

**AN EVALUATION OF THE EFFECT OF PERFORMANCE CONTRACTING ON
ORGANIZATIONAL PERFORMANCE: A CASE OF THE OPERATIONS OF THE
MINISTRY OF HOUSING HEADQUARTERS, NAIROBI, KENYA**

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ABSTRACT

The main objective of the study was to evaluate the effect of Performance Contracting (PC) on organizational performance. Specifically the study sought to: - determine the level of understanding of PC by the employees of the Ministry of Housing Headquarters, Nairobi; establish the frequency of implementation of PC at the Ministry of Housing Headquarters, Nairobi; evaluate the impact of PC on the operations of the Ministry of Housing Headquarters, Nairobi and; investigate the challenges of implementing PC at the Ministry of Housing, Headquarters, Nairobi. Primary data was collected from structured questionnaires that were administered to employees of the Ministry of Housing Headquarters, Nairobi. Analysis of data was done using descriptive statistics techniques that is, Percentages and weighted averages. A Likert type scale was used to identify the extent of the level of understanding of Performance Contracting by the employees, the frequency of implementation of Performance Contracting, the impact of Performance Contracting on the operations and the challenges of implementing Performance Contracting of the Ministry of Housing Headquarters, Nairobi. The results were presented using tables and charts. The findings of the study revealed that Performance Contracting is an effective tool in the execution of operations of the Ministry of Housing. The study recommended that the management of the Ministry of Housing should ensure that there are adequate resources and that they are committed in time for effective execution of the Ministry's mandate and its obligations.

Keywords: Organizational Performance, Performance Contracting, Ministry of Housing, Nairobi, Kenya.

Introduction

The term performance contracting can be traced from France in the late 1960's. It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced to India, Pakistan, Australia, Belgium, Canada, Denmark, Finland, New Zealand, Norway, Spain and Korea (Organisation for Economic Co-operation and Development [OECD], 1997). From its origin in France in the 1960's, Performance Contracting had been used in over 30 developing countries in a period of fifteen years (Kobia & Mohammed, 2006). Signing a Performance Contract commits a public official to perform to, or beyond, the specified levels. This holds public officials accountable for results and therefore helps in converting tax Shillings into goods and services effectively and efficiently. It also creates transparency in the management of public resources. Therefore, it's the government policy that all persons holding public office or managing public resources would be placed on a Performance Contract. The holders of public office are employees of: Civil Service, State Corporations, Local Authorities, Parliament, Judiciary, Constitutional Offices and Commissions (GoK, 2010).

Currently, all chief officers in all Government Ministries and Accounting Departments, State Corporations, Local Authorities and Tertiary Institutions sign performance contracts. There has been tremendous and measurable performance arising out of these ongoing government reform initiatives and resulting in international recognition and wide acclaim. For instance, recently the United Nations Public Service Award 2007 was awarded to Kenya in the category of improved Transparency, Accountability and Responsiveness in the Public Sector. This is a clear testimony of the great strides the Kenya Public Service is making in the area of public sector reforms (GoK, 2010).

In little more than a decade, Ghana transformed the structure and strategy of its rural water supply sector. By 2000, district assemblies and communities played a significant role in planning supplies. The new policy and structure has attracted extra funds, and work is accelerating. This reform process started with an extended dialogue with the major stakeholders in the sector, out of which a new rural water and sanitation policy was developed. The policy was then implemented in several large pilot projects, supported by a number of external agencies, and finally the lessons from those projects were incorporated into the national performance contract program itself (World Bank, 2002).

Literature Review

Performance Contract is defined as a freely negotiated performance agreement between the Government, acting as the owner of a Government agency, and the agency itself. It clearly specifies the mutual performance obligations, intentions, and responsibilities between the two parties (Performance contracting guidelines, 2009). A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting

managerial and operational autonomy to public service managers (Performance contracting guidelines, 2009).

Performance contracting was set up with the following objectives; improving service delivery to the public by ensuring that top-level managers are accountable for results, reversing the decline in efficiency and ensuring that resources are focused on attainment of Key national policy priorities of the government (Parachuted projects), institutionalizing performance oriented culture in the public Service through introduction of an objective performance appraisal system, measuring and Evaluating Performance, linking reward to measurable performance, facilitating the attainment of desired results, instilling accountability for results at the highest level in the government, ensuring that the culture of accountability pervades all levels of the government machinery, strengthening and clarifying the obligation required of the government and its employees in order to achieve agreed target.

It is a requirement that all public institutions prepare performance contracts based on the strategic plans (Performance contracting guidelines, 2009). The Strategic Plan is the cornerstone for the implementation of a performance contract. The strategic objectives in the strategic plans of public institutions should be linked to Government policy priorities and objectives as set out from time to time, in such policy publications as the National Development Plan and the Vision 2030.

In the case of public institutions which do not have strategic plans in place at the time of preparing a performance contract, development of a strategic plan should be included as a key performance indicator under the “Non-financial” performance criterion (Performance contracting guidelines, 2009). The ministries and public institutions should also come up with Citizen Service Delivery Charter and carry out Customer Satisfaction Surveys (Performance contracting guidelines, 2009).

Currently, achieving excellence seems to be a really difficult goal for public agencies. As can be seen from the results declared on December 8, 2006, none of the government agencies qualified to be in the excellent grade. This is partly the result of the fact that to be excellent agencies had to achieve targets that were at least 30% higher compared to the previous year. This approach of mechanically setting limits is similar to the approach used by Koreans in implementing a similar system. However, even Koreans allowed some flexibility depending on the nature of past trend and the standard deviation of the variables.

Performance contracts seemed a logical solution to this problem, since similar contracts had been successful in the private sector. No one, including the proponents of performance contracts, minimized the problems governments would face in designing such contracts, however. Much has been written about the problems that principals (in these case, governments) face because they cannot accurately measure the effort expended by their agents (managers) or sort it out from other factors affecting performance. These agency problems are compounded in the public sector, where politicians have many points of view and bureaucrats have many different agendas. Under such circumstances it is hard to judge performance and to motivate managers and hold them accountable for results. Moreover, unlike private owners, politicians may not benefit from better performance, and so may try to make managers serve objectives that conflict with efficiency, such as rewarding political supporters with jobs or subsidies. (Demerger, S. 1998),

These refer to the assistance extended to the contracting Public Institution by the Government. Commitments of Government are largely facilitative and should therefore not feature where mechanisms to address them already exist. The assistance required from the Government should be relevant and related to fulfilling the agreed performance targets. The nature, extent and timing of any obligation from the Government should be agreed upon and set out clearly for the purpose of evaluation. The requested assistance should, in addition, not include exemption from the existing legal regime (GoK, 2009).

Methodology

This study used a cross-sectional descriptive research design to evaluate the effect of Performance Contracting on organizational performance. This research design was adopted because of its appropriateness in describing the current situation of the phenomenon (Kothari 2009). The study was carried out in Kenya at the Ministry of Housing Headquarters; which is located in Nairobi County, Kenya. The headquarters offices are situated on 1st Avenue, off Ngong Road, Ardhi House, Makao House along Parliament road and Agriculture house along Harambee Avenue within the city centre. The target population in the study was 256 employees at Ministry of Housing Headquarters, Nairobi. The target population comprised 15 Heads of Departments/Sections, 32 Administrators/Managers, 67 Technical Officers, 53 Clerical Officers, 30 Secretaries and 59 Support Staff. The sample size was determined at 5% confidence level and a sample of 174 employees at the Ministry of Housing Headquarters was selected. The study adopted a Census for the selection of the Heads of Departments/Sections and proportionate stratified random sampling was used in drawing a sample size of 159 comprising managers (24), technical officers (40), clerical officers (35), secretaries (23) and support staff (37) that catered for the heterogeneous population of the study. Random selection was determined objectively by means of random number tables.

Primary data was collected using structured questionnaires. Closed ended questions were set using a 5-point Likert type scale. The questionnaire was piloted on 12 employees from the Ministry of Housing. Test retest technique was used to test the reliability.

Data obtained from the questionnaires was analyzed using descriptive statistics and weighted averages were used to analyze the level of understanding of Performance Contracting by the employees, the frequency of implementation of Performance Contracting, the challenges of implementing Performance Contracting and the impact of Performance Contracting on the operations of the Ministry of Housing Headquarters, Nairobi. The results were presented using tables and charts.

Findings

The questionnaires were administered to 174 respondents. Out of these, 165 questionnaires were successfully completed and returned giving a response rate of 94.83% which was considered sufficient for analysis and reporting. This response rate is in line with Mugenda (1999) who observed that a response rate of 50% is adequate for analysis and reporting, a response rate of 60% is good and response rate of 70% and above is very good.

The study sought information on gender, job group, job description and work experience. Highlights of the characteristics are: Out of 165 respondents from the Ministry of Housing Headquarters who were sampled, 97 were males and 68 females representing 58.8% and 41.2% of the total respondents respectively. Concerning respondents' job group, the results of the study showed that 22.4% of

respondents were in job group P-S, 27.9% in job group K-N, 32.1% in job group H-J and 17.6% in job group A-F. This implies all the members of staff at the Ministry of Housing are under Performance Contracting. On the respondents job description, the results showed that 8.5% of the respondents were the Heads of Department, 14.5% Administrators/managers, 23% Technical officers, 20.6% Clerical officers, 12.7% Secretaries and support staff comprised of 20.6%. This implies that the Ministry of Housing has cascaded Performance Contracting at all levels. On working experience, the result show that majority of the respondents (36.4%) had been in the service for over 15 years, 16.4% 11-15 years, 11.5% 6-10 years, 31.5% 1-5 years and only 4.2 % of the respondents had served in less than one year. This signifies that a majority of members of staff have had experience prior to Performance Contracting thus, forming a basis for sound evaluation and comparison of performance of the Ministry before and after.

Extent of Understanding of Performance Contracting

The first objective of the study was to establish extent of understanding of Performance Contracting by the employees of the Ministry of Housing. To achieve this objective, the respondents were asked whether they had signed Performance Contracting and whether they had been trained on it. In addition, they were required to rate how frequent the Ministry was sensitizing the members of staff on the aspects of Performance Contracting, the mode of training members of staff on Performance Contracting and whether they required further training on Performance Contracting. Their responses indicated that 64.24% of the respondents signed performance contract while 35.76% of the respondents had not signed. A performance contract is legally binding, and the organizations feel secure from breach of contract and poor performance by the employees. On Performance Contracting training the findings indicated that 86.67% of the respondents had been trained on Performance Contracting while 13.33% of the respondents had not been trained. On sensitization of members of staff on aspects of Performance Contracting the results were as shown in Table 1.

Table 1: Sensitization of Employees on Performance Contracting

Aspects of Performance Contracting	Most Frequent 5	Very Frequent 4	Frequent 3	Moderately Frequent 2	Less Frequent 1	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
Performance targeting	111	30	9	10	5	165	727	4.4061
Work planning	113	37	7	5	3	165	747	4.5272
Performance measurement	11	17	14	38	85	165	326	1.9758
Performance appraisal	58	23	16	43	25	165	541	3.2788
Reward and punishment	8	4	3	29	121	165	244	1.4788
Reporting	103	27	17	10	8	165	702	4.2545
Monitoring and Evaluation	9	15	11	35	95	165	303	1.8364

Source: Field data (2012)

The results in table 1 indicate that a lot of emphasis was laid on the aspects of performance targeting, performance planning, reporting and performance appraisal which had scores of three and above

implying that these areas were the most frequently sensitized with regard to performance contracting. The aspects of performance measurement, monitoring and evaluation as well as reward management had a score of less than two indicating that they were rarely the focus of performance contracting sensitization.

On Modes of Training on Performance Contracting the findings revealed that the training was mainly done through on job training (51.51%), seminars (27.27%), workshop (12.12%) and induction (9.1%) signifying that training on performance is mostly achieved through job orientation. Respondents were further asked whether they would require training on all aspects of performance contracting and 96.36% of respondents said they would require further training implying that the respondents have appreciated the role of Performance Contracting as a tool for performance management.

On Frequency of Implementation of Performance Contracting the results are displayed in Table 2.

Table 2: Implementation Frequency of Aspects of PC

Aspects of Performance Contracting	Most Frequent 5	Very Frequent 4	Frequent 3	Moderately Frequent 2	Less Frequent 1	Σf_i	$\Sigma f_i w_i$	$\Sigma f_i w_i / \Sigma f_i$
Performance targeting	36	48	71	5	5	165	600	3.6364
Work planning	30	51	62	14	8	165	576	3.4909
Performance measurement	97	37	11	11	9	165	697	4.2242
Performance appraisal	40	49	60	11	5	165	603	3.6545
Reward and punishment	11	13	17	23	101	165	305	1.8485
Reporting	109	47	4	3	3	165	754	4.5697
Monitoring and Evaluation	4	5	5	36	115	165	242	1.4667

Source: Field data (2012)

The results in table 2 show that on a daily basis the aspects of performance targeting, performance planning, performance measurement, appraisal and reporting were most frequently used as they had a score of three and above. The aspects of monitoring and evaluation as well as reward and punishment were not used frequently as they had a score of less than two implying minimal usage on a day to day basis.

The study evaluated the impact of Performance Contracting on the operations of the Ministry of Housing Headquarters, Nairobi and to achieve the objective respondents were required to the efficiency of Performance Contracting in the execution of the various ministry functions, their work life after performance contracting and the effect of performance contracting. The respondents were required to rate the efficiency of the ministry functions as executed after the introduction of Performance Contracting; Coordination of the implementation of housing policy, housing development, shelter and slum improvement, housing for civil servants and disciplined forces, management of government housing, leasing of public office accommodation, housing for constitutional office holders, resolution of rent and other related disputes in the housing sector,

control and regulation of rents (low income), installation of physical and social infrastructure and promotion of appropriate building materials and technologies. The results from the study are shown in the table 3.

Table 3: Operations Efficiency at the Ministry

Efficiency of operations	Most Efficient 5	Very Efficient 4	Efficient 3	Moderately Efficient 2	Less Efficient 1	$\sum f_i$	$\sum f_i w_i$	$\sum f_i w_i / \sum f_i$
Coordination of the implementation of Housing Policy	16	49	56	34	10	165	522	3.1636
Housing development Shelter and Slum improvement	19	32	71	16	27	165	495	3.0000
Housing for Civil Servants and Disciplined Forces Management of Government Housing	83	49	30	3	0	165	707	4.2848
Leasing of Public Office Accommodation	16	48	76	14	11	165	539	3.2667
Housing for Constitutional Office Holders	22	32	83	17	11	165	532	3.2242
Resolution of Rent and other related disputes in the housing sector	17	37	58	40	13	165	500	3.0303
Control and regulation of rents (low income).	127	38	0	0	0	165	787	4.7696
Installation of Physical and social infrastructure	45	46	32	18	24	165	565	3.4242
Promotion of appropriate building materials and technologies	48	43	33	20	21	165	572	3.4667
	57	34	44	6	24	165	589	3.57
	54	33	33	21	24	165	567	3.4363

Source: Field data (2012)

The results from table 3 indicate that housing for constitutional office holders was the most effectively done. Similarly the execution of the shelter and slum improvement project was effectively done. These two had scores of four and above in the Likert type scale. The resolution of rent and other related disputes in the housing sector, control and regulation of rents for the low income are performed efficiently with summated means of 3.4242 and 3.4667 respectively. The ministry's execution of the installation of physical and social infrastructure is likewise efficient as it had a summated mean of 3.57. The results indicated that the promotion of appropriate building materials and technologies in the country by the ministry is efficient whose weighted mean was

3.4363 on the Likert type scale. These findings imply that performance contracting has improved the performance of the ministry through improving service delivery in the execution of the ministry's mandate. These findings agree with the findings of Kobia and Mohammed (2006) who found out that performance contracting had lead to radical improvement and unprecedented growth in profit generation for commercial state corporations, significant improvement in service delivery and operations of government ministries, state corporations and statutory boards.

The study sought to establish the level of employee satisfaction after the introduction of Performance Contracting. Respondent were asked to rate how their work life had been after introduction of performance contracting and to indicate their attitudes towards the implementation of Performance Contracting. The table 4 shows the results from respondents.

Table 4: Perceptions on Employees' Satisfaction with PC and Working Experience

Work Attributes	Most satisfied 5	Very satisfied 4	Satisfied 3	Moderate satisfied 2	Least Satisfied 1	$\sum f_i$	$\sum f_i w_i$	$\sum f_i w_i / \sum f_i$
Creativeness	8	17	85	16	39	165	434	2.6303
Interests	61	71	9	15	9	165	655	3.9697
Responsibility	70	71	9	9	6	165	685	4.1515
Accomplishment	12	3	74	67	9	165	437	2.6485
Communication	108	39	13	5	0	165	745	4.5151
Accountability	61	84	6	13	1	165	686	4.1576
Job Skills	45	83	27	9	1	165	650	3.9393
Involvement	48	79	13	23	2	165	643	3.8970

Source: Field data (2012)

The results from table 4.5 indicate that creativity and accomplishments were the aspects of work experience with which the staff were least satisfied with. These had a score of less than two implying low levels of satisfaction. Respondents indicated that they were satisfied with working responsibility, interesting work, the new job skills that PC presented, their involvement in the process, the communication as well as the accountability required of them in PC. All these had scores of 3.5 and above implying high levels of satisfaction with the work experience. The findings from the study indicate that the respondents' views regarding performance contracting are positive and support the objectives of performance contracting. In other words, performance contracting is enhancing job satisfaction for the respondents; hopefully their satisfaction would lead to improved job performance. These findings confirm the findings of Lings (2004) who argued that if properly executed performance contracting has a significant positive effect on staff commitment and satisfaction.

Challenges of Implementing Performance Contracting

The fourth objective of the study was to evaluate the challenges of implementing Performance Contracting at the Ministry of Housing, Headquarters, Nairobi. This objective was achieved by asking the respondents whether they had experienced any problems in the implementing of the performance contracting. The results indicated that 94% of the respondents had encountered problems in the implementation of performance contracting while only 6% indicated that they had

not encountered any problem in the implementation of performance contract. The challenges encountered are shown in Table 5.

Table 5: Challenges of Implementing PC in the Ministry of Housing

Challenges in implementation of Performance Contracting	Most Extent 5	Very Great Extent 4	Great Extent 3	Moderate Extent 2	Less Extent 1	$\sum f_i$	$\sum f_i w_i$	$\sum f_i w_i / \sum f_i$
Adequacy of resources	50	43	37	18	17	165	586	3.5516
Time of release of resources	51	55	34	23	2	165	625	3.7879
Nature of performance targets	5	7	11	13	129	165	241	1.4606
Transfer of staff	13	23	29	35	65	165	379	2.2970
Reward and sanctions on performance	135	7	4	13	6	165	747	4.5273
Salary and other benefits	98	20	19	12	11	165	662	4.0121
Training on PC	2	6	10	16	131	165	227	1.3758
Teamwork	5	12	19	26	103	165	285	1.7273

Source: Field data (2012)

From the results in table 5, a majority of respondents indicated that to a very great extent adequacy of resources and time of release of resources are challenges that are affecting effective implementation of performance contracting at the Ministry of Housing which obtained a weighted mean of 3.5516 and 3.7879 respectively. Further, the results of the analysis show that a majority of respondents indicated that to a great extent reward and sanctions on performance is a challenge that is experienced in the execution of Performance Contracting which had a weighted mean of 4.5273 similarly, a significant number of respondents indicated that to a very great extent salary and other benefits are a challenges facing implementation of Performance Contracting. To a small extent the nature of performance targets posed a challenge in the implementation of performance contracting with a mean of 1.4606. To a moderate extent transfer of staff was rated by majority of respondents as one of the challenges faced in the implementation of Performance Contracting at the Ministry with a weighted mean of 2.2970. Training and teamwork on Performance Contracting were rated by many respondents as challenges to a very small extent obtaining a mean of 1.3758. The results imply that availability of adequate resources in appropriate period is a problem that the Ministry is experiencing in the execution of its mandate effectively.

The study sought to know how the challenges facing the implementation of Performance Contracting can be addressed. In answering this question, the respondents were asked to rate the following statements in table 6 in respect to their effectiveness.

Table 6: Suggestions for Overcoming Challenges of PC in the Ministry of Housing

Measures to make performance contracting effective	Most Effective	Very effective	Effective	Moderately Effective	Less Effective	$\sum f_i$	$\sum f_i w_i$	$\frac{\sum f_i w_i}{\sum f_i}$
	5	4	3	2	1			
Continuous training on Performance Contracting	116	46	0	3	0	165	770	4.6667
Allocation of adequate resources to the Ministry	90	58	4	8	5	165	715	4.3333
The government should develop a reward system for performers	150	14	0	1	0	165	808	4.8970
The government should increase salaries	100	29	9	24	3	165	694	4.2061
The management and employees should enhance teamwork	64	28	12	21	40	165	550	3.3333
The government should avail the resources on time	115	47	0	3	0	165	769	4.6606
Planned staff transfers	76	45	28	9	7	165	669	4.0545
Setting targets should be SMART	99	31	10	22	3	165	696	4.2182

Source: Field data (2012)

From the findings of the study in table 4.7, a significant number of the respondents indicate that continuous training on performance contracting is most effective with a mean of 4.6667; allocation of adequate resources to the ministry is very effective with a summated mean of 4.333; developing a reward system for performers in the ministry by the government was rated most effective with a weighted mean of 4.8970; increasing of salaries was rated as very effective with a mean of 4.2061. On the other hand, teamwork amongst the management and employees was said to be effective with a mean of 3.3333; the availing of resources on time by the government was seen as most effective with a mean of 4.6606; respondents also, advocated for planned transfers as very effective with a mean of 4.0545 and finally, setting targets that are specific, measurable, attainable, realistic and time bound was seen as very effective with a mean of 4.2182.

Discussions

The study set out to evaluate the effect of Performance Contracting on organizational performance. On signing of performance contract the findings of the study indicated that 64.24% of the respondents had signed performance contract while 35.76% of the respondents had not signed performance contract. Reasons were not given for those who had not signed however some of the respondents belonged to support staff such as cleaners and messengers who don't need to sign performance contracts and this could be a valid explanation for this. This finding implies that most Ministry of Housing employees had signed a performance contract. On training on performance contracting the findings of the study indicated that 86.67% of the respondents had been trained on performance contract while 13.33% had not been trained on it. Training helps to create awareness and acceptance and this may be an explanation for the high levels of satisfaction with the employees' experience on performance contracting. The study showed high levels of training on the various

aspects of performance contracting except for aspects of reward management and monitoring and evaluation. When the evaluation is weak it is difficult to assess whether the process was done well and this another aspect the ministry should improve on. The ministry used more of on the job training for performance contracting as indicated by 51.5% of the respondents this was augmented with seminars at 27% of the time. This indicates that whatever theoretical aspects are practiced on the job. The high level of satisfaction with PC at the ministry can be attributed to the high transfer rate to actual implementation.

On the frequency of implementation of performance contracting operations the findings of the study showed that performance targeting, work planning, performance appraisal and reporting are done very frequently while reward and punishment is executed moderately, while monitoring and evaluation is rarely carried out. These results indicate that performance contracting in the ministry is not tied to rewards a plausible explanation as to why monitoring and evaluation is not also used frequently. The study found that the impact of Performance Contracting on the efficiency operations of the Ministry of Housing was positive with most operations having improved tremendously. Operations after the introduction of performance contracting the findings from the study indicated that a majority of respondents indicated that: -Areas impacted positively included coordination of the implementation of Housing Policy, housing development, shelter and slum improvement, provision of housing for civil servants and disciplined forces, management of government housing and leasing of public office accommodation. Further, the results from the study indicated that the provision for access to housing for constitutional office holders by the ministry was also impacted positively and PC has led to improved resolution of rent and other related disputes in the housing sector. The control and regulation of rents for the low income are also performed efficiently installation of physical and social infrastructure and promotion of appropriate building materials and technologies in the country by the ministry have also seen marked improvement. This is a clear indication that PC is a an effective tool in improving performance.

On levels of employee satisfaction after the introduction of Performance Contracting, results from the analysis showed that a significant number of respondents were satisfied by the work creativity and interest. Many respondents indicated satisfaction with working responsibility and the sense of accomplishment. The results showed that they were satisfied with communication processes at their work places and with accountability, job skills and involvement that PC brings about. These findings indicate that the respondents' views regarding Performance Contracting are positive and support the objectives of performance contracting objectives. In other words, performance contracting is enhancing job satisfaction for the respondents; hopefully their satisfaction would lead to improved job performance.

94% of the respondents indicated that they had experienced challenges in implementing Performance Contracting at the Ministry of Housing. This shows that there are challenges that are hindering the effective implementation of performance contract at the Ministry of Housing despite the fact that the employees are expressing satisfaction with the whole process. These challenges will pose difficulties for the ministry in trying to achieve its objectives fully. These challenges include adequacy of resources and time of release of resources, the nature of performance targets, transfer of staff, reward and sanctions on performance as well as salary and other benefits. Teamwork was not considered a challenge in the execution of performance contracting.

Lastly, the study sought to know how the challenges facing the implementation of performance contracting can be addressed. In answering this question, the respondents were asked to rate the following statements in respect to their effectiveness in making performance contracting to be successful tool of management in the Ministry of Housing: - there should be continuous training on performance contracting, there should be allocation of adequate resources to the ministry, the government should develop a reward system for performers, the government should increase salaries, the management and employees should enhance teamwork, the government should avail the resources on time, there should be planned staff transfers and setting targets should be specific, measurable attainable, realist and time bound (SMART).

From the findings of the analysis, a significant number of the respondents indicated that continuous training on performance contracting is most effective with a mean of 4.6667; allocation of adequate resources to the ministry is very effective with a summated mean of 4.333; developing a reward system for performers in the ministry by the government was rated most effective with a weighted mean of 4.8970; increasing of salaries was rated as very effective with a mean of 4.2061. On the other hand, teamwork amongst the management and employees was said to be effective with a mean of 3.3333; the availing of resources on time by the government was seen as most effective with a mean of 4.6606; respondents also, advocated for planned transfers as very effective with a mean of 4.0545 and finally, setting targets that are specific, measurable, attainable, realistic and time bound was seen as very effective with a mean of 4.2182.

Conclusions

The findings of the study have shown that a number of respondents understand Performance Contracting. The Ministry of Housing should embrace continuous training on Performance Contracting on all cadres of members of staff. All members of staff should be trained in order to understand and internalize Performance Contracting for easier implementation. Training on Performance Contracting will assist staff in linking their duties with the bigger picture of the Ministry in form of strategic objectives. Besides, the political top must respect the operational autonomy of the ministry. Knowledge of strategic planning, development of work plans and monitoring capacities among the staff is central to the success of PC and the management support and their technical knowledge is essential. All these competences will be acquired through continued training of members of staff.

The findings of the study have shown that reward and punishment are not frequently linked with performance of the employees. The study, therefore, recommends that the management of the Ministry of Housing should link reward and recognition with the performance of employees in order to compensate top performers for their performance, create and sustain competition amongst the employees of the ministry. This in turn will lead to innovations and inventions thus increased productivity in their working life.

This study established that the implementation of performance contracting is faced with a myriad of challenges. The study recommends that monitoring and evaluation system at the Ministry should be strengthened in order to enable it track progress of the projects and provide a reliable feedback to the ministry especially during target setting.

The study revealed that Performance Contracting is effective tool in the execution of operations of the Ministry of Housing. The study recommends that the management of the Ministry of Housing should ensure that there are adequate resources and that they are committed in time for effective execution of the Ministry's mandate and its obligations. This is because stability of resources enhances the motivating effect of the contract. When resources are not available or availed late, the staff involved gets frustrated. The majority of respondents in the study expressed this view.

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