FACTORS INFLUENCING IMPLEMENTATION OF PERFORMANCE CONTRACTING IN THE PUBLIC SECTOR IN KENYA: A CASE STUDY OF PUBLIC WORKS DIRECTORATE, NAIROBI

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ABSTRACT

The introduction of performance contracts (PC) in Kenya was aimed at increasing service delivery to spur economic growth. The study aimed at determining factors influencing the implementation of PC at Public Works Directorate (PWD) in the Ministry of Lands, Housing and Urban Development (MoLHUD). The target study population was 703 civil servants at PWD. Purposive sampling technique was used to select a sample size of 70 respondents, about 10% of the target population. Data collection was through structured questionnaires administered to the respondents. The results revealed that financial resource allocation is one of the main factors that influences the implementation of PC due to too much bureaucracy in accessing financial resources, delays of exchequer and heavy reliance on the exchequer. Further, the results also revealed that most of the staffs in the organization do not really understand what PCs are and not all of them are involved in their drafting and regular reviews. This lack of full participation of all staff members adversely influences PC implementation. The study recommends that public institutions should ensure that there are well developed policies in place to address financial resources allocation and staff participation to mitigate negative impacts on the implementation of PC.

Keywords: performance contracts (PC), Public Works Directorate (PWD), implementation, staff participation, financial resource allocation.
1 INTRODUCTION

1.1 Background of the Study

PC is a branch of management science referred to as Management Control Systems and is a contractual agreement to execute a service according to agreed-upon terms, within an established time-frame, and with a stipulated use of resources and performance standards (Armstrong, 2009). Public reforms are a common phenomenon world-over, especially in developing countries. Globally, a paradigm shift in performance measurement and management is a result of public quest for accountability and transparency from public and private institutions. Public reforms aim at ensuring that public service meets citizenry needs and the public sector is accountable to the people. Public service therefore plays a critical role in the development of any country. The primary development goal for any country is to achieve broad-based, sustainable improvement in the standards of the quality of life for its citizens (Gathungu & Owanda, 2011). The Public service and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy.

There are many challenges that hinder the delivery of public reforms especially in Africa (Liernert, 2003). Countries are therefore adopting innovative result orientated performance strategies that are directly linked to improving organizational performance. The application of performance management concept is dynamic and allows enhancement over time in light of changing circumstances. PC is one form of measuring performance. According to Armstrong (2003), PC define expectations, results to be achieved and the competences required to attain these results. It covers such points as objectives and standards of performance, performance measures and indicators to assess the extent to which objectives and standards of performance have been achieved, competence assessment and core values, operational requirements for quality, customer service, team work and employee satisfaction expected to successfully carry out their work (Armstrong, 2003).

PC is a management tool for measuring performance against negotiated performance targets. It is a freely negotiated performance agreement between the Employer, acting as the owner of the institution, and the management of the institution. It specifies the mutual performance obligations, intentions and responsibilities of the two parties. In Kenyan perspective a PC is a written agreement between the government and a state agency (local authority, state corporation or central government ministry) delivering services to the public, wherein quantifiable targets are explicitly specified for a period of one financial year (July to June) and performance measured against agreed targets (GOK, 2006).
1.2 Statement of the Problem

PCs were conceived in the general perception that the performance of the public sector in general, and government agencies in particular had consistently fallen below public expectations (GOK, 2009). Government hence introduced PC in the public sector with the aim of improving service delivery.

It is an acknowledged fact that over the past years, there has been poor performance in the public sector, especially in the management of public resources which has hindered the realization of sustainable economic growth (GOK, 2005). The causes of this poor performance must be identified in order to tackle the challenges exhibited. This can be done through identifying factors influencing implementation of PC. Some of the factors that adversely affect the performance of the public sector include excessive regulations and controls, bureaucratic procedures and processes, frequent political interference, corruption, poor management of public resources, and bloated staff establishment (Obong’o, 2008). To improve performance, government has continued to undertake a number of reform measures in the public sector. However, these measures have not provided a framework for guiding behavior towards attainment of results or ensured accountability in the use of public resources and efficiency in service delivery.

PC cannot be implemented if the factors influencing its implementation are not identified. A lot of research has been carried out on the impact and implementation of PC in various MDA’s in Kenya. However, very little research has been carried out to identify the key factors that influence the implementation of PC (Kosgei et al., 2013). This research therefore sought to identify factors influencing the implementation of PCs at PWD at the Nairobi headquarters office to bridge this gap. There is need to establish these factors in order to improve service delivery of this directorate and the entire MoLHUD, and by extension the entire public sector.

1.3 Objectives of the Study

1.3.1 General objective

The main objective of the study was to establish the factors influencing the implementation of PC at Public Works Directorate in Nairobi, Kenya.

1.3.2 Specific objectives

1. To establish the extent to which financial resources allocation influences the implementation of PC at PWD.
2. To determine the extent to which staff involvement in the drafting of PC influences its implementation at PWD.

1.4 Research Questions

This project aimed at answering the following research questions;

1. To what extent does financial resources allocation influence the implementation of PC at PWD?
2. To what extent does staff involvement in the drafting of PC influence its implementation at PWD?

2 LITERATURE REVIEW

2.1 Allocation of Financial Resources

Financial and human resources are key factors in the management of public institutions. Effective implementation of PC requires adequate allocation of financial resources (Armstrong, 2009). Training, staff participation, monitoring and evaluation all require adequate financial resources. Many factors hinder the implementation of PC. According to Lienert (2003), adequacy of financial and material resources is necessary for effective delivery of services. Inadequate financial resources affects the performance of an organization in implementing PC (Kobia and Mohammed, 2006).

Government institutions are not profit making, hence solely rely on allocation of resources from the government budget. Allocation of adequate financial resources in a timely manner affects the implementation of PC. Public servants, both employees and managers, need to be well trained and compensated for them to carry out their duties. They should be able to assess the effectiveness of their own program delivery, thinking through problems, devising solutions to emerging issues, and providing good advice to their leaders on ways and means by which policies and programmes can be improved upon for effective implementation (CAPAM, 2005). All this requires adequate financial resources allocation.

Mwangi et al. (2014), carried out a research on effect of financial management practices on effectiveness of PC in service delivery of local authorities in Kenya. They found out that financial management practices influenced PC implementation. Further, poor performance in the public sector and mismanagement of public funds has hindered the realization of economic growth. In most cases, money allocated by government is usually embezzled through corruption and other dubious means.
Opiyo (2006) carried out a study on financial sources of finance in Local Authorities in Kenya. His findings indicated that many of the local authorities received inadequate funding and needed more. They over-relied on exchequer and therefore, inadequate allocation of financial resources affected the implementation of PC. Inadequate allocation of financial resources hinders an organization from carrying out its mandate. Financial resources must be adequate in order to meet the set targets.

Kenya’s decision to extend PC coverage to all MDAs was as a result of the benefits that were beginning to be manifest in participating institutions through improved administrative and financial performance as well as improved service delivery (Mbu & Sarisar, 2013). Allocation of financial resources to government agencies is determined through a political process. In Kenya, the Minister of Finance tables a budget to Parliament every year for approval. Budget variance depends on the governments priorities (Mwangi et al, 2014). Public sector reform initiatives, whether they are aimed at enhancing financial management, or promoting greater accountability, or enhancing policy development and capacity building within government, or driving forward ethics reform, or ensuring greater service delivery to citizens, are contingent upon a government possessing skilled and talented public servants (Selden, 2007).

Government institutions lose a lot of money through corrupt deals. According to the then Kenya Anti-Corruption Commission (KACC) (2007) report, City Hall (now the Nairobi County) lost a lot of money through corrupt officials exploiting weak financial management systems. There is need to enhance performance design of the different financial management instruments (budgets, accounts and audits) and the coherency and consistency of these instruments (Bouckaert et al., 1999).

Accountability of financial resources management is also key in the implementation of PCs. Money should be adequately provided for in the implementing PCs. Most organizations with contracts develop accrual and cost accounting but fail to use the resulting cost information in their budget estimates (Mwangi et al., 2014). To improve performance, PCs must not only reduce the information advantage that managers enjoy over owners, but must also provide performance management through rewards or penalties to achieve the contract’s targets (Mwangi et al., 2014).

2.2 Staff Participation

A successful PC implementation in the public sector requires a better understanding of the relationship between what is being done and how well the organization succeeds and must be developed at both organization and individual levels (Armstrong, 2003). Employees have to be given the opportunity to participate in the formulation of PCs.
The concept of employee participation includes people’s involvement in key decision making processes. According to Armstrong (2003), the degree of participation depends on the quality of decisions, degree of sufficient information, extent of subordinate motivation, prior probability that autocratic decisions will be accepted, and extent that subordinates will be in conflict with preferred decisions. According to Kobia and Mohammed (2006), when a person is emotionally involved in an issue, they will process information and hence react in a better way as opposed to when the issue is not important and they are not really paying attention to it. Involvement of employee in the drafting and formulation of PCs is therefore very key to its implementation.

Kimutai (2003) carried out a study on managerial attitude towards participative management in state owned enterprises in Kenya. He sought to identify the extent to which top managers allowed participative management to be practiced in state owned enterprises in Kenya. He found out that subordinates were generally involved in decision making in their organizations mainly in setting hours of work, job evaluation and grading of work, but were rarely involved in recruitment and promotion of other workers including being accessible to company information (Kimutai, 2003). The concept of employee participation and training gives workers an opportunity to be involved in decision making beyond the immediate boundaries of their jobs (Armstrong and Baron, 2004).

Kobia and Mohammed (2006) developed a questionnaire from PC literature and administered it to a sample of 280 senior public service course participants at the Kenya Institute of Administration. The study findings showed that only 57 respondents had received training in PC while a majority 212 or 75.5% had not received any. Over 60% of the respondents acknowledged that with the implementation of PC, public servants are more involved in decision making, felt evaluation of the performance is done fairly, knew where to seek assistance concerning meeting the targets and had assisted in understanding government policy documents (Kobia and Mohammed, 2006).

Employee participation increases the scope for employees to play a role in management. Armstrong and Baron (2004), in his study found out that employees participate in management moderately and the most common mode of participation was through teamwork. People must be involved in decision making process, in implementing programs and sharing of the benefits of the development. It is therefore important that employees are involved in the formulation of PCs and its targets for its successful implementation. It gives them a sense of ownership and strive towards its realization. According to Kobia and Mohammed (2006), the performance agreement of the early 1990's failed to achieve its stated objective because of widespread use of consultants in the formulation of contract plans, including the determination of mechanisms for their monitoring and evaluation.
3 RESEARCH METHODOLOGY

3.1 Research design

A research design is the structure of a research and it is the glue that holds all of the elements in a research project together (Mugenda and Mugenda, 2003). According to Orodho (2003), a research design is defined as the scheme, outline or plan that is used to generate answers to the research problem. A case study design was adopted in this study. A case study design seeks to describe a unit in detail, in context and holistically. The study was conducted at Public Works Directorate head office at Nairobi in order to describe in detail the factors influencing the implementation of PC at the Directorate.

3.2 Target population

Target population is a group of individuals, objects or items from which samples are taken for measurement (Mugenda & Mugenda, 2003). It refers to a larger group from which a sample is taken. The target population of this project was all the staff of PWD in Nairobi headquarters Office in Kenya. There were 703 employees at PWD at the commencement of this study (PWD, 2015).

3.3 Data Collection

The study collected both primary and secondary data. Primary data were collected using survey questionnaires supplemented with interviews. Secondary data sources included journals, books and articles addressing the objectives of this study.

3.4 Data Analysis and Presentation

The returned questionnaires were checked for consistency, cleaned and the useful ones coded and analysed using Statistical Packages for Social Scientists (SPSS) computer software. The researcher presented collected data using descriptive statistics such as frequencies and percentages. The information was displayed by use of tables, bar charts, graphs and pie charts. This was done by tallying up responses, computing percentages of variations in response, as well as describing and interpreting the data in line with the study objectives and findings.
4 RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The study targeted a sample size of 70 respondents in which 59 completely filled the questionnaires making a response rate of 84.3%. Mugenda (2003) asserts that a rate of 50 percent or higher is adequate for data analysis. This implies that 84.3 percent response rate was very appropriate for data analysis.

4.2 Influence of financial resources allocation on the implementation of PC

This section intended to evaluate the influence of financial resources allocation on the implementation of PC at PWD. Respondents were presented with seven (7) statements on likert scale and asked to state how much they agreed with each statement. The responses ranged from 1-Strongly Disagree (SD) through 3-Not Sure (NS) to 5-Strongly Agree (SA). The responses were averaged per statement and standard deviation (SD) calculated for each. Results are as displayed in
Table 1.

Most of the respondents, (85%) agreed that allocation of financial resources influences the implementation of PC in their organization. The view that the organization puts aside considerable amount of financial resources for the implementation of PC was agreed by close to a half, (47%) of the respondents. Similarly, more than half of the respondents, (51%) agreed with the statement that there is too much bureaucracy in accessing financial resources set aside for implementation of PC. The view that there are delays of exchequer in releasing financial resources set aside for implementation of PC was unanimously agreed by 70% of the respondents. More than half of the respondents (55%), agreed with the assertion that there are no revenues generated in the directorate that can be used in the implementation of PC. The view that financial resources allocated by government for the implementation of PC is embezzled through corruption and other dubious means was disagreed by majority of the respondents (61%). Most of the respondents (90%), agreed that heavy reliance on the exchequer, which is never adequate, affects the implementation of PC.
Table 1: Financial Resources

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
<th>M</th>
<th>Std.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Allocation of financial resources influences the implementation of PC</td>
<td>0%</td>
<td>4%</td>
<td>11%</td>
<td>21%</td>
<td>64%</td>
<td>4.46</td>
<td>.83</td>
</tr>
<tr>
<td>2. The organization puts aside considerable amount of financial resources</td>
<td>3%</td>
<td>19%</td>
<td>31%</td>
<td>37%</td>
<td>10%</td>
<td>3.32</td>
<td>1.01</td>
</tr>
<tr>
<td>3. There is too much bureaucracy in accessing financial resources set</td>
<td>7%</td>
<td>10%</td>
<td>32%</td>
<td>22%</td>
<td>29%</td>
<td>3.56</td>
<td>1.21</td>
</tr>
<tr>
<td>4. There are delays of exchequer release of financial resources set</td>
<td>0%</td>
<td>7%</td>
<td>23%</td>
<td>35%</td>
<td>35%</td>
<td>3.98</td>
<td>.94</td>
</tr>
<tr>
<td>5. In this directorate, there are no revenues generated that</td>
<td>7%</td>
<td>21%</td>
<td>16%</td>
<td>25%</td>
<td>30%</td>
<td>3.50</td>
<td>1.32</td>
</tr>
<tr>
<td>6. Financial resources allocated by government for the implementation of</td>
<td>32%</td>
<td>29%</td>
<td>22%</td>
<td>14%</td>
<td>3%</td>
<td>2.27</td>
<td>1.16</td>
</tr>
<tr>
<td>7. Heavy reliance on the exchequer which is never adequate affects the implementation of PC</td>
<td>3%</td>
<td>7%</td>
<td>0%</td>
<td>39%</td>
<td>51%</td>
<td>4.27</td>
<td>1.01</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.62</td>
<td>1.07</td>
</tr>
</tbody>
</table>

From the study, it emerged that, financial resource allocation influences the implementation of PC due to too much bureaucracy in accessing financial resources, delays of exchequer and heavy reliance on the exchequer. Results of the current study agree with those of Lienert (2003), who observed that adequacy of financial and material resources is necessary for effective delivery of services. The study further concurs with that of Kobia and Mohammed (2006), who documented that inadequate and untimely financial resources affects the performance of an organization in implementing PC. The study findings are in agreement with those of Opiyo, (2006) who observed that many state corporations received inadequate funding and needed more. However, the study findings contradicts with those of Mwangi et al. (2014) who reported that in most cases, money allocated by government for implementation of PC is usually embezzled through corruption and other dubious means.
4.3 Influence of staff involvement on the implementation of PC

This section intended to evaluate the extent of staff involvement on the implementation of PC at PWD. Respondents were presented with four statements on likert scale and asked to state how much they agreed with each statement. The responses ranged from 1-Strongly Disagree (SD) through 3-Not Sure (NS) to 5-Stroglly Agree (SA). The responses were averaged per statement and standard deviation (SD) calculated for each. Results are as displayed in Table 2.

Majority of the respondents (67%), agreed that top management involves staff in the drafting of PCs. Most of the respondents (64%), agreed that staff members are also involved in the regular review of PCs. In addition, almost half of the respondents (46%), disagreed with the statement that all staff members in the organization understand what PCs are. The view that there is coherence between the management and staff expectations as far as performance is concerned was agreed by more than a half of the respondents (56%).

Table 2: Staff participation

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
<th>M</th>
<th>Std.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The management involves staff in the drafting of PCs</td>
<td>7%</td>
<td>11%</td>
<td>15%</td>
<td>42%</td>
<td>25%</td>
<td>3.67</td>
<td>1.19</td>
</tr>
<tr>
<td>2. Staff members are also involved in regular review of PCs</td>
<td>4%</td>
<td>18%</td>
<td>16%</td>
<td>39%</td>
<td>25%</td>
<td>3.63</td>
<td>1.14</td>
</tr>
<tr>
<td>3. All staff members in the organization understand what PCs are</td>
<td>25%</td>
<td>21%</td>
<td>11%</td>
<td>23%</td>
<td>21%</td>
<td>2.95</td>
<td>1.52</td>
</tr>
<tr>
<td>4. There is coherence between the management and the staff expectations as far as performance is concerned</td>
<td>4%</td>
<td>26%</td>
<td>14%</td>
<td>30%</td>
<td>26%</td>
<td>3.49</td>
<td>1.24</td>
</tr>
</tbody>
</table>

From the study, it emerged that, most of the staffs in the organization do not really understand what PCs are and not all of them are involved in their drafting and regular review. This lack of full participation of all staff members could adversely influence PC implementation. The results of the current study agree with those of Kimutai (2003), who found out that subordinates were generally involved in decision making in their organizations, mainly in setting hours of work, grading and job evaluation, but were rarely involved in recruitment and promotion of other workers including being accessible to company information. The study findings also agree with Armstrong and Baron (2004), who reported that employees participate in management moderately and the most common mode of participation was
through teamwork. The results however contradicts those of Kobia and Mohammed (2006), who observed that, in implementation of PC public servants are more involved in decision making, felt evaluation of the performance is done fairly, knew where to seek assistance concerning meeting the targets and had assisted in understanding PC documents.

5 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of major findings

Specifically, results of the study showed that allocation of financial resources influences the implementation of PC in the organization. It further showed that the organization puts aside considerable amount of financial resources for the implementation of PC. However, there is too much bureaucracy in accessing financial resources set aside for implementation of PC. Delays of exchequer in releasing financial resources, heavy reliance on the exchequer which is never adequate and the fact that there are no revenues generated in the directorate was reported to negatively affect implementation of PC. Financial resources allocated by government for the implementation of PC was not embezzled through corruption and other dubious means as reported by majority of the respondents.

The management involves staff in the drafting and regular review of PCs. However, staff members are not adequately trained on what is expected of them in PC implementation. In addition, not all staff members in the organization understand what PCs are. Nevertheless, there is coherence between the management and staff expectations as far as performance is concerned.

5.2 Conclusion

Financial resources allocation influences implementation of PC due to too much bureaucracy in accessing the resources, delays of exchequer releases and heavy reliance on the exchequer. Further, the results also revealed that most of the staff in the organization do not really understand what PCs are and not all of them are involved in their drafting and regular review. This lack of full participation of all staff members adversely influences the implementation of PC.

5.3 Recommendations

From the study, it emerged that staff involvement in implementation PC influenced its implementation more adversely than financial resource allocation. Below are recommendations drawn from the study arranged in the order of importance:
Staff Involvement in drafting of PC: At least all staff in the organization should be involved in the drafting and implementation of PC in order to provide ownership of PC by all and increase morale and positive attitude towards the implementation of PC.

Financial Resources Allocation: Public institutions should ensure that there are well developed policies in place to address financial resources allocation and delays in exchequer releases to mitigate negative impacts on the implementation of PC due to lack of adequate financial resources.

REFERENCES


