EFFECT OF PERFORMANCE CONTRACTING ASPECTS ON STRATEGY IMPLEMENTATION IN PUBLIC CORPORATIONS IN KENYA

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DECLARATION AND RECOMMEDATION

Declaration

I declare that this thesis is my original work and has not been submitted for examination in this or any other institution.

Signature: .... Date: ....

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Recommendation

This thesis has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my parents, Mr. Zacharia Kabuga and Mrs. Venancia Kabuga who cherished and promoted education and to my children Joseph and Stephanie whose love has been the wind beneath my wings. May God bless you all with long life, favor and protection.

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ABSTRACT

Literature suggests that performance contracting plays a significant role as a promoter of strategy implementation. Despite the existence of studies on performance contracting, past empirical studies have not focused on the effect of performance contracting on implementation of strategy with emphasis on the performance contracting aspects (Performance agreement, performance evaluation and performance recognition). This study therefore aimed at establishing the effect of performance contracting aspects on strategy implementation in public corporations in Kenya. The specific objectives were; to establish the effect of performance agreement on strategy implementation, to examine the effect of performance evaluation on strategy implementation, to determine the effect of performance recognition on strategy implementation, and to determine the joint effect of performance agreement, recognition and evaluation on strategy implementation. The study was guided by the result based management theory and agency theory. The study adopted an explanatory and cross-sectional research designs. The population of the study comprised 168 public corporations. A sample of 117 corporations was studied. The data was collected using questionnaires and the respondents were the Executive Officers of the corporations. To describe research variables, frequencies, percentages, means and standard deviations were used. Pearson's correlation was used to examine the relationship between the dimensions of performance contracting and strategy implementation. To test the research hypotheses, simple regression and multiple regression were used. The research outcomes indicated that performance contracting aspects that is, performance agreement, evaluation and recognition have a positive effect on strategy implementation. The study also revealed that performance agreement, evaluation and recognition jointly have a positive and significant effect on strategy implementation. Among the performance contracting measures, the study recommends performance evaluation to be embraced as it had higher influence on strategy implementation. The study therefore recommended that public corporations should embrace performance contracting to enhance strategy implementation. The study makes recommendations for further research to enhance understanding of the relationship between performance contracting and strategy implementation.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OFABBREVIATIONS AND ACRONYMS

ERS	Economic Recovery Strategy
GDP	Gross Domestic Product
GOK	Government of Kenya
KIPPRA	Kenya Institute of Public Policy Research and Analysis
MDGs	Millennium Development Goals
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
OECD	Organization for Economic Co-operation and Development
PC	Performance Contracting
RBMT	Results Based Management Theory
ROM	Results Oriented Management

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance contracting is a binding agreement between two or more parties to perform a specified function over a given time (Mbua & Sarisar, 2013). It is also taken as a branch of management control systems employed by managers in performing their functions and assist in maintaining viable patterns of behavior among employees (CAPAM, 2005). The concept is portion of the larger public sector restructurings designed to improve efficiency and effectiveness in the management of the public service. It has also been described as a management tool for ensuring accountability among the public officials and ensuring the achievement of targeted results (Geier, 2016; Pearce & Manz, 2011). Performance contracting plays a significant role as a promoter of strategy implementation and postulated to boost the relationship between strategy implementation and organizational performance (Mbua & Sarisar, 2014; Muraguri & Wagoki, 2016).

Performance contracting has been applauded as an effective and promising tool of ensuring the performance success in private and government owned entities around the globe (Kwedho, 2015). The concept of performance contracting has been applied with great success in different countries around the world for instance, India, South Korea, France, Malaysia and Pakistan (Mbua & Sarisar, 2013). Despite the success in other countries, the public service in most of the African countries is faced with numerous challenges that limit their delivery capabilities. Some of these constraints include shortage of manpower, lack of appropriate mindsets, key competencies, and accountability (GoK, 2013).

Making performance contracting as a norm and culture of the organization is a crucial factor in ensuring that it is well adopted and established to ensure the success of any strategy implementation (Stetler *et al*., 2009). Its success requires well-conceived plans, which can be smoothly be adopted and implemented as part of the mandate to be achieved by the employees. Majority of organizations have developed good strategic plans but have never yielded results because they are never implemented and this is the reason why there is need for proper institutionalization and conceptualization of performance contracting for the success of strategy implementation (Cheche & Muathe, 2014).

Kenyan state corporations comprise the largest segment of public sector organizations (GoK, 2013). They are businesses owned by government for the purpose of carrying out commercial and non-commercial functions. They are also critical to building the capability and technical capacity of the state in facilitating and/or promoting national development. Further, they are important instruments in improving the delivery of public services, including meeting the basic needs of citizens. Indeed, they have been variously applied to the creation of good and widespread employment opportunities in various jurisdictions (Ongeti, 2014).

The first attempt at performance contracting (PC) in the public service in Kenya was made in 1984 with Kenya Railways signing a performance contract while National Cereals and Produce Board signed in 1990. The initiative however floundered as there was no political will to see it through. A strategy paper recommending re-introduction of PC in state corporations was presented to the cabinet in 1991 but this too did not take off (Mbua & Sarisar, 2013). Based on lessons learnt after the failure of the first phase of implementation of public service reforms, the focus shifted from cost containment to productivity improvement and in addition, the processes were fully controlled by the public service itself unlike the first phase that was donor driven (Kobia & Mohammed, 2006). During the second phase, initiatives aimed at reducing corruption and reduce wastage were introduced. The government of Kenya (Gok) enacted the ethics and economic crimes act, 2003 that addressed issues of ethics and corruption in the service. This was closely followed by the enactment of the public procurement and disposal act, 2005 (Kogei *et al*., 2013). The GoK then shifted its attention to measuring performance in the public service.

The third and the current phase of reforms focused on improvement of service delivery rather than the processes. This led to the birth of performance contracting in the public service in Kenya (Mutahaba, 2011). By 2011, a total of 468 government agencies were actively involved in PC (Office of the Prime Minister, 2012). The PC is seen as an effective way to provide quality goods and services within budget constraints (Kariuki, 2011). PC has been hugely celebrated and is associated with improvements in service delivery in the public sector (Muthaura, 2007). As

Dooren (2006) noted, an effective performance management tool should not forever be an administrative tool; it need to become a political as well as a societal tool. It should increase accountability to the political class as well as the general public by making it easier for managers to match targets with priorities of both groups (Therkildsen, 2001).

1.1.1 Performance Contracting Aspects

Performance contracting as a management tool was originally developed for private enterprises but has been adopted by the public sector (Lin & Lee, 2011). The private enterprise adopted performance contracting as they have limited resources and have to innovate to achieve higher performance. In addition, it is easy to measure performance in the private sector as their main measure is profitability while public sector has many and sometimes conflicting goals. Introduction of performance measurement in most organizations is influenced by the presence of tangible outputs that are easy measure and organizational environment which include support by stakeholders and political class in the case of public entities (Dooren, 2006). Mackie (2008) is of the opinion that the aim of performance management system is to introduce systematic controls and regulating activities of an organization to attain agreed objectives.

Performance contracting can be achieved by properly planning and implementing its three key aspects i.e. performance agreement, performance evaluation and performance recognition (Armstrong & Baron, 2010). According to Armstrong and Baron (2010), a performance plan must have an agreement on what has to be done to achieve the objectives, what should be the standard of performance, what skills should be imparted and how information (feedback) on progress should be channeled. They also stated that an employee's achievement of the objectives in the work plan needs to be evaluated and outstanding performance rewarded.

Performance contracting involves the execution of a performance agreement between a principal or a higher authority, acting as the owner of an agency, and a subordinate or agent, with the purpose of promoting the delivery of specific results in an effective and efficient manner (Petrie, 2002). In the public service, performance contracting is described as the execution of a performance agreement freely negotiated between the government, which acts as the owner of a public agency, and the administration of the agency (Petrie, 2002). The performance agreement, comprises of a collection of management tools used to characterize responsibilities and expectations among the parties to permit them to attain specific and mutually agreed results (Mbua & Sarisar, 2014). It outlines the expected goals, the timelines and methodologies to meet the expectations (Spekle & Verbeeten, 2014). The practice tries to move management control away from the public sector by procedures to control for results and simultaneously increase the quality of controls while reducing the number of controls.

Performance evaluation is another performance contracting component that plays an important role in the process of employee hiring (Ingle *et al*., 2011). The result of the process is the combination score; comparing the performance of one organization with that of the others, separating the good from the poor performers and classify them in order of performance (Spekle & Verbeeten, 2014). Performance evaluation is the measure of the degree to which agencies and public supervisors achieve their assigned performance objectives (Behn, 2003).

A large number of studies over the years have verified that recognition is indeed a powerful positive reinforcement for employee behavior that leads to improved performance in both the manufacturing and service sectors (Spekle & Verbeeten, 2014). A meta-analysis by Stajkovic and Luthans (1997) conducted for a period of 20 years (between 1975-1995) that used organizational behavior modification approach to behavior management through recognition as the intervention strategy found an average performance improvement by 15 percent in service applications. Other studies have also shown that when recognition is combined with performance feedback, an average increase in organization performance with manufacturing sectors experiencing 41% increase while the service industry experienced 30% increase in performance (Luthans & Stajkovic, 2000).

Executives, chief operating officers and personnel managers must ensure that their reward and recognition systems are carefully aligned with the overall strategic and operational objectives (Rahim *et al*., 2017). Rewards and recognition systems misaligned with corporate objectives can result in behavior that management does not anticipate or want (Campbell, 2000). These unforeseen actions can be beneficial for first-line sales representatives, manufacturing plant managers or even senior executives, but keep the company away from its general objectives or cause systemic damage. The challenge then, is to evaluate and implement an incentive system that motivates employees to act in support of strategic and operational objectives (Campbell, 2000). In addition to measuring the progress of employee performance toward corporate objectives, well-defined performance measurement systems help measure employee reception, understanding and acceptance for the reward system (Kaplan *et al*., 2010; Spekle & Verbeeten, 2014).

Performance contracting was introduced in the public sector due to the experienced poor service delivery as a result of multiplicity of principles, frequet political interference, and embezzlement of scarce resources (Armstrong & Baron, 2010). Implementation of performance contracting began in 2004 in state corporations in Kenya. Among the issues addressed by performance contracts included: fastening delivery of quality service to the citizens, maximizing wealth by improving productivity, reducing overdependance on the exchequer, as well as ensuring accountability and transparency in the public (Kobia & Mohammed, 2006; Nyaigo *et al*., 2013). The initial effort to introduce performance contracting in the public service in Kenya was made in 1984 by the Kenya Railways followed by National Cereals and Produce Board in 1990 but the attempt failed due to lack of political will to push it through. Further attempts to reintroduce performance contracting in government parastatals in 1991 also failed to pick off (Mbua & Sarisar, 2014). The second phase dwelt on corruption reduction and reducing wastage in the public service by enacting the ethics and economic crimes act of 2003. This was closely followed by the enactment of the public procurement and disposal act, 2005 (Kogei *et al*., 2013).

Currently, the third phase of performance contracting reforms is focusing on improving service delivery rather than the process (Mutahaba, 2011). A total of 468 government agencies had adopted performance contracting by the year 2011 (Office of the Prime Minister, 2012). The PC reforms in the public sector have shown to be an effective way of ensuring quality service delivery within the budget constrains (Kariuki, 2011; Muthaura, 2007; Nyaigo *et al*., 2013).

The uphill task of most managers in the public sector is to guarantee service delivery to the clients hence they have to ensure successful strategy implementation (Voola & O'Cass, 2010). Strategy implementation is a depressing failure in most public organizations (Dooley *et al*., 2010). Armstrong and Baron (2010) agree that framing of a strategy is difficult, but interpreting strategy into reality is often even more difficult with more than 50% of the developed strategies ending up not being implemented (Cândido & Santos, 2015).

According to Flood *et al*. (2010), strategy implementation can be successfully achieved by developing new policies to expedite strategy execution and instituting procedures that provide top-down flow of activities. Other support systems such as appropriately calculated reward system will support the welfare of the employees thus ensuring proper execution of the strategies and achievement of the organizational goals (Voola & O'Cass, 2010).

1.1.2 Strategy Implementation

Implementing strategies successfully is vital for any organization, either public or private. As opposed to largely financial performance in the private sector, the major task of managers in the public sector is to assure service delivery in their organizations (Chimhanzi, 2004). To this end, one of the concepts that have been developed and is very useful to management is strategy. Strategy implementation is a depressing failure in most public organizations (Dooley *et al*., 2010). Armstrong (2010) concur that formulating strategy is challenging, but translating strategy into reality is often even more difficult. Less than 50% of formulated strategies according to Bass (2006) are implemented by organizations. According to Noble (1999), great strategies are worth nothing if they cannot be implemented. Regularly cited as a top managers' priority, execution has emerged as the key to achieving superior organizational results. Strategy execution is important but difficult because implementation activities take a longer time frame than formulation, involves more people and greater task complexity, and has a need for sequential and simultaneous thinking on part of implementation managers (Gramlich & Koshel, 2010).

A sound strategy has to be implemented through translating plans into action. Flood *et al*. (2010) argued that prescribing new policies and operating procedures act to facilitate strategy execution in three ways: one by instituting new policies and procedures to provide top-down guidance regarding how certain things now need to be done. Two, policies and procedures help to enforce needed consistency on how in particular strategy- critical activities are performed in geographically scattered operating units and lastly, well developed policies and procedures promote the creation of a work climate that facilities good strategy execution (Armstrong, 2010). As pointed out by Grote (1996), managerial efforts to identify and adopt best practices are a powerful tool for promoting operating excellence and better strategy execution. Once the policies, procedures are crafted and managerial effort provided, the organization will require state-of-the-art support systems that will form the basis for competitive advantage if they give firm capabilities which are not easily matched by the competitors. Support systems will further include information systems, performance tracking and controls in five broad areas of customer data, operations data, employee data, supplier, partner, collaborative ally data and financial performance data. A properly designed reward system will align the well-being of organization members with their contributions to strategy execution and the achievement of organizational goals (Chimhanzi, 2004).

Policies supporting performance-based contracting in Kenya have been in place for more than 20 but the progress in terms of implementation has been very slow (GOK, 2013). The single most important reason for this is that the acquisition community is not the sole owner of the problem, nor can the acquisition community implement performance-based contracting on its own (Hansen & Weisman, 1998). According to Hill *et al*. (1997), laws, policies, and regulations have dramatically changed the acquisition process into one that must operate with a mission-based and program-based focus. The criteria for selecting the pilot companies included representation of diverse sectors and corporations with Strategic plans. Following success in implementing performance contracts with Permanent Secretaries and Accounting officers, further, in April 2005, Government decided to place the management of 175 Local Authorities on Performance Contracts.

Raps (2005) argued that the average success rate of the implementation of the strategy ranges between 10 and 30%. The reasons that have been advanced for the success or failure of the implementation of the strategy revolve around the nature of the strategy itself, the policies and support system, the alignment of the strategy with the objectives and sub-strategies in the short term, the allocation of resources, the adjustment between structure and strategy, leadership, communication process and organizational culture (Pearce *et al*., 1997). Harringtone and

Ottenbacher (2011) confirmed that the participation of management and the success of the implementation of the strategy led to greater financial performance, but the study excluded non-financial measures of organizational performance.

1.1.3 Public Corporations in Kenya

Public corporations in Kenya are established under the state corporations act chapter 446 of the laws of Kenya which is an act of parliament that make provision for the establishment of state corporations and their control and regulation. The Kenyan public sector comprises of various categories of parastatals. These include government ministries, departments, semi-autonomous government agencies and state corporations that carry out activities on behalf of the government for the benefit of the public (Ongeti, 2014). These entities carry out different functions depending on their mandate to facilitate public service delivery and to achieve social, political, economic and regulatory objectives (GoK, 2013).

During strategy implementation, annual work plans are extracted through which performance targets are set, negotiated and contracts signed (GoK, 2013). It is along these contract details that performance is measured and the entire process is expected to enhance overall organizational performance. However, according to the GoK (2013), while the output of some state corporations had increased in terms of job creation, enhancing service delivery and even paying better dividends, others have continuously underperformed. According to KIPPRA (2013) the contribution of Kenyan State-owned Corporations to GDP in nominal terms has been increasing from 9.54 percent in 2008/2009 to 11.64 percent in 2010/2011 based on internally generated income. With proper interventions their contribution to the GDP could double (KIPPRA, 2013). Proper intervention strategies should be formulated to handle challenges that have been reported to hinder strategy implementation and performance contracting. Such challenges include poor communication of feedback across various departments, delayed or poor service delivery, ineffective coordination and poor sharing of responsibilities as well as the lack of policy reward guidelines to motivate the employees in meeting the goals of the organizations (Mbua & Sarisar, 2014; Ringera, 2011).

1.2 Statement of the Problem

Performance contracting was introduced in the public sector due to the concern on the poor performances and service delivery to the public (Kwedho, 2015). Currently most of the Government ministries and departments in Kenya have implemented performance contracts. The government took this move to ensure that all the public corporations achieve the desired results or goals as outlined in their strategic plans (Letangule & Letting, 2012). Organizational success can only be attained when well-conceived strategic plans are implemented. Most organizations have been found to establish very good plans that never leave the shelves due to lack of emphasis on implementation and hence introduction of performance contracting to enhance the implementation process (Cheche & Muathe, 2014). Despite the fact that performance contracting appears to play a critical role in ensuring strategy is implemented, there is scanty empirical literature on the relationship between performance contracting aspects and strategy implementation. Past studies on performance contracting have focused on the challenges of performance contracting with little attention on performance contracting aspects and its effect on strategy implementation. This study therefore sought to fill this knowledge gap by examining the effect of performance contracting aspects on strategy implementation in public corporations in Kenya.

1.3 Objectives of the Study

The overall objective of the study sought to examine the effect of performance contracting aspects on strategy implementation in public corporations in Kenya. The specific objectives of the study were to:

i) Determine the effect of performance agreement on strategy implementation.

ii) Determine the effect of performance evaluation on strategy implementation

iii) Determine the effect of performance recognition on strategy implementation.

iv) Determine the joint effect of performance agreement, evaluation and recognition on strategy implementation.

1.4 Research Hypotheses

The study sought to test the following hypotheses:

H_{O1}: Performance agreement has no significant effect on strategy implementation.

H_{O2}: Performance evaluation has no significant effect on strategy implementation.

H_{O3}: Performance recognition has no significant effect on strategy implementation.

H_{O4}: Performance agreement, evaluation and recognition jointly have no significant effect on strategy implementation.

1.5 Significance of the Study

The study outcomes are useful to management practitioners for practise, policy and decision making for successful implementation of performance contracts. The results can help in the drawing of accurate conclusions on the effect of performance contracting in other state entities and functions. The findings can also help the chief executive officers of state corporations in using performance contracting in an effective way to maintain a competitive edge in the market. Out of the study findings, there might be generation of new ideas for better and more efficient management of parastatals and other organizations in Kenya and globally. The study is also significant to scholars as it adds to the existing body of knowledge. It enhances understanding on the effect of performance contracting aspects on strategy implementation in public corporations.

1.6 Scope and Limitations of the Study

This section covers the scope of the study (1.6.1) and the limitation of the study (1.6.2).

1.6.1 Scope of the Study

The study focused on the effects of performance contracting aspects on the implementation of strategy in the public sector a cases study on public corporations in Kenya. The study majorly checked on the adoption of the three performance contracting aspects that include performance agreement, performance evaluation and performance recognition in the public sector and how they are affecting strategy implementation. Data was collected between the months July and December 2019.

1.6.2 Limitations of the Study

Given the nature of state corporations administrative set up, getting access to vital information was not easy and the researcher had hard time persuading the respondents to give the necessary information. Some respondents were unwilling to respond to certain issues as required and were suspicious whenever one is trying to obtain work related information from them. The researcher handled the situation by explaining the purpose of the study.

1.7 Definition of Terms

Performance agreement: A process of creating expectation and transparency to meeting the criteria of accomplishing the set goals, which the parties concerned, must have to agree with.

Performance contracting: An array of organization tools used to outline accountability and expectations between parties to achieve mutually agree results. It includes performance agreement, evaluation and recognition.

Performance evaluation: Refers to the assessment of an employee or organization performance to determine actual impact against the planned impact.

Performance recognition: This refers to the acknowledgement, approval and genuine appreciation of accomplishments.

Public Corporation: A body established by an Act of Parliament; a bank or other financial institution or other company whose shares or a majority of whose shares are owned by government or by another State Corporation, and; a subsidiary of a state corporation.

Strategic Plan: This is a document which indicates an organizations strategic objective and plan of action that the organization will adopt to achieve the objectives.

Strategy Implementation: This refers to the execution of the strategic plan. It involves making the strategy ready for execution and redesigning the internal dimensions to support the strategy to enable the firm achieve its objectives.

Strategy: Plan of action that indicates how the firm will configure its resources within a changing environment to meet the needs of the markets and to fulfill stockholder's expectations.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews past studies relevant to the study. The chapter discussses theories related to the concepts of performance contracting and strategy implementation. The chapter also reviews studies examining the linkages between performance contracting and strategy implementation. Finally, the chapter presents the conceptual framework depicting the relationship between the study variable.

2.2 Theoretical Perspective

Result Based Management Theory (RBMT) and Agency Theory guided the current study**.** These two theories play an important role in ensuring the actors are directly or indirectly contribution to the achievement of the set goals.

2.2.1 Result Based Management Theory

Result Based Management Theory (RBMT) is a performance-based management theory that explains organizational performance as a function of result-based management tools. The proponents of the theory assert that organizations seek to improve performance through change efforts that place more efforts on results rather than processes (Greer *et al*., 1999). The Results Based Management (RBM) approach puts results as central in organizational goals from strategic planning to implementation, monitoring and evaluation, reporting and on-going decision making. Binnendjik (2000) asserts that one of the key components of this management strategy is performance measurement that focuses on measuring how well an agency is meeting its stated goals or objectives.

The origin of the results-based management date back to the 1950's. Drucker (1954) introduced the concept of Management by Objectives (MBO), which was guided by the following principles cascading of organizational goals and objectives, specific objectives for each member of the organization, participative decision-making, explicit time period, performance evaluation and feedback. During the 1990s, the public sector was undergoing extensive reforms in response to economic, social and political pressures. In the process, the logical framework approach was gradually introduced in the public sector in many countries (mainly Member States of the Organization for Economic Co-operation and Development (OECD). This changed during the same decade to Result Based Management as an aspect of the new public management, a label used to describe a management culture that emphasizes the centrality of the citizen or customer as well as the need for accountability for results.

The effects of performance contracting on strategy implementation can be well explained by the RBMT. RBMT has been described as management theory explaining the organizational performance as a function of result based management tools (Pazvakavambwa & Steyn, 2014). The supporters of the theory proclaim that organizations seek to improve performance by coming up with strategies that emphasize on the outcomes and not the process (Chiang *et al.,* 2010). The RBM tactic prioritizes results as organizational goals from strategic planning to implementation, monitoring and evaluation, reporting and on-going decision making.

The government of Kenya introduced performance contracting in the public service as a deliberate policy in order to improve performance, service delivery and governance (GOK, 2013). To improve on development of plans, programs, efficiency in management, effectiveness, accountability and transparency of performance contracting, RBM was introduced. The introduction and institutionalization of RBM concept in the public service was aimed at refocusing the public servants' mind-set on results in service delivery to citizens. It was expected that the adoption of RBM within the public service would enable each ministry/department and public service organizations come up with clear performance objectives in line with the ERS targets. It would also delineate the activities to help in the achievement of such objectives and determine the roles to be played by each individual staff member involved in the service delivery process (Nganyi *et al*., 2014; Obongo, 2009). It was also expected that RBM strategy would help in refocusing and operationalizing both the human and financial resources with more emphasis on the results rather than the process (Huka, 2011).

Performance contracting which is a result-based management tool is mostly applied in the public sector with the aim of boosting efficiency and effectiveness in the utilization of the available resources (Mulei & Orodho, 2016). In most developing economies, the greatest challenge in achieving the overall development in the public sector is the ever-declining service delivery. The decline in performance is attributed to excessive controls, multiplicity of goals, frequent political interference, and outright mismanagement (Pazvakavambwa & Steyn, 2014). Performance contracting as a results-oriented management (ROM) approach has been a likely solution prescribed as it helps in articulating clearer definitions of objectives and supports innovative management in achieving agreed upon results (Pazvakavambwa & Steyn, 2014). The human resource in the organization needs to be managed well so as to enable the organization implement the strategies that have been put in place. This theory is used in this study because it suggests that the organization should be concerned with the achievement of the objectives which concurs with performance contracting which is a tool developed to ensure that strategies are implemented successfully (Chiang *et al*., 2010).

2.2.2 Agency Theory

The first scholars to propose that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick. Ross is responsible for the origin of the economic theory of agency, while Mitnick came up with the institutional theory of agency, though the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions. In short, Ross introduced the study of agency in terms of problems of compensation contracting; agency was seen, in essence, as an incentives problem. Mitnick introduced the now common insight that institutions form around agency, and evolve to deal with agency, in response to the essential imperfection of agency relationships (Mitnick, 2015).

Agency theory examines the effects of contractual behavior between two parties: principal(s) and agent(s) (Cruz *et al*., 2010). This relationship is inevitably in any organizational set up described by information asymmetry because agent holds a substantially larger volume of information than the principal. Due the negative effects of information asymmetry for the principal, this should cover supplementary costs with monitoring agents and/or grant incentives (Witcher & Chau, 2010). Contractual relations generate agency problems (adverse selection and moral hazard) which have the origin in information asymmetry between the parties. This information asymmetry causes negative repercussions on principal because agent will not be interested to maximize principal's welfare, but its own prosperity. The big challenge for the principal is to find the optimal ratio between these categories of costs in comparison with the beneficial effects of controlling agent's activity (Davies, 2000).

In case of public sector, there are some particularities regarding the relation between principals and information asymmetry due to the enormous volume of bureaucratic paperwork which requires costs to be assessed and used in monitoring activity (Attila, 2012). According to Witcher and Chau (2010) this excessively regulated field tends to accentuate that organizations have constantly applied to control this relationship. This ensures that principles and agents have clearly defined expectations on which their relationship is founded.

In this study, the government of Kenya is viewed as the principal and the management of the various public corporations as the agents who act on behalf of the government to have the performance contracts implemented in line with the strategic direction of the organization. The performance contract visibly stipulates, duties each player of the contract (Armstrong & Baron, 2010). A performance contract comprises of an array of management tools used to define duties of each respective party to attain the agreed outcomes (Bekele *et al*., 2014). This theory is used in this study because it examines the effects of contractual behavior between two parties: principal(s) and agent(s) which concurs with performance contracting process as it visibly stipulates, duties of each player of the contract (principal and the agent) and comprises of an array of management tools used to define duties of each respective party to attain the agreed outcomes.

2.3 Performance Contracting

As a way of improving performance, organization administrations are adopting private sector practices in public institutions (Mbua & Sarisar, 2014). New public management models have therefore been invariably seen through the public service reform initiatives in many developing countries as the solution to reversing falling service delivery (Balogun, 2003). In the mission of improving service delivery, the Kenyan government introduced performance contracting to refocus the mind set of public service away from a culture of inward looking towards a culture of business which focuses on customer and results (Obongo, 2009).

It was believed that with the introduction of performance contracting in the public service, service delivery institutional performance measurements, clarification of corporate objectives, customer orientation will lead to increased focus towards incremental productivity while the cost of production will go down (GOK, 2013). According to Geiger (2016) performance contract is a Memorandum of Understanding (MOU) rooted in an evaluation system, which looks at performance comprehensively by incorporating other environmental factors that might affect overall results while improving the performance managements and industries by making the autonomy and accountability aspect clearer and more transparent.

There are three aspects of performance contracting as proposed by Armstrong and Baron (2010) which include performance agreement, performance evaluation and performance recognition. Performance plan must have an agreement on what has to be done to achieve the objectives, what should be the standard of performance, what skills should be imparted and how information (feedback) on progress should be channeled. Within the context of performance evaluation, employee's achievement of the objectives in the work plan needs to be evaluated and outstanding performance rewarded.

Performance contracting comprises of a variety of administrative tools to outline the duties expected from parties to achieve jointly agreed results (Nyaigo *et al*., 2013). Its objective are meant to get the best out of the process and thus improving the performance of the whole institution (Nguthuri *et al*., 2013). Most of the local and international organizations are in the process of implementing performance contracting so as to improve on their service delivery (Mwalim *et al*., 2019). It is considered as an important instrument that will bring transparency and accountability in the public (Nyamosi, 2012).

A well planned performance contract exercise has shown the "true" costs and benefits associated with a particular public enterprise. This, in turn, provides a valuable basis for Privatization. Similarly, the Performance Contracts with government departments are being used extensively in OECD countries to improve the delivery of public services and effectiveness of government machinery (Kogei *et al*., 2013). Many countries have had success in improving the performance of their own public sector by designing Performance contracts after carefully examining and adapting to their particular needs the lessons of the vast international experience with regards to Performance contracts (Bryant, 2003).

The success of Performance Contracts in such diverse countries as France, Pakistan, South Korea, Malaysia, India, and other countrie of the world has sparked a great deal of interest in this policy around the world (Wheeler, 2001). A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public enterprises in their countries. Performance Contracts represent a state-of-the-art tool for improving public sector performance. They are now considered an essential tool for enhancing good governance and accountability for results in the public sector (Nyamosi, 2012). International experience with privatization suggests that the process of implementing a well-thought-out privatization program is a lengthy one. It is imperative that immediate steps be taken to increase the efficiency of the public enterprises and reduce further drain on the country's treasury resulting from their losses (Belcastro, 1998).

Performance contracts emanated from the perception that the performance of the Public Sector has been consistently falling below the expectations of the Public. Performance contracting is part of broader Public sector reforms aimed at improving efficiency and effectiveness in the management of Public service (Bass, 2006). The problems that have inhibited the performance of government agencies are largely common and have been identified as excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (Bryant, 2003).

Performance contract system originated from France in the late 1960s (Lansbury, 2001). It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced in India. It has been adopted in developing countries in Africa, including Nigeria, Gambia, Ghana and now Kenya. The definition of Performance contracts itself has been a subject of considerable debate among the scholars and human resource practitioners. Performance contracting is a branch of management science referred to as Management Control Systems. Bryant (2003) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent.

As a way of making a positive move in service delivery, the government of Kenya in 2001 launched performance improvement strategies in the public corporation. The strategies were aimed at bringing productivity and improving service delivery. The strategy was based on the Result Oriented Management (ROM) approach (Kobia & Mohammed, 2006). ROM enables the adjustment of operations to directly act on the outlined goals and yield results (Kobia & Mohammed, 2006; Nyaigo *et al*., 2013). With this change from the norms, there was need for an overhaul change in the government entities for instance, the government ministries were supposed to come up with strategic plans reflecting their goals (Letangule & Letting, 2012). The ideal effects of performance contracting have not be fully felt but there are some visible improvement in terms of employee accountabilty and service in most of the government entities (Kobia & Mohammed, 2006; Nyaigo *et al*., 2013).

The government adopted performance contracting in the public service in order to ensure that there is reduction or altogether elimination of reliance on exchequer funding for government agencies, which are expected to generate revenue or make profit, as an objective basis for divesting loss making government agencies and also compel the agencies to give a return to the shareholders by paying dividends or surplus, ensure that public corporations improve performance to deliver quality and timely services to the citizen and instill a sense of accountability and transparency in service delivery and the utilization of resources (RBM guide, 2005). The objectives of introducing performance contracts in Kenya were to improve service delivery to the public by ensuring the top–level managers are accountable for results, reverse the decline in efficiency and ensure that resources are focused on attainment of key national policy priorities of the government and institutionalize performance oriented culture in the public service through introduction of an objective performance appraisal among others (GOK, 2013).

Introduction of performance contracting in Kenya in 2001 was geared towards several expected outcomes; improved performance, decline in reliance on Exchequer funding, increased transparency in operations and resource utilization, increased accountability of results, linking reward on measurable performance, reduced confusion resulting from municipality of objectives, clear apportionment of responsibility for action, improvement in the correlation between planning and implementation, create a fair and accurate impression on the performance, achievement of greater autonomy and creation of enabling legal and regulatory environment (Letangule & Letting, 2012).

Although, the real impact of the process is yet to be fully visible, there is clear evidence of radical improvement particularly in remarkable and unprecedented improvement in profit generation for commercial state corporations, significant improvement in service delivery and operations by such ministries as immigrations and registration of Persons, Agriculture, Provincial Administration and Internal Security, Health, finance and Water, significant improvement in operations and services by Nairobi City Council, Kisumu and Nakuru Municipalities and unprecedented improvement in service delivery and operations by the bulk of state (Kobia & Mohammed, 2006).

2.4 Strategy Implementation

Organizational heads have a task of putting in place ways of adjusting to new trends in the world of business so as to maintain relevance in the dynamic business environment. This tactic involves outsourcing some services to reduce the cost of production so as to increase their effectiveness in the market environment (Wheelen & Hunger, 2010). Previously applied mechanisms aimed at positioning the organization but this can no longer withstand the dynamism in the market. It is for this reason that strategy development is a “game” used to ensure survival in the competitive market (Čater & Pučko, 2010; Hrebiniak, 2006).

According to Aghazadeh (2015), a business strategy also aims at achieving the operational efficiency of all the business activities by minimizing the use of scarce available resources. Every strategy should ensure proper utilization of business resources. Whenever a firm attains its goals in this manner, the cost of production is reduced and the firm enjoys competitive advantage through offering low prices. For this reason therefore, the main objective of any strategy is to ensure attainment of competitive power. This occurs when the firm commands a larger market than its competitors. Such differences as operational efficiencies cause variations in profitability between a firm and its competitors. It is therefore important to come up with a strategy that ensures utilization of the scarce resource while maintaining relevance in the dynamic market full of competition (Ansoff *et al*., 2018; Dess *et al*., 2007).

As a company tries to interact with its environment, it comes through several strengths, weaknesses, opportunities and threats. The company has therefore to design a good strategy to counter the effects of weaknesses and face the threats (Jeyarathnam, 2008). It should also be in a position to take advantage of any strength and grab any opportunity within the shortest time. The environmental conditions experienced by firms are usually based on customer demands, accessibility of customers and a company's products and services. According to Deshpande (2010), for any company to stand the stormy market, it must design a good strategy to counter the effects of its weaknesses and face the threats. Any organization must also prioritize the fulfilment of customer in its strategy development (Prahalad & Ramaswamy, 2004). Availability of customers is another major issue that leads to formation of strategies. A firm may develop a strategy that will help it to reach a desired market share. A company's products and services are also a major determinant of the company's strategies. A firm is supposed to put up strategies to ensure that its products are the best in the market. When we look at all these forces that lead to formulation of strategies we can evidently see that strategies are game plans or competition tools that give a company a competitive edge (Witcher & Chau, 2010).

The competitive strategy model developed by Porter (1985) brings up the idea of generic strategies. These are the strategic objectives that give firms the most competitive edge in the market. They include cost leadership which refers to having the least cost of production. This in turn leads to low prices, low competition, and huge market share and hence more profits. This strategy is usually employed by companies with large market and a large competitive environment. Differentiation is another objective of business strategy. It involves making firms different from competitors in the eyes of the customers. The last form of generic strategy is the focus on customers. A firm must come up with strategies that ensure that full focus is given to customers.

According to Witcher and Chau (2010), the process of strategy implementation is the most important process in strategic management. This is so because it is the only evaluable process while other processes like strategy formulation are not since they do not have tangible results at the end (Johnson *et al*., 2006). Strategy implementation introduces the formulated strategy as a solution to the business. There are several processes involved in strategy implementation including evaluation and validation of strategy documents. Stead and Stead (2014) pointed out that it is important to revisit the planed strategy before implementation to ensure that it is still relevant to a firm and aligned to organization vision and mission. After ensuring that a strategy is aligned to organizational goals, it is important to note the common point's (Bass, 2008). These act as basis for evaluation. The final stage is validation of strategy. This includes effecting the strategy and evaluation.

Naidoo and Wu (2011) states that strategy implementation is composed of a series of activities which are primarily administrative. Performance measurement and management development are enmeshed in a system of control that must be directed towards the desired results for the organization. Strategy implementation is dependent on the planning and evaluation of the achievements. According to (Cater & Pucko, 2010; Hrebiniak, 2006) for a strategy to be fully implemented, it should have three main characteristics. To begin with, the strategy should be well formulated. Secondly, a strategy should be accurately applied to the business situation. Finally, an effective strategy should be evaluated to establish whether all objectives have been achieved.

Elbanna *et al*. (2016) did a study on strategic planning and implementation success in public service organizations. They used task completion and the level of satisfaction to measure strategy implementation success. Tonderai *et al*. (2014) while conducting a study on strategy implementation framework used by SMEs in Zimbabwe measured success in terms of growth of the business in the Zimbabwean context where businesses were generally struggling under harsh economic conditions. In six out of the eight cases, success was measured in terms of the organization's ability to survive for periods exceeding the five years' threshold. The primary dependent variable in Noble and Mokwa (1999) study was implementation success, which they define as the extent to which an implementation effort is successful by the organization. At the individual level, role performance is a critical outcome defining the degree to which a manager achieves the goals and objectives of a particular role and facilitates the overall success of the implementation effort. Harrington (2006) found that a higher level in total organizational involvement during strategy implementation had positive effects on the level of implementation success, firm profits and overall firm success.

2.5 Aspects of Performance Contracting

Many organizations today are relying on their strategies to survive in the market. With the current volatility of the market, it is evident that an organization with weak strategies is unlikely to achieve the ideal level of competitive strength to sustain a market. According to Martin (2010), PC is a pertinent instrument which has given the government a chance to develop objectives and ensure they are achieved (Makewa & Were, 2017). The understanding of performance contracting has continued to grow over the years and there has been great improvement in the concept over the last few years. Some of the consequences of introducing performance contracting include: improved efficiency in resource in resource utilization, improved service delivery, institutionalization of performance-oriented culture in the public service, reduction or elimination of reliance of agencies on exchequer funding and enhancing overall performance (Kogei *et al*., 2013).

Currently, public institutions are experiencing improved financial and administrative efficiency as a result of the introduced reforms (Hartley *et al*., 2013). Performance contracting as an accountability tool has contributed in its own way to this improvement. Accounting officers reported improvement in several aspects of finance and administration. The use of Performance Contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. Fundamentally, a Performance Contract is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets (Hartley *et al*., 2013). They include a variety of incentive-based mechanisms for controlling public agencies, controlling the outcome rather than the process.

Governments are increasingly faced with the challenge to do things differently but with fewer resources. According to Subba (2010), performance contracting provides a framework for generating desired behaviour in the contest of devolved management structures. Employers view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods. Hrebiniak (2006) argues that the use of contracting in government services is increasing, as the evidence is fairly clear that contracting out can lead to efficiency gains, while maintaining or increasing service quality levels. Thompson and Strickland (2013) argue that strategy implementation is all about acting on what has to be done internally to put formulated strategies in place thus ensuring that targeted results are achieved within the targeted framework of time. Bryant (2003) argues that if one believes that strategies are explicit, implementation would mean carrying out the pre-determined strategic plans. According to Bourgeois and Brodwin (2004), implementation of the Process of performance contracting began in 2004 and the real impact of the process is yet to be fully noticeable. Despite the improved performance, public organization still faces a number of challenges that still hinder full achievement of the goals.

2.5.1 Performance Agreement

The Kenya Government Policy Paper (2005) defines performance agreement as a freely negotiated performance pact that is signed between government who are the owners of the corporation and the corporation employees. The process involves two parties where in an agreement: the parties clearly specify their mutual performance obligations, intentions, and responsibilities within the terms or contract, which is signed on a periodic basis (Armstrong & Baron, 2010).

In the operational context, performance contracts comprise two major components; the determination of mutual agreement performance targets and time bound review, and analysis of the periodic performance. As per the laid down implementation framework within the state corporations, a two level contract is signed; the initial agreement is between the government and the board of directors, and the second between the board of directors and the chief executive officer within the organization (Obongo, 2009). The chief executive is expected hence forth to facilitate an intra-organization roll out of the contract that is cascaded instantly to the senior management, middle management, lower management, and every worker as per the organization structure. The annual organization development plan document is employed as a guide for the various division within the corporation. Through this method, the performance contract system is extended and unfold across operational units within the entire organization, with departments championing their various goals and targets as per the linkages established within the approved organizational plan for the prevailing period (RBM guide, 2005).

Lugalia (2011) conducted a descriptive case study on employee performance management practices in Kenya sugar board. The study was used to establish employee performance management practices in Kenya Sugar Board in Nairobi. It was found that setting of objectives for performance in KSB is meant to monitor individual performance as well as achievement of organization's strategic goals. The study also found that organization goals are broken down to lower levels where they become individual goals. Another study by Njoroge *et al*. (2015) on the moderating influence of performance contracting on the relationship between strategy implementation and performance. Further, performance contracting had a negative moderating effect on the relationship between strategy implementation and organizational performance. Notably, performance contracting indicators of negotiation as well as monitoring and evaluation had negative effect on the relationship between strategy implementation and performance of Kenya state corporations.

Other literature sources for instance a study by Muraguri and Wagoki (2016) on the influence of performance contracting on strategy implementation showed that it improve organizational performance especially when employees own the strategy. The study adopted a descriptive research design, whose purpose was to explore and describe things as they were. They found out that performance contracting reduces confusion during strategy implementation, and that the success of strategy implementation in the university has been facilitated by employees owning up the strategy and the implementation process. The study further revealed that performance management training was important in determining strategy implementation in Mount Kenya University. This was an indication that enhancing the performance management training consequently enhanced strategy implementation in the university.

Gollan (2004) carried out a study on organizational strategies, outcomes and processes of Australian workplace agreements (AWA) in Australia, the study sought to find out whether performance agreements influence the level of the intended outcome from the point of view of the employers which is successful strategy implementation. According to the survey respondents, employers who had drafted AWA's have generally been able to achieve some positive organizational outcomes and they have generally met their objectives. A study by Awino and Saoli (2014) on the perception of performance contracting strategy showed that engagement of employees in the process plays a great role in the success and affects the management commitment.

2.5.2 Performance Evaluation

In performance evaluation, Armstrong and Baron (2010) argue that the managers ought to periodically assess the performance of the other employees and also the accomplishment of the objectives within the work plan as well as the agreed coaching and development plan. The philosophy was adopted by all state corporations which were expected to develop annual corporate plan strategics which would serve to guide on the agreed targets and act as a yardstick to assess achievement of goals upon completion of the defined performance period. The annual corporate plans also formed a basis in which performance contracts are negotiated with the principal at the commencement of the new contract period. Within the scheme expectations, the targets are evaluated and agreed upon between the parent ministry and the state corporation based on the strategic plan document. This provided a basis to evaluate and check on successful implementation of the corporate strategic plan goals in the state corporation and how the same influenced the overall improvement of service delivery and performance of the institution during the contract period (Obongo, 2009).

Hass *et al*. (2005) conducted a study on the use of performance measures as an integral part of an entity's strategic plan. The objective was to gain an understanding of the multiple ways companies are using performance measures throughout the organization in the areas of strategic planning, monitoring operations, and evaluation of employees work and satisfaction with the company and suppliers. A survey was developed and distributed to internal auditors to gather information on how their companies used performance measures. They found out that employee evaluation and compensation coupled with regular monitoring of ongoing operations is consistent with the expectation that performance measures help organizations manage variances in achieving stated corporate goals. In view of the above the evaluation process plays an invaluable role in the success of implementing strategy.

Kangangi (2014) conducted a study on the role of performance management on strategy implementation in the insurance industry in Kenya.The study was conducted in kenya. The study adopted a descriptive survey design. To ensure fair representation and generalization of finding to the general population, stratified sampling methods were used; specifically random stratified sampling technique which ensured different subgroups of the employees' fraternity in the selected 5 insurance companies within kenya were represented in the study. The study found that performance evaluation was evident in the insurance industry and from the responses gathered, the respondent's majority of them indicated that it was there and that the management had put efforts to conduct evaluation, and procedures were put in order to implement strategy effectively. Upadhyay and Palo (2013) conducted a study on Engaging employees through balanced scorecard implementation in India. The study took the form of a case study based on analysis of data collected through archived sources, participant observation, in-depth interviews and focused group discussions. They found out that performance monitoring induces a sense of meaningfulness in the employees about work. The periodic review of performance indicators develops a sense of seriousness and can lead to a performance-oriented work culture which translates to successful implementation of strategy.

2.5.3 Performance Recognition

Performance recognition, is perceived as a way of utilizing the values of the employees for the benefit of the company by rewarding the best performing employees (San *et al*., 2012). According to Moser and Morrissey (1984), performance recognition is a way for management to utilize the values of the employee for the good of the company. A feeling of having control and a sense of personal worth make employees feel motivated to achieve any and all goals, his and the company.There is need to reward outstanding work, which is recognized from the evaluation reports. The reward could be in various ways ranging from recognition to award of medals and other material endowments (Armstrong, 2006).

Managerial efforts to identify and adopt best practices are a powerful tool for promoting operating excellence and better strategy execution. A properly designed reward system will align the well-being of organization members with their contributions to strategy execution and the achievement of organizational goals (Thompson *et al*., 2007). Performance contracting has been associated with motivation of employees because they are involved in making decisions affecting their work and targets. Involvement of employees in decision making process motivates human being due to recognition of their initiatives (Luthans, 2008).

According to Armstrong and Baron (2010), employee rewards come in many ways ranging from giving of medals to other material gifts. Sajuyigbe *et al.* (2013) stated that recognising the best employees is a good strategy in ensuring the success of the organization thus the rewarding systems should be well designed in that it aligns the welfare of the employees as well as ensuring excellent execution of organizational strategy. Involvement of employees in decision making is a simplest way of recognition as it motivates them and make them have sence of belonging (Luthans *et al*., 2008). Kobia and Mohammed (2006) in a study "Kenya Experience with Performance Contracting" reckon that performance contracting has revolutionized service delivery in the public service. The study assumed a descriptive and qualitative design and results were based on 280 senior public servants who were attending a workshop at Kenya Institute of Administration and were drawn from various ministries across the country. They noted that performance contracting has played a major role in motivating the employees when they achieve the set target. It also brought the employees on board in making decisions that affect them in the place of work.

2.6 Summary of Literature and Knowledge Gap

As revealed in the literature review above, various studies have been conducted on the aspect of performance contracting. Lugalia (2011) did a study on employee performance management practices in Kenya sugar board , this study did not touch on strategy implementation. Muraguri and Wagoki (2016) conducted a study on the influence of performance contracting on strategy implementation at Mount Kenya University. The study sought to examine the effect of performance management training on successful strategy implementation. The study focused on performance management training and not performance contracting practice. Awino and Saoli

(2014) using cross sectional survey design investigated management perception on performance contracting strategy at the City Council of Nairobi. The study dwelled on the management perception and not on the practices, it also did not touch on strategy implementation. Gathai *et al*. (2012) analyzed factors affecting the implementation of performance contracting at Kenya Civil Aviation Authority. The study focused on factors that affect implementation of performance contracting and not the practices themselves.

Based on the knowledge of the researcher which is informed by the reviewed literature, although several studies had been done on performance contracting none has addressed the three dimensions of performance contracting (agreement, evaluation and recognition) and their effects on strategy implementation. This study therefore sought to examine the effect of performance contracting practices on strategy implementation in public corporations in Kenya.

2.7 Conceptual Framework

The independent variable for this study was performance contracting while the dependent variable is strategy implementation. Performance contracting involves performance agreement, evaluation and recognition. The variables and how they are related is shown in Figure 2.1.

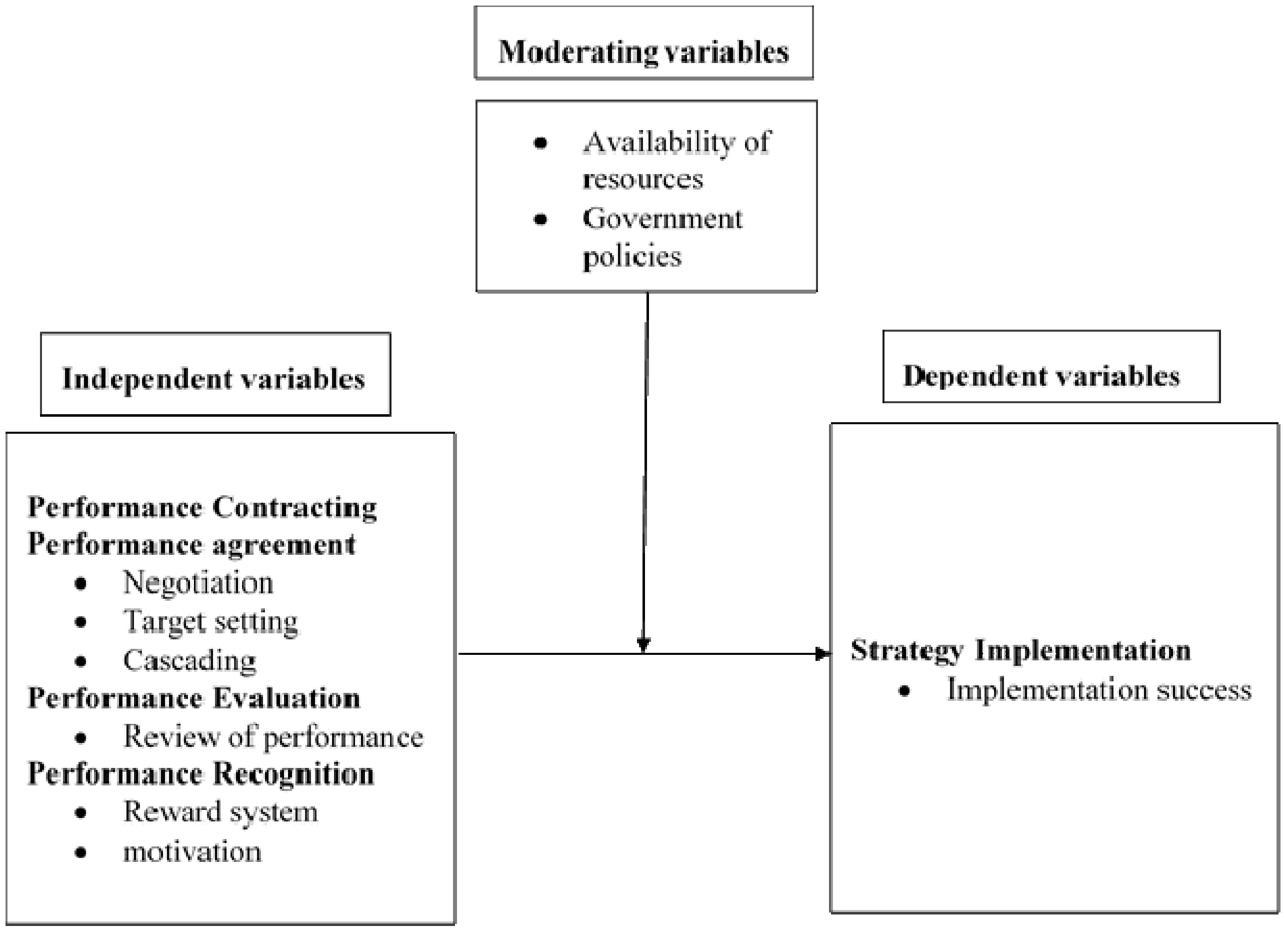

Figure 2.1: Conceptual Model of Relationship between Performance Contracting, Contextual Factors and Strategy Implementation

As shown in Figure 2.1, there exists a relationship between performance contracting and strategy implementation which are the dependent and independent variables in the study respectively. It was expected that the aspects of performance contracting (performance agreement, performance evaluation and performance recognition) would affect strategy implementation. The relationship between performance contracting and strategy implementation is moderated by contextual factors such as availability of resources and government policies.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides insight into the research design adopted, the target population and sample design as well as data analysis.

3.2 Research Design

The study adopted explanatory research design, which seeks to explain the cause and effect relationship between variables. The study also adopted a cross-sectional sample survey in that the data was collected from a sample over a short period of time.

3.3 Target Population

According to the Presidential Taskforce Report on Parastatal Reforms of 2013, there are 168 public corporations in Kenya which formed the population of this study (Mohamed & Awuondo, 2013). The corporations are classified in five (5) broad categories namely; commercial state corporations, state corporations with strategic functions, executive agencies, independent regulatory state corporations and finally, education, research and training institutions. The respondents, one from each the corporation were senior management officers who are tasked with overseeing the performance contracting implementation. This is because these officers are deemed to have first hand information on how the organization has been implementing the performance contract and how the same has affected strategy implementation. The target population is presented on Table 3.1.

Table 3.1: Target Population

Category of State Corporation	Number
Commercial state corporations	32
State corporations with strategic functions	19
Executive agencies	52
Independent regulatory State Corporations	20
Education, Research and Training institutions	45
Total	**168**

3.4 Sample Design

A sample of public corporations in Kenya was used for this study. The formula suggested by Kothari (2004) was used to determine the sample size for finite population.

$$\text{Sample size (n)} = \frac{z^2pqN}{e^2\,(N-1) + z^2pq}$$

Where: n = sample size

N = Population which is 168

p = Proportion taken as 0.5

q = (1-p) which is 0.5

e = Margin of error, taken as 0.05

z = z-value (1.96).

Substituting the values in the formula;

$$n = \frac{168\,(1.96)^2\,(0.5)\,(0.5)}{(0.05)^2\,(168-1) + (1.96)^2(0.5)\,(0.5)}$$

$$n = 117$$

Hence, the sample size was 117 public corporations.

To ensure each sector of the State Corporations was represented in the sample, proportionate stratified sampling method was used. Sample size of each category of the corporation was computed by considering the size of each stratum as a percentage of total population. To select the sample units for each category in the final sample, simple random sampling was used. Table 3.2 shows the population and sample size of the corporation categories used in the study.

Table 3.2: Distribution of category of State Corporation, Population and Sample

Category of State Corporation	Pulation	Sample size
Commercial state corporations	32	23
State corporations with strategic functions	19	13
Executive agencies	52	36
Independent regulatory State Corporations	20	14
Education, Research and Training institutions	45	31
Total	**168**	**117**

3.5 Data Collection

The study used primary data. Structured questionnaires were used to obtain data from the respondents. The questionnaires comprised of closed ended questions to measure the dimensions of the research variables. The questionnaire was structured into three sections: the first section contained questions on the respondent's demographic data and the profiles of the corporations. The second section contained questions on the research variables of performance contracting and the third section dealt with strategy implementation. The respondents were executive officers of the corporations who were considered informed on issues of performance contracting and strategy implementation or officers with delegated authorities.

3.6 Measurement of Variables

In this study, the independent variable was performance contracting aspects while the dependent variable was strategy implementation. Performance contracting was measured in terms of performance agreement, evaluation and recognition (Allen & Seaman, 2007; Armstrong & Baron, 2010). A five-point Likert scale ranging from strongly disagree (1) to strongly agree (5) was used to collect the data on the dimensions of performance contracting. Strategy implementation was also measured in terms of success of strategy implementation (Rajasekar, 2014). Data on success of strategy implementation was collected using a five-point Likert-type scale ranging from not at all (1) to very great extent (5).

3.7 Validity of Research Instruments

Mugenda and Mugenda (2003) describe validity of the instrument as the accuracy of the method to yield meaningful inferences, which are based on the research results. Content validity was used to measure the degree to which the items in the instrument measure the study variable. If such data is a true reflection of the variables, then inferences based on such data is accurate and meaningful. The validity of the research instrument was assessed by the experts in the Faculty of Commerce, Egerton University.

3.8 Reliability of the Research Instruments

Reliability is the ability of the instrument to give a consistent measure each time it is used under same preexisting factors (Souza *et al*., 2017). A pilot study was conducted to test the reliability of the instrument and the outcome used to make the relevant changes on the instrument. Cronbach reliability coefficient was used for this study because it helps to establish the internal consistency of the responses. Cronbach alpha is a coefficient of internal consistency used as an estimate of reliability and it ranges in values from 0-1. If the values exceed the standard of 0.7 then the reliability of the instrument is considered reliable enough (Yang & Green, 2011).

3.9 Data Analysis and Presentation

Before processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering and cleaning the data on excel. To describe the profiles of the respondents, organizations and the research variables, percentages, means and standard deviations were used. Pearson's correlation analysis was used to examine the relationships between performance contracting and strategy implementation. Simple regression analysis and multiple regression analysis were used to test the research hypotheses.

To test hypothesis H_{O1}, the following simple regression model was used:

$$Y = a + b_1 x_1 + \varepsilon$$

Where:

Y = Strategy implementation

a = Constant

X_1 = Performance agreement

b_1 = Regression coefficient

ε = error term

To test hypothesis H_{O2}, the following simple regression model was used:

$$Y = a + b_1 x_2 + \varepsilon$$

Where:

Y = Strategy implementation

a = Constant

X_2 = Performance Recognition

b_1 = Regression coefficient

ε = error term

To test hypothesis H_{O3}, the following simple regression model was used:

$Y = a + b_1 x_3 + \varepsilon$

Where:

Y = Strategy implementation

a = Constant

X_3 = Performance Evaluation

b_1 = Regression coefficient

ε = error term

To test hypothesis H_{O4}, multiple regression model was used. The regression model is specified below:

$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Where:

Y = the dependent variable (Strategy implementation)

a = Constant

X_1 = Performance agreement

X_2 = Performance recognition

X_3 = Performance evaluation

B_1-β_3 = regression coefficients

ε = error term (the difference between the observed and estimated dependent variable).

The presentation of the analysis results was done using tables.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This study section presents the study findings and discussions. Data analysis was done based on the objectives; to establish the effect of performance agreement on strategy implementation, to establish the effects of performance evaluation on strategy implementation, to determine the effect of performance recognition on strategy implementation, and to determine the joint effect of performance agreement, evaluation and recognition on strategy implementation. The descriptive analysis results of the profiles of the studied organizations and study variables as well as correlation analysis of the relationship between performance contracting aspects and strategy implementation are presented. Finally, the chapter presents result of hypothesis testing and discussion of the results.

4.2 Reliability and Validity Tests

Cronbach's Alpha coefficient was computed to check the reliability of the instrument. Crobach's alpha coefficient of 0.70 was regarded to deem the instrument to be reliable (Yang & Green, 2011). The dimensions of performance contracting and strategy implementation were subjected to reliability test using SPSS and the results obtained are shown in Table 4.1.

Table 4. 1: Reliability Test

Variable	Cronbach alpha
Strategy implementation	.923
Performance agreement	.986
Performance evaluation	.883
Performance recognition	.817

From the pilot study all the variables of the study had an alpha coefficient greater than 0.7 showing than the instrument was reliable (Mugenda & Mugenda, 2008).

4.3 Response Rate

A total of 117 questionnaires were administered and 113 of them were filled and returned giving a response rate of 96.6% as shown in Table 4.2. The response rate was considered to be very good since it is above the standard rate of 70% as asserted by Babbie (2004).

Table 4. 2: Questionnaire Return Rate

		Frequency	Percent
Valid	Returned	113	96.6
	Not Returned	4	3.4
	Total	117	100.0

4.4 Demographic Characteristics of the Corporation

This section presents the analysis of corporation's year of establishment, market served, and length of time the organization has practiced performance contracting.

4.4.1 Distribution of Respondents by Year of Establishment of their Organization

The study aimed to establish the organization's year of establishment. This was very important because previous studies indicated that there was strong relationship between organizations year of establishment and strategy implementation. Table 4.3 shows the findings.

Table 4. 3: Year of Establishment of the Organizations

Age	**Frequency**	**Percent**
Below 1 years	15	13.3
1-5 years	27	23.9
6-10 years	36	31.9
Above 10 years	35	30.9

As per the findings in Table 4.3, majority of the organizations (31.9%) were established between 6-10 years. Ideally when combined, more than 62.8% of the organizations have been in existence for more than five years.

4.4.2 Market Served

The study sought to determine market served by the organization. This is important because it illustrate the scope of the organization operations in the market.

Table 4. 4: Market Served

Qualification	Frequency	Percent
Regional	54	47.8
National	41	36.3
International	18	15.9

The results in Table 4.4 show that 47.8% of the organizations serve regional market while 36.3 % of these organizations serve the national market where as 15.9 % serve international market. In general, it can be deduced that the organizations serve all the market located regionally, nationally and internationally.

4.4.3 Length of Time the Organization has Practiced Performance Contracting

The study sought to establish the length of time the organization practiced performance contracting. Table 4.5 shows the findings.

Table 4. 5: Period of Practicing Performance Contracting

Age	Frequency	Percent
Below 5 years	6	5.3
6-10 years	30	26.5
11-15 years	19	16.8
15 and above 50	58	51.3

The results show that majority of organizations, 51.3% have practiced performance contracting for a period of 15 years and above. The results imply that the organizations were in a good position to relate strategy implementation and performance contracting due to their experience in performance contracting.

4.5 Performance Contracting Aspects

The study examined performance contracting aspects in the organizations. This was analyzed using means and standard deviations. Table 4.6 shows the results.

Table 4. 6: Performance Contracting Management Strategies

Performance Agreement	**N**	**Mean**	**Std. Dev.**
My organization has put in place performance contracts	113	4.41	1.300
Employee in my organization understand performance contracting	113	4.01	1.201
Performance agreements are a two way exchange and the determination is of mutual agreement	113	4.11	1.261
Performance targets are time bound	113	4.56	1.271
The annual organization development plan document is employed as a guide for the various divisions within the corporation	113	4.81	1.302
Every department in my organization sets performance targets	113	4.76	1.264
Every department in my organization sets performance targets	113	4.90	1.142
Performance contracts in my organization are drawn in line with the organizations strategic plan	113	4.76	1.363
Performance Evaluation	**N**	**Mean**	**Std. Dev.**
Managers in my organization periodically assess the performance of the subordinates	113	4.90	1.142
The performance evaluation is done based on the accomplishment of the objectives within the work plan	113	4.01	1.261
Performance evaluation in my organization provides a basis to evaluate success of implementation of the corporate strategic plan	113	4.56	1.271

Performance Recognition	N	Mean	Std. Dev.
Our organization has a performance recognition program in place	113	4.02	1.271
Performance recognition programs at my organization do not make much difference to my work	113	4.71	1.201
Performance recognition is a strong part of our organization culture	113	4.01	1.261
Rewards and recognition programs are communicated to the employees at the beginning of year	113	4.56	1.271
People who perform their jobs well generally get rewarded	113	4.81	1.302
Giving staff non-monetary rewards for good performance helps in strategy implementation	113	4.61	0.972
In our organization success is celebrated to reinforce desired behavior	113	4.90	1.142

4.5.1 Performance Agreement

As depicted in Table 4.6, most public corporations in Kenya have incorporated performance agreement in their performance contracting. This was depicted by number of respondents who agreed with a mean of 4 that; their organizations have put in place performance contracts; Employee understand performance contracting; Performance agreements are a two way exchange and the determination is of mutual agreement; Performance targets are time bound; The annual organization development plan document is employed as a guide for the various divisions within the corporation; Every department in their organization sets performance targets; and Performance contracts in their organization are drawn in line with the organizations strategic plan. The study findings highlight the importance of conducting performance agreement in organization as observed by Obongo (2009). They asserted that performance agreement involved settlement to perform a certain task in an organization that has an impact of strategy implementation.

4.5.2 Performance Evaluation

The results on Table 4.6 depicts that majority of the respondents agreed (Mean=4) that performance evaluation is conducted in the public corporation in Kenya. They also agreed that performance evaluation has a direct effect on strategy implementation. This was shown by the level of respondent's agreement to the following statements concerning performance evaluation: Managers in my organization periodically assess the performance of the subordinates; The performance evaluation is done based on the accomplishment of the objectives within the work plan; and Performance evaluation in my organization provides a basis to evaluate success of implementation of the corporate strategic plan. Performance evaluation had been noted by Armstrong and Baron (2010) as an assessment of performance in the organization to know the actual impacts against planed impact. A study conducted by Kangangi and Kamure (2014) asserted that performance evaluation results to achievement of corporate goals that this study also found out.

4.5.3 Performance Recognition

Table 4.6 depicts that the respondents agreed that performance recognition is conducted in their organizations. This was revealed by the respondents' agreement with a mean of 4 that: Their organization has a performance recognition program in place; Performance recognition programs at their organization make much difference to my work; Performance recognition is a strong part of organization culture rewards and recognition programs are communicated to the employees at the beginning of year; People who perform their jobs well generally get rewarded; Giving staff non-monetary rewards for good performance helps in strategy implementation; and in their organization success is celebrated to reinforce desired behavior. The respondents also agreed strategy implementation process is strengthened when employees' performance is recognized. The current study is consistent with past observations made by Armstrong and Baron (2010), Thompson *et al*. (2013) and Luthans *et al*. (2008) that performance recognition is meant to acknowledge, appreciate and approve accomplishment of employees in an organization. This has a direct effect on strategy implementation whereby employees will feel part and parcel of an organization thus devote their effort in implementing organization strategic plan.

4.6 Strategy Implementation

The study sought to examine strategy implementation in public corporations in Kenya. In doing so, the researcher determined whether the said organization implement their strategies. Table 4.7 depicts the results.

Table 4.7: Respondents approval on the existence of Strategy implementation in their organizations

Strategy Implementation	N	Mean	Std. Dev.
There is improved service delivery in my organization	113	4.23	1.218
Activities in the organization are performed as scheduled	113	4.61	0.972
There is ownership of strategy implementation by most of the staff in my organization	113	4.01	1.352
Resources are allocated as budgeted	113	4.02	1.271
Strategy implementation in my organization achieves set goals and objectives	113	4.81	1.302

The results show that public corporations in Kenya normally implement their strategies as a result of the high number of respondents who agreed that strategy implementation is normally achieved in the organizations. This was shown by respondents strongly agreeing with a mean of 4 that; Activities in the organization are performed as scheduled and Strategy implementation in the organization achieves set goals and objectives. Also respondents agreed with a mean of 4 with the assertion that: There is improved service delivery in their organizations; there is ownership of strategy implementation by most of the staff in my organization; and resources are allocated as budgeted. In general, it can be deduced that public corporation in Kenya normally implement their strategies. Strategy implementation has been highlighted by Witcher and Chau (2010) and Johnson *et al*. (2006) as the most important part in the process of strategic management with tangible results which can be evaluated.

4.7 Correlation Analysis

The study examined the relationship between performance contracting and strategy implementation. This was done using Pearson correlation analysis. The results of correlation analysis are as shown in Table 4.8.

Table 4.8: Correlation Matrix for Performance Agreement, Performance Evaluation, Performance Recognition and Strategy Implementation

		Performance Agreement	Performance Evaluation	Performance Recognition	Strategy Implementation
Performance agreement	Pearson Correlation	1	.656**	.864**	.712**
	Sig. (2-tailed)		.004	.000	.000
	N	113	113	113	113
Performance Evaluation	Pearson Correlation	.656**	1	.840**	.805**
	Sig. (2-tailed)	.004		.000	.000
	N	113	113	113	113
Performance Recognition	Pearson Correlation	.864**	.840**	1	.715**
	Sig. (2-tailed)	.000	.000		.000
	N	113	113	113	113
Strategy implementation	Pearson Correlation	.712**	.805**	.715**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	113	113	113	113

**. Correlation is significant at the 0.05 level (2-tailed).

The correlation results on Table 4.8 show a significant positive relationship between performance agreement and strategy implementation (Pearson's $r = 0.712$, $p < 0.01$). The result also showed a significant positive correlation between performance evaluation and strategy implementation (Pearson's $r = 0.805$, $p < 0.01$) as well as a significant positive correlation between performance recognition and strategy implementation (Pearson's $r = 0.715$, $p < 0.01$).

The findings of this study reveal a positive relationship between performance agreement and strategy implementation which is consistent with the findings of the study by Gollan (2004). Performance evaluation was found to be positively and significantly related to strategy implementation. The findings of this study are consistent with the findings of a study by

Kangangi (2014) which attributed strategy implementation success to performance evaluation exercise. Upadhyay and Palo (2013) also supports the study findings by asserting that performance evaluation results to performance-oriented culture hence strategy implementation is made easier. The findings from the study are consistent with the results by Kobia and Mohammed (2006) which revealed that appreciation of employees for their good performance goes a long way in the success of strategy implementation. In general, the study findings indicate that performance agreement, performance recognition and performance evaluation are positively related to strategy implementation success. Performance evaluation had the highest contribution to strategy implementation followed by performance recognition and then performance agreement. It can also be concluded that performance contracting as illustrated by performance agreement, evaluation and recognition have a positive effect on strategy implementation. The finding concurs with the findings by Lugalia (2011) and Muraguri and Wagoki (2016).

4.8 Testing of Hypotheses

This section presents inferential statistics for the testing of the hypotheses. The section presents regression analysis for performance agreement and strategy implementation, performance recognition and strategy implantation and performance evaluation and strategy implementation.

4.8.1 Performance Agreement and Strategy Implementation

The study aimed to determine the effect of performance agreement on strategy implementation. It was hypothesized (Ho_1 Hypothesis) that performance agreement has no significant effect on strategy implementation. Simple regression was used to analyze the data and the results are as shown on Table 4.9.

Table 4.9: Simple Regression Results on the Effect of Performance Agreement on Strategy Implementation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.712[a]	.507	.486	9.0778	.507	23.656	1	23	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1949.436	1	1949.436	23.656	.000[b]
	Residual	1895.354	23	82.407		
	Total	3844.790	24			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.021	3.399		1.772	.090
	Performance agreement	.698	.144	.712	4.864	.000

a. Dependent Variable: Strategy implementation

b. Predictors: (Constant), Performance agreement

From the study findings in Table 4.9, the value of R-square is 0.507. This implies that, 50.7% of variation in strategy implementation is explained by performance agreement. The remaining 49.3% of the variance in strategy implementation can be explained by other factors not included in this study. The ANOVA analysis shows that regression model was statistically significant ($F = 23.656$, $p < 0.05$). The standardized coefficient shows that the effect of performance agreement on strategy implementation is positive and significant ($\beta = 0.712$, $t = 4.864$, $p < 0.05$). The result of the study shows that performance agreement has significant effect on strategy implementation hence the null hypothesis was rejected. The findings of this study are in agreement with the findings by Gollan (2004) that found out that performance agreement results to outcome of intended results in strategy implementation process.

4.8.2 Performance Evaluation and Strategy Implementation

This part of the study aimed to determine the effect of performance evaluation on strategy implementation. It was hypothesized (Ho_2 Hypothesis) that performance evaluation has no significant effect on strategy implementation. Simple regression was used to analyze the data and the results are as shown on Table 4.10.

Table 4.10: Simple Regression Results on the Effect of Performance Evaluation and Strategy Implementation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.806[a]	.650	.623	8.5734	.650	24.091	1	13	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1770.745	1	1770.745	24.091	.000[b]
	Residual	955.531	13	73.502		
	Total	2726.276	14			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	5.821	3.646		1.597	.134			
	Performance evaluation	.709	.144	.806	4.908	.000	.806	.806	.806

a. Dependent Variable: Strategy implementation

b. Predictors: (Constant), Performance evaluation

As per the findings in Table 4.10, the value of R-Square is 0.650. This implies that, 65% of variation in strategic implementation is explained by strategy performance evaluation while 35% of variation in strategy implementation was attributed to other factors not considered in this study. Analysis of variance (ANOVA) was done and the test showed test that model was statistically significant ($F = 24.091$, $p < 0.05$). The standardized coefficient shows that the effect of performance evaluation on strategy implementation is positive and significant ($\beta = 0.806$, $t = 4.908$, $p < 0.05$). Hence, the null hypothesis that performance evaluation has no significant effect on strategy implementation was rejected there was a significant relationship between performance evaluation and strategy implementation. In general, the study showed that performance evaluation significantly affects strategy implementation which agrees with the findings by Kangangi and Kamure (2014) who found out that frequent follow up of laid out mechanisms to achieve the goals of any organization always results in the success of the strategy implementations. The study findings thus leads to the rejection of the null hypothesis which states that perfomance evaluation has no significant effect on strategy implementation success.

4.8.3 Performance Recognition and Strategy Implementation

This part of the study aimed to determine the effect of performance recognition on strategy implementation. It was hypothesized (Ho_3 Hypothesis) that performance recognition has no significant effect on strategy implementation. Simple regression was used to analyze the data and the results are as shown in Table 4.11.

Table 4.11: Simple Regression Results on the Effect of Performance Recognition and Strategy Implementation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.715[a]	.512	.490	9.0326	.512	24.103	1	23	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1966.468	1	1966.468	24.103	.000[b]
	Residual	1876.514	23	81.588		
	Total	3842.982	24			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	6.607	3.279		2.015	.056			
	% Recognition	.645	.131	.715	4.909	.000	.715	.715	.715

a. Dependent Variable: Strategy implementation

b. Predictors: Recognition

From findings in Table 4.11, the value of R-Square is 0.512. This implies that, 51.2 % of variation on strategic implementation is explained by performance recognition. ANOVA showed test indicates that model is statistically significant ($F = 24.103$, $p < 0.05$). The standardized coefficient shows that the effect of performance recognition on strategy implementation is positive and significant ($\beta = 0.715$, $t = 4.909$, $p < 0.05$). The study therefore rejects the null hypothesis that performance recognition has no significant effect on strategy implementation hence the null hypothesis of the study is rejected. The study findings are consistent with findings conducted by Kobia and Mohammed (2006) which showed that appreciating employees for their good performance has a positive and significant impact on the overall performance of a give organization or a body.

4.8.4 Joint Effect of Performance Agreement, Evaluation and Recognition on Strategy Implementation

The study sought to examine the joint effect of performance agreement, evaluation and recognition on strategy implementation. It was hypothesized that (Ho_4 Hypothesis) that performance agreement, performance evaluation, and performance recognition jointly have no significant effect on strategy implementation. The hypothesis was tested using multiple regression and the results are as presented in Table 4.12.

Table 4.12: Regression Results for Joint Effect of Performance Agreement, Evaluation and Performance Recognition on Strategy Implementation

Model Summary

Model	R	R Square[b]	Adjusted R Square	Std. Error of the Estimate
1	.969[a]	.938	.922	6.7164

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	**Regression**	8188.773	3	2729.591	60.509	.000[c]
	Residual	541.327	12	45.111		
	Total	8730.100[d]	15			

Coefficients [a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Performance agreement	.544	.212	.508	2.563	.025
	Performance Evaluation	.336	.209	.351	1.605	.134
	Performance Recognition	.137	.276	.137	.498	.628

a. Dependent Variable: Strategy implementation

b. Linear Regression through the Origin

c. Predictors: performance Recognition, Performance agreement, Performance Evaluation

As shown in Table 4.12, R-Square for the model is 0.938 indicating that 93.8% of the variation in strategy implementation is explained by the joint effect of performance agreement, performance evaluation and performance recognition. ANOVA results therefore rejects the null hypothesis that performance agreement, performance evaluation, and performance recognition jointly have no significant effect on strategy implementation ($F = 60.509$, $p < 0.05$) hence the null hypothesis is rejected. The findings of the study concur with the results by Lugalia (2011) and Muraguri and Wagoki (2016) performance contracting yield better results when all parties are well involved and implementation mechanisms are well laid out.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summary of the major findings, conclusion, recommendations and suggestions for further research. The study sought to examine the effect of performance contracting aspects on strategy implementation in public corporations in Kenya.

5.2 Summary of the Findings

The study sought to find out the effect of performance agreement on strategy implementation, to establish the effect of performance evaluation on strategy implementation, to determine the effect of performance recognition on strategy implementation, and to determine the joint effect of performance agreement, evaluation and recognition on strategy implementation in public corporations in Kenya.

The study results depicted a significant effect of performance agreement on strategy implementation in the organizations. There was a positive effect of performance agreement on strategy implementation with the model summary results revealed that 50.7 % of variation of strategy implementation was explained by performance agreement.

The results also revealed that performance evaluation has a significant effect on strategy implementation with regression analysis showing a positive effect of performance evaluation on strategy implementation. The model summary showed that 65% effect on strategy implementation was as a result of performance evaluation.

Performance recognition like the other aspects of performance contracting showed a significant effect on strategy implementation. The correlation analysis and the model summary showed a positive effect of performance recognition on strategy implementation with 51% of the change in strategy implementation being as a result of performance recognition.

Jointly, performance agreement, evaluation and recognition showed a significant effect on strategy implementation as there was a positive effect of the three performance contracting aspects on strategy implementation. The results from the model summary showed that 94% of the variation in strategy implementation was as result of the joint effect of performance agreement, evaluation and performance recognition.

5.3 Conclusions

The aim of the study was to determine the effect of performance contracting aspects on success of strategy implementation as addressed by the three specific objectives. From the study findings the following conclusions were drawn:

Performance agreement as an aspect of performance contracting is very important on strategy implementation as it positively affect the general outcome of strategy implementation. Hence, it is concluded performance agreement would result to higher levels strategy implementation.

The results revealed that performance evaluation has a significant effect on strategy implementation. It is concluded that Performance evaluation is tool in performance contracting as it positively affects strategy implementation.

The results revealed that performance evaluation has a significant effect on strategy implementation. From the study findings, it was also concluded that performance recognition significantly and positively affects the outcomes of performance contracting by ensuring successful strategy implementation.

Jointly the three performance contracting aspects (performance agreement, evaluation and recognition) contributes to 93.8% of the variation seen in strategy implementation hence the three aspects jointly contribute to the success of strategy implementation.

In general, it was concluded that performance contracting aspects have a positive significant effect on strategy implementation. Hence the three aspects should be well factored in performance contracting process as they influence the success of strategy implementation.

5.4 Recommendations

Arising from the results of the study, the following recommendations were made:

5.4.1 Recommendations for Policy and Practice

From the findings, it is evident that performance contracting is not embraced fully in public corporation in Kenya despite its positive effect on strategy implementation. The study therefore recommends that public corporations should put in place policies and structures that will allow full implementation of performance contracting for smooth strategic implementation process. These policies include and not limited to; performing organization activities as scheduled, allocating financial resources and human resources for performance contracting.

Among the performance contracting aspects, performance evaluation had the highest and significant effect on strategy implementation, the study therefore recommends that organizations should put in place firm policies and procedures that embrace performance evaluation aspects in order to have successful strategy implementation.

5.4.2 Recommendations for Further Research

This study contributes to the understanding of the relationship between performance contracting aspects and strategy implementation success. However further research is necessary to address some of the limitations experienced in this study.

This study adopted a cross-sectional survey. Such studies have limitations on providing explanations on the linkage between variables. A longitudinal study could increase understanding of the contingency factors on relationship between the aspects of performance contracting and strategy implementation. Thus, future research should adopt longitudinal research design in data collection to enhance understanding of the relationship between the variables.

The study should be replicated in counties and other countries. Such replication could further determine whether the results of this study can be generalized to other sectors, counties or countries with different contextual conditions. This will enhance understanding of the relationship between performance contracting aspects and strategy implementation.

The respondents of this study were executive officers and one respondent was used in each organization to collect data. To minimize the effect of single respondent bias future research can use multiple respondent including executive officers and middle managers.

This study examined the effect of performance contracting aspects on strategy implementation hence future studies may consider inclusion of other organizational variables which may influence the relationship between performance contracting and strategy implementation.

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APPENDICES

Appendix I: Questionnaire

PART I: PROFILE OF THE RESPONDENTS AND ORGANIZATIONS

1. Position of the respondent ___________________________________
2. Year of establishment ___________________________________
3. Products/ Services offered ___________________________________
4. Market served
   a) Regional [ ]
   b) National [ ]
   c) International [ ]
5. How long has your organization practised performance contracting?
   a) Below 5 years [ ]
   b) 6 - 10 years [ ]
   c) 11 - 15 years [ ]
   d) 15 and above years [ ]

PART II: PERFORMANCEPRACTICES CONTRACTING

6. This subsection is concerned with performance contracting in public corporations. Please indicate the extent to which you agree with the following statements using the key , where 1 = Strongly disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly agree

	Statements	**1**	**2**	**3**	**4**	**5**
a)	**Performance Agreement**					
i)	My organization has put in place performance contracts					
ii)	Employees in my organization understand performance contracting					
iii)	Performance agreements are a two-way exchange and the determination is of mutual agreement					
iv)	Performance targets are time bound.					
v)	Performance contracts in my organization are cascaded down from the top management to the junior staff					
vi)	The annual organization development plan document is employed as a guide for the various divisions within the corporation					
vii)	Every department in my organization sets performance targets					

viii)	Performance contracts in my organization are drawn in line with the organizations strategic plan					
b)	**Performance Evaluation**					
i)	Managers in my organization periodically assess the performance of the subordinates.					
ii)	The performance evaluation is done based on the accomplishment of the objectives within the work plan.					
iii)	Performance evaluation in my organization provides a basis to evaluate success of implementation of the corporate strategic plan.					
c)	**Performance Recognition**					
i)	Our Organization has a performance recognition program in place					
ii)	Performance recognition programs at my organization do not make much difference to my work					
iii)	Performance recognition is a strong part of our organization culture.					
iv)	Rewards and recognition programs are communicated to the employees at the beginning of year					
v)	People who perform their jobs well generally get rewarded					
vi)	Giving staff non-monetary rewards for good performance helps in strategy implementation					
vii)	In our organization success is celebrated to reinforce desired behavior					

PART III: **STRATEGY IMPLEMENTATION**

7. The following are statements on strategy implementation. Please indicate the extent to which you agree with the following statements by using the key where 1 = Strongly disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly agree

	Statement	**1**	**2**	**3**	**4**	**5**
i)	There is improved service delivery in my organization					
ii)	Activities in the organization are performed as scheduled					
iii)	There is ownership of strategy implementation by most of the staff in my organization.					
iv)	Resources are allocated as budgeted					
v)	Strategy implementation in my organization achieves set goals and objectives.					

Thank you for your participation

Appendix II: Name and Category of State Corporations

State Agencies - Executive Agencies

1. Agricultural Development Corporation
2. Anti-Female Genital Mutilation
3. Bomas of Kenya
4. Constituency Development Fund
5. Drought Management Authority
6. Export Processing Zones Authority (EPZA)
7. Financial Reporting Centre
8. Higher Education Loans
9. Information and Communications Technology Authority
10. Investor Compensation Fund Board
11. Kenya Academy of Sports
12. Kenya Accountants &Secretaries National Examination Board (KASNEB)
13. Kenya Deposit Protection Authority
14. Kenya Ferry Services Ltd (KFS)
15. Kenya Film Development Service
16. Kenya Institute of Curriculum Development
17. Kenya Law Reform Commission
18. Kenya Medical Supplies Authority
19. Kenya National Bureau of Statistics
20. Kenya National Examination Council (KNEC)
21. Kenya National Highways Authority (KeNHA)
22. Kenya National Innovation Agency
23. Kenya Ordnance Factories Corporation
24. Kenya Roads Board (KRB) Kenya Roads Board Act,
25. Kenya Trade Network Agency
26. Kenyatta National Hospital State Corporations Act,
27. LAPSSET Corridor Development Authority
28. Leather Development Council
29. Local Authorities Provident Fund
30. Moi Teaching and Referral Hospital
31. Nairobi Centre for International Arbitration
32. National Aids Control
33. National Campaign against Drug Abuse Authority
34. National Cancer Institute of Kenya
35. National Coordinating Agency for Population & Development
36. National Council for Law Reporting
37. National Council for Persons with Disabilities
38. National Hospital Insurance Fund
39. National Industrial Training Authority
40. National Irrigation Board

41. National Museums of Kenya
42. National Quality Control Laboratories
43. National Social Security Fund
44. National Youth Council National Youth Council
45. Nuclear Electricity Board Kenya
46. Policy Holders Compensation Fund
47. Sports Kenya
48. The Kenya Cultural Center
49. Tourism Fund
50. Unclaimed Financial Assets Authority
51. Water Services Trust Fund

State Agencies - Research Institutions, Public Universities, Tertiary Education and Training Institutions

52. Bukura Agricultural
53. Chuka University
54. Cooperative University College
55. Dedan Kimathi University
56. Egerton University Egerton
57. Embu University College
58. Garissa University College
59. Jaramogi Oginga Odinga
60. Jomo Kenyatta University of Agriculture and Technology
61. Karatina University State Corporation Enabling Legislation Mandate Sector
62. Kenya Agricultural and Livestock Research Organization
63. Kenya Forestry Research Institute
64. Kenya Industrial Research &
65. Kenya Institute of Mass Communication
66. Kenya Institute of Public Policy Research & Analysis (KIPPRA)
67. Kenya Marine and Fisheries Research Institute
68. Kenya Medical Research Institute (KEMRI)
69. Kenya Medical Training College (KMTC)
70. Kenya Multi-Media University
71. Kenya School of Government
72. Kenya School of Law
73. Kenya Utalii College (KUC)
74. Kenya Water Institute Kenya
75. Kenyatta University Kenyatta
76. Kibabii University College
77. Kirinyaga University College
78. Kisii University
79. Laikipia University

80. Maasai Mara University
81. Machakos University College
82. Maseno University
83. Masinde Muliro University of Science and Technology
84. Meru University of Science and Technology
85. Moi University
86. Murang'a University College
87. National Crime Research Center
88. Pwani University
89. Rongo University
90. South Eastern Education, Science and Technology
91. Taita Taveta University College
92. Technical University of Mombasa
93. The Technical University of Kenya
94. University of Eldoret
95. University of Kabianga
96. University of Nairobi

Purely Commercial State Corporations

97. Agro-Chemical and Food Company
98. Chemilil Sugar Company Ltd
99. Consolidated Bank of Kenya
100. Development Bank of Kenya Ltd.
101. Golf Hotel Kakamega
102. Jomo Kenyatta Foundation
103. Jomo Kenyatta University Enterprises Ltd.
104. Kabarnet Hotel Limited
105. Kenya Literature Bureau (KLB)Enabling Legislation Mandate Sector
106. Kenya Meat Commission Kenya
107. Kenya National Assurance Co. (2001) Ltd
108. Kenya National Shipping Line
109. Kenya National Trading Corporation (KNTC)
110. Kenya Reinsurance Corporation Ltd
111. Kenya Safari Lodges and Hotels Ltd. (Mombasa Beach Hotel, Ngulia Lodge, Voi Lodge)
112. Kenya Wine Agencies Ltd (KWAL)
113. KWA Holdings
114. Mt Elgon Lodge
115. Muhoroni Sugar Company Ltd
116. National Housing Corporation
117. New Kenya Co-operative Creameries
118. Nyayo Tea Zones Development Corporation
119. Nzoia Sugar Company
120. Research Development Unit Company Ltd

121. Rivatex (East Africa) Ltd.
122. School Equipment Production Unit
123. Simlaw Seeds Kenya
124. South Nyanza Sugar Company Limited
125. Sunset Hotel Kisumu
126. University of Nairobi Enterprises Ltd.
127. University of Nairobi Press (UONP)
128. Yatta Vineyards Ltd

State Agencies - Independent Regulatory Agencies

129. Agricultural, Fisheries and Food Authority
130. Commission for University Education
131. Communications Commission of Kenya
132. Competition Authority
133. Council for Legal Education
134. Energy Regulatory Commission
135. Kenya Bureau of standards
136. Kenya Civil Aviation Authority
137. Kenya Film Regulatory Service
138. Kenya Maritime Authority
139. Kenya National Accreditation Service
140. National Commission for Science, Technology and Innovations
141. National Construction Authority
142. National Environmental Management Authority (NEMA)
143. National Land Transport & Safety Authority
144. Public Benefits Organizations Regulatory Authority
145. Public Procurement Oversight Authority
146. Technical and Vocational Education and Training Authority
147. Tourism Regulatory Authority
148. Water Services Regulatory Board

State Corporations with Strategic Functions

149. Geothermal Development
150. Kenya Airports Authority (KAA)
151. Kenya Animal Genetics Resource Centre
152. Kenya Broadcasting Corporation
153. Kenya Electricity Generating Company (KENGEN
154. Kenya Electricity Transmission Company (KETRACO)
155. Kenya Pipeline Company (KPC
156. Kenya Ports Authority (KPA)
157. Kenya Post Office Savings Bank
158. Kenya Power and Lighting Company (KPLC)
159. Kenya Railways Corporation (KRC)

160. Kenya Seed Company (KSC) Fisheries
161. Kenya Veterinary Vaccine
162. Kenyatta International Convention Centre
163. National Cereals & Produce Board (NCPB)
164. National Oil Corporation of Kenya
165. National water conservation and pipeline
166. Numerical Machining Complex
167. Postal Corporation of Kenya

Source: Presidential Taskforce Report on Parastatal Reforms of 2013 (GOK, 2013)

Appendix III: Data Analysis Output

```
GET DATA /TYPE=XLSX
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  /SHEET=name 'Agreement'
  /CELLRANGE=full
  /READNAMES=on
  /ASSUMEDSTRWIDTH=32767.
EXECUTE.
DATASET NAME DataSet1 WINDOW=FRONT.
BOOTSTRAP
  /SAMPLING METHOD=SIMPLE
  /VARIABLES TARGET=agreement INPUT= Strategyimplementation
  /CRITERIA CILEVEL=95 CITYPE=PERCENTILE NSAMPLES=1000
  /MISSING USERMISSING=EXCLUDE.
```

Bootstrap

Notes

Output Created		26-NOV-2019 20:31:35
Comments		
Input	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
Syntax		BOOTSTRAP /SAMPLING METHOD=SIMPLE /VARIABLES TARGET=agreement INPUT= Strategyimplementation /CRITERIA CILEVEL=95 CITYPE=PERCENTILE NSAMPLES=1000 /MISSING USERMISSING=EXCLUDE.
Resources	Processor Time	00:00:00.05
	Elapsed Time	00:00:00.05

[DataSet1]

Bootstrap Specifications

Sampling Method	Simple
Number of Samples	1000
Confidence Interval Level	95.0%
Confidence Interval Type	Percentile

```
REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA CHANGE
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT agreement
  /METHOD=ENTER Strategyimplementation.
```

Regression

Notes

Output Created		26-NOV-2019 20:31:35
Comments		
Input	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	16100
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA CHANGE /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT agreement /METHOD=ENTER Strategyimplementation.
Resources	Processor Time	00:00:06.06
	Elapsed Time	00:00:04.08

Notes

Resources	Memory Required	1420 bytes
	Additional Memory Required for Residual Plots	0 bytes

[DataSet1]

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Strategy implementation[b]	.	Enter

a. Dependent Variable: % agreement
b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.712[a]	.507	.486	9.2564	.507	23.656	1	23	.000

a. Predictors: (Constant), Strategy implementation

Bootstrap for Coefficients

Model		B	Bootstrap[a]				
			Bias	Std. Error	Sig. (2-tailed)	95% Confidence Interval	
						Lower	Upper
1	(Constant)	5.493	-.005	2.263	.047	1.499	10.259
	Strategy implementation	.726	.006	.133	.002	.482	1.029

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2026.909	1	2026.909	23.656	.000[b]
	Residual	1970.678	23	85.682		
	Total	3997.586	24			

a. Dependent Variable: % agreement
b. Predictors: (Constant), Strategy implementation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.493	3.513		1.564	.131
	Strategy implementation	.726	.149	.712	4.864	.000

a. Dependent Variable: % agreement

```
REGRESSION
  /DESCRIPTIVES MEAN STDDEV CORR SIG N
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA CHANGE ZPP
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT Strategyimplementation
  /METHOD=ENTER Evaluation.
```

Regression

Notes

Output Created		26-NOV-2019 21:00:51
Comments		
Input	Active Dataset	DataSet5
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	25
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.

Syntax	REGRESSION /DESCRIPTIVES MEAN STDDEV CORR SIG N /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA CHANGE ZPP /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT Strategyimplementation /METHOD=ENTER Evaluation.

[DataSet5]

Descriptive Statistics

	Mean	Std. Deviation	N
Strategy implementation	20.040	13.9547	15
% Evaluation	20.067	15.8721	15

Correlations

		Strategy implementation	% Evaluation
Pearson Correlation	Strategy implementation	1.000	.806
	% Evaluation	.806	1.000
Sig. (1-tailed)	Strategy implementation	.	.000
	% Evaluation	.000	.
N	Strategy implementation	15	15
	% Evaluation	15	15

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	% Evaluation[b]	.	Enter

a. Dependent Variable: Strategy implementation
b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.806[a]	.650	.623	8.5734	.650	24.091	1	13	.000

a. Predictors: (Constant), % Evaluation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1770.745	1	1770.745	24.091	.000[b]
	Residual	955.531	13	73.502		
	Total	2726.276	14			

a. Dependent Variable: Strategy implementation
b. Predictors: (Constant), % Evaluation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	5.821	3.646		1.597	.134			
	% Evaluation	.709	.144	.806	4.908	.000	.806	.806	.806

a. Dependent Variable: Strategy implementation

Regression

[DataSet6]

```
DATASET ACTIVATE DataSet1.
DATASET CLOSE DataSet5.
DATASET CLOSE DataSet4.
DATASET ACTIVATE DataSet2.
DATASET CLOSE DataSet1.
GET DATA /TYPE=XLSX
  /FILE='C:\Users\USER\Desktop\spss ste.xlsx'
  /SHEET=name 'Recognition'
  /CELLRANGE=full
  /READNAMES=on
  /ASSUMEDSTRWIDTH=32767.
EXECUTE.
DATASET NAME DataSet6 WINDOW=FRONT.
REGRESSION
  /DESCRIPTIVES MEAN STDDEV CORR SIG N
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA CHANGE ZPP
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT Strategyimplementation
  /METHOD=ENTER Recognition.
```

Notes

Output Created		26-NOV-2019 21:11:27
Comments		
Input	Active Dataset	DataSet6
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	35
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION /DESCRIPTIVES MEAN STDDEV CORR SIG N /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA CHANGE ZPP /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT Strategyimplementation /METHOD=ENTER Recognition.

Descriptive Statistics

	Mean	Std. Deviation	N
Strategy implementation	20.044	12.6540	25
% Recognition	20.840	14.0390	25

Correlations

		Strategy implementation	% Recognition
Pearson Correlation	Strategy implementation	1.000	.715
	% Recognition	.715	1.000
Sig. (1-tailed)	Strategy implementation	.	.000
	% Recognition	.000	.
N	Strategy implementation	25	25
	% Recognition	25	25

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	% Recognition[b]	.	Enter

a. Dependent Variable: Strategy implementation
b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.715[a]	.512	.490	9.0326	.512	24.103	1	23	.000

a. Predictors: (Constant), % Recognition

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1966.468	1	1966.468	24.103	.000[b]
	Residual	1876.514	23	81.588		
	Total	3842.982	24			

a. Dependent Variable: Strategy implementation
b. Predictors: (Constant), % Recognition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	6.607	3.279		2.015	.056			
	% Recognition	.645	.131	.715	4.909	.000	.715	.715	.715

a. Dependent Variable: Strategy implementation

Appendix IV: Research permit

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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Date: **31st January, 2019**

Stella Gacheri Kabuga
Egerton University
P.O. Box 536-20115
NJORO

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Effect of performance contracting practices on strategy implementation in Public Corporations in Kenya"*** I am pleased to inform you that you have been authorized to undertake research in **all Counties** for the period ending **31st January, 2020.**

You are advised to report to **the County Commissioners and the County Directors of Education, all Counties** 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.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioners
All Counties.

The County Directors of Education
All Counties.

Appendix V: Research publication

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Performance Contracting Aspects and Strategy Implementation in Public Corporations in Kenya

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Abstract
Literature suggests that performance contracting plays a significant role in strategy implementation. Many studies have been done on performance contracting, but none has focused on the effect of performance contracting aspects on implementation of strategy. This study aimed at establishing the effect of performance contracting aspects on strategy implementation in public corporations in Kenya. The study targeted 168 public corporations in Kenya out of which a sample of 117 corporations was studied. The data was collected using questionnaires. Regression analysis was used to determine the effects of performance contracting aspects on strategy implementation. The results revealed that performance contracting aspects that is, performance agreement, evaluation and recognition singly and jointly had a positive eNffect on strategy implementation. The study therefore recommends that public corporations should embrace performance contracting to enhance strategy implementation. The study makes recommendations for further research.

Keywords: Performance contracting, Performance agreement, performance evaluation, performance recognition and strategy implementation
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