DETERMINANTS OF IMPLEMENTATION OF PERFORMANCE CONTRACTING: A CASE OF MAKUENI COUNTY GOVERNMENT

BY

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DECLARATION

I declare this dissertation is my own work and has not been presented to any other institution for \academic award purposes.

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DEDICATION

I dedicate this work to God the giver of life and to my three daughters, Selina, Fidelia and Patricia for their moral support.

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I acknowledge by supervisors, Dr. HellenMugambi and Dr. Stephen Machariafor guiding me on this study. I also acknowledge all lecturers in Machakos campus, my classmates and all friends who in one way or another played any role in this research study. Finally, yet importantly, I acknowledge Governor KivuthaKibwana, Government of Makueni County for allowing me to conduct this research in his county government during his leadership.

ABSTRACT

Performance contracting is a performance tool that has been implemented in many countries globally and implemented in Kenya for the first time in 2004. It has proved to be a useful tool for performance improvement in both private and public sector. The purpose of this research was to establish determinants influencing implementation of performance contracting in Government of Makueni County.Specifically, the study aimed at establishing how organization effectiveness, building human resource systems, knowledge management and performance appraisal management system determined implementation of performance contracting in the county. The study analyzed experiences of performance contracting in global context, African perspective, Kenya scenario and local adoption in County Government of Makueni. The study wasanchored onGoal-path theory, Resource Based View theory, Two Factor theory, and Transformational leadership theory. The study adopted mixed designs including explanatory design to link the variables and establish the general relationship of the independent and dependent variables on implementation of performance contracting. The target population for this study was300 employees out of which72 were sampled for the purposes of this study.The researcher collected data from all the 72 respondents.The researcher used both closed and open- ended questionnaire to collect data. The questionnaires were dropped and picked from the respondents and the researcher administered the process. The analysis was conducted using Statistical Packages for Social Sciences (SPSS)to produce both descriptive and inferential results. Themajor findings were presented using tables whichrevealedhuman resource directorate was not proactive enough to spearhead the process of implementation of performance contracting. Further findings established that there was lack of knowledge management where no benchmarking hadbeen done before embarking on the process. Lack of reading material on performance contracting also influenced the process. Negotiations before signing contracts were lacking and employees were not motivated by setting achievable targets by appraising them quarterly, that is after every three months with feedback from supervisors. The recommendations from the study included benchmarking, putting in place guidelines and policies to guide the process, training champions to spearhead the process and using appraisal tool which is simple to understand by both top and lower level employees.

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ACRONYMS AND ABBREVIATIONS

MOU	Memorandum of Understanding
PC	Performance Contracting
OECD	Organization for Economic and Cooperation Development
UK	United Kingdom
PAS	Performance Appraisal System
GOK	Government of Kenya
RRI	Rapid Result Initiative
ERS	Economic Recovery System
MGDs	Millennium Development Goals
GMC	Government of Makueni County
CIDP	County Integrated Development Plan
CIMA	Chartered Institute of Management Accountants
ISPI	International Society for Performance Improvement
NPM	New Public Management
OECD	Organization for Economic and Co-operation Development
AAPAM	Africa Association for Public Administration and Management
GOU	Government of Uganda
KIPs	Key Performance Indicator
SPSS	Statistical Packages for Social Sciences

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DEFINITION OF TERMS

Performance Contracting A range of management instruments used to define Responsibility and expectations, (OECD,1999)

Performance Management System Ongoing process by organizations to access and Identify strategic vision, goals and objectives Achieved by employees, (Performance Management and Performance Appraisal in the Public Sector, 2011).

Employee Persons employed by the government, (Public Service Commission: Performance Reward and Sanctions Framework for the Public Service, 2016).

Performance Indicators Evidence that work has been done within the stipulated period, (Performance contracting guidelines for county governments 2015).

Targets Goals and objectives set to be achieved (Performance contracting guidelines for county governments, 2015).

Reward an incentive given to an employee as a result of good performance (Public Service Commission: Performance Rewards and Sanctions Framework for Public Service, 2016).

Sanction Punishment given to an employee for poor performance (Performance Rewards and Sanctions Framework for Public Service, 2016).

CHAPTERONE

INTRODUCTION

Introduction

This chapter presents the background of study in global context, African perspective and local scenario of county governments with specific focus to Government of Makueni County, objectives of the study, research questions, and scope of the study.

1.1. Background of the Study

Chepkemei and Chebet (2013) defined performance contracting as a useful tool which articulates clearer objectives, supports innovation management, monitors and controls managerial operations.

According to Vision 2030 Popular Version (2010), the tool was introduced in Kenya in 2004 covering the period 2008-2030. It is a development blueprint aiming at transforming Kenya into a middle-level industrial country to provide high quality life to all citizens by the year 2030. The vision is anchored on four pillars, economic, social, and political, Enables, and Macros. Under the enables and macro pillar, building human resource systsemshave been emphasized in order to create a globally competitive and adaptive human resource base. Strong human resource base enables Kenya cope with the rapidly growing industrializing economy. The government aims at collaborating with training institutions to train employees on performance aspects including skills on implementation of performance contracting, (Vision 2030 Popular Version, 2010).

1.2.1 Global Context

Andrew (2012), affirms that performance contracting was practiced in United Kingdom with the aim of regulating energy sector towards ability to access capital and make upfront investments, guarantee in reduction of cost and as a long term solution to energy raisingcosts. To achieve its objectives, United Kingdom aimed at streamlining technical solutions, adequate financing, keeping track record and timely delivery of services and ensuring budget certainty. Later in Britain and New Zealand, performance contracting was adopted to push for reforms to measure performance to improve management of state functions in public sector. This was done in conformity with New Performance Management initiative.According to Gakure (2013), performance-contracting concept came into use in countries such as Asia, China Malaysia, India,

Latin America, Argentina, Brazil, Venezuela, and Singapore in order to improve public sector performance.

In Belgium Performance Contracting was implemented at the begging of 1990s in its public sector. As a member country of Organization of Economic Corporation and Development (OECD), Belgium has a long history of administrative decentralization by autonomous bodies. To regulate these autonomous bodies, administrative measures have been put in place to ensure adherence to their terms of reference. By signing performance contracts with the government, there is a commitment by the agencies to deliver to the public, this was later adopted and implemented in Korea, India and Pakistan ((Orwa 2013).

In France, according to Kago, (2014), PC was introduced in 1990 as a measure to adapt to the changing environment and improve on government taxation and property valuation service. The system was introduced using management indicators to measure productivity, quality and efficiency. All local directorates at local government level now operate through performance contract tool. In order to encourage the initiative, all directors and heads of service have freedom of making possible changes in the tool in order to fit to their specific need. Today, every government department in France conducts business using of PCinitiative, focusing on mission, vision, goals and objectives of the country.

PC was later adopted and implemented in Korea, India and Pakistan. A study conducted in Denmark in 2005 indicates that performance contracting was introduced in 1992 to improve policy control, efficiency and instill public confidence in citizens by cautioning them from exploitation by public servants. Government institutions had to be more responsive to boost confidence of its citizens by using the Personal Service Agreement (PSA) system. It was also made to strengthen a framework for budgeting.

There was need to negotiate contracts with government agencies in connection to service delivery. All major tasks of agencies were included in the performance criteria to avoid misplacement of goals and objectives. It has been an important instrument for implementation of performance management in Denmark. Kristiansen (2015) evaluates how in Denmark performance contracting was introduced between 1980s and 1990s to improve policy control,

efficiency and instill public confidence in citizens by cushioning them from exploitation by public servants. Government institutions had to be more responsive to boost confidence of its citizens by using the PSA system. It was also meant to strengthen a framework for budgeting as there was a need to negotiate contracts with government agencies in connection to service delivery. All major tasks by agencies were included in the performance criteria to avoid misplacement of goals and objectives.Kristiansen (2015 notes that Denmark's economy has shown improvement after the financial crisis it suffered in 1990s.Balanced Score card was introduced in Jordan to fasten the process of implementing performance contracting in financial institutions(AlSawalqa 2011).

1.1.2. Africa Perspective

In African countries, there are basic services that governments are mandated to provide to thecitizens. Such services include roads, clean water, healthcare,electricity, sanitary related services,schools and recreational facilities(Kurebwa,2015). Contract plans evolved in Swaziland in 1990's when the country promulgated its Public Enterprise under Control and Monitoring, Act of 1989 (Musa, 2011). It is during this time when parastatals established a control mechanism due to public outcry on service delivery. However, the performance agreement signed in 1990's had challenges and failed to achieve the set objectives which was to improve performance in public sector. The use of consultants in the contract plans was widespread, including the monitoring and evolution mechanism. The consultants did not show commitment by honoring the contracts. It was a lesson learnt that external consultants, advisors from developed countries did not understand African context and lacked clear knowledge of socio-political climate in Swaziland (Thwala, 2017).

In Rwanda, teacher accountability was minimal despite the fact that teacher incentives are in - built in their salaries through a system called "Pay- for Performance Schemes". Performance contracting was introduced to explore means of creating additional bonus program that would lead to rewards to teachers, recruit qualified teachers, and put a more effective government structure particularly in education sector specifically in rural areas. World Bank (2016). As a performance initiative, East African Community performance contract signed in 2008/2009 financial year aimed at member states by then, Kenya, Uganda and Tanzania, to agree on

common commitment, which was implementation of Strategic, Plan 2007-2012, with a comprehensive performance targets and indicators. Generally, implementation of PC, according to African Association for Pubic Administration and Management (AAPAM), (2006) failed due to lack of stakeholder involvementwhich would enable ownership and allocation of adequate resources to achieve set targets. Failure to set realistic targets with too many objectives and failure of government to honor their commitment to financial support to the enterprises was a major challenge which was addressed through implementation of performance contracting.

In Uganda, the government signed a performance contract with the National Water and Sewerage Corporation on 17th October, 2003, GOU (2003) to ensure use of safe water supplies. Many water utilities confirmed there was slight change in management of water supply though challenges of accountability and sustainability ultimately leading to efficient service delivery to the citizens. In the United Republic of Tanzania, Performance Contracting was introduced with objective of public institutions and stakeholder interests, organize annual competition and awards to the perming sectors, and to conduct research on impact of implementation of performance contracts in the public service, GoTZ (2016).

According to Mambo (2014), Zimbabwewas undergoing economic dispensation which threatened functions of local authorities. The authorities are expected to offer quality service delivery to citizens. Performance-contracting context is anchored on Integrated Results Based Management concept (IRBM) to improve both employee and organizational performance (Madhekeni, 2012). It was introduced in the year 2013to senior government officials in parastatals and quasi-government institutions. The main aim was to support the government to develop socio-economic transformation. The government aimed at turning around the economy after realizing the role played by government in building a country's economy. This was after the collapse of private sector economy (Farawo, 2013).

In Ghana, according to World Bank (2002), the country transformed its structures in its rural water supply sector. This was done using district assemblies and communities as a source of information. By implementing performance contracting, the water sector was transformed and several projects attracted external funding. Non-government Organizations (NGOs) and

Community Water Supply Agencies (CWSA) supported the water supply project with its efficiency resulting from implementation of PC. The country achieved major transformation in water sector. Lessons learnt from the project were incorporated into their national performance contract program. There was commitment of efficiency and high decentralization of activities (World Bank,2002).

1.1.3. Kenya Perspective

In the year 2003, Economic Recovery Strategy for Wealth and Employment Creation was introduced in government GOK (2005). The main aim was to improve performance in both government ministries as well as in parastatals through introduction of performance contracts. This was a Kenyan tool which was to measure performance against the negotiated targets (GOK, 2005). According to Obongo (2008) the initiative was implemented to produce results in the first 100 days.

Rapid Result Initiative (RRI) is another initiative adopted in Kenya in 2004. The World Bank partnered with Kenya in support of this initiative. According to GoK (2005), RRI was first piloted in 2004 by World Bank in partnership with Government of Kenya. Departments involved in piloting includes Ministry of Water and Irrigation, and National Aids Control Board. The tool aimed at improving efficiency and service delivery in Kenya, According to Obongo (2008) the initiative was also expected to produce results in the first 100 days. It was implemented to compliment Development Goals (MDGs) and our Kenyan Vision 2030. All these initiatives aimed at improving responsibility and responsiveness to citizen needs.

Kenya introduced implementation of performance contracting in public service to improve quality of service delivery. Specific aim was to increase productivity, maximize shareholder's wealth, improve wealth creation, reduce or eliminate reliance on exchequer for recurrent and development expenditure. This would enable institutions finance themselves through income generation ensuring accountability and transparency in service delivery. The focus was reduction of red tapes and bureaucracies which hinder efficient and effective delivery of goods and services to the public as the customers. This would ensure there is competition amongst government owned entities both locally and globally (GOK,2010).

PC implementation within the private sector focuses on profit maximization while in public sector the focus on efficient service delivery to citizens (Ombui,2011). In Kenya, performance

contract is implemented through Performance Appraisals System (PAS) which has been adopted in all government institutions (GOK, 2010). This system is premised on work plans, setting targets, reporting and feedback and indicators. Eventually, it is linked with other human resource management systems which include competitive recruitment and placement, inducting staff, training staff and introducing rewards and sanctions. The process is cycle in nature and requires

continuous improvement and but not a one-time exercise and require continuous implementation (GOK, 2010).

1.1.4. County Governments Perspective

County Governments were created through promulgation of the Constitution of Kenya (2010**)** which introduced the devolved system of governance. Some of the functions performed by national government are now devolved to counties with the aim of bringing services closer to the people. Similar initiative of improving service delivery, in counties have been adopted including performance contracting. The main aim is to improve service deliver, improve efficiency of resource utilization, measure and evaluate performance, orient culture of service delivery, and ensure accountability and transparency in county governments (CGA,2012).

In Kakamega County, a research wasconducted in tertiary education sector. The sector plays a key role in training and educating Kenyans towards achieving a middle level economy (Owino, 2010).Tertiary institutions signed performance contracting with the Government of Kenya in 2010 to enhance creativity, innovation and technology towards achieving goals and objectives of vision 2030 (GOK, 2010). Lack of political will, conformity with guidelines, raising inflation and fluctuations in exchange rates are among challenges hindering implementation of performance contracting in the sector (Mghenyi, 2010).In Nakuru County, performance contracting was implemented to establish how governance, employee commitment, employee skills and planning affects implementation of performance contracting Ngetich (2013).

In Makueni County, implementation of performance contracting process was introduced in the financial year 2015/16. Sensitization to senior management at the headquarters and sub-county levels was carried out. In order to make operationalization effective, a performance contracting secretariat was created working together with human resource directorate. The mandate of the secretariat was to manage departmental performance issues, influencing and motivating staff on

performance, implementing policies and strategies, monitoring performance, evaluating performance and give feedback (GMC, 2015). Section 47 of the County Government Act, 2012 has provided mechanisms for performance management by County Public Service Board. There is a requirement for each governor to submit an annual performance report of the county executive committee members and the County Assembly Public Board. Makueni County Government embarked on the journey towards implementation of performance to improve service delivery to its citizens in 2015 (GMC,2015).

In April, 2015, the County Executive Committee was trained on performance management. This was done with the main aim of introducing the initiative and its significance to the employees. It was adopted as an important process to improve service delivery (MCG, 2015). Seminar to train County Chief Officers and County Directors followed on May, 2015. Thereafter, there was process of developing departmental performance contracts to be signed by County Executive Committee Member and the Chief Officers of respective departments. The tool was to be cascaded to all other staff in the county but faced challenges at implementation stage. Key priority areas where challenges were encounteredinclude monitoring the implementation progress, appraisingemployees quarterly, reporting on the progress andgiving feedback to the employees (MCG, 2015). Directors as technical persons were separately trained to empower them cascade the process to the lower level employees but experienced similar challenges.

1.2. Statement of the Problem

The primary role of performance contracting is to help institutions maximize service delivery to the citizens. Citizens also required improved standards of quality of life. Public service plays a key role and when it becomes ineffective, lives of citizens are not only affected but also the nation's development agenda is affected as well (AAPAM,2005). Performance contracting was introduced in Kenya 14 years ago but implementation remains a challenge to some sectors in public service with specific case of Makueni County Government.

Previous studies have asserted that implementation of PC is to align individual performance of employees with the goals of the organization ((Nzuve&Kihara, 2012). According to Kananga and Partoip(2013), PC is implemented to introduce regulation of activities and controls in an organization towards agreed objectives.

However, Research done by David (2017) asserts that most managers are unable to operationalize performance appraisal system. Timothy (2017) seeks to find out how resources, strategic plans, employee motivation and training for capacity building influence implementation of performance contracting. . Felstead (2015) puts into perspective the United Kingdom scenario where work levels have dropped and demand increased in low skilled jobs during 2008 financial crisis which resulted to more pressure at work and productivity went down yet PC initiative had been put place.

The Government of Makueni County tried to implement performance contracting in 2015 and faced challenges (GMC Report (2015). This study therefore aimed at establishing the determinants influencing implementation of PC in Makueni County Government.

1.3. Objectives of the Study

The general objective of the study was to establish determinants influencing implementation of performance contracting in Makueni County Government.

1.3.1. Specific Objectives

i) To determine how Organization effectiveness influenced implementation of performance contracting in Makueni County Government.

ii) To evaluate how building human resource systems influenced implementation of performance contracting in Makueni County Government.

iii) To establish the extent to which knowledge management determined performance contracting in Makueni County Government.

iv) To examine the influence of performance appraisal system on performance contracting in Makueni County Government.

1.4. Research Questions

i) How didorganization effectiveness influence implementation of performance contract in Makueni County Government?

ii) To what extent didbuilding human resource systems determine successful implementation of performance contracting in Makueni County Government?

iii) How did knowledgemanagement determine implementation of performance contracting process?

iv) To what extent did performance appraisal system determine implementation of performance contracting in Makueni County Government?

1.5. Scope of the study

The study covered the following groups located at the county headquarters:1 County Secretary, 5 Executive Committee Members, 8 chief officers, 19 directors, 14 assistant directors, 15 employee of job group L-N and 11 employees below job group within the county headquarters.

1.6. Significance of the Study

The study aimed at contributing to theory building for further research, improve management practice and policy issues affecting county governments and identifies the determinants influencing implementation of performance contracting tool. The study would also help researchers widen the knowledge in the area of performance contracting.

1.7. Limitations of the Study

The study encountered challenge of respondents findingtime to fill the questionnaire but the researcher convinced them to fill by explaining how the research would help the county in future.The researcher also assured the respondents of highest confidentiality on any information offered and that the information was only to be used strictly for the purposes of this study only.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter reviews the following theories: Goal- Path Theory, Resource Based View theory, Transformational Leadership Theories and Two –Factor Theory in relation to organizational effectiveness, building human resource systems, knowledge management, management of performance appraisal system.

2.2. Theoretical Review

A theory in a social research is an author's view used to observe interaction of ideas so that one can make sense out of it and use such evidence to revise existing knowledge (Mugenda, 2008). aA theory may become law which is universal and generalizes facts which are observed, seen or felt, or experienced. Theoretical framework therefore is a collection of concepts which are inter-related which with the purpose of predicting a phenomenon.

Moore (1992), defines theory as a body of concepts based on quantifiable features, observable phenomena consisting of empirical data which helps us understand, what we do not know and guides in research to increase ability to find solutions to problems in different times and places. Theories in research explain what we see every day and helps researchers to apply in real situations. Theories are a body of knowledge guiding researcher towards a certain direction. They help researcher identify areas of study and understand other researcher's findings on the area of study to enable them address gaps through empirical review, and draw conclusions and enables identification of gaps. This study analyzes the following theories: Goal -path theory, Resource Based Theory, two factor theory, transformational leadership theory, and situational theory.

2.2.1. Goal-Path Theory

This theory was advanced by Robert House (1971) who explains how setting goals for employees motivates them to perform duties. He asserts how leader's behavior determines employee performance and how the behavior should complement that of his subordinates. Manager's play a major role of guidingthe employees towards their goals. According to this theory, leader's behavior is the path and what employees achieve as outcome is the goal. House

(1971) points out that a leader will change behavior according to the situation at hand. This implies that when performance contracting is being implemented, failure of a leader to change his leadership style to suit a result-based assignment because the PC has targets and timelines. It is also the duty of the leader to ensure performance contracting goals and objectives are compatible with the organizations goals. Goal-path theory is anchored on dimensions of participation, direction, achievement, and supporting subordinates in their duties.

Performance contracting implementation is done within timelines and a manager should ensure his employees meet the targets within the set period by encouraging them and motivating them. In support of this theory, Victor Vroom (1964) asserts leaders who are supportive will show concern on their employees psychological well-being. Performance contracting implementation is a stressful process and employees need a leader who cares about their emotions because employees suffer from psychological problems emanating from family issues as well office work (Muthaura, 2010).

According to Locke, (2004), goal setting acts as an incentive to employees who in turn increase productivity and feel motivated. He points out that any goal where positive feedback is expected should embrace some principles such as clarity, commitment, feedback, avoidance of ambiguity and relevance of goals to the expected outcome. He also asserts idea of setting SMART (specific, measurable, attainable, realistic and timely) goals. Hastings (2011) reiterates that clear goals are a motivator to employees, and that there exists a close relationship between setting goals and performance.

According to human resource management practices goal setting is a factor of performance. It gives clear direction on how employees meet their targets, goals and objectives set by the organization in a given period of time thus enhancing effectiveness. (Locke, 2004). Organizational effectiveness is key to successful performance contracting implementation process. There is need for proper guidance and motivation from the leader. Employees are inspired by leader's ability to guide them towards the organizational goals and objectives. This theory emphasizes on organizational effectiveness and the role played by the leader to set clear goals to his subordinates to enable them achieve strategic goals of vision 2030 and vison 2025 of Makueni County (GMC,2015).

This theory has been criticized that the leader is at the center of everything implying in the absence of the person the organization activities will be affected. An organization is a separate entity from the leader and this theory fails to separate the two. Further, this theory does not promote democracy, there is no assurance if group members in the organization are independent, intelligent or knowledgeable. Reliance on the leader hinders creativity, innovation and empowerment. The theory is universal and assumes all organizations are the same, on the contrary, organizations are unique (Liska,1993). To address the weaknesses of theory, the researcher will address to specific challenges of implementation of PC in Makueni County as opposed to how other organizations implemented their PC.

2.2.3. Transformational Leadership Theory

Transformational Leadership theory waspopularized by Burns in 1978. A transformational leader increases his follower's innovation by encouraging creativity and applying new methods of solving challenges. MacGregor (1978) introduced the concept to leaders to influence their followers positively towards achieving goals. According to this researcher, transformational leaders aims at working on existing culture while influencing behavior of individuals towards alignment with the organization's strategic objectives.

Armstrong and Taylor (2015 asserts that for an organization to identify its goals and objectives, HRM strategies should be integrated with the organization business. This will enable development contribution and ensure retention of talents, create employment and encourage ethical approach to people management. Recruitment and selection processes enhance leader's interaction with employees when right people for the right job are hired. According to Reilly (2012, human resource managers have been unclear on the strategic role of human resource management in connection with alignment of organizational interests. Communication and coordination is a function of HRM which has been overlooked.

It is important to support line managers to carry out HR function with clear goals and objectives. Allresources and especially human capital contribute to the organization's competitive advantage. Motivating employees through clear and frequent communication enhances performance (Boxall& Purcell, 2016). Strategic HRM is a positive approach to well-being of employees in an organization, (Armstrong, 2016). It is very difficult for one arrive if one does not know where they were going to, (Armstrong & Taylor, 2015). Human resource managers

should lead employees to a known destination by clearly defining goals and objectives of the organization. According to Guest (2011), HRM practitioners to dateare unable to confidently assert what impact HRM has had on organization performance. This has affected the implementation process of PC initiatives within the specified period of time in many organizations. Human resource management practices should be integrated with organizations future goals and objectives so that all employees work towards the same direction.

According to Travis (2017) this theory has been criticized for creating an impression of self-promotion. The leader role is not well reflected in the employees who do the actual duties. Further, it is difficult to rely on this theory because it is a combination of many leadership theories. There is high likelihood of employee's exploitation due to manipulation by the leader. The researcher will however apply the theory to manage the environment which is turbulent and uncertain. It calls for transformational leader to prevail in all levels of the organization challenges. According to leadership theory, the workers are devoted and therefore useful in implementation of performance contracting

2.2.2. Resource Based View Theory

Resource Based View Theory is used in this study to direct the research towards organizational competitive advantage through use of resources for development (Barney, 1991). According to Resources are categorized differently such as financial, knowledge resource, physical and technological resource, procedural resource and skills and experience. The theory supports the view that organizations should develop unique core competencies which enable them perform better than their competitors through the use of the resources.

Financial and human resources are key to successful implementation of PC. Work is done by people who are qualified and the people need finances to implement processes such as communication by sharing printed documents, use of internet, and facilitation during meetings. Efficient use of the resources results to optimal organizational performance. Competitive advantage is valuable to an organization on how a firm may become competitive by effectively utilizing resources by use of unique strategies to outshine their competitors. This is done by selecting the right strategy by exploiting internal resources and available capabilities Barney,(1991).

Cheche and Muathe (2014) points out that there is need to relate sources of resources with the strategies of an organization. This calls for competent managerial skills which include organizational learning to nurture and sustain the competencies. Signing of performance appraisals ensures targets are clearly outlined and employees are guided by set period to achieve the objectives. The outcome at the end of period confirms if the set targets are achievable.

According to Spender (2010) the theory has been criticized for failure to consider other factors surrounding resources. It assumes resources exist while in practical, resources are rare. It is not true that an organization which has resources will always be highly profitable in a competitive market. Other factors like technology and economic turbulence determine organizations success. The researcher aims at using the theory to make use of available resources in implementation of performance contracting through the use of quarterly performance appraisals.

2.2.4. Two Factor Theory

In his Two- Factor Theory, Herzberg (1959) identifies two factors, hygiene and motivation as a measure for job satisfaction of employees at workplace. He identifies hygiene factors as company policies. According to Herzberg employees are more concerned with individual needs and gratification such as achievements, recognition, responsibility and advancement of the work they are assigned. Goling (2015) refined this theory by introducing two dimensions and proposed a two-factor model of motivation. One dimension of motivation and hygiene factors. There are two factors mentioned in the theory, motivational and hygiene factors.

Herzberg's evaluates how the theory results helps in job satisfaction while hygiene factors are dissatisfying which include rules, policies and regulations. Motivational factors are intrinsic and comes within the employee while hygiene factors are extrinsic and are contributed by external factors. For example, if 30% of employees in an organization joined the organization to get high salary and get promoted and 70% joined to learn more about the business and be proud as part of the organization family, then the 70% possess intrinsic and 30% possess extrinsic motivation factors. Managers should work to support the 70% who are likely to perform better to increase productivity.

This theory has been challenged byLoiseau (2011) who felt there are two distinct human needs that influence employees, motivation and attitude. He refers to them as psychological needs which are filled when employee gets money to purchase food, clothes and shelter. He further agues factors that dissatisfy employees such as company policies, supervision and work environment make employees perform poorly. He encourages internal factors such as job fulfillment, responsibility, salary increase as factors which motivate employees to perform better. To implement performance contracting effectively, the managers should avoid what makes employees dissatisfied and motivate them with incentives, promotions and recognition. Two-factor theory relates knowledge on performance contracting which entails trainingand evaluation as satisfiers which motivate employees to work harder. Knowledge is extrinsic factor which increases job satisfaction, (Stello, 2011). The theory has been rated by researchers as one of the most significant in job satisfaction and the model is most ideal for both public and private sector.

2.4. Empirical Review

Empirical review contains original experiments, surveys and research and summarizes the progress or current state of a particular subject for the field under study. Theoretical review establishes relationship between the variables and how they directly determine successful implementation of performance contract in organizations. The organizations goals and objectives are communicated through signing of performance contracts which are managed through performance annual or quarterly appraisals.

2.4.1. Performance Contracting

Timothy (2017) identifies challenges such as lack of enough resources, monitoring and evaluation, initiating policies, fast-tracking, setting achievable targets and lack of rewards for performing employees. Muriu, (2014) points out performance contracting is an initiative for performance reforms in public sector aiming at improving effectiveness, efficiency and reduces cost by signing an agreement between two parties and use of measurement instruments t measure what has been achieved. A number of instruments may be used to measure results such as monitoring and control methods, Muriu (2014). In any organization, employees are the most important resource and are considered the heart of the organization. No organization can achieve its objectives without the efforts of its employees and they therefore need an inducement to work

harder. The strategic approach to human resource management (HRM) closed relate organizational performance and individual employee.

Muriu(2014) defined performance measurement as process of ensuring achievements and gaps in performance are attained with an understanding of improving performance by agreeing on what needs to be done how, when and where in agreement. Performance measurement succeeds if there is ownership of the process at all a level. Performance measurement does not always result to positive results. Decline in productivity should also be expected. The essence of measurement is to take corrective measures on declining performance and reward outstanding performance, (Kariuki,2011). All employees should be trained on benefits of performance contracting to the government and involve all stakeholders in the process so as to own the initiative.

After signing the contract, Key Performance Indicators (KIPs) are availed to the supervisor and the employees should be trained to identify the indicators, for example, in service deliver some indicators would be number of customers requesting for the service, cost of the service, number of complaints received, emails written received from citizens requesting for services, phone calls per day and names of the caller's name. In terms of efficiency some indicators would be volume of tasks per staff, number of customer complaints, time allocated for training, human errors and average cycle from time of request to delivery. Employees require intensive training on the indicators to enable them work towards the objectives set by the organization. (GOK, 2010).

Kobia andOtwala (2016) evaluates performance rewards and sanctions framework, outlining the current rewards and sanctions for administering the rewards and sanctions. Examples of Excellent performance would be a one month's salary reward, promotions and demotions, letter of commendation, national honors, International honors, good performance for the first time the employee gets cautionary letter, second time a warning letter. Employees implementing performance contracting ought to be aware of these rewards and sanctions as a motivator to achieving goals and objectives.

2.4.2. Organizational Effectiveness

Goal Path theory is closely related to organizational effectiveness. The leader leads the way to achieving goals within the stipulated period. According to Ilori (2015) PC is key for a public sector to effectively attain organizational goals and objectives through strategic planning.HRM

Strategic planning contributes to organization's effectiveness and therefore it has been embraced all over the world in both public and private sectors. PC is a tool used to fast track performance with the main objective of guiding the firm towards its priority projects. According to Owolabi and Makinde (2012) organizational effectiveness strategically helps managers to look forward to what an organization aims at achieving in future. It helps put in place implementation strategies to ensure the process does not encounter challenges. Some managers still face a challenge of realizing significance and importance of strategic approach.

Effective organization strives to solve employee health related problems at work place, as well as psychological and physical well- being (Gakure 2013). Mental illness has been associated with poor performance amongst employees and an effective organization will frequently review medical status of its staff. Innovation and creativity are key to organization effectiveness. Through effective communication employees are encouraged to introduce new ideas. Implementing performance contracting required employees with knowledge and experienceto share with other stakeholders for successful implementationsJob satisfaction, involvement and accountability are linked with performance of employees.

Through effective organizational leadership, it is expected by year 2025, there will be remarkable poverty reduction, and appropriate wealth creation strategies will have been put in place. This will improve the standards of living of citizens of Makueni County, (GMC, 2015). By the year 2015, the Government expects to achieve on clean environment as envisaged in vision 2030, and achieve goals contained in the global United Nations Sustainable Development Goals (SDGs) which among other objectives aims at reducing poverty, hunger and food insecurity, climate change, illiteracy and inequality and address disparities as well as social conflicts. The vision 2025 also tries to actualize the National Environmental Policy 2013, the National Food and Nutrition Security Policy 2011 and the Water Act 2002 among other strategies.

2.4.3. Building Human Resource Systems

The best human resource management practices are the systems that attracts, develops, motivates, and retains employees to ensure effective implementation and the survival of organization together with its members. It is also a conceptualized set of internally consistent

policies and practices designed and later implemented to ensure the organization human capital contributed to achievement of its business objective.

Boxall and Purcell (2016) asserts that for many years now, researchers and theorists have tried to make a considerable progress to point out the role of human resource management practices both internally and externally. HRM is linked to performance of an organization and in particular challenges of implementing performance contracting. Different researchers have different opinion on HRM role in performance. No much progress has been done while Guest (2012) agrees there is progress and researchers are still progressing to establish how HRM influences performance contracting in organizations.

According to Ahmad Razimi*et al*. (2017) the process of recruitment and selection in human resource management from Islamic perspective affects human resource activities as the most valued asset in an organization. He addressed recruitment and selection process in managing Islamic organizations where performance contracting initiative is practiced. He points out recruitment and selection process should take into consideration internal environment such as promotion from within which motivates staff to higher performance. Recruitment and selection process determines quality of employees recruited and their performance. Any organization that ensures human resource management practices are consistent achieves its objectives. Cumming (2011) asserts employees expect incentives both in kind and monetary as reward for good performance. Employers expect too much from

employees without reciprocating. Underperformance results from lack of motivation to employees.

When employees are motivated, they are highly productive to expectation of the organization and competitive advantage is achieved (Amina, 2014). Use of technology to enable employees perform their tasks efficiently and effectively is often ignored in finding solution for employee well-being. Routine activities automation, opportunities to work from home should be considered if the employee has the right tools to work from home and produce the expected results within the set period of time. The aspect of fairness also affects employee performance. The society and organizations unfairness to employees has affected productivity.

Performance contracting is viewed as an exercise which entails setting performance goals. Communication individual employees to channel their efforts towards achieving common objectives of the organization. Employees perceive recognition from their supervisors as an incentive on fulfillment of obligation. This is referred to as psychological contract and is highly linked with performance. While Employer expects good performance, employee also expects recognition through reward (Defense Forces ,2011).

Transformational Leadership theory is key to influencing employees towards organization goals and objective. Leadership style refers to how a leader delegates tasks and how he sets goals to his followers to achieve a common goal. Employees are motivated when clear goals and targets are set. The leader should share organizational vision and mission with employees. It is also the leader's responsibility to ensure effectiveness in service delivery and ensure appropriate use of resources. Leaders also measure employee performance specifically the quality of work, reward their achievements and inspire non-performance.

2.4.4. Knowledge Management on PC Implementation Process

Knowledge management is a process of creating, sharing, using and managing the knowledge and information of an organization to achieve organizational objectives. Knowledge on human capital is the most important in any organization. The organization therefore requires a framework to assess its employee's performance through sharing information, creating forums for exchange of information concerning ability of the employee, work standards, commitment and performance. In implementation of performance contracting knowledge management would assist in designing a performance appraisal is a tool that outlines what needs to be done in an organization in order to achieve the purpose of the job, (Ikram 2011). Human resource are main and key aspects in every organization, service or production, representing total knowledge, talent, creative ability, aptitude and belief of an individual involved in the organization. Knowledge management and human resource are regarded as key levelers of competitive advantage in global, dynamic and complex business environmentthrough which government can enhance performance, innovation and practices. The two concepts of people and knowledge, with consideration to the context of knowledge work. Knowledge management enables managers to impact relevant knowledge and information to juniors whom they supervise. It can therefore be assumed that the evaluation framework will depend on the knowledge of the

appraiser, who uses performance contracting knowledge to appraise the staff under his supervision,(Amina 2014).

In implementation of performance contracting, knowledge management is used by consultants to carrying out SWOT (strengths, weaknesses, opportunities and strengths) analysis of the organization. This helps to determine if the institution has the capacity to implement the PC initiative. It also ensures that the targets being developed are SMART (specific, measurable, realistic and timely) and if they can be benchmarked with other organizations implementing same performance tool GoK (2010). The phase of negotiation part where the parties agreed upon targets are included in the performance contract. The Performance Contracting secretariat has a mandate of vetting the contract to ensure that it is anchored on information shared from individual departmental guidelines and that they are linked to the strategic objectives of that institution and in line with vision 2030 and vision 2025 in case of Government of Makueni County GoK (2010).

Knowledge management is also defined as being familiar with subject, awareness or someone understanding something clearly, facts, information, skills experience both in material and practically (Thomson,2017). Organization culture influences knowledge management by supporting knowledge sharing amongst employees and therefore managers should create a culture that supports implementation of performance contracting. Knowledge management governance system is essential in an organization structure for implementation of performance contracting.

Some organizations create a position of a Chief Knowledge Officer whose key role is to share information to all employees and ensures all employees are well updated. Performance contracting is a new concept in some organizations and knowledge through training employees by evaluators is key. Knowledge measurement should always be linked to intellectual and experience of employees and should be transformed into competitive advantage for the organization. Employees should be trained on how to achieve targets, how to recognize their own performance indicators and how they are linked with the organization goals and objectives.

In order to acquire enough knowledge, there is need for training of staff at all levels on implementation process system so that the whole organization is moving towards achieving same goals and objectives. The training should focus on development of manpower, innovation and

research which help to attain the larger national goal of vision 2030 and for Government of Makueni County attainment of vision 2025 (Muthaura, 2010). It should also focus on how national government institutions have implemented performance contracting initiative. Involvement of all stakeholders in the process enables ownership of the process thus creating a good working relationship between the managers and subordinates. Adequate training cannot be achieved if allocation of funds allocated is not enough. All employees in the organization should be sensitized through seminars, workshops and official circulars accompanied by the policies supporting the imitative of performance contracting. Proper guidance on how the performance contracting process is conducted should be documented and every employee provided with information and material to read for reference purposes.

To ensure all employees are well informed, there is need for a secretariat whose main mandate is to sensitize workers on a daily basis and share information, answer questions, conduct and pilot surveys to ascertain if the employees support the initiative and provide feedback to the management. The meaning and purpose of performance contracting should be well communicated to employees in terms of improving service delivery through quality and timely service to citizens, improve productivity so that there is maximization of stakeholder wealth to those companies who trade with the government. PC also aims at eliminating or reducing reliance on exchequer funds for recurrent so that departments can generate income for their expenditure at the same time instilling a sense of accountability and transparency (GOK, 2010).

The team spearheading the process should come up with strategies which simplify understanding of performance contracting terms. There should be creation of awareness on performance indicators which show the actual results and the indicators should be relevant to specific departments and directorates. The evaluators should be people with experience in performance contracting in Kenya scenario. Knowledge management influences performance. Abdel and Mohammed (2017) tries to examine effectiveness of knowledge management in their specific field of infrastructure.

2.4.5. Performance Appraisal System and Implementation of Performance Contracting

According to Juliana (2017), in implementation of performance, contracting in Kenya is normally done by quarterly basis. At the end of the quarter, each department submits its reports and finally annual reports are filed. Setting of targets is based on institution's strategic plan.

Targets are formulated in categories in descending order, financial indicators, service delivery indicators, operational indicators and dynamism indicators. The targets are negotiated according to availability of resources both financial and human capital, time frame, relevancy of policy existing document such as vision 2030 and the Government of Makueni County vision 2025. Through Performance Management System (PMS) procedure, it is possible to certify an employee's records in the organization in order to decide on the outcome of the appraisal exercise. The evaluation system. Performance appraisal has a motivational effect and enables management of different groups through either financial or non-financial rewards.

In implementing the performance contracting process, Monitoring and evaluation is a continuous process where the cycle is repeated every year and should reflect continuous improvement, at the same time indicating how both financial and human resources have been utilized. In examining performance appraisal system, Liz (2012) asserts that PAS is an important tool for measuring performance of employees in an organization. It helps track individual contribution towards or against organizational goals. Managers failure to rate their employees from top-down and link their quarterly and annual performance appraisals with organizational priority objectives affects implementation.

Managers monitor and evaluate the attainment of targets set, expectations and objectives and also the delegated tasks and how they have been achieved. The process of measuring employee performance is done by managers by evaluating program policies and identify areas requiring improvement for training and development recommendation. Performance framework for county governments aims at encouraging and promoting accountability in service delivery to ensure that government operations are efficient, effective and economically implemented and are in accordance to County Performance Act, 2012, vision 2030, and County Integrated Development Plan. To achieve organization goals and objectives, human capital, financial, legal and informational resources are key in implementation of PC initiative.

2.4.6. Summary of Literature Review

It is evident that performance contracting tool has been recognized globally and locally and if organizations can overcome the challenges, it is the right tool for improvement of productivity. In all theories, employee motivation, clarity of goals and objectives, and employee involvement are key to performance. Goal-path theory asserts the need for governments to sensitize their

vision and mission so that they all work towards a common goal of improving productivity. The leader shows the path to the employees who goals through his guidance. Resource Based View theory emphasizes on setting goals and achieving them to achieve desired results. Leadership Theories focus on what am employee expects from employer after achieving goals set and how the employer should reward good performance. It encourages leaders to change behavior of their followers to achieve even the most difficult targets. Two factor theory explains what satisfies or dissatisfies am employee in the process of performance.

2.4.7. Research Gaps

Performance contracting implementation has been done to address different challenges in different institutions. Belgium had a challenge of deregulating public policy in monopolistic government agencies while in New Zealand implementation of PC aimed at pushing reforms in public sector to measure performance, (OECD, 1995). In Denmark PC implementation was done to enable government departments to be more responsive to their citizens. France implemented PC as a tool to enable them adopt to the changing environment, (OECD ,1999). In Kenya, implementation of PC aimed at improving service delivery in public sector while in Ghana and Uganda water sector had challenge (GOK, 2010). Muriu (2014) researched on factors affecting implementation of PC in Civil Service while in Kakamega County the research focused on Tertiary Public Colleges. The study seeks to fill the gap left by other researchers on how organization effectiveness, human resource management practices, knowledge management and performance appraisal system determines implementation of performance contracting in Makueni County Government.

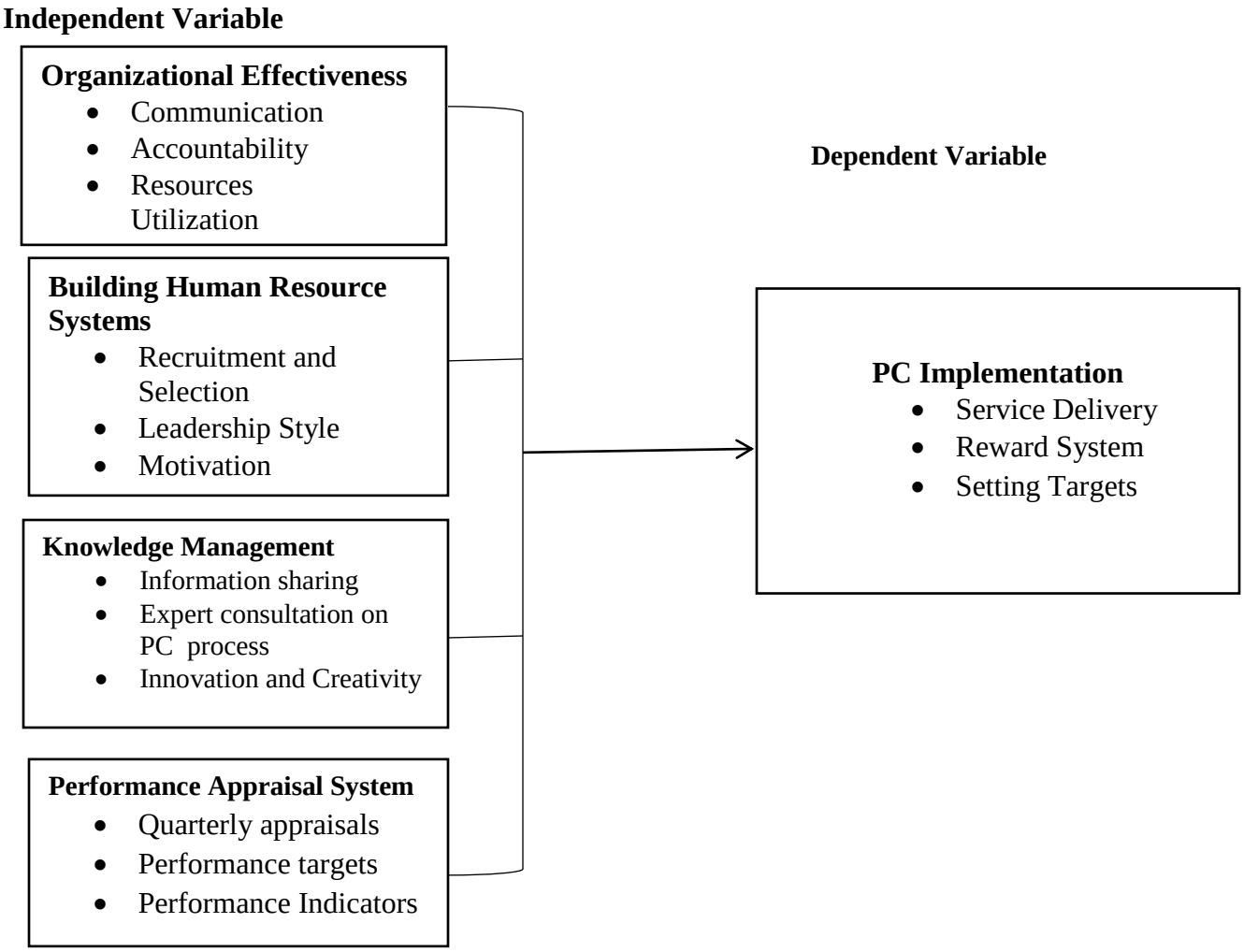


Fig. Fig.1 Conceptual Framework

Source: Researcher's Data 2018

2.5.1. Summary of Conceptual Framework

Performance contracting is a performance tool implemented globally and introduced in Kenya in 2004. In order to implement this tool successfully, there is need for consulted effort by the organization to impact knowledge to employees through training on skills needed to implement the initiative. It requires strategic thinking towards the organizational goals and objectives, measurement of performance and evidence by use of performance indicators. Policies which guide use of performance contracting should be interrogated to ensure Government of Makueni

County and other county governments adhere to the guidelines and the County Government Performance Contracting Act, 2012.

The most important asset in any organization is the human resource who performs the work. The employees should be sanitized about performance contracting initiative through trainings, seminars and official circulars. Employees should be made aware of organizations strategic goals and objectives so as to understand how their efforts are linked to success of performance contracting. They need empowerment in technology so that they can share information quickly and efficiently through use of electronic devices and internet availability. Flexible working conditions motivate employees to meet their targets regardless whether they work from office or elsewhere. Government regulations state work starts from 8.00 a.m. to 5.00 p.m. but flexibility to allow employees to work outside the normal work office environment helps in concentration and produces better results, it is a factor to be considered when motivating employees.

There should be use of performance appraisals quarterly to gauge employee's performance after about three moths so that any corrective measures are done before it is too late. Monitoring and evaluation is important in the course of implementing the appraisals in order to ensure employees are working towards the right direction. Psychological contract has helped many organizations create a cordial working relationship with their employees where the employee expectations are met by employer without formal request. Employees like recognition and if employer appreciates then either with monetary reward or in kind, this boosts employee performance, top-bottom communication is equally important to enable organization work as a team. All organizations work towards goals and objectives. Performance contracting is about achieving priority objectives of an organization and therefore there is need to link it with international goals such as United Nations Millennium Development Goals (MDGs) which aim at poverty eradication, addresses conflicts, raising literacy levels and issues of climate change., national goals of vision 2030 which focuses on social, and economic improvement and cascade same objectives to Government of Makueni County through implementation of vision 2025, County Integrated Development Plans, and County Spatial Plans and all other development plans as envisaged in Kenya Constitution, 2010.

Performance contracting is implemented in accordance with the County Governments Act, 2012, County Performance Contracting Act, 2012, the Public Finance Management Act, 2012 and

performance Framework for County Governments, 2017. Political goodwill to implement projects enhances performance commitment and encourages employees to work without interference from the political class. Adherence to emerging policies such as environmental policies is also vital for performance and creates a good working environment.

In order to implement performance contracting successfully, there is need to train employees through benchmarking with those organizations which have implemented the initiative successfully. Knowledge management entails employees trained in the specific field of performance contracting. It also requires employee to understand the organization structure, the governance and leadership style, and who have experience in implementing the initiative so that they can guide the employees towards the right direction.

When the is lack of knowledge in implementation of performance appraisal system it is difficult to identify of gaps by experts who eventually offer advice to the management to take corrective measures. Designing the appraisal tool requires expertize to avoid ambiguity. Lack of training and mentorship contributes to challenges in implementation process. Since most county projects are determined by the citizens through public participation, stakeholder involvement helps ownership of the process and this creates conducive work environment for employees. Implementations of performance contracting require identification of performance indicators and measurement criteria to show the actual output.

CHAPTER THREE

RESEARCH DESIGN

3.1 Introduction

The chapter contains the research design, study population, sample size, data collection technique, research instruments and analysis.

3.2. Research Design

Amina (2014) defines research design as "blue print for conducting a study with maximum control over factors that may interfere with the validity of the finding". The researcher used descriptiveresearch design to help provide answers to the questions of why, what and how, associated with the research problem in respect of the variables. Inferential statistics was used to analyze the data, the findings were presented using figures, percentages, frequencies and tables to explain what influenced implementation challenges of performance contracting in Government of Makueni County.

3.3. Study Population

The study population was 300 with a sample size of 72 as follows: 5 executive committee members, 8 Chief Officers, 19 Directors, 14 Assistant Directors, 15 officers of Job Group L-N and 11 officers below job group L.

Table 3.1: Target Group	**Population**	**Sample Size**	**Percentage**
Executive Committee Members	5	5	7
Chief Officers	8	8	11
Directors	19	19	26
Assistant Directors	14	14	20
Job Group L-N	15	15	21
Below Job Group L	11	11	15
Total	**72**	**72**	**100.0**

3.4. Sample Design and Technique

Purposive sampling design was used where 72 respondents are drawn from 6 different categories of employees who consist of top and lower level employees of Government of Makueni County. Simple sampling design was used to identify members from the 6 groups. The researcher chose the group because the top management are the policy makers of the county, directors and

assistants are technical team and other support staff and the lower level forms a combination that limits bias. Implementation of PC will largely depend on support of topmanagers as policy makers and their input is key before the process is cascaded to the lower level employees.

3.5. Sample Size

Sampling refers to the process of selecting subjects of study from the population so that if the sample is studied, the results will be a representative of the entire population. The researcher used simple random samplingto draw respondents from the selected groups.

3.6. Data Collection Procedure

The study will use primary data collected by the researcher from target sample using closed and open- ended questionnaire dropped and picked by the researcher to each of the 72 respondents. The use of the questionnaire is most appropriate in this survey because the target group is knowledgeable and can read and write perfectly.

3.7. Data Collection Instruments

The researcherused questionnaire consisting of two sections, Section (a) Bio data capturing age bracket, educational background and level of education and section (b) consistedof research questions designed on 5-point Likert Scale. The respondents used the questionnaires, which were closed, and open- ended to respond to the questions. The open-ended part of questionnaire enabledthe respondent's freedom to express their feelings and attitude towards implementation of performance contracting tool. The closed ended questionnaire enabledrespondents an equal opportunity to answer exactly same question. The researcher guided the respondents in filling the questionnaire when required to do, (Kothari 2004).

3.7.1. Validity and Reliability

According to Orodho (2013) validity of a study is the accuracy and the meaning of the inference and behavior based on research results. It is a judgment of the relationship of the study and the variables. Validity of an instrument is the based on logical reasoning, past experiences and knowledge of the researcher. To test validity, researcher piloted 1% of the total respondents. The researcher tried to find out whether if study was repeated a second time, using same instrument and all other factors being constant, would produce same results. If the results were the same then the data is said to be reliable.

3.8. Date Analysis and Presentation

The study wasadopted bothdescriptive and inferential statistics. Descriptive statistics described the data collected by use of percentages or numbers while inferential statistics was done by use of Statistical Packages for Social Sciences (SPSS) to give a general prediction and relationship between the variables. The data was presented by use of tables and figures.

3.9. Ethical Consideration

To ensure confidentiality of information provided by respondents, the researcher followed strict rules of administering the questionnaire personally, ensured no other person has access to the questionnaires and after the exercise, the researcher was the only custodian of any material used in the research and since they contain no names, they were not associated any particular respondent.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION, PRESENTATION AND DISCUSSION

This chapter outlines detailed data analysis, interpretation and presentation. The analysis of data was undertaken in relation to the variables that comprised the study. The variables are; organization effectiveness, building human resource systems, knowledge management, Management of performance appraisal system, and performance contracting implementation in Government of Makueni County.

4.1. Response Rate

Response rate is the response rate as the extent to which the final data set includes all sample members, a ratio of actual respondents to expected number of the percentage ofpeople are targeted by the survey. High survey response rate ensures that the survey results are representative of the target population. Questionnaires were self-administered by researcher and the data analyzed was obtained from 72 respondents out of targeted 72 respondents, which translated to 100% response.

Table 4.1: Response Rate Analysis

		Frequency	Valid Percent	Cumulative Percent
Valid	Responded	72	100	100
	Not Responded	0	0	0
	Total	72	100.0	100.0

Source: Field Data (2018)

4.2.1. Characteristics of Response by Age

In this section, the researcher was investigating the age bracket of the respondents. Findings presented indicated that 4.2% of total respondents were aged over 45 years compared to 37.5% of respondents of age bracket 31-35 years. Respondents aged 41-44 years were resented by15.3 % response while 6.9% represented respondents aged between 20-25 years. 16.7% of respondents were in age bracket 26-30 years with only19.4% of total respondents aged between 36-40 years of age.

Armstrong (2003) indicates that a healthy organization should engage a balanced and well-distributed age bracket of employees in order to allow smooth operations. Generation gap always exist in organizations but well balanced ages of employees allow sharing of diverse ideas and experiences. The age of staff may have an implication in the implementation of performance contracting tool in one way or another.

Table 4.2:Age of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 -25 years	5	6.9	6.9	6.9
	26-30 years	12	16.7	16.7	23.6
	31-35years	27	37.5	37.5	61.1
	36-40 years	14	19.4	19.4	80.6
	41- 44 years	11	15.3	15.3	95.8
	Over 45 years	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

Source: Research Data (2018)

4.2.2. Character of Respondents by Level of Education

The analysis showed majority of respondents had master degree and above representing 37.5% of total respondents, which was equal to those withbachelordegree at 37.5%. 19.4% represented respondents who possessed a diploma while only 5.6% of respondents possessed a certificate. The study revealed that a good number of employees are well educated with a very small percentage of employees with certificates. The number of employees with masters and bachelor degree gives a 75% rate, indicating that the County has a high number of employees who have gone to university. This implies if employees are well trained on performance implementation process, the results may be positive because of their level of education.

Table4.3: Level of Education

		Frequency	Percentage	Valid Percent	Cumulative Percent
Valid	Certificate	4	5.6	5.6	5.6
	Diploma	14	19.4	19.4	25.0
	Bachelor's degree	27	37.5	37.5	62.5
	Masters and above	27	37.5	37.5	100.0
	Total	72	100.0	100.0	

Source: Research Date (2018)

4.2.3. Character of Respondents by Working Experience

Majority of respondents had worked between 1-2 years represented by55.6% while 26.4% represented employees with over 4 years' experience. 11.1% of total respondents have worked below 1year while only 6.9% of respondents have worked between3-4 years.

This implies that majority of employees possess working experience with Government of Makueni County for long period of time and if well trained and mentored, they can implement the performance contracting initiative successfully.The findings concur with study by Kobia&Otwala (2006) who studied on Kenya Experience with Performance Contracting and observed that 53% of the employees had worked in the civil service for more than 3 years.

Table 1.4: Length of Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below Year	8	11.1	11.1	11.1
	1-2 years	40	55.6	55.6	66.7
	3-4 years	5	6.9	6.9	73.6
	Over 4 years	19	26.4	26.4	100.0
	Total	72	100.0	100.0	

Source: Research Date (2018)

4.3. Findings According to Research Questions

4.3.1. Organization Effectiveness on Performance Implementation

The first objective of the study was to determine how organization effectiveness influenced implementation of performance contracting in Makueni County Government. On a scale of 1 – 5, where 1 = strongly agree, 2= disagree, 3 = neutral, 4 =disagree and 5 = strongly disagree, respondents were asked to respond to the statements below.

Table 4.2: Organization Effectiveness on PC Implementation

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation
(a) I fully understand the role of organization effectiveness in implementation of Performance Contracting(PC).	20.8%	8.3%	11.1%	41.7%	18.1%	3.28	1.416
(b) My organization has achieved its goals and objectives so far.	5.6%	30.6%	11.1%	31.9%	20.8%	3.32	1.265
(c) The top management involves stakeholders in implementation process of PC.	8.3%	15.3%	43.1%	20.8%	8.3%	3.51	1.267
(d) Maintaining stable workforce may not affect implementation of PC.	31.9%	55.6%	6.9%	2.8%	2.8%	1.89	.865
(e) I am convinced that what the government input is equivalent to the output during the PC Implementation process.	8.3%	20.8%	23.6%	37.5%	9.7%	3.19	1.134
(f)Information sharing plays a key role in implementation of performance contracting	19.4%	44.4%	11.1%	13.9%	11.1%	2.53	1.267
(g) When my supervisor gives clear instructions on my assignments I perform better.	13.9%	41.7%	9.7%	20.8%	13.9%	3.21	1.310

Source; Researcher's Data (2018)

41.7%% of total respondentsdisagreed they fully understood meaning of organizational effectivenesswith 20.8%strongly agreeing and only 11.1% were neutral. Effectiveness and efficiency play a very important role in organization's strategic plans. 31.9% of total respondents disagreed that Government of Makueni County had achieved its goals and objectives. 30.6% felt the organization objectives were achieved with only 11.1% neutral. The findings clearly indicate that the Government of Makueni County require to put in place strategies on how to achieve its goals and objectives and put measures on sustainability of performance contracting initiative. The findings collaborate with House (1971) who asserts that setting goals and objectives motivate employees to perform better.

20.8% of total respondents disagreed that top management involved all stakeholders in implementing PC process.

15.3% had contrary opinion and agreed that the stakeholders were involved while 43.1% of total respondents were neutral. From the findings, the researcher felt there was urgent need for Government of Makueni County to put in place ways and means of involving all employees and other stakeholders in PC implementation process in order to own the initiative. MacGregor (1978)agrees with the findings that top management is charged with duty to influence their followers towards inclusiveness in decision-making.

55.6% of total respondents agreed that stable workforce played a vital role in implementing PC in Makueni County with only 2.8% disagreeing and 6.9% neutral. The rating showed that maintaining stable workforcemight improve productivity and specifically implementation of performance contracting. This concurs with Cheche&Muathe (2014) that there is need for organization to relate the human resource with organizational strategies.

37.5% of respondents disagreed that resource input was equal to the output with 20.8% agreeing that inputs were equal to outputs.23.6% were neutral. The findings indicate that government resources are not well utilized and there is need to put measures to ensure resources are utilized on the right projects for the benefit of citizens of Makueni County. One measure could be implementation of performance contracting involving all the employees of the county. Finney (2005) concurs with the findings that an organization should utilize resources effectively and efficiently to achieve competitive advantage.

44.4% of totalrespondents agreed sharing information played a vital role in PC implementation with only 13.9% disagreeing and 11.1% neutral. The findings revealed employees of Makueni County valued information sharing in order to implement PC. Study findings indicatecommunication and coordination of human resource activities are often overlooked and this leads to employees lack of information to perform their duties.

41.7% of totalrespondents agreed that supervisors did not issue clear instructions before assigning duties which greatly affected implementation of PC while 13.9% agreed they were clear, with 11.1% neutral. From the findings the researcher felt that supervisors failed to take their role in guiding and assigning duties to employees with clear instructions. David (2017)

agrees with the findings in that managers are unable to operationalize performance contracting system by failing to set clear instructions to achieve goals and objectives.

In the open-ended questionnaire, the researcher aimed at establishing if the employees actually understood the term "organization effectiveness" and were also expected to comment on aspect of communication. 92% of respondents explained organization effectiveness as doing the right job by the right people at the right time with 8% describing organization effectiveness as being able to deliver services to the citizens and proper use of resources. On the part of communication, 82% of respondents felt that top-bottom communication was not effective with 12% expressing general concern that communication channels were not clear.

4.3.2. Building Human Resource SystemsonPC Implementation

The second objective of the study was to evaluate how building human resource systems influenced implementation of performance contracting in Makueni County Government. The respondents were asked to respond on human resource issues in relation to implementation of PC. The best human resource systems are those that are built by the organization that can predict the number and type of employees who are needed to fulfil customer demands for products or services.

This is often based on experience and should include designing work that motivates and satisfies the employees and the employer as well as the customers. Recruiting practices and employee development systems that enable a high level of employee selection and development are encouraged in any organization wishing to satisfy its customers. Customers of Government of Makueni County are the citizens. Investors , well-wishers and donors are also external customers who may partner with the Government for development of projects which benefit the citizens both in Makueni and countrywide.

Table 4.3 :Building Human Resource Systems

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation
(a)Recruitment and selection play a role in implementation of Performance Contracting in my county	13.9%	51.4%	9.7%	18.1%	6.9%	2.53	1.150
(b)In my county Human Resource Directorate is proactive on implementation of performance Contracting initiative	12.5%	20.8%	6.9%	45.8%	13.9%	3.28	1.292
(c) Whether motivated or not I can still perform my duties.	15.3%	16.7%	11.1%	50.0%	6.9%	3.17	1.245
(d) If I meet my targets within the timelines and I expect my boss to recognize my efforts.	19.4%	65.3%	5.6%	4.2%	5.6%	2.11	.958
(e) Leadership style plays a major role in implementation of PC.	5.6%	63.9%	6.9%	11.1%	12.5%	2.61	1.157
(f) Mentorship and coaching do not influence implementation of performance contracting.	13.9%	20.8%	6.9%	51.4%	6.9%	3.17	1.245
(g) Human Resource directorate is fully empowered to operationalize implementation of PC in my county.	9.7%	16.7%	4.2%	62.5%	6.9%	2.53	1.150

Source; Researcher's Data (2018)

51.4% of total respondents agreed recruitment and selection played a major role in implementation of PC in Government of Makueni County with9.7% being neutral. The findings imply that the recruitment and selection body consider recruiting employees with PC implementation experience. Guest (2011) concurs with the findings in that human resource practitioners should assert employee impact on performance contracting implementation when conducting recruitment and selection process.

45.8% disagreed that human resource directorate was proactive on PC implementation while20.8% agreed they were proactive with 6.9% beingneutral. This imply that the human resource directorate should be on the fore front to guide employees on PC process, together with the experts in the PC secretariat. Armstrong and Taylor (2015) emphasize on how managers should be proactive in leading other employees towards attainment of goals and objectives of the organization.

50.0 % of respondents disagreed they could work without motivation while 15.3% strongly agreed thatmotivation was important. 11.1% were neutral. Goling (2015) collaborates with the findings in that employees require motivational factors such as job enrichment, promotions or feedback in order to perform their duties with positive attitude and achieve targets.

65.3%of total respondents agreed they appreciated recognition when they achieved their targets with 6.9% neutral.

63.9% agreed leadership style was essential in implementation of PC with only 11.1% neutral. Setting policies, organization structure and culture of the organization is an important component in PC implementation process. Kristiansen (2015) agrees with the findings that in Denmark performance contracting was introduced in 1980's and 90's to improve policy control, efficiency and instill confidence in citizens.51.4% of total respondents disagreed that mentorship played important role in implementation of PC while 20.8 % agreed. Only 13.9% strongly agreed.

62.5% of total respondents disagreed that HRM directorate was empowered to implement PC with 16.7% agreeing it was empowered. Only 4.2 % of total respondents were neutral. The researcher noted that human resource directorate required more experienced employees to spearhead the implementation process. For successful implementation of PC there is need for both financial and human resource.

In the open-ended questionnaire, the researcher intended to know the extent to which the PC initiative could help the county to improve performance and if they required motivation to perform. 90% of respondents agreed the initiative could improve performance while 10% felt they did not support the PC initiative. 99% of employees could work harder if either they were well motivated with monetary rewards or otherwise with only 1% who stated they could work without motivation.

4.3.3. KnowledgeManagement on PC Implementation Process

The third objective of the study was to establish the extent to which knowledge management on PC implementation in Makueni County Government. The respondents were taskedto establishhow knowledge determinesperformance implementation in Makueni County Government.

Table 4.4: Knowledge Management on PC Implementation Process

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation
(a)The PC secretariat team have past experience on PC implementation process	8.3%	18.1%	6.9%	55.6%	11.1%	3.43	1.161
(b) The county require knowledgeable experts on PC	19.4%	62.5%	4.2%	6.9%	6.9%	2.19	1.057
(c)The Evaluators of PC are fair to all employees	11.1%	22.2%	8.3%	48.6%	9.7%	3.24	1.228
(d)Evaluation on PC tool is done by experts and reviewed annually	8.3%	20.8%	12.5%	44.4%	13.9%	3.35	1.200
(e) Consultants have been involved in the PC implementation process	6.9%	18.1%	16.7%	48.6%	9.7%	3.36	1.104
(f) Monitoring and evaluation on employee progress is done on PC implementation	5.6%	18.1%	9.7%	56.9%	9.7%	3.47	1.074
(g) Departmental reports on employee performance are generated on quarterly basis	12.5%	18.1%	8.3%	47.2%	13.9%	3.32	1.276

Source: Researcher's Data (2018)

55.6% of total respondents disagreed that the secretariat team had past experience in PC process with 18.1% percent agreeing they were experienced. Only 6.9% remained neutral. The findings imply that experience in PC implementation isvital. The findings indicate knowledge management should always be linked with the intellectual experience of employees. The knowledge should later be transformed into competitive advantage of the organization.

62.5% of total respondents agreed that the county required experts on PC implementation with 6.9% disagreeing. 4.2% were neutral. The findings therefore indicate that lack of expertize in PC process contributed largely on failure of PC process in Makueni County Government. 48.6% of respondents disagreed that evaluators were fair to all employees while 22.2% felt they were fair. 8.3% did not indicate their views.

44.4% respondents felt the evaluation of PC tool was not done by experts while 20.8% agreed it was done by experts with 12.5% of respondents being neutral. The findings revealed the tool

used contributed to challenges in implementation process. Ahmad et al. (2013) agrees with the findings that the tool should relate to the job of the employee for the supervisor to establish employee weaknesses and strengths.48.6% of total respondents disagreed that consultants were involved in PC implementation process. 18.1% agreed consultants were involved with 16.7% neutral.

56.9% disagreed monitoring and evaluation on employee progress is done with 18.1% agreeing the evaluation is done. Only 9.7% was neutral. The findings established that employees were not monitored and quarterly evaluations were not done. According to Chepkemei and Chebet (2013 managers' failure to rate their employees from top-bottom and link their quarterly and annual performance appraisal with organization priority objectives affect implementation.

47.2% disagreed that reports were developed at departmental level. However, 18.1% agreed that evaluations were done. The researcher noted that lack of monitoring and evaluation at departmental level affects overall performance of the county. Goling (2015) agrees with the researcher findings that managers monitor and evaluate the attainment of targets set, expectations and objectives. They also delegate tasks and monitor achievements of employees.

In the open-ended questionnaire, the researcher observed that 70% of respondents agreed knowledge management was generally not taken into consideration when implementation of PC with 30% requiring guidance.Researcher findings that managers monitor and evaluate the attainment of targets set, expectations and objectives. They also delegate tasks and monitor achievements of employees.

4.3.4. Management of Performance Appraisal System

The fourth objective of the study was to determine how management of performance appraisal system influences performance implementation in Government of Makueni County. The respondents were tasked to examine the influence of performance appraisal system in performance contracting in Makueni County Government.

Table 4.5: Management of Performance Appraisals System

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation
(a) I perfectly understand the purpose of implementing PC in my county.	6.9%	63.9%	6.9%	11.1%	11.1%	2.56	1.137
(b) Training and Development has helped me understand process of Implementation of PC in my county.	5.6%	61.1%	9.7%	13.9%	9.7%	2.61	1.108
(c)The champions in the process of implementing PC are well knowledgeable.	19.4%	16.7%	9.7%	41.7%	11.1%	3.22	1.786
(d)Evaluation and appraisals are done quarterly without fail in my county.	9.7%	20.8%	11.1%	48.6%	9.7%	2.56	1.137
(e) Whether my supervisor gives feedback on my performance or not, it does not affect my future performance.	5.6%	9.7%	20.8%	31.9%	31.9%	2.61	1.108
(f) I simply do not understand what is performance appraisal system.	51.4 %	27.8%	6.9%	7.9%	6.%	3.22	1.786
(g) If I need material to read about performance appraisal system, I can easily access them in our county library.	12.5%	26.4%	18.1%	33.3%	9.7%	2.56	1.137

Source: Researcher's Data (2018)

63.9%of total respondents agreed they understood the purpose of performance contracting with 11.1% who did not agree and 6.9 % response was neutral. According to research findings, employees require development and training on performance contracting initiative before they sign contracts. This enables them understand their specific tasks and targets that are set for them. Muthaura (2008) agrees with the findings that for employees to perform better, there is need for training to achieve organization goals and objectives towards achievement of vision 2030.

61.1% of total respondents agreed that training and development was key in implementation of PC with 13.9% disagreeing and 9.7% neutral.Muthaura (2008) agrees with the researcher that training employees to attain goals and objectives of organization is key.

41.7% of total respondents disagreed that the champions spearheading PC in Government of Makueni County were experts.16.7% agreed they were experts and 9.7% neutral. Abdel (2008) concurs with researcher that effectiveness in knowledge management influences performance of employees.

48.6% of respondents disagreed that evaluations on performance appraisals were conducted on quarterly basis. 20.8% felt they were actually conducted with 11.1% remaining neutral. According to Juliana (2017) there is standard guideline for performance appraisals to be conducted on quarterly basis to measure employee performance. Ikram*et al* (2011) also supports the findings that performance appraisals management enable management to oversee employee capacity, inspiration and the overall commitment.31.9% of respondents disagreed that there was feedback on their performance with 9.7% agreeing they received feedback. 20.8% remained neutral. Jiang and Seidman (2014) concur with research findings that communication on achievement is important to enable employees attain their targets.

51.4% of total respondents strongly agreed they actually understood what is performance contracting with 7.9% disagreeing. 6.9% were neutral. The research findings reveal that the county has failed on implementation either because of communications challenges, lack of training or sensitization to empower the employees. Kariuki (2011) asserts that knowledge on performance contracting system and organization structure is key in implementation process.

33.3% of respondents disagreed they there was any material to read on PC while 26.4% agreed they read some material with 18.1% neutral. Kobia (2016) agrees with the researcher that there is need to read more on performance contracting from the organizations which implemented the process before to acquire knowledge and learn from their experience.

In the open-ended questionnaire, the researcher intended to find out if the targets set for employees of Makueni County were SMART (specific, measurable, attainable, realistic and timely) 90% of respondents felt they were not while 10% agreed they were SMART. The researcher noted majority of targets set were therefore not achievable. The findings also revealed that 85% felt the tool used to measure performance was not sustainable with 15% agreeing the tool was sustainable.

4.3.5. Performance Contracting Implementation

The respondents were tasked to establish how dependent variable relates with the independent variables in implementation of PC in Government of Makueni County.

Table 4.6: Performance Contracting Implementation

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation
(a)Negotiations are done before signing of Performance contracts.	16.7%	16.7%	8.3%	45.8%	11.1%	3.32	1.751
(b) I understand my performance indicators and I can show them to my supervisor at the end of performance contract period.	15.3%	15.3%	9.7%	47.2%	11.1%	3.26	1.300
(c) Rewards and sanctions are not important in performance contracting implementation guidelines.	16.7%	13.9%	9.7%	47.2%	12.5%	3.25	1.319
(d) I am more satisfied when my performance is measured using a tool that I can understand.	4.2%	65.3%	8.3%	11.1%	11.1%	2.60	1.109
(e) I fully support the idea of implementation of Performance contracting in my county.	5.6%	66.7%	6.9%	12.5%	8.3%	2.51	1.061
(f) Implementation of PC is achievable because resources are adequate.	5.6%	58.3%	11.1%	15.3%	9.7%	2.65	1.115
(g) The top management have transformed employees towards positive attitude on PC implementation.	11.1%	20.8%	8.3%	50.0%	9.7%	3.26	1.222

Source: Researcher's Data (2018)

45.8% of respondents disagreed that targets were negotiated before signing while 16.7% agreed they negotiated. The findings imply that a great number of employees did not know their targets. House (1971) concurs with the findings that setting targets for employees motivates them to achieve goals and objectives.

47.2% disagreed they understood their performance indicators while 15.3% agreed with 9.7% neutral. The researcher notes that performance indicators are important in measuring performance of employees. It is the evidence that actually work was done and can be quantified.

In the absence of indicators, it is difficult to confirm whether resources have been utilized or not. Juliana (2017) agrees that performance indicators should be formulated in ascending order, from top to bottom each category with its separate indicators for ease of understanding.

47.2% of respondents disagreed that rewards and sanctions are not important with 13.9% agreed they can perform without rewards. 9.7% were neutral. The findings indicated there was importance of introducing rewards and sanctions in PC implementation process. Cumming (2011) indicates that employees expect rewards and sanctions for good performance.

65.3% agreed they preferred a measurement tool that they could understand with 11.1% disagreeing. 8.3% were neutral. "What gets done gets measured" Without proper measurement tool employees will always assume they are doing well. Liz (2012) concurs with the findings that performance appraisal tool should be simple to understand so that employee individual performance is tracked within a given period.

66.7% of total respondents supported the idea of performance contracting with12.5% disagreeing. The researcher noted that employees had no objection on implementation of performance contracting. They only needed to understand the concept fully. Kananga et al, (2013) agrees performance contracting was introduced to regulate activities of organization's agreed objectives.

58.3% of total respondents agreed resources are important in implementation of PC with15.3% disagreeing. Only 11.1% were neutral. This is a clear indication that resources are important, both financial and human capital. It is the people who do work and they use machines, equipment, vehicles and writing material, which must be facilitated using financesAmina(2014) agree resources both human and financial are important component in PC implementation.

50.0% of total respondents disagreed that top management inspired employees positively towards PC implementation. 20.8% agreed they were inspired while 8.3% were neutral. The findings top management and is supposed inspire to the lower level employees. Juliana(2017) asserts that top leadership should delegate duties to lower level for effective operations in increase involvement and inclusiveness.The researcher, using the open-ended question established that employees knew the importance of implementing PC in Government of Makueni

County. However, 85% held opinion there was lack of commitment while 15% blamed the human resource directorate for lack of support during the process.

4.4 Descriptive Statistics of the Variables

Table 4.7: Descriptive Statistics of the Variables

	N	Mean	Std Deviation
Implementation of Performance Contracting	72	2.14	1.259
Organization Effectiveness	72	2.00	1.322
Building Human Resource Systems	72	2.29	1.358
Knowledge Management	72	2.29	1.347
Performance Appraisal System	72	2.24	1.204
Valid N (listwise)			

***Source**:* Research findings

The findings in table 4.9 indicate the descriptive statistics of the variables in which the mean of Implementation of performance contracting is 2.14 with standard deviation of 1,259. The mean of Organization effectiveness is 2.00 with standard deviation of 1.322. The findings also indicate that the means of Building human resource systems,Knowledge management and Appraisal system management are 2.29, 2.29, and 2.24 with standard deviations 1.358, 1.2473 and 1.204 respectively.

Table 4.8: The Correlations

Performance appraisal system		Implementation of performance contracting	Organization effectiveness	Building Human Resource Systems	Knowledge Management	
Implementation of erformance contracting	Pearson Correlation	1	.965**	.849**	.881**	.972**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	72	72	72	72	72
Organization effectiveness	Pearson Correlation	.965**	1	.785**	.815**	.947**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	72	72	72	72	72
Building Human Resource Systems	Pearson Correlation	.849**	.785**	1	.800**	.844**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	72	72	72	72	72
Knowledge Management	Pearson Correlation	.881**	.815**	.800**	1	.886**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	72	72	72	72	72
Performance appraisal system	Pearson Correlation	.972**	.947**	.844**	.886**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	72	72	72	72	72

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

Source: Research Findings

The findings in table 4.10 indicates that there is a strong positive correlation between performance contracting anddeterminant of Implementation (r=1). The findings indicate that the correlation is significant at 5% significance level given that p-value (0.000) is less than alpha (0.05).

Table 4.9: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.011	.059		-.185	.853
Organization effectiveness	.452	.063	.474	7.185	.000
Building Human Resource Systems	.095	.037	.102	2.548	.013
Knowledge management	.113	.044	.121	2.589	.012
Performance appraisal system	.345	.091	.330	3.776	.000

a. Dependent Variable: Implementation of performance contracting (Y) =-.011 +.452 (Organization effectiveness) + .095(Building Human Resource systems) + .113 (Knowledge Management) + .345 (Performance appraisal system),

***Source**:* Research Findings

The findings in table 4.11 indicate the regression model generated by the independent and the dependent variable. The model generated is given as Y (Implementation of performance contracting) = -.011 +.452 (Organization effectiveness) + .095 (Building human resource systems) + .113 (Knowledge Management) + .345 (Performance appraisal system). Hence, the regression equation established was: $Y = -.011 + .452X_1 + .095X_2 + .113\ X_3 + .345\ X_4 + e$.

Holding at 95% confidence level to a constant zero, implementation of performance contracting would stand at -011 and a unit increase in Organization effectiveness would lead to an increase in implementation of performance contractingby a factor of .452, and a unit increase in building human resource systems would lead to an increase in implementation of performance contractingby a factor of 0.095 while a unit increase in knowledge management and Performance appraisal system would lead to unit increases in implementation of performance contracting by factors of.113 and .345 respectively.

The findings indicate that allthe coefficients are positively correlated and significant at 0.05 level of significance given that the p-value (0.000) is less than alpha (0.05).

Table 4.10: Significance of the Regression Model (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	109.305	4	27.326	553.850	.000[b]
	Residual	3.306	67	.049		
	Total	112.611	71			

a. Dependent Variable: Implementation of performance contracting

b. Predictors: (Constant), knowledge management , Building human resource systems, Appraisal system management , Organization effectiveness

Source: Research findings

The findings in table 4.10 indicates that the regression model generated by the is significant at 0.05 level of significance given that the p-value (0.000) is less than alpha (0.05) as indicated by the ANOVA table. This shows that sample data used was ideal for making conclusions about the population as it is less than 5%.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
s	.985[a]	.971	.969	.222

a. Predictors: (Constant), Performance appraisal system , Building human resource systems , Organization effectiveness

Source: Research Findings

The study findings in table 4.11 indicate the R squared and the adjusted R squared. The R squared (.971) indicates that 97.1% of the variation in the implementation of performance contracting are caused by the independent variables (Performance appraisal system, Human resource management practices, Appraisal system management, Organization effectiveness) while (2.9%) other factors not accounted affect the implementation of performance contracting. R is the correlation coefficient which shows the relationship between the study variables. From the findings, the study found that there was a strong positive relationship between the study variables as shown by .985.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONLUSIOINS AND RECOMMENDATIONS

This chapter features the summary of key findings of the study, presenting conclusions on the basis of the study findings. It also highlights on recommendation both for policy formulation and for further scholars' reference.

5.2. Summary of Study Findings

In the study the researcher administered 72 copies of questionnaire to respondents after which all were completed and received, giving 100% response rate.

5.2.1. Organizational Effectiveness on Implementation of Performance Contracting

The study revealed majority of employees understood the meaning of organizational effectiveness. Further findings maintained the County Government of Makueni had not achieved its goals and objectives partly because of lack of stakeholderinvolvement by sensitizing lower level employees on PC implementation process. Stakeholder involvement ensures that the employees own the process and support every step of the process as stakeholders.Muriu (2014) asserts that PC initiative is aimed at improving effectiveness and efficiency in public sector for better service delivery to the citizens.

The study further established the organization experienced lack of stable workforce and this affected continuity of the PC process. When employees leave organization having been trained, government resources are not well utilized because the expertizeacquired does not benefit the organization directly.It also takes time to train new comers and this affects projects implementation and other processes. Maintaining stable workforce ensures continuity also saves organization resources in terms of funds spent on impacting knowledgeand experience acquired.

The researcher established that the government resources were not well utilized. The input was not equal to the output in terms of service delivery. It is the duty of the government to safeguard resources tobenefit the citizens. The findings further revealed information sharing was not adequate especially to the lower level employees on PC implementation. It was noted that supervisors did not issue clear instructions to the employees they supervise in order offer guidance to avoid conflict and duplication of roles and ambiguity in performing duties.Owabiand

Makinde (2012) indicates that organization effectiveness helps managers to move the organization forward through achievement of its goals and objectives.

5.2.2. Building Human Resource Systems on Implementation of PC

The study findings established recruitment and selection largely influenced implementation of performance contracting in Government of Makueni County. During recruitment process, is important to identifying employees with experience on PC through advertisement by the county service board during recruitment and selection process. The researcher noted the human resource directorate was not proactive enough to guide other employees during the process of implementing performance contracting.Either the directorate was not empowered or they lacked commitment.Further findings revealed lack of motivation to employees who attained their targets by either rewarding or sanctions in terms of training and putting in place mentorship programs.According to Ahmad (2017), recruitment and selection in human resource management is an important aspect affecting organization's performance all over the world.

The study noted there was minimal mentorship and coaching from the supervisors. This affected employees who lacked adequate knowledge on performance contracting. Further findings established that employee lacked recognition when they achieved their targets. Recognition is a motivation factor and the most effective. On sanction, employees could betrained or/ and mentorship programmes provided. Guest (2012) explains how researchers are still researching on how human resource management practices influence performance contracting in organizations.

5.2.3. Knowledge Management on Implementation of PC Process

According the to the findings, majority percentage of respondents felt the team charged with implementation of the PC process was not experienced enough and therefore the process required knowledgeable experts from sectors which have already implemented the process successfully. The study also established that evaluators of performance appraisals were not fair to all employees in terms of setting achievable targets depending on employee experience and available working tools. Farai (2017) evaluates how knowledge management enables managers to impact relevant knowledge and information to juniors whom they supervise.

Information sharing was selective especially to the lower level employees where supervisors' commitment to discuss the PC process was minimal.The findings established that quarterly monitoring and evaluation to measure performance was not adequate. This affected the quarterly returns of employees' performance and therefore overall organizational performance could not be reported and quantified at departmental level. Ikram(2011) endeavors to align knowledge management with the designing of a performance appraisal tool which enables organizations measure performance of employees.

5.2.4. Knowledge of Performance Appraisal System on Implementation of PC

The findings revealed majoritypercentage of employees fully understood the purpose of introducing PCin Government of Makueni County and were fully supported to the initiative. However, furtherfindings noted the employees lacked training and development in the field of performance appraisal system. The champions of the process, according to the findings, were not fully knowledgeable and this affected the process in cascading thePC knowledge to the lower level employees. The study also established lackof feedback on employee performance was as an influencing factor.

The researcher also noticed that the employees had no available to reading material either through seminars or boardroom meetings. This could have helped them to acquire knowledge and apply in implementation process. Knowledge is power and without knowledge, employees are powerless to face day-to-daychallenges of PC implementation. Juliana (2017) acknowledges that implementation of performancecontracting is done quarterly to measure employee performance after every three months, cumulatively amounting to 12 months in four quarterly appraisals. Liz (2012) maintains that performance contracting is important tool for measuring performance of employees in any organization.

5.2.5. Performance Implementation Process

Findings on this study revealed negotiation before signing PC was not adequateto lower level employees in terms of assist them to set achievable targets. This would have helped employees to understand their performance indicators. Further findings revealed employees who achieved their targets were not rewarded or sanctioned as a motivating or corrective measure respectively. Research findingsnoted the appraisal tool was not well designed for all employees to understand.

According to this study, the challenges were caused by lack of experienced personnel on performance contracting process.

Majority of respondents agreed resources, both financial and human capital were important when implementing PC in Government of Makueni County. Generally, the respondents expected more inspiration from top management to enable the employees create positive attitude towards the PC initiative.

5.2.6. Findings on Validity and Reliability

The findings in regression model generated by use of Statistical Packages for Social Sciences (SPSS) model \showed significant at 0.05 level of significance given that the p-value (0.000) is less than alpha (0.05) as indicated by the ANOVA table. This showed that sample data used was ideal for making conclusions about the population as it is less than 5%.It therefore indicated that the study population and the sample size were valid and reliable for the study.

5.3. Conclusion

5.3.1. Organization Effectiveness on Implementation of Performance Contracting

The study concludes goals and objectives of Government of Makueni County have not been achieved through implementation of performance contracting initiative because of lack of stakeholder involvement. The study further concludes that the government did not support retaining experienced employees for a longer period of time for the purposes of continuity of implementation of the performance contracting initiative. The study also established information sharing was inadequate and this affected communication during the performance contracting process.

5.3.2. Building Human Resource Systems on Implementation of Performance Contracting

The study concludes human resource management practices affected implementation of performance contracting due to lack of proactiveness. Further conclusions indicate that employees were not motivated and this affected the achievement of goals and objectives of the organization. Rewards and sanction guidelines were not put in place by recognizing employees who had achieved their targets. According the study, there was minimal mentorship and coaching to empower employees with skills necessary for implementation of performance

contracting. There was no on-job training and supervisors did not spend time with employees to discuss the performance appraisal tool.

5.3.3. Knowledge Management on Implementation of Performance Contracting

It is now possible to conclude the experts charged with implementing performance contracting process in in Government of Makueni County were not experienced. This study also concludes information sharing was minimal and this caused breakdown in communication as far as implementation PC is concerned. Therefore, this study concludes that shortcomings of employees were not addressed during the PC implementation process and this affected the implementation.

5.3.4. Knowledge of Performance Appraisal System on implementation of Performance contracting

This study concludes majority of employees of Government of Makueni County fully supported the performance contracting initiative. However, the study concludes that lack of training and development affected employee performance. This study also concludes that the performance appraisal tool was not well –designed or categorized to cater for both top and lower level employees.

The study also points out management of quarterly appraisals returns was poorly done and because the human resource directorate employees had no experience to guide other employees on the process. This study further concludes the county resource center did not provideadequate reading material for employees to acquire knowledge and use it in the process of implementing performance contracting. This study also concludes there was lack of commitment on the part of supervisors to monitor response from employees and address to their queries concerning the appraisal tool.

5.3.5. Performance Contracting Implementation

This study concludes performance contracting in Makueni County was not well- thought idea and the timing for implementation was not viable considering that formation of counties was in its initial stages. The county was in its initial stages of formation and the process was affected by challenges such as lack of experienced personnel, stable workforce and guidelines on implementation of the process.

The study further concludes setting targets process was not adequate and therefore employees may have signed contracts without adequate knowledge on expected performance targets and indicators. The tool for measurement of performance was not clear to lower level employees and that factor affected setting of targets and indicators to the employees by supervisors.

5.4. Recommendations

5.4.1. Organization Effectiveness on Implementation of Performance contracting

This study recommends before implementation of PC process there is need for benchmarking from those other counties/sectors who have successfully implemented to improve on effectiveness in the implementation. This will enable the Government of Makueni County to borrow ideas which are useful to reduce challenges in implementation stage. The study therefore recommends a benchmarking tour to Rwanda where performance contracting was introduced to teaching sector through a pay-for-performance system and was successful.

5.4.2. Building Human Resource Systems on Implementation of Performance Contracting

This study recommends the Government of Makueni County, through the human resource directorate, puts in place policies and guidelines on performance contracting, which outlines the process from beginning to end and which guide all employees uniformly. Lack of policy results to employees' lack of direction towards a common goal. The policy document ensures procedures are clear and enables reference from time to time. The study also recommends that the human resource directorate be fully empowered with not only skills but also right equipment. If possible the study recommends digital record management where all employees operate on a digital platform so that returns on PC are accessible online. This will ensure that no records are lost and employees are updated through the system on their performance.

The study further recommends there should be a week set aside to address performance appraisal issues with experts available for consultation. Most employees, according to the findings did not consult because the supervisors were involved in other county activities equally important and urgent. The study recommends that a desk for a contact person should be set who is readily available for consultations by the staff.

5.4.3. Knowledge Management on Implementation of Performance Contracting

This study recommends the champions leading the performance contracting process in be well trained so as to cascade the knowledge to other employees. Further recommendations are that the PC process be led by consultants who are experienced and work together with the county secretariat on performance implementation. The secretariat should comprise of seconded or hired employees from the national government who have acquired adequate knowledge and a monitoring and evaluatingteam to report on gaps to the management.

5.4.4. Knowledge on Performance Appraisal System

This study recommends the human resource directorate and all employees to be trained on performance appraisal tool. The study further recommends a simplified tool for the lower level employees to understand and feedback reported to the employees by supervisors. This study also recommends the Government of Makueni County should avail to employees simplified documents containing reading material from other organizations who have implemented the initiative so as to acquire knowledge on the whole process.

5.4.5. Performance Contracting Process

Further recommendations are that the process of performance contracting be well negotiated before implementation and all systems of appraisal be put in place. Employees should be trained on their targets and performance indicators before signing the contracts.

5.4.2. Recommendations for Further Research

This study recommends further research to be carried out during the second term of County governments to find out whether the county Government of Makueni is facing same challenges as those experienced during the first term of county governments. Further research should include employees working in out stations as compared to this study, which covered employees at Countyheadquarters only. The researcher further recommends further study considering other factors such as the stability of the current county assembly, and citizen inclusion during the data collection.

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APPENDIXES

APPENDIX I: INTRODUCTORY LETTER

Dear respondent,

RE: DATA COLLLECTION

I am a postgraduate student at St. Paul's University Undertaking Masters in Business Management (MBA). I am currently carrying out a research on "**Determinants of Implementation of performance contracting, a case of Government of Makueni County**"

It is for this reason that I am requesting you to take your time and answer the questions in the attached questionnaire. Kindly read the instructions and answer the questions as accurately as possible. It is also my request that you provide any other information or document in relation to the study. This will enable me collect the relevant data for analysis so as to achieve the purpose of the study.

I give you my assurance that any information given will remain confidential and will only be used for this study and not for any other purpose. Your assistance will be highly appreciated

Regards,

Naomi Sila

APPENDIX II: THE QUESTIONNAIRE

This questionnaire consists of two parts, (a) Biodata (b) Objective questions. I will appreciate your attempt to answer all questions.

PART A: BIODATA

1. Your age bracket

20-25 years [ ] 26-30 years [ ] 31-35 years [ ]

36-40 years [ ] 41-44 years [ ] 45 and above [ ]

2. Level of professional/academic qualification

Certificate [ ] Diploma [ ] Degree [ ] Masters and above [ ]

Any other (specify) …….

3. How long have you been working with the Government of Makueni County? (Tick one box)

Less than 1 years [ ] 1 -2 years [ ] 3-4 years [ ] over 4 [ ]

Department_____

PART (B) OBJECTIVE QUESTIONS

4. ORGANIZATION EFFECTIVENESS (Tick one box)

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
(a)I fully understand the role of organization effectiveness in implementation of Performance Contracting(PC).					
(b) My organization has achieved its goals and objectives so far.					
(c) The top management involves stakeholders in implementation process of PC.					
(d) Maintaining stable workforce may not affect implementation of PC.					
(e) I am convinced that what the government input is equivalent to the output during the PC Implementation process.					
(f)Information sharing plays a key role in implementation of performance contracting					
(g) When my supervisor gives clear instructions on my assignments I perform better.					

(h) In your own words, briefly explain what you understand by the term" organization effectiveness"

……
……
……

(i) To what extent are your goals and objectives made clear by your supervisor before embarking on an
assignment?.....
……..
……

5. BUILDING HUMAN RESOURCE SYSTEMS (Tick one box)

	Strongly agree	Agree	Neither	Disagree	Strongly disagree

(a)Recruitment and selection play a role in implementation of Performance Contracting in my county					
(b)In my county Human Resource Directorate is proactive on implementation of performance Contracting initiative					
(c) Whether motivated or not I can still perform my duties.					
(d) If I meet my targets within the timelines and I expect my boss to recognize my efforts.					
(e) Leadership style plays a role in implementation of PC.					
(f) Mentorship and coaching do not influence implementation of performance contracting.					
(g) The Human Resource directorate is empowered to operationalize PC in my county					

(h) To what extent do you think sensitization of Performance Contracting is done in your County?

……

……

(i) Please express your opinion as far as implementation of performance contracting tool is concerned

……

……

……

6.KNOWLEDGE MANAGEMENT ON IMPLEMENTATION OF PC(Tick one box)

	Strongly agree	Agree	Neither	Disagree	Strongly disagree

(a)I fully understand the role of organization effectiveness in implementation of Performance Contracting(PC).					
(b) My organization has achieved its goals and objectives so far.					
(c) The top management involves stakeholders in implementation process of PC.					
(d) Maintaining stable workforce may not affect implementation of PC.					
(e) I am convinced that what the government input is equivalent to the output during the PC Implementation process.					
(f)Information sharing plays a key role in implementation of performance contracting					
(g) When my supervisor gives clear instructions on my assignments I perform better.					

(h) What is your opinion on how professionalism is valued in your county?

……

……

(h)Do you think there is need for specialized training on Performance contracting? Please explain your answer.

……

7. KNOWLEDGE OF PERFORMANCE APPRAISALS SYSTEM (Tick one box)

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
(a) I perfectly understand the purpose of implementing PC in my county.					
(b) Training and Development has helped me understand process of Implementation of PC in my county.					
(c)The champions in the process of implementing PC are well knowledgeable.					
(d)Evaluation and appraisals are done quarterly without fail in my county.					
(e) Whether my supervisor gives feedback on my performance or not, it does not affect my future performance.					
(f) I simply do not understand what is performance appraisal system.					
(g) If I need material to read about performance appraisal system, I can easily access them in our county library.					

(h) Briefly explain to what extent you think targets set for you are specific, realistic, measurable, attainable and timely?

……
……
……

(i) To what extent do you think the Performance contracting tool be sustained in your county?

……
……
……

8.PERFORMANCE IMPLEMENTATION (Tick one box)

(a)Negotiations are done before signing of Performance contracts.	Strongly agree	Agree	Neither	Disagree	Strongly disagree
(b) I understand my performance indicators and I can show them to my supervisor at the end of performance contract period.					
(c) Rewards and sanctions are not important in performance contracting implementation guidelines.					
(d) I am more satisfied when my performance is measured using a tool that I can understand.					
(e) I fully support the idea of implementation of Performance contracting in my county.					
(f) Implementation of PC is achievable because resources are adequate.					
(g) The top management have transformed employees towards positive attitude on PC implementation.					

(h) To what extent do you think measurement of performance is important to organization and employee in attaining goals and objectives?

……
……
……

(i) Please give your overall opinion of implementation of performance contracting in Government of Makueni County.

……
……
……
……

Thank you.

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BOARD OF POSTGRADUATE STUDIES

28th February 2018

National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.

Dear Sir/Madam,

Re: Recommendation for Naomi Ndia Sila to conduct a Masters of Business Administration (MBA) research.

This letter confirms the above named person is a second (final) year student of the MBA Programme at St. Paul's University.

The final year consists of a major research work leading to a dissertation comprising 20,000 words. The student's selected topic is *'Determinants of implementation of performance contracting in Makueni County government'.*

The research will take place from February 2018 to April 2018.

Kindly grant this student the required permit.

Yours Faithfully,

Dr. Sammy Githuku
Director, Postgraduate Studies

APPENDIX VI

THIS IS TO CERTIFY THAT:
MS. NAOMI NDIA SILA
of ST PAULS UNIVERSITY, 0-217 Limuru,has been permitted to conduct research in *Makueni County*

on the topic: *DETERMINANTS OF IMPLEMENTATION OF PERFORMANCE CONTRACTING: MAKUENI COUNTY GOVERNMENT*

for the period ending:
20th March,2019

Permit No : NACOSTI/P/18/33938/21972
Date Of Issue : 21st March,2018
Fee Recieved :Ksh 1000



.....
Applicant's Signature

.....
Director General
National Commission for Science, Technology & Innovation

CONDITIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.



REPUBLIC OF KENYA



National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No.A 18033

CONDITIONS: see back page



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/18/33938/21972**

Date: **21st March, 2018**

Naomi Ndia Sila
St. Pauls University
P.O. Private Bag - 00217
LIMURU.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Determinants of implementation of performance contracting: Makueni County Government,"*** I am pleased to inform you that you have been authorized to undertake research in **Makueni County** for the period ending **20th March, 2019.**

You are advised to report to **the County Commissioner and the County Director of Education, Makueni County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Makueni County.

The County Director of Education
Makueni County.