

**PERFORMANCE CONTRACT AS A TOOL FOR
IMPROVING PERFORMANCE IN LOCAL
AUTHORITIES IN KENYA**

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2012

**Performance contract as a tool for improving performance in local
authorities in Kenya**

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**A thesis submitted in partial fulfillment for the degree of Doctor of
Philosophy in Human Resource Management in the Jomo Kenyatta
University of Agriculture and Technology**

2012

DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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DEDICATION

This work is dedicated to my: father Samson Simiyu, mother Margaret Nasimiyu, beloved spouse Dr. John Mwibanda, lovely daughters Velma Nafula and Pramila Nekesa.

ACKNOWLEDGEMENT

I am indebted to Dr. Elegwa Mukulu and Dr. Maurice Sakwa both of the School for Human Resources Development, Jomo Kenyatta University of Agriculture and Technology (JKUAT) for supervising this work. Their advice, suggestions, comments and support during the entire period of research work were invaluable.

I am deeply grateful to the five local authorities' management for allowing me to conduct my research in the councils. In particular, I thank the respondents for taking time to complete the questionnaires, responding to interview questions and providing documents for analysis for required data.

I sincerely thank my brothers for their prayers and tireless support during data collection. I whole heartedly thank my daughters Velma Nafula and Pramila Nekesa for their prayers patience, love, support and encouragement during the research. I am sincerely and whole heartedly grateful to my spouse Dr. John Mwibanda for financial support and for counseling, encouragement, patience and advice.

Above all, I thank the Almighty God for granting me good health, wisdom and guidance during the entire period.

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DEFINITION OF TERMINOLOGIES

Performance: Performance is the ability to fulfill an obligation, to attain the set objectives, fulfill a requirement and accomplish something as promised or expected. Performance is the organization's ability to attain its goals by using resources in an effective and efficient manner (Daft, 2004).

Attitude: An attitude is a predisposition to behave in a certain way (Proctor, 2001).

Performance measurement: It is the process that an organization follows to objectively measure how well its stated objectives are being met. It involves articulation and agreeing on objectives, selecting indicators and setting targets, monitoring performance and analyzing results against set targets (GoK, 2009).

Performance evaluation: It is the rating of the actual achievements of the agencies against the set performance targets negotiated and agreed upon at the beginning of the period (Republic of Kenya, 2010)

Evaluation tool: It is a system of comparing peoples'/organization's performance to the standards established for them and then sharing the results (Inter-American Development Bank, 2002).

Performance improvement: It is measuring the output of a system then modifying it based on

the feedback to increase its output, efficiency and effectiveness (Behn, 2003).

Factors of performance:

These are integrated set of processes which include: high performing people, resources, policies clear vision, the enhancement of the working environment and communication that affect organizational and individual output (Armstrong & Brown, 2006).

Administration of performance contracting:

It is the timing and timeliness in the actual implementation of PC that involves the pre-negotiation, negotiation, vetting, signing, implementation of targets and evaluation phase and the information capturing and reporting (Republic of Kenya, 2010).

Contract:

It refers more to a mutually negotiated agreement than a contract with strict legal basis (GoK, 2009).

Vetting:

It refers to the process of scrutinizing negotiated performance contracts to establish conformity to performance contracting guidelines (GoK, 2010).

Ad-hoc evaluation taskforce:

It is a team of experts appointed from outside the public service to evaluate performance of public agencies on performance contract (GoK, 2010).

ABSTRACT

Performance contracting is a freely negotiated performance agreement between a government, acting as the owner of a public agency and the management of the agency. It is used in the Kenyan public to measure performance. Local authorities face pressure to improve service delivery, lower costs become more accountable, customer focused and responsive to stakeholder needs. It is unclear whether the introduction of performance contract has improved service delivery for customers. The purpose of the study was to establish whether performance contracting has enhanced service delivery of local authorities. A survey was conducted in five local authorities in Kenya. A stratified random sample of 120 employees was drawn from a population of 43,800 starting with two-stage sampling. Questionnaires, interviews and document analysis were used for data collection. Data was analyzed using Statistical Package for Social Sciences.

The study established performance contract resource factors to include: quality of fundamental statements namely: vision, mission and strategic objectives, availability of resources for service delivery, organization structures and policies, staff motivation, education level of employees, expectations of key stakeholders and partnerships and prioritization of investment. The study established that there was a strong correlation among readability tests of vision, mission and strategic objectives. Readability test, Gunning Fog Index, Flesch Kincaid Grade level, and Flesch Reading Ease showed that vision, mission and objectives of local authorities are difficult to comprehend. A regression analysis indicated a linear relationship that respondents with higher levels of

education tended to be more satisfied with utilization of their knowledge and skills. A second order polynomial relationship indicated that recognition increased with level of education up to college then dropped for university education level. A significant majority of respondents support performance contract and agreed that their local authorities should continue using it to measure performance. The study found that performance contract was administered annually and monitored through quarterly and annual submission of reports to the Government for evaluation. From the study, customer satisfaction, employee satisfaction work environment and revenue generation were growing. According to Analysis of Variance there is a significant difference in customer satisfaction among the years while work environment, employee satisfaction and revenue generation did not differ among the years. A chi-square (χ^2) test showed that customer satisfaction has increased significantly since the introduction of performance contracting in the local authorities.

The study concludes that performance contracting has enhanced performance of local authorities in the areas of customer satisfaction, employee satisfaction and revenue generation. The performance contract resource factors are: clarity of vision, mission and objectives, availability of resources, staff motivation, education level, sound policies and organization structure and clear expectations from parties to performance contract. Council employees generally have a positive attitude towards performance contracting and they believe that it contributes to enhanced service delivery. Performance contracting is administered annually and monitored through submission of quarterly and annual reports to the Government for evaluation of achievement of targets. Key

challenges are: inadequate resources such as human, financial, material and information, weak administrative structure, policies and processes. Improvement to PC include: training of staff on PC to empower them to implement it; strengthen administrative structure, policies and processes for PC implementation. The study recommends that local authorities should continue using performance contracting as a tool for monitoring and improving performance. They should simplify their visions and missions for ease of understanding by the employees and customers. Local authorities should also provide adequate resources for implementation of PC.

CHAPTER ONE

1.0 INTRODUCTION

This chapter provides information on the background to the study. It also provides a statement of the problem and objectives of the study. It states the questions the study sought to answer, the justification, limitations of the study and concludes with the scope.

1.1 Background to the study

Performance is the ability to fulfill an obligation, to attain the set objectives, fulfill a requirement and accomplish something as promised or expected. Performance is the organization's ability to attain its goals by using resources in an effective and efficient manner (Daft, 2004). Strategic management and the need to measure the outcome of organizational strategy is growing. Today the best-known integrated performance measurement system in most countries is the Balanced Scorecard. There are also many other measurement systems, such as Performance contracting which is used in Kenyan public sector, the Performance Pyramid System and Performance Matrix (the result/determinants matrix) and performance prism (Metawie & Gilman, 2005).

The aim of performance measurement is to facilitate the best utilization of the local authority's resources in providing services which are both efficient and effective. Performance measures can be classified as finance, output, impact, reaction and time (Armstrong, 2005). Performance measurement is important for organizations because it helps to improve the quality of resource allocation and other managerial decisions. It

helps facilitate moves towards fact-based management by providing a concrete base for planning, monitoring and control. It also helps enhance the accountability by making responsibilities explicit and providing evidence of success or failure and provides a systematic base for organizational evaluation (Ghobadian & Ashworth, 1994). There are many methods organizations use to measure performance some are discussed in the next section.

1.1.1 Balanced scorecard

A balanced scorecard is a management tool that provides senior executives with periodic assessment of how well their organization is progressing towards achieving its strategic goals. The concept was introduced in the early 1990s and has grown in popularity ever since. The balanced scorecard has become a widely advocated management tool associated with best practices. As a management tool, the balanced score card provides an enhancement to the traditional management planning and control system by looking beyond financial measures to incorporate non-financial measures. The name reflects the balance between short and long-term objectives, between financial measures, between lagging and leading indicators and between external and internal performance perspectives (Kaplan & Norton, 1996a).

More specifically, the balanced scorecard is based on the combination of four key perspectives in performance measurement: financial perspective, customer perspective, internal business processes, learning and growth. Unlike the other models the balanced scorecard puts strategy, vision and communication in the centre rather than control

(Arveson, 1998). Evidence on the success of the balanced scorecard has been reported across many industries and within the public sector in the United States of America (Hepworth, 1998). Though attention was drawn to the complexity of the system and the need for commitment towards accepting it for the success of its application, many pitfalls and problems were identified in practice (Kaplan & Norton, 1996b). However, no failures of the concept were identified (Hepworth, 1998). According to (Ghalayini et al., 1997) the main weakness of the balanced scorecard is that it is primarily designed to provide senior managers with overall view of performance. This is not intended for and applicable, at the organizations' operations levels. Moreover, as a multi-stakeholders approach, the balanced scorecard has been criticized for not considering the interests of all stakeholders, such as suppliers, competitors, regulators and community (Neely et al., 1995; Ghalayini & Noble, 1996; Atkinson et al., 1997).

1.1.2 The performance pyramid

Cross and Lynch (1992) have recognized the hierarchical levels that exist within an organization and thus provided a link between the performance measures at each of those different levels so that each function and department strives towards the same objectives which they place on the summit of pyramid. This model shows recognition for the importance of the human resources in achieving the company's vision. This is through placing four key operational measures (quality, delivery, cycle and waste) at departments and work centers on a daily basis at the bottom of the pyramid. The middle level indicators which bridge the gap between the top level indicators and the day-today

operational indicators include customer satisfaction, productivity and flexibility. Balanced scorecard does not do this. This model considers layers between the business units, individual business activities and integrates corporate objectives with operational performance indicators. It also combines financial, non financial as well as operational and strategic indicators. However, it does not either provide any mechanisms to identify key performance indicators, or explicitly integrate the concept of continuous improvement (Ghalayini et al., 1997).

1.1.3 The performance prism

The performance prism is considered the latest development in performance measurement. As a result of noting that none of the existing frameworks broadly focused on stakeholder, Neely et al. (2001) recognize the importance of taking holistic approach to stakeholder management in today's culture of involvement unlike the balanced scorecard which does not consider the interest of all its stakeholders. Its advantages are that it explicitly addresses all stakeholders not only investors but also customers, employees, suppliers, regulators and communities (Powell, 2004). According to the performance prism vision, one of the fallacies of performance measurement is that measures should be derived from strategy. To derive measures from strategy is to fundamentally misunderstand the purpose by thinking about the stakeholders and what they want.

Out of the five facets of the performance prism the first is stakeholders' satisfaction. The other four include: strategies, processes, capabilities and stakeholders' contribution. By

calling it prism, Neely et al. (2001) recognize the complexities surrounding performance and its measurement. Though this model has only been developed recently, it has been tested in few cases for example, DHL, London youth and the house of Fraser where feedback has been overwhelmingly positive (Neely et al., 2001). However, given that the attention is placed on the process of finding the right strategies that performance measurement should be based on, performance prism tends to neglect issues such as how the performance measures are going to be realized hence; little concentration is given to the process of designing the system (Tangen, 2004). At this stage it should be noted that although there are numerous balanced performance measurement frameworks, few researches have looked in to their effectiveness and the economic benefits they yield (Neely et al., 2002). Most researches have focused on the balanced scorecard in particular as it remains the most popular measurement framework, even less have explored the problems associated with their application.

1.1.4 Performance contracting

Performance contracting (PC) is a management tool for measuring performance against negotiated performance targets. It is freely negotiated performance agreement between a government, acting as the owner of a public agency and the management of the agency. The performance contract specifies the mutual performance obligations, intentions and responsibilities of the two parties (GoK, 2007). The process emphasizes outputs or results instead of inputs, rules, improve target-setting and follow-up. Result negotiations and performance contracts represent decentralized, flexible ways of making government

agencies more cost-conscious, responsible and accountable. Like other performance systems, performance contract use financial indicators to measure performance. Performance contracting, balanced scorecard and performance pyramid do not consider interests of all stakeholders but performance prism does. Performance pyramid recognizes hierarchical levels and measures performance at those different levels. Performance contracting when cascaded, measures performance at all levels including individual employees.

Performance contract has different effects on performance. Experience in Korea suggested that PC can improve performance. However, the study relied on employee and management opinion (Song, 1988). In India, PC showed improvement in dialogue between state-owned enterprise management and government but the effect on performance is unclear. In China when targets were specified, incentives provided and there was commitment from both parties PC improved productivity Shirley and Xu (1998). PC can also have negative effects on productivity when endogenous nature of PC participation was taken into account in state owned enterprises in China. In China, the assessment of the impact of PC on performance was based on economic performance. Shirley and Xu (1998) did not assess non commercial performance. The current study sought to establish whether PC has improved performance of local authorities. Here performance is operationalized as revenue generation, customer satisfaction, employee satisfaction and work environment. On the other hand, performance contracts may not lead to improved performance in some cases. Shirley and Xu (1998) found that the PC did not improve labour productivity when there was

information asymmetry, lack of incentives and commitment of parties to the goals of the contract. Nellies (1988) found unclear effects of PC on performance in France and many African countries. This was partly because at the time of the study the experience was still recent. Kenya was not among the African countries because PC was implemented in 2004 on a pilot basis.

The introduction of performance measurements in public service came with the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 (GoK, 2003). Local authorities' managers signed PC with government and implemented it in 2004 on a pilot basis (GoK, 2007). Therefore, PC has been in local authorities for six years and performance is measured annually. In implementing PC the common issues that were being addressed in Kenya included: improvement of performance to deliver quality and timely services to the citizens; improve productivity in order to maximize shareholder wealth; reduce or eliminate reliance on the exchequer; instill a sense of accountability and transparency in service delivery; utilization of resources and give autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures (Kobia & Mohammed, 2006). Attempts have been made to evaluate PC in local authorities but the focus has been on ranking them which does not adequately relate PC to performance in terms of service delivery.

The PC model in this study has strategic plan that has vision, mission and strategic objectives as prerequisites. Performance contracts are drawn from the strategic plans annually. They spell out expectation of the local authority managers and Government.

The performance contract also requires adequate resources, procedures and regulatory framework for implementation in order to improve service delivery to satisfy customers, increase revenue generation, satisfy employees and improve work environment.

Kenyan local authorities are corporate entities that are established under the Local Government Act Chapter 265. In addition to the Act, the local authorities draw their legal powers from the Constitution of Kenya, other Acts of Parliament, Ministerial Orders and By-Laws. There are 175 local authorities in Kenya which include: city council, municipal councils, county councils and town councils with Ministry of Local Government as the overall overseer of their operations. While the above legal bodies constitute local government in Kenya, the local governance framework in Kenya is broader than the local authorities. It consists of provincial, district, location and sub-location administration with technical staff drawn from various ministries (Mutullah & Waema, 2005). Local authority administration consists of a mayor, town clerk and councilors. The number of councilors depends on population and area of each authority. They are elected by the public during the Kenyan general elections held every five years or by-elections held in between. Local authorities are divided in wards headed by a councilor. Wards have common boundaries with administrative locations.

Local authorities in Kenya are charged with the responsibility of providing services such as health, primary education; refuse collection, water and sanitation, land use, planning, housing, maintaining sewerage and drainage works among others in their areas of jurisdiction for their customers (Radcliffe & Mitullah, 2003). They also have an

important role to play in economic development. They can influence these drivers through their functions as advocates, facilitators, investigators, planners and service providers to local community (Kumba & Makan, 2008). To ensure that services are delivered, there is need for a good performance evaluation system. Performance contracting has been in use in local authorities in Kenya for some time but has not been evaluated. This study examined the effect of performance contract on performance in local authorities in Kenya.

1.2 Statement of the problem

Local authorities face pressure to improve service delivery, lower costs, become more accountable, customer focused and responsive to stakeholders' needs. The problems in local authorities affect all people regardless of their social economic status. Performance contracting was introduced to enhance performance in local authorities to address decline in service delivery. Introduction of PC was to address declining performance in the public sector in general (Kobia & Mohammed, 2006). It is unclear whether service delivery has improved as a result of PC in local authorities to a level that satisfy customers. According to Ndubai (2008) previous attempts to deal with the problem included privatization and restructuring which did not work. Therefore, it is essential to establish whether PC has improved performance of local authorities.

Local authorities have implemented PC and some perform better in terms of ranking as indicated, in 2008/2009 PC results. For instance, Town Council of Kangundo was ranked number one among local authorities, County Council of Bungoma number five,

Municipal Council of Eldoret number twenty six, Municipal Council of Thika number eighty seven and Municipal Council of Kisumu was number one hundred and sixty three (GoK, 2010). From the evaluation results Municipal council of Thika and Kisumu were ranked low compared to the other three. There is a challenge of linking the ranking of local authorities in the end of year evaluation and the output to the citizens. This was evidenced in the 2006/2007 performance contracting results (GOK, 2007) where four local authorities were rated very good but citizens complained of lack of improvement in service delivery (Ndubai, 2008). There is no clear association between performance contract scores and public/citizens opinions. The public has raised dissatisfaction on the announced results as they do not related to the performance or service delivery on the ground as perceived and received. The dissatisfaction with the results was also raised by Ministries. Due to the complaints the 2007 results were never released to the public (GoK, 2010). The study established whether PC has improved performance because of the mismatch that exists between ranking and actual service delivery in the local authorities. There is poor reflection of service delivery priorities in relation to performance rating and ranking. There has not been any systematic performance evaluation of the tool to establish improvement of performance of local authorities since PC introduction. Performance measurement in the service sector must go beyond the simple efficiency measures and target visible results that satisfy customer needs. Performance measurement system should identify measures based on different industries (Metawie & Gilman, 2005). This may help link the inputs and outputs. The focus should be the link between the objectives in the strategic plan and their visible out come for the

public and other stakeholders. According to Poister and Streib (2005) performance measures are used to track accomplishment of goals and objectives contained in the strategic plan of municipal government.

Performance contracting being used has weak performance incentive system. According to GoK (2007) lack of reward/sanctions in the performance contracting is toning down efforts at main streaming the performance contracting process in government. It is by linking performance measurements to rewards that organizations can improve future performance (Metawie & Gilman, 2005). Performance measurement is not an end in itself and unless it can direct efforts towards organizational goals and influence future performance it would only represent a tool for measuring past activities. Therefore, there is need to establish to what extent PC is entrenched in local authorities.

1.3 Objectives of the study

1.3.1 Overall objective

The overall objective was to establish whether performance contract has improved performance of local authorities in Kenya.

1.3.2 Specific objectives

The specific objectives of the study were:

1. To find out performance contract resource factors in local authorities in Kenya.
2. To establish performance contract attitude of local authorities' employees.

3. To establish performance contract process administration in local authorities in Kenya.
4. To find out performance contract challenges and suggested improvements in the local authorities in Kenya.

1.4 Research questions

The research sought to address the following questions:

1. What performance contract resource factors are in local authorities in Kenya?
2. What is the performance contract attitude of local authorities' employees?
3. How is performance contract process administered in local authorities in Kenya?
4. What performance contract challenges are encountered in local authorities in Kenya?

1.5 Justification of the study

The results would assist local authorities and the public sector in general in identifying and addressing issues associated with implementing performance contracting. It would help create awareness of the importance of performance contract in improving performance in local authorities and public sector. It would help the government to improve performance contract system to achieve maximum benefits and or improve service delivery for its stakeholders. The study would also help others generate ideas and issues for future research and replication possibility in other settings.

1.6 Scope

The research covered only employees of Kenyan local authorities. The study respondents were drawn from five local authorities. The period covered is from 2006 when performance contracting was introduced in all Kenyan local authorities to 2010.

1.7 Limitation

The study scope was limited to respondents drawn from five local authorities only. This may limit the generalization and application of the findings to other councils. In addition, the period covered is rather short since performance contracting was introduced only recently. It may be necessary to undertake more studies after long term application of performance contracting to determine outcomes. However, the information generated would assist in directing the implementation of performance contracting for better results.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This Chapter starts with the theoretical framework discussing theories related to performance contract. They include: goal-setting, expectancy and cognitive behavioral theory. It also provides conceptual framework, performance contracting model, variables, summary of literature review and concludes with the summary of identified gaps.

2.2 Theoretical framework

This section provides a discussion of the theories that guided the study and application in performance contract in local authorities. They include: goal-setting, expectancy and cognitive behavioral theories.

2.2.1 Goal -setting theory

Goal-setting theory as developed in 1979 by Latham and Locke states that motivation and performance are higher when individuals set specific goals, when goals are difficult but accepted and when there is a feedback on performance (Armstrong, 2005). According to Saleemi (2006) goal-setting theory postulates that employees are evaluated on the basis of their performance in the achievement of agreed goals or objectives. Locke (2009) argued that difficult specific goals lead to significantly higher performance than easy goals, no goals or even the setting of an abstract goal such as telling

employees to do their best. Difficult goals also energize them because they work harder to attain them. Latham et al. (2002) argued that high goals lead to high performance which in turn leads to rewards. According to Saleemi (2006) the theory emphasizes employees discussing the targets to be accomplished and the period with their managers. Participation in goal setting is essential as a means of agreeing to the setting of higher goals (Armstrong, 2005). The theory is applied in performance contracting when heads negotiate and set targets for their respective sections with senior managers of local authorities. This is expected to be cascaded down at different levels in local authorities where individual employees negotiate targets to be accomplished with their heads of sections.

Goal-setting theory places less emphasis on rewards and stresses the motivating power of defining appropriate work goals and engaging employee commitment to them (Marsden, 2004). A number of studies have attempted to examine the relationship between goal-setting and performance. It was found that the majority of evidence suggests strong support for the theory. In fact, it is where managers were not sure of their objectives and doubts into the credibility of the system evolved. Marsden, et al. (2001) found that when employees thought performance related pay had led managers to set targets more clearly because they have to pay them afterwards and if they thought their last appraisal was fair then they were more likely to experience positive incentive effects. Brown and Latham (2000) found that unionized telecommunication employees had high performance and job satisfaction with their performance evaluation process when specific high goals were set.

Inevitably, however, some contrary findings are especially evident when identifying performance dimensions by using a goal-setting theory is followed by another set of issues concerning how these dimensions and goals can be measured (Mullin, 1999). In the Inland revenue, there was no evidence that clearer goals helped motivation towards better performance particularly when majority of individuals felt that they were already working at their maximum level of effort. In PC managers set targets whose achievement is evaluated at the end of financial year (in Kenya) this motivates individuals to work since the targets are negotiated. Studies involving a variety of tasks in both laboratory and field settings have consistently found that performance is a positive function of goal level (Latham & Locke, 2007). This means that individuals adjust their effort to the level of the goal for which they are striving. Persistence is required in setting a series of challenging performance goals which may be difficult when negative feedback is received suggesting that previous goals have not been attained (William et al., 2005).

In France performance contracts were designed as a tool to ensure consistency in decentralized context. National guidelines are established every two years. Within these guidelines each department is able to design a local strategy, flexible enough for a very wide range of circumstances, but consistent with the strategic priorities set by the Directorate General for Taxes. Contracts also put pressure on the entire services network towards improving performance. As implemented at the Directorate General for Taxes, contracting first of all involves a highly structured phase of evaluating results, a sort of negotiating round between the Directorate General for Taxes and each local director.

Formal in depth audits of each department is done on a regular basis to pinpoint strengths and weaknesses in each area. There is constant refinement of practical action plans tying resource use to priority aims and lastly the setting of explicit quantitative targets make improving performance an ongoing realistic and motivating process (Grapinet, 1999).

Performance contract system makes the strategy of departments clear to all its operational units and above all spells out resources that will be made available for achieving the targets that they have formally undertaken to meet. In this respect, while the contract may indeed place the emphasis on the results delivered by local services, it also places special attention on the “way forward” which will enable them to achieve long-term results. This comes from the feedback of the performance evaluation. Locke and Latham (2002) argued that feedback is a moderator of goal-setting effects.

2.2.2 Expectancy theory

Expectancy theory was developed by David Nadler and Edward Lawler who base the theory on the following components: performance-outcome expectancy, valence and effort-performance expectancy. Performance- outcome concerns a person’s expectation that his remuneration is closely tied to his level of performance (Sloof & Praag, (2005). For example, a local authority employee who is thinking about doubling his or her output may expect that doubling the output will result in praise, more pay or perhaps no reward at all; the employee may even expect hostility from other employees. Expectancy theory argues that the strength of a tendency to act in a certain way depends on the

strength of an expectation that the act will be followed by an outcome and on the attractiveness of that outcome to the individual (Robbins & Judge, 2007). In local authorities, expectancy theory is applicable in that, employees will be motivated to exert a high level of effort when they believe that the effort will lead to a good performance evaluation which will lead to rewards such as bonus, promotion, salary increase and that the reward will satisfy the employees' personal goals.

Valence

Valence is a measure of the degree of which an individual values a particular reward. The higher the valence is the more motivated the individual will be. The outcome of a particular behavior has a specific valence, that is, a specific motivating power or value for each specific individual (Sloof & Praag, 2005). For example, the possibility of transfer to a higher-paying position in another local authority may have a high valence for individuals who value money or who enjoy the stimulation of a new environment, it may have a low valence for individuals who have strong ties to their neighbourhood, friends or workgroups. Valence is determined by the individual and is not an objective quality of the outcome itself for a given situation.

Effort- Performance expectancy

Effort- performance expectancy concerns the individual's perception that effort is positively correlated with performance (Sloof & Praag, 2005). People's expectation of how difficult it will be to perform successfully will also affect their decision on whether or not to proceed. Given a choice, then in designing a performance contract an employee

in the local authority will tend to negotiate target level of performance that seems to have the best chance of achieving a valued outcome. The individuals ask, in effect, can I do it? The answers to these questions for the individual will depend to some extent on the types of outcomes expected. Intrinsic outcomes are experienced directly by the individual as a result of successful task performance. They include feelings of accomplishment, increased self esteem and the development of new skills. Extrinsic outcomes, such as bonuses, praise or promotion are provided by an outside agent such as the supervisor or work group. The higher the effort-performance expectancy is the more motivated the individual will be to exert effort (Sloof & Praag, 2005).

The theory presents managers with a number of clear implications. For example, they should determine the performance they desire, that is, the level or behavior (attitude and work styles) they want so that they can tell employees what they must do to be rewarded. They must make the performance level attainable. If employees feel that the goal they are asked to pursue is too difficult or impossible their motivation will be low. This will affect performance in local authorities. In performance contracting the targets set should be realistic and agreeable to both the contractee and the contractor. The key to expectancy theory is the understanding of an individual's goal and the linkage between effort and performance, between performance and rewards (Robbins & Judge, 2007). In performance contracting the reward should be given at the end of the contract period after evaluation of the achievement of set targets.

2.2.3 Cognitive behavioral theory

Many cognitive behavioral approaches involve cognitive restructuring. These strategies often involve an initial phase when the client self-monitors his/her thoughts, feelings and behaviors. In a manner reality emotive therapy, clients then learn to substitute more realistic (less distorted self-talk) for cognition distortion. In institutions, cognitive approaches have also been used to teach employees skills in coping with stressful lure events. Meichenbaum's stress inoculation training helps employees to rehearse self-talk in preparation for entering and managing situations likely to produce high levels of anxiety. In local authorities problem-solving skills can help employee participating in performance contracting. Problem solving are activities by which a person attempts to understand problems in everyday life and discover effective solutions or ways of coping with them (D'Zurilla & Nezu, 2007; D'Zurilla et al., 2002).

Problem solving helps individuals cope more effectively with stressful problems in life depending on the nature of the problematic situation, effective coping may involve improving the situation, for example, achieving a performance goal (Dobson, 2010). When introducing performance contracting, progressive relaxation strategies which include a cognitive component of relaxing self-instruction can be used to help local authority employees accept performance contracting not perceive it as threatening. Systematic desensitization often utilizes covert modeling and rehearsal. This is important when cascading performance contracting at various levels in local authorities. Self-management programs often involve positive and negative reinforcement. This is

useful when setting targets and working out ways of achieving them to improve performance.

2.3 Conceptual framework

Local authorities deliver services to all citizens regardless of their social-economic status. The citizens as customers pay for the services rendered by local authorities. The Government being the main stakeholder has expectations of high quality service for citizens by local authorities. The measurement of the service delivered or performance of local authorities is done using performance contract. It is a management tool for measuring performance against negotiated performance targets (GoK, 2007). The PCs are derived from vision, mission and strategic objectives of local authorities and measure performance at the end of the contract period. Local authorities are expected to set specific targets annually and monitor them through quarterly and annual reports submitted to the Government for evaluation and feedback on performance.

The link between PC as independent variable and performance of local authorities as dependent variable is explained using goal-setting, expectancy, and cognitive theories. According to goal-setting theory specific and difficult goals with feedback, lead to higher performance (Robbins & Judge, 2007). Expectancy theory proposes that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome to the individual (Robbins & Judge, 2007). Essentially expectancy theory further postulates that there must be an expectancy that a given level of effort will result in an acceptable level of performance agreed upon

between the Government and local authorities at the beginning of the contract period. Local authorities' employees applying cognitive theory ask themselves, can I achieve the set targets? The level of performance must have rewards/sanctions. Employees ask themselves, if I achieve the target will I be rewarded appropriately? According to Ducharme et al. (2005) expectancy implies that people consider using efforts on a task if they believe that the goal is achievable and worth the effort. Local authorities' employees set goals and put efforts to achieve if they believe that the goals is achievable and worth the effort. Goal-setting theory emphasizes that goals tell an employee what needs to be done and how much effort is needed to achieve high performance.

In conceptual framework shown in Figure 1, performance as a dependent variable is operationalized in the this study as customer satisfaction, revenue generation, employee satisfaction and work environment is influenced by performance contract as independent variable operationalized as PC resource factors which should be adequate for it to be realized. According to expectancy theory Cole (2002), performance is qualified by the right company policy. In this study organization structure and sound policy are among the PC resource factors. According to Latham and Pinder (2005) efforts and resources are mobilized based on anticipatory estimates of what is necessary for target attainment. Performance contract attitude of employees also influence performance, that is, if employees have a positive attitude towards the measuring tool they will have intentions to implement it, strive to set and achieve targets that translate to performance of their local authorities. Implementation intentions specify when, where and how behavior is likely to lead to performance attainment (Latham & Pinder, 2005). Performance contract

process administration, that is, contract signing, monitoring and reporting by local authorities also influence their performance. There are also PC challenges that are encountered during the contract period which local authorities' employees should be aware of because they influence performance. Using problem solving approach of cognitive behavioral theory, local authorities' employees perceive PC challenges as problems to be solved. They believe that they are capable of overcoming them successfully, carefully define the realistic coping options, choose the best that ensures that the challenges are overcome for PC to succeed. Problem solving is a process that integrates all cognitive appraisals and coping activities within a general social framework (Dobson, 2010). When challenges are overcome employees accept PC and implement it to improve performance of their local authorities.

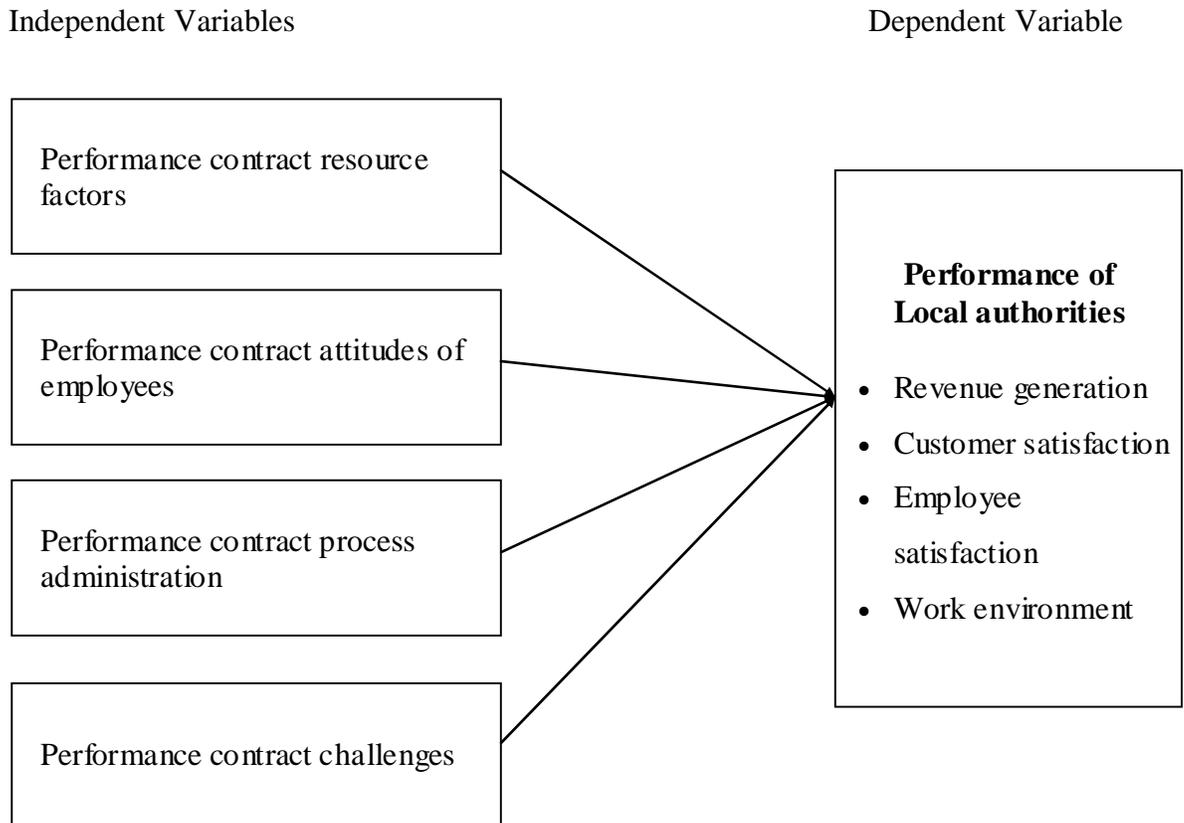


Figure 1: Interaction of performance contracting tool and performance of local authorities

2.4 Performance contract model

Performance contract was introduced in local authorities in 2004. It is a management tool for measuring performance against negotiated performance targets (GoK, 2007). The existing local authority performance contract model starts with part one giving the vision, mission and strategic objectives linked to national policy documents such as National Development Plan and Vision 2030. The goal-setting approach to PC is about mutual establishment of specific performance objectives by local authorities. Part two

gives the commitments and responsibilities of councils which include development of strategic plan and work plan, targets, assigning weights to indicators. Applying goal-setting theory local authorities set annual performance targets in key result areas. According to goal setting approach, the final targets to be accomplished within a given period are discussed between the parties involved (Saleemi, 2006). Part three of the model provides the commitments and obligations of the Government. Part four gives the frequency of monitoring and information flow. The model concludes with part five stating the duration of the contract and a section for signing of the contract by the parties involved (GoK, 2009).

From the existing local authority performance contract model, this study adopted and operationalized the model as follows: Local authorities have to do needs and resources assessment from which they develop a strategic plan which has a vision, mission and strategic objectives. The objectives should be specific to produce results. According to goal-setting theory specific objectives produce high output than the generalized goal (Robbins & Judge, 2007). Local authorities like other public institutions are required to anchor their performance contracts on their strategic plans. The performance has quantitative, qualitative, static, dynamic, commercial and non-commercial measures. It emphasizes achievement of results as the ultimate expectation of the government from managers of local authorities. These two parties are involved in the PC and have specific commitments and obligations. The government as the owner of the agency is committed to ensuring that local authorities are well managed by the managers and cost less in service delivery. According to expectancy theory, expectancy is established in the

formal goal-setting phase in which the Government and local authorities' managers explicitly agree on expected performance and targets over the contract period (Ducharme, et al., 2005). The parties recognize the need for adequate and reasonable managerial and operational autonomy to facilitate achievements of results. By specifying targets and evaluating results performance contract is seen as away to encourage governments to reduce controls giving managers more freedom and motivation to improve performance (Shirley & Xu, 1998).

Performance contract has incentives to reward those who achieve and surpass targets at the end of the duration which is one financial year in local authorities and public sector in general. There are also sanctions for non achievers. Incentives are important for motivating local authority employees to increase their efforts towards improvement of services for consumers. Expectancy approach urges the Government to understand individual local authority goals and the link between reward and performance (Robbins & Judge, 2007). This will help reward local authorities that achieve high customer satisfaction, generate high revenue, improve work environment and employee satisfaction. For PC to be binding it has to be signed by both parties in the presence of a witness. It is also monitored throughout the period and quarterly reports submitted to the government for evaluation and feedback. This ensures continuous control of the contract over the specified period. Performance contracts require resources such as finances, materials (equipment and infrastructure). Human resources with the right knowledge, skills and attitudes are also important for achievement of expected results. According to goal-setting theory, Locke (2009) resources such as time, money, people and equipment

necessary for goal attainment should be available. There should be supporting attitude from employees for targets attainment. For cognitive behavioral approach lack of resources or performance skills might be obstacles to realization of performance (Dobson, 2010). Information resource such as computers, Internet and Intranet is essential for efficient and effective service delivery. Besides the above, right organizational structure, policies and procedures are also necessary for results achievement. It requires its clear knowledge and understanding by employees.

The resources are required to realize performance which was operationalized in this study as financial in terms of revenue generation. Non-financial performance was operationalized as employee satisfaction, work environment and service delivery in terms of customer satisfaction. These were considered based on previous surveys conducted by local authorities. The performance of one planning period is evaluated and fed back into the next contract. In goal-setting theory, at the end of the specified period, the superior evaluates the subordinate's performance on the basis of mutually agreed criteria, corrective measures are undertaken if necessary and the mutually agreed targets are fixed for future (Saleemi, 2006). The study sought to establish whether PC has enhanced performance of local authorities from the relationship shown in Figure 2.

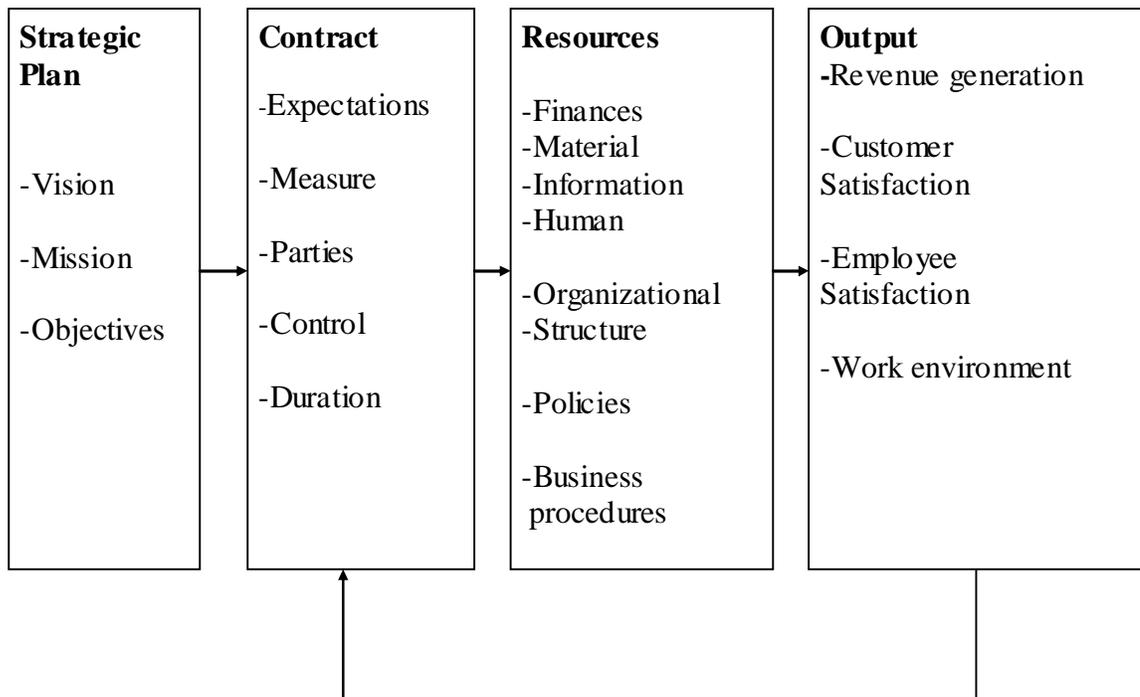


Figure 2: Performance contract model for performance improvement in local authorities in Kenya (Adopted from GoK, 2009)

2.5 Performance contract resource factors in local authorities in Kenya

2.5.1 Vision, mission and strategic objectives

Plans define expected behavior in management terms, expected behaviors are performance standards. In Kenya, local authorities use strategic plans which have visions, missions and strategic objectives. According to Messah and Kariuki, (2011) local authorities are required to develop strategic plans before engaging in PC. The strategic plan helps local authorities to set clear objectives from which annual targets in

the PC are drawn. A vision is a long-term strategy on how to attain a goal or goals. A vision statement is a formal articulation of an organization's vision (Robbins & Judge, 2007). A vision taps local authorities' employees' emotions and energy. Properly articulated, a vision creates the enthusiasm that people have for activities and this is extended to the work place. Visions should be able to create possibilities that are inspirational and unique which offer a new order that can produce local authority distinction. Desirable visions fit the times and circumstances and it is from them that missions and strategic objectives are formulated for local authorities. The vision should be translated into mission statements in order to work towards its achievement. A vision relates to the long term, a mission relates to medium term. Stating a mission can help local authorities' employees keep it in mind, communicate it to others, achieve a common purpose and remain on track. The mission should be concise, focused summary of what the business aims to achieve (Harris, 2005).

The objectives and courses of action assigned to each individual and group are the bases for standards, which can be used to assess actual performance of local authorities. In some instances the objectives provide the standards. Local authorities' manager's performance can be assessed in terms of how close their units come to accomplishing their objectives. In other instances the actions performed are judged by standards. There are public complaints about poor service delivery in some local authorities. This is because of the set objectives not being visible, specific, measurable, achievable, realistic, time bound, result-oriented and evaluatable (V-SMARTER). There is need for local authorities to set V-SMARTER objectives. The study sought to establish whether

local authorities had V-SMARTER objectives. Through planning, local authorities' management derives a basis for developing performance standards based on their goals and objectives. Without planning, performance standards are difficult to define and those standards developed may be contrary to the organizations values and mission (Ivancerich et al., 1992).

For the local authorities' visions, missions and strategic objectives to be achieved, they should be simple and easily understood. The comprehension and readability of the visions, missions and objectives are important features of any statement, if the statement cannot easily be read, interpreted and understood, little else about it matters. The relative ease or difficulty of a written text can be evaluated quantitatively through application that analyse among other elements , the length of sentences, number of syllables per word, average word length to produce readability score. To evaluate the readability ease of mission, vision statements and objectives, in Kenyan local authorities, open access on line readability testing service provided by Studio (2007) that combines known algorithms: the Gunning Fog Index, the Flesch Reading Ease Index and Flesch-Kincaid readability tests were used in this study. The study findings would fill the literature on the readability ease of these fundamental statements.

The Gunning Fog Index estimates how many years of schooling would be required to understand a text. Standard benchmarks in this regard include 8-10 years for popular novels, 10-14 years for newspapers and magazines and 15-20 years for academic publication. The Flesch Reading Ease uses a 100 points scale with 100 being the easiest

to read. The Flesch-Kincaid Scale like the Gunning Fog Index ranks according to education level, but on a 12 point/grade spectrum with 12 being most complex. It should be noted that for Gunning Fog Index and Flesch-Kincaid a lower score means that a text is easier to read, while for Flesch Reading Ease the inverse is the case with a high score denoting greater readability (Juicy, 2007).

2.5.2 Availability of resources for service delivery

Local authorities require adequate resources for service delivery. The resources include human, financial, information and material. In this study human resources are the employees that work for local authorities. They possess human capital that is achieved through employing high qualified talented people with the ability to perform tasks assigned to them. Employees with such attributes give a local authority human capital advantage. Armstrong (2005) defines human capital as the knowledge, skills and abilities of the people employed in an organization. The human elements of the organization are those capable of learning, changing, creativity and providing thrust that can ensure long-term survival of the organization if motivated. Intellectual capital consists of the stocks and flows of knowledge and skills available to an organization (Armstrong, 2005).

Boxall and Purcell (2003) suggested that human resource advantage can be traced to better people employed in an organization. Performance in local authorities can be achieved with the help of high performance work system which takes into account the factors affecting, individual performance such as recruitment procedures, motivation,

training and management development (Becker et al., 1997). People are able to perform tasks if they have the right skills required for the job. For instance, local authorities' employees are able to implement performance contracting if they are sensitized and trained to be equipped with the knowledge and skills required. According to Lienert (2003) public services in many African countries face a challenge of shortage of human resource that relate to inadequate manpower in terms of numbers and key competencies, appropriate mix and socio-psychological dispositions. This study established the adequacy of human resources in local authorities for implementation of performance contracting.

Information resource in form of information communication technologies ICT benefits local authorities in terms of enhanced service delivery, that is, record development and storage, payment of rates and other bills by customers and communication among local authority departments, other local authorities and external Government departments especially when connected to the Internet. According to Netchaeva (2002) and Silcock (2001) citizens get connected to the government offices using electronic means of connection. In turn efficiency in public service delivery is achieved through faster dissemination of information to a larger audience. Interdepartmental exchange of information and merges of related services is enhanced in local authorities. This leads to significant reduction of transaction costs, time, space and manpower.

Even as information resource is important, there is need for employees of local authorities to be trained to use it. According to Kamar (2006) there is low information

technology literacy in the country. He further argued that there is uneven distribution of Internet facilities high costs of connection and in some cases low penetration on high-speed of connection to the Internet. This study sought to find out whether local authorities have computers and if the computers are connected to the Internet. There are critical issues with regard to ICT. They include low fixed network penetration, especially outside Nairobi and non-urban areas; limited capacity of both dedicated and dial up Internet links, poor quality of the local access network, inadequate independence of the communications, regulator, lack of ICT standards and lack of ICT policies (CAFRAD, 2005). The study sought to establish the availability and adequacy of ICT for service delivery in local authorities.

Local authorities also require financial resources that are generated and some remitted from the central Government. For performance contracting to be well implemented, the financial resources should be adequate to allow budgeting for targets. The funds should also be remitted by the beginning of financial year. Kamar and Ongo'ndo (2007) argued that insufficient allocation of financial resources due to financial constraints and mixed government priorities slow down introduction of reforms. Material resources inform of equipment and infrastructure should also be adequate for performance contracting target achievement. According to Lienert (2003) there is perennial problem of shortage of financial and material resources that are necessary for service delivery. The study sought to find out whether these resources are available and adequate for performance contracting in local authorities in Kenya to confirm these findings.

2.5.3 Organization structure, policies and procedures

Organizational structure defines how job tasks are formally divided, grouped and coordinated. There are six elements that managers of agencies need to address when they design their organization's structure. These are: work specialization, departmentalization, chain of command, span of control, centralization, decentralization and formalization (Daft, 2004). An organization's structure is a means to help management of local authorities achieve its objectives. It is logical that strategy and structure should be closely linked. Local authorities adopted performance contract as a strategy for improvement of service delivery. Therefore, there should be a change in the structure to align the two. This is through creating a section and appointing an officer to spearhead the implementation of performance contract in local authorities. The study sought to find out the existence of an office and an officer for performance contracting coordination in local authorities.

A policy defines how the organization fulfils its social responsibilities for its employees and sets out its attitudes towards them (Armstrong, 2005). For a policy to be effective, it should be written, understandable and should present a comprehensive coverage of the function in this case performance contract implementation in local authorities. There should be provisions to ensure dissemination of important elements of policy to all the relevant sections of the organization. It should be soundly based and consistent with public policy and current legislation (Kubr, 2002). It should also be internally consistent with the organization's stated general objectives and policies such as Vision 2030 in Kenya.

To improve service delivery in the public sector, the Government instituted performance contracting through cabinet Memorandum No. CAB (90) 35 of 3rd May, 1990 which approved the introduction of performance contracts in the management of public agencies. In 2003, the Government made a commitment to introduce performance contracting as a management tool to ensure accountability for results and transparency in the management of public resources. The policy commitment was contained in the Economic Recovery Strategy for Wealth and Employment Creation (2003-2007) (GoK, 2003). Further, Kenya Vision 2030 recognized performance contracting among the key strategies to strengthen public administration and service delivery. The strategies focus on deepening the use of citizen service delivery charters as accountability tools and entrenching performance as a culture in the public service of which local authorities are included. The Performance Contract Steering Committee was established in 2003 to spearhead the introduction and implementation of the process. On 15th January, 2004, the Government *vide* Cabinet Memo No CAB (03) 115, directed that all Permanent Secretaries/Accounting Officers of Ministries/Departments and chief Executives Officers of State Corporations be placed on performance contracts by June, 2004 (GoK, 2007).

The study was to establish whether the performance contract policy has been strengthened to respond to the changes in local authorities. The study sought to find out if the employees were aware of the policy. It is essential not only that members of organizations be educated about existence and content of various policies, but also that leaders work hard to foster suitable ethical cultures within their organizations, such that

ethics policies are acknowledged, talked about, understood and ultimately respected. A clear and comprehensive policy document serves the dual purpose of educating and guiding the individuals involved (William-Jones & MacDonald, 2008).

Local authorities like other public organizations need to have quality standard procedures for service delivery. According to Messah and Kariuki (2011) local authorities need to implement management procedures and practices that yield the desired results. They found that PC initiative had positively instilled new management procedures and practices in local authorities that influence timelines in service delivery. Procedures create focus and order in local authorities making them work towards achievement of Vision 2030 whose aim is to create a global competitive and prosperous country with a high quality of life by 2030 (Government of the Republic of Kenya, 2007). The local authorities need to accomplish visions, missions and strategic objectives. The objectives should be achieved within a set target time frame. This is possible with the help of a well established quality management system such as International Organization for Standardization (ISO 9000). The system helps local authorities to identify its customers' needs and convert them in to products and services. ISO 9000 is a series of international standards that deals with ways to manage quality. The series include: ISO 9000 which contains fundamentals of quality management principles and related terminologies; ISO 9001 which includes requirements for development of a quality management system and for customer service and ISO 9004 that has guidelines for performance improvement in an organization (Muraguri, 2009). According to Kaizen concept, organizations are advised to improve in all areas of

business including supplier relationships, new product development, meeting delivery schedules, cost and skills development in workers. The key thing is to focus on small, gradual and constant improvements over a long term and that any suggestions that save production time should be considered (Muraguri, 2009).

2.5.4 Staff motivation

Motivation is defined as a process that determines how energy is used to satisfy needs. It is a resource allocation process where time and energy are allocated to a number of tasks (Latham & Pinder, 2005). Motivation is a need or desire that causes a person to act to have initiative, spirit or be enterprising. There are two types of motivation. Intrinsic motivation which is self-generated factors that influence people to behave in a particular way or to move in a particular direction. The factors include responsibility, autonomy and scope to develop and use skills, opportunities for advancement. Extrinsic motivation is what is done to or for people to motivate them. This includes rewards, such as increased pay, praise or promotion and punishments such as disciplinary action, withholding pay or criticism. According to GoK (2010) employees who perform highly should be rewarded and the poor performers should be punished. When poor performers are not dealt with it may demoralize high performers.

According to Armstrong (2005) people are motivated to achieve certain goals and will be satisfied if they are rewarded by extrinsic recognition or an intrinsic sense of achievement. This suggests that improvement can be achieved by giving people the opportunity to perform and rewarding them by financial or non-financial means when

they do perform. Brewer (2003) found that public servants are motivated by a strong desire to perform public, community and social service. Local authorities should provide a work environment that allows employee to serve and an incentive structure to support the initiative. As defined by Boxall and Purcell (2003), the level of individual performance is a function of ability, motivation and opportunity. They argued that people perform well when they are able to do so, that is, they can do the job because they have the necessary ability and skills; they have the motivation to do so, that is, they will do the job because they want to and are adequately incentivized and that their work environment provides the necessary support and avenues for expression. For example, functioning technology and the opportunity to be heard when problems occur.

According to Houston (2005) public sector reward structure should provide an opportunity for employees to satisfy their public service motives. Motivation is seen by employees as a future-oriented concept in that people anticipate the amount of need satisfaction that will occur when outcomes are received (Latham & Pinder, 2005). A research conducted using a sample from public and private employees in the United Arab Emirates (Yousef, 1998) found that the more the employees are satisfied with their job, the better their performance on the job. Local authorities should make jobs that allow employees to utilize their knowledge and skills. The tasks should be diverse to make them interesting and satisfying for employees. Job satisfaction can enhance individual and organizational performance by increasing work motivation and reducing costs associated with turnover and absenteeism (Harrison et al., 2006). In testing a comprehensive model Brewer and Selden (2000) found that service motivation is a

moderately important predictor of organizational performance. Local authorities' managers should use performance contract results to motivate high performance to encourage service delivery. According to Boyne and Chen (2006) all local authorities subjected to local public service agreement should be equally motivated because they have the same opportunities to participate in setting targets. Alonso and Lewis (2001) argued in their study that the link between public service motivation and performance are not clear. Houston (2000) found that public service motivation does not exist and that public employees are more likely to place higher value on the intrinsic reward of work that is important and provides a feeling of accomplishment. This study sought to establish how motivation is linked to the use of performance contracting in local authorities.

2.5.5 Level of Education

Local authorities have employees with different levels of education. Employees with adequate education possess the right ability that empowers them to perform tasks. For performance contracting to succeed local authorities should attract and retain employees with the right education. Education equips citizens with understanding and knowledge that enable them make informed choices about their lives and problems facing Kenyan society (Government of Republic of Kenya, 2007). Damanpour and Schneider (2006) argued that education inspires receptivity to new ideas which play an important role in both detecting the need for innovation and creating a favorable environment for its implementation. Employees with different levels of education are motivated differently.

This study sought to establish the relationship between levels of education and motivation that is a factor in the use of performance contracting in local authorities.

2.5.6 Expectations

Performance contracting is a part of the broader public sector reforms aimed at improving effectiveness and efficiency in the management of the public service. It clearly specifies the intentions, obligations and responsibilities of the two parties. According to Kobia and Mohammed (2006) the Government adopted performance contracting in the public sector with the following expectations: improved performance ; decline in reliance on exchequer funding; increased transparency in operations and resource utilization; increased accountability for results; linking reward on measurable performance; reduced confusion resulting from multiplicity of objectives; clear apportionment of responsibility for action; improvement in the correlation between planning and implementation; creating a fair and accurate impression on the performance; greater autonomy and creation of enabling legal and regulatory environment.

According to GoK (2003) the Government recognized the need to enhance efficient service delivery through the Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 which envisaged efficient service delivery by local authorities as a basic necessity for growth and development. The policy paper stated that in order realize performance and management improvement in local authorities PC introduction was inevitable. This was to help local authorities realize their mandates and meet citizen

expectations. There is scarce literature on whether local authorities know their expectations from performance contracting. This study sought to establish this and fill the existing literature gap.

2.5.7 Partnerships and prioritization of investments

Performance contracting comprises a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It clearly specifies the intentions, obligations, responsibilities and powers of the parties involved (GoK, 2009). It addresses economic, social and other tasks to be discharged for economic or other desired gain. The fundamental principle of performance contracting is the devolved management style where emphasis is management by outcome rather than management by processes. According to Heskett (2003) PC is a mechanism of increasing autonomy of local authorities to make decisions based on their unique environments. It therefore, provides a framework for changing behaviors in the context of devolved management structures. Governments all over the world view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management, monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves (Kobia & Mohammed, 2006).

It organizes and defines tasks so that management can perform them systematically with allocated resources, purposefully and with reasonable probability of achievement. PCs assist in developing points of views, concepts and approaches to determine what should

be done, by whom, when and how it should be done. Performance contracts are based on the premise that what gets measured gets done; if you cannot see and measure success, you cannot reward it; if you cannot recognize failure you cannot correct it and if you can demonstrate results you win public support (Ndubai, 2008).

According to GoK (2010) setting priorities and allocating resources where they are most needed has become increasingly important in the recent years as fiscal pressures intensify Government managers have realized that budget cuts cannot be done equally but based on the priority requirements. According to Wach (2010) there was a significant difference between financial support accessibility and the needs of the firm. The Government initiated PC in local authorities to improve on financial expenditure of local authorities by stipulating intended output against allocated financial inputs (Messah & Kariuki, 2011). This study established performance contracting partnership between the Government and local authorities and how resources were invested.

2.6 Performance contract attitude of local authorities' employees

An attitude is a predisposition to behave in a certain way (Proctor, 2001). Attitudes also imply assessment and are concerned with how people feel about an issue (Simmons, 2001). Individual's attitude include an evaluative or emotional components (how she/he feels about something) a cognitive component (what she/he knows or believes) and behavioral component (what she/he is likely to do) (Robbins & Judge, 2007). Viewing attitude as made up of three components is helpful in understanding their complexity and the potential relationship between attitude and behavior.

Performance contracting originated from the perception that the performance of the public sector has been consistently falling below the expectations of the public. Performance contracting is part of broader public sector reforms aimed at improving efficiency and effectiveness in the management of public service. The problems that have inhibited the performance of government agencies are largely common and have been identified as excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (Result Based Management Guide, 2005). While several approaches have been used to address the challenges, it is hoped that performance contracting will be accepted by public sector workers and improve performance. Employees' attitude towards PC is important for initiations and sustainability. Individuals require the right attitude to formulate objectives, targets and channel efforts to achieve them.

It is also important for employees to accept the performance contracting as a measurement tool and the results generated. This would help establish the performance levels of their local authorities and find ways to improve in the subsequent years. If the attitude about the tool is negative then the manager should establish reasons and how to improve. Armstrong and Murlins (1998) assert that performance contracting and appraisals too often degenerated into 'a dishonest annual ritual'. In local authorities attitude is important because of its behavioral component. If employees believe that performance contracting will make them lose their jobs, it makes sense to try to understand how these attitudes were formed, their relationship to actual job behavior and how they might be changed. Schleicher et al. (2004) concluded that people seek

consistency among their attitudes and between their attitudes and their behavior. This means that individuals seek to reconcile divergent attitudes and align their attitudes and behavior so that they can appear rational and consistent. When there is an inconsistency, forces are initiated to return the individual to an equilibrium state in which attitudes and behavior are again consistent. This can be done by altering either the attitudes or the behavior, or by developing a rationalization for discrepancy (Robbins & Judge, 2007).

Many workers around the world according to Heywood (2007) support continued use of performance contracts in their work places. For instance, Dadoo (1997) observed that there is ample evidence that Ghana Government Ministries Departments and Agencies are generally responding positively to their greater involvement in the performance contracting process. However, they are encountering the inherent passivity induced by the traditional command and control style of civil service management. The Ghanaian Government is nonetheless optimistic that the passivity will be overcome gradually as employees begin to have more involvement and ownership for the work of their organizations. Angiola et al. (2010) found a significant difference between the readiness of local authorities' managers and the level of well being of the organization. The local authorities' managers accepted negative evaluation from subordinates in good local authorities' climate. Attitude towards performance was revealed by Kenya Development Partners and Government of Kenya (2009) that majority of Kenyans had heard about performance contracting and they thought that it was working well. This study sought to find out the attitude of local authorities' employees towards performance contracting in

their local authorities. There is scarce literature in this area and the study sought to fill the gap.

2.7 Performance contract process administration in local authorities

Generally performance contracting is a freely negotiated performance agreement between government, acting as the owner of the agency and the agency (GoK, 2007). The formal discussions between the government agency and chief executive take place within every year or two years depending on the country. Every appointed chief executive /director general meets his/her government agency to present their personal analysis of the situation in their respective institutions based on their business plans. This covers the assessment of strong and weak points and the policy direction they wish to pursue. The government agency and the institution's head draft a formal record of the conclusions reached at the meeting. This record covers all the explicit contractual commitments that the chief executive has given on improving the performance of the services accountable to him, usually in the form of quantitative and qualitative targets in the sectors that both parties consider to be priorities. It may also include commitments on the support that will be given by the government (Grapinet, 1999). This ends with the signing of the contract by both parties to approve the agreement. Operationalization of performance contracting is tailored to countries depending on their policies and laws.

The main objectives of performance contracting in Kenya is to ensure that performance is measured using the best international practices and that performance targets are grown to the extent of placing the country on the edge in global competitiveness (Ndubai,

2008). It is used in ministries, state corporations, local authorities, public universities and tertiary institutions. The basis of PC is the strategic plan. The strategic objectives in the strategic plans are required to be linked to Government policy priorities and are set out from time to time in such policy publications as the National Development Plan and the Kenyan Vision 2030. Targets are set from the mission and objectives in the strategic plan. They should be growth oriented, comprehensive, relevant and benchmarked to past trends and performance of corresponding agencies in the industry locally or internationally. The public institutions are required to establish database on prevailing international standards with the sector and submit a copy to the permanent secretary, public sector reform and performance contracting. The targets are linked to the budgets and national planning instruments (GoK, 2009).

All objectives included in PC should have specific performance indicators. Only key performance indicators with reference to priority objectives should form part of the PC. Each indicator is assigned weights depending on their importance. These are preset by Public Sector Reform and Performance Contracts. Sub-weights are also assigned to indicators although they can be in negotiated proportions. The contract also involves commitments and obligation of the government and the commitment and responsibilities of the council. There are parties to the PC. These include parties to the negotiations and signing in case of local authority, for the Government: Permanent Secretary Ministry of Local Government and Treasury, for local authority: Chairman/Mayor, Chairman Finance Committee and Heads of departments. They are the same parties to the signing of the PC (GoK, 2009).

Before signing the contract the process of negotiation is carried out in two phases. Phase one involves pre-negotiation consultation and phase two negotiations that involve finalizing drafting of PC and submitting it to the Permanent Secretary, Public Sector Reform and Performance Contracting for vetting. During vetting the negotiating parties are represented (GoK, 2009). The Ad-Hoc task forces are responsible for negotiating performance contracts and evaluating performance of Ministries/ Departments on behalf of the Permanent Secretary, Secretary to the Cabinet and Head of Public Service. Performance is monitored throughout the contract period and reports are submitted quarterly to the Government. The Ad-Hoc evaluation task force evaluates the performance of public institutions and managerial performance in relation to agreed targets based on the reports; guided by the adopted performance measurement criteria (GoK, 2007) in this case, local authorities. It is important for local authorities' employee to have a basic understanding of the administration of performance contracting. The study sought to establish this in local authorities.

2.8 Performance contract challenges encountered in local authorities

Performance contract starts with plans which define expected behavior in management terms, expected behaviors are performance standards. In Kenya, local authorities use strategic plans that are implemented throughout the organization within specified period. The strategic plans have visions, missions and strategic objectives and courses of action assigned to each individual and groups. These are the bases for standards, which can be used to assess actual performance. In some instances the objectives provide the standards. Manager's performance can be assessed in terms of how close their units

come to accomplishing their objectives. In other instances the actions performed are judged by standards. There are public complaints about poor service delivery. This is because of the set objectives not being visible, specific, measurable, achievable, realistic, time bound, result-oriented and evaluatable (V-SMARTER). There is need for local authorities to set V-SMARTER objectives for performance contracting to produce visible results. This helps set realistic targets suitable for individual local authorities.

According to Kenya Development Partners and Government of Kenya (2009) performance evaluation lead to rating and ranking of local authorities but in some cases poorly reflect priorities of service delivery. Through planning, management derives a basis for developing performance standards based on organizational goals and objectives. Without planning, performance standards are difficult to define and those standards developed may be contrary to the organizations values and mission (Ivancerich et al., 1992). The challenges of local authorities according to Mboga (2009) include political interference, inadequate financial and human resources.

Performance contracting has specified performance indicators which are measurable characteristics of products and services which the organization uses to evaluate performance and progress. The indicators should be selected to best represent the factors that determine customer satisfaction and operational performance. The performance contracting system used in local authorities has the following main indicators: Financial, service delivery, non financial, operational and dynamic/qualitative indicators. A system of indicators tied to customers and / or company requirements represents a clear and

objective basis for a lining all activities of the company towards common goals. Through the analysis of data obtained in the tracking process, the indicators themselves may be evaluated and changed. For example, indicators selected to measure product and service quality may be judged by how well they correlate with customer satisfaction (Ivancerich et al., 1992). There is need for quality indicator to be strengthened in terms of weight in the performance evaluation system to ensure continuous quality improvement. There is also need to include individual employee indicators so that rewards and sanctions can be administered according to individual performance outcomes. The reward and sanction should be based on performance evaluation outcomes.

Performance evaluation is a systematic review of individual job-relevant strengths and weaknesses (Ivancevich et al., 1994). Two processes used in reviewing an individual's job performance are observations and judgement. Both processes are subjective due to human error. It would be ideal to eliminate evaluation bias and measure of any objective indicators of performance, such as number of units produced, cost of completing a unit or the time to finish a unit. But objective indicators often measure factors beyond a person's control. Therefore, subjective criteria such as a manager's rating of subordinate are often used. It is manager's rating where bias enters the picture since every rater is asked to observe and then make judgement on the observations.

Deming (1986) has called for the elimination of performance evaluation systems. He believes that it is detrimental to improving quality because it angers and alienates

employees (Graber et al., 1992). He condemns every form of performance evaluation. It is believed that these comments apply to poorly designed and implemented performance appraisals systems. But his across-the-board indictment is too encompassing. Because of performance appraisal's widespread use over an extended period of time, Deming's condemnation is not likely to result in its elimination. Performance evaluation does not have to discourage quality or team work (The Maryland Workplace, 1992). Performance evaluation is difficult a process to implement. The problems of bias are hard to overcome. The evaluation itself appears to make raters and ratees uncomfortable. But in terms of human resource management, formal evaluation can serve many purposes such as: make decisions involving promotion, transfer, pay raises and termination easier, help establish training and development programmes and evaluate their success, provide feedback to employees that point to strengths and weaknesses, predict whether recruitment and selection activities lead to attracting, screening and hiring the best qualified human resources and help determine what type of individuals can be successful within the organization.

The five purposes can only be accomplished if the evaluation system used satisfies two requirements. It must be relevant and accepted by the raters and ratees. Raters must believe in the importance of evaluation and feedback. Performance evaluation must be viewed as a significant part of the rater's job to motivate human resources. From the rater's perspective, performance evaluation must be relevant, fair, used by raters familiar with ratee's job performance and open to modification if flaws are detected. Evaluation systems also must be able to discriminate between good, average and poor performance

(Ivancevich et al., 1992). PCs are evaluated at the end of the agreed period and performance is discriminated among excellent, very good, good, fair and poor (GoK, 2007). In local authorities evaluation of PC is done by *ad hoc* task force at the end of the period. There is need to establish the challenges of using PC in local authorities.

2.9 Performance of local authorities

Performance refers to the degree of accomplishment of the task that makes up an employee's job. It reflects how well an employee is fulfilling the requirements of a job often confused with efforts which refers to energy expended. Performance is measured in terms of results (Rue & Byars, 1992). Organizational performance refers to whether the agency does well in discharging the administrative and operational functions pursuant to the mission and whether the agency actually produces the actions and outputs pursuant to the mission or organizational mandate. The internal management and operations contributes substantially to the achievement of these goals (Rainey & Steinbauer, 1999). For example, in local authorities, performance contracting emphasizes performance operationalized in this study in terms of financial (revenue generation) and non financial results (customer satisfaction, employee satisfaction and work environment). According to Kim (2005) the dimension of organizational performance in the public sector are divided in to internal and external performance and each specifies the following performance related values: efficiency, effectiveness and fairness.

There are two conceptualization of satisfaction, namely, service encounter or transaction specific and cumulative or overall. According to Oliver (1997); Olsen and Johnson (2003) transaction-specific satisfaction provides specific diagnostic information about a particular service encounter. In Kenyan local authorities, it is the amount of time it takes to get service, staff who provide the service and facilities for service, communication and payment process of the service received. Cumulative satisfaction is overall satisfaction across a series of services encounters a more fundamental indicator of the past and current performance (Oliver, 1997; Olsen & Johnson, 2003). Customer satisfaction is affected by communication between customers and employees/managers and the efforts made to resolve complaints (Mohr & Bitner, 1995). This argument is further supported by Maxham and Netemeyer (2002); and Homburg and Furst (2005) that interaction affects customer satisfaction especially the way complaints are handled. In Kenya customer satisfaction is based on quality of service that refers to the quality of both the transaction and outcome or results of the service (GoK, 2009).

Local authorities have suggestion boxes for receiving complaints from customers. They are required to respond to the complaint according to performance contracting. To reinforce this performance contracting has complaint resolution as an indicator in the contract year. Quarterly reports on how the complaints are handled are submitted to the Public Complaint Resolution Committee. In case of a complaint Tax et al. (1998) argued that if the customer can see that the firm has the right resources and capabilities as is willing to resolve the problem and prevents it from recurring it will influence the customer to trust the firm. When targets that are customer driven are set, local

authorities will deliver services that are congruent to the customer needs. This will lead to customer satisfaction and continual commitment. Continual commitment is the extent to which customers maintain their relationship with the firms. They continue to purchase the services and or products in the future because they have to be in the relationship (Bansal et al., 2004).

Local authorities carry out customer satisfaction surveys annually as a performance contracting requirement to establish customer satisfaction levels. They use this to get feedback from customers on service delivery. Customer satisfaction surveys provide satisfaction ratings and feedback on performance (Oja et al., 2006). The criteria for customer satisfaction survey in Kenya was based on the following customer satisfaction drivers: amount of time it took to get service, staff who provide the service, facilities for the service/product , agency communication and payment process of the service/product received. From the survey it was established that the customer satisfaction index was 63.5% which is comparable to that of New Zealand 68% in 2007 and Canada 67% in 2005 (GoK, 2009). The studies did not provide a trend of customer satisfaction. This study established the trend of customer satisfaction as a measure of performance since the adoption of performance contracting in local authorities. Performance is also operationalized in terms of Employee satisfactions in local authorities.

Good employees are those that have high satisfaction with their jobs, high commitment to the organization, high motivation to serve the public and strong intentions to work for the organization willingly and devotedly (Kim, 2005). Public servants are driven by a

general desire to serve the public and advance organizational missions (Goodsell, 2004). According to Rainey (1982) and Wittmer (1991) public employees place a higher value on helping others and performing work that is worthwhile to society. Crewson (1997) found that public sector employees rate a feeling of accomplishment and performing work helpful to society and to others as more important job characteristics than do private sector employees.

Local authorities sign performance contracts with target to be achieved by the end of a financial year this requires employees that are committed and have the organization at heart to work towards their achievement. Employees should have a strong taste for them to perform well (Jensen, 1998). It is important for employees to derive their satisfaction from focused objectives, mission and vision and motivation for achievement. Rainey and Steinbauer (1999) argue that an organization's mission should be an important source of work motivation. At the same time local authorities should know that employees are key to an organization and when satisfied they will improve performance. They should therefore, work toward satisfying them. There should be reward and sanction provision in the performance contracting for employees. Kim (2005) argued that people are the important cause of good organizational performance. The government agencies can be more successful when they value their employees and they view people not as a cost but as an asset. Local authorities should put proper human resource procedures such as appraisal, promotion and career development that increase employee satisfaction. Pfeffer (1998) argued that people-oriented practices increase employee satisfaction, commitment and hence people work harder to improve business performance results.

According to Kristof (1996) workers organization fit occurs when an organization satisfies individual workers preferences.

Some workers are satisfied because of execution of tasks in the organization. Some are satisfied because they are able to satisfy their individual needs and those of the local authorities and this makes them fit. According to Amos and Weathington (2008) employees fit in their work places when there is congruence between organizational values and workers' values. Wright and Pandey (2010) found that workers who report high levels of performance service motive are more likely to be satisfied with their jobs when their respective personal values are congruent with those of the government organizations for which they work. Ostroff (1992) found a positive relationship between employee satisfaction and organizational performance. Messah and Kariuki (2011) found that employee satisfaction had grown since the introduction of PC at Municipal council of Maua, according to sixty percent of the respondents. There is however, scarce literature on the trends of employees' satisfaction in local authorities. This study sought to establish this in relation to introduction of performance contracting in local authorities to fill this gap. The study also operationalized performance in form of good working environment.

Work environment consists of job characteristics and work context. Job characteristics describe aspects of the job or tasks an employee performs while work context pertains to characteristics of the organizational setting, for example, organization's reward system, goals or degree of formalization in which the employee must perform the work (Wright,

2001). An enabling supportive and inspirational work environment creates experience that impact on engagement by influencing how people regard their roles and carry them out. An enabling environment will create the conditions that encourage high performance and effective flexible behavior. These include work processes, equipment and facilities and the physical conditions in which employees work. A supportive environment will be one in which proper attention is paid to achieving a satisfactory work-life balance, emotional demands are not excessive, attention is paid to providing healthy and safe working conditions, job security and personal growth needs are taken into consideration (Armstrong & Brown, 2006).

Purcell (2005) emphasizes that work climate, that is, how people relate in the organization and the experience of actually doing the job, the pace, demand and stress, all influence the way employees experience the work environment. Performance contracting was introduced in local authorities in Kenya to improve work environment so as to improve service delivery to the public. To achieve this, it is one of the performance indicators and local authorities are expected to conduct annual work environment surveys to establish the status. Good working environment motivates employees to work towards achieving set targets. Barry et al. (2005) found that work environment that foster staff job satisfaction and commitment have been associated with greater staff retention, higher customer satisfaction and better quality of service. To promote quality service delivery it is important to have good working conditions for staff because it increases staff retention (Barba et al., 2002). Local authorities should ensure that staffs are adequate to implement performance contracting. This will avoid

overworking and delayed target achievement. Bower et al. (2000) noted that adequate staffing levels contribute to better quality of service delivered. The employees should also be involved in decision making and realistic target setting. According to Barry et al. (2005) work environment that foster employee involvement in decision making process is associated to greater customer engagement. Local authorities carry out assessment of work environment and report the annual status. According to Messah and Kariuki (2011) employee opinion on performance improvement revealed that with the introduction of PC, work environment had improved since they were able to work towards achieving targets that had rewards or sanctions. However, there has not been a study to establish its trend since the introduction of performance contracting. This study sought to establish it and fill the literature gap. Performance was finally operationalized in terms of revenue generation in local authorities.

Local authorities provide services to the public as their main function. They need adequate finances to provide the services. For the customers to evaluate the efficiency and effectiveness of local authorities' service delivery, they need to know the revenue status. To enhance revenue generation in local authorities the government introduced performance contracting with revenue generation indicator. Local authorities are expected to set revenue generation targets annually. The revenue will help them acquire resources for service delivery and help the country achieve the socio-economic goal at the grass root level. There is however, slow revenue growth in local authorities due to slow grants as well as limited capacity with the local authorities to collect revenue (Omamo, 1995).

According to Mboga (2009) local authorities have the following sources of revenue: Local Authority Transfer Fund from the Central Government, roads maintenance levy fund, contribution in lieu of rates, property rates, single business permit, vehicle parking, plot rents, water and sewerage fees, cess receipts, game parks fees and house rent. Local authorities are faced with challenges of revenue generation and performance contracting was introduced to improve the situation. Messah and Kariuki (2011) found that revenue generation increased in the Municipal Council of Maua as a result of target set under PC initiative on revenue collection with management guidance. This study sought to contribute to the literature by establishing the trend of revenue generation in local authorities since performance contracting introduction.

Performance contracting started in France in 1960s. Since France pioneered PCs use in the 1970s they have been tried in more than 50 countries (Ghosh, 1997). The World Bank (1995) found 565 PCs in 32 developing countries in 1994, where they were used for large utilities and other monopolies, and another 103,000 in China where they were also used for manufacturing state owned enterprises. In other Asian countries, PC model has been used in Malaysia, Bangladesh, India, Korea, Pakistan and Sri Lanka. In Africa, the model has been used in countries such as Senegal, Benin, Burundi, Kenya among others. In Latin America, it has been used at different times in Argentina, Brazil, Bolivia, among others. Others include United Kingdom, U.S.A, Canada, Denmark and Finland (Kobia & Mohammed, 2006).

The effect of performance contract on performance is based on the targets and indicators, which are measured. Kuhlmann (2010) suggested several ways of measuring the effect of performance contract on performance. They are process indicators which record the decision-making and implementation procedures for example, coordination management and transparency. They also include output indicators that measure the quantity and quality of production and administrative decisions for example, the number of decisions, and the quality of services. Input indicators that monitor the resources used for example, personnel, costs and the time required for service. Impact/effect indicators that record the reception by the beneficiaries for example, customer satisfaction. They also include acceptance of measures and offers, compliance with regulations. Finally, outcome indicators that focus on the societal effects in a more global context, the degree to which objectives have been achieved and the long term consequences of policy measures for example, reduction in inequalities, economic growth, environmental effects.

The results of PC have been mixed, in some countries, there has been a general and sustained improvement in public Enterprise, and while in other countries some public enterprises have not responded or have been prevented by government policies from responding (Kobia & Mohammed, 2006). Performance contracting was found to improve performance within the education sector in Britain. The percentage of students that obtained grades between A & C rose steadily from 45 percent in 1997 to over 60 percent in 2007, meeting the 2004 education target a year earlier. Improved standards in mathematics and English subjects were also reported (Department of School and

Families, 2007). Swaziland introduced performance contracting in 1990s and it failed to achieve its stated objective of improving performance in the public enterprise. It was because of the widespread use of consultants in the formulation of contracting plans including the monitoring and evaluation mechanisms (Musa, 2002). It was found that the introduction and implementation of performance contracting in Zambia has not improved performance as expected. The applications were not appropriate, lacked innovation the focus was linked to strategic plans (Stevens & Teggegan, 2003). In Ghana, the introduction of performance contracting led to improved water service delivery in the water sector (Dodoo, 1997).

In Kenya, it was found that performance contracting system is transforming the management of public affairs in a significant way. A culture of professionalism, competitiveness, innovation and target setting is being inculcated in to the public sector. Government officers are being publicly challenged to account for public resources entrusted to them on a day-to-day basis as the bar of achievement is raised each year. The public sector is for the first time being challenged to compare with the best in the world while various governments within and outside Africa are expressing interest on how the performance contracting system can be adopted and customized to suit their individual cases. In some sectors the system has contributed to improved administrative and financial performance in others, results are yet to be realized (Kenya Development Partners & Government of Kenya, 2009). This study sought to evaluate whether performance contracting improved performance of local authorities that was

operationalized as revenue generation, customer satisfaction, employee satisfaction and work environment to fill the literature gap on these issues.

2.10 Summary of literature review

From the related theories it is clear that setting clear but challenging goals motivate employees to focus and achieve them. Performance contracting is a management tool used for measuring performance against negotiated performance targets (GoK, 2007). It is the tool that implements strategic plans which have visions, mission and strategic objectives. Goal-setting theory emphasizes the use of clarity of these fundamental statements for their achievement in local authorities. They need to be clear to be understood by employees of local authorities who have difference levels of education. They should be understood to be linked to the available resources for achievement. Their simplicity fosters a positive attitude from employees to pursue them. Unlike expectancy theory goal-setting theory does not emphasize reward for achievement of set objectives or targets.

Expectancy theory emphasizes the link between effort, outcome and expectation by employees (Sloof & Praag, 2005). According to expectancy theory individuals put efforts in the tasks and when they achieve them, expect consequences in form of rewards (Robbins & Judge, 2007). Local authorities should use the theory in reinforcing performance contracting implementation. Setting targets and achievement should be associated with rewards and sanctions. This theory should help strengthen performance contracting in local authorities through rewarding local authorities employees who focus

on the visions, missions and strategic objectives. Those who use their knowledge and skills and resources properly with the right attitude to achieve targets such as customer satisfaction and revenue generation should be rewarded.

Cognitive theory stress self monitoring of thoughts, feelings and overt behavior. Employees need to be at peace with themselves to implement performance contracting. Cognitive behavioral theory should help employees to reduce anxiety and cope with work stress and serve customers well. In case of challenging targets and limited resources, self instruction and relaxation helps employees not to view performance contracting as threatening but beneficial to them and the customers. The theory encourages employees to schedule activities inform of targets to help them engage in the activities within the contract period (Dobson, 2010). This is because the tool may appear threatening to new users but when introduced in bits fear will be dealt with. With renewed confidence employees refer to their local authorities' strategic objectives and set targets which they can achieve within available resources such as finances, information and materials. Self talk helps them change their attitude towards performance contracting and realize that when properly implemented it helps measure their contributions to their local authorities. Employees with the right attitude work towards continuous improvement of the work environment, customer satisfaction, in terms of service delivery to stakeholders, employee satisfaction and revenue generation. When employees implement performance contracting continuously they recommend measures to address the challenges encountered.

2.11 Summary of identified gaps

Performance contracting is a tool that implements strategic plans of local authorities. They have visions, missions and strategic objectives which guide the activities of local authorities within a specified period. Performance contracts have targets drawn from strategic objectives annually for pursue and achievement. The vision, mission and strategic objective (fundamental statements) need to be readable and simple to be understood by employees. There is literature gap on the readability ease of these fundamental statements which this study sought to fill through testing the readability ease using Gunning Fog Index, Flesch-Kincaid and Flesch Reading Ease.

For performance contracting to be implemented there should be adequate resources such as human, finance material and information firm organizational structures, sound regulations and policies with clear procedures for implementation. There is a literature gap on the status of PC resource factors in local authorities which the study sought to fill. Employees need to understand performance contracting process administration. There is scarce research on the performance contracting process administration which this study sought to fill.

Attitude affects employees in terms of task execution. Performance contracting adoption and implementation may be affected by employees' attitudes. There is scare literature on the status of employees' attitude towards performance contracting in local authorities. This study sought to establish this and findings would generate literature to fill the existing gap. It is also important to establish the status of performance of local

authorities since the introduction of PC. In this study performance is operationalized as revenue generation (financial) and customer satisfaction, employee satisfaction and work environment (non financial). This study sought to fill the existing literature gap.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides information on the research design, population, sample and sampling methods and instruments that were used in this study. It also explains data collection procedure and concludes with analysis.

3.2 Research design

The study design was a survey. It was appropriate for this study because it allows collection of information for independent and dependent variables using interviews and questionnaires (Orodho, 2003). Both quantitative and qualitative approaches were also used in the study. Qualitative approach enables collection of data in form of words rather than numbers and these words are often grouped into categories. The approach was used to collect data in words from subjects using ordinary language. It also provided verbal descriptions rather than numerical (Kothari, 1990). Quantitative approach strives for precision by focusing on items that can be counted in to predetermined categories and subjected to statistical analysis. The methods complement each other in that, qualitative methods provide in-depth explanations while quantitative methods provide the hard data needed to meet required objectives. Some of the objectives are better assessed using qualitative methods while for others quantitative methods are preferable (Mugenda & Mugenda, 2003).

The approaches were appropriate since the independent variables; resource factors, attitude, challenges and PC process administration had both categorical, that is, qualitative features and quantitative that is numerical features drawn from frequencies. The dependent variable utilized the quantitative approach because of the numerical features of revenue generation and customer satisfaction, work environment and employee satisfaction previous survey findings. According to Roth and Ercikan (2006) both approaches are appropriate when variables have both categorical-qualitative features (definition of variables) and quantitative –numerical features (continuous nature of representation). A study on ‘Factors affecting implementation of performance contract initiative at Municipal Council of Maua- Kenya’ (Messah & Kariuki, 2011) utilized the two approaches successfully. The approaches were also used successfully in a study on ‘State social sciences contracting: exploring the determinants of effective contract accountability’ (Romzek & Johnston, 2005).

3.3 Research population

The target population for the study was all Kenyan local authorities’ employees. There are 43,800 employees in all the 175 local authorities in Kenya. The employees serve at top, middle and supervisory levels of management as well as operators in the local authorities. The perception and attitudes towards performance contracting and performance may differ among these groups.

3.4 Sampling

A two-stage sampling technique was used to select 120 employees from a population of 43,800 council employees used in the study. In the first stage, five local authorities were randomly selected from the 175 in the country. The manageable local authorities include: Municipal Council of Kisumu, Municipal Council of Eldoret, Municipal Council of Thika, County Council of Bungoma, and Town Council of Kangundo. In the second stage, a stratified random sampling technique was used to select 120 manageable respondents from the five selected local authorities. The employees were drawn using equal allocation from six strata based on the Departments in the local authorities as follows:

- (i) Office of the County Clerk,
- (ii) Office of the County Treasurer,
- (iii) Engineering and Works,
- (iv) Water and Sewerage Services,
- (v) Public Health and Environment, and
- (vi) Social Services Section.

Random numbers were used to pick the sample. The sample consisted of a head of the department and other employees who are implementers of performance contracting in local authorities. Four participants were randomly drawn from various departments in the local authorities to give a total sample of 24 respondents per local authority (see Table 1).

Table 1: Study sample size drawn from five local authorities

Section	Total Number of Employees					Number Sampled				
	TCK	CCB	MCT	EMC	MCK	TCK	BCC	MCT	EMC	MCK
Office of the County Clerk	10	42	81	128	181	4	4	4	4	4
Office of the County Treasurer	12	48	90	144	204	4	4	4	4	4
Engineering and Works	9	37	70	112	158	4	4	4	4	4
Water and Sewerage Services	13	53	102	160	226	4	4	4	4	4
Public Health and Environment	14	56	104	168	238	4	4	4	4	4
Social Services Section	7	29	56	88	124	4	4	4	4	4
Total	65	265	503	800	1131	24	24	24	24	24

TCK = Town Council of Kangundo
MCT = Municipal Council of Thika
MCK = Municipal Council of Kisumu

CCB = County Council of Bungoma
EMC = Eldoret Municipal Council

3.5 Data collection instruments

Questionnaire

Questionnaire was used to collect data on PC resource factors, PC process administration. It was also used to establish employee attitude among other parameters. Attitude was partially measured using Likert scale also known as summated rating scales (Manstead & Semi, 2001). This helped determine the attitude of local authorities' employees towards performance contract. It was also used to collect data on PC challenges encountered and performance of local authorities. The questionnaire was developed by the researcher (see Appendices A).

Interview

It was important to confirm the responses given in the questionnaires using interviews. Collecting in-depth data is undertaken using face to face interviews after administering the questionnaire (Mugenda & Mugenda, 2003). Interview guide (see Appendix B) was prepared to gather information on performance contracting in local authorities.

Document analysis

Document analysis was used to collect secondary data from records existing in local authorities. These include: signed performance contract, financial records, material records, procedures, information resource records and human resource records. Survey findings for customer satisfaction, work environment and employee satisfaction were also gathered. According to Kothari (2004) scrutiny is required to get the relevant data from existing records. A document analysis guide was prepared for the study (see Appendix C).

Reliability and validity

Reliability is the stability or consistency of scores over time or across raters and validity refers to the extent to which an instrument truly measures that which it was intended to measure or how truthful the research results are (Golafshani, 2003).

To check and improve reliability and validity, a pilot study was undertaken. The instrument was administered to a sample of 19 respondents before use. All participants

were employees of local government authority and had same level of education and of the same sex.

Reliability coefficient of the research instrument was assessed using Cronbach's alpha (α) which was computed as follows:

$$\alpha = \frac{k}{k-1} \times [1 - \sum(s^2) / \sum s^2_{sum}]$$

Where:

α = Cronbach's alpha

k = Number of responses

$\sum s^2_{sum}$ = Variance of summed up scores

$\sum(s^2)$ = Variance of individual items summed up

The Cronbach's alpha was 0.704. The questionnaire was therefore considered reliable because the value was greater than 0.70 (Katou, 2008).

3.6 Data collection

Respondents were drawn from different cadres of management to ensure that analysis took account of different perceptions within the local authorities departments. Questionnaires were used since respondents could fill in answers in written form and the researcher collected the forms with the completed information (Kombo & Tromp, 2006). A total of 120 questionnaires were distributed to the respondents by the researcher and later collected on an agreed upon date. Arrangements were made to meet one officer in

charge of performance contracting in each of the local authorities for interviews for more information. The interview was in the form of direct personal investigation and involved meeting the people from whom data was sought (Kothari, 2004). On average, this lasted for twenty minutes each using prepared items. This helped confirm written responses in the questionnaire.

Signed performance contracts, performance reports and other relevant records were requested from performance contract offices. Document analysis provided data on: strategic plan, performance contract and the expectations, measure, parties involved, control and duration of the contract. It also provided financial data on revenue generated for several years. Non-financial data included: customer satisfaction surveys' findings, human and other resources. This helped shed light on whether performance contract has improved performance in local authorities in Kenya. Before subjects started filling the questionnaires, confidentiality of their responses was assured.

3.7 General data analysis

After collection, data was organized, coded and stored in an excel worksheet. This involved putting data into some systematic form. The organization included identifying and correcting errors in the data (Kombo & Tromp, 2006). The analysis was done using Statistical Package for Social Sciences Version (PASW Statistics Version 18). Descriptive statistics and frequencies were estimated for all variables. Further analyses were carried out to address specific research questions as outlined in Sections 3.8, 3.9, 3.10, 3.11 and 3.12.

3.8 Determination of performance contract resource factors

The study examined several performance contract resource factors as discussed in the following sections:

3.8.1 Vision, mission and strategic objectives assessment

For local authorities to deliver effective service to the public, they need to be strategic. This is achieved through formulation of visions, missions and strategic objectives that create a focus. To assess the understanding of the visions by the employees of the local authorities, respondents were asked to state the vision of their local authority. To validate the information provided, the vision statements, mission statements and strategic objectives of the local authorities were obtained from their respective strategic plans and compared to those provided by the respondents. An independent analysis on the simplicity of the vision statements, mission statements and strategic objectives was done using the Gunning Fog Index (GFI), Flesch Reading Ease and Flesch Kincaid Grade Level. This was meant to assist in determining the relative ease with which employees of the various local authorities could understand these fundamental statements. Readability shows the textual difficulty level of a message and it focuses on the textual content (Meyer, 2003). Readability formulae were created to predict the reading difficulty associated with the text (Kondru, 2006). Correlation of the results of the three scales was done to check for consistence among the scales. DuBay (2004) asserted that the correlation of the readability tests shows the degree of their consistency in predicting difficulty over a range of graded texts. Analysis of variance was done to test for significant differences among the strategic objectives for Gunning Fog Index,

Fleisch Reading Ease and Flesch Kincaid Grade Level. Analysis of Variance is performed on readability tests to show which set of peers fall in the statistically similar range (Rahul, 2010).

3.8.2 Availability of resources for service delivery

Resources are important factors that influence adoption of any tool or technology. Respondents were asked to indicate availability and adequacy of resources for provision of services. They were also specifically requested to indicate availability of computers, Internet, telephone and software which are important resources for contemporary office operations. Frequencies of the responses were generated between the positive (Yes) and negative (No). The frequencies helped to meaningfully describe a distribution of various resources available in local authorities as cited by the respondents (Mugenda & Mugenda, 2003). Chi-square test was done to establish whether the observed responses differed significantly from the expected.

3.8.3 Organization structures and policies

To establish if supportive structures and policies exist to ensure effective application of performance contracting, respondents were asked to indicate whether there are policies and procedures governing performance contracting. They were also asked to indicate the office that is in charge of performance contracting. Descriptive statistics comprising frequencies were computed based on the positive (Yes) and negative (No) responses. Descriptive statistics simplified the data so that a general trend could be seen (Orodho,

2005). Further, Chi-square test was done to establish whether the observed responses differed significantly from the expected.

Chi-square (χ^2) formula:

$$\chi^2 = (f_o - f_e) / f_e$$

where f_o = Observed frequencies

and f_e = expected frequencies

A chi-square probability test analyses whether observed data differed significantly from expected data based upon chance (Kothari, 2004) (for example, is a response set of two options 50:50)

3.8.4 Staff motivation

A motivated work force leads to improved performance. The study sought to find out motivation of employee in local authorities. Encouragement of employees who show initiative when faced with an issue motivates them. Respondents were asked if showing initiative was encouraged in their local authorities. Respondents were asked whether they were rewarded for doing their jobs. A five-point Likert scale (1= Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree) was used for scoring. Using Likert Scale respondents are asked to rate the extent of their agreement or disagreement with a set of statements about the variable (Cross, 2005). Chi-square test

was done to establish whether the observed responses differed significantly from the expected for this variable.

3.8.5 Education

Education level was obtained from the questionnaire and its association with various factors that may affect application of performance contracting determined. Various regression models were used to assess the association between level of education and motivation factors namely: perceived utilization of respondents' knowledge and skills, recognition and reward. For the relationship between education and utilization of knowledge and skills a linear model was fitted. A second order polynomial model was used for the association between the level of education and reward. Finally, a linear model was used for the association between education and recognition. Regression models are used to find out whether education levels predicted various motivation attributes (Mugenda & Mugenda, 2003).

3.8.6 Expectations

Two items in the questionnaire sought to identify the expectations of the government and the local government authority. The responses were extracted and summarized into thematic categories. The frequencies were determined for each thematic category. In this case the frequency with which an idea or word or description appears is used to interpret the importance, attention or emphasis (Kombo & Tromp, 2006). Chi-square test was used to establish whether the observed responses differed from expectation significantly.

3.8.7 Partnerships and prioritization of investment

Respondents were requested to provide responses on partnership and prioritization of investment using 'YES' or 'NO' responses. Frequencies were computed to show the relative perception of the respondents to the two aspects. According to Orodho (2005) the purpose of presenting data using frequency distribution is to show trends in the results. Chi-square test was used to establish whether the observed responses was significantly different from the expected frequency.

3.9 Determination of performance contract attitude of local authorities' employees

Several items from the questionnaire were used to get information on the attitude of employees towards performance contract. A five-point Likert scale (1= Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree) was used for scoring. The scores were later converted to a two point scale indicating either 1= positive or 0 = negative. When determining attitude responses are measured in terms of strengths of agreement or disagreement and a respondent's agreement ratings are summed to obtain a score representing his or her attitude (Manstead & Semi, 2001). Frequency distributions of the responses were used to present the data. Chi-square test was used to establish whether the observed response frequencies differed significantly from expected response frequencies.

3.10 Determination of performance contract process administration in local authorities

Several items in the questionnaire sought to determine the understanding of the performance contracting process administration by the respondents. Frequencies were computed to show the relative understanding of the PC process administration by local authorities' employees. Chi-square test was used to establish the significance difference between the observed and expected responses (Kothari, 2004).

3.11 Determination of performance contract challenges in local authorities

Respondents were asked to indicate challenges they face in using performance contracting. They were also asked to suggest ways of improving performance contracting. The responses given were grouped into thematic categories and used as basis for devising measures for improving performance contracting. Collected data was perused and information that was relevant to challenges of and improvement of PC put in to major themes and frequencies presented in a tabular form (Kombo & Tromp, 2006). Chi-square test was used to establish whether the response frequencies observed differed significantly from expected frequencies.

3.12 Performance of local authorities

The performance of the local authorities was assessed in terms of customer satisfaction level, employee satisfaction and revenue generation and work environment. The data on the above performance measures were obtained from records obtained from the councils studied for the period between 2006/2007 and 2009/2010. To assess the possible effect

of performance contracting on the performance of the councils, trends were analyzed. A linear regression model was used to track customer satisfaction over time. For employee satisfaction and revenue generation no formal model was fitted due to irregularity. Chi-square (χ^2) analysis was used to assess whether changes in customer satisfaction and employee satisfaction were significant since the introduction of performance contracting. Chi-square is a technique through the use of which it is possible to test the significance of association between two attributes (Kothari, 2004).

In addition, some items in the questionnaire asked respondents to indicate their opinion on the perceived customer satisfaction. Frequencies of these scores were computed and presented. According to Manstead and Semi (2001) strength of the Likert Scale is its ability to capture different aspects of opinion ranging from beliefs to behavior.

CHAPTER FOUR

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This Chapter provides information on the findings of the study. It starts with the general characteristics of the study sample, provides findings and discussion according the following study questions:

1. What performance contract resource factors are in local authorities in Kenya?
2. What is the performance contract attitude of local authorities' employees?
3. How is performance contract process administered in local authorities in Kenya?
4. What performance contract challenges are encountered in local authorities in Kenya?

4.2 General characteristics of the study sample

A total of 120 respondents of five Local authorities of Kenya were sampled in the study (see Table 2). The number of employees sampled per local authority was 24. Out of the 120 employees sampled 115 responded which is a response rate of 95.83%. Out of the five questionnaires from non-respondents three were partly filled and therefore were not included in the analysis. Two respondents did not respond at all.

Of the five local authorities, Eldoret Municipal Council and County Council of Bungoma had the highest respondents 24 (20.9%) while Town Council of Kangundo had

the least respondents 21 (18.2%). The response rate was quite high with an overall rate of 96% while the lowest being 88% for Kangundo.

Table 2: Local authorities that participated in the study

Local Authority	Respondents, N (%)	Response rate (%)
County Council of Bungoma	24 (20.9)	100
Municipal Council of Kisumu	23 (20.0)	96
Eldoret Municipal Council	24 (20.9)	100
Municipal Council of Thika	23 (20.0)	96
Town Council of Kangundo	21 (18.2)	88
Total	115 (100)	96

The respondents had different levels of education as indicated in Figure 3. Respondents with university education were 23.5%, those with college education were 56.5%, secondary education 13.9% and primary education 6.1% (see Figure 3). Out of a total of 115 respondents, 49 (42.6%) were females while 66 (57.4%) were males (see Figure 3).

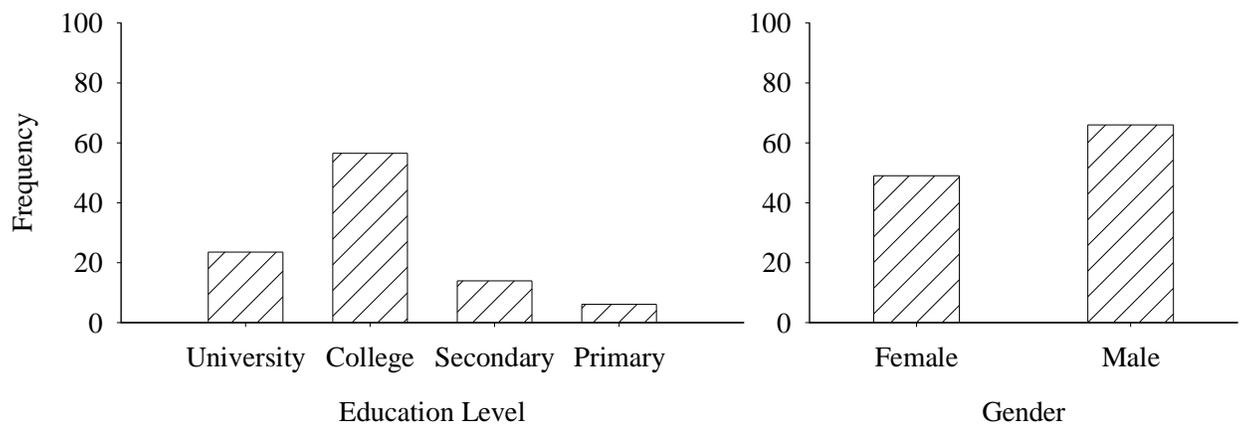


Figure 3: Level of education and gender of respondents

Respondents who participated in the study were drawn from different departments of the five local authorities. From Table 3, Audit and Health departments had the least number of respondents (0.9%) each while the Treasurer’s office had the highest with 20.9% respondents.

Table 3: Departments of local authorities from which respondents were drawn

Department	Number of Respondents	
	N	%
1) Administration	5	4.3
2) Audit	1	0.9
3) Clerk	12	10.4
4) Education	6	5.2
5) Enforcement	2	1.7
6) Engineering	9	7.8
7) Environment	5	4.3
8) Health	1	0.9
9) Market	7	6.1
10) Planning	4	3.5
11) Security	4	3.5
12) Social service and housing	9	7.9
13) Survey	2	1.7
14) Town Clerk’s office	9	7.8
15) Treasurer’s office	37	20.9
16) Water & sewerage	2	1.7
Total	115	100.0

4.3 Performance contract resource factors in local authorities

Vision, mission and strategic objectives assessment

The type of objectives set by local authorities affected the use of performance contract since achievement of well thought of objectives led to visible performance by the local authority.

Respondents were asked if the objectives were drawn from the local authority mandate, linked to the policy priority and if they were simple, specific, measurable, understood, attainable and realistic. From Table 4, 99.1% of the respondents reported generation of objectives from the local authority mandate while 1% of respondent indicated that they were not. According to 99.1% of the respondents, objectives were also linked to Government policies like Kenya Vision 2030 and other National Development plans. From the study, 93.9% of respondents indicated that the objectives used in their local authorities were measurable. Only 6.1% of respondents reported that objectives used were not measurable. Except for 9.6% who indicated that they did not understand the objectives, 90.4% of respondents reported their comprehension of the objectives. Interviews with selected respondents confirmed that visions, mission and objectives were drawn from the local authorities' mandate.

Table 4: Attributes of the strategic objectives of the local authorities

Attributes of Objectives	Frequency, <i>N</i> (%)	
	No	Yes
1) Drawn from mandate	1 (0.9)	114 (99.1)
2) Linked to Government policy	1 (0.9)	114 (99.1)
3) Simple	17 (14.8)	98 (85.2)
4) Specific	6 (5.2)	109 (94.8)
5) Measurable	7 (6.1)	108 (93.9)
6) Easily understood	11 (9.6)	104 (90.4)
7) Attainable	4 (3.5)	111 (96.5)
8) Realistic	3 (2.6)	112 (97.4)

Readability tests of vision, mission and strategic objectives were calculated using Gunning Fog Index (GFI), Flesch Reading Ease and Flesch-Kincaid Grade level. There was strong correlation among the three indices used to measure simplicity of the vision, mission and objectives of the local authorities. While Gunning Fog Index was positively correlated to Flesch Kincaid Grade level, it was negatively correlated to the Flesch Reading Ease (see Table 5).

Table 5: Correlation of measuring indices for strategic objectives of local authorities

Index	Correlation Coefficient		
	GFI	FRE	FKGL
<u>Kendall's tau b</u>			
GFI	N/A	-0.602**	0.615**
FRE	-0.602**	N/A	-0.691**
FKGL	0.615**	-0.691**	N/A
<u>Spearman's rho</u>			
GFI	N/A	-0.773**	0.790**
FRE	-0.773**	N/A	-0.851**
FKGL	0.790**	-0.851**	N/A

** Denotes Correlation is significant at the 0.01 level (2-tailed).

GFI – Gunning Fog Index. FRE – Flesch Reading Ease. FKGL – Flesch-Kincaid Grade Level

Formulae for the readability tests:

Gunning Fog Index

$$GFI = 0.4 \times \left(\frac{Nw}{Ns} \right) + 100 \times \left(\frac{Ncw}{Nw} \right)$$

Where,

GFI = Gunning fog index;

Nw = Number of words in a text

Ns = Number of sentences in a text

Ncw = Number of complex words with three or more syllables

Flesch Reading Ease

$$FRE = 206.835 - \left\{ \left(1.015 \times \frac{Nw}{Ns} \right) + \left(84.5 \times \frac{Ts}{Nw} \right) \right\}$$

Where,

FRE = Flesch Reading Index;

Nw = Number of words in a text

Ns = Number of sentences in a text

Ts = Number of syllables in a text

Flesch-Kincaid Grade Level

$$FKGL = \left\{ \left(0.39 \times \frac{Nw}{Ns} \right) + \left(11.8 \times \frac{Ts}{Nw} \right) \right\} - 15.99$$

Where,

FKGL = Flesch-Kincaid Grade Level;

Nw = Number of words in a text

Ns = Number of sentences in a text

Ts = Number of syllables in a text

According to the analysis, all the indices showed that the vision, mission and objectives of the local authorities are difficult to comprehend (see Table 6). According to the Gunning Fog Index the strategic objectives were the easiest to understand while the mission statements the most difficult to understand. The Flesch Reading Ease also showed mission statements were the most difficult while strategic objectives the easiest to understand. According to the Flesch-Kincaid Grade level, strategic objectives were the simplest while vision statements the most complex fundamental statements.

Table 6: Summary of Gunning Fog Index (GFI), Flesch Reading Ease (FRE) and Flesch-Kincaid Grade Level (FKGL) scores of fundamental statements for local authorities

Council	N	Index (Mean±Std Error)		
		Gunning Fog Index	Flesch Reading Ease	Flesch-Kincaid Grade Level
Vision Statement	4	17.25±1.08	31.64±9.38	23.97±12.50
Mission Statement	4	23.00±2.28	16.48±7.89	15.38±2.22
Strategic Objectives	33	16.06±0.89	39.32±3.13	11.00±0.70
Overall	41	16.85±0.81	36.34±2.93	12.70±1.37

According to the Gunning Fog Index the fundamental statements of Bungoma were the easiest to understand while the Municipal Council of Kisumu the most difficult to understand (see Table 7). The Flesch Reading Ease also showed that Municipal Council of Kisumu had the most difficult fundamental statements while Municipal Council of Thika the easiest. According to the Flesch-Kincaid Grade level the Municipal Council of Thika had the simplest while Eldoret Municipal Council the most complex fundamental statements. According to Analysis of Variance, there were no significant differences among the fundamental statements from the various local authorities.

Table 7: Gunning Fog Index (GFI), Flesch Reading Ease (FRE) and Flesch-Kincaid Grade Level (FKGL) showing simplicity of strategic objectives of local authorities

Council	N	Index (Mean±Std Error)		
		GFI	FRE	FKGL
(1) County Council of Bungoma	8	14.08±2.09	37.57±5.72	10.13±1.08
(2) Eldoret Municipal Council	9	17.36±1.23	29.43±6.04	18.50±5.67
(3) Municipal Council of Kisumu	7	21.20±2.39	26.72±10.11	14.93±1.54
(4) Municipal Council of Thika	17	16.10±1.02	43.39±3.54	9.90±0.55
Overall	41	16.85±0.81	36.34±2.93	12.69±1.37

Analysis of variance for Gunning Fog Index, Flesch Reading Ease and Flesch-Kincaid Grade Level is shown in Table 8. According to Analysis of Variance, there were no significant differences between visions and mission statements for all the three indices used to measure simplicity.

Table 8: Analysis of Variance for Gunning Fog Index (GFI), Flesch Reading Ease (FRE) and Flesch-Kincaid Grade Level (FKGL) of strategic objectives

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
<u>Gunning Fog Index</u>					
Between Groups	205.850	3	68.617	2.899	.048
Within Groups	875.654	37	23.666		
Total	1081.503	40			
<u>Flesch Reading Ease</u>					
Between Groups	1934.586	3	644.862	1.960	.137
Within Groups	12173.960	37	329.026		
Total	14108.547	40			
<u>Flesch Kincaid Grade Level</u>					
Between Groups	524.341	3	174.780	2.528	.072
Within Groups	2558.299	37	69.143		
Total	3082.640	40			

The Gunning Fog Indices (GFI) for the visions and missions for the various councils are shown in Table 9. Municipal Council of Kisumu vision has the highest GFI of 22.8 while Municipal Council of Thika has the lowest of 15.3. The mean GFI for the local authorities that participated in the study was 23.13 with a standard error of ± 1.71 . The mission statement of the Municipal Council of Thika had the highest GFI of 26.5 while County Council of Bungoma had the lowest of 20.2. The mean GFI for missions was 18.25 with a standard error of ± 1.81 (see Table 9).

Table 9: Gunning Fog Index for the four local authorities' visions and missions studied

Local Authority	Gunning Fog Index	
	Vision	Mission
Municipal Council of Thika	15.3	26.5
Eldoret Municipal council	16.0	22.7
County Council of Bungoma	18.9	20.2
Municipal Council of Kisumu	22.8	-
Average \pm SE	23.13\pm1.71	18.25\pm1.81

Respondents were also asked to indicate what the visions addressed. Responses gathered indicate that the visions addressed the following: Efficiency, effectiveness and sustainable service to all stakeholders; enhancement of customer satisfaction; quality services to the community's enhancement of economic development; good governance; emphasized importance of service delivery; socio-economic welfare of the public and equitable services to the public. Data from document analysis confirmed availability of missions and visions and they addressed socio-economic growth to improve public life. The strategic objectives were also available (see Appendices, D1-D4).

For local authorities to meet customer demand for service delivery improvement, they need to plan and have focus for the future. This is possible through developments of strategic plans that have visions, missions and strategic objectives to guide service delivery. Performance contract is a tool that implements the strategic plan on an annual basis over the plan period. Responses from all the five local authorities that participated in the study indicate that they have strategic plans with visions and missions. From the findings performance of local authorities has improved since the clear targets are formulated annually based on the available objectives. The main focus of the visions is service delivery and social-economic growth to improve public life. A vision should have a clear and compelling imagery that offers an innovative way to improve, which recognizes and draws on traditions and connects to actions that people can make to realize change (Robbins & Judge, 2007). The local authorities have missions which emphasize purposes of their existence and targets are anchored on them. Hood (2006) described the non-mission-based targets as a performance measurement system that hits the target but misses the point.

Readability tests check if a given text in this case, fundamental statements would be readable by employees of local authorities (Kondru, 2006). The ability to predict fundamental statements readability is useful as it helps the authors to write statements accessible to the employees of local authorities with different levels of education. The study findings established a strong correlation among the three indices (Gunning Fog Index, Flesch Reading Ease and Flesch Kincaid Grade Level) used to measure simplicity. This agrees with Chiang et al. (2008) who found a high correlation among

Flesch Reading Ease, Gunning Fog Index, Flesch Kincaid Grade Level and Simple Measure of Gobbledygook readability evaluation methods for seven textbooks. This indicated that the four readability evaluation methods seemed consisted with each other and any of them can be used to measure readability of local authorities. In this study, all the indices showed that vision, mission and objectives (fundamental statements) of local authorities are difficult to comprehend. According to the Gunning Fog Index, County Council of Bungoma had the easiest fundamental statements while Municipal Council of Kisumu were the most difficult to comprehend. Analysis of variance indicated that there was no significant difference among the fundamental statements. In order for employees to pull in the same direction, there should be a connection between readability and comprehension of vision, mission and objectives for their achievement by local authorities. The disconnect found between readability and comprehension reminds the author that writing an effective text such as vision, mission and objectives is a complex optimization problem, requiring careful, attention to detail and ideally an iterative process of drafting , testing and re-drafting (William-Jones & MacDonald, 2008).

Availability of resources for service delivery

Majority of respondents (98.3%) of respondents reported that local authorities had computers while 1.7% indicated that local authorities had no computers. Similarly, 79.1% of the respondents reported availability of Internet connection while 20.9% reported no connectivity of computers to the Internet. Availability of telephones was reported by 98.3% of the participants (see Table 10).

Table 10: Availability of resources for performance contract in local authorities

Attributes	No	Yes
	<i>N (%)</i>	<i>N (%)</i>
(1) Adequacy of equipment & tools for service delivery?	34 (29.6)	81 (70.4)
(2) Availability of computers	2 (1.7)	113 (98.3)
(3) Connection of computers to the Internet	24 (20.9)	91 (79.1)
(4) Availability of telephones in offices	2 (1.7)	113 (98.3)

In addition, written responses and interviews indicated availability of the following tools and equipment: computers and accessories, vehicles, telephones, tractors, generators, firefighting equipment, fax machines, garbage trucks, hand tools, construction machines, plant equipment. They were further asked to indicate the number of computers. From Table 11, 1.7% of the respondents reported the highest number of computer as 50. Interviews with the Human resources managers in local authorities indicated that there were inadequate computers and software, inadequate human resources in some departments which led to overworking of employees. It was further indicated that there were inadequate financial resources which were also remitted late from the Central Government.

Table 11: Number of computers available in Local authorities

Number of computers	Frequency, <i>N</i> (%)
(1) 0-10	65 (56.5)
(2) 11-20	37 (32.2)
(3) 21-30	11 (9.6)
(4) 31-40	0 (0)
(5) 41-50	2 (1.7)

Ranges of computer software were available for use in the local authorities. The most common software cited was Local Authority Integrated Financial Operations Management Systems (LAIFORMS) by 77.4% of the respondents, (see Table 12). Interviews with a few respondents confirmed the findings.

Table 12: Computer software available in the Local authorities

Software	Frequency, <i>N</i> (%)
(1) Anti virus	1 (0.9)
(2) LAIFOMS	89 (77.4)
(3) Microsoft Office	17 (14.8)
(4) Pay plus	5 (4.3)
(5) Quick books	1 (0.9)

Local authorities need adequate resources such as financial, material, information and human to deliver services to their stakeholders. The study established that tools were adequate for service delivery (70.4%) in local authorities. This shows that with adequate tools performance of local authorities improved in areas where tools were used to deliver services. In implementation of reforms such as performance contracting resource adequacy is a key factor. Inadequate resources will hamper achievement of set targets. In

a research conducted at Alabama (Moynihan, 2005) it was established that a lack of resources affected the use of MFR reforms. Financial resources were inadequate and were also remitted late. This delayed completion of projects and achievement of other set targets. The study found that human resource was inadequate leading to overworking of employees. Some of the information resources available in local authorities include computers and softwares to increase local authority's ability to communicate accurate information in a timely manner and aid in decision making. They also help enhance service delivery to customers. When connected to the Internet, they hasten communication in local authorities. Information technology is used to promote the generation, processing, storage, communication and application of information in local authorities. Kamar and Ong'ondo (2007) found that in Kenya, appropriate technological issues, hardware and software applications, database development, high capacity network, Local Area Networks (LANs) and Wide Area Networks (WANs) have not been put in place in government offices and local authorities are not an exception.

Organization structures and policies

Having a performance contract section in the local authority is important for its implementation and coordination in relation to other departments. Respondents were asked whether their local authority had a performance contract section. It was reported by 90 respondent that local authorities have performance contract section (see Table 13) while 25 reported non-existence of the section. Observations and interviews with the officers in charge of performance contracting established that there was no section/

office set aside for performance contracting. There was also no officer appointed to coordinate performance contract. Those serving have other duties. For an activity to be undertaken in a government institution there should be a policy to guide its operations. The study sought to establish this by asking respondents whether there was a policy on performance contracting. The officer in charge of performance contracting was also interviewed to find out availability of the policy. According to 99 respondents (see Table 13) local authorities have performance contract policy. A chi-square analysis showed that significantly more respondents reported availability of PC section ($\chi^2=125.04$; $p<0.01$). This indicates that there is a policy on performance contracting in local authorities according to the responses. However, interviews revealed that there is no sound policy to guide the implementation of performance contract in local authorities.

Table 13: Availability of policies and performance contracting sections

Attributes	df	χ^2	Frequency (N)	
			No	Yes
Availability of performance contract section	1	53.99**	25	90
Availability of performance contract policy	1	125.04**	16	99

*Chi-test was used was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at $P=0.01$. ** Denotes highly significant from expected.*

There may not be a physical section for performance contract but it is helpful for an officer to be appointed to be in charge of performance contract. Respondents were asked to mention the person in charge of performance contract. According to 33.9 % of respondents, the town clerk was in charge of the performance contracting while 5.2% indicated that Senior Audit Clerk was in charge. The respondents indicated that

procedures used for service delivery in local authorities included: procurement (87%) and ISO procedures (12.2%). A paltry 0.9% indicated that retirement procedures are followed in local authorities in Kenya. Interviews from respondents established availability of procurement and ISO 9000 procedures for service delivery.

For implementation and proper coordination of performance contracting in local authorities, there should be a section set aside. The study established that there was no section dedicated for performance contracting. It was also found that different officers who had other responsibilities were in-charge of performance contract. For instance Town Clerk was indicated by 33.9% while Accountant was reported by 19.1% of the respondents. This makes the implementation by employees difficult since they do not know where to seek help. It is also essential for performance contracting to be guided by sound policy, legal and regulatory framework. The understanding of the legal and regulatory framework governs the operationalization of performance contracting and strengthens the implementation. The study established that the implementation of performance contract is guided by a policy as revealed by 99 respondents which was significantly different from expected frequency according to chi-square test showing that there was a policy for PC. However, a few of the respondents (N=16) reported the absence of a policy.

Interviews with persons in charge of performance contract sections revealed that there was no sound policy, legal and regulatory framework to guide operationalization of performance contracting. Unavailability of a sound policy to anchor PC on may slow

performance improvement since the local authorities may not be confident in implementing the PC in areas that the available guidelines have not provided for. These findings agree with GoK (2010) survey that established that PC system is not backed by adequate policy and legislative framework. There is need for a sound policy to guide the implementation of performance contract in local authorities.

A part from the policy, the study revealed that local authorities have procurement and ISO 9001: 2008 procedures for service delivery. The procurement procedures are established by the Public Procurement and Disposal Act, 2005. The procedures include procurement and disposal of unserviceable obsolete or surplus stores and equipment by public entities (Republic of Kenya, 2005). The objectives of the procedures are to maximize economy and efficiency. The procedures also allow for competitiveness and fairness, integrity, transparency and accountability and increase public confidence. OECD (2008) study findings established that procurement procedures provide the operator with strong tools to effectively control the expenditure. However, it is a heavy and long procedure which may delay the implementation of the contract.

Local authorities also have quality management systems ISO 9001 procedures for service delivery. These are a series of quality standards that are geared towards facilitation of international trade. They are documented procedures that emphasize on quality standards of service delivery (Muraguri, 2009). Local authorities like other businesses are faced with increasing consumer demands for quality products and

services. Local authorities' managers are constantly seeking ways to improve or reinvent their business operations in order to cope with the ever-increasing customer demands. The local authorities have realized that the solution lies in the application of best practices in their operations; many have begun embracing international standards such as ISO 9001:2008 to develop quality management systems, with a view to satisfying their customers as well as keeping the tempo with the ever-changing world.

Staff motivation

Many of the respondents (44.3%) indicated that they were rewarded for doing their job while 20.0% of the respondents did not agree. According to Table 14, 43.5% agreed that they were utilizing their knowledge and skills while 15.7% were not sure of this. According to the Table, 35.7% of the respondents agreed that showing initiative was encouraged while 9.6% disagreed. Recognition of the work done by employees is one of the ways of motivation. Respondents were asked whether they received recognition for the work well done. From Table 14, 46.1% either agreed or strongly agreed that they received recognition after doing their work well while 24.3 were neutral about it. The remaining 29.6% either strongly disagreed or disagreed that they were recognized (see Table 14).

Table 14: Motivation level of respondents

Attribute of motivation	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1 Reward for the job	11.3	44.3	9.6	20.0	14.8
2 Utilization of knowledge and skills	28.7	43.5	15.7	7.0	5.2
3 Initiative encouragement	25.2	35.7	26.1	9.6	3.5
4 Recognition for work well done	20.0	26.1	24.3	18.3	11.3

Motivation and level of Education

Various relationships were established between education of council employees and the following attributes of motivation: utilization of knowledge and skills, recognition and reward. A regression analysis indicated an assumed linear relationship between the scores on level of education versus utilization of knowledge and skills ($r^2=0.8144$) indicating that respondents with higher level of education tended to be more satisfied with utilization of their knowledge and skills (see Figure 4).

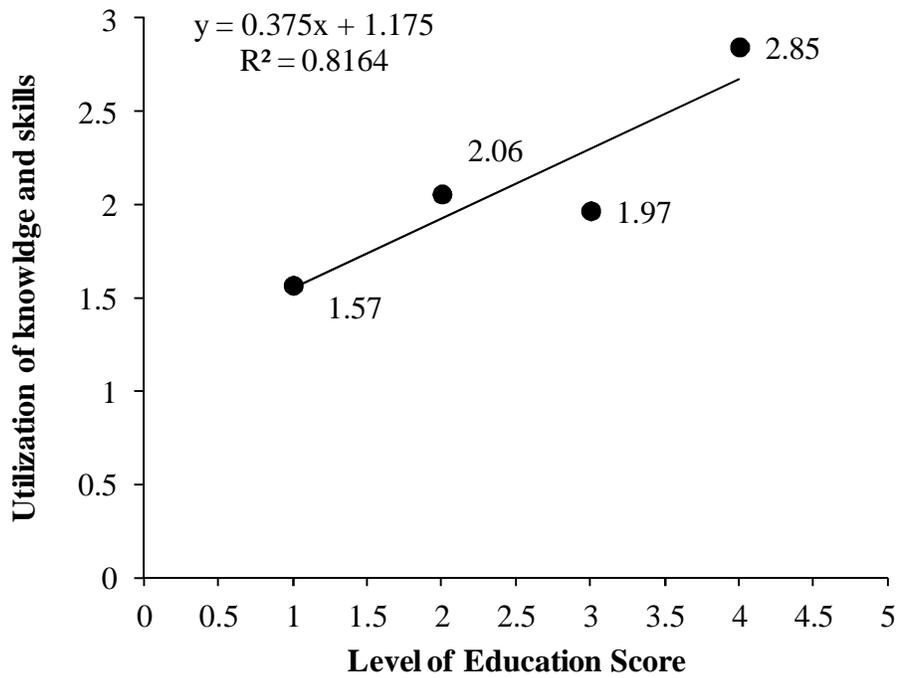


Figure 4: Relationship between utilization of knowledge and skills and level of education

A second order polynomial regression described the relationship between recognition scores and level of education (see Figure 5). In the regression, the recognition increase with level of education up to a maximum after which it declines with higher level of education. This shows that recognition increased with level of education up to college level after which it dropped for university education level.

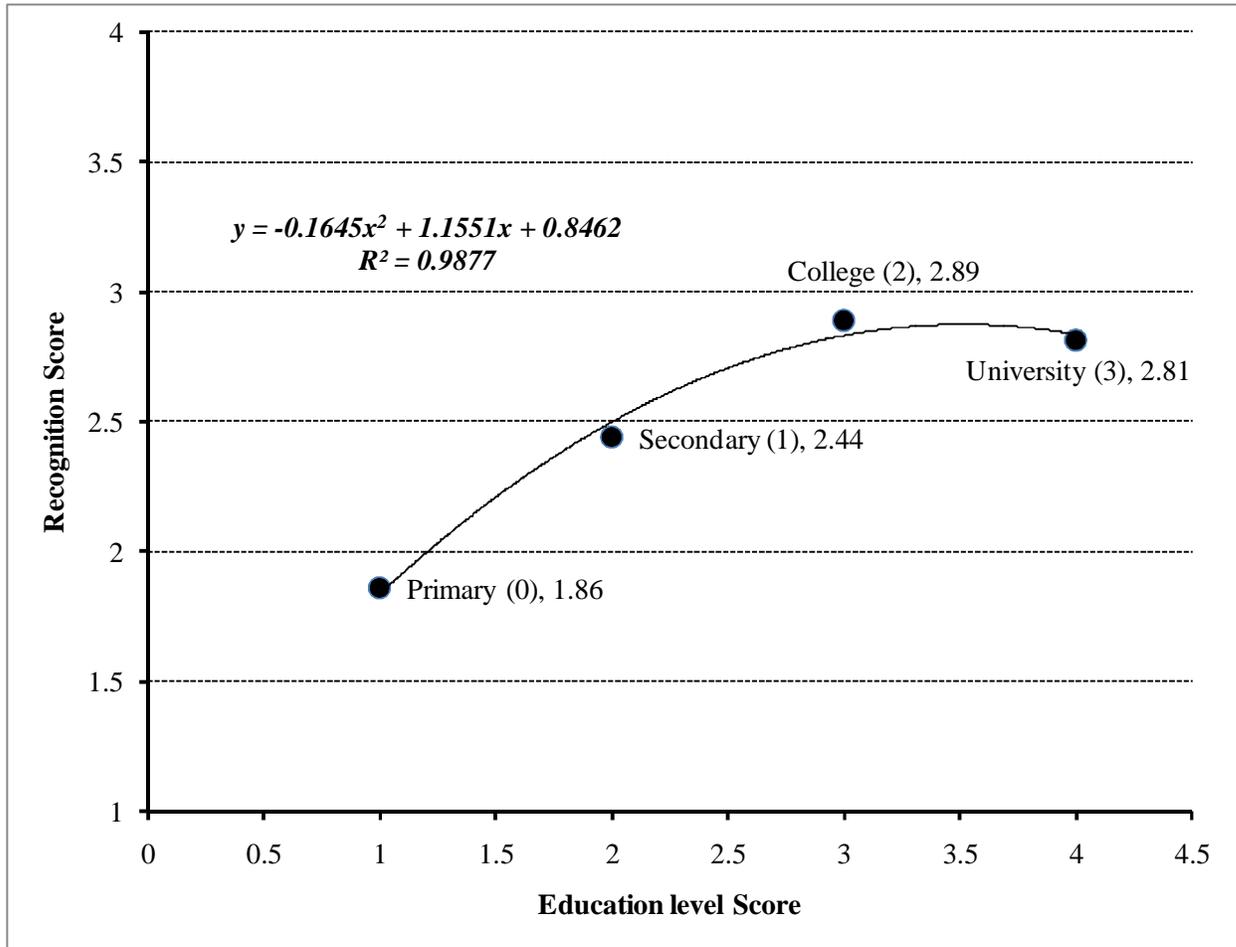


Figure 5: Polynomial relationship between recognition and level of education

The relationship between level of education and reward was not strongly linear (see Figure 6). The college graduates reported lowest satisfaction with a mean of 2.78 while the University graduates gave higher scores with a mean of 2.89. The college graduate want more pay which the local authorities cannot provide. This agrees with the findings in Figure 4 where college graduate are not satisfied with the skill utilization. This means that they do not get intrinsic reward as opposed to university graduates. The primary

school level respondents were more motivated with their reward compared to their college colleagues.

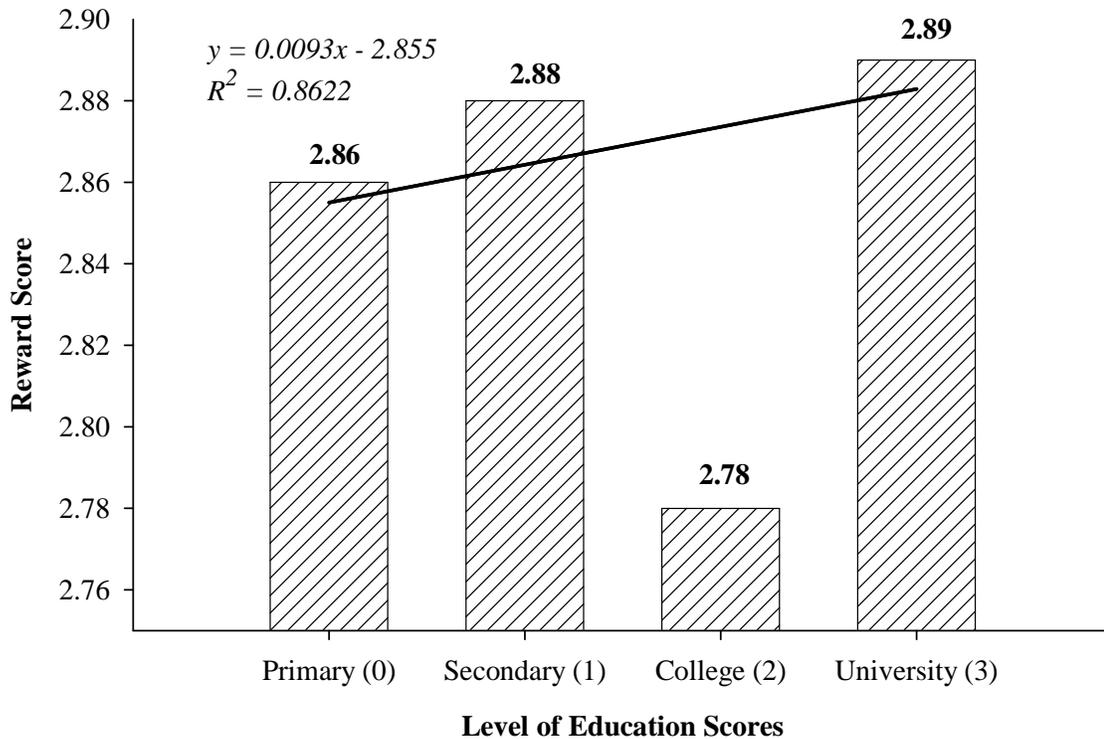


Figure 6: Relationship between reward and level of education

Some attributes were associated with the proportion of employees at various levels of education. Perceived recognition, reward and utilization of employee knowledge and skills were particularly associated with the employees' education level. Regression analysis indicated a linear relationship between level of education and utilization of skills. This shows that respondents with higher levels of education were more satisfied

with their knowledge and skills utilization. This contributes to the achievement of set targets which translates into improving the local authorities.

Employees work to achieve set targets when they are motivated. The motivation may be in form of rewards for the targets achieved. Some respondents revealed that they did not agree that they were rewarded for the job. It is also not a good sign for employees not to be sure whether they were rewarded or not because it can interfere with their commitment to their job which may fail to improve the local authority. Some of the respondents were neutral on the reward for their jobs. Nahavandi (2006) pointed out that exemplary performance should be rewarded through promotion, pay-rise or recognition which should be negotiated on signing the performance contract. He further argued that those who fit well into the organization's mission and culture should be selected and rewarded in the same way.

Employees are internally motivated when they utilize their knowledge and skills to undertake tasks. It was established from the study that 72.2% of the respondents utilized their knowledge and skills at work. Studies according to Helfen and Schuessler (2009) found that 51.1% of the respondents agreed with the fact that employees must utilize their intellectual potential skill in complex assignment. They further argued that even new employees must show skills that match defined tasks to help in performance improvement.

For an organization to survive in a competitive environment, employees should show initiative in doing things differently being creative and innovative. This is enhanced by

encouraging those who show initiative. It was reported by 60.9% of the respondents that initiative was encouraged in local authorities. Recognition of good performance is one of the ways that employees are motivated to work. The study established that work that is well done was recognized as reported by 46.1% of the employees. Recognition gives employees extrinsic motivation which may lead to achievement of set targets that may improve the local authority. Some employees were not sure of whether work that was well done was recognized. This was reported by 24.3 % of the respondents.

Recognition is one of the most powerful motivators. People need to know not only how well they have achieved their objectives or carried out their work but also the appreciation of the achievements by their superiors. Recognition can be in form of money or praise, a written statement of appreciation from the manager. There are other forms of recognition such as long service award, status symbols of one kind or another, sabbaticals and work related trips abroad, all of which can be part of the total reward process (Armstrong & Murlis, 2005). Local authority employees can achieve high results if they are valued and therefore motivated and satisfied. Kim (2005) found that public employee motivation will affect organization performance. The author further argued that employees are the most important cause of high organization performance.

Expectations

According to 60 respondents the government expected enhanced economic development. According to chi-square test, significant respondents ($\chi^2=3220.52$; $p<0.01$) reported change of public perception on service delivery as a Government expectation.

Also significant respondents ($\chi^2=1567.38$; $p<0.01$) indicated that transparency and accountability were Government expectations (see Table 15). In addition, significant respondents ($\chi^2=3220.52$; $p<0.01$) stated that enhanced economic development was a council expectation. Interviews with performance contract officers and analysis of performance contracts documents revealed that local authorities expected the Government to provide adequate resources on time for targets achievement.

The study established that both local authorities and the Government had different expectations from performance contracts. Local authorities expected enhanced economic development as indicated by chi-square test. The Government expected change of public perception on service delivery. For the two parties to have expectations from performance contracting shows that they have a positive attitude which is important for implementation and improvement of the local authority. It was found that performance contracting requires some degree of trust in the partnership (Entwistle & Martin, 2005). Local authority employees know that engaging in performance contracting adds value to their councils. This is revealed by respondents who indicated that performance contract was not a waste of time. The national wide study conducted in Kenya revealed that 47% of Kenyans appreciated performance contract and pointed out that it has improved service delivery in the public sector (GoK, 2010).

Table 15: Government and Council expectations from performance contract

Expectation	df	χ^2	Frequency, <i>N</i>
<u>Government Expectations</u>			
(1) Change public perception on service delivery	1	3220.52**	1
(2) Enhancement of economic development	1	0.22 ^{ns}	60
(3) Improve service delivery to the public	1	64.69**	23
(4) Provision of quality and efficient services to the public	1	37.45**	29
(5) Transparency and accountability	1	1567.38**	2
<u>Council Expectations</u>			
(1) Accountability	1	1567.38**	2
(2) Customer satisfaction	1	1016.60**	33
(3) Efficient and effective service delivery	1	741.39**	4
(4) Enhance economic development	1	3220.52**	1
(5) Improved service delivery	1	741.39**	4
(6) Proper utilization of national resources,	1	3220.52**	1

*Chi-test was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at $P=0.01$. ** Denotes highly significant from expected while "ns" denotes non-significant difference.*

Partnerships and prioritization of investment

Performance contract involves agreement between the contractor and contractee. Respondents were asked if this partnership promoted achievement of results. According to 113 respondents (see Table 16) the partnership between the Government and the local authorities promoted achievements of results in local authorities. Only two of the respondents did not believe that the partnership promoted achievements of results. A chi-square test found significantly more respondents reporting ($\chi^2=466$; $p<0.01$) that priority areas were identified to invest resources through partnership. This means that

decisions to invest resources should be in areas that are important and priority to the customers' needs.

It is important for service delivery to identify priority areas to channel resources to satisfy customer needs. Respondents were asked if the partnership identified priority areas and invested resources to maximize customer results. It was reported by 109 respondents that the partnership identified priority areas and invested resources to maximize customer results (see Table 16). Only six respondents disagreed that the partnership identified priority areas and invested resources to maximize customer results.

Table 16: Responses on partnership and prioritization of investment

Attributes	df	χ^2	Frequency (N)	
			No	Yes
Promotion of results achievement through partnership	1	1567.38**	2	113
Identification of priority areas to invest resources through partnership	1	466.37**	6	109

*Chi-test was used was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at P=0.01. ** Denotes highly significant from expected.*

For performance contract to be appreciated by the users there has to be end products. The study established that the partnership between the Government and the local authorities promoted achievement of results which improved the local authorities. This was reported by 113 of the respondents who participated in the study. A chi-square test found that priority areas were identified to invest resources through partnership. Due the

limited resources available to local authorities, there is need to set clear priorities and channel resources so that the outputs can address local authorities' customers' needs. This is supported by Wach (2010) study that found a significant difference between financial support accessibility and size of the enterprise. He argued that decision makers should adjust the financial support to the needs of the firms. Moy (2005) found that performance contract increases accountability for service delivery and deliverables and increased partnership between the contractor community and the state agency.

4.4 Performance contract attitude of local authorities' employees

A significant majority (N=113) of respondents did not think that performance contracting was a waste of time indicating a positive attitude towards it (see Table 17). A chi-square test established that significantly more respondents ($\chi^2=576.31$; $p<0.01$) supported the use of performance contract in their local authorities. Objectives guide target setting in local authorities and it is important that they are known by all employees in local authorities. The study sought to establish whether employees know the objectives of performance contracting. Performance contracting objectives are known according to 99 respondents. Significantly more respondents ($\chi^2=125.04$; $p<0.01$) indicated knowledge of the objectives of PC. This helps improve performance of local authorities since the employee effort is expended on achievement of PC objective which is in the improvement of service delivery. For employees to achieve targets is important that they know how to set them. The study sought to confirm this and it was established that 68 respondents found it hard to set targets (see Table 17). This is a problem that affects performance contract because target setting determines resource requirements in

terms of: time, information, equipment and the knowledge and skills. It also affects service delivery if improper targets are set then they will not improve services in the local authorities. It should be addressed among employees at all levels for proper implementation of performance contracting.

An over whelming 106 respondents agreed that their local authority should continue using performance contract to measure performance of their local authority (see Table 17). This shows that local authorities' employees have a positive attitude towards performance contracting and would like their local authorities to continue using it to measure performance.

Table 17: Attitude of respondents to performance contracting

Attributes for attitude	df	χ^2	Frequency (N)	
			Positive	Negative
1) I think performance contract is a waste of time	1	1567.38**	2	113
2) I know objectives of performance contract	1	125.04**	99	16
3) I find it hard to set targets in performance contract	1	3.97 ^{ns}	47	68
4) I support the use of performance contract to measure performance of my local authority	1	576.31**	110	5
5) I understand how performance contract measures performance of my local authority	1	53.99**	90	25
6) I like the indicators used in performance contract	1	59.09**	91	24
7) I would like performance contract explained to me clearly	1	18.69**	79	36
8) I believe that performance contract is monitored well	1	16.75**	78	37
9) I believe in performance contract results	1	49.31**	89	26
10) I would like my local authority to continue using performance contract to measure performance	1	283.55**	106	9

*Chi-test was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at $P=0.01$. ** Denotes highly significant from expected. "ns" denotes non-significant difference between observed and expected frequencies.*

A large number of respondents (N = 99) were satisfied with performance contract used.

The reasons for dissatisfaction by some of the respondents were indicated as shown in

Figure 7.

1. Employees to be involved in target setting	5. It not fully monitored and followed
2. Delay in provision of resources to achieve targets	6. Set targets are unrealistic
3. Feed back is not given on time	7. Some activities are not measurable
4. It is not understood by all the staff in the council	8. They rely on feedback from implementers
	9. They should go on the ground and check
	10. Unclear evaluation process

Figure 7: Reasons for dissatisfaction by some respondents with performance contract

From the study findings, local authorities' employees support the use of PC. Support for PC is required from most of the employees since it involves interaction among employees and departments for targets to be achieved this improves the local authorities. The study established that employees know the objective of performance contract. Significant respondents have knowledge of the objectives of PC. This is supported by Angiola et al. (2010) who found a significant difference between objectives of evaluation system and practice of upward appraisal of local authorities' managers. This means that managers who have never had experience in upward appraisal are careful and prefer to assign improvement as administrative purpose. The local authorities managers according to the study participated in the evaluation for reward or sanction objective. However, some found it hard to set targets which may fail to improve performance of local authorities. This shows that there is need for more sensitization of staff in local authorities on target setting for improvement to be realized. With more understanding of target setting performance is improved.

The study also found that PC is supported as a measure of performance of local authorities. Amin et al. (2008) found that measurement of service delivery will help focus on the outcome and therefore solving problems. Respondents also indicated that they understood how PC measured performance. This may lead to intrinsic motivation that makes employees to channel efforts towards achievement of targets that are measured by PC this may improve the local authorities. According to Bertelli and Smith (2009) when measurement of performance is observable by both parties efficiency can be achieved through identifying clear performance targets. It was further argued in their study that reward and sanctions will be clear with understandable targets, that is, lower performers will get minimal reward and any performer above target will attract maximum rewards.

For interpretation and pursuance performance contract indicators should be simple and easily understood by the users. Employees of local authorities reported that they understood the indicators used in PC. This is important for evaluation at the end of the contract period. The users should understand the requirements of the contract and set out to achieve set targets within the contract period improving the local authorities. This is supported by OECD (2008) findings that the performance indicators should be few, simple, realistic and easy to measure and be able to monitor their achievement. It also established that well-designed and realistic performance indicators are key factors for the success of contract implementation. Based on experience from Armenia contract (OECD, 2008) that had more than 100 performance indicators that were unrealistic had to reduce drastically and grouped them in to four major groups for implementation.

From the study, there were employees who would like PC explained to them. This shows that sensitization of performance contracting is still required in local authorities. It is believed by respondents that PC is monitored well. When performance is evaluated and results are given, it is important for the evaluated party to believe in the results. The study established that N=89 respondents believe in the PC results. This makes it easy for the suggested improvement to be taken seriously and implemented for better service delivery for customers. The study also established that most respondents would like their local authorities to continue using PC to measure performance. According to chi-square analysis significantly more respondents would like continued use of performance contracting in local authorities. This shows that PC is important to the respondents which may lead to a positive attitude towards it.

Employees of local authorities are also satisfied with the performance contracting being used. However, it was established that some employees were not satisfied. They gave reasons to the dissatisfaction as: the contract not being understood by staff, unclear evaluation process, delay in provision of resources and employees not being involved in targeting setting and unrealistic targets. Kasseskert and Yang (2009) found that building a satisfying workplace with adequate resources will help keep valuable employees and attract new talents. They further argued that direct work conditions have a larger impact on employee experience and attitudes.

4.5 Performance contract process administration in local authorities

Respondents were asked to indicate the criterion that is used in assessment of results. According to 107 respondents achieved targets were used in assessing results in local authorities (see Table 18). When respondents are aware of the assessment criteria as achievement of targets they set manageable targets which they strive to achieve and this improves the local authorities. Financial and non-financial indicators were used for assessing results, according to seven of the respondents. Chi-square test indicated that significant number of respondents ($\chi^2=3220.25$; $p<0.01$) consider quality of project completion an important criteria of assessing performance contract results (see Table 18). This means that quality of completion of project is important to the respondents as the unit of measure for assessment of results. This shows that the assessment of results is clear to all participants in local authorities and this improves the local authorities. Interviews with respondents revealed that assessment units were Kenya shillings, kilometers, metres and number of schools, health facilities.

Table 18: Criteria for assessment of results of performance contract

Cited criteria for assessing performance contract results	df	χ^2	Frequency, N
(1) Achieved targets	1	329.18**	107
(2) Financial and non-Financial indicators	1	387.94**	7
(3) Quality of project completion	1	3220.25**	1

*Chi-test was used was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at $P=0.01$. ** Denotes highly significant from expected.*

Respondents were also asked whether performance contract reports were submitted. All respondents indicated that performance contract reports were submitted. Interviews with a few respondents confirmed the findings. They were further asked why reports were submitted. They were submitted for evaluation of target achievement, according to 55 respondents while 37 respondents indicated that they were submitted for monitoring the progress and compliance of local authorities (see Table 19). Significantly more respondents indicated reports were submitted to report results to government according to chi-square test ($\chi^2=3220.25$; $p<0.01$). Interviews indicated that reports were submitted for evaluation of progress, for monitoring achievement of set targets.

Table 19: Reasons for submitting performance contract reports

Cited reasons for performance contract reporting	df	χ^2	Frequency, N
(1) Report results to government	1	3220.25**	1
(2) Assess progress of local authority	1	70.84**	22
(3) Evaluation of target achievement		0.21 ^{ns}	55
(4) Monitor progress of the contract and compliance		16.75**	37

*Chi-test was used was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at $P=0.01$. ** Denotes highly significant from expected. “ns” denotes non-significant difference between observed and expected frequency.*

It was important to establish if respondents knew when the reports were submitted. They were therefore, asked whether they knew when reports were submitted. According to 86.1% of respondents, reports were submitted on quarterly basis (see Figure 8). They were further asked to indicate where they were submitted. The reports are submitted to the Ministry of local Government according to all the respondents. This shows that

respondents know where reports are submitted. In order for performance to improve any feedback on evaluation should be given to help in identifying areas to be improved. Respondents were asked if a feedback was given after report submission. It was reported by 94.8 % of the respondents that feedback was given on performance while 5.2 % indicated that they did not get feedback.

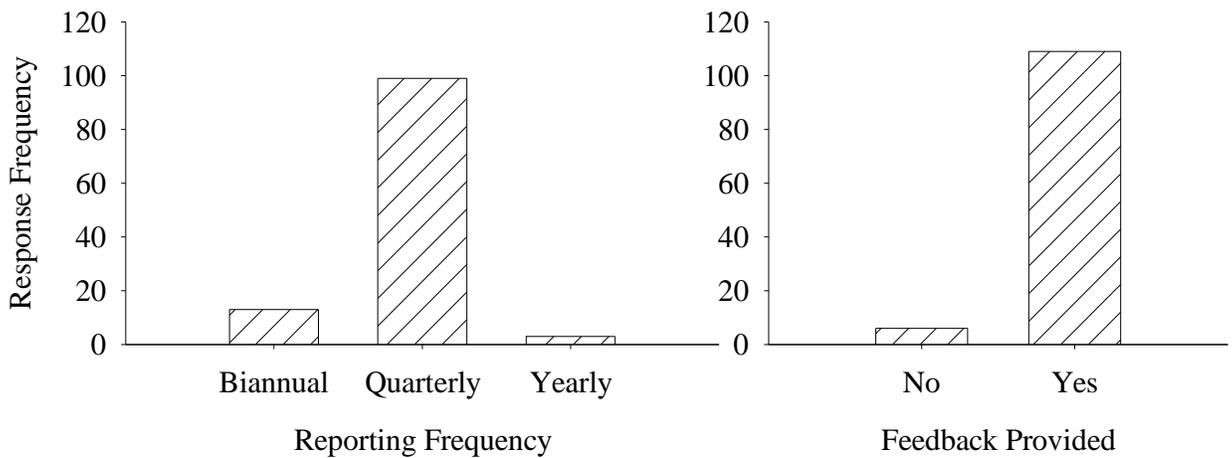


Figure 8: Performance contract period and feedback provided

To find out if employees knew the performance contract period, the respondents were asked to indicate the contract period. Most respondents (98.3%, N= 113) indicated that the contract period was one year while 1.7% (N=2) reported that it is half year. Data from signed contracts and interviews confirmed that the contract period was one year.

The study established that assessment of results was based on achievement of set targets. This was reported by 93.0% of the respondents. When employees know how assessment

of set targets is done they work towards achieving them and this improves the local authorities. Chi-square test indicated that significant respondents consider quality of project completion a criteria of evaluating performance. This shows that employees of local authorities know the units of measure used in performance contracting which help them focus on the areas that are important for achieving set targets. Implementation of performance contracting in local authorities is monitored through reporting. The study established that performance contracts reports were submitted in the Ministry of Local Government. This was reported by all the respondents who participated in the study. Study findings also established that the reports were submitted for different reasons.

A chi-square test revealed that reports were submitted to report results to government which informs it on what local authorities are achieving. Some of the respondents reported that they were submitted for evaluation of achievement of targets (47.8%), for monitoring the progress of local authorities was reported by 31.3% of the respondents. Monitoring of achievement of targets helps local authorities to focus on the targets agreed upon at the beginning of the contract period this improves the local authorities. This agrees with study findings by Selden et al. (2006) that revealed that regular progress reports are among the most common performance evaluation techniques. Jacobs et al. (2010) found the study verification of achievement of target and compliance with contract performance indicators was verified through quarterly reports that were submitted to the ministry of health. They further established that evaluators also visited a sample of hospitals to confirm what was written in the reports.

The study also established that not all the local authorities' employees knew when reports were submitted. This was revealed by 86.1% of the respondents who indicated that they were submitted on a quarterly basis while a few indicated biannually and annually. This finding agrees with OECD (2008) who found that in order to monitor contract implementation the contract provides for regular reporting from the operator. This includes both annual and semi-annual reporting as well as one-time submission. Like the Kenyan Performance contracting the Armenian contracting specifies reporting requirements as well.

For employees to support performance contract they need to know its duration. Kenya's performance contract is one year, according to 98.3% of the respondents. Information from previous signed contracts in local authorities confirmed the findings. This period is aligned to the financial year of government agencies. The knowledge of the contract period helps employees to fast track the lagging targets leading to achievement by the end of the contract period, improving the local authorities. This agrees with Hood (2006) study findings that year-end evaluation which assesses all local government practical achievements on performance targets established at the beginning of the year, the evaluation is held in December of each year.

4.6 Performance contract challenges encountered in local authorities

It was necessary for the study to establish challenges that were encountered when using performance contract in local authorities. It is through the challenges that improvements can be made. Respondents were asked to indicate challenges encountered when using

performance contract. Interviews were also conducted to establish the challenges. The cited challenges are indicated in Table 20.

From the Table, 51 respondents cited facilitation as one of the challenges of using performance contracting in local authorities. Facilitation is about making performance contract implementation easy. The challenges of facilitation were reported as lack of support to attend performance contract workshops, inadequate resources such as funds and equipment, slow decision making process, procurement procedures that delay materials, lack of political support, lack of adequate budget for targets, poor reporting procedures and setting unclear targets. A chi-square analysis indicated a significant number of respondents ($\chi^2=3220.25$; $p<0.01$) feel that evaluation is a challenge which should be addressed. According to 19 respondents limited time for achieving set targets is a challenge for using performance contract. Human resource challenges such as lack of accountability and responsibility by employees, low skilled personnel, lack of technical implementers and overworking of staff were raised by 16 respondents. Using performance contract faced a challenge of weak capacity base as indicated by 14 respondents. The particular challenges included lack of capacity to handle performance contracting in departments and targets being set without implementers' involvement. Also, according to chi-square analysis a significant number of respondents ($\chi^2=3220.25$; $p<0.01$) indicated workload as challenge which agrees with the inadequate human resource to handle PC (see Table 20).

Table 20: Perceived challenges of using performance contracting by the respondents

Challenge cited	df	χ^2	Frequency N
1) Evaluation	1	3220.25**	1
2) Facilitation	1	1.48 ^{ns}	51
3) Human Resource	1	125.04**	16
4) Institutional weaknesses	1	283.55**	9
5) Lack of Autonomy and Bureaucracy	1	741.35**	4
6) Limited time	1	93.45**	19
7) Weak capacity base	1	153.90**	14
8) Workload	1	3220.25**	1

*Chi-test was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at P=0.01. ** Denotes highly significant from expected. "ns" denotes non-significant difference between observed and expected.*

The perceived challenges raised above were the main themes of the challenges reported by respondents as indicated: evaluation, poor evaluation process; inadequate facilitation, inadequate resources, lack of political support; human resource, lack of accountability and responsibility by employees, lack of cooperation from some employees, resistance from some employees to embrace performance contract; institutional weaknesses, lack of capacity to handle performance contract in departments, poor reporting procedures, unclear criteria of selection of staff to attend performance contract workshops; lack of autonomy and bureaucracy; evaluation feedback takes long to reach council employees from the ministry, political interference with the council implementation, slow decision making processes; limited time, time for meeting targets not adequate; weak capacity base, achieving targets, inconsistency in target interpretation by the ad-hoc committee members, misunderstanding of terms used in performance contracting, setting unclear

targets, targets being set without implementers involvement; workload and over working of staff.

Respondents suggested several ways through which the challenges aforementioned could be overcome. These include the following: capacity building, proper training of all staff, training and employing qualified staff, councils to set their targets, same interpretation of targets, include more staff during contracting, capacity building in departments, negotiate for realistic targets, sensitization of staff on performance contract; enhance institutional structures and procedures, all staff to be given a chance to attend workshops, minimize cross departmental projects, councils to have tailored reporting format, rewards and sanctions for staff; enhance regulatory framework; regular inspections of councils, supervision of councils; facilitation, government to avail funds on time for purchase of materials, facilitation of transport of secretariats outside meetings, increase capitation, provide adequate resources, need for commitment to set targets, equitable distribution of resources for work; financial discipline sticking to budgetary allocations, transparency and accountability; improve monitoring and evaluation, evaluation to be done at individual councils, give adequate time to achieve targets, feedback be sent every six months; reduce bureaucracy and increase autonomy, detaching councils from politics, hasten procurement of materials and making councils autonomous.

The study established that there were challenges encountered during performance contracting. They include: inadequate resources, inadequate time for meeting target and setting unrealistic targets. There was resistance to embracing performance contract by some employees. A chi-square analysis indicated that evaluation was a challenge for a significant number of respondents. This means that the local authorities are not comfortable with the annual evaluation of PC. They feel that it does not put their unique environments in to consideration. The study also cited interference from politicians which agrees with Boyne et al. (2005) study findings that managers deal with any array of environmental challenges and opportunities, including competition from other units, the involvement of politicians and political institutions. Like Kenyan local authorities' employees' lack of training, internal infrastructure and resources were identified as some of the challenges in performance (Frederickson & Frederickson, 2006).

There were suggested solutions to the challenges as established from the study. They include: training and employing qualified staff, councils to set their targets, including more staff in the performance contracting, giving adequate time to achieve set targets and rewards and sanctions for staff. Those who were interviewed stressed lack of measurable and evaluation of the set objectives.

Improvements to performance contract suggested by local authorities' employees

When asked to suggest improvements to performance contract. Respondents gave the following suggestions. They want evaluators to be visiting individual councils not call

them. Personnel training at grass root level. Councils to set targets based on unique environments. Surprise visits to evaluate councils. Supervision and follow up. They also suggested proper supervision by external officers from Government. Proper monitoring and evaluation was also suggested. Some wanted the contract period to be reduced to six months. They wanted an employee appointed in each department to spearhead performance contract. They also wanted improvement to assessment methods to reflect real situations. There are suggestions to include projects under performance contracts, reward for better results, improve weight assignments, change the vetting process to tailor it to the council, involve more employees in target setting, setting realistic target, review performance contract after some time, regular supervision and inspection. They also suggested that monitoring should be decentralized for effectiveness and increase the contract period.

The above were organized in to themes together with the number of respondents suggesting improvements to performance contracting as indicated in Table 21. Personnel's training at grass root level was suggested by 27 respondents as an improvement to performance contracting. The involvement of more employees in target setting was suggested by 18, regular supervision and inspection by 16 and sensitization of staff were suggested by 14 of respondents as improvements to performance contracting. Chi-square analysis shows that a significant number of respondents suggested change of the vetting process to tailor it to the council ($\chi^2=1567.38$; $p<0.01$). This means that councils want their unique environment appreciated for realistic target setting. A significant respondents ($\chi^2=1016.60$; $p<0.01$) also suggested that evaluators

should visit individual councils not calling them centrally (see Table 21). All these point to management style which should be improved to be interactive and strengthen performance contracting in local authorities.

Table 21: Number of employees suggesting improvements to performance contract

1) Suggested Improvements	df	χ^2	Frequency N
2) Personnel training at grass root level	1	45.02**	27
3) Involve more employees in target setting	1	102.77**	18
4) By regular supervision and inspection	1	125.04**	16
5) Sensitization of staff	1	153.90**	14
6) Reward for better results	1	283.55**	9
7) Setting realistic target	1	283.55**	9
8) Assign employees in each department to spearhead performance contract	1	1016.60**	3
9) Evaluators to be visiting individual councils not call them	1	1016.60**	3
10) Reduce contract period to six months	1	1016.60**	3
11) Change the vetting process to tailor it the council	1	1567.38**	2
12) Others include: councils to set target based on unique environment and evaluation to be done twice a year	1	217.36**	11

*Chi-test was used was used to test whether the observed frequency differed significantly from the expected 50:50 frequency at P=0.01. ** Denotes highly significant from expected.*

The study also revealed that feedback on performance was communicated to the local authorities for service delivery improvement. The study established some improvements to the performance contract suggested by local authorities' employees. The respondents suggested the following improvements: personnel training on performance contracting at the grass root level. Chi-square analysis shows that significant respondents suggested change of the vetting process to tailor it to the council. This means that councils want their unique environment appreciated for realistic target setting. They also suggested that

evaluators to visit councils and not calling them in central locations. Chi-square analysis shows significant number of respondents would like evaluators to visit individual councils instead of calling them to a central point. This would allow evaluation based on the uniqueness of the council. This is supported by Frederickson and Frederickson (2006) who found that monitoring should take into consideration the location or service-delivery conditions unforeseen in the contract.

The evaluation team should consider this during evaluation process. Impromptu visits to evaluate councils; improvement of assessment methods to reflect real situations; reward for better results; Improvement of weight assignment; change to the vetting process; review of performance contract after some time; decentralization of monitoring for effectiveness and increase the contract period. Decentralization will allow for observation and direct monitoring. Study by Selden et al. (2006) found that when performance is observed or inspected directly monitoring officers will be more likely to use unilaterally developed procedure.

4.7 Performance of local authorities

Customer satisfaction

According to 65 respondents representing 56.5% of the respondents customers were satisfied with local authorities' service delivery (see Figure 9). This was significantly greater than the 50 representing 43.5% who either remained neutral or indicated that customers were dissatisfied.

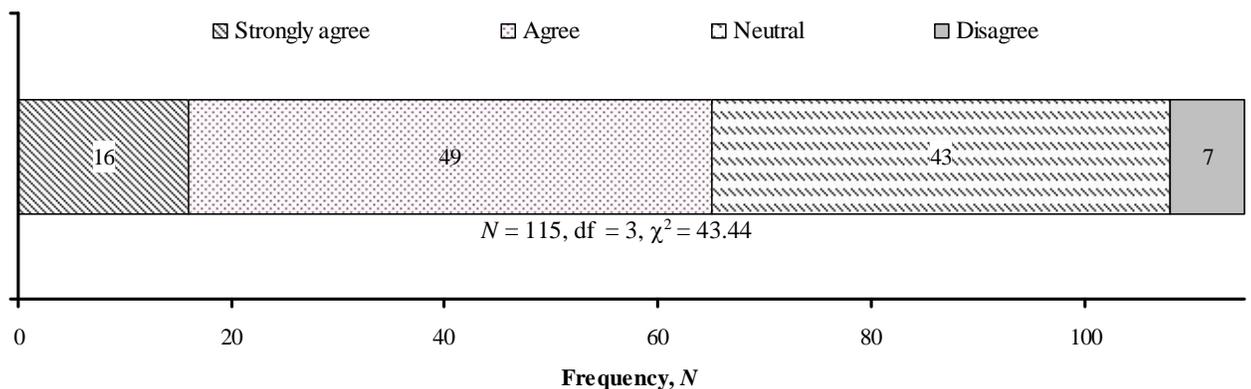


Figure 9: Perception of employees on customer satisfaction with local authority service delivery

During performance contracting government agencies are encouraged to establish their customer satisfaction level in a contract year through customer satisfaction surveys. Information on customer surveys from document analysis indicated that customer satisfaction was growing, 49% in 2007/2008 to 51% in 2008/2009 at Kangundo local authority; 58% in 2007/08 to 68% in 2008/09 (a growth of 10%) at Municipal Council of Thika. Information on employee satisfaction survey from document analysis indicated that employee satisfaction was also growing, 50% in 2007/08 to 61% in 2008/09, (a

growth of 11%) at Municipal Council of Thika. Mean customer satisfaction increased steadily since 2006/2007 for the local authorities. The trend of customer satisfaction was linear as shown in Figure 10.

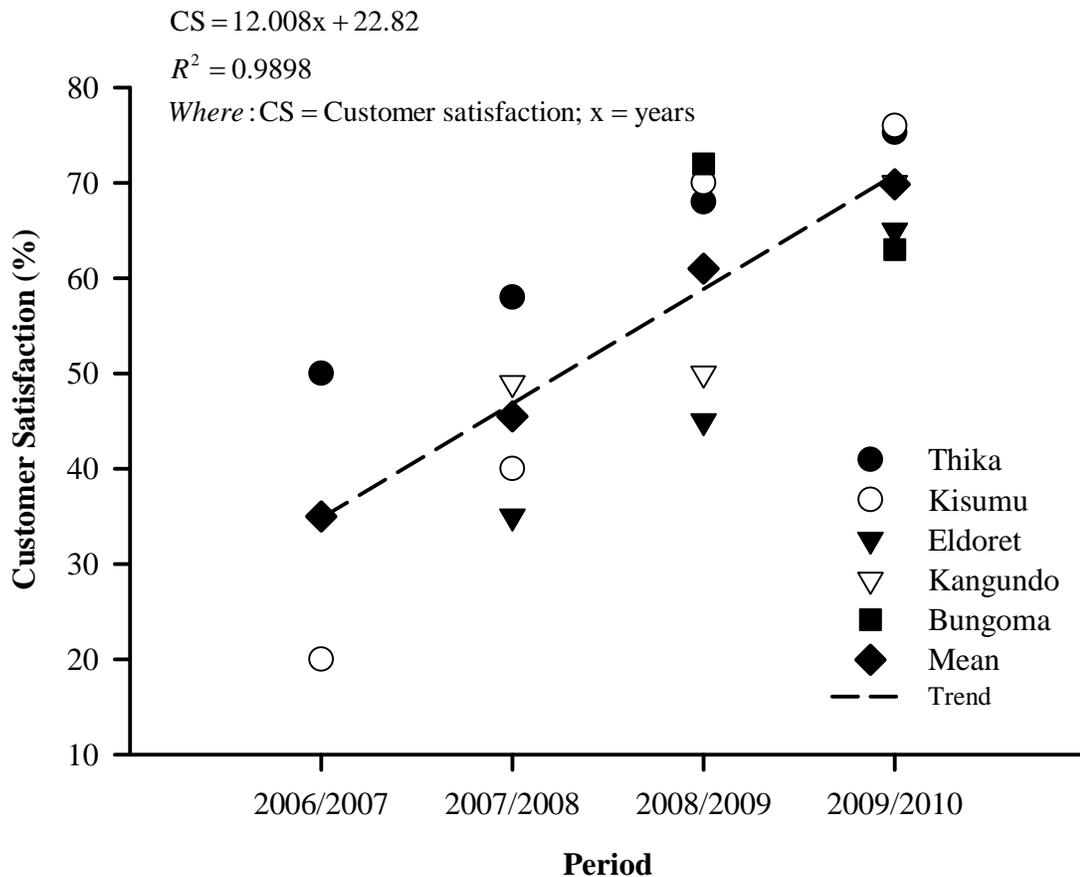


Figure 10: Level of customer satisfaction for the five local authorities

The coefficients of the linear regression are indicated in Table 22. From the Table, customer satisfaction increased fastest at 19.8% per year for Municipal Council of Kisumu while Kangundo had the lowest growth rate of 15% per year as indicated by the slope.

Respondents revealed during interviews that performance contracting improved customers satisfaction in local authorities.

Table 22: Coefficients of the relationship between customer satisfaction and time for the five local authorities studied

Local Government Authority	Slope	Intercept	R²
Thika	8.59	41.35	0.9967
Kisumu	19.8	2.00	0.9483
Eldoret	15.00	3.33	0.9643
Kangundo	10.5	24.833	0.7856
Bungoma†	-0.9	99	1

† There was limited data for Bungoma and therefore the fitted curve cannot be relied upon.

According to chi square test, there has been significant increase in customer satisfaction for all the local authorities studied except County Council of Bungoma. For Eldoret Municipal Council, the level increased from 35% in 2007/2008 to 65% in 2009/2010. Municipal Council of Kisumu had the greatest increase from 20% in 2006/2007 to 76% in 2009/2010 (see Table 23). These findings indicate that performance contracting has improved customer satisfaction with service delivery in local authorities.

Table 23: Chi square (χ^2) test of customer satisfaction for the five local authorities studied

Council	Customer Satisfaction Level over time				χ^2	df	p-value
	2006/2007	2007/2008	2008/2009	2009/2010			
Bungoma	-	-	72.00	63.00	4.02	1	0.05
Eldoret	-	35.00	45.00	65.00	43.96	2	0.001
Kangundo	-	49.00	50.00	70.00	17.69	2	0.001
Kisumu	20.00	40.00	70.00	76.00	377.25	3	0.001
Thika	50.00	58.00	68.00	75.30	41.12	3	0.001

Employee satisfaction and work environment

Employee satisfaction similarly did not show any clear pattern. The mean value was also moderate ranging between 55 and 65%. The mean value for work environment also ranged between 60 and 65.6% (see Figure 11). The trends were not quite clear but showed tendency to increase with time. However, respondents revealed during interviews that performance contracting improves employee satisfaction and work environment.

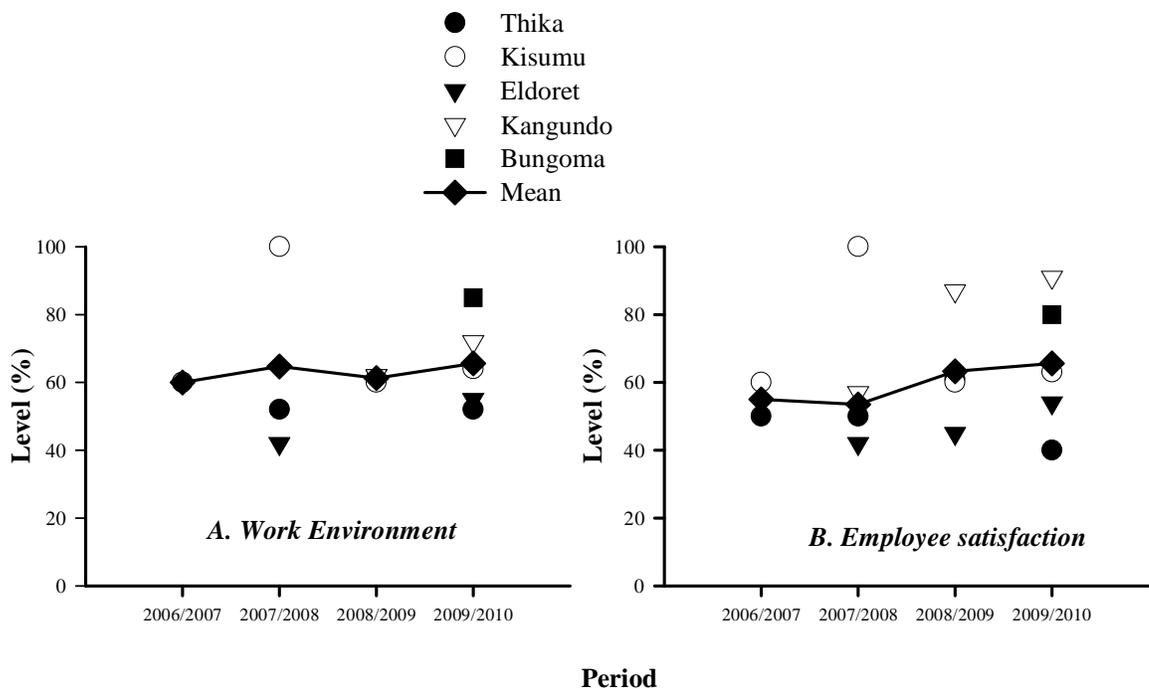


Figure 11: Trend of work environment (A) and employee satisfaction (B) in local authorities.

According to chi square test, the employee satisfaction for individual councils increased significantly only for Kangundo (from 57% in 2007/2008 to 91% in 2009/2010) and Thika (from 50% in 2006/2007 to 61% in 2008/2009 but dropped to 40% in 2009/2010)

(see Table 24). The increase was not significant for Eldoret and Kisumu Councils. It shows that performance contracting has increased employee satisfaction for some councils.

Table 24: Chi square (χ^2) test of employee satisfaction for the five local authorities studied

Council	Employee Satisfaction over time				χ^2	df	p-value
	2006/2007	2007/2008	2008/2009	2009/2010			
Bungoma	-	-	-	-	-	-	-
Eldoret	-	-	45	54	3.27	1	> 0.05
Kangundo	-	57	87	91	83.88	2	0.001
Kisumu	60	-	60	63	0.36	2	> 0.05
Thika	50	50	61	40	8.84	3	0.01

Revenue generation

The study sought to find out the effect of performance contract on revenue collection in local authorities from records. From Figure 12, The revenue generated by the councils did not follow the same trends. For Municipal Council of Thika, revenue increased up to 2008/2009 but dropped in the following year. For Kisumu and Eldoret, revenue dropped in 2007/2008 after which it increased continuously up to 2009/2010. For Kangundo revenue increased between 2007/2008 and 2008/2009 after which it appeared to stagnate up to 2009/2010. Revenue collection for Kangundo seem to have remained steady throughout the period reviewed. There has been a growth in revenue in Bungoma local authority over the years. The local authority also introduced parking as revenue generating activity in 2006/2007.

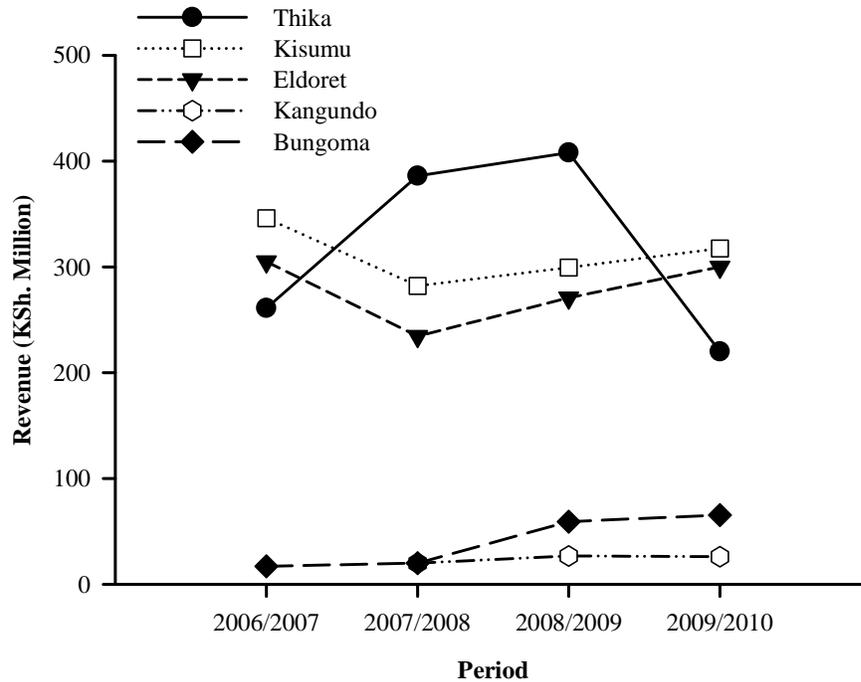


Figure 12: Revenue generation in local authorities between 2006/2007 and 2009/2010

It was necessary to find out whether there was significant difference in customer satisfaction, work environment, employee satisfaction and revenue generation among the years using Analysis of variance. Analysis of variance for customer satisfaction, work environment, employee satisfaction and revenue generation is shown in Table 25. According to the Analysis of variance there is significant difference in customer satisfaction ($p < 0.008$) among the years while work environment, employee satisfaction and revenue generation did not differ among the years.

Table 25: Analysis of variance for customer satisfaction, work environment, employee satisfaction, and revenue generation between 2006 and 2010

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
<u>Customer satisfaction</u>					
Between years	2401.87	3	800.62	6.30	0.008
Within years	1524.99	12	127.08		
Total	3926.86	15			
<u>Work Environment</u>					
Between years	70.60	3	23.53	0.09	0.964
Within years	2642.62	10	264.26		
Total	2713.21	13			
<u>Employee satisfaction</u>					
Between years	308.63	3	102.88	0.35	0.789
Within years	2636.45	9	292.94		
Total	2945.08	12			
<u>Revenue generation</u>					
Between years	6454.19	3	2,151.40	0.09	0.963
Within years	350708.93	15	23,380.60		
Total	357163.12	18			

Other performance criteria

Interviews were conducted to find out any other improvements in service delivery since performance contract was started. The response indicated that local authorities started customer care desks at the entrance for inquiries and problem solving. They also developed citizens' service delivery charters to affirm their commitment to service delivery. Due to performance contracting, new ways of revenue generation such as parking fee were introduced in some local authorities.

For performance contract to be effective customers should be satisfied with service delivery or see value for their money. The study established that customers were satisfied with service delivery according to 56.5% of the respondents. It was further

established that customer satisfaction was growing in local authorities. This is according to the customer satisfaction surveys conducted in local authorities annually. Analysis of variance indicated a significant difference in customer satisfaction among the years. The customer satisfaction survey is about the degree of satisfaction or dissatisfaction with service delivery. It is about the individual value and personal satisfaction with that value. GoK (2010) found that the extension of performance contracts to local authorities has ensured inclusion of grass root level communities in ensuring achievement of Kenya's Vision 2030. The initiative has turned out to be a powerful tool in restoring and building trusts in a Government that the public almost lost hope in. Customers want to be treated fairly for them to be satisfied. According to Vigoda-Godot (2007) either all customers are treated the same way or if differently treated they were treated equitably and fairly according to their unique needs. New services like customer care desks were also started in local authorities to serve customers. Citizen service charters were also developed to affirm commitments for service delivery.

The study also established revenue growth in collection in local authorities not being steady. In some local authorities revenue growth was experienced, for example Town Council of Kangundo while some had a growth and drop the following year. This findings are consistent with what Mboga (2009) found that revenue of local authorities have been increasing upwards from 2002/2003 (Ksh.9. 1m to 2006/2007 (Ksh. 59.6m). This also followed a nationwide trend where on average gross domestic product (GDP) grew steadily between 2001 to 2007, from 0.3 in 2001 to 7.0% in 2007. Due to post election violence the growth reduced to 2% in 2008. In spite of the violence that

interrupted the trend performance contract reforms are yielding fruits (GoK, 2010). Kenya Development Partners and Government of Kenya (2009) reported that financial outcome of the first wave of performance contracting in state corporations was stunning in that, cumulative losses of Ksh.800 million in a year turned into profits of Ksh. 2 billion. The study carried out by Akaranga (2008) found evidence of improvement in income over expenditure as well as service delivery in the State Corporations and government ministries in Kenya. From the results of 2005/2006 financial, majority of state corporations posted excesses of revenue over expenditure (GoK, 2006). This finding is consistent with Grelling (2006) that performance contracting improves budgeting, promotes better reporting, modernizes public management, enhances resource efficiency and effectiveness and service delivery.

The study finding established tendency of work environment and employee satisfaction to increase with time. This is because performance contracting allows employees autonomy to achieve targets once they are set. This leads to intrinsic motivation and employee satisfaction. According to Chi-square test the average customer increased significantly over the years. This shows that performance contracting has improved customer satisfaction with service delivery in local authorities. The test does not give clear indication for employee satisfaction for the local authorities. This is because of some employees not being satisfied with inadequate resources. According to Kenya Development Partners and Government of Kenya (2009) using performance contracting has provided important discipline through target setting and reporting requirements. It has also shifted focus towards goals and results. These findings are echoed by GoK

(2010) that there has been tremendous and measurable performance arising out of performance contracting reforms initiatives which resulted to international recognition. In 2007, Kenya was awarded by the United Nations a Public Service Award in the category of improved areas. These are transparency, accountability and responsiveness in the public sector.

Local authorities also devised new ways of generating revenue such as collection of revenue from parking of vehicles for those that were not charging. According to Belz and Wuensche (2007) performance contracting has added value by introducing target setting prompting officers to device new ways of revenue generation. Local authorities also have customer care desks to improve customer service. This agrees with Akaranga (2008) who reported that most state corporations and government ministries have functional customer care and public relations offices due to performance contracting.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study, conclusions and recommendations drawn from the study. It concludes with the areas recommended for further studies.

5.2 Summary

Introduction

Performance contracting is a management tool that is used to measure performance of an agency. In this study the agencies were local authorities. The Government started performance contracting in local authorities to improve service delivery after various attempts had failed. Customers felt that they did not get value for their money. The main objective of the study was to evaluate performance contract to establish whether it has improved performance in local authorities. The study concentrated on the PC resource factors in local authorities; the PC attitude of local authorities' employees, performance contract process administration in local authorities, the challenges and suggested measures to improve performance contracting. The study findings would help shade light on the importance of performance contracting in relation to service delivery of local authorities.

The theories related to the study include goal-setting which emphasizes the importance of setting clear but challenging goals that motivate employees to achieve them.

Borrowing from goal-setting theory, local authorities should set clear strategic objectives from which realistic targets that are achievable should be drawn. Goal setting theory does not emphasize reward and sanction for target achievement but expectancy theory does. Expectancy theory stresses the association of employee performance outcome and effort performance with consequences. In performance contracting it means that target should be set and their achievement tied to rewards and sanctions.

The study utilized survey design and both qualitative and quantitative approaches for independent and dependent variables. The target population was employees of local authorities that serve at different levels. A manageable sample of 120 respondents was selected using two-stage sampling which was concluded with stratified random sampling. Employees were drawn from six strata based on departments. Data was collected using 120 questionnaires that were distributed to the employees of five local authorities. Interviews were also conducted to confirm written responses. Previous signed contracts, financial records, strategic plans and service charters were analyzed and data drawn from them.

From the study, the response rate of was 95.83% and the respondents had different levels of education. The summary of study findings are indicated below according to the objectives.

Performance contract resource factors in local authorities in Kenya

From the study findings the following are the PC resource factors in local authorities: Availability of strategic plans with visions, missions and strategic objectives. The study

also established that the objectives were drawn from local authorities' mandates and national policies as reported by 99.1% of the respondents. Readability ease test revealed that the visions, missions and objectives were not simple to be understood by employees of local authorities. The study also established that availability of resources was also a factor in the use of performance contracting. It was revealed that local authorities have inadequate computers that are connected to the Internet for service delivery. There is also equipment and tools for service delivery as reported by 70.4% of the respondents. However, the study established that human and financial resources were inadequate for performance contracting in local authorities.

There was no office set for performance contracting and no officer appointed to coordinate performance contracting; the ones handling PC have full time duties. There is also no sound policy for performance contracting. The study established procurement and ISO 9000 as procedures for service delivery in local authorities. There was a mixed response on motivation, some respondents revealed that they were motivated; others were neutral while others did not agree that they were motivated after they perform tasks. The study revealed education as a factor of using performance contracting. A regression analysis revealed a linear relationship between level of education and skill utilization. Respondents with higher levels of education (graduates) were more satisfied with their knowledge utilization. Expectation and partnership and prioritization of investments were also revealed as factors of using performance contracting. The study established that respondents know the expectations from the PC.

Performance contract attitude of local authorities' employees

The study revealed that local authorities' employees have a positive attitude towards performance contracting. They believe in its results (77%) and would like their local authorities to continue using it to measure performance (92%). According to Chi-square analysis significantly more respondents would like continued use of performance contracting in local authorities. From the study some respondents were dissatisfied with performance contracting because of unclear evaluation process, delayed resources and lack of their involvement in target setting.

Performance contract process administration in local authorities in Kenya

The study established that employees have knowledge and understanding of the administration of performance contracting process in local authorities. They know the contract period, reporting, monitoring and evaluation of performance contracting. Chi-square test indicated that significant respondents consider quality of project completion a criteria of evaluating performance.

Performance contract challenges encountered in local authorities in Kenya

From the study the challenges of using performance contracting include inadequate resources and inadequate time for achievement of targets. Chi-square analysis indicated that evaluation was a challenge for a significant number of respondents. Measures to improve performance contracting include: training of employees on performance contracting at grass root level, local authorities to set targets that are unique to their situations and evaluators to visit the councils for evaluation not calling them at a central

location. Weight allocation across indicators, and vetting process should be improved. There should be rewards for better results.

Performance of local authorities

Finally trend analysis of performance contracting revealed an increase in revenue generation, an increase in customer satisfaction, employee satisfaction and improved work environment in local authorities. A Chi-square test showed a significant increase in customer satisfaction with service delivery. Analysis of Variance showed significant difference in customer satisfaction among the years while employee satisfaction, work environment and revenue generation did not differ among the years.

The performance contract model

The performance contract study model was adopted from the Government of Kenya performance contract model which provided prerequisites of performance contracts as strategic plan that has vision, mission and objectives of local authorities. These shape the culture and attitudes of employees of local authorities. The vision provides focus among local authority employees. It drives the work of local authorities. This explains why all local authorities that participated in the study had visions from which they defined their purpose of existence in form of mission statements. It is from missions that objectives are drawn to achieve the purpose of existence of local authorities. The objectives were the basis for contract formulation with clear expectations from the Government and local authorities (as parties) which the study confirmed as enhanced economic development and provision of resources respectively. The contract period was confirmed from the

findings as one year and the contracts are monitored through quarterly report writing and submission to the Ministry of Local Government.

For performance contracting process to be implemented in local authorities they require resources in form of finances, material, information and human. The study established that there are inadequate computers but connected to the Internet in local authorities for service delivery. There is equipment and tools for services delivery there are also inadequate human resources with different levels of education. Local authorities have finances although inadequate for service delivery. A sound policy is required to anchor performance contracting on. The study established that there is no sound policy for guiding performance contracting in local authorities in Kenya.

For proper service delivery, there is need for documented procedures. According to the study findings local authorities have procurement and ISO 9001 quality management system. The output or performance of local authorities was operationalized as revenue generation which the study established as showing an upward trend. Service delivery in terms of customer satisfaction showed an upward trend. A Chi-square test showed a significant increase in customer satisfaction with service delivery. Analysis of Variance showed significant difference in customer satisfaction among the years while employee satisfaction, work environment and revenue generation did not differ among the years. Employee satisfaction and work environment also showed a tendency to increase. The results of a previous year are used as a basis for target setting for the next contract year.

5.3 Conclusions

1. Performance contract resource factors in local authorities in Kenya

It is concluded from the findings of the study that the resource factors of performance contracting include:

- i) Quality of fundamental statements namely: vision, mission and strategic objectives:

The study concluded that all the five local authorities that participated in the study had vision, mission and strategic objectives. However, they were not simple to be understood by the respondents as established through the readability ease tests, Gunning Fog index, Flesch Reading Ease and Flesch Kincaid Grade Level. The difficulty of the fundamental statements differed with Harris (2005) findings that the mission should be concise focused summary of what the business aims to achieve.

- ii) Availability of resources for service delivery

There are inadequate resources for performance contracting they include: computers but they are connected to the Internet. Netchaeva (2002) and Silcock (2001) found that citizens get connected to the government offices using electronic connections. There are also telephones for communication. There are also equipment and tools for service delivery. They range from hand tools to fire fighters, they also have vehicles. Human resources were inadequate and overworked. This agrees with Lienert (2003) who found that public services in many African countries have a shortage of human resources. This leads to low morale and delay in achievement of performance

contracting targets The study also concluded that financial resources were inadequate and not remitted on time from the central Government. The conclusion is supported by Kamar and Ong'ondo (2007) findings that financial resources were insufficient and slowed down reforms.

iii) Organization structures, policies and procedures

The study concluded that there were no sections/departments set aside for performance contracting in local authorities. There were also no appointed officers to coordinate performance contracting. There is no sound policy and regulatory framework to anchor performance contracting in local authorities and at national level. William-Jone and MacDonald (2008) found that a clear and comprehensive policy document educates and guides individuals involved in activities.

iv) Staff motivation

The study concluded that majority of respondents were rewarded for doing their job. This agrees with GoK (2010) that reported that winners expected reward above the normal pay and poor performers sanctioned. Many respondents also felt that they utilized their knowledge and skills. The study also concluded that those respondents who felt not rewarded and utilize their knowledge and skills should not be ignored since performance contracting requires the participation of all employees.

v) Education level of employees

The study concluded that local authorities' employees have different levels of education ranging from primary school level to University graduates. The motivation

of respondents differed in relation to the levels of education. Those with University level of education felt that they utilized their knowledge and skills in executing tasks. The conclusions agree with Damanpour and Schneider (2006) that employees with different levels of education are motivated differently.

vi) Expectations of key stakeholders

The study concluded that the parties to the performance contracting, that is the Government expected enhanced economic development, transparency and accountability while local authorities expected improved service delivery to customers and proper utilization of resources. They also expected Government to provide adequate resources on time for target achievement. Kobia and Mohammed (2006) found that the Government adopted PC in the public sector with the expectations of improved performance and increased accountability for results.

vii) Partnerships and prioritization of investment

The study concluded that the partnership identified priority areas and invested resources to maximize customer results. This agrees with GoK (2010) that setting priorities and allocating resources is important for target achievement. The emphasis of result achievement was held by both the Government as owner of the local authorities and the local authorities' managers.

2. Performance contract attitude of local authorities employees

This study also concluded that the council employees generally have positive attitude towards performance contracting and that they believe that it contributes to enhanced

service delivery. From chi-square analysis significantly more respondents would like continued use of performance contracting in local authorities. The conclusion is supported by Heywood (2007) that many workers around the world support continued use of performance contracts in their work places.

3. Performance contract process administration in local authorities in Kenya

The study concluded that respondents understood assessment of results in performance contracting. They also know where, when and why reports are submitted. The study concludes that the reports are submitted to the Ministry of Local Government, quarterly and annually and they are submitted for monitoring progress of local authorities, for evaluation and for compliance with the Government requirement. The findings agree with GoK (2007) that reports are submitted and evaluated based on agreed targets and guided by the adopted performance measurement criteria. Chi-square test showed that significant respondents consider quality of project completion a criteria of evaluating performance.

4. Performance contract challenges encountered in local authorities in Kenya

From the study it is concluded that the challenges of using performance contracting in local authorities are: Evaluation process cited as being poor because the respondents did not support the idea of it being centralized instead of the evaluators visiting the councils. A chi-square analysis indicated that evaluation was a challenge for a significant number of respondents. Chi-square test indicated that evaluation was a challenge for a significant number of respondents. There was inadequate facilitation which includes inadequate

resources such as human, financial, material and information for performance contracting. There is political interference with the council implementation of performance contracting and slow decision making processes. There is also lack of political support to local authorities. These agree with Mboga (2009) who found the challenges of local authorities to include: political interference, inadequate finances and human resources.

There is also lack of cooperation from some employees. This affects target setting achievement and reporting. Some employees also resist embracing performance contracting. Institutional weaknesses are shown in terms of lack of capacity to handle performance contracting in departments. There is also poor reporting procedures which affect evaluation because it is based on the reports submitted from local authorities. Some employees are selected to attend performance contracting workshops through unclear criteria. Local authorities also lack autonomy and they are faced with rigid bureaucracy. This is shown by evaluation feedback that takes long to reach council employees from the Ministry. There is also limited time for achieving targets. There is weak capacity base in terms of achieving targets, inconsistency in target interpretation by the *ad hoc* committee members, misunderstanding of terms used in performance contracting, setting unclear targets and targets being set without implementers' involvement.

The study concluded improvement of performance contracting to include the following:

- i) Build capacity for implementation of performance contracting

This involves proper training of accounting staff on performance contracting to empower them to implement it. Sensitization of all local authorities' staff on performance contracting should be done to create awareness. It also involves attracting and retaining high qualified employees to councils to implement performance. Council should also set their own targets that are tailored to their unique environments. The same targets should be interpreted in the same way across local authorities. More staff should be included during contracting this will motivate them to work towards achieving the set targets. There should be capacity building across departments in local authorities to create a balance in the working towards the visions of the local authorities. Local authorities should be allowed to negotiate for realistic targets that are within their means so that they can be achieved at the end of the contract period.

ii) Improve institutional structures and regulatory framework.

This includes setting aside a section and appointing an officer to coordinate performance contracting. All staff should be given a chance to attend workshops on performance contracting. Local authorities should minimize cross departmental projects to allow focus and completion of projects within set budget allocations. Local authorities to have tailored reporting format. There should be clear rewards for those who achieve their targets and sanctions for non performance.

iii) Enhance facilitation

The Government should avail funds on time for councils to purchase materials for working to achieve set targets. Availed funds also facilitate transport of secretariat for outside meetings. The Government should also increase capitation for local authorities. They should be provided with adequate human, information and material resources apart from finances.

iv) Improve monitoring and evaluation

Evaluation of target achievement should be done at individual local authorities. The councils should be given adequate time to achieve long term targets. The feedback on performance should be sent every six months to help local authorities establish where more effort is required and how to reallocate resources for target achievement.

v) Reduce bureaucracy and increase autonomy of Local Government Authorities

Local authorities should be detached from politics so as to concentrate on service delivery for customers. They should be made autonomous so that decisions can be made based on the unique situations. Procurement procedures should be hastened to provide required materials for target achievement and service delivery.

5. Performance of local authorities

Performance contracting has enhanced performance of local authorities in the areas of customer satisfaction, employee satisfaction and revenue generation. There is also enhanced working environment as seen from provision of vital resources and overall

employee satisfaction. This agrees with Messah and Kariuki (2011) findings that revenue generation increased at Municipal Council of Maua as a result of PC initiative. They also found that work environment, employee satisfaction and customer satisfaction improved due PC initiative.

5.4 Recommendations

Based on the findings the following recommendations are made:

1. Performance contracting should be retained in local authorities as a tool for improving performance
2. Vision, mission and strategic objectives

The study established that all the five local authorities had visions, missions and strategic objectives to create focus and direction. However, it was concluded that they were not simple to comprehend. It is, therefore, recommended that local authorities should set simple fundamental statements to communicate their focus to the customers. The strategic objectives should also be simple and easily understood for achievement.

3. Organizational structure , policy and procedures

There is need to set aside a section for performance contracting to allow for proper coordination. With the availability of an office inquiries and clarifications on performance contracts can be sought. A clear structure on performance contracts indicates who is accountable for directing, coordinating and carrying out the activities. It should also define the chain of command, spelling out the level of the office in the local authorities.

There is also need for sound policy on which performance contract will be anchored. The sound policy will guide the implementations of recommendations made on performance contracting and respond to the evolving issues. There should be clear documented procedures in local authorities to help in continuous improvement of service delivery to customers.

4. The performance contracting should be improved by addressing the challenges cited by the respondents.
5. There is need to provide adequate resources for achievement of set targets in local authorities in Kenya. The resources should include:

- a. Financial resources

Adequate financial resources should be committed or reallocated to councils to help achieve targets. The funds should be remitted by the beginning of the financial year by the Central Government to help in setting of realistic and achievable targets. This allows for effective and efficiency utilization of the resources. Local authorities should also find new ways of cost saving through training customers on self services such as payment of rates, and licenses through automated systems. This will also reduce queues, hasten the service and increase customer satisfaction.

- b. Information resources

Local authorities should acquire more hardware and software for service delivery. They need information communication technology ICT in form of transaction processing systems for record, process and management of data about everyday

business activities. These data should be used to develop databases used in information reporting system. Information reporting system allows managers to produce summary reports such as performance contract reports. Decision support system helps managers to produce reports on unanticipated decision.

Local authorities should develop databases containing performance information with numerous indicators and data relating to the costs of locally run services recorded and made accessible to all. This allows for inter council comparisons over time of costs and performance. Local authorities should also have one-stop information desk that links all departments where customers can get information on the services offered. This should be an improvement to the customer care desks that have been created in some local authorities. Computers should be connected to the Internets and intranet to enhance communication. They should also develop websites to publicize themselves and communicate services available to the public. With websites customers can make online inquiries and responses can be given. This will enhance service delivery.

c. Human resources

Local authorities should develop human resource databases for succession planning. They should also train human resource available and recruit highly qualified who can adopt performance contracting for continuous improvement.

d. Employee motivation

Local authorities' managers should motivate employees through tracking their target project results and recognize the milestones made. Employees should be supported in terms of training and resources. They should be thanked on personal basis, in a timely manner and sincerely. Managers should take time to meet and listen to staff and give feedback. They should encourage new ideas and initiative. They should explain to employees on how they fit in to performance contracting from the strategic plans. They should involve employees in decision making. Employees should be recognized, rewarded and promoted based on performance. There is need to give employees a chance to learn new skills. Finally, success of local authorities should be celebrated by all employees.

e. Employee sensitization and training

Inadequate training and sensitization was raised as one of the challenges of performance contracting. This study recommends that employees should be sensitized on the terminologies associated with performance contracts such as negotiation, vetting moderation and evaluation. There should be training in target and indicator setting, development of contracts, negotiation vetting, evaluation and report writing.

6. Evaluation of performance contracting targets of local authorities

Performance evaluation should consider and meet the needs of the users not just indicators predetermined by the government. The assessment criteria should consider

process indicators such as how transparent the local authority is to its customers or proper urban planning that promotes economic growth of the public. After evaluation, there should be freedom of information. The public as users of local authorities' services should be allowed to access performance contract evaluation results details through websites. This will allow the customers to know the efficiency and effectiveness of their local authorities and enhance transparency. The performance contracting cycle should be aligned to Government short and longer term planning and budgeting framework.

5.5 Areas recommended for further studies

1. Further research could be undertaken to assess the effect of performance contracting on employee satisfaction in local authorities in Kenya.
2. Further research could be undertaken after long term application of performance contracting to assess outcomes. More local authorities to be included in such further studies to ensure wider application.

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APPENDICES

Appendix A: Research questionnaire

Research Questionnaire

An educational research study focusing on Performance contracting evaluation as a tool of improving performance in Local authorities is being carried out. As a local authority employee, you are requested to participate in the study by kindly answering the following questions to help find out your opinion about performance contracting system in general. The information you provide shall be treated with utmost confidence. Please provide responses to the following questions.

Part I

1. Name of Local Authority.....
2. Designation.....3. Department.....
4. Level education (Tick one) Primary.....Secondary College
University.....
5. Gender (Tick One) Male..... Female.....

Part II

6. a). What is the organization's vision?
.....
.....
- b). What does the vision address?
.....
.....
7. a). Are strategic objectives drawn from the local authority's mandate?
Yes.....No....
- b). Are they linked to the Government policy priorities? Yes....No.....
- c). Are they simple? Yes.... No.....
- d). Do they address a specific activity? Yes.....No
- e). Can they be measured? Yes.....No.....
- f). Are they easily understood? Yes..... No.....
- g). Are they attainable? Yes.....No.....
- h). Are they realistic? Yes..... No.....
8. What are the local authority's expectations from the contract?
.....
.....
.....

9. What are the Government's expectations from the contract?
.....
.....
.....
10. Does the partnership promote achievement of results? Yes.....No.....
11. Does the partnership identify priority areas and invest to maximize customer results? Yes..... No.....
12. a) What criteria are used in assessing results?
.....
.....
.....
- b. Kindly indicate units of measure used in the assessment above?
.....
.....
- 13a). Do you always submit performance contract reports? Yes..... No.....
- b). If yes, give reasons.....
- c). If no give reasons.....
- d). When are reports submitted?
1. Quarterly
2. Biannual
3. Yearly
e). Where are the reports submitted?.....
- f). Do you get a feed back of your performance? Yes..... No.....
14. How long is the contract?
1. Half year
2. Quarter year
3. One year
15. Kindly list equipment and tools used in local authority to work?
.....
.....
.....
16. Are the equipment and tools adequate for service delivery?
Yes..... No.....
17. a). Do you have computers Yes..... No.....
b). If yes, how many?.....
c). Are computers connected to the Internet? Yes.....No.....
d). What software do you use to enhance service delivery?.....
.....
.....
.....
18. Do you have telephones in the offices Yes..... No.....

19. Kindly choose appropriate response to questions **a** to **d**. Rating scale indicate motivation of employees. (Strongly agree(1) Agree (2) Neutral (3) Disagree (4) Strongly Disagree (5))

- a). I am fairly rewarded for the job I do. **1 2 3 4 5**
- b). My knowledge and skills are fully utilized. **1 2 3 4 5**
- c). Showing initiative is encouraged. **1 2 3 4 5**
- d). I receive recognition for work well done. **1 2 3 4 5**

20 a). Do you have a performance contract section? Yes.....No.....
 b). Who is in charge of the section.....
 c). Do you have a performance contract policy? Yes..... No.....
 d). Which procedures are used in local authority for service delivery

21. Customers are satisfied with local authority service delivery
 Strongly agree 1.... Agree 2.... Neutral 3.... Disagree 4.... Strongly disagree.....

22. Please select appropriate response for questions **i** to **x**. The rating scale is: 1, 2, 3, 4, 5, (1 Strongly agree; 2 Agree; 3 Not sure; 4 Disagree ; 5 Strongly disagree).

Question	1	2	3	4	5
i. I think performance contract is a waste of time					
ii. I know the objective of performance contract					
iii. I find it hard to set targets in performance contracting					
iv. I support the use of performance contracting to measure performance of my local authority.					
v. I understand how performance contract measures performance of my local authority.					
vi. I like the indicators used in performance contract					
vii. I would like performance contract explained to me clearly					
viii. I believe that performance contract is monitored well					
ix. I believe in the performance contract results					
x. I would like my local authority to continue using performance contract to measure performance					

23 a) Are you satisfied with performance contract used? Yes.....No.....
 b). If No, give reasons

.....

24 Please suggest improvements that can be done to performance contract.

.....

25. What challenges do you encounter when using performance contract?

.....
.....
.....

26. Suggest ways that the above mentioned challenges of performance contract can be overcome.

.....
.....
.....

Thank you very much for your cooperation in this study.

Appendix B: Interview guide

Attribute	Interview Items
Strategic plan	
Vision	1. Where is the vision drawn from?
Mission	2. Where is the mission drawn from?
Objectives	2.a) What is the mandate of local authority? b). Does your local authority have objectives?
Contract	
Expectations	3.a). Who signs the contract? b. What is the reason for participating in the contract?
Measurements	4. What are the measures of the target achievements.
Control	5.a). How often is the contract monitored? b). How do you communicate your achievements?
Duration	6. How long is the contract?
Resources	
Materials	7. What are the key equipment required for service delivery?
Information	8.a) Do you have adequate computers? b). What software do you have for service delivery?
Human resource	9. Do you have adequate employees in all the sections to serve customers?
Business procedures	10. What are key procedures in your local authority?
Policy	11. Do you have performance contracting policy?
Organizational structure	12. Do you have a section set aside for performance contracting? 13. Is there an officer appointed to purely coordinate performance contracting in your local authority?

Revenue	14a) .Do you have adequate revenue for service delivery? 15. Has performance contracting improved revenue generation?
Employee satisfaction	16. Do you think performance contracting has improved employee satisfaction?
Work environment index	17.Do you think performance contracting has improved work environment?
Customer satisfaction	18.Do you think performance contracting has improved customer satisfaction?
Suggestions to improve performance contracting	19.Kindly suggest improvements to performance contracting as a measure of performance .
Challenges of using performance contracting	20.What challenges do you encounter when using performance contracting in your local authority

Appendix C: Document analysis guide

Attribute	Description	Indicate response in the space provided
1. Strategic plan	Availability	
2. Vision	Vision statement relevance to local authority mandate	
3. Mission	Mission statement relevance to local authority mandate	
4 a.Strategic objectives of Eldoret municipal council	Strategic objectives available in the strategic plan	
b. Strategic objectives of Kisumu city council	Strategic objectives available in the strategic plan	
c. Strategic objectives of municipal council of Thika	Strategic objectives available in the strategic plan	
d. Strategic objectives of town council of Kangundo	Strategic objectives available in the strategic plan	
e. Strategic objectives of Bungoma county council	Strategic objectives available in the strategic plan	
5.Contract period	Length of contract	
6. Measures of target	Units of measure e.g, Ksh, Km	

7. Revenue	Revenue collection levels: -Parking -Rate -License -Markets Defined as % increase in revenue over the year	Kindly indicate revenue collected over the years indicated below). Year 2003/04 2004/05 2005/06 2006/07 2007/08 2008/09 2009/10.....
8.Employee satisfaction	Level of satisfaction with the job and work environment	Indicate employee satisfaction levels during the following years. 2005/06..... 2006/07..... 2007/08..... 2009/10.....
9.Work environment index	Level of good working conditions for employees	Indicate Work environment index levels during the following years 2005/06..... 2006/07..... 2007/08..... 2009/10.....
10.Customer satisfaction	Level of satisfaction upon consumption of services	Indicate customer satisfaction levels during the following years 2005/06..... 2006/07..... 2007/08..... 2009/10.....

Appendix D1: Quality of the strategic objectives of Eldoret Municipal Council

Strategic Objective	Measurable	Attainable	Realistic	Specific
1. To provide a safe and healthy environment in Eldoret	No	N/A	N/A	No
2. To enhance resource mobilization	No	N/A	N/A	No
3. To provide democratic and accountable government for local communities	No	N/A	N/A	No
4. To provide services to Eldoret community in a sustainable manner	No	N/A	N/A	No
5. To encourage involvement of communities and community organization in matters of the municipal council that directly or indirectly affect them.	No	N/A	N/A	No
6. To provide conducive environment for investment opportunities, creation of employment and alleviation of poverty.	No	N/A	N/A	No
7. To provide and maintain infrastructure	No	N/A	N/A	No

Appendix D2: Quality of the strategic objectives of Municipal Council of Kisumu

Strategic Objective	Measurable	Attainable	Realistic	Specific
1. To improve the quality of life of 40% of the urban population by promoting actions towards a healthy environment and access to quality food within the next 5 years	Yes	N/A	N/A	No
2. Ensure 40% of the population have access to potable water and sanitation within the next 5 years	Yes	Yes	Yes	Yes
3. Encourage public-private investment initiatives for improved productivity and poverty reduction	No	N/A	N/A	Yes
4. Develop and institutionalize frameworks that promote stakeholder participation in urban planning with due consideration to gender equity, efficiency and empowerment.	No	N/A	N/A	No
5. Contribute to the reduction on current trends of environmental pollution within the city and its environs for the protection of the lake and its resources	No	N/A	N/A	No

Appendix D3: Quality of the strategic objectives of Municipal Council of Thika

Strategic Objective	Measurable	Attainable	Realistic	Specific
1. To create a right sized and well motivated and effective workforce in the council	No	N/A	N/A	No
2. To establish a proper legal and constitutional framework for council operations	No	N/A	N/A	No
3. To formulate and implement relevant policies which will be used to guide operations in key areas.	No	N/A	N/A	No
4. To be adequately prepared to effectively utilize the available ICT in its operations.	No	N/A	N/A	No
5. To enhance the credibility and application of resources in the council	No	N/A	N/A	No
6. To establish a monitoring and evaluation framework within the council.	No	N/A	N/A	No
7. To deliver quality services	No	N/A	N/A	No
8. To improve land administration and management through proper land use planning and development.	No	N/A	N/A	Yes
9. To have adequate physical infrastructure.	No	N/A	N/A	No
10. Enhancing Access to a Clean, Secure, and Sustainable Water and Sanitation	No	N/A	N/A	Yes
11. To ensure availability and accessibility of electricity	No	N/A	N/A	Yes
12. To develop and promote sustainable management, protection and conservation of the environment.	No	N/A	N/A	No
13. Reduction in prevalence of HIV/AIDS in council	No	N/A	N/A	Yes
14. To mainstream gender issue into the council	No	N/A	N/A	Yes

15. To build capacity for financial management and expand the revenue base	No	N/A	N/A	Yes
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Appendix D4: Quality of the strategic objectives of County Council of Bungoma

Strategic Objective	Measurable	Attainable	Realistic	Specific
1. To Enhance Staff Development, Management and Motivation	No	N/A	N/A	No
2. To Improve Office Infrastructural Development	No	N/A	N/A	No
3. To enhance Social Service Programmes	No	N/A	N/A	No
4. To enhance Security Issues	No	N/A	N/A	No
5. To strengthen and streamline Legislation & Structure	No	N/A	N/A	No
6. To streamline Civic Wing Issues	No	N/A	N/A	No

Appendix E: List of local authorities in Kenya

- | | |
|--------------------------------------------|-------------------------------------|
| 1) City Council of Nairobi | 40) Municipal Council of Ruiru |
| 2) Municipal Council of Bomet | 41) Municipal Council of Runyenjes |
| 3) Municipal Council of Bungoma | 42) Municipal Council of Siaya |
| 4) Municipal Council of Busia | 43) Municipal Council of Thika |
| 5) Municipal Council of Chuka | 44) Municipal Council of Vihiga |
| 6) Municipal Council of Eldoret | 45) Municipal Council of Voi |
| 7) Municipal Council of Embu | 46) Municipal Council of Webuye |
| 8) Municipal Council of Garissa | 47) County Council of Baringo |
| 9) Municipal Council of Homa Bay | 48) County Council of Bomet |
| 10) Municipal Council of Kabarnet | 49) County Council of Bondo |
| 11) Municipal Council of Kakamega | 50) County Council of Bungoma |
| 12) Municipal Council of Kapenuria | 51) County Council of Bureti |
| 13) Municipal Council of Kapsabet | 52) County Council of Busia |
| 14) Municipal Council of Karatina | 53) County Council of Butere-Mumias |
| 15) Municipal Council of Kehancha | 54) County Council of Embu |
| 16) Municipal Council of Kericho | 55) County Council of Garissa |
| 17) Municipal Council of Kerugoya
Kutus | 56) County Council of Gucha |
| 18) Municipal Council of Kiambu | 57) County Council of Gusii |
| 19) Municipal Council of Kimili | 58) County Council of Homa Bay |
| 20) Municipal Council of Kisii | 59) County Council of Ijara |
| 21) Municipal Council of Kisumu | 60) County Council of Isiolo |
| 22) Municipal Council of Kitale | 61) County Council of Kakamega |
| 23) Municipal Council of Kitui | 62) County Council of Keiyo |
| 24) Municipal Council of Limuru | 63) County Council of Kiambu |
| 25) Municipal Council of Lodwar | 64) County Council of Kilifi |
| 26) Municipal Council of Machakos | 65) County Council of Kipsigis |
| 27) Municipal Council of Malindi | 66) County Council of Kirinyaga |
| 28) Municipal Council of Maua | 67) County Council of Kisumu |
| 29) Municipal Council of Mavoko | 68) County Council of Kitui |
| 30) Municipal Council of Meru | 69) County Council of Koibatek |
| 31) Municipal Council of Migori | 70) County Council of Kwale |
| 32) Municipal Council of Mombasa | 71) County Council of Laikipia |
| 33) Municipal Council of mumias | 72) County Council of Lamu |
| 34) Municipal Council of Murang'a | 73) County Council of Lugari |
| 35) Municipal Council of Naivasha | 74) County Council of Makeni |
| 36) Municipal Council of Nakuru | 75) County Council of Malindi |
| 37) Municipal Council of Nanyuki | 76) County Council of Mandera |
| 38) Municipal Council of Nyahururu | 77) County Council of Maragua |
| 39) Municipal Council of Nyeri | 78) County Council of Marakwet |
| | 79) County Council of Marsabit |

- | | |
|-------------------------------------|------------------------------------|
| 80) County Council of Masaku | 124) Town Council of Kajiado |
| 81) County Council of Mbeere | 125) Town Council of Kandara |
| 82) County Council of Meru Central | 126) Town Council of Kangema |
| 83) County Council of Meru South | 127) Town Council of Kangundo |
| 84) County Council of Migori | 128) Town Council of Karuri |
| 85) County Council of Moyale | 129) Town Council of Kendu Bay |
| 86) County Council of Mt-Elgon | 130) Town Council of Keroka |
| 87) County Council of Murang'a | 131) Town Council of Kikuyu |
| 88) County Council of Mwingi | 132) Town Council of Kilifi |
| 89) County Council of Nakuru | 133) Town Council of Kipkelion |
| 90) County Council of Nandi | 134) Town Council of Kwale |
| 91) County Council of Narok | 135) Town Council of Litein |
| 92) County Council of Nyambene | 136) Town Council of Londiani |
| 93) County Council of Nyamira | 137) Town Council of Luanda |
| 94) County Council of Nyandarua | 138) Town Council of Makuyu |
| 95) County Council of Nyando | 139) Town Council of Malaba |
| 96) County Council of Nyeri | 140) Town Council of Malakisi |
| 97) County Council of Nzoia | 141) Town Council of Malava |
| 98) County Council of Ol-Kejuado | 142) Town Council of Mandera |
| 99) County Council of Pokot | 143) Town Council of Maragua |
| 100) County Council of Rachuonyo | 144) Town Council of Maralal |
| 101) County Council of Rongo | 145) Town Council of Mariani |
| 102) County Council of Samburu | 146) Town Council of Masimba |
| 103) County Council of Siaya | 147) Town Council of Matuu |
| 104) County Council of Suba | 148) Town Council of Mbale |
| 105) County Council of Taita Taveta | 149) Town Council of Mbita |
| 106) County Council of Tana River | 150) Town Council of Molo |
| 107) County Council of Teso | 151) Town Council of Mtito Andei |
| 108) County Council of Tharaka | 152) Town Council of Muhoroni |
| 109) County Council of Thika | 153) Town Council of Mwingi |
| 110) County Council of Transmara | 154) Town Council of Nandi-Hills |
| 111) County Council of Turkana | 155) Town Council of Narok |
| 112) County Council of Vihiga | 156) Town Council of Nyamache |
| 113) County Council of Wajir | 157) Town Council of Nyamarambe |
| 114) County Council of Wareng | 158) Town Council of Nyamira |
| 115) Town Council of Ahero | 159) Town Council of Nyansiongo |
| 116) Town Council of Awendo | 160) Town Council of Ogembo |
| 117) Town Council of Bondo | 161) Town Council of Olkalou |
| 118) Town Council of Burnt Forest | 162) Town Council of Othaya |
| 119) Town Council of Chepareria | 163) Town Council of Oyugis |
| 120) Town Council of Chogoria | 164) Town Council of Port Victoria |
| 121) Town Council of Eldama Ravine | 165) Town Council of Rumuruti |
| 122) Town Council of Funyula | 166) Town Council of Sagana |
| 123) Town Council of Iten-Tambach | 167) Town Council of Sirisia |

- 168) Town Council of Sotik
- 169) Town Council of Suneka
- 170) Town Council of Tabak
- 171) Town Council of Taveta
- 172) Town Council of Uguja
- 173) Town Council of Ukwala
- 174) Town Council of Wote
- 175) Town Council of Yala