

# Effects of Performance Contract on Organization Performance: The Case Study of Kenya's Ministry of Education

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## Abstract

Given the impact of performance contracting on the operation and effectiveness of public sectors in Kenya, it is essential that all employees are included in the signing of the performance contract. The study adopted a descriptive research design. Data was analyzed through descriptive statistics and the relationship between the variables established using regression analysis. The descriptive statistical tools such as statistical package for social sciences (SPSS) and MS Excel were used to help the researcher describe the data and determine the extent of relationships. The data was presented through percentages, means, standard deviations and frequencies. The findings revealed that performance contracting affected service quality, efficiency, and consistency and employee creativity at the ministry of education to a great extent. The study therefore recommended that for effective performance contracting on the improvement of service quality at the Ministry, the Ministry of Education in Kenya should increase performance to enable realization of sustainable economic growth by introducing inter-administrative comparison circles at the ministry's local administrative level, integrating the action plans of the departments through performance contracts

## Keywords

Quality, Efficiency, Consistency, and Creativity

## I. Introduction

Performance Contracting is a branch of management science referred to as Management Control Systems and is a contractual agreement to execute a service according to agreed-upon terms, within an established time period, and with a stipulated use of resources and performance standards. Performance contracting is one element of broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs (Domberger, 1998). A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. It is therefore a management tool for ensuring accountability for results by public officials, because it measures the extent to which they achieve targeted results (Greer et al., 1999).

Kumar (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent. OECD (1999) defines performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve

mutually agree results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution.

In this dynamic and changing environment, one way to create growth and sustain performance is to innovate (Higgins, 1996). Furthermore, it has been suggested that innovation is essential in order to generate long-term stability, growth, sustainable performance and remain at the leading edge of the organization's industry (Cook, 1998). Thus, one way to achieve growth and sustain performance is to foster and encourage creativity and innovative practices internally within the organisation. Mckeown (2008) refers innovation to both radical and incremental changes in thinking, things, and processes or in services. In many fields, something new must be substantially different to be innovative, not an insignificant change such as in the arts, economics, business and government policy. Facing rapid increases in both environmental turbulence and complexity, organizations find themselves in an enhanced uncertainty and increased competition. According to D'Aveni (1994), this has also led to an increased focus on innovation and creativity as a means of creating and maintaining sustainable high level of performance. Luecke and Katz (2003), gave a convenient definition of innovation from an organizational perspective; successful introduction of a new thing or method. Innovation is the embodiment, combination or synthesis of knowledge in original, relevant, valued new products, processes or services.

The use of Performance Contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. Essentially, a Performance Contract is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets (Hunter and Gates, 1998). They include a variety of incentive-based mechanisms for controlling public agencies—controlling the outcome rather than the process. The success of Performance Contracts in such diverse countries as France, Pakistan, South Korea, Malaysia, India, and Kenya has sparked a great deal of interest in this policy around the world (Wheeler, 2001).

Governments are increasingly faced with the challenge to do things but with fewer resources and above all, differently performance contracts can be defined as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. Performance contracting provides a framework for generating desired behaviour in the contest of devolved management structures. Employers 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.

## II. Purpose of the Study

The primary role of any government is to maximise on the welfare of its citizens and its development goal is to achieve broad based, sustainable improvement in the standards of the quality of life for its citizens. The public service and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy. When the delivery of services is constrained or becomes ineffective, it affects the quality of life of the people and nation's development process (AAPAM, 2005).

Implementation of the Process of Performance Contracting began in 2004 in state corporations. Performance contracting is supposed to enhance job satisfaction for the employees with the hope that their satisfaction would lead to improved job performance. The improved job performance should in turn lead to tangible and improved financial performance. The Economic recovery strategy for wealth and employment creation (2003-2007) outlines the Government's commitment to improve performance, corporate Governance and management in the public service through the introduction of Performance Contracts. The policy paper opens with a bold statement that "the public sector has become a bottleneck to the overall development of Kenya."

Performance contracts originated from the perceptions that the performance of the public sector has been consistently falling below the expectations of the public. The decline is associated with excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (RBM guide, 2005). Performance contracts, however, reduce the level of job controls on the employees' part. The level of job control refers to how much influence a workplace offers over sequence, time frame and content of one's work tasks (Parker and Wall, 1998). Job control enables employees to experiment in the workplace and thereby allows employees to generate and enhance creative ideas at work (Frese, Teng and Wijnen, 1999). Furthermore, a high level of job control may make employees feel more responsible for developing creative ideas in order to solve problems or to improve work (Ohly Sonnentag and Pluntke, 2006). In addition, job control is assumed to raise employees' motivation to work on their tasks (Hackman and Oldham, 1976) and should accordingly foster creativity at work (Amabile, 1988). According to, Saavedra and Kwun, (2000), the experience of job control in itself is viewed as a positive experience that energizes employees and facilitates work-related behaviour and is associated with positive affect and positive affect in turn is positively related to creative problem solving (Isen et al., 1987). However with the implementation of performance contracting in the last seven years (since 2004), there is need to establish how the implementation has impacted on performance of the public sector and especially the Ministry of Education.

Previous studies conducted on performance contracting have concentrated on implementation (Ogoye, 2002) while one study has tackled the general impact of performance contracting in state corporations (Korir, 2006). However, no study has been done in Kenya so far to correlate performance contracting with performance. A knowledge gap therefore exists regarding the effect of performance contracting on performance of employees, that is, whether performance contracting increases the employees' performance. The purpose of this research was to determine the effects of performance contracting on performance of employees at the Ministry of Education.

The study aimed at determining the effects of performance contracting on performance at the Ministry of Education. Some questions guided the data collection and analysis exercise.

Research Question: What are the effects of performance contracting on the performance of the ministry of Education?

The above question was translated into the following research questions (RQ):

RQ1. What is the effect of performance contracting on the Improvement of service quality at the Ministry of Education?

RQ2. What is the influence of performance contracting on the improvement of efficiency at the Ministry of Education?

RQ3. Does performance contracting enhance consistency at the Ministry of Education?

RQ4. To what extent does performance contracting improve employee creativity at the Ministry of Education?

## III. Background of the Study

### A. Performance Contracting in Kenya

In order to move the implementation of the PSRP forward, the government developed and launched the strategy for performance improvement in the public service in 2001. The strategy sought to increase productivity and improve service delivery. It outlined the actions that were necessary to imbed long lasting and sustainable change in the way public services are offered. Underpinning this strategy was the Results Oriented Management (ROM) approach; which makes it necessary to adjust operations to respond to predetermined objectives, outputs and results. The adoption of this approach therefore demanded a paradigm shift in Government. This called for a transformation from a passive, inward looking bureaucracy to one which is pro-active, outward looking and results oriented; one that seeks 'customer satisfaction' and 'value for money'. Consequently the ministries'/departments were required to develop strategic plans which reflected their objectives derived from the 9th National Development plan, the poverty Reduction Strategy Paper and based on the Medium Term Expenditure Framework (MTEF), Sectoral Priorities and Millennium Development Goals (MDGs) (Kobia and Mohammed, 2006).

The government adopted performance contracting in the public service in order to ensure that there is reduction or altogether elimination of reliance on exchequer funding for government agencies, which are expected to generate revenue or make profit, as an objective basis for divesting loss making government agencies and also compel the agencies to give a return to the shareholders by paying dividends or surplus, ensure that parastatals improve performance to deliver quality and timely services to the citizen and instil a sense of accountability and transparency in service delivery and the utilization of resources (RBM Guide, 2005).

The objectives of introducing performance contracts in Kenya were to improve service delivery to the public by ensuring the top-level managers are accountable for results, reverse the decline in efficiency and ensure that resources are focused on attainment of key national policy priorities of the government (Parachuted projects), institutionalize performance oriented culture in the public service through introduction of an objective performance appraisal system, measure and evaluate performance, link reward to measurable performance, facilitate the attainment of desired results, instil accountability for results at the highest level of the government, ensure that the culture of accountability pervades all levels of the government machinery and strengthen and clarify the obligation required of the government and its employees in

order to achieve agreed target (GOK, 2001).

The introduction of performance contracting in Kenya in 2003 was geared towards several expected outcomes; improved performance, decline in reliance on Exchequer funding, increased transparency in operations and resource utilization, increased accountability of results, linking reward on measurable performance, reduced confusion resulting from municipality of objectives, clear apportionment of responsibility for action, improvement in the correlation between planning and implementation, create a fair and accurate impression on the performance, achievement of greater autonomy and creation of enabling legal and regulatory environment (GOK, 2001).

Although, the real impact of the process is yet to be fully visible, there is clear evidence of radical improvement particularly in remarkable and unprecedented improvement in profit generation for commercial state corporations, significant improvement in service delivery and operations by such ministries as immigrations and registration of Persons, Agriculture, Provincial Administration and Internal Security, Health, finance and Water, significant improvement in operations and services by Nairobi City Council, Kisumu and Nakuru Municipalities and unprecedented improvement in service delivery and operations by the bulk of state (AAPAM, 2005).

## **B. The effect of Performance Contracting on Performance**

### **1. Service Quality**

In relation to studies that consider performance contracting and service quality, three themes emerge: the variations and problems in measurement of quality, the lack of information about the reasons for perceived changes in quality, and the dearth of studies on quality when compared to economic efficiency (Domberger, 1998; Hodge, 1998; Rimmer, 1998). In their review of ten studies, Domberger and Rimmer (1994, p. 449) noted that many of the studies used incomplete and narrow measures of service quality, and that the review provided consensus that performance contracting enhance quality.

The studies illustrate marked inconsistencies in approaches to measuring quality. Rimmer (1994, p. 83) notes that: There are no generally accepted measures of quality. Frequently used measures include surveys of users, changes in inputs, the range or number of outputs and performance indicators, such as a systematic assessment of user complaints. Similarly, the Industry Commission of Australia report (1996, p. 544) states: Information has been obtained from one or more of three sources ... the direct response of service consumers (the number of customer complaints as a proxy for service quality), independent observation and assessment (performance indicators), and information from contract managers.

Difficulties and deficiencies in quality measurement are, at least in part, related to the difficulties in defining quality and the diverse application of the term. Hall and Rimmer (1994, p. 456) state that the term quality means a high level of quality in an economic sense (that is, as having valued characteristics) but the term quality to describe fitness for purpose is the one which is most relevant to the development of performance indicators for contracts. The trend to an increasing emphasis on the customer is clear from the economics and operations views of quality while the services marketing view is entirely dependent on the consumers' perceptions of quality as a point of comparison to their expectations. A comprehensive review and comparison of the literature on TQM and service quality is

provided by Silvestro (1998) and will not be repeated here. What is evident from the literature is that the services view has not yet been embraced nor integrated in the context of contracting.

In both TQM and service quality literatures the customer is emphasized and many organizations appear to be gathering feedback via customer satisfaction surveys. In addition, a wide variety of indicators, and pseudo indicators, are assumed to mean satisfaction and/or quality. Quality and satisfaction can be separated (Roest and Pieters, 1997) even though they are related. Further, consumers can make objective, quantitative quality assessments and do not have to be restricted to measures of how they feel or whether, and how often, they complain. Although, as Hill (1995) suggests, the student is the primary consumer, any attempt to measure quality in general terms should take into account all stakeholders' perspectives. Any attempt to measure service quality may focus on those groups, such as staff and students who are intimately involved in the service experience, but such measurements must be undertaken in the wider context of the quality perspectives of all other stakeholders.

### **2. Efficiency**

In the public sector, managers and policy makers are embracing the role that competition can play in increasing efficiency and effectiveness, and contracting has been widely adopted as a vehicle to achieve reform in the new public management (Williams, 1994). The OECD (1997) alleges that the use of contracting in government services is increasing, as the evidence is fairly clear that contracting out can lead to efficiency gains, while maintaining or increasing service quality levels.

From the beginning onwards increasing the efficiency of public services has been high on the agenda of the promoters of new public management. Cutting through red tape, minimizing public waste and value-for-money reporting have been important drivers for the introduction of performance measurement in the public sector. Many official documents show that increasing efficiency as an input/output relationship and reducing X-inefficiency ranks high on the official political agenda. This sentiment is for example well articulated in section 2 of the 1993 American Government Performance and Result Act (GPRA) or in a recent publication by the British Treasury who still regards it, after more than two decades of new public management, as a challenge to raise the productivity of public services. Improved information about performance is regarded by the British Treasury as one out of four remedies to cope with the productivity challenge for public services (HM Treasury, 2003). Doing the job efficiently was, according to Norman (2004, p. 431), for a decade the central theme of the public sector reform in New Zealand. Inter-administrative comparison circles at the local administrative level in Germany were introduced on a voluntary basis back in the early 1990s in order to increase efficiency (Greiling, 2005, p. 556). These few examples may serve as illustrations that increasing efficiency of public services was, and still is, high on the political agenda.

The two areas, efficiency (usually measured in direct financial terms or productivity), and effectiveness (usually indicated by quality), are frequently referred to when the benefits of contracting are discussed. However, there is an imbalance in the number of studies that explore the two areas (Lee and Kim, 1999), and while the conclusions relating to efficiency result in apparent consensus, effectiveness outcomes are open to debate (Domberger, 1998; Hodge, 1998). Inconsistent findings with respect to effectiveness outcomes, such as quality, highlight the challenges associated with managing a service, but not the provider of that service.

Managers need to ensure that costs are contained, accountabilities are established, and outcomes monitored so that the potential strategic and financial benefits of contracting are realized without decreasing quality. An obvious and fundamental issue is to determine the role and importance of different approaches to performance monitoring in achieving these ends.

### 3. Consistency

Scholars have long realized that in order for employers to get desired contributions from their employees, they must provide appropriate inducements (Schein, 1965). Satisfied and well adjusted employees, work willingly towards organizational objectives and respond flexibly to organizational problems (Ostroff, 1992). However it has never been easy for employers to know what employees expect and which kinds of inducements will influence employees to make desired contributions consistently. Norman (2004) indicates that PC can be used as a tool to ensure consistency in a decentralized context. Within the national 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 central government. Integrating the action plans of the departments through performance contracts can be a way of checking the consistency of decisions taken at decentralized levels.

Performance contracts also put pressure on the entire services' network to work towards improving performance. As implemented in many situations, performance contracting first of all involves a highly structured phase of evaluating results (Greiling, 2005). Formal in-depth audits of each department on a regular basis to pinpoint strengths and weaknesses in each area, the constant refinement of practical action plans tying resource use to priority aims, and, lastly, the setting of explicit quantitative and qualitative targets make improving performance an ongoing, consistent, realistic and motivating process.

One of the advantages of the performance contract system is that it makes the strategy of the department clear to all its operational units and, above all, spells out the resources that will be made available for achieving the targets that they have formally undertaken to meet. In this respect, while the performance 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 very practical approach clearly aims at avoiding goal-setting just for the sake of it, without a realistic idea of the problems or how to solve them (Greiling, 2005).

### 4. Creativity

Today, creativity forms the core activity of a growing section of the global economy capitalistically generating (generally non-tangible) wealth through the creation and exploitation of intellectual property or through the provision of creative services and products. The creativity is becoming a more integral part of industrialized nations' economies.

Fields such as science and engineering have, by contrast, experienced a less explicit (but arguably no less important) relation to creativity (Simonton, 1999). Accounting has also been associated with creativity with the popular euphemism creative accounting. Although this term often implies unethical practices, Amabile (1998) has suggested that even accounting profession can benefit from the (ethical) application of creative thinking. He further, argued that to enhance creativity in business, three components were needed: expertise (technical, procedural and

intellectual knowledge), creative thinking skills (how flexibly and imaginatively people approach problems) and motivation (intrinsic motivation). Nonaka (1991) who examined several successful Japanese companies similarly saw creativity and knowledge creation as being important to the success of organizations. In particular, he emphasized the role that tacit knowledge has to play in the creative process.

In the early 20th century, Schumpeter introduced the economic theory of creative destruction, to describe the way in which old ways of doing things are endogenously destroyed and replaced by the new. Creativity is also seen by economists such as Paul Romer as an important element in the recombination of elements to produce new technologies and products and, consequently, economic growth. Creativity leads to capital and creative products being protected by intellectual property laws hence profitability. There is, however, a dark side to creativity, in that it represents a 'quest for a radical autonomy apart from the constraints of Organisational responsibility' (McLaren, 1999). In other words, by encouraging creativity we are encouraging a departure from organisational existing norms and values, that is, we seek to depart from the targets set in performance contract or organisation's strategic plan. Expectation of conformity runs contrary to the spirit of creativity (Feldman, 1999).

Nevertheless, employers are increasingly valuing creative skills. In many organisations, the ability to 'think outside the box' is highly sought after. However, since some organisation's sets performance target for employees in the name of performance contracts, the above-mentioned paradox may well imply that firms pay lip service to 'thinking outside the box' while maintaining traditional, hierarchical organization structures in which individual creativity is not rewarded through increase in payment or elevation (Runco, 2004).

Creativity can be viewed as a form of active mental health. Warr (1994) identified five types of active mental health: positive self-regard (high self-esteem), competence (effective coping), aspiration (goal directedness), autonomy/independence (proactivity) and integrated functioning (states involving balance and harmony), which are hard to get from performance contracting due to the limits set by 'playing by the books'. Because creativity and proactivity are closely related behaviours (Unsworth and Parker, 2003) and because individuals can gain positive self-regard, a feeling of competence and a sense of independence by solving work problems in a creative way, the creativity in an employee is hard to achieve with performance contract due to lack of independence in actions and target and in recognition of over performance.

## IV. Methodology

### A. The Design and Sample Characteristics

Research design refers to the method used to carry out a research. It is important to highlight the two main methods when investigating and collecting data; quantitative and qualitative. Descriptive research design on the other hand, is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. According to Cooper and Schindler (2003), a descriptive paper is concerned with finding out the what, where and how of a phenomenon. The main focus of this paper was quantitative research and it adopted a descriptive research design which was meant to investigate the effect of performance contracting on the performance of the Ministry of Education. The subject was observed in a completely natural and unchanged

environment.

## B. Validity and Reliability

Validity and reliability are important components of the research process and have to be ensured through the adoption of the correct procedures in administering the instruments. According to Mugenda and Mugenda (1999, p.96), in a research study, the reliability coefficient can be computed to indicate how reliable data are. A coefficient of 0.80 or more implies that there is a high degree of data reliability. Sometimes, a researcher may get away with using less reliable data if the sample size is very big or the variables under study differ greatly among the subjects. But where the sample size and variations among the subjects are small, a highly reliable data set is required to reveal the magnitude of these variations. In this study, during the questionnaire's construction, quality control and validity were ensured through:

- Face validity, where the instrument was subjected to experts to check whether it measured what it was intended to measure
- Content validity, where the instrument was designed according to the study variables and their respective indicators of measurement; it was ensured that each question was appropriate for a particular variable construct through the calculation of the Content Validity Index (CVI)
- Construct validity, which was maintained through restricting the questions to the conceptualizations of the variables and ensuring that the indicators of a particular variable fall within the same construct.

The survey instrument was subjected to overall reliability analysis and was found to be highly reliable ( $\alpha = 0.937$ ). Given this overall picture, the reliability coefficient for the measures of public procurement process and the effect of the internal factors were analyzed. It was found that the measures of procurement process were highly reliable ( $\alpha = 0.8122$ ), while that of the effects of internal factors were found to be equal to 0.8901.

The data presented in this paper were analyzed using three sets of techniques. The first technique is descriptive statistics, where the percentages and frequencies together with the means and standard deviations were computed and analyzed for each item that measured the effect of performance contracting on performance at the Ministry of Education. The second is correlation analysis, which establishes the relationship between the effect of performance contracting and performance. This was followed by simple linear regression analysis to examine the extent to which effect of performance contracting (independent variables) explained the variation in performance (dependent variables)

## C. Data Analysis

According to Mugenda & Mugenda (2003), data analysis is the process of bringing order, structure and meaning to the mass of information collected. Data analysis methods employed involved quantitative and qualitative procedures. Quantitative data was analysed using descriptive statistical methods. The study adopted a descriptive analysis by use of descriptive statistics such as the measure of central tendency.

Quantitative data analysis was aided by SPSS (Statistical Package for Social Sciences) Version 17 to generate those measures. Since percentages are the most widely used in descriptive analysis, (Ngechu, 2004). SPSS Version 17 has got descriptive statistics features that assist in variable response comparison and gives a clear indication of response frequencies (Mugenda & Mugenda, 2008).

## V. Results and Discussion

In Kenya the first two parastatals to be on performance contracting were Kenya Railways in April 1989 and National Cereals and Produce Board signed in November 1990. The PC's of Kenya Railways Corporation and the National Cereals and Produce Board failed because of lack of political goodwill to drive this process (it was perceived as donor-driven), the PC's did not conform to the requirements of the three sub-systems of PC's as they lacked the performance incentive system and there was no provision for the impact of external factors such as changes in GoK policy, inflation, exchange rate fluctuations that would have made evaluation fair (Kobia and Mohammed, 2006).

Kenya decided to re-introduce performance contracting in 2003. The initiative to introduce PC's in Kenya came from H.E. the president and was clearly spelt out in the Economic Recovery Strategy for wealth and Employment Creation (ERSWEC). In August 2003, the government appointed a committee to spearhead the introduction and implementation of performance contracts namely the performance contracts steering committee. The government made a decision to introduce PC in state corporations on a pilot basis in 2004. Sixteen state corporations signed the PC's by December 2004. The criteria for selecting the pilot companies included representation of diverse sectors and corporations, the government extended the process to public service beginning with permanent secretaries and accounting officers. Further, in April 2005, Government decided to place the management of 175 local authorities on performance contracts. Accordingly, five major municipalities completed performance contracts on 30th September 2005 on pilot basis; City Council of Nairobi, Mombasa Municipal Council, Eldoret Municipal Council, Kisumu Municipal Council and Nakuru Municipal Council.

The study wished to generate opinions from the study respondents on the effect of performance contracting on performance at the Ministry of Education. Using a closed-ended questionnaire, the opinions of the respondents were collected and analyzed. The results are presented below.

Of the 84 respondents, 76% were male while 24% were female. In terms of the highest qualifications of the study respondents, the survey established that majority (42%) of the respondents had a bachelor's degree, 44% had a college diploma while 11% of the respondents had secondary education. This suggests that all study respondents had adequate educational qualifications to enable them to answer the survey instrument. On the years of service, the survey established that majority of the respondents (47%) had worked for 1 to 5 years, 31% had worked for 6 to 10 years while 22% of the respondents had worked for less than 1 year. This points to the fact that most of the respondents were experienced since they had worked long enough to be conversant with the operations of the ministries.

## A. Service Quality

Table 1: Extent to which Various Measures Affect Performance Contracting on the Service Quality at the Ministry of Education

	Mean	Std Deviation
Surveys of users	2.2	0.98
Changes in inputs	2.8	0.84
Range or number of outputs	3.7	0.56
Systematic assessment of user complaints	2.2	0.85

Number of customer complaints as a proxy for service quality	3.1	0.85
Information from contract managers	3.5	0.65

The results presented in the table above revealed that majority of the respondents agreed to a very great extent that systematic assessment of user complaints and surveys of users shown by a mean of 2.2 respectively as the major measures that affected performance contracting on the service quality at the ministry of education. In addition, the respondents agreed to a moderate extent that information from contact managers affected performance contracting on the service quality at the ministry of education as shown by a mean of 3.5.

### B. Efficiency

Table 2: Agreement that doing the Job Efficiently is the Central Theme of the Public Sector Reform

Agreement	Frequency	Percent
strongly agree	46	65.0
mildly agree	20	25.0
neither agree nor disagree	4	5.0
mildly disagree	4	5.0
Total	40	100.0

Further the study established the respondent's level of agreement that doing the job efficiently was the central theme of the public sector reform. Data derived from the study shows that most respondents strongly agreed that doing the job efficiently was the central theme of the public sector reform (5 percent) while 20 percent mildly agreed. However 4 percent neither agreed nor disagreed.

Table 3: Extent in which Performance Contracting Influence the Various Aspects of Efficiency at the Ministry of Education

	Mean	Std deviation
Minimizing public waste	2.1	0.459
Enhanced value-for-money reporting	3.0	0.625
Improved input/output relationship	4.0	0.873

Data from the study showed that the respondents agreed that performance contracting minimized public waste to a very great extent, the respondents indicated that performance contracting enhanced value-for-money reporting to a moderate extent and disagreed that performance contracting improved input/output relationship. The study went further to determine the extent in which respondents agreed that the Inter-administrative comparison circles at the ministry's local administrative level were introduced in order to increase efficiency at the ministry.

### C. Consistency

Employee perception on the effect of Performance contracting on consistency

The study aimed at establishing the level of agreement on various statements that related to the effect of Performance contracting on consistency. A Likerts scale of 1= very great extent, 2= Great extent, 3 = Moderate extent, 4 = No extent and 5= not at all.

Table 4: Level of Agreement on Various Statements that Relate to the Effect of Performance Contracting on Consistency

	Mean	Standard deviation
Integrating the action plans of the departments through performance contracts is a way of checking the consistency of decisions taken.	1.10	1.40
PC has been used as a tool to ensure consistency in the ministry	1.12	1.43
Performance contracts also put pressure on the entire services network to work towards improving performance	1.14	1.28
Well adjusted employees work willingly towards organizational objectives and respond flexibly to organizational problems	1.37	1.35
Performance contract places special attention on the "way forward" which will enable the ministry to achieve long-term results	1.69	1.08
Performance contract place the emphasis on the results delivered	1.75	1.16
Performance contract system makes the strategy of the department clear to all its operational units and,	2.18	.98
Performance contract system spells out the resources that will be made available for achieving the targets that they have formally undertaken to meet	2.24	0.95
Performance contract at the ministry aims at avoiding goal-setting just for the sake of it, without a realistic idea of the problems or how to solve them	2.99	1.04
PC Provide appropriate inducements to increase efficiency	3.29	0.97

Results from the study shows that most respondents cited that integrating the action plans of the departments through performance contracts is a way of checking the economy of resources as was shown by a low mean of 1.004 closely followed by the fact that PC has been used as a tool to ensure economy of resources in the ministry shown by a low mean of 1.120. The least cited statement was that PC Provide appropriate inducements to increase efficiency shown by a high mean of 3.29.

### D. Creativity

The study inquired whether the responded had in the past one year came-up with new idea/product/services. Most of the respondents however, cited that they had not come up with any new idea. On the same issue, the study inquired whether, in the past one year, the respondents' had contributed more to an already existing service/product or process. Surprisingly, most of them had not contributed much to existing ideas. The respondents who had agreed that they had come up with various ideas were asked what had motivated them to come up with the idea/product or service.

With respect to the question what had motivated respondents to come up with the idea/product or service. Results derived from the study show that most employees had come up with the ideas due to personal ambition as was shown by 52 percent while 18 percent cited it as a result of terms of contract with only 8 percent

citing that it was due to pressure from seniors. When asked whether their ideas were implemented or used in increasing the Ministry of Education performance, most respondents' agreed that their ideas were used.

When asked whether the respondents' had been remunerated when they did something to improve the performance of the Ministry of Education off the terms in the performance contract, most respondents agreed that they had not been remunerated.

Further the study went ahead to establish the in which the respondents' believed that the introduction of performance contract in the Ministry of Education has enhanced flexibility of action and free will to act without sticking to certain prescribed methods or work plan. Majority cited that to a large extent, the introduction of performance contract in the Ministry of Education has enhanced flexibility of action and free will to act without sticking to certain prescribed methods or work plan.

Impact of various measurements in relation to performance contracting in the Ministry of Education

In this section, the aim was to establish the level of significance of the impacts of the various measurements in relation to performance contracting in the Ministry of Education. A Likerts scale was used where

- represents No influence,
- represents little influence,
- represents moderate influence,
- represents high influence,
- represents very high influence.

Data was presented in mean and standard deviation.

Table 5: Impact of Various Measurements in Relation to Performance Contracting in the Ministry of Education

S/No	Items		
		Mean	Standard deviation
1	Improved service delivery	4.85	1.35
2	Staff Performance and Employee productivity	2.44	1.08
3	Improved the employee creativity	3.45	1.16
4	Enhanced the employee innovation	3.54	0.98
5	Flexibility in management practices and procedures	4.00	0.99
6	Reduced corruption	3.95	1.01
7	Improved motivation	3.95	0.96
8	Job satisfaction	4.45	0.98

Data presented in the table above shows that most respondents' cited that improved service delivery, job satisfaction and reduced corruption were the various impacts of various measurements in relation to performance contracting as was shown by a high mean of 4.85, 4.45 and 3.95 respectively. The least cited measurements were staff performance and employee productivity comprising a mean of 2.4.

**VI. Regression Analysis**

In addition, the researcher conducted a multiple regression analysis so as to test relationship among variables (independent) on performance. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.923	.825	.124	.3211

Source: Research, 2012

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Performance) that is explained by all the four independent variables (service quality, efficiency, consistency and creativity).

The four independent variables that were studied, explain only 82.5% of the effect of performance contracting on the performance of Ministry of Education as represented by the R2. This therefore means that other factors not studied in this research contribute 17.5% of the effect of performance contracting on the performance of Ministry of Education. Therefore, further research should be conducted to investigate the other effects of performance contracting (17.5%) that affect performance of the Ministry.

Table 7: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.660	5	2.195	51.455	.009
	Residual	193.587	96	2.017		
	Total	205.428	101			

The significance value is .009 which is less than 0.05 thus the model is statistically significance in predicting how service quality, efficiency, consistency. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 51.455), this shows that the overall model was significant.

Table 8: Coefficient of Determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.112	1.223		0.917	0.004
	Efficiency	0.210	0.104	0.157	1.081	0.003
	Service Quality	0.188	0.145	0.087	0.578	0.004
	Consistency	0.396	0.204	0.155	0.960	0.001
	Creativity	0.120	0.096	0.215	0.342	0.003

Source: Research, 2012

The researcher conducted a multiple regression analysis so as to determine the relationship between performances with reference to Ministry of Education. and the four variables. As per the SPSS generated table 4.11, the equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ ) becomes:

$$Y = 0.396X_1 + 0.210X_2 + 0.188 X_3 + 0.12 X_4 + 1.112$$

Where Y is the dependent variable (performance), X1 is the consistency variable, X2 is efficiency variable, X3 is Service quality and X4 is creativity variable.

According to the regression equation established, taking all factors into account (service quality, efficiency, consistency and creativity) constant at zero, performance will be 1.112. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in consistency will lead to a 0.396 increase in performance; a unit increase in efficiency will

lead to a 0.210 increase in performance, a unit increase in service quality will lead to a 0.188 increase in performance and a unit increase in creativity will lead to a 0.120 increase in performance. This infers that consistency and efficiency contribute more to the performance of the Ministry of Education in Kenya followed by service quality.

At 5% level of significance and 95% level of confidence, service quality had a 0.188 level of significance, efficiency showed a 0.210 level of significant, creativity showed a 0.120 level of significant, and consistency showed a 0.321 level of significant hence the most significant factor is consistency.

### VII. Conclusions and Implications

The study concludes that performance contracting has a great effect on the Improvement of service quality at the Ministry of Education. The individual and the organisational performance at the Ministry of Education ought to be directed towards achieving at the objectives set out in the performance contract.

The study further concludes that performance contracting is not signed by all employees at the Ministry of Education hence there is less efficiency. Performance contracts had enhanced ability to discharge duties. In addition, performance contracting enhances service quality at the ministry of education.

In addition, the study concludes that performance contracting enhances consistency and creativity at the Ministry of Education. Systematic assessment of user complaints and surveys of users are the major measures that affect performance contracting on the service quality at the ministry of education.

### VIII. Recommendations

The study recommends that for effective performance contracting on the improvement of service quality at the Ministry of Education, all employees need to be included in the signing of the performance contract.

The study also recommends that, for effective performance contracts, consistency and creativity need to be embraced. This will also minimize public waste. This can be achieved through improved service delivery, job satisfaction and reduced corruption.

The study also recommends that the Ministry of Education in Kenya should increase performance to enable realization of sustainable economic growth by introducing inter-administrative comparison circles at the ministry's local administrative level, integrating the action plans of the departments through performance contracts.

### IX. Limitations and Areas for Further Research

This study reviewed the study on the effect of performance contracting on performance at the Ministry of Education. To this end therefore a further study should be carried out to establish the external factors affecting procurement process of supplies in the public sector. More study needs to be carried out on other aspects that affect organizational performance; these could include organizational structure or mergers.

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