

DETERMINANTS OF IMPLEMENTATION OF PERFORMANCE CONTRACTING: MAKUENI COUNTY GOVERNMENT, KENYA

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Abstract

Performance contracting is a performance tool that has been implemented in many countries globally and implemented in Kenya for the first time in 2004. It has proved to be a useful tool for performance improvement in both private and public sector. The purpose of this research was to establish determinants influencing implementation of performance contracting in Government of Makeni County. Specifically, the study aimed at establishing how organization effectiveness, human resource management practices, knowledge management and performance appraisal management system determined implementation of performance contracting in the county. The study analyzed experiences of performance contracting in global context, African perspective, Kenya scenario and local adoption in County Government of Makeni. The study was anchored

on Goal-path theory, Resource Based View theory, Two Factor theory, and Transformational leadership theory. The study adopted mixed designs including explanatory design to link the variables and establish the general relationship of the independent and dependent variables on implementation of performance contracting. The target population for this study was 300 employees. The researcher collected data from sampled 72 respondents using closed and open-ended questionnaire. Data was analyzed using descriptive and inferential statistics by use of SPSS. The findings of the study revealed human resource directorate was not proactive enough to spearhead the process of implementation of performance contracting. Further findings established that there was lack of knowledge management where no benchmarking had been done before embarking on the process. Lack of reading material on performance contracting also influenced the process. Negotiations before signing contracts were lacking and employees were not motivated by setting achievable targets by appraising them quarterly with feedback from supervisors. The recommendations from the study included benchmarking before starting the process, putting in place guidelines and policies to guide the process, train champions to spearhead the process and use appraisal tool which is simple to understand by both top and lower level employees.

Keywords: Performance Contracting, Organization Effectiveness, Human Resource Management, Appraisal System, Kenya

INTRODUCTION

Lin and Lee (2011) defines performance contracting is a management tool developed adopted by both private and public sector. Chepkemei and Chebet (2013) defines performance contracting as a useful tool which articulates clearer objectives, supports innovation management, monitors and controls managerial operations. According to Mbua and Sarisar (2013), performance contracting is a memorandum of understanding (MOU) with its roots in evaluation of an organization to improve its performance. Performance measurement is done to identify inefficiencies in procedures, reduce corrupt activities and fasten processes in general, (Thomas *et al*, 2014). Performance contracting is defined as a management which ensures accountability by public officials for results and the extent to which they achieve targets (Greener *et al*, 1999).

According to Vision 2030 Popular Version (2010), the tool was introduced in Kenya in 2004 covering the period 2008-2030. It is a development blueprint aiming at transforming Kenya into a middle-level industrial country to provide high quality life to all citizens by the year 2030.

The vision is anchored on four pillars, economic, social, and political, Enables, and Macros. Under the enables and macro pillar, human resource development has been emphasizing in order to create a globally competitive and adaptive human resource base. Strong human resource base enables Kenya cope with the rapidly growing industrializing economy. The government aims at collaborating with training institutions to train employees on performance aspects including skills on implementation of performance contracting (Vision 2030 Popular Version, 2010). This study tries to establish how organizational effectiveness, human resource management practices, knowledge management and performance appraisal system influence implementation of performance contracting in county governments and specifically Makueni County Government.

Global Context

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

In Belgium Performance Contracting was implemented at the beginning of 1990s in its public sector. As a member country of Organization of Economic Corporation and Development (OECD), Belgium has a long history of administrative decentralization by autonomous bodies. To regulate these autonomous bodies, administrative measures have been put in place to ensure adherence to their terms of reference. By signing performance contracts with the government, there is a commitment by the agencies to deliver to the public, this was later adopted and implemented in Korea, India and Pakistan ((Flanders, (1999).

In France, according to Grapinet (1999), PC was introduced in 1990 as a measure to adapt to the changing environment to improve on government taxation and property valuation service. The system was introduced using management indicators to measure productivity, quality and efficiency. All local directorates at local government level now operate through performance contract tool. In order to encourage the initiative, all directors and heads of service

have freedom of making possible changes in the tool in order to fit to their specific need. Today, every ministry in France government conducts business by use of PC tool suited to their mission, vision, goals and objectives.

PC was later adopted and implemented in Korea, India and Pakistan. A study conducted in Denmark in 2005 indicates that performance contracting was introduced in 1992 to improve policy control, efficiency and instill public confidence in citizens by cautioning them from exploitation by public servants. Government institutions had to be more responsive to boost confidence of its citizens by using the PSA system. It was also made to strengthen a framework for budgeting. There was need to negotiate contracts with government agencies in connection to service delivery. All major tasks of agencies were included in the performance criteria to avoid misplacement of goals and objectives. It has been an important instrument for implementation of performance management in Denmark.

Kristiansen (2015) evaluates how in Denmark performance contracting was introduced between 1980s and 1990s to improve policy control, efficiency and instill public confidence in citizens by cushioning them from exploitation by public servants. Government institutions had to be more responsive to boost confidence of its citizens by using the PSA system. It was also meant to strengthen a framework for budgeting as there was a need to negotiate contracts with government agencies in connection to service delivery. All major tasks by agencies were included in the performance criteria to avoid misplacement of goals and objectives. Christensen (2015) notes that Denmark's economy has shown improvement after the financial crisis it suffered in 1990s. Balanced Score card was introduced in Jordan to fasten the process of implementing performance contracting in financial institutions (Al Sawalqa *et al*, 2011).

Africa Perspective

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

African context and lacked clear knowledge of socio-political climate in Swaziland (Wellington D.Twala, 2017).

In Rwanda, teacher accountability was minimal despite the fact that teacher incentives are in built in their salaries through a system called Pay- for Performance Schemes. Performance contracting was introduced to explore additional bonus program that would lead to rewards to teachers, recruit qualified teachers, and put a more effective government structure particularly in education sector specifically in rural areas. World Bank (2016). As a performance initiative, East African Community performance contract signed in 2008/2009 Financial Year aimed at member states by then, (Kenya, Uganda and Tanzania) to agree on common commitment, which was implementation of Strategic, plan 2007-2012, with a comprehensive performance targets and indicators. Generally, implementation of PC, according to African Association for Pubic Administration and Management (AAPAM), (2006) failed because of not involving participation of stakeholders thus creating ownership, allocation of inadequate resources to achieve set targets, failure to set realistic targets with too many objectives and failure of government to honor their commitment to financial support to the enterprises.

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

According to Mambo (2014), Zimbabwe currently is undergoing economic dispensation which has threatened functions of local authorities. The authorities are expected to offer quality service delivery to citizens. There has been problem of lack of clean running water, poor road networks, bursting sewer pipes and garbage flying across all streets. In Zimbabwe, performance-contracting context is anchored on Integrated Results Based Management concept (IRBM) to improve both employee and organizational performance (Madhekeni, 2012). It was introduced in the year 2013 to senior government, parastatals and quasi-government institutions. The main aim was to support the government to develop socio-economic transformation, (Masuku, 2013). The government aimed at turning around the economy after realizing the role played by government in building a country's economy after the collapse of private sector economy (Farawo, 2013).

In Ghana, according to World Bank (2002), the county transformed its structures in its rural water supply sector. This was done using district assemblies and communities as a source of information. By implementing performance contracting, the water sector was transformed and several projects attracted external funding. Non-government Organizations (NGOs) and Community Water Supply Agencies (CWSA) supported the water supply project with its efficiency resulting from implementation of PC. The country achieved major transformation in water sector. Lessons learnt from the project were incorporated into their national performance contract program. There was commitment of efficiency and high decentralization of activities (World Bank, 2002).

Kenya Perspective

In the year 2003, Economic Recovery Strategy for Wealth and Employment Creation was introduced in government GOK (2005). The main aim was to improve performance in both government ministries as well as in parastatals through introduction of performance contracts. This was a Kenyan tool which was to measure performance against the negotiated performance (GOK, 2005). According to Obongo (2008) this initiative first implemented to produce results in the first 100 days. However, it was changed to a tool that was to transform public service by providing mechanism of achieving Economic Recovery Strategy (ERS).

Rapid Result Initiative (RRI) is one of the initiatives adopted in Kenya in 2004. The World Bank partnered with Kenya in support of this initiative. According to Obongo (2008) this initiative first implemented to produce results in the first 100 days. However, it was changed to a tool that was to transform public service by providing mechanism of achieving Economic Recovery Strategy (ERS). It was implemented to compliment Development Goals (MDGs) and our Kenyan Vision 2030, Brown *et al.* (2005). All these initiatives aim at improving responsibility and responsiveness to citizen needs. According to GoK (2005), RRI was first piloted in 2004 by World Bank in partnership with Government of Kenya, Departments involved in piloting includes Ministry of Water and Irrigation, and National Aids Control Board. Since 2004, the tool aimed at improving efficiency and service delivery in Kenya, (Omogi (2010). Implementation of PC in public sectors in Kenya still remains a challenge.

According to GOK (2007), Kenya introduced implementation of performance contracting in public service to improve quality of service delivery. Specific aim was to increase productivity, maximize shareholder's wealth, improve wealth creation, reduce or eliminate reliance on exchequer for recurrent and development expenditure. This would enable institutions finance themselves through income generation ensuring accountability and transparency in service delivery. Reduction of red tapes and bureaucracies which hinder efficient and effective delivery

of goods and services to the public as customers was a focus. This would ensure there is competition amongst government owner entities both locally and globally (GOK,2010).

PC implementation within the private sector focuses on profit maximization while in public sector the focus on efficient service delivery to citizens (Ombui,2011). In Kenya, performance contract is implemented through Performance Appraisals System (PAS) which has been adopted in all government institutions (GOK, 2010). This system is premised on work plans, setting targets, reporting and feedback and indicators. Eventually, it is linked with other human resource management systems which include competitive recruitment and placement, inducting staff, training staff and introducing rewards and sanctions. The process is cycle in nature and requires continuous improvement and but not a one-time exercise and require continuous implementation (GOK, 2010).

PC was implemented to compliment Millennium Development Goals (MDGs) and our Kenyan Vision 2030 (Brown *et al.* (2005). The initiative aimed at improving responsibility and responsiveness to citizen needs. According to GOK (2005), PC through RRI was first piloted in 2004 by World Bank in partnership with Government of Kenya and the departments involved in piloting including Ministry of Water and Irrigation, and National Aids Control Board. The tool aimed at improving efficiency and service delivery in Kenya (Omogi, 2010). Implementation of PC in public sectors in Kenya still remains a challenge.

County Governments Perspective

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

In Kakamega County, a research was conducted by Musienga (2014) in tertiary education sector. The sector plays a key role in training and educating Kenyans towards achieving a middle level economy (Owino *et al*, 2010). According to MoEST (2014), tertiary institutions signed performance contracting with the Government of Kenya in 2010 to enhance creativity, innovation and technology towards achieving goals and objectives of vision 2030 (GOK, 2010). Lack of political will, conformity with guidelines, raising inflation and fluctuations in exchange rates are among challenges hindering implementation of performance contracting in the sector (Mghenyi, 2010). In Nakuru County, performance contracting was implemented to

establish how governance, employee commitment, employee skills and planning affects implementation of performance contracting Ngetick K (2013).

In Makueni County, implementation of performance contracting process was introduced in the financial year 2015/16. Sensitization to senior management at the headquarters and sub-county levels was carried out. In order to make operationalization effective, a performance contracting secretariat was created with the mandate of managing departmental performance issues, influencing and motivating staff on performance, implementing policies and strategies, monitoring performance, evaluating performance and give feedback (GMC, 2015). Section 47 of the County Government Act, 2012 has provided mechanisms for performance management by County Public Service Board. There is a requirement for each governor to submit an annual performance report of the county executive Committee Members and the County Assembly Public Board. Makueni County Government embarked on the journey towards implementation of performance to improve service delivery to its citizens (GMC, 2015).

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

According to GMC, (2015), a roadmap to signing of first PC commenced on 3rd July, 2015 by training sub-county and ward administrators. The training covered the following areas: coordinating, managing and supervising administrative functions including the County Public Service in their areas of deployment. Thereafter development and vetting of departmental contracts was initiated. Representatives from each department embarked on the first draft of the contracts for their respective Executive Committee members and their Chief Officers. This was in line with the 2013/14, 2014/15 and 2015/16 financial year budgets. Performance targets were negotiated and flagship projects and flagship projects were identified with priority to water and health agenda. It is at this point that Executive Committee Members signed the contracts with the Governor, on behalf of the government. The first PC contracts were signed on 6th July,

2015 witnessed by citizens and community at large. Non-governmental organizations, representatives of private sector and community representatives were also invited. In the subsequent financial year 2016/2017 implementation of PC faced challenges and contracts were not signed.

Purpose of the Study

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

THEORETICAL REVIEW

A theory in a social research is an author's view used to observe interaction of ideas so that one can make sense out of it and use such evidence to revise existing knowledge (Mugenda, 2008). According to Sekaran and Rogers (2009), a theory may become law which is universal and generalizes facts which are observed, seen or felt, or experienced. Theoretical framework therefore is a collection of concepts which are inter-related which with the purpose of predicting a phenomenon.

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

Goal-Path Theory

This theory was advanced by Robert House (1971) explains how setting goals for employees motivates them to perform duties. He explains how leader's behavior determines employee performance and how the behavior should complement that of his subordinates. Managers duty is to guide employees towards their goals. According to this theory, leader's behavior is the path and what employees achieve as outcome is the goal. House (1971) points out that a leader will change behavior according to the situation at hand. This implies that when performance contracting is being implemented, failure of a leader to change his leadership style to suit a

result-based assignment because the PC has targets and timelines. It is also the duty of the leader to ensure performance contracting goals and objectives are compatible with the organizations goals. Goal-path theory is anchored on dimensions of participation, direction, achievement, and supporting subordinates in their duties.

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

According to Locke, (2004), goal setting acts as an incentive to employees who in turn increase productivity and feel motivated. He points out that any goal where positive feedback is expected should embrace some principles such as clarity, commitment, feedback, avoidance of ambiguity and relevance of goals to the expected outcome. He also asserts idea of setting SMART (specific, measurable, attainable, realistic and timely) goals (Locke,1968). Hastings (2011) reiterates that clear goals are a motivator to employees, and that there exists a close relationship between setting goals and performance.

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

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

researcher will address to specific challenges of implementation of PC in Makueni County as opposed to how other organizations implemented their PC.

Transformational Leadership Theory

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

Armstrong and Taylor (2015) asserts that for an organization to identify its goals and objectives, HRM strategies should be integrated with the organization business. This will enable development contribution and ensure retention of talents, create employment and encourage ethical approach to people management. Recruitment and selection processes enhance leader's interaction with employees when right people for the right job are hired. According to Reilly (2012), human resource managers have been unclear on the strategic role of human resource management in connection with alignment of organizational interests. Communication and coordination is a function of HRM which has been overlooked, (Hird *et al*, 2010).

Reilly (2011) asserts that it is important to support line managers to carry out HR function with clear goals and objectives. All resources and especially human capital contribute to the organization's competitive advantage. Motivating employees through clear and frequent communication enhances performance (Boxall & Purcell, 2016). Strategic HRM is a positive approach to well-being of employees in an organization, (Armstrong, 2016). It is very difficult to one to know if you have arrived if one does not know where they were going, (Armstrong & Taylor, 2015). Human resource managers should lead employees to a known destination by clearly defining goals and objectives of the organization. According to Guest (2011), HRM practitioners to date are unable to confidently assert what impact HRM has had on organization performance. This has affected the implementation process of PC initiatives within the specified period of time. Human resource management practices should be integrated with organizations future goals and objectives.

According to Travis (2017) this theory has been criticized for creating an impression of self-promotion. The leader role is not well reflected in the employees who do the actual duties. Further, it is difficult to train on this theory because it is a combination of many leadership theories. There is high likelihood of employee's exploitation due to manipulation by the leader. The researcher will however apply the theory to manage the environment which is turbulent and

uncertain. It calls for transformational leader to prevail in all levels of the organization challenges. According to leadership theory, the workers are devoted and therefore useful in implementation of performance contracting

Resource Based View Theory

Resource Based View Theory is used in this study to direct the research towards organizational competitive advantage through use of resources for development (Barney, 1991). According to Ringim *et al* (2012) resources are categorized differently such as financial, knowledge resource, physical and technological resource, procedural resource and skills and experience. The theory supports the view that organizations should develop unique core competencies which enable them perform better than their competitors through the use of the resources.

Financial and human resources are key to successful implementation of PC. Work is done by people who are qualified and the people need finances to implement processes such as communication by sharing printed documents, use of internet, and facilitation during meetings. Efficient use of the resources results to optimal organizational performance (Bacha & Brush, 2014). According to Mahoney *et al* (1992) competitive advantage is valuable to an organization and this is supported by Finney *et al* (2005), who emphasizes on how a firm may become competitive by effectively utilizing resources by use of unique strategies to outshine their competitors. This is done by selecting the right strategy by exploiting internal resources and available capabilities.

Cheche and Muathe (2014) points out that there is need to relate sources of resources with the strategies of an organization. This calls for competent managerial skills which include organizational learning to nurture and sustain the competencies (Fiole & Lyles, 1995). Signing of performance appraisals ensures targets are clearly outlined and employees are guided by set period to achieve the objectives. The outcome at the end of period confirms if the set targets are achievable.

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

Two Factor Theory

In his Two- Factor Theory, Herzberg (1959) identifies two factors, hygiene and motivation as a measure for job satisfaction of employees at workplace. He identifies hygiene factors as company policies. According to Herzberg (1991), employees are more concerned with individual needs and gratification such as achievements, recognition, responsibility and advancement of the work they are assigned. Goling (2015) refined this theory by introducing two dimensions and proposed a two-factor model of motivation. One dimension of motivation and hygiene factors. There are two factors mentioned in the theory, motivational and hygiene factors.

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

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

EMPIRICAL REVIEW

Organizational Effectiveness

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

Strategic planning contributes to organization's effectiveness and therefore it has been embraced all over the world in both public and private sectors. PC is a tool used to fast track performance with the main objective of guiding the firm towards its priority projects, Robert & Peter (2012). According to Owolabi and Makinde (2012) organizational effectiveness strategically helps managers to look forward to what an organization aims at achieving in future. It helps put in place implementation strategies to ensure the process does not encounter challenges. Skokan Karel, Pawliczek and Piscezur (2013) asserts some managers still face a challenge of realizing significance and importance of strategic approach.

Effective organization strives to solve employee health related problems at work place, as well as psychological and physical well-being (Gakure *et al*, 2013). Mental illness has been associated with poor performance amongst employees and an effective organization will frequently review medical status of its staff (CIPD 2013). Innovation and creativity are key to organization effectiveness. Through effective communication employees are encouraged to introduce new ideas. Implementing performance contracting required employees with knowledge and experience to share with other stakeholders for successful implementation (Siu *et al*, 2013). Job satisfaction, involvement and accountability are linked with performance of employees (Robertson *et al*, 2012).

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

Human Resource Management Practices

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

According to Ahmad Razimi *et al.* (2017) the process of recruitment and selection in human resource management from Islamic perspective affects human resource activities as the most valued asset in an organization. He addressed recruitment and selection process in managing Islamic organizations where performance contracting initiative is practiced. He points out recruitment and selection process should take into consideration internal environment such as promotion from within which motivates staff to higher performance. Recruitment and selection process determines quality of employees recruited and their performance. Any organization that ensures human resource management practices are consistent achieves its objectives (Mullins,2010). Cumming (2011) asserts employees expect incentives both in kind and monetary as reward for good performance. According to Dessler (2014), employers expect too much from employees without reciprocating. Underperformance results from lack of motivation to employees (Gant, 2011).

When employees are motivated, they are highly productive to expectation of the organization and competitive advantage is achieved (Amina, 2014). Use of technology to enable employees perform their tasks efficiently and effectively is often ignored in finding solution for employee well-being. Routine activities automation, opportunities to work from home should be considered if the employee has the right tools to work from home and produce the expected results within the set period of time, (Derks & Bakker, 2010). The aspect of fairness also affects employee performance. The society and organizations unfairness to employees has affected productivity (Pickett, 2014).

Jiang and Seidmann (2014) views performance contracting as an exercise which entails setting performance goals. Communication individual employees to channel their efforts towards achieving common objectives of the organization. Employees perceive recognition from their supervisors as an incentive on fulfillment of obligation. This is referred to as psychological contract and is highly linked with performance, (Kelly *et al*, 2014).While Employer expects good performance, employee also expects recognition through reward (Defense Forces ,2011).

Transformational Leadership theory is key to influencing employees towards organization goals and objective. According to Cole (2012), leadership style refers to how a leader delegates tasks and how he sets goals to his followers to achieve a common goal. Employees are motivated when clear goals and targets are set. The leader should share organizational vision and mission with employees. It is also the leader's responsibility to ensure effectiveness in service delivery and ensure appropriate use of resources (Zeichik, 2012). Leaders also measure employee performance specifically the quality of work, reward their achievements and inspire non-performance (Brayfield, 2015).

Knowledge on Performance Appraisals System

Human capital is the most important resource in any organization. The organization therefore required a framework to assess its employee's performance. Areas of concern are ability of the employee, work standards, commitment and performance appraisal is a tool that outlines what needs to be done in an organization in order to achieve the purpose of the job, (Ikram *et al*, 2011). Performance appraisals enable management to oversee employee capacities, inspiration and the overall commitment, (Giangreco *et al*, 2012). This is a tool which relates job with the employee strengths and weaknesses for purposes of decision making by the supervisor, Ahmad & Jujang, 2013). It can therefore be assumed that the evaluation framework will depend on measures which are suitable and reasonable in relation to the appraisal (Jan *et al*, 2014).

The process is done in phases, the first phase is the negotiation with consultations which involves carrying out SWOT (strengths, weaknesses, opportunities and strengths) analysis of the organization. This helps to determine if the institution has the capacity to implement the PC initiative. It also ensures that the targets being developed are SMART (specific, measurable, realistic and timely) and if they can be benchmarked with other organizations implementing same performance tool GoK (2010). The second phase is the negotiation part where the issued agreed upon are included in the performance contract. The Performance Contracting secretariat has a mandate of vetting the contract to ensure that it is anchored on departmental/institutional guidelines and that they are linked to the strategic objectives of that institution and in line with vision 2030 and vision 2025 in case of Government of Makueni County GoK (2010).

According to Juliana (2017), in implementation of performance, contracting in Kenya is normally done by quarterly basis. At the end of the quarter, each department submits its reports and finally annual reports are filed. Setting of targets is based on institution's strategic plan. Targets are formulated in categories in descending order, financial indicators, service delivery indicators, operational indicators and dynamism indicators. The targets are negotiated according to availability of resources both financial and human capital, time frame, relevancy of policy existing document such as vision 2030 and the Government of Makueni County vision 2025. Through Performance Management System (PMS) procedure, it is possible to certify an employee's records in the organization in order to decide on the outcome of the appraisal exercise. Performance appraisal has a motivational effect and enables management of different groups through either financial or non-financial rewards, (Ubeda & Santos, 2013).

In implementing the performance contracting process, Monitoring and evaluation is a continuous process where the cycle is repeated every year and should reflect continuous improvement, at the same time indicating how both financial and human resources have been utilized, Neel *et al*, 2011). In examining performance appraisal system, Liza (2012) asserts that

PAS is an important tool for measuring performance of employees in an organization. It helps track individual contribution towards or against organizational goals. Managers failure to rate their employees from top-down and link their quarterly and annual performance appraisals with organizational priority objectives affects implementation, Chapman (2009).

Managers monitor and evaluate the attainment of targets set, expectations and objectives and also the delegated tasks and how they have been achieved. The process of measuring employee performance is done by managers by evaluating program policies and identify areas requiring improvement for training and development recommendation (Wael, 2009). Performance framework for county governments aims at encouraging and promoting accountability in service delivery to ensure that government operations are efficient, effective and economically implemented and are in accordance to County Performance Act, 2012, vision 2030, and County Integrated Development Plan. To achieve organization goals and objectives, human capital, financial, legal and informational resources are key in implementation of PC initiative.

Knowledge Management on PC Implementation Process

Knowledge can be defined as being familiar with subject, awareness or someone understanding something clearly, facts, information, skills experience both in material and practically (Thomson, 2017). According to Al-Adaileh and Al-Atawi (2011), organization culture influences knowledge management by supporting knowledge sharing amongst employees and therefore managers should create a culture that supports implementation of performance contracting. The same opinion is pointed out by Kannabiran and Pandyan (2010), that knowledge management governance system is essential in an organization structure for implementation of performance contracting.

Some organizations create a position of a Chief Knowledge Officer whose key role is to share information to all employees and ensures all employees are well updated. Performance contracting is a new concept in some organizations and knowledge through training employees by evaluators is key. Hong Pew *et al* (2008) assert that knowledge measurement should always be linked to intellectual and experience of employees and should be transformed into competitive advantage for the organization. Employees should be trained on how to achieve targets, how to recognize their own performance indicators and how they are linked with the organization goals and objectives.

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

and research which help to attain the larger national goal of vision 2030 and for Government of Makueni County attainment of vision 2025 (Muthaura, 2008). It should also focus on how national government institutions have implemented performance contracting initiative. Involvement of all stakeholders in the process enables ownership of the process thus creating a good working relationship between the managers and subordinates. Adequate training cannot be achieved if allocation of funds allocated is not enough. All employees in the organization should be sensitized through seminars, workshops and official circulars accompanied by the policies supporting the imitative of performance contracting. Proper guidance on how the performance contracting process is conducted should be documented and every employee provided with information and material to read for reference purposes.

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

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

METHODOLOGY

Research Design

The researcher used mixed design, explanatory and cross sectional. The explanatory design was to establish relationship between variables by using figures to analyze the data. The cross-section helped predict behavior, Easterby-Smith *et al*, 2008). The study used inferential and descriptive statistics to analyze the data, the findings were presented using figures,

percentages, frequencies and tables to explain what influenced implementation challenges of performance contracting in Government of Makueni County.

Study Population

The study population was 1000 with a sample size of 72 as follows: 5 executive committee members, 8 Chief Officers, 19 Directors, 14 Assistant Directors, 15 officers of Job Group L-N and 11 officers below job group L.

Table 1 Population

Target Group	Population	No. Sample	Percentage
Executive Committee Members	5	5	7
Chief Officers	8	8	11
Directors	19	19	26
Assistant Directors	14	14	20
Job Group L-N	15	15	21
Below Job Group L	11	11	15
Total	72	72	100

Sample Design and Technique

Purposive sampling design was used where 72 respondents are drawn from 6 different categories of employees who consist of top and lower level employees of Government of Makueni County. The researcher chose the group because the top management are the policy makers of the county, directors and assistants are technical team and other support staff and the lower level forms a combination that limits bias. Implementation of PC will largely depend on support of top managers as policy makers and their input is key before the process is cascaded to the lower level employees.

Sample Size Determination

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

Data Collection Procedure

The study will use primary data collected by the researcher from target sample using closed and open-ended questionnaire dropped and picked by the researcher to each of the 72

respondents. The use of the questionnaire is most appropriate in this survey because the target group is knowledgeable and can read and write perfectly.

Data Collection Instruments

The researcher used questionnaire consisting of two sections, Section (a) Bio data capturing age bracket, educational background and level of education and section (b) consisted of research questions designed on 5-point Likert Scale. The respondents used the questionnaires, which were closed, and open-ended to respond to the questions. The open-ended part of questionnaire enabled the respondent's freedom to express their feelings and attitude towards implementation of performance contracting tool. The closed ended questionnaire enabled respondents an equal opportunity to answer exactly same question, (Kothari & Pals, 2010). The researcher guided the respondents in filling the questionnaire when required to do, (Kombo & Tromp, 2010).

Validity and Reliability

According to Orodho (2013) validity of a study is the accuracy and the meaning of the inference and behavior based on research results. It is a judgment of the relationship of the study and the variables (Norman, 2012). Validity of an instrument is based on logical reasoning, past experiences and knowledge of the researcher. To test validity, researcher piloted 1% of the total respondents. Cohen *et al* (2012) defines reliability as repeatability of findings. The researcher tried to find out whether if study was repeated a second time, using same instrument and all other factors being constant, would produce same results. If the results were the same then the data is said to be reliable.

Data Analysis and Presentation

The study was adopted descriptive and inferential statistics. Descriptive statistics described the data collected by use of percentages or numbers and in the case of the study representing the entire sample size. Inferential statistics gave a general prediction and relationship of variables.

Ethical Consideration

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

RESULTS AND DISCUSSIONS

Descriptive statistics of the variables

Table 2 Descriptive statistics of the variables

	N	Mean	Std. Deviation
Implementation of performance contracting	72	2.14	1.259
Organization effectiveness	72	2.00	1.322
Human resource management practices	72	2.29	1.358
Appraisal system management	72	2.29	1.347
Performance appraisal system	72	2.24	1.204
Valid N (listwise)	72		

The findings in table 2 indicate the descriptive statistics of the variables in which the mean of Implementation of performance contracting is 2.14 with standard deviation of 1,259. The mean of Organization effectiveness is 2.00 with standard deviation of 1.322. The findings also indicate that the means of Human resource management practices, Performance appraisal system and Appraisal system management are 2.29, 2.29, and 2.24 with standard deviations 1.358, 1.2473 and 1.204 respectively.

Table 3 The correlations

		Implementation of performance contracting	Organization effectiveness	Human resource management practices	Appraisal system management	Performance appraisal system
Implementation of performance contracting	Pearson Correlation	1	.965**	.849**	.881**	.972**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	72	72	72	72	72
Organization effectiveness	Pearson Correlation	.965**	1	.785**	.815**	.947**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	72	72	72	72	72

Human resource management practices	Pearson	.849**	.785**	1	.800**	.844**
	Correlation					
	Sig. (2-tailed)	.000	.000		.000	.000
	N	72	72	72	72	72
Appraisal system management	Pearson	.881**	.815**	.800**	1	.886**
	Correlation					
	Sig. (2-tailed)	.000	.000	.000		.000
	N	72	72	72	72	72
Performance appraisal system	Pearson	.972**	.947**	.844**	.886**	1
	Correlation					
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	72	72	72	72	72

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

The findings in table 3 indicates that there is a strong positive correlation between performance contracting and determinant of Implementation ($r=1$). The findings indicate that the correlation is significant at 5% significance level given that p-value (0.000) is less than alpha (0.05).

Table 4 Regression coefficient

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

a. Dependent Variable: Implementation of performance contracting (Y) = -.011 + .452 (Organization effectiveness) + .095 (Human resource management practices) + .113 (Appraisal system management) + .345 (Performance appraisal system),

The findings in table 4 indicate the regression model generated by the independent and the dependent variable. The model generated is given as Y (Implementation of performance contracting) = -.011 + .452 (Organization effectiveness) + .095 (Human resource management practices) + .113 (Appraisal system management) + .345 (Performance appraisal system).

Hence, the regression equation established was: $Y = -.011 + .452X_1 + .095X_2 + .113 X_3 + .345 X_4 + e$.

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

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

Table 5 Significance of the regression model (ANOVA)

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

a. Dependent Variable: Implementation of performance contracting

b. Predictors: (Constant), Performance appraisal system, Human resource management practices, Appraisal system management, Organization effectiveness

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

Table 6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985 ^a	.971	.969	.222

a. Predictors: (Constant), Performance appraisal system, Human resource management practices, Appraisal system management, Organization effectiveness

The study findings in table 6 indicate the R squared and the adjusted R squared. The R squared (.971) indicates that 97.1% of the variation in the implementation of performance contracting

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

CONCLUSIONS

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

Meanwhile it is possible to infer that that organizational effectiveness does not depend on the performance contracting implementation. The negative relationship indicates that organizational effectiveness does not depend on implementation of performance contracting given to the employees.

The study concludes that human resource management practices affected implementation of performance contracting due to lack of proactiveness. Further conclusions indicate that employees were not motivated and this affected the achievement of goals and objectives of the organization. Rewards and sanction guidelines were not put in place by recognizing employees who had achieved their targets. According the study, there was minimal mentorship and coaching to empower employees with skills necessary for implementation of performance contracting. There was no on-job training and supervisors did not spend time with employees to discuss the performance appraisal tool.

At this point it is possible to infer that there exists positive relationship between human resource management practices and implementation of performance contracting in Government of Makueni County while leadership style did not have any relationship with challenges of implementation of performance contracting in Government of Makueni County.

It is now possible to conclude that that the experts charged with implementing performance contracting process in Government of Makueni County were not experienced. This study also concludes that monitoring and evaluation on performance contracting process was not conducted on quarterly basis and no proper departmental reports were filed on each

employee performance. Therefore, this study concludes that shortcomings of employees were not addressed and this affected the implementation.

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

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

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

The study further concludes that negotiations before signing contracts were not done and as a result, setting of targets was affected. The tool for measurement of performance was not clear to lower level employees and that factor affected setting of targets and indicators to the employees by supervisors.

RECOMMENDATIONS

This study recommends that before implementation of PC process there is need for benchmarking from those other counties who have successfully implemented to improve on effectiveness in the implementation. It recommends that the Government of Makueni County, through the human resource directorate, puts in place policies and guidelines on performance contracting, which outlines the process from beginning to end and which guide all employees uniformly.

On knowledge management on implementation of performance contracting, the study recommends that the champions leading the performance contracting process in be well trained so as to cascade the knowledge to other employees. The study recommends that for knowledge on performance appraisal system to be enhanced, human resource directorate and all employees should be trained on performance appraisal tool.

The study recommends that further research to be carried out during the second term of County governments to find out whether the county Government of Makueni is facing same challenges as those experienced during the first term of county governments. It should include employees working in out stations as compared to this study, which covered employees at County headquarters only.

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