



ENHANCING STRATEGIC CONTROL IN KENYA'S PUBLIC INSTITUTIONS THROUGH  
PERFORMANCE CONTRACTING

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ABSTRACT

The Kenya government adopted performance contracting as a management control tool through result based management. The study investigated how performance contracting enhances strategic control in public institutions. Tertiary institutions in the country have failed to exploit their full potential in their service delivery hence none has been rated excellent. The study focused on four aspects of performance contracting (work plan management, skills development, feedback mechanisms, reward) that tertiary institutions can exploit in order to enhance strategic control hence performs better. The study employed survey research design and the target population were the tertiary institutions in Nyeri County. Data was collected through questionnaires and analyzed using descriptive and inferential statistics. The findings of the study revealed that performance contracting had a positive relationship with strategic control but a lot has to be done to strengthen this relationship for better results. The study recommended that further studies be carried out on how performance contracting can be made more real and value laden to the service consumers.

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INTRODUCTION

According to Katsioloudes (2006), strategic evaluation and control is the process of evaluating strategic plans and monitoring organizational performance so that actual performance can be compared with desired performance and corrective action taken if needed. Strategic control needs to be a continuous monitoring process through out the formulation and implementation stages of strategic planning process. Strategic control and evaluation ensures that all the efforts spent in strategic planning bear fruit. Strategic control ensures that there are set standards, actual performance is measured against the standards and any identified deviation is corrected. This helps in achieving the organization goals. Strategic control in public institutions in Kenya has been a major challenge as the members of the public continue to demand for accountability and transparency in the use of public resources and efficiency in service delivery.

The Kenya government acknowledges that over the years, there has been poor performance in the public sector; especially in the management of public resources, which has hindered the realization of sustainable growth GOK (2005). The government reiterates in the economic recovery strategy (ERS) some of the factors that adversely affect the performance of the public sector. These include excessive regulations and controls, frequent political interference, poor management, outright mismanagement and bloated staff establishment. Public institutions have been hesitant in taking

entrepreneurial approach in their management, which has seen many public resources go to waste or opportunities go unexploited. More so, service delivery has been inefficient and ineffective. It is for this reason that the government is putting in place stringent measures to strategically control the operations of its institutions at all levels. The debate in the public sector has been more complex than just increasing the effectiveness of strategic management systems and narrowing the gap between ambitious strategies and manual planning. The main concern has been to improve external accountability and increase internal efficiency and effectiveness at the same time (Greiling, 2006). It is with this in mind that we therefore need to emphasize on strategic control. Public institutions in the country are adopting strategic management at a fast rate. Thomson and Strickland (2007) outlined a five-phase strategy making, strategy-execution process. The first stage is developing a strategic vision, which is followed by setting objectives.

After the objectives are set, the third stage entails creating strategy to achieve the objectives and the vision. This is followed by implementing and executing the strategy. The final stage is the monitoring development, evaluating performance and making corrective adjustment. This is the strategic control stage and the study will be based on this stage in the strategic management process. One of the ways of enhancing strategic control in public institutions can be through performance contracting. In an effort to achieve the objectives and targets of the Economic Recovery Strategy for Wealth and Employment creation and to manage performance challenges in the public service, the government adopted

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**Table 1: Summary of Pearson Correlation output**

Correlations		Work Plan Management( $X_1$ )	Skills Development( $X_2$ )	Feedback Mechanism( $X_3$ )	Rewarding Outstanding Performance( $X_4$ )
Strategic Control (Y)	Pearson Correlation (r)	0.751	0.895	0.422	0.666
	Sig. (2-tailed)	0.000	0.000	0.001	0.000
**. Correlation is significant at the 0.01 level (2-tailed).					

performance contracting (PC) in public service as a strategy for improving service delivery to Kenyans. The PC is one element of the broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs. Through performance contracts, public institutions can realize their goals as it serves as a strong strategic control mechanism. This sums up the essence of performance contracting as a strategic control tool in public institutions and provides strong background for the study on how performance contracting enhances strategic control.

### Statement of the problem

A fundamental problem facing public institutions in the country is how to strategically control their operations and processes to enhance service delivery, accountability and efficient utilization of resources. Although the government has tried to put stringent measures such as Performance Contracting (PC), Rapid Results Initiative (RRI) and Strategic planning to improve service delivery, public institutions have not realized their full potential. In tertiary institutions, performance contracting has remained a signed agreement on paper between the management and the ministries concerned on behalf of the government. Its full value has not been realized and its great importance has not been internalized.

Service delivery has not improved as much as expected and staff members are yet to embrace and own it. This shows that there is a missing link between expected results of the performance contract and the actual. This was evident in the government report on the evaluation of the public Agencies for the financial year 2008/9. None of the three tertiary institutions under study scored excellent. The management who are key decision makers need to see the PC as an enabling tool for strategic control and not just any other policy document. The research aimed at providing insights on how PC can enhance strategic control for tertiary institutions to improve service delivery, accountability and efficiency as well as become competitive and entrepreneurial in their approach. PC has human resource at the core that control all other resources, processes and activities especially when they are strategically empowered to realize their full potential. The PC should be carefully integrated in the strategic plan rather than treated as a separate process.

### General Objective

The general aim of the study was to investigate how performance contracting can be applied in enhancing effective strategic control in public institutions with special reference to teacher training colleges and technical institutes in Kenya.

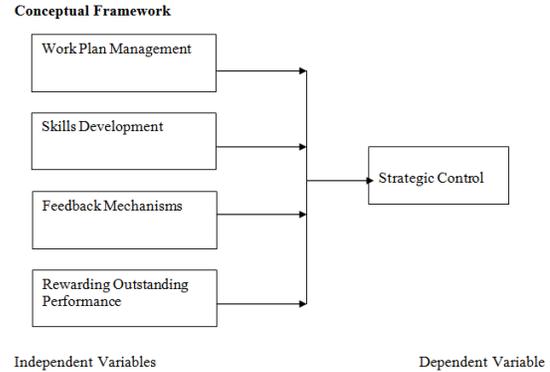
### Research Hypotheses

$H_{01}$ : Work plan management does not enhance strategic control.

$H_{02}$ : Skills development does not assist in strategic control.

$H_{03}$ : Feedback mechanisms do not facilitate strategic control.

$H_{04}$ : Rewarding outstanding performance does not contribute to strategic control.

**Fig 1: Conceptualization**

## MATERIALS AND METHODS

### Research Design / Sampling procedure / Data collection

The researchers adopted survey research design and applied inferential and descriptive statistics to highlight in quantitative and qualitative terms the degree to which performance contracting is related to strategic control. According to Gay (1983), a survey is an attempt to collect data from members of a population in order to determine the status of that population with respect to one or more variables. A survey is therefore a self-report study, which requires the collection of quantifiable information from the sample (Mugenda & Mugenda 1999). The survey targeted three tertiary institutions in Nyeri County-two technical institutes and one teacher training college. In choosing the members who participated, the researchers focused on the management, heads of department and lecturers. This is because they are the major players in the day-to-day operations of these institutions hence they are key players in the implementation of the performance contracts.

The researchers used purposive sampling and simple random sampling methods. The purposive sampling method allowed the researchers to use subjects who had the required information with respect to the objectives of the study. The subjects were therefore hand picked because they were informative or they possessed the required characteristics (Mugenda & Mugenda, 1999). The researchers picked one member of the management in each institution at random. For the heads of department and the lecturers, 30% were picked at random in each case. This was informed by the fact that performance contracting is an integrative process and each member is a player in the realization of the set goals. The researchers used both open and closed ended questions that required the respondents to tick some of the questions while others were accompanied by space to fill in answer.

### Data Analysis and Presentation

The researchers analyzed the data from the respondents using descriptive and inferential statistics. The correlation output

provided the researchers with the correlation being significant at 0.01 level. The gathered data was validated, edited and coded before the actual data analysis was done. The validation process determined the return rate of the questionnaires. The data was then presented in frequency distribution tables, graphs and charts. The researchers used the correlation coefficient to determine the nature of the relationship between the dependent variable and each of the independent variable. The researchers also used the test of significance to test the hypothesis. The research model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where;

Y – Dependent variable (strategic control)

X<sub>1</sub> – Work plan management

X<sub>2</sub> – Skills development

X<sub>3</sub> – Feedback mechanisms

X<sub>4</sub> – Rewarding outstanding performance

β<sub>0</sub> – is the constant

β<sub>1-4</sub> – regression coefficients or change induced in Y by each X

e – error

## RESULTS AND DISCUSSION

### Test of Hypothesis on Work Plan Management (H<sub>01</sub>)

There was a positive relationship between work plan management and strategic control. This was expressed by the positive correlation coefficient of 0.751. The coefficient is close to one and this shows strong relationship. Assuming that there was a unit change of parameter measuring work plan management, it would result to 0.751 percentage change in strategic control. Hence, the rejection of the null hypothesis (H<sub>01</sub>), which stated that work plan management does not enhance strategic control. This also showed that the sampled data can be applied to the general population at 99% confidence level.

### Test of Hypothesis on Skills Development (H<sub>02</sub>)

The results of the study indicated that there was a strong positive relationship between skills development and strategic control indicated by a correlation of 0.895. The correlation imply that a unit change of parameter measuring skills development will result to 0.895 percentage change in strategic control. Hence, rejection of null hypothesis (H<sub>02</sub>) which stated that skills development does not assist in strategic control. This also implies that we would obtain a correlation coefficient of about 0.895 ninety-nine percent of the time, with significance of 0.01.

### Test of Hypothesis on Feedback Mechanisms (H<sub>03</sub>)

The findings revealed that there was a positive correlation between feedback mechanisms and strategic control in public institutions as indicated by the correlation of 0.422. The correlation could be assumed to imply that a unit change of parameter measuring feedback mechanisms would result to 0.422 percentage change in the strategic control. Hence, we reject the null hypothesis (H<sub>03</sub>) that stated feedback mechanisms do not facilitate strategic control. The 0.01 sig. value also implies that the data from the sample can be generalized with 99% confidence level.

### Test of Hypothesis on Rewarding Outstanding Performance (H<sub>04</sub>)

There was a strong positive association between rewarding of outstanding performance and strategic control in public

institutions as indicated by the correlation of 0.666. Unit change in of the parameter measuring rewarding outstanding performance would result to 0.666 percentage change of strategic control. Hence, we reject the null hypothesis (H<sub>04</sub>) which stated that rewarding outstanding performance does not contribute to strategic control. The sampled data can be applied to the general population at 99% confidence level.

## Conclusions

The study revealed that skills development is a critical aspect in strategic control. When the staff and the management are empowered with the necessary knowledge, skills and knowledge as well as resources, they tend to do their work better. They feel motivated to do the right things right and exhibit high levels of innovativeness and creativity. Training opportunities are key motivators toward goal achievement hence enhances strategic control. Technological skills are also vital in enhancing strategic control. This was evident in the way the institutions have embraced Information Communication Technology (ICT). There is access to the internet in virtually every department in the three institutions where the study was conducted. The institutions should devote more resources to training their staff on quality management systems and performance contracting so that its good effects can cascade down to all members and result to attitude change hence become a way of life. Evaluation meetings are necessary and should bring everyone on board so that all can have an opportunity to report on what has been achieved and the challenges that have been encountered. The reports should then be compiled into one exhaustive report by the performance contracting committee and compared to what had been spelt out in the work plan management. This forms the basis of evaluation by the government on the performance contracting. Performance contracting emphasizes on reward and sanctions programs. This is critical in enhancing strategic control. The rationale behind these programs is that you are rewarded depending on the value you have added. Outstanding performance is rewarded to encourage innovation and personal initiative. This can lead to exemplary performance if embraced.

## Recommendations

Tertiary institutions need to embrace work plan management as a way of life. The processes and the systems should be geared towards inculcating the right skills, knowledge and attitudes in the learners. The extent to which this is achieved cannot be accurately measured and the targets set, schemes of work prepared and the strategic plans formulated among others can only be a guide in enabling the people concerned to formulate a psychological contract. This is the best way of winning the management and staff commitment. The commitment is what will translate into high involvement in mapping out the best way to achieve the expected goals.

## Skills Development

The core business of tertiary institutions is to offer training to learners who are expected to use the skills gained in their work places. Training needs are dynamic and the tertiary institutions should continuously carry out training needs analysis to ensure that they are responsive to the market needs. However, it is not possible to train on new skills without being trained first. As the government expands the curriculum in response to the market needs, the lecturers as well as the management should be empowered through training and development programs.

More so, individual institutions should mobilize resources and collaborate with institutions of higher learning to have their lecturers trained from time to time. In addition, the management and the staff should work together in making their production units more vibrant. This will translate to more revenue that can be used to provide more facilities and resource materials hence better service delivery.

### Feedback Mechanisms

Tertiary institutions should ensure that they constantly monitor and evaluate their plans and activities with an intention of making continuous improvement. The feedback from all stakeholders should be obtained and acted upon. Of great importance is the feedback from the students who are the clients. This is well captured in examination results and forums where they can air their views. The results should be analyzed and used as a base to map out improvement strategies in cases where there is no 100% pass. Tertiary institutions should make a follow-up of their clients even long after they have left to know how they are faring. More so, they should conduct exit interviews or give questionnaires to the graduates in order to take corrective action where necessary.

### Rewarding Outstanding Performance

A key component that reinforces performance contracting is the rewarding of outstanding performance. The government should encourage more innovation by giving incentives to tertiary institutions to engage in research. More so, the staff should be encouraged and motivated to tap the potential in the students through recognition and promotion. The reward and sanction programs should be there but should be well crafted and intentioned to take into consideration other strenuous factors that affect performance and are beyond the control of the lecturers.

### Performance Contracting

The concept of performance contracting is a noble idea. However, if it is not handled well it can be a source of conflict and obstacle to goal achievement. The government should make it an integrative process rather than make it look like an imposed policy. In addition, the people concerned should be made aware that it is not a very new idea. Every staff member has always committed him/herself to doing a particular task within a particular time. For instance, lecturers have been writing schemes of work. The only difference now is that the government intends to make them more aware of their commitment and accountability to the people they serve.

The organs charged with overseeing the implementation of the performance contracting should therefore aim at attitude and behavior change and not intimidation and punishment to start with. The rationale of PC should cascade down to implementers as a tool in support of their attainment of goals.

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