

Management Perception on Performance Contracting Strategy at the City Council of Nairobi, Kenya

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Abstract: *Performance management has been adopted both by public and private sectors as a strategic response to competition and market demand, especially to employees in improving service delivery. Performance contract is a broader sector reform intended to improve efficiency and effectiveness thus reducing costs; it entails a range of tools used to define responsibilities and expectations between parties to achieve agreed results on mutual ground. The introduction of performance contract by City Council of Nairobi experienced many challenges most managers were not willing to sign the contract owing to the fact that they did not understand what it entailed, this affected effective delivery of service to the public. The primary objective of this study was to establish management's perception on performance contract and factors influencing performance contract at the City Council of Nairobi the study was a cross-sectional survey design, primary sources were used to collect data, these data was collected using a semi-structured questionnaire. Descriptive statistics and factor analysis was employed in analysis of the data and the findings showed that the managers perception on PC is not really a uni-dimensional construct, rather it has two elements namely; procedural and organizational aspects, their perception is also influenced by engagement, work environment and management commitment.*

Keywords: *Management, Perception, Performance, Strategy, Nairobi, Contracting*

1. INTRODUCTION

Performance Contracting

Performance Contracting is widely known as a compelling strategy which several companies are adopting nowadays. From small to large scale establishments, they have been using it to continually maintain their stable status in today's overly competitive market. Its emerging power as a business tool is undoubted. Since its inception, service contracting has spread to companies of all industries both private and public as an alternative to simply using internal resources Kotler, (2003). Performance contracting is broader public sector reform aimed at improving efficiency and effectiveness, while reducing total costs according to Organization of Economic Co-operation Development, (1999). Performance contracts can be defined as a range of management instruments used to define responsibilities and expectations between parties to achieve mutual agreed results. The agreement clearly specifies their mutual performance obligations, intentions and responsibilities.

The contract is intended to address economic, social and other tasks that an agency has to discharge for economic performance and desired results. It organizes and defines tasks so that management can perform them systematically, purposefully and with reasonable probability of accomplishment OECD,(1999).It also assist in developing points of view, concepts and approaches for determining what should be done and how to go about it. A performance contract consists of two components namely, performance targets and review and evaluation of periodic and terminal performance.

Performance contracts originated from the perceptions that the performance of the public sector has been consistently falling below the expectations of the public. The problems that have been identified are excessive controls, multiplicity of principles, frequent political interference, poor management, and outright mismanagement. While several approaches have been used to address

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these challenges, it is hoped that performance contract will be an effective tool for managing productivity.

The performance contract in public service in Kenya was introduced in 2005. For the civil service, the first level contract is signed between the president and the ministers. The contract is then signed between the head of civil service and the permanent secretaries, prior to signing of contracts, training and sensitization is done for senior employees, who then cascades down to the middle and lower cadres of employees. Every year, the performance contract of every ministry for the last one year is evaluated by adhoc evaluation team with a view of ascertaining whether the agreed performance benchmarks undertaken have been actualized or achieved and if not give reasons for failure to achieve the targets during the year under view. Performance contracts are based on the premises that what gets measured gets done. In some ministries there has been a notable sustainable improvement on service delivery. A considerable amount of resources has been spent in the implementation of the performance contracting since its inception in 2005.

The rationale for introducing performance contracts in the public service was to address new institutional structures and arrangement for managing and delivering programmes and services such as (Privatization, Commercialization, Contracting out and Decentralization). Second; systematic reforms (market type mechanisms, new budgeting and planning systems, administrative modernization, and decentralization of management) and lastly, a new method of service delivery.

Strategy concerns itself with what an organization is doing in order to gain a sustainable competitive advantage (Porter, 1980). In order to move the implementation of the Public Service Reform Programme (PSRP) forward, the Government developed and launched the Strategy for Performance Improvement in the Public Service in 2001. The Strategy sought to increase productivity and improve service delivery. It outlined the actions that were necessary to imbed long lasting and sustainable change in the way public services are offered. Underpinning this strategy was the Results Oriented Management (ROM) approach, which makes it necessary to adjust operations to respond to predetermined objectives, outputs and results.

The adoption of this approach therefore demanded a paradigm shift in Government. This called for a transformation from a passive, inward looking bureaucracy to one which is pro-active, outward looking and results oriented; one that seeks customer satisfaction and value for money. Consequently the ministries'/departments were required to develop strategic plans which reflected their objectives derived from the 9th National Development Plan, the Poverty Reduction. Strategy Paper and based on the Medium Term Expenditure Framework (MTEF), Sectoral Priorities and Millennium development Goals. (AAPAM, 2005).

Concept of Perception

The perception of an individual, when he or she looks at a target and attempts to interpret what he or she sees is heavily influenced by personal characteristics of the individual perceiver. Personal characteristics that affect perception include a person's attitudes, personality, motives, interests, past experiences and expectations. People in organizations are always judging each other; managers must appraise their employees' performances and evaluate how much effort they are putting into their jobs. A New person who joins a work team is immediately sized up by other members. In many cases, these judgments have important consequences for the organizations and one such specific application is the performance evaluation. An employee's performance appraisal is very much dependent on the perceptual process. His/her future is closely tied to appraisal, rewards such as promotions, pay raises and continuation of employment is among the very most obvious outcomes. The performance appraisal presents an assessment of the employer's work (Wildavsky and Dake, 2001).

The process of performance management process include; performance agreements or contracts, personal development plan, managing performance throughout the year, performance review, documentations and evaluation. Individuals behave in a given manner based not on the way their external environment actually is but, on what they see or believe it to be. It is the employee's perception of a situation that becomes the basis for behavior.

The manager can successfully plan, organize the work of employees, help them to structure their work more efficiently, and effectively. However, all these efforts might not succeed due to the perception of employees towards those efforts. The issues such as fair pay for work performed, the validity of performance appraisals and the adequacy of the working conditions are not judged by employees in a way that ensures common perceptions, nor can there be assurance that individuals will interpret conditions about their jobs in a favorable light (Ulleberg and Rundmo, 2003).

2. LITERATURE REVIEW

Performance Management Strategy

Bandaranayake (2001) views performance management as the development of individuals, usually members with competencies and commitments, working towards the achievement of shared meaningful objectives within an organization that supports and encourages their achievement. The author notes that the process of performance management relates to the goals and targets set by organization and the subsequent measurement of outputs and outcomes by means of performance indicators.

Heckett, (1998) states that performance management involves clear definition of goals and objectives for the team individuals, and performance coaching. Some form of performance review and tracking to chart progress and record achievement are key stages leading to comprehensive performance and development plans. Grahams and Bannet, (1998) add that performance management involves the integration of employee development with result based assessment. It encompasses appraisal, objective setting, appropriate training programmes and performance related pay. From the foregoing it can be inferred that performance management entails all human managerial activities for initiating and tracking performance of an organization through its staff. Therefore the purpose of performance management is to improve performance by creating accountability to goals and objectives.

According to Williams, (1998) performance management is divide into three perspectives: system of managing organizational performance, system of managing employee performance and system of integrating the management of organizational and employee performance. Williams, (1998) further notes that managing of organizational performance involves planning and reviewing. The use of this model is the determination of, and implementation of organization's strategy through organization's structure, technology, business systems procedures among others. As a system for managing employee's performances, performance management involves planning, managing and appraisal.

Conceptual Studies on Performance Contracting Strategy

Strategy, according to Hill and Jones (2001) is an action that a company takes to attain one or more of its goals. More precisely, it is the action that an organization takes to attain superior performance. Strategy is the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission (Thompson and Strickland, 1993). Different organizations will respond differently to the changes in the environment. Strategy concerns itself with what an organization is doing in order to gain a sustainable competitive advantage (Porter, 1980).

The principal concern of an organization strategy is identifying the business areas in which an organization should participate in order to maximize its long run profitability. Business strategy is essentially about two questions: what kind of business is the firm in? And, given this choice, how do firms compete? Strategic management is concerned with how firms generate and sustain competitive advantage in order to generate superior profit. In developing strategy, firms undertake three sets of activities: strategic analysis, strategic choice and strategic implementation. Typically, businesses are reported to assess their strategic position by: (a) first scanning the environment for potential market opportunities and threats; (b) evaluating their strategic capability; and (c) assessing the enablers and constraints of strategy. Generic strategies can be successfully linked to organizational performance through the use of key strategic practices. Porter's (1985) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations.

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic business strategies – differentiation, cost leadership, and focus – and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best change to achieve a competitive advantage, whatever, strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage Goldsmith (1995) points out that strategy comprises actions employed to meet a firm's long-term objectives.

Pearce and Robin (2000) have recommended three critical ingredients for the success of strategy. These are: strategy must be consistent with conditions in the competitive environment, it must take advantage of existing and emerging opportunities and minimize the impact of major threats, and strategy must place realistic requirements on the firm's resources. While researchers may not always agree on the best strategy, or strategy combination, most if not all, support the long-term benefits of strategic planning for the successful performance of an organization or business unit. However, measuring the performance of a company is challenging. Researchers (Buckley et al., 1998; Littler, 1988; Day and Wensley, 1988) disagree about how to both define and operationalize performance.

Performance management therefore is seen as integrating the organizational and employee performance and combines the above two perspectives. It recognizes that employees' performance takes place within the organizational goals and therefore recognizes three levels of performances: Organizational, process function and team individuals. Hence the aim of performance management is the development of staff appraisal: improve performance through linking employees' individual's objectives to the firm's strategies. It has been stated with reasonable justification, that human capital is the most important resource in an organization Immelt, (2003). The relationship between the employer and the employee involves exchange of skills and experience for reward in salaries or wages. Armstrong, (2001) advances the view that the principals' aim for performance management should be to support attainment of the organization's strategic objectives by ensuring the availability of a skilled, competent, committed and well-motivated workforce.

Armstrong, (2001) proposes that performance management could be evaluated using scales which can either be behavioral with examples of good, average or inadequate or graphic which present points along a continuum alphabetically. Today's environment demands institutions that are extremely flexible and adoptable. It demand institutions that deliver high quality goods and services and demands them to be responsive to customer needs, offering services that lead by persuasion and incentives rather than command, institutions that give their stakeholders a sense of meaning and control; over ownership.

All high performance organizations whether public or private are, and must be interested in developing effective performance management systems, since it's only through such systems that they can remain high-performing and competitive organizations (NPR 1997).Mann (1995) and GOK (2005a) trace the evolution of performance contracting to France in the 1970s when the French prime minister commissioned a committee headed by Simon Nora to investigate relations between public enterprises and the ministries. The concept was thereafter introduced in Franco-phone Africa in the 1980s in the national railway in Senegal,. Latin America and Asian countries followed later in the same decade.

There are generally two types of performance contracts French and signaling system. According to Organization of Economic Co-operation Development, (1999), performance contract basically comprises two major components namely; determination of mutually agreed performance targets and the review and evaluation of periodic and terminal performance. They argue further that performance contracting is but one element of broader public sector reform aimed at improving efficiency and effectiveness of public enterprises, while reducing total costs. According to Hawkins (1989), perception involves the process of exposure, attention and interpretation of information or stimuli. What an individual perceives depends on their characteristics, size and intensity of the stimuli and their exposure to the stimuli. Attention is a fundamental component of perception that is often used to differentiate higher order cognitive processes from those that are

purely sensory. Individual differences in abilities and cognitive styles are also important in perception.

Guttman's Scalegram analysis is a very useful technique for examining small shifts or change in perceptions, (Williams, 1997) states that such scales do not have equal appearing intervals, they are generally reliable Mugenda (1999) content that the rating scales are used to measure perception, attitudes, values and behavior. Also consist of numbers and descriptions which are used to rate or rank the subjective and intangible components in research. The numerical scale helps to minimize the subjectivity and makes it possible to use quantitative analysis. The most common used rating scale is the Likert or summated scale which are originally proposed by a psychological, Rensis Likert, which requires a respondent to indicate the degree of agreement or disagreement with each of a series of statements related to attitudes object, Tull and Hawkins (2002).

Performance contracts define the expectations, the result to be achieved, and the competences required to attain these results. They form the basis for development, assessment and feedback in the performance management process. They define expectations in the form of raw profile that sets out role requirements in terms of key result areas for effective performance. The role profile provides the basis for agreeing objectives and assessing the level of competency reached.

The performance agreement incorporates any performance improvement plans that may be necessary and personal development plan. It describes what individuals are expected to do but also indicate what support they will receive from their managers (Guest, 2006).

Perception Dynamics

Perception can be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment (Robbins et al 2004). There need not be, but there is often disagreement and it is possible that all employees in a firm may view it as a great place to work favorable working conditions, interesting job assignments, good pay, excellent benefits, an understanding and responsible management; but as most of us know it is very unusual to find such agreements. In other words, perception involves receiving stimuli, organizing the stimuli and translating or interpreting the organized stimuli so as to influence behavior and form attitudes (Cole, 2001). Perception is not necessarily based on reality, but is merely a perspective from a particular individual's view of a situation. In dealing with the concept of organizational behavior, perception becomes important because people's behavior is based on their perception of what reality is, not on reality itself; the world as it is perceived is the world that is behaviorally important' (Robbins et al 2004). Perception affects our working relationships in many ways relating to the factors of organizational behavior, such as: individual, group or structure. For example, based on the situation, perceiver and target we may have the perception that the people we are working with are no good at their job, and therefore we may tend to avoid working with them, in fear of being held responsible for their mistakes, and in doing so, affecting our working relationship with our team members, and ultimately, the organizations effectiveness, efficiency, and the structural perception of the organization (Robbins et al 2004).

Perception is psychological and can be measured by qualitative factors such as people's attitudes, emotions, previous experiences and their needs. People's attitudes have a powerful influence upon what they pay attention to, what they remember and how they interpret information, Arnold and Fieldman (1986). According to Luthans (1992) people will select out a stimuli or situations from the environment that appeals to, and are compatible with, their learning, motivation and with their personality.

3.METHODS AND RESULTS

The study was carried out through a descriptive cross-sectional survey. A descriptive study describes or defines a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated by Cooper and Schindler (2003).

The descriptive survey research design was chosen based on the fact that in the study, the research is interested on the state of affairs already existing in the field and no variable would be

manipulated. This research design was chosen so as to provide adequate data useful for future analysis and drawing accurate conclusions.

The target population of the study was 75 managers of Nairobi City Council. Sample for the study was managers drawn from all departments of the Council. The study used stratified sampling; where for each of the fifteen departments, five questionnaires were given to the directors who distributed them to the various section heads in their departments. The respondents were managers drawn from the following departments: Education, ICT, City treasurer, Environment, Human Resource, Public Health, City engineers, Housing Development, Inspectorate, Audit, Legal affairs, Social services, City planning ,Administration and Procurement. Mark and Thornhill (2003), defines a fraction as a proportion of the population size of those employed. The size selected was being 80% of the target population and thus conforms to the statistical provision, (Mugenda and Mugenda, 2004). This covered top management team since all of them sign performance contracts. Stratified random sampling technique was used to sample 60 managers from the sixteen departments in the council. They are the directors, deputy directors and sectional heads.

The researcher relied on primary data to carry out the study. The primary data was collected through a self administered questionnaire. The questionnaire was structured with both open ended questions, closed ended questions, and likert type scale questions.

Managers’ perception of performance contracting

This Section looked at the perception of managers on performance contracting at the City Council of Nairobi, in Kenya.

Descriptive statistics for items measuring managers’ perception of PC

The study sought to establish the perception of managers on performance contracting. This was done using 15 items with a five point likert type scale. The respondents were required to indicate their level of agreement with positively formatted statements about various aspects of performance contracting. The following table shows the descriptive statistics for each of the 16 items considered. For purposes of interpretation, a mean rating of between 1 and 2.5 was considered to be disagree, a mean of between 2.51 and 3.5 was considered to be neither agree nor disagree while a mean of between 3.51 and 5 was considered to indicate agreement.

Table 1. Descriptive statistics for manager’s perception parameters

Managers perception on	N	Minimum	Maximum	Mean	Std. Deviation
The council attaches much importance to performance contracting	53	1.0	5.0	4.057	.8641
The vision and mission of the council is clearly communicated to all employees	53	1.00	5.00	3.9245	1.05337
There’s reporting structure put in place to facilitate communication of the objectives of the Performance contract.	51	1.00	5.00	3.9020	.94350
Strategic plans exist and are used to develop Performance contract.	52	2.00	5.00	4.2500	.76376
Performance charters exist and are used to measure performance standards and give feedback on client expectations	52	1.00	5.00	3.7885	.97692

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The introduction of performance contract has brought much freedom in the performance of duties in the council	53	2.00	5.00	3.5094	.86874
Top management communicate effectively to staff on Performance contract.	53	1.00	5.00	3.5472	1.01083
Heads of departments and other employees are jointly involved in establishing and setting of PC targets	52	1.00	5.00	3.7115	1.16040
Heads of departments are involved in setting of evaluation criteria	53	1.00	5.00	3.2075	1.26123
Training is provided to all aspects of PC	53	1.00	5.00	2.7547	1.09027
Incentives have been set aside to be awarded to employees for excellent performance	53	1.00	5.00	2.2642	1.27326
Penalties for not meeting targets are made during signing of PC	52	1.00	5.00	2.7885	1.21003
There's adequate budget allocation to enable you to achieve the self targets	52	1.00	5.00	2.3462	1.15274
Allocating some specific time to discuss performance contracting	51	1.00	5.00	3.3529	.99646
Evaluation criteria and process is fair and transparent	52	1.00	5.00	3.0192	1.29085
Manager's performance is professionally, fairly and transparently assessed and feedback given	51	1.00	5.00	3.2157	1.13690
Valid N (list wise)	48				

From the above table, majority of the items were positively rated. The highest rated items were existence of strategic plans used to develop the PC (mean, 4.25), the council's attachment of importance to performance contracting (mean, 4.06), vision and mission (mean, 3.9), reporting structure (mean, 3.9) and existence of performance charters (mean, 3.7) as well as the involvement of employees in establishing PC targets. Other positively rated aspects were the fact that the introduction of performance contract has brought much freedom in the performance of duties in the council (mean, 3.51) and that top management communicates effectively to staff on PC (mean, 3.54). The respondents were indifferent to the following items: Heads of departments are involved in setting of evaluation criteria (mean, 3.2); Training is provided to all employees on all aspects of PC (mean, 2.7); Penalties for not meeting targets are made during signing of PC (mean, 2.8); Allocating some specific time to discuss performance contracting (mean, 3.4); Evaluation criteria and process is fair and transparent (mean, 3.0); and Manager's performance is professionally, fairly and transparently assessed and feedback given (mean, 3.2) On the other

hand, the following items were rated below 2.5 indicating that the respondents disagreed with them: existence of pc-related incentives (mean, 2.3) and adequacy of budgetary allocation to meet targets (mean, 2.4).

Thus from the above findings, there are mixed feelings about performance contracts among managers. On the one hand, managers have positive perception on aspects related to the organization and structures used in performance contracting. On the other hand, managers indicated negative perception of finance-related aspects of the PC. Finally, respondents were indifferent to procedural aspects of the PC.

Factor Analysis

To identify the various latent variables existing within the 16 items used to measure managers’ perception of performance contracting, factor analysis was used. The extracted factors were used in subsequent analysis to examine how managers’ perception is related to other hypothesized variables. The following table shows the component matrix of the extracted factors.

Table 2. *Factor analysis for managers’ perception*

Managers perception	Component	
	1	2
Manager's performance is professionally, fairly and transparently assessed and feedback given	.807	
Evaluation criteria and process is fair and transparent	.755	
Top management communicate effectively to staff on PC	.702	
Allocating some specific time to discuss performance contracting	.677	
There’s reporting structure put in place to facilitate communication of the objectives of the PC	.647	
Incentives have been set aside to be awarded to employees for excellent performance	.645	
Training is provided to all employees on all aspects of PC	.626	
Heads of departments and other employees are jointly involved in establishing and setting of PC targets	.570	
The council attaches much importance to performance contracting		.569
Strategic plans exist and are used to develop PC		.624
Performance charters exist and are used to measure performance standards and give feedback on client expectations		.518

From Table 2, two components were extracted namely: Procedural aspects (component 1) made up of 8 items and Organizational aspects (component 2) made up 3 items. 5 items were excluded from further analysis since they either yielded a component of only 1 item or did not have factor loadings greater than 0.5.

Factors influencing Manager’s Perception on performance contracting

Respondents were asked to indicate the extent to which their perception influence performance contracting at the City Council of Nairobi.

Factor analysis to identify major factors influencing Manager’s Perception on Performance Contract.

The study further sought to determine the factors influencing managers’ perception on performance contracting. The respondents were given 14 items to rate the extent to which they influenced perception on performance contracting on a five point likert type scale. In order to identify the latent variables, factor analysis was applied. The following table shows the component matrix resulting from factor analysis.

Table 3. Factor analysis component matrix

Factors	Component		
	1	2	3
Staff cooperation towards achieving performance contract	.858		
Working tools whether they are adequate	.812		
Adequate sensitization	.795		
Teamwork among staff	.756		
Morale of staff	.694		
PC has improved service delivery in the council		.774	
Staff qualification and competence(availability)		.771	
Targets		.693	
Working environment		.635	
How important is the council's strategic plan towards the set targets		.632	
Staff participation in setting targets			.862
PC allow you to be creative in the place of work			.724
commitment by senior management			.526

From the table above, three factors were extracted namely: Employee engagement (component 1) made up of 5 items; Work environment (component 2) made up of 5 factors and Management commitment (component 3) made up of 3 items. Only 1 item with low factor loading was omitted from further analysis.

Correlation analysis between managers’ perception on PC and hypothesized factors influencing their perception

In order to determine how the hypothesized factors influenced managers’ perception on Performance contract, Pearson correlation analysis was used. The results were as shown in the table below.

Table 4. Correlation analysis

Factor		Employee engagement	Work environment	Management commitment	Procedural aspects (MP)	Organizational aspects (MP)
Employee engagement	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	53				
Work environment	Pearson Correlation	.577**	1			
	Sig. (2-tailed)	.000				
	N	53	53			
Management commitment	Pearson Correlation	.465**	.489**	1		
	Sig. (2-tailed)	.000	.000			
	N	53	53	53		
Procedural aspects	Pearson Correlation	.498**	.536**	.652**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	53	53	53	53	
Organizational aspects	Pearson Correlation	.146	.376**	.381**	.464**	1
	Sig. (2-tailed)	.296	.006	.005	.000	
	N	53	53	53	53	53

From the table above, Managers’ perception (MP) as measured by Procedural aspects had moderately strong, positive and statistically significant correlations with all the three hypothesized factors affecting perception namely employee engagement ($r = .498$, $p = 0.000$); work environment ($r = 0.536$, $p = 0.000$); and Management commitment ($r = 0.652$, $p = 0.000$). Thus procedural aspects exhibited the highest correlation with management commitment, followed by work environment and finally employee engagement. On the other hand organizational aspects of managers’ perception weak to very weak correlation with the hypothesized factors. The correlation between organizational aspects and management commitment was weak, positive and statistically significant ($r = 0.381$, $p = 0.005$); the correlation between organizational aspects and work environment was positive, weak but statistically significant ($r = 0.376$, $p = 0.006$). Finally,

the correlation between organizational aspects and employee engagement was very weak and not statistically significant ($r = 0.146$, $p = 0.296$).

4. CONCLUSION

From the above findings we conclude that managers' perception on performance contracting is not a uni-dimensional construct, rather it has two elements namely procedural aspects and organizational aspects. Managers' perception on performance contracting is influenced by three major factors namely: Employee engagement; Work environment and Management commitment.

Managers' perception relating to procedural aspects of PC is influenced strongly by level of employee engagement, work environment and management commitment to PC. On the other hand, Managers' perception relating to organizational aspects of PC is influenced weakly by employee engagement, work environment and management commitment. The council pays a lot of attention to organizational aspects of PC but, according to managers' perceptions, the council performs moderately in relation to organizational aspects and weakly where funding is concerned.

Implications on Policy, Theory and Practice

The council should ensure that there are adequate funds to meet the projects undertaken under performance contracts. The council should formulate and implement a reward strategy under performance contracting. This will serve to motivate employees to achieve set targets.

Council should pay greater attention to procedural aspects of performance contracting to ensure that interests of both the employees and the council are met. Managers' perceptions of performance contracting should be treated as a multi-dimensional construct with organizational and procedural aspects being some of the key elements

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