employees. A vision helps clarify the direction in which an organization needs to move". A vision in an organisation has different functions. It helps in sparking motivation among the staff, enables alignment in projects and changes, provides filters of how a firm is doing, and makes provision for rationale for the changes that a firms needs to weather. "A useful rule of thumb: if you can't communicate the vision to someone in five minutes or less and get a reaction that signifies both understanding and interest, one is not yet done with this phase of the transformation process".

Communication of the vision is a crucial aspect in an organization. Kotter (1995) indicates that leadership in an organization should make estimations of the required communication in a vision and multiply the results by a factor of 10. Leaders in an organization should empower the followers and other stakeholders to act on the organization's vision. This normally involves different actions, allow members in the organization to make necessary changes in their involvement areas, guides in the allocation of budget money to the new initiatives, reduction of agendas in meetings to discuss the vision. In addition, the management of an organization should change the organization of their work to put people where more effort is required. Also, they should free up people for current responsibilities so as to enhance concentration on the new efforts. In a nutshell, managers should get rid of all hindrances to the implementation of change (Paton & McCalman, 2000).

Another step is to plan for and create short term wins. Since actual transformation in organization takes a bit of time, momentum loss and start of disappointments are actual factors. In most cases, many individuals will not go a long way in the change unless there is a compelling evidence that their energy and efforts having fruits. In a successful transformation in an organization, leaders make plans and seek to achieve short term gains that people can be able to look at and appreciate. This offers proof to members in an organization that their efforts are brining fruits and increases the motivation to improve on their efforts. When it is clear to individuals in an organization that major changes take a long time to implement, the levels of urgency will drop significantly. The commitments of the top management in the production of short-term wins helps in keeping the levels of urgency up and forcing detailed analytical thinking that can revise or clarify visions.

Institutionalize the new approaches: In the final analysis, change sticks when it becomes "the way we do things around here", when it seeps into the bloodstream of the corporate body. "Until new behaviours are rooted in social norms and shared values, they are subject to degradations as soon as the pressure for change is removed". This theory is relevant to the study as there is need for involvement of all stakeholders in target setting, change processes and during the implementation of the performance targets. It also provides for communication of the vision to stakeholders. During the implementation of performance contracting the vision of the organization must be communicated to employees. The theory is also relevant in this study as it proposes sanctions and rewards for nonconformity/conformity.

### **Empirical Review**

Empirical review covered the influence of organizational culture, top management commitment, political influence and employee turnover.

## **Organizational Culture**

Organizational culture refers to a concept that gives a description of experiences, values, beliefs and attitudes of an institution. This shows a pattern or a trend of shared basic assumptions developed, discovered and invented by a group of people as they learn how they can cope with the external adaptation problems and internal integration that have been successful and hence can be regarded as valid and hence be taught to other employees in an organization as the best way to feel, perceive and think in regard to those problems (Cole, 2002). According to Wiener (1998), differences in culture have a significant impact on human behaviour and may lead to misunderstandings in businesses that may become a barrier in implementing change in an organization. The culture of an organization can be regarded as a key strength when it is consistent with its achievement of objectives and set goals and thus can be a powerful driving force in implementation. However, an organization's culture can also prevent a company from overcoming competitive threats or adapting to changing socio-economic and technological environments.

Organizational culture can also be considered to be managers' leadership style, that is, how they utilize their time, where they focus their attention, the type of questions they ask their employees and how decisions are made. As indicated by Ravasi and Schultz (2006) organizational culture involves a group of shared assumptions that guides what takes place in a firm through the definition of assumptions and behaviours that are taught to new members in an organization as the appropriate way feeling, perceiving and thinking. Therefore, organizational culture influences the groups of people and individuals in an organization interact with stakeholders, with clients and with each other. Further, organizational culture affects the level to which employees identify with the firm (Ravasi & Schultz, 2006).

One of the main challenges performance contracts' implementation seems to be behavioural and cultural in nature, incorporating the effect of poor activities integration and reduced feelings of commitment and ownership (Aaltonen & Ikavalko, 2002). According to Corboy and O'Corrbui (1999), the main factors affecting performance contracts implementation include poor understanding on performance contract implementation, poor appreciation of performance contract by staff and customers, failure to acknowledge obstacles and difficulties and ignoring the daily business imperatives. According to Marginson (2002), performance contracts implementation advances from the winning group commitment process through decision making coalition form, or as a result of implementation staff coalitional involvement through a strong organizational culture. As indicated by Johnson and Scholes (2002) the social process can lead to rigidities in case an organization requires changing its performance contracts.

Meyer and Stensaker (2006) argue that firms required to improve their capacity to change through the development and allocation of operational and change capabilities, which sustain the long term performance of an organization. These authors also indicate that implementing change before the establishment of well-functioning aspects in organization harms the successive changes that require both the capabilities to change in the long term and short term and the capabilities to ensure the maintenance of daily operations. Given the research literature on the benefits of implementation of performance contracts programs it is reasonable to assume that organizations with programs in place would report better results on top management and employee commitment on achieving performance targets and objectives. It is also plausible to suggest that organizations using performance contracting and performance management programs that incorporate previously identified "practices" would report

higher satisfaction with their programs than organizations that were not using these same practices (Eastman, 1995).

### **Top Management Commitment**

Top level management's commitment is considered the most essential factor in the implementation of performance contracts in any organization, whether public or private. The commitment of the top management is therefore a prerequisite in performance contracting implementation. Thus, top managers in an organization must be willing to be loyal and give energy to the performance contracting implementation process. According to Rapa and Kauffman (2005), this commitment becomes a positive significant to employees and other organizational members. To ensure an improvement in the overall performance, senior executives and top managers must drop the thought or notion that middle level managers and staff in the low level management have the same performance contracts implementation perceptions, its urgency and the underlying rationale. As such Rapa and Kauffman (2005) argue that the top management must persuade the staff in the middle and low level management on the ideas they have on performance contracts implementation. Aaltonen and Ikavalko (2002) acknowledge that the traditionally recognized and outlined problems such as poor top management support and inappropriate organizational structure act as key inhibitors of the implementation of performance contracting.

Eastman (1995) presents a list of the mostly commonly reported practices. For performance contracts implementation to be successful it should receive backing and support from top management, should be supported by staff and owned by line management, should be tailored to unique needs in the organization, should have high flexibility and be linked to the strategic business plan, should emanate from human resources review process, should be based on candidates objectives and well-developed competencies, should include employees input, should be part of the development effort of the management, should emphasize on follow-up and accountability and should include job assignments development plans. As identified by other authors, the key attributes of the implementation of performance contracts include senior management support, CEO involvement, line management candidate's identification, utilization of developmental assignments and linking of the performance management process to other organizational strategies (Rioux & Bernthal, 1999; Purcell & Georgiadis, 2006).

Aaltonen and Ikavalko (2002) recognize the middle managers' role, by indicating that they are the "key actors" "who have a pivotal role in implementation of performance contracting". However, according to Bartlett and Goshal (1996), middle level managers are threatened but silent change resistors whose roles should change towards coaching, capabilities building, provision of support as well as guidance through entrepreneurial attributes encouragement. Therefore, if middle level managements fail to show commitment to their roles, employees in the low level management may not provide support as well as guidance through entrepreneurial attributes encouragement.

### **Political Influence**

In public institutions, performance contracting implementation is normally affected by political influence. Regular performance measurement involves moving from the mind-set of paperwork achievement. According to Conger and Fulmer (2003), implementation of performance contracts systems and programs are measured by how they respond to the needs of the users and when the processes and tools provide current and reliable information at the foundation of a shift toward organizational performance achievement. Due to the literature available on the performance programs

benefits, it is reasonable to make an assumption that organisations with performance programmes in place have better performance contracts implementation results. In addition, it is appropriate to argue that firms making use of performance programs and incorporating previously identified practices, would show higher programs achievement that those that do not use these practices (Eastman, 1995).

The difficulties about performance contracting are as challenging in the private sector just as they are in the public. Armstrong (2008) acknowledges that scope of formal performance contracts may be severely limiting in today's more flexible and rapidly changing organizations, where elaborate performance plans may be out dated as soon as they are made. Following up on what Armstrong alludes; the Government Ministries are victims to these challenges more so where political machinations sometimes interfere with professional approach to implementation of performance contracts. Corporate politics such that the employees with the best track record, top managers or any other level of management employee may use the corporate ladder to interests of friends and allies while punishing enemies. Armstrong confirms that since involvement in the implementation of most performance targets has some accrued benefits, ambitious employees may never want to wait for the right process and procedures to implement them and may use short cuts in ensuring they are involved. Sometimes there are performances targets that are seen not to be providing immediate benefit to employees and thus nobody wants to be involved in their implementation, this scheme sometimes does affect the implementation of performance contracts. Ministries in this regard suffer from the sloppiness of the efficiency and ness in implementing performance contracts which can be equated to inefficiency in service delivery. The circumstances within Kenyan Government ministries which are open to political patronage and influence tend to overshadow the ideal findings of previous studies. This study finds opportunity in drawing out the professional relevance in sticking to ideals of performance contracting as opposed to instituting systems whose implementation is hindered by other factor (Kobia & Mohammed, 2006).

### **Employee Turnover**

Violation of obligations in a contract weakens the bond between employee and employer. When employees perceive that the employer has not fulfilled their side of the contract, they lose faith in the benefits of staying in the relationship, and might develop intentions of leaving the organization. Previous research has confirmed this reasoning (Robinson & Rousseau, 1994). Robinson and Rousseau conducted a longitudinal study, where employees were surveyed immediately following recruitment and again two years later. The results suggested that contract violations predict employees' current intentions to remain with one's employer, even after controlling for initial intentions to remain. Tekleab and Taylor (2003) also found that employees' perceptions of violations by the organization is positively related to intention to leave the organization, based on a sample of 130 matched dyads of non-faculty university employees and managers.

Sutton and Griffin (2004) found that turnover intention is predicted by job satisfaction; specifically that low job satisfaction leads to higher turnover intention. However, they found no direct relationship between contract violation and turnover intentions. In their study, job satisfaction mediated the relationship between contract violation and intention to quit. This mediating role of job satisfaction in the relationship between psychological contract violation and intention to quit was also found in the research of Turnley and Feldman (2000). However, job satisfaction was found to partially mediate this relationship. Thus, there seemed to be both a direct and an indirect effect of psychological contract violation on intention to quit. Turnley and Feldman also documented the mediating effect of met expectations on employees' intention to quit. Intention to quit can serve reflection of one's



of 544 employees. The target population of this study was the staff at top management, middle level and lower level management in the Ministry of Sports, Culture and the Arts. The population characteristic was summarized as in table 1 below.

The sample size of this study was selected from 544 staff of the Ministry in the Ministry of Sports, Culture and the Arts. Census was used to collect data as it was possible to count everyone in the population and collect data on many attributes of the population of interest which is not homogeneous and could be subdivided into groups or strata to obtain a representative sampling frame. Since the study used census the researcher collected data from the ministry's 200 staff from top to lower management in the ministry as follows.

**Table 1: Sample Size**

Staff Levels	Population Frequency	Sample Ratio	Sample
Top Management Level	18	1.0	18
Middle Level Management	38	1.0	38
Lower Level Management	144	1.0	144
<b>Total</b>	<b>200</b>	<b>1.0</b>	<b>200</b>

Questionnaires were used to collect primary data while secondary data was obtained from various reports of the ministry. The questionnaire, mainly, comprised to two sections. The questionnaire comprised of both structured and unstructured questions. The structured questionnaires were utilized as a way of reducing cost, conserving time and facilitation of easier data analysis as the data was in a usable form. The structure questions were utilized as way of encouraging the respondents to in-depth responses about the study objectives without feeling limited to provide information. A pilot study was conducted to assess the validity and reliability of the research instrument.

Quantitative data was analysed by use of descriptive analysis techniques and inferential statistics such as multiple regression model. The study used software known as Statistical Package for Social Sciences (SPSS ver. 23) to conduct all quantitative data analysis. The results from quantitative analysis were presented in percentages, means, tabulations, charts and tables. The tables were utilized in summarizing responses for further analysis and in the facilitation of comparisons. The researcher also conducted a multiple regression analysis so as to determine the effects of the four variables on implementation of performance contracts in the public institutions in Kenya. The regression equation was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Where Y is the dependent (implementation of Performance Contracting),  $\beta_0$  is the regression coefficient,  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$   $\beta_4$  are the slopes of the regression equation,  $X_1$  is the organizational culture independent variable,  $X_2$  is the Top Management Commitment independent variable,  $X_3$  is the political influence independent variable and  $X_4$  is the employee turnover independent variable. The equation was solved by the use of statistical model where SPSS was applied. This generated quantitative reports through tabulations, percentages, and measure of central tendency. The main challenge of the researcher was time constraint though the researcher extended the collection period.

### **Data Results and Discussion**

The study sampled 200 respondents from the target population in collecting data with regard to the factors affecting implementation of PC in the public institutions. From the actual study, all 200 questionnaires sent to the respondents were received back, fully completed making 100% response

rate. To achieve this commendable response the researcher had to make personal visits as well as making phone calls requesting and reminding the respondents to secure sometime to respond to the questionnaires.

### **Organizational Culture and PC implementation**

The study sought to find out the effects several aspects of organizations culture affects the implementation of performance contracting in public institutions. Majority of the respondents (30%) indicated that organizational culture affects the implementation of performance contract at a great extent, 24% indicated to a little extent, 21% indicated moderately with 15% indicating a very great extent and 10% indicated to no extent at all. The study further sought the extent to which organizational culture affects the implementation of PC in the ministry. From the study majority of the respondents indicated that clear communication channels affect PC implementation in the ministry to a moderate extent as shown by a mean score of 3.1967, employee's awareness affect PC implementation to a moderate extent as shown by a mean score 3.1858, with employee involvement affecting moderately at 2.9836. Both PC committee compositions and others at a mean score of 3.0000 also affected PC implementation moderately.

**Table 2: Aspects of Organizational Culture affecting the implementation of PC**

<b>Aspects of organizational culture</b>	<b>Mean</b>	<b>Std dev</b>
PC committee composition	3.0000	1.26491
Employee involvement	2.9836	1.25820
Employee awareness	3.1858	1.15106
Clear Communication channels	3.1967	1.15209

### **Senior Management Commitment and PC implementation**

The respondents were required to rate the extent to which top management support affects the implementation of PC in the Ministry. Majority of the respondents (31.5%) indicated that top management commitment affects PC implementation in the Ministry to a great extent, 22.5% of them indicated to moderate extent, 22.0% to a very great extent, 16.5% to a little extent and 7.5% of the respondents indicated that top management commitment to a little extent. This findings support previous study findings that one of the major challenges in PC implementation appear to be diminished feelings of ownership and commitment (Aaltonen & Ikåvalko, 2002).

The study sought further to establish the extent to which various aspects of top management commitment affect the implementation of PC in the ministry. Majority of the respondents reiterated that other factors, PC procedures are adhered to in the ministry, Top management demonstration to PC Implementation, ministry's Strategic directions, and affect PC implementation to a great extent as shown by mean score of 3.9995, 3.6700, 3.4100 and 3.3700 respectively. Willingness to give loyalty, stakeholders' involvement moderately affects PC implementation in the ministry at mean score of 3.1850 and 3.1050 respectively. The most important factor when implementing PC is top management is adherence to PC procedures and their demonstration of commitment to the PC implementation process. This is undoubtedly a prerequisite for implementation of PC. According to Eastman (1995), PC implementation programs should receive visible support from the CEO and top management, be flexible and linked with the strategic business plan; incorporate employee/stakeholders input; be part of the broader management development effort and adhere to the ministry's strategic directions.

**Table 3: Aspects of Top Management Commitment affecting PC implementation**

<b>Aspects of Top management Commitment</b>	<b>Mean</b>	<b>Std dev</b>
PC Procedures Adherence	3.6700	1.11233
Stakeholders Involvement	3.1050	1.28148
Top management demonstration to PC Implementation	3.4100	1.32692
Strategic directions	3.3700	1.25738
Willingness to give loyalty	3.1850	1.27629

**Political Influence and PC implementation**

Majority of the respondents indicated that Minimal conflict of interests affect PC implementation in the ministry to a great extent as shown by a mean score of 3.0800, others at a mean score of 3.9750, Clear ministry's objectives at mean score of 3.1500. Correct organizational priorities affected the implementation of PC in the ministry moderately at a mean score of 3.0150. Undue influence of programs to implement had a moderate extent at a mean score of 2.8400, while Minimal corruption practices at a mean score of 2.5400 moderately affected the implementation of PC in the ministry.

**Table 4: Aspects of Political Influence**

<b>Aspects of Political Influence</b>	<b>Mean</b>	<b>Std. Deviation</b>
Undue influence of programs	2.8400	1.38709
Minimal corruption practices	2.5400	1.13793
Minimal conflict of interests	3.0800	1.26157
Clear ministry's objectives	3.1500	1.33657
Correct organizational priorities	3.0150	1.42652

**Employee Turnover and PC implementation**

Majority of the respondents (28.0%) indicated that top employee turnover affects PC implementation in the Ministry to a great extent, 26.5% of them indicated that employee turnover did not have impact on the implementation of PC in the Ministry. 12.0% indicated to a very great extent, 23.5% to a little extent and 10.0% of the respondents indicated that employee turnover had to very great impact on PC implementation.

Majority of the respondents indicated that staff ownership of objectives and commitment affect in the ministry to a great extent as shown by a mean score of 3.4350, others at a mean score of 4.0000, staff affection to the job at mean score of 3.3200. Top management following of route work processes affects employee turnover and also the implementation of PC in the ministry moderately at a mean score of 3.2700. Prompt promotion of employees affected employee turnover to little extent at 2.7550. Adherence to the laid down procedures on career progression influenced employee turnover to a little extent at 2.9450.

**Table 5: Aspects of employee turnover affecting PC implementation**

	<b>Mean</b>	<b>Std. Deviation</b>
Prompt Promotion	2.7550	1.41598
Adherence of laid down procedures	2.9450	1.33450
Management follow up	3.2700	1.09228
Affection with job	3.3200	1.23092
Staff ownership of objectives & commitment	3.4350	1.32079

### Implementation of Performance Contract

Majority of the respondents indicated that the implementation of PC in the ministry was at a great extent at 33.5%, very great extent at 22.5%, moderate extent at 19.5%, little extent at 17.0% while those who indicated not at all were at 7.5%. Majority of the respondents indicated that the implementation of PC in the ministry has led to improved service delivery at a mean score of 3.4650, proper utilization of resources within the ministry at a mean score of 3.2350, customer satisfaction at 3.3400 mean score. PC implementation has also led to promotion of transparency and accountability at the ministry at a mean score of 3.3100, while others indicated that PC implementation at the ministry had impact at a mean score of 3.8700.

**Table 6: Impact of PC implementation in the Ministry**

	Mean	Std. Deviation
Improves Service delivery	3.4650	1.22322
Proper Utilization of resources	3.2350	1.32611
Customer Satisfaction	3.3400	1.28556
Promotes Transparency & accountability	3.3100	1.32008
Others	3.8700	.72507

Source: Author, 2016

### Multiple Regression Analysis

The researcher further conducted a multiple regression analysis so as to investigate the factors influencing PC implementation in the public institutions: A case study of the Ministry of Sports, Culture and the Arts. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

From the findings 69.2% of the implementation of the PC in the ministry is affected by a combination of factors (organizational culture, top management commitment, political influence and employee turnover) investigated in this study as represented by the  $R^2$ . A further 30.8% of the PC implementation in the ministry is attributed to other factors not investigated in this study.

**Table 7: Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832	.692	.634	.46316

The analysis of variance shows that model is a good fit for the data and it is okay in predicting the influence of organizational culture, top management commitment, political influence and employee turnover on the implementation of performance contracting. This is because the p-value (0.000) is more than the significance level (0.05). In addition, F-calculated (6.971) is greater than the F-critical (2.37).

**Table 8: Analysis of Variance**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	17.381	4	4.345	6.971	.000
Residual	121.559	195	.623		
Total	138.940	199			

The researcher conducted a multiple regression analysis so as to determine the relationship between the PC implementation and the four variables/factor. The regression equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$ ) will be:

$$Y = 1.024 + 0.131X_1 + 0.156X_2 + 0.191X_3 + 0.373X_4$$

According to the regression equation established, taking all factors (organizational culture, top management commitment, political influence and employee turnover) constant at zero, PC implementation in the Ministry will be 1.024. The data findings analyzed also shows that taking all other independent variables at zero, unit increase organizational culture will lead to a 0.131 increase in PC implementation in the Ministry. A unit increase in Top management commitment will lead to a 0.156 increase in PC implementation in the Ministry; a unit increase in Political influence will lead to a 0.191 increase in PC implementation in the Ministry, while a unit increase in employee turnover will lead to 0.373 increases in PC implementation in the Ministry. This notwithstanding, all the variables had a significant p-value ( $p < 0.05$ ) at 95% confidence level with top management commitment being the most significant factor while employee turnover was the least significant.

**Table 9: Coefficient of determination**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.024	.311		4.285	.021
Organizational culture	0.131	.164	.193	3.876	.032
Top management Commitment	0.156	0.0481	0.0327	4.069	.034
Political influence	0.191	0.0714	0.2325	2.779	.015
Employee turnover	0.373	0.085	0.076	4.564	.014

## Conclusions

The first objective of the study was to determine the effects of organizational culture on implementation of Performance Contracting in the MOSCA. The study established organizational culture affects the implementation of PC to a great extent. The study also established that the various aspects of organizational culture such as PC committee composition, employee involvement, employee awareness and clear communications affected the implementation of PC in MOSCA with the PC committee composition having the very great extent of impact on the implementation of PC followed by employee involvement. Employee awareness as an aspect of organizational culture affected the implementation of PC to little extent while employees commitment affected the implementation of PC moderately. The study further established that clear communication channels were essential for the PC implementation process and that MOSCA adhered to clear feedback/communication in the PC implementation process.

The second objective was to investigate the effects of top management commitment on implementation of performance contracting. The study established that there were various factors/aspects of top management commitment that had effects on the implementation process of PC in MOSCA. Top management commitment affected the PC implementation to a great extent. The study established that top management commitment to the implementation of PC greatly affected PC. The study further established that the adherence of PC procedures by top management affected the efficiency and effectiveness of PC. The most aspect of top management that highly affected PC implementation was

their willingness to support and facilitate the implementation of PC. The study noted that without top management support and facilitating the PC implementation process it was hard to achieve the process of implementing PC.

The third objective was to assess the effects of political influence on implementation of performance contracting. The study noted that there various factors/aspects on political influences moderately affected PC implementation in MOSCA. It was established that during the PC implementation process there was moderate or little political influence. Conflicts of interest as an aspect of political influence in PC implementation within the ministry were minimal.

The fourth and last object of the study was to establish the effects of employee turnover on implementation of performance contracting. The study established that loss of talented staff through ministerial transfers, secondments and deployment to other public institutions was very detrimental or slowed down the PC implementation process due to the loss continuity of the action persons. It is therefore of essence for MOSCA and the public service to put in place measures to ensure employees turnover due to whichever methods are minimized during the PC period.

From the findings it is clear that PC implementation in the ministry is affected by a combination of various factors (organizational culture, top management commitment, political influence and employee turnover). Thus these combinations of factors work together in influencing the levels, efficiency and effectiveness of PC implementation process within the ministry. These factors work together in impacting on the achievement in implementing PC. Further the study investigated on these factors affecting the implementation of PC and found out that each factor had various aspects/components that affected the implementation of PC in the Ministry.

### **Recommendations**

From the findings it is clear that various factors affect the implementation of PC in public institutions. The study therefore makes the following recommendations:

From the study findings and conclusions, it is clear that organizational culture affects PC implementation in the ministry. Employees should be involved and awareness should be created to all staff; frequent meeting should be held to assess PC implementation progress; adequate budget should be allocated to enable achievement of PC targets; PC results should be put before the public for information and ministry ranking be encouraged; and PC should be in line with ministry's objectives/commitments;

To ensure efficiency and effectiveness in PC implementations proper communication channels should be availed; transparency and motivation should be enhanced; there should be continuous sensitization on PC. Feedback on the PC processes should be brought to the staffs who are the implementations and action persons of the PC targets.

The leadership of an organization can be regarded as the driving force for an organization on the path of productivity. Top management can give assurance of and commit themselves to modelling the desired behaviours combined with the values that need to be institutionalized. Top management can increase organizational commitment by communicating that they value employees contribution and that they care about employees wellbeing. The findings will therefore help top management those staff related issues that can slow performance in the ministry. When staff members see that they are considered through prompt promotion and adherence to laid down procedures on career progression and motivation, their emotional, normative and continuity attachment will increase successively. Staff

with higher level of affection with their job and more organizational attachment will be willing to work for the organization, which will in turn bring higher performance in the organization.

The study established that employee involvement should be ensured. The PC implementation should involve all employees and awareness created to all. The ministry to ensure effective implementation of PC should involve staff in decision making process. Sometimes it happens that the staff knows but the management does not know. The study therefore recommends that there should be frequent meetings to assess PC implementation progress further adequate budget should be allocated to ensure the targets are implemented.

### Areas for Future Research

The study has investigated the factors affecting the implementation of performance contracting in the public service where the ministry of Sports, Culture and the Arts was involved and established that top management commitment, organizational culture, political influence and employee turnover are the main factors affecting the implementation of performance contracting in the ministry. The public sector in Kenya however consists of various other government ministries which differ in their way of management and have different settings all together. This warrants the need for another study which would ensure generalization of the study findings for all the public ministries in Kenya and hence pave way for new policies. The study therefore recommends that another/further studies on other factors affecting the implementation of PC in public institutions be carried out to have an in depth understanding of more if not all factors affecting PC implementation and how each of such factors/variables impact PC implementation.

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