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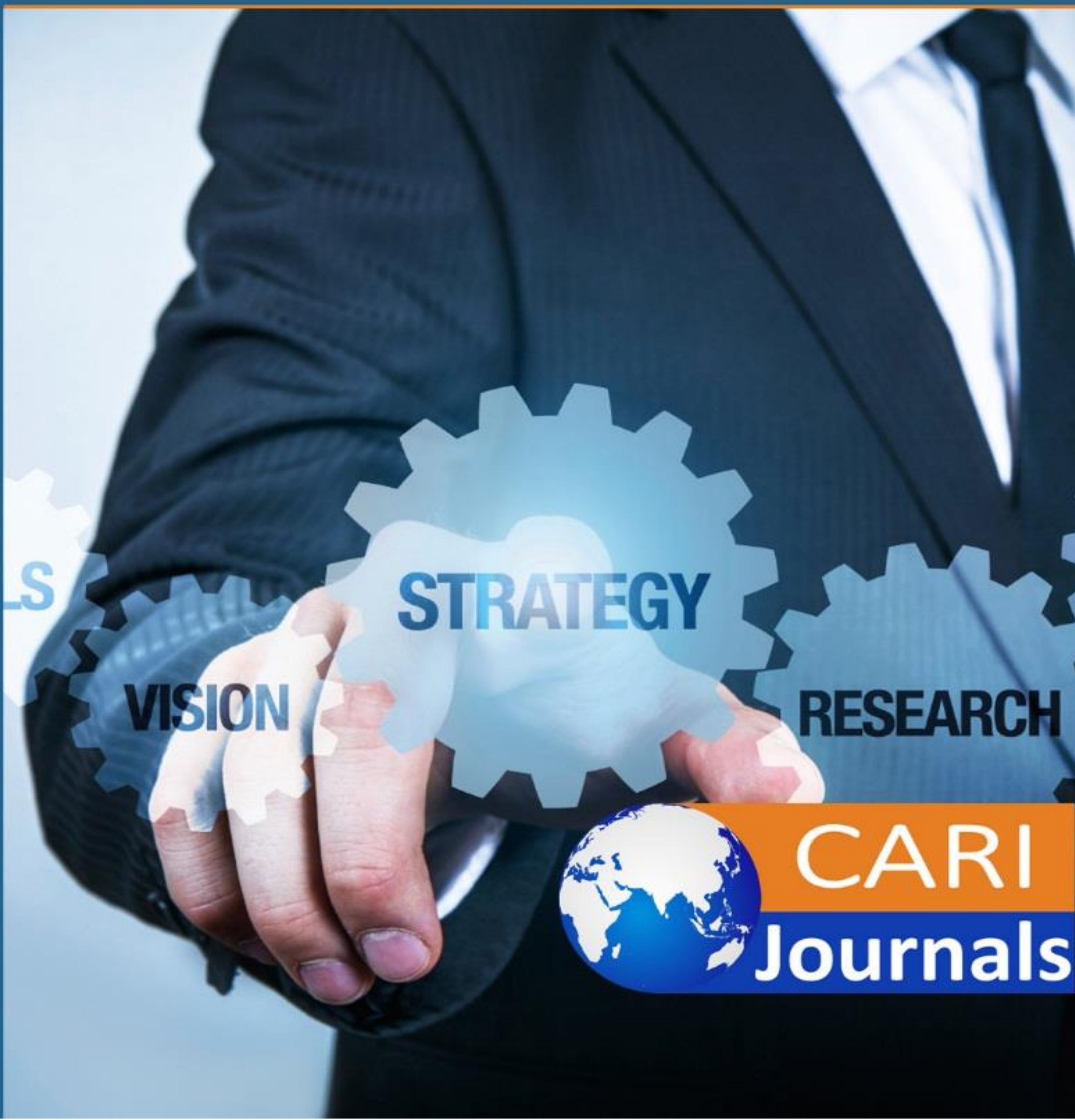
Management Awareness of Performance Contracting in State Corporations



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Management Awareness of Performance Contracting in State Corporations

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Abstract

Purpose: Drastic and fundamental changes are increasingly occurring in the environment in which organizations operate. An obvious manifestation of the responses towards this turbulent environment is the introduction of performance contracting as part of the broader public sector reforms aimed at improving efficiency and effectiveness in the management of the services. Managers form a major stakeholder group in an enterprise. However, their productivity and performance is dependent on their degree of motivation. This can be influenced by how they perceive and interpret various initiatives that may be introduced by the organization; a critical one in this regard being introduction of performance contracting. Performance contracting is a devolved management by outcome rather than management by processes. It provides a range of management instruments used within the public sector to define responsibilities and expectations between parties to achieve mutually agreed result. This research work sought to investigate the disconnect that may arise between management awareness of performance contracting in state corporations, based on their initial expectations from such a plan. The main objectives investigated during the study were to establish management's level of awareness of the performance contracts adopted by the state corporations.

Methodology: A sample of 160 respondents was used in the study. The data collected was presented using tables and analyzed using descriptive statistics i.e. frequencies, percentages, mean scores and standard deviations.

Findings: The major findings were: There is a very high level of awareness of performance contracting in the organizations and that the organization's capacity to achieve its objectives has greatly improved. To a moderate extent, the managers felt that there was mutual support and trust at all levels of the organization and empowerment of employees in their jobs. General conclusions drawn are that the organizations were very successful in implementing performance contracting, and that to a moderate extent, the organizations have developed a reasonable sense of direction.

Unique contributions to theory, practice and policy: Recommendations made were that, all employees need to be stakeholders in the future direction of the organization, even if it be in varying degrees. Their daily performance and activities should be measured along the specific milestones and core values identified by the contract, since what cannot be measured cannot be managed.

Key Words: *Performance Contracting, Management Awareness, and State Corporations*

Background of the Study

Organizations today face turbulent and rapid changing external conditions that are translated into a complex, multifaceted, fluid and interlinked stream of initiatives. These are affecting work and organizational design, resource allocation, systems and procedures in a continuous attempt to improve performance (Huczynski and Buchanan, 2001). With these environmental changes the public sector has come under intense pressure to improve their operations and processes so as to reduce its reliance on exchequer funding. Also to increase transparency in operations and utilization of public resources, increase accountability for results and to deliver products and services more efficiently and at affordable prices to the tax payer/ customer. Thereby, forcing governments to institute reforms in the public sector (NPR 1997). The performance contracting is part of the broader public sector reforms aimed at improving efficiency and effectiveness in the management of the services. Organizations are increasingly faced with the challenge to do things better, with fewer resources and above all improve on service delivery. Performance contracts however, have their origins in the perception that the performance of the public sector has consistently fallen below the expectations of the public. Nellis (1989) defines performance contracting as a freely negotiated agreement between government, acting as the owner of a public enterprise, and the enterprise itself, in which the intentions, obligations and responsibilities of the two parties are freely negotiated and then clearly set out.

It organizes and defines tasks so that management can perform them systematically, purposefully, and with reasonable probability of accomplishment. Performance based contracting has been identified by both the private and public sectors as an effective way of providing and acquiring quality goods and services within available budgetary resources (Mapelu 2005, NPR 1997). Whereas within the private sector, profit orientation and competitiveness have necessitated the introduction of performance contracts, the public sector has taken long to embrace the practice, especially in the developing countries (Shirley 1998; NPR 1997). Performance contracting has been widely used in the public sector by the developed countries such as France, the Netherlands and New Zealand among others with marked success. The experiences in developing countries though, citing case studies in China, India, Morocco, South Africa, Cote D' Ivore, and Gambia among others, have shown mixed results (Shirley 1998; Shirley and Xu 2001; Mapelu 2005; Trivedi 2004). In Kenya, performance contracting concept can be traced to early and mid- 1990's when a few state corporations namely Kenya Railways, National Cereals and Produce Board, Kenya Airways, Mumias Sugar Company and the defunct Kenya Posts and Telecommunications attempted to develop variants of performance contracts. Most of these were not implemented and those that were implemented were found unsuccessful. A new approach to the performance contracting concept in line with the objectives of Economic Recovery Strategy for Wealth and Employment Creation (2003 – 2007) was initiated with selected public enterprises on a pilot basis from October 2004 – See Appendix 2. The government of Kenya started sensitizing the public sector corporations on the concept of performance contracting using the performance contracting sensitization manual (GOK 2005 a). It developed an information booklet on performance contracts (GOK 2005 b) to guide on the process of performance contracting.

Performance Contracts

Nellis (1989) defines performance contracts as a freely negotiated agreement between government, acting as the owner of a public enterprise. It is an agreement between two parties that clearly specifies their mutual performance obligations, intentions and responsibilities. NPR (1999) presents the view that performance contracts whether in public or private sector, have the major objective of providing a performance management technique that largely draws on performance measurement and monitoring and gives a basis for performance appraisal and rewards. G.O.K (2005 a) argues that the problems inhibiting performance in government agencies are excessive controls and regulations, multiplicity of principals, frequent political interference, brain drain, bloated staff levels, poor management and outright mismanagement. Malathy (1997) argues that for the adoption of performance contracts as an alternative public enterprise reform strategy where privatization may be less feasible due to political or technical reasons, particularly those requiring sophisticated legal and regulatory structures or those that cannot be easily privatized for political reasons. Mann (1995) advances that there are multiple ways of improving efficiency of public enterprises, one of which is the mechanism of performance contracting. OECD (1999) observes that performance contracting is but one element of broader public sector reform aimed at improving efficiency and effectiveness of public enterprises, while reducing total costs.

It asserts that performance contracts are a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. A performance contract addresses economic, social or other tasks that an agency has to discharge for economic performance or for other desired results. It organizes and defines tasks so that management can perform them systematically, purposefully, and with reasonable probability of accomplishment. It also assists in developing points of view, concepts and approaches for determining what should be done and how to go about it. Performance contracts comprise determination of mutually agreed performance targets and review and evaluation of periodic and terminal performance (England, 2000).According to Directorate of personnel management training manual (2005), performance contracts should focus on two levels: For state corporations, the first level is between the government and the Board of Directors. Generally, Boards of Directors and management of public enterprises bind themselves to the achievement of mutually agreed targets, in return for operating autonomy and specified rewards. The second level is between the Board of Directors and the Chief Executive: since the Board is not in charge of routine management of the corporation, it assigns its responsibility assumed in the contract with Government through signing of a performance contract with the Chief Executive. For the civil service, the first level contract is signed between the president and the Ministers. Then the contract is signed between the Head of Public Service and the permanent secretaries with the respective ministers counter- signing. Performance based contracting has been identified by both the private and public sectors as an effective way of providing and acquiring quality goods and services within available budgetary resources (Mapelu 2005, NPR 1997). Whereas within the private sector, profit orientation and competitiveness have necessitated the introduction of performance contracts, the public sector has taken long to embrace the practice, especially in the developing countries (Shirley 1998: NPR 1997).

State Corporations in Kenya

Public Corporation is created by some higher controlling authority. The authority is usually composed of multiple and competing interests. Once the Public corporation has been created its mission and objectives are still defined by the controlling authority on which it is dependent for its resources. According to Rider (1987) decision making in public sector settings is a political process. In such a situation, decisions are typically not purely rational but rather incremental and adaptive and predetermined by interactions of political influence and sudden changes in the environment. He further argues that strategic planning has to be accomplished in a pluralistic environment where power is distributed among many and varied interest groups. Despite the fact that public corporations are created to ensure effective and efficient delivery of essential services, majority have been mismanaged and some have resulted to closure like the Kenya Meat Commission, the Nyayo Bus Corporation, among others. Organizations today face turbulent and rapid changing external conditions that are translated into a complex, multifaceted, fluid and interlinked stream of initiatives. These are affecting work and organizational design, resource allocation, systems and procedures in a continuous attempt to improve performance (Huczynski and Buchanan, 2001). With these environmental changes the public sector has come under intense pressure to improve their operations and processes so as to reduce its reliance on exchequer funding. Also to increase transparency in operations and utilization of public resources, increase accountability for results and to deliver products and services more efficiently and at affordable prices to the tax payer/ customer. Thereby, forcing governments to institute reforms in the public sector (NPR 1997). The government of Kenya recognized the need to enhance efficient service delivery through the policy paper on Economic Recovery Strategy for Wealth and Employment Creation (2003 – 2007) which envisaged efficient services delivery by state corporations as a basic necessity to growth and development. This policy argues that in order to improve performance, corporate governance and management of state enterprises, performance contracts should be introduced in state enterprises. The objectives of the policy were to improve service delivery to the public by ensuring that top-level mangers are accountable for results: improve efficiency and ensure resources are focused on attainment of key national policy priorities, institutionalize performance – oriented culture in the public service: measure and evaluate performance: link reward and sanctions to measurable performance: reduce or eliminate reliance on exchequer funding or government agencies which should generate revenues or make profit: and enhance performance of loss making government agencies (GOK 2005 b).

Statement of the Problem

State Corporations have been criticized for inefficiencies and mismanagement. There has been poor and declining performance which in turn inhibits realization of sustainable economic growth. They are characterized by widespread misuse of funds due to lack of proper internal management and control. Some of these criticisms are supported by studies carried out (Aharoni, 1986: Berg, 1981: Nellis, 1986: Shirley, 1983). The government of Kenya, recognizing the need to improve the performance of public enterprises, introduced performance contracting in the public sector. In May 2004, the government selected sixteen (16) state corporations to pilot the process of performance contracting. A management awareness of performance contracting is an emerging key determinant of the success of the government's economic recovery strategy for wealth and employment creation (2003 – 2007). Employees can be indifferent to what is required of them by the organization, based on their own interpretation of what is happening. This can result in behavioural patterns that are inconsistent with the desired objectives of the organization. In as much as management awareness are important to the success or otherwise of any business, little research has been done on them. Gichira (2001) conducted a survey on employee performance management systems in the privately owned security services, industry in Kenya which did not address performance contracting, Odadi (2002) did a study on the process and experience of implementing a new performance measurement tool but restricted it to the balanced score card only. Studies on perception done by Mokaya (2003), Mwandikwa (2003), Ngesa (1989), Kandie (2002), Opero (2002), Nyaoga (2003) and Sossion (2003) were on service industries mainly in banks and concentrated on consumer perception. Ng'ang'a (2004) looked at the employee perception of strategies with special reference to Kengen. As can be seen, none of the studies so far has researched on management awareness of performance contracting in public corporations.

A knowledge gap therefore exists regarding management awareness of performance contracting in state corporations.

Literature Review

The Concept of Performance Contracting

In Kenya, performance contracting concept can be traced to early and mid- 1990's when a few state corporations namely Kenya Railways, National Cereals and Produce Board, Kenya Airways, Mumias Sugar Company and the defunct Kenya Posts and Telecommunications attempted to develop variants of performance contracts. Most of these were not implemented and those that

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were implemented were found unsuccessful. A new approach to the performance contracting concept in line with the objectives of Economic Recovery Strategy for Wealth and Employment Creation. (2003 – 2007) was initiated with selected public enterprises on a pilot basis from October 2004 – See Appendix 3. The government of Kenya started sensitizing the public sector corporations on the concept of performance contracting using the performance contracting sensitization manual (GOK 2005 a). It developed an information booklet on performance contracts (GOK 2005 b) to guide on the process of performance contracting. Performance contracts have their origins in the perception that the performance of the public sector has consistently fallen below the expectations of the public (OECD 1999).

Performance contracting is part of broader public sector reforms aimed at improving efficiency and effectiveness in the management of the public service. Governments are increasingly faced with the challenge to do things better, with fewer resources and above all improve on service delivery. An enabling legislation was enacted in August, 2004 through Legal Notice No. 93 namely the State Corporations (Performance Contracting Regulations, 2004) to give the legal framework for implementation of performance contracts in state corporations. A widely quoted view of performance contracts is that, it is a freely negotiated performance agreement between governments as owners of a public enterprise, and the enterprise itself. It clearly specifies their mutual performance obligations, intentions and responsibilities (Nellis 1989). However, strategic planning and management are vital to the success of performance contracting.

According to Shirley and Xu (1997), performance contracting is a devolved management style which emphasizes management by outcome rather than management by processes. It provides a range of management instruments used within the public sector to define responsibilities and expectations between parties to achieve mutually agreed results. Shirley M. and Xu, C.L (2000) advances the view that performance contracting organizes and defines tasks so that management can perform them systematically, purposefully, and with reasonable probability of accomplishment. A performance contract addresses economic, social, or other tasks that an enterprise has to discharge for economic performance or for other desired results (OECD 1999). According to OECD (1999), a performance contract basically comprises two major components namely: determination of mutually agreed performance targets and the review and evaluation of periodic and terminal performance. Shirley and Xu (1997) argue that performance contracting assumes that government's objectives can be maximized, and performance improved, by setting targets that take into account the constraints placed on employees. For this to occur though, they argue that the governments must be willing to explicitly state their objectives, assign to them priorities and weights, translate them into performance improvement targets, provide incentives to meet those targets (or monitor the enterprises without incurring significant costs), and credibly signal their commitment to the contract. The concept of performance contracting varies from country to country. The widely accepted rationale for performance contracting in public enterprises is that they have multiple objectives and multiple principals. Performance contracts, it is argued, would provide the public enterprises with a management technique to manage these and therefore remedy the situation (GOK 2005 b). The growing popularity towards performance contracting can be traced to the strong persuasive influence from bilateral enterprises that advocate the use of this concept as an important element of public enterprise sector reforms (OECD 1999). Performance contracting has been widely used in the public sector by the developed countries such as France, the Netherlands and New Zealand among others with marked success. The experiences in developing countries though, citing case studies in China, India, Morocco, South Africa, Cote D' Ivore, and Gambia among others, have shown mixed results (Shirley 1998: Shirley and Xu 2001: Mapelu 2005: Trivedi 2004). OECD (1999) further observes that public enterprises may pursue certain social and non-commercial goals affecting its financial status, which the performance contract would clarify early with the principal. For public enterprises making losses, performance contract may have tools which may indicate effort put and success achieved by the management in improving its operations. Performance contracts may also include mechanism to smoothen the public enterprise-government interface and increase the autonomy of the enterprise. The performance contract may also act as an alternative to privatization of public enterprises which are financially viable. In essence therefore, performance contracts seek to privatize the public sector style of management, without necessarily transferring the ownership of the assets to private ownership (Daily Nation, 22nd March, 2005).

Types of Performance Contracts

Mann (1995), Christensen and Yoshimi (2003), Tivedi (2005 and GOK (2005 a) observe that there are generically two types of performance contracts namely: The French system and the signaling system. The French based system of performance contract entails identification and agreement on performance criteria at the beginning of the year and the eventual evaluation at the end of the year. The system however, does not allocate weights to targets. There is no distinction between targets in terms of emphasis (by weighing them differently) and as such performance evaluation is affected by a high degree of subjectivity. This system is practiced in France, China, Ivory Coast, Benin and the United Kingdom. The signaling system is based on the determination of how efficiently management can utilize a given level of capital stock. The system aims at motivating management to maximize return on capital. A primary criterion of evaluation is developed to determine improvement in productivity and the level of increase in public profitability (as opposed to privately relevant profit). A performance contract is signed at the beginning of the year and evaluated at the end of the year. The signaling system is based on the premise that public enterprise management should be appropriately guided to aim at improving real productivity and its effort should be acknowledged and rewarded by an incentive system. The signaling system is practiced in Pakistan, Korea, Philippines, India, Bolivia and Gambia. The type of performance contract adopted by Kenya is the signaling system where the efficiency for management's use of resources is being evaluated.

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Fundamental Preconditions for Performance Contracts

OECD (1999) notes that performance contracting regime is not a substitute for overall performance management as it is merely but one element of a performance framework for generating desired behaviours in the context of devolved management structures which is part of an overall resource allocation system. A comparative analysis of international experiences by the United Nations, supports this view by adding that the differences in design and implementation of performance contracting and associated government policies in force in particular countries are the major factors of the success or failure of performance contracts. It concludes that each country has its own unique legal, institutional and cultural environment hence needs to customize its approach to its own needs and circumstances. PBMSIG (1999) argues for a structured approach as is used in the U.S, which focuses on strategic performance objectives: provides a mechanism for accurate reporting: bring all stakeholders into planning and evaluation of performance: provide a mechanism for linking performance to budget expenditures: provide a framework for accountability: and share responsibility for performance improvement. They suggest a six-step process that includes establishing a successful program which include the definition of an original vision, mission and strategic objectives: establishment of a integrated performance measurement system: establishment of a process/system for collecting performance data: one for analyzing, receiving and reporting performance data: and one for using performance to drive performance improvement. GOK (2005 a), OECD (1999), Trivedi (2004) and Mann (1995) advance the view that performance contract should consist among other systems, a performance criteria. A performance criterion is a quantifiable expression of the enterprise’s objectives. It is the attribute that constitutes the object or focus of measurement, for example, efficiency. It is the basis against which performance is measured. Performance criteria should be simple, measurable and monitorable. It should be fair to the country and to the manager. There should not be too man criteria in a performance contract.

There should be institutional preconditions i.e. performance targets should be negotiated and not imposed arbitrarily from the top government. Once the performance targets have been set, public enterprise managers must be left free to manage the enterprise within the agreed parameters. Performance should be judged at the end of the year systematically against the targets negotiated at the beginning of the year. In order to carry out performance evaluation, there is need to have balance in availability of information between the evaluator and then evaluate. Performance should be linked to a system of incentives for good performance, and sanctions for poor performance. Operational criteria are of great importance to the organization. It focuses on the effectiveness and efficiency with which an organization achieves its core activities. This may entail use of such indicators as output, capacity utilization, and total assets turnover and project completion rate. There is however no step-by-step approach or process cited in literature to be followed by public sector companies in developing countries. PBMSIG (2001), NPR (1999) and OECD (1999) however cite the following dimensions as major components of an integrated performance system whose inclusion would result in success in the implementation of any performance systems. These include leadership in championing the cause: existence of a constantly strategic plan with clear organization objectives: a conceptual framework to enable the organization to focus its measures: commitment by everyone since the degree of commitment will determine the degree of success: involvement of all stakeholders, customers and employees both by the level and timing of employee involvement individually tailored depending on size and structure of the organization: creation of a sense of urgency to move to a new and enhanced performance measurement and management regime: communication: ongoing feedback process to make adjustments and keep it operating efficiently: adequate resources in terms of money equipment and people: customer identification: learning and growth to keep the organization in pace with the emerging technologies and trends: environmental scanning of both the external and internal environments: enhanced organizational capacity centered on people and processes in ensuring that inefficient and ineffective processes do not get in the way of the drive to success: and institutionalized accountability for performance and measures with focus on results.

Performance Contracting and Structure

The purpose of a structure is the division of labour in the organization and its coordination to attain company objectives. Mullins (1999) defines an organizational structure as the pattern of relationships among positions within an organization and within its members. It creates a framework of order and command through which activities of the organization are executed. It is the totality of ways in which an organization divides its labour into distinct tasks and then achieves co-ordination between them (Mintzberg, 1979, Cole 1996). What many organizations fail to realize, especially in Kenya, is that structure has a human side to it. It does affect productivity and economic efficiency, morale and job satisfaction, depending on the individual perception of the structure. The current trend in organizational design is therefore towards increased participation by employees at all levels, greater freedom of the individual, and more flexibility. Formal, bureaucratic structures continue to receive criticism as they tend to restrict individual growth and fulfillment and result in frustration and conflict (Mullins, 1999). Consequently, the organizational structure needs to be viewed as part and parcel of a firm's internal capability. It is more than just a chart. It determines the decision-making hierarchy, delegation of responsibilities, communication channels, formal relationships, leadership roles and criteria for incentive systems. Due to increased use of computer based systems for information and decision support, there has been a shift towards more flat organizational structures and decentralization. This is exhibited by very few authority levels, reduced executive overload, a wide span of control and flexibility in decision-making. This leads to increased staff motivation, especially at lower levels of management. It also affords top management more time for strategic responsibilities, their real core function.

Performance Management and Measurement

Performance management, is a management process designed to link the organization's objectives with those of individuals, in such a way as to ensure that both individual and Corporate objectives are as far as possible, met. Armstrong (1999) defines performance management as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. It has been stated, with reasonable justification, that human capital is the most important resource in any organization (Immelt, 2003). The relationship between the employer and the employee involves exchange of skills and experience for reward in salaries or wages. Armstrong (2001) advances the view that principal aim of performance management should be to support the attainment of the organization's strategic objectives by ensuring the availability of a skilled, competent, committed and well-motivated work force. Business performance is measured from different perspectives due to the understanding of performance by the different disciplines. Measuring business performance is therefore beset by the challenge of defining the selected measures that can drive performance (NPR 1999). Performance measurements systems succeed only when the organization's strategy and performance measures are in alignment. On realization that different models fall short in some dimensions NPR (1999) attempted to provide a conceptual framework for organizing performance measurement system, which could include use of balanced set of measures, matrix systems, target settings, bench marking and National Quality Award Criteria. Batitci et al (2005) further notes that it is generally agreed that businesses perform better if they are managed through formalized, balanced and integrated performance measures. Kanj (2002) also observes that measuring performance by reference to a generic and universal model has the additional benefits of allowing comparisons to be made within different segments of the organization, among different organizations and also across different industries/sectors and countries. Accountability for performance is a critical factor in any successful performance measurement criteria. PBMSIG (2001) cites the inconsistent application of policies, procedures, resources, and/ or consequences within the organization as undermining the accountability environment by weakening the perceived organizational commitment and credibility. They cite the key requirements for successful establishment of an accountability environment as leadership, reciprocation, equity, trust, transparency, clarity, balance, ownership, consequences, consistency, and follow up. They note that the main barriers include hidden agendas, favoritism, lack of resources, and lack of follow-through, lack of clarity and data misuse.

Challenges of State Corporations

There appears to be quite a sizeable number of reforms in the public sector, wherein state corporations are not corporations unless they develop a strategic plan for intended future operations. The intention is to improve productivity in service delivery through the injection of the somewhat "new" (but actually as old as the Druckerian) Management by objectives, now dubbed "Strategic Management System". The introduction of performance contracting provision which implies that a worker, whether on permanent and pensionable terms of service could render their employment terminated if performance did not match the planned performance targets. To improve on the past, one must also suggest that the new system will stall unless every person or groups assigned with responsibility for specific tasks or programs will be allocated adequate resources in terms of financial, personnel, time, goodwill and technological support to obviate situations where workers might attribute failure to lack of such resources. However, the problem of poor performance is largely attributable to the frequent political interference, poor management, excessive regulations and control, multiplicity of principles and bloated staff establishment. The commonality of issues that led to the adoption of performance contracting concept in state corporations include; need to improve performance, need for greater transparency and accountability, need to improve productivity, need to reduce or eliminate reliance on the exchequer and need to give autonomy to the government agencies. Pressure to address the above issues has mounted on the Kenyan government from International Monetary Fund (I.M.F), World Bank, and a changed world political environment and globalization. As a consequence, performance contracting has been introduced with an aim to improve efficiency and effectiveness in the management of the Public service. The role of the government is therefore transforming towards providing an enabling policy environment and maintaining essential infrastructure.

Research Methodology

Research Design

This study was a descriptive survey intended to establish the perception of employees towards the performance contracting in the state-owned corporations. Cooper and Schindler (2003) observes that descriptive studies are concerned with finding out the What, Where, Who and How of a phenomenon which is the focus of this study.

Population of Study

According to the Directorate of personnel management report of 31st March 2006, the number of employees in the (94) state corporations is 86, 878. The population of interest consisted of the corporate level executives, senior management and middle level management. These were drawn from the (16) state Corporations that were selected by the government to pilot the process of performance contracting (Appendix 3). The criteria that the government used to select the (16) corporation was; representation of the diverse sectors of the economy, corporations whose performance has immediate, visible and widespread impact on the economy and corporations with corporate (strategic) plans in place. The researcher targeted the managers in the sixteen (16) corporations because performance contracting has been implemented in these corporations, while implementation in other corporation was still ongoing.

Sample Size and Sample Design

The sample size was 160 managers. 10 from each of the sixteen state corporations that piloted performance contracting. The study used non-random convenient sampling; where, for each of the sixteen corporations, 10 questionnaires were given to the Human Resource Managers who distributed to various managers in different departments.

Data Collection Method

Primary data was collected using a structured questionnaire consisting both open and closed-ended questions. The questionnaires were circulated to the respondents using the “drop and pick later” method. For all the employees outside of Nairobi, a letter of introduction detailing the objectives of the research and a questionnaire was sent.

Data Analysis

The data was analyzed and summarized using descriptive statistics. This involved the use of frequency tables, percentages, mean scores and standard deviations. Section A of the questionnaire was analyzed using frequency distribution and percentages. Data in section B was analyzed using mean score and standard deviation to determine the extent of awareness of performance contracting by the respondents and their perception of performance contracting.

Results

Manager’s Awareness of The Performance Contracting and Sources of Awareness

This section looked at awareness of performance contracting by the managers of state corporations and whether they had formed an opinion about the contract. The study also sought to know the sources of awareness of the performance contracting. This was tested using dichotomous questions where respondents were to answer either yes or no, and indicate the source of awareness of the contract by ticking the appropriate source.

Manager’s Awareness of Performance Contracting

The study sought to establish the level of awareness of performance contracting, whether the respondents had read it and whether they had formed an opinion on the contract. The findings indicate that all the respondents were aware of performance contracting. However, not all had read the document. From the findings, 74% of the respondents had read the performance contract signed by their organisations while 26% had not read the performance contract. Those managers who had read the performance contracting had formed an opinion on it. This is part of the environmental scanning that is required if organizations have to make timely responses to the changes in the environment.

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Table 1: Respondents who had read/not read the contract

	Frequency	Percentage
Yes	99	74%
No	35	26%
Total	**134**	**100%**

Of the respondents who had read performance contracts signed by their organizations, 67% had formed an opinion while 33% had not.

Opinion on the Performance Contracting

As far as the performance contracting goes all the respondents were aware of it existence. 67% of those who had read the performance contract indicated that there are sections of the contract that they were not satisfied with. The respondents were to indicate whether there are sections/provisions of the contract they were not satisfied with.

Table 2: Opinion on the Contract

	Frequency	Percentage
Yes	66	67%
No	33	33%
Total	**99**	**100%**

From the findings 67% of the respondents indicated the sections/ provisions of the contract they were not satisfied with while 33% were satisfied with all the sections. This shows that majority of the respondents were not satisfied with certain sections of the contract.The findings indicated that most of the aspects that the Managers were not satisfied with were significantly related to their personal details. The findings indicated that the provisions the Managers were not satisfied with were different. Those for Senior Management were different from those of middle level management. This depended on; the level of seniority, where the Senior Management's level of dissatisfaction was not significant. With regard to the length of service, it was observed that those who have served for shorter periods of time had many provisions they were not satisfied with. It is likely that those who have served longer have previous experiences that moderated their expectations. With regards to the level of education, the findings indicated that those with lower levels of education have many sections performance contract they do not agree with. This means that those with low levels of education have significantly higher expectations on the performance contracting.

Sources of Awareness of Performance Contracting

The respondents were called upon to mention the various sources from which they learnt of the performance contracting. This question was aimed at determining the sources of awareness and effectiveness of the various sources of communication.

Table 3: Sources of Awareness of Performance Contracting

Source	No. of Times Mentioned	Percentage (%)
Your organization	105	16
The government	92	14
Other employees	98	15
Newspapers and Magazines	119	19
TV	122	19
Radio	106	17
Total	**642**	**100**

A number of respondents indicated various sources that created awareness about performance contracting. Television (19%), Newspapers (19%), Radio (17%), their organization (16%), other employees (15%), the government 14%. This shows that Television and Newspapers were the main source of awareness. The findings indicated that all the respondents were aware about performance contracting. It also indicated that expectations from performance contracting were at the same level. But the Managers perceptions differed. This is perhaps because they have not seen its impact in their daily activities or on the organization, for that matter. This explains the big gap in perception for different Managers. The upshot of this is

that communicating performance contracting to all managers can greatly reduce dissatisfaction, enhance co-operation in implementation and boost morale.

Conclusion

Majority of the respondents had read the performance contract signed by their organizations formed an opinion on the same and indicated the sections/ provisions of the contract they were not satisfied. As a result of performance contracting, the organizations have developed a reasonable sense of direction, a conviction that business cannot operate successfully without performance contracting, performance targets and measures kept in pace with emerging technologies and trends, performance contracting acted as an effective tool for improving performance in the organization, the organization attaches much importance to performance contracts and organization’s capacity to achieve its objectives has greatly improved after the introduction of performance contracts.

Recommendations

The management should increase their budget allocation to enable organizations achieve the set targets, the top management should improve communication to the staff on performance contracts, encourage personal initiatives, mutual support and trust at all levels of the organization, empowerment of employees in their jobs, creation of organizational structures that enhance openness and flexibility and senior management commitment. All employees need to be stakeholders in the future direction of the organization, even if it will be in varying degree. Their daily performance and activities should be measured along the specific milestones and core values identified by the contract, since what cannot be measured cannot be managed.

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