Analysis of Factors That Influence Implementation of Performance Contracts in State Corporations (A Case of Kenya Civil Aviation Authority)

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Abstract

The objective of this study was to analyze factors influencing implementation of performance contracting in state corporations in Kenya with special reference to Kenya Civil Aviation Authority. Descriptive research design was employed in the study. The target population was all the employees of Kenya Civil Aviation Authority that have signed Performance Contracts between the period 2008/09 to 2011/12. The data was analyzed using descriptive statistics with the help of the statistical package for social sciences (SPSS). The results were then presented in tables and charts. The study concludes that targets are mutually agreed upon and those targets are in line with the organizations objectives. There are high motivational rewards for good performance. In addition, the study concludes that Performance measurements are used to evaluate, control and improve operations process in order to ensure that the organization achieves its goals and objectives. The study concludes that the organization avails requisite resources necessary for implementation of strategy and that management practices fair evaluation of PC outcomes. Finally, the study concludes that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture. The study recommends that the set targets be well communicated to the employees in an organization. The study further recommends that the organizations have team building activities such as tours so as to further motivate them. The study recommends that the organizations have Strategic performance measures that monitor the implementation and effectiveness of an organization's strategies. In addition, the study recommends that every employee in the organization be committed to their work and not only the top leaders.

Key Words: Performance measurement, Performance Contracts, Performance Management

Introduction

Performance Contracting is a branch of management science referred to as Management Control Systems and is a contractual agreement to execute a service according to agreed-upon terms, within an established time period, and with a stipulated use of resources and performance standards.

Performance contracting is one element of broader public sector reform aimed at improving efficiency and effectiveness, while reducing total costs (Domberger, 1998). A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. It is therefore a management tool for ensuring accountability for results by public officials, because it measures the extent to which they achieve targeted results (Greer *et al*., 1999).

Essentially, a Performance Contract is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets (Hunter and Gates, 1998). They include a variety of incentive-based mechanisms for controlling public agencies—controlling the outcome rather than the process. The success of Performance Contracts in such diverse countries as France, Pakistan, South Korea, Malaysia, India, and Kenya has sparked a great deal of interest in this policy around the world (Wheeler, 2001).

Governments are increasingly faced with the challenge to do things differently but with fewer resources. Above all, performance contracts can be defined as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. Performance contracting provides a framework for generating desired behavior in the contest of devolved management structures. Employers view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves.

In Kenya, Choke (2006) studied the perceived link between strategic planning & performance contracting in state corporations in Kenya and found that most managers perceive PCs as a management tool useful in achieving set targets. Kiboi (2006) on the other hand studied the management perception of performance contracting in state corporations and achieved similar results. Korir (2005) also studied the impact of performance contracting at the East African Portland Cement. His study found that in the presence of PCs there is a corresponding improvement in performance.

Performance contracting

Kumar, (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent. OECD (1999) defines performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution.

Kenya Civil Aviation Authority

Kenya Civil Aviation Authority (KCAA) is a non profit state corporation established on 24th October 2002 by the Civil Aviation (Amendment) Act, 2002 with the following primary functions: Regulation and oversight of Aviation safety & Security, Economic regulation of Air services, Provision of Air Navigation Services and Training of Aviation personnel

There are three technical directorates headed by Directors reporting to the Director General who is the accounting officer. The directorates are responsible for regulatory, air navigation services and aviation training. The fourth directorate is responsible for the support and administrative functions. The regulatory services are provided at the headquarters in Nairobi, while Air Navigation Services (ANS) are provided at Jomo Kenyatta, Moi and Eldoret International Airports. In addition, ANS services are also provided in Kisumu, Lokichoggio, Malindi, Wajir and Wilson airports. Aviation training is offered at the East African School of Aviation (EASA) and mainly covers aviation related courses. (Kimuyu 2006), KCAA's overall strategy as reflected in its strategic plan is based on its commitment to provide a safe and efficient civil aviation environment that contributes to the achievement of Kenya's developmental objectives, as articulated in the Vision 2030. Since its establishment in 2002 KCAA has continued to implement the existing Government performance management system until the introduction of Performance Contracts in 2005/06. Performance contracting was introduced in the Authority following Government directive that all public institutions adopt the concept of performance contracting.(Korir, P.,2005;and Kiboi, W. 2006),

Statement of the Problem

In introducing performance contracts in 2003, the Government indicated that performance contracts had their origin in the general perception that the performance of the public sector in general and government agencies in particular had consistently fallen below expectations. (Office of the President – Performance Contracts Steering Committee, Sensitization Manual, 2005). Despite this acknowledgement little research has been done to determine the factors that influence performance contracts in State Corporations and their impact on performance. In KCAA, no study has been undertaken to determine what factors influence implementation of performance contracts. (AAPAM, 2005).

The research will therefore seek to investigate the unsatisfactory (African association for public administration and management conference report 28th Arusha, Tanzania 4th – 8th December 2006) performance of State Corporations by identifying factors influencing the implementation of performance contracts and their impact. With the implementation of performance contracting in the last seven years (since 2004), there is need to study the factors that influence implementation of performance contracts in State Corporations. Previous studies conducted on performance contracting have concentrated on implementation (Ogoye, 2002, Choke, 2006 and Langat, 2006) while one study has tackled the general impact of performance contracting in state corporations (Kiboi, 2006). However, no study has been done in KCAA so far to investigate the factors that influence implementation of performance contracts. The state corporation has continuously under achieved its targets upon end year PC evaluation. Achievement of targets has always ranged between 60-70% (KCAA annual reports on performance contracting). (Kiboi, W., 2006)

A knowledge gap therefore exists regarding the factors that influence implementation of performance contracting and ultimately the effect on service delivery among state corporations. The purpose of this research is to determine the factors that influence implementation of performance contracts in State Corporation with special reference to Kenya Civil Aviation Authority. In particular the study will seek to determine the influence of targets, reward and punishment systems, performance measurement, organizational commitment, and organizational culture on performance of organizations.

Objective of the Study

The objective of the study was to analyze the factors influencing implementation of performance contracting in state corporations in Kenya with special reference to Kenya Civil Aviation Authority.

Specific objectives

i. To establish the effects of employee turnover on implementation of performance contracting at Kenya Civil Aviation Authority.
ii. To find out the effect of employee sensitization on implementation of performance contracting at Kenya Civil Aviation Authority
iii. To establish the effect of Performance measurement on implementation of performance contracting at Kenya Civil Aviation Authority
iv. To establish the effect of Organizational commitment on implementation of performance contracting at Kenya Civil Aviation Authority
v. To find out the effect of Organizational culture on implementation of performance contracting at Kenya Civil Aviation Authority

Research questions

i. What is the effect of employee turnover on implementation of performance contracting at Kenya Civil Aviation Authority?
ii. How does Reward and employee sensitization affect implementation of performance contracting at Kenya Civil Aviation Authority?
iii. What is the effect of Performance measurement on implementation of performance contracting at Kenya Civil Aviation Authority?
iv. Does Organizational commitment affect implementation of performance contracting at Kenya Civil Aviation Authority?
v. What is the effect of Organizational culture on implementation of performance contracting at Kenya Civil Aviation Authority?

Literature Review

Theoretical Orientation

According to the happiness and success theory, which attempted to relate success of work and happiness, people feel happy when they feel to be achieving their set goals, and especially so when it is a hard-won goal. Positive anticipation and attendant happiness happens when we predict that we will achieve our goals and feel confident about those predictions, perhaps because they have been right recently. According to this view, happiness is not a permanent state, and no matter what we get, we will always swing between happiness and sadness. (Hilmer, 1993).

Secondly, people feel a sense of their own significance where they have made positive impact on other people they care about. The sense of significance grows with the size of the impact and the number of people affected. Thus if they save the world they will feel pretty significant (Korir, 2005).

Thirdly, people's sense of legacy has to do with what they leave behind themselves. Most of all, if they can establish values that help others find future success, and then they will feel a strong sense of success. The happiness and success theory suggests why it is important to involve employees in setting the performance contract goals so that they can derive happiness from their successes and hope to leave a legacy of key accomplishments. (Industry Commission of Australia 1996)

The first logical question is about the subjects' level of involvement. According to Ahorani (1986), when a person is emotionally involved in an issue they will process information and hence react in a different way to when the issue is not important and they are not really paying attention to it. The involved people want to make their own decisions and the non-involved people do not want to put effort into decisions and will probably let you tell them what to think. Involved people want clear and sufficient information from which to draw conclusions. People can be encouraged to become non-involved people when they are snowed with a lot of complex information. Quantity may thus be inaccurately equated to quality.

According to emotional involvement theory, before implementing the performance contracts the government should try to draw people in, get them involved, before giving them things to do and letting them make decisions about the performance measurements evaluation criteria. In addition to this, the government should also understand the principle of action theory that there is no action without intentionality and we are able to get results after we have acted. In terms of performance, this theory explains why individuals will never act unless they have intentions. (Hunter, J.D, Gates, G.R (1998),)

Another important theoretical view of analyzing the new performance contract policy in the public sector in Kenya is by employment of the adoption of innovations theory. According to Ahorani (1986), an innovation is an idea, practice, or object that is perceived new by an individual or other unit of adoption. The novelty in an innovation need not just involve new knowledge because some may have known about an innovation for some time but not yet developed a favorable attitude towards it, nor have adopted or rejected it. On the other hand, diffusion is defined as the process by which an innovation is communicated through certain channels over time among the members of a social system. It is the novelty of the idea in the message content of communication that gives diffusion its special character. According to this author, the general convention is to use the word "diffusion" to include both the planned and the spontaneous spread of new ideas.

The innovation's communication openness is another factor. It refers to the amount of potentially useful information communicated among adopters. In the organization behavior literature, Kimberly (1978) found out that innovativeness is more likely when target organizations are integrated into external information environment. Thus,the greater the communications openness among firms within the target industry, the more likely the adoption of innovations.

Starting in France in the 1970's, performance Contracting has been used in about 30 developing countries in the last fifteen years (Lienart, 2003). In Asia, the Performance Contract concept has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka. In Africa, PCs have been used in selected enterprises in Kenya, Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire. In Latin America, they have been used at different times in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Others include Malaysia, United Kingdom, U.S.A, Canada, Denmark and Finland among others (Lienart, 2003).

Public enterprises in Africa are suffering financially and many are seeking financial assistance. Their problems stem from unclear and conflicting objectives, and a lack of autonomy and accountability (Kobia and Mohammed, 2006). The results of performance contracting have been mixed. In some countries, there has been a general and sustained improvement in public enterprise, while in other countries some Public enterprises have not responded or have been prevented by government policies from responding. In implementing PCs, the common issues that were being addressed include performance improvement so as to deliver quality and timely services to the citizen, improve productivity in order to maximize shareholders wealth, reduce or eliminate reliance on the exchequer, instil a sense of accountability and transparency in service delivery and the utilization of resources and give autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures.

In the global context, relative performance evaluation has been an aspect of contractual relations. Even when it is not explicitly written into a contract, relative performance evaluation (RPE) may be part of the implicit agreements that guide long-term remuneration. It has been argued that upward revision of Chief Executive Officers' salaries tends to be positively related to firm's performance, but negatively related to industry or market performance as a whole. There has been some positive correlation between the relative performance of funds (as indicated by their rank in published league tables) and inflow of new investment funds. (Kiboi, W., 2006).

It has been argued that relative performance evaluation (RPE) is valuable if agents face some common uncertainty. To be precise, RPE is useful if other agent's performance reveals information about an agent's unobservable choices that cannot be inferred from his own measured performance. Of course, RPE-based contracts do not always work in the interest of the principals.

Within organizations, basing reward on relative performance creates incentives to sabotage the measured performance of co-workers, to collude with co-workers, or to self-select into a pool of low ability workers. Dye (1992) pointed out such contracts may distort choice by persuading manager to select projects where their relative talent, rather than their absolute talent, is the greatest.

Aggarwal and Samwick (1999) show that when firms compete in product markets, use of high-powered incentives may result in excessive competition. The need to soften the intensity of competition may induce principal to dilute incentives even when the net benefit of RPE contracts is positive. This may be difficult to implement, say, if individual performance as opposed to team performance is hard to measure. Grinblatt and Titman (1989) and Das and Sundaram (2002) focus on the differences between symmetric, fulcrum contracts (which penalize under-performance just as they reward out-performance), and asymmetric, incentive contracts (which reward out-performance without penalizing under-performance). Brennan (1993) provides an early attempt to study the general equilibrium implications of contracts that reward managers according to their performance relative to a benchmark portfolio.

Empirical review

Targets

Despite a global wave of privatizations, state enterprises still account for about 10 percent of gross domestic product (GDP) in developing countries. These enterprises are often the largest and most valuable or problematic firms, with monopolies in mining, petroleum, infrastructure, and heavy industry. For these firms performance contracts have often seemed to make good sense.

Before the contracts were put in place most governments were trying to run their state enterprises without any form of performance evaluation. As one architect of performance contracts noted, this was like playing football without rules, scoreboards, or referees.(World Bank. 1995)

Currently, achieving excellence seems to be a really difficult goal for public agencies. As can be seen from the results declared on December 8, 2006, none of the government agencies qualified to be in the excellent grade. This is partly the result of the fact that to be excellent agencies had to achieve targets that were at least 30% higher compared to the previous year. This approach of mechanically setting limits is similar to the approach used by Koreans in implementing a similar system. However, even Koreans allowed some flexibility depending on the nature of past trend and the standard deviation of the variables.

Performance contracts seemed a logical solution to this problem, since similar contracts had been successful in the private sector. No one, including the proponents of performance contracts, minimized the problems governments would face in designing such contracts, however. Much has been written about the problems that principals (in these case, governments) face because they cannot accurately measure the effort expended by their agents (managers) or sort it out from other factors affecting performance. These agency problems are compounded in the public sector, where politicians have many points of view and bureaucrats have many different agendas. Under such circumstances it is hard to judge performance and to motivate managers and hold them accountable for results. Moreover, unlike private owners, politicians may not benefit from better performance, and so may try to make managers serve objectives that conflict with efficiency, such as rewarding political supporters with jobs or subsidies. (Domberger, S.,1998),

Reward and punishment

Renege is likely to occur when contracted performance is not rewarded. Reneging is not a problem when performance is verifiable because contracts can be made explicit and legally enforceable. The problem is more interesting when performance measures cannot be contracted upon because they are not verifiable by a third party. For example, suppose a firm promises to pay a worker well if a subjectively measured performance standard is met. Ex post, the firm has a clear incentive to claim that the standard has not been met in order to save on wages.(*The Economist. 1992)*

Reputation is the most obvious limit on dishonest behavior by firms. Firms that renege will face higher costs of recruiting in the future, but with imperfect information the costs of malfeasance may not be completely internalized. Given this, the literature in this area emphasizes ways of organizing employment that reduce or eliminate a firm's financial incentive to renege, thereby enhancing efficiency. There are several possibilities.
One organizational response is for firms to commit a fixed wage bill, with the division of wages among workers depending on some measure of relative performance [Carmichael (1983)]. This tournament structure can provide optimal incentives while eliminating the firm's incentive to claim poor performance. Even so, real world examples in which employers truly recommit to a wage bill are rare. The usual examples of alleged tournaments partnerships in law and accounting firms or executive promotion contests do not typically involve recommitment of the firm's total wage bill.

Two other institutional mechanisms that reduce financial incentives to renege are up-or-out contracts and attaching wages to jobs or tasks. In up- out contracts the term employs a worker for a fixed probationary period, during which it observes the worker's performance. At the end of the period the firm has the option of retaining the worker at wage x or terminating the relationship. The contract can enhance efficiency because it eliminates the firm's ability to save money by falsely claiming that the worker's performance was inadequate [Kahn and Huberman (198811. The firm must either pay Y or terminates the worker.

Like fixed wage bill models, real world examples of up-or-out employment contracts are rare. Instead, most large organizations are characterized by long-term employment relationships and by promotion-based reward systems. Prendergast (1992a) shows that this system, in which wages are tied to job titles, can induce optimal skill collection by workers and obviate the firm's incentive to renege. The key idea is that skills must be task-specific, so the firm gains nothing by denying promotions (and raises) to qualified workers. Our primary focus in the remainder of the paper is not on financial incentives to renege.

Instead, we argue that most employees of large organizations are evaluated by supervisors whose financial incentive to renege is limited or non-existent. Even so, it is common for subordinates to believe that their performance has been undervalued, or that the financial rewards for good performance have been given to other, less deserving candidates. The emphasis is on getting the resources that supervisors subjectively allocate.

Performance measurement

Operations need some kind of performance measurement as a prerequisite for improvement. It requires comparison of the current level of achievement of performance with some kind of standard. Performance measurements are used to evaluate, control and improve operations process in order to ensure that organizations achieve their goals and objectives. Performance measurements are also used to compare the performance of different organizations, plants, departments, teams and individuals and to assess employees (Alaa and Noble, 1996). The general argument for performance measurement is that to improve a process, one need to know how well it is performing currently. Performance measurement provides information about how well a process is being conducted and how good the results from it are (Andersen, 1999).

Andersen (1999) states that, what gets measured gets done. That is, areas emphasized through monitoring and measurement also receive attention and resources. In recent years, the development has been towards operational parameters for performance measurement like quality, cost, speed, reliability and flexibility as opposed to financial

Organizational commitment

The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategy implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Miller, 2002).

To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Rap and Kauffman, 2005).

Kenya has adopted a theoretically sound institutional arrangement. The vetting of Performance Contracts at the beginning of the year and the evaluation of agency performance at the end of the year is done by a group of independent professionals. This is in keeping with international best practice.

However, it appears that the members of this Ad-hoc Task Force who do the evaluation at the beginning of the year are not the same as those who do the evaluation at the end of the year. This needs to be corrected as the persons who do the evaluation must fully understand the rationale for the target setting. Also, target setting involves a lot of investment of time in understanding the agency. Thus, there are economies of scale in doing both tasks. (Domberger, S., 1998),

There is also an issue regarding the conflict of interest of the member's of PCSC. Some of the members also sign PCs and, hence, can be seen to have the dual role of a judge and defendant in the same case. This needs to be rectified soon to remove any appearance of conflict of interest. (De Bruijn, H. 2002)

Organizational culture

One of the major challenges in strategy implementation appear to be more cultural and behavioral in nature, including the impact of poor integration of activities and diminished feelings of ownership and commitment (Aaltonen and Ikåvalko, 2002). Corboy and O'Corrbui (1999), meanwhile, identify the deadly sins of strategy implementation which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; difficulties and obstacles not acknowledged, recognized or acted upon; and ignoring the day-to-day business imperatives. Marginson, (2002) contend that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

Organizational culture refers to the leadership style of managers – how they spend their time, what they focus attention on, what questions they ask of employees, how they make decisions; also the organizational culture (the dominant values and beliefs, the norms, the conscious and unconscious symbolic acts taken by leaders (job titles, dress codes, executive dining rooms, corporate jets, informal meetings with employees).

In Collaborative Model of strategy implementation, organizations have both a strong culture and deep-rooted traditions. The challenges of successful implementation results from lack of cultivation of strong cultural values to meet the changing organizational needs. The distinction between "thinkers" and "doers" begins to blur but does not totally disappear.

In organizations adopting the cultural model that emphasizes a lower level employee participation in both strategy formulation and implementation there is separation of "thinkers" and "doers". It seeks to implement strategy through the infusion of corporate culture throughout the firm. The cultural model contradicts and challenges the basic objectives from the economic perspective of a firm (Parsa, 1999). A "clan-like" (Ouchi, 1980) organisation is expected to prevail, where a powerful culture results in employees aligning their individual goals and behaviours with those of the firm. However, a high level of organizational slack is needed to instill and maintain a cultural model. This model has several limitations: it assumes well-informed and intelligent participants; firms with this model tend to drift and lose focus; cost of change in culture often comes at a high price; increased homogeneity can lead to a loss of diversity, and creativity consequently (Parsa, 1999).

To understand the successes and challenges of implementing performance contracting in Kenya, Kobia and Mohammed (2006) carried out a survey among the civil servants. They developed a questionnaire from performance contracting literature and administered it to a sample of 280 senior public service course participants at the Kenya Institute of Administration. Data was collected from the course participants who were central in the implementation of performance contract in the government ministries and agencies. To investigate if the participants knew the goal of performance contracting, they asked them to state the goal of performance contracting in their ministries. A majority of the respondents (205 or 72.2 percent summed the goal as the improvement of performance/enhance efficiency and effectiveness in service delivery through a transparent and accountable system. Further 206 or 73.6 percent acknowledged that their ministries had signed the second (2006/7) performance contract with the Government. The responses indicate that majority of the participants were conversant with performance contracting.

Clearly defined standards regarding the quality, quantity and timeliness provide objective data in evaluating contract performance (PBMSIG, 2002). For all service contracts, contract managers can use performance contracting to improve program performance, identify programs that work and those that do not, direct resources to those models or contractors that produce the desired results, improve service quality by sharing best practices throughout the system and support contract management decisions.

The effective implementation of performance contracting requires us to focus on the following questions: what is the outcome or change that we are looking for as a result of this contract? How will we measure and evaluate if the result has been achieved? How will contractor performance affect our management decisions? (AAPAM, 2005).

However, PC has some challenges. First, effectiveness measures, which examine whether the outcomes achieved were worthwhile and contained any long-term benefit, may be difficult to measure objectively (Dye, 1992). In other words, effectiveness measures look at the extent to which the program yielded the desired outcomes. This is a great challenge to multinational banks in those monitoring costs for their subsidiaries.

Another challenge of PC is the failure to articulate precisely how the specific performance measure will be defined, calculated and reported during the contract duration (Grinblatt and Titman, 1989). For example, if the output requires a number, the measure field should specify duplicated or unduplicated count and any other information necessary to ensure that all contracts are reporting the information in the same manner. If the outcome requires the reporting of a percentage, the measure field should define both the numerator and denominator of the calculation. Departments may establish performance goals for the duration of the contract or may identify goals on an annual basis (either by year of the contract or by fiscal year) and amend the contract based on experience, available funding, changes in target population or other variables (Kiboi, 2006).

Departments have three options to consider when identifying goals: actual performance data, contract specific goals for groups of contracts or for each individual contract to account for unique client needs, geographic consideration, funding levels or other variables that impact on performance and organization wide goals for all employees.

In some cases, it may be difficult to identify concrete outcomes or results for a service. For example, training and education services might be provided with the goal of disseminating information and modifying people's behavior, however, it may be difficult or impossible to track participants and determine whether the training helped people to think and act differently. In these cases, the development of or output measures such as the number of people served or the number of training sessions or outcome measures to evaluate the impact of the training effort such as pre/post test scores should be developed. If a department is unable to identify performance outcomes for a specific service type, a meeting with head of the section and other departments may be useful to stimulate new ideas and share best practices (Korir, 2005).

In order for performance measures to be useful, it must be clear to everyone precisely what is being measured and how the measures are calculated. Achieving this degree of clarity between both the contract and the contractor is one of the most difficult and challenging aspects of performance contracting. Any ambiguities about what and how performance is being measured should be eliminated before the contract is executed. This will ensure that a contractor understands its responsibility and the data collected will be reliable (Musa, 2001).

Performance measure may involve the attainment of employment (PBMSIG, 2002). However, there are many opinions as to what constitutes a "job." It is the responsibility of the department to define that term in a way that addresses some of those unique characteristics of a job, such as any requirements concerning the number of hours worked each week, qualifying wage, benefit requirements and job retention requirements that, without being defined, might lead to disagreement between the contractors and the department. If a performance measure requires delivery within a specific timeframe, it would be important to define "working" days or "calendar" days to avoid any confusion. It is also important to define how performance will be calculated if the measure includes percentages. For example, there must be common agreement on how the numerator and denominator will be calculated. If measuring an actual number, it is important to address an issue such as duplicated or unduplicated count.

Research Methodology

Research Design

The descriptive approach also allowed the results to be presented through simple statistics, tables, mean scores, percentages and frequency distributions, (Mugenda and Mugenda, 2003). The study describes the practices, attitudes, beliefs, challenges and suggestions regarding the factors influencing the implementation of Performance Contracts in Kenya Civil Aviation Authority.

Target Population

The target population for this study was 156 employees of Kenya Civil Aviation Authority that have signed Performance Contracts between the period 2008/09 to 2011/2012. They were sampled from key departments in the parastatal, viz; Human Resource Management, Finance, Planning and Technical Departments.

Sample size and Sampling Procedure

Sample of respondents were drawn from Kenya Civil Aviation Authority.From the above population of 156, a sample of 50% was selected from within each group in proportions that each group bears to the study population. This generated a sample of 78 respondents which the study sought information from. The selection was as follows.

Data Collection Technique

This study utilized a questionnaire to collect primary data as used in various previous research projects (Lumpkin and Dess, 2001). The questionnaire was designed to include both structured and unstructured questions. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they were in immediate usable form; while the unstructured questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information.

Data Collection Method

This study collected quantitative data using a self-administered questionnaire. Before the questionnaire is finally administered to participants, a pilot study was carried out to ensure that the questions are relevant, clearly understandable and make sense. The pilot study aims at determining the reliability of the questionnaire including the wording, structure and sequence of the questions (Ngechu, 2004).This pilot study involved 10 respondents in the target population. The respondents were conveniently selected since statistical conditions are not necessary in the pilot study (Cooper and Schindler, 2003). The purpose was to refine the questionnaire so that respondents in the major study had no problem in answering the questions.

Data was analyzed mainly through the use of descriptive statistical such as measures of central tendency and inferential statistics such as measures of relationship including Karl Pearson's coefficient of correlation and multiple regression analysis. According to Pearson (1908) the purpose of multiple regressions is to learn more about the relationship between several independent variables and a dependent variable. In addition to this computer application packages especially SPSS was used in the analysis of information and reporting of data. The model to be used in the study takes the form below:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \mathcal{E}$

Where;

Y= the dependent variable (Implementation of performance contract)

α - Is a constant; the concept explaining the level of performance given and it's the Y value when all the predictor values (X_1, X_2, $X_{3,}$ $X_{4,}$ $X_{4,}$) are zero, β_1,β_2,β_3, β_4 – Are constants regression coefficients representing the condition of the independent variables to the dependent variables.

Y= Implementation of performance contract

X_1 – Targets

X_2 - Reward and Punishment

X_3 – Performance measurement

X_4 _ Organizational commitments

X_5_ Organizational culture

$\mathcal{E}$ - (Extraneous) Error term explaining the variability of quality of service as a result of other factors not accounted for.

Data Analysis, Presentation and Interpretation

Response rate

The study had targeted 78 respondents out of which 48 respondents filled and returned their questionnaire. This constituted 61% response rate which was a reasonable rate for the study. Data analysis was done through Statistical Package for Social Sciences (SPSS). Frequencies, percentages and mean were used to display the results which were presented in tables and charts.

Demographic Information

The research sought to find out the gender of the respondents. According to the findings, 79% of the respondents indicated that they were male while 21% of the respondents indicated that they were female.

The research sought to find out the department of the respondents. According to the findings, 40% of the respondents worked in the technical department, 21% of the respondents worked in the finance department, 21% of the respondents worked in the planning department while 18% of the respondents worked in the human resource department.

Age bracket

The research sought to find out the age bracket of the respondents. From the findings, 38% of the respondents were aged between 41 – 44 years, 27% of the respondents were aged 45 and above years, 25% of the respondents were 31-40 years while 10% of the respondents were aged between 20 and 30 years.

The research sought to find out how long the respondents had served in the Kenya Civil Aviation Authority. From the findings, 31% of the respondents indicated that they had served in the Kenya Civil Aviation Authority for 4-5 years, 29% of the respondents indicated that they had served in the Kenya Civil Aviation Authority for 5 years and above, 23% of the respondents indicated that they had served in the Kenya Civil Aviation Authority for 1-3 years while 17% of the respondents indicated that they had served in the Kenya Civil Aviation Authority for less than 1 year.

Level of education

The study sought to find out the highest level of education of the respondents. From the findings, 42% of the respondents were Bachelors degree holders, 29% of the respondents had higher national diplomas, and 21% of the respondents had a Diploma while 8% of the respondents had a Masters degree.

Signing of performance contract

The study sought to find out whether the respondents signed performance contract. According to the findings, 56% of the respondents indicated that they signed performance contract while 44% of the respondents indicated that they do not sign performance contract. This implies that the Kenya Civil Aviation Authority preferred their employees signing a performance contract since it involved the acceptance of a contract by the employee. This is because a performance contract is legally binding, and the organization felt secure from breach of contract and poor performance by the employees.

Training on performance contract

The study sought to find out whether the respondents had been trained on performance contract. According to the findings, 62% of the respondents indicated that they had been trained on performance contract while 38% of the respondents indicated that they had not been trained on performance contract.

Targets

The study sought to find out the extent to which the respondents agreed on the set targets that influence implementation of performance contracts in Kenya Civil Aviation Authority. According to the findings the respondents strongly agreed that targets are mutually agreed upon and that target are in line with the organizations objectives as indicated by a mean of 2.6, the respondents strongly agreed that employees are well aware of the strategic direction of the organization as indicated by a mean of 2.5 the respondents also agreed that to achieve excellence, targets have to be set and that the Set targets are often achievable as indicated by a mean of 2.4.

Reward and punishment

The study sought to find out the extent to which the respondents agreed on reward and punishment that influence implementation of performance contracts in Kenya Civil Aviation Authority. According to the findings the respondents strongly agreed that there are high motivational rewards for good performance and that workers should be rewarded to compensate their hard work as indicated by a mean of 3.7 and 3.3 respectively, the respondents agreed that their personal initiatives are appreciated and that employees of KCAA are rewarded as a way of compensating their hard work as indicated by a mean of 2.7 and 2.5 respectively, the respondents agreed that wages among workers depend on relative performance and that employees of the organizations are evaluated by supervisors whose financial incentive to renege is limited or non-existent as indicated by a mean of 2.4.

Performance measurement

The study sought to find out the extent to which the respondents agreed on performance measurement that influence implementation of performance contracts in Kenya Civil Aviation Authority. According to the findings the respondents strongly agreed that they were provided with all the resources and support for job performance as indicated by a mean of 3.7, the respondents strongly agreed that performance measurements are used to evaluate, control and improve operations process in order to ensure that the organization achieves its goals and objectives and that in their department, people are encouraged to uphold high performance. This was indicated by a mean of 2.8. The respondents agreed that employees get sufficient feedback about how well they are doing and that Performance measurement provides information about how well a process is being conducted and how good the results from it are as indicated by a mean of 2.5. The respondents also agreed that there exist performance measurement tools in the organization as indicated by a mean of 2.4.

Organizational commitment

The study sought to find out the extent to which the respondents agreed on organizational commitment that influence implementation of performance contracts in Kenya Civil Aviation Authority. According to the findings the respondents strongly agreed that the organization avails requisite resources necessary for implementation of strategy and that management practices fair evaluation of PC outcomes as indicated by a mean of 3.5 and 3.4 respectively. The respondents agreed that to successfully improve the overall probability that the strategy is implemented as intended, commitment by top management is mandatory and that top management shows commitment to the strategic direction itself as indicated by a mean of 2.6. The respondents also agreed that top managers demonstrate their willingness to give energy and loyalty to the implementation process and that there exists good relationship between managers and staff as indicated by a mean of 2.2 and 1.9 respectively.

Organizational Culture

The study sought to find out the extent to which the respondents agreed on Organizational commitment that influence implementation of performance contracts in Kenya Civil Aviation Authority. According to the findings the respondents strongly agreed that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture as indicated by a mean of 3.1. The respondents strongly agreed that employees at all levels sign performance contracts as indicated by a mean of 3.0. The respondents also agreed that the organization encourages employees to be proactive and that organizational culture within KCAA supports strategy implementation as indicated by a mean of 2.8 and 2.7 respectively. The respondents agreed that there exists good relationship between managers and staff and that the organization keeps every employee informed about changes in the organization that affect their work as indicated by a mean of 2.6 and 2.4 respectively.

Regression

The five independent variables that were studied, explain only 54.7% of the factors influencing implementation of performance contracting in state corporations in Kenya as represented by the R^2. This therefore means that other factors not studied in this research contribute 45.3% of the factors influencing implementation of performance contracting in state corporations in Kenya. Therefore, further research should be conducted to establish the other factors (45.3%) influencing implementation of performance contracting in state corporations.

Predictors: (Constant), Targets, reward and punishment, performance measurement, organizational commitment, organizational culture.

Dependent Variable: Implementation of performance contracting

The significance value is .000 which is less that 0.05 thus the model is statistically significant in predicting employee turnover, sensitization of employees, performance measurement, organizational commitment, organizational culture. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 50.163), this shows that the overall model was significant.

a Dependent Variable: Implementation of performance contracting

The researcher conducted a multiple regression analysis so as to determine the relationship between the factors influencing implementation of performance contracting in state corporations in Kenya and the five variables. As per the SPSS generated table 4.8 the equation ($\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon}$) becomes:
$Y= 0.650X_1+ 0.164X_2+ 0.015X_3+ 0.281X_4 +0.022X_5 +0.617$
Where:

Y = Factors influencing implementation of performance contracting in state corporations in Kenya
X_1 = Employee turnover
X_2= Employee sensitization
X_3= performance measurement
X_4 = Organizational commitment.
X_5= Organizational culture

According to the regression equation established, taking all factors into account (Employee turnover, Employee sensitization, performance measurement, organizational commitment, organizational culture.) constant at zero, factors influencing implementation of performance contracting in state corporations in Kenya will be 0.617. this also means that taking all other independent variables at zero, a unit increase in Employee turnover variable will lead to a 0.650 increase in factors influencing implementation of performance contracting in state corporations in Kenya, a unit increase in Employee sensitization variable will lead to a 0.164 increase in factors influencing implementation of performance contracting in state corporations in Kenya, a unit increase in performance measurement will lead to a 0.015 increase in Factors influencing implementation of performance contracting in state corporations in Kenya, a unit increase in organizational commitment will lead to a 0.281 increase in factors influencing implementation of performance contracting in state corporations in Kenya, a unit increase in organizational culture will lead to a 0.022 increase in factors influencing implementation of performance contracting in state corporations in Kenya. This infers that Employee turnover variable contributes more to the factors influencing implementation of performance contracting in state corporations in Kenya.

Findings, Conclusions and Recommendations

The study aimed at investigating the factors influencing implementation of performance contracting in state corporations in Kenya with special reference to Kenya Civil Aviation Authority.

Targets

The study further found out that the respondents strongly agreed that targets are mutually agreed upon and those targets are in line with the organizations objectives. The respondents strongly agreed that employees are well aware of the strategic direction of the organization. The respondents also agreed that to achieve excellence, targets have to be set and that the Set targets are often achievable.

Reward and punishment

The study further found out that the respondents strongly agreed that there are high motivational rewards for good performance and that workers should be rewarded to compensate their hard work. The respondents' personal initiatives are appreciated and employees of KCAA are rewarded as a way of compensating their hard work. From the study, wages among workers depend on relative performance and that employees of the organizations are evaluated by supervisors whose financial incentive to renege is limited or non-existent.

Performance measurement

In addition, the study found out that the respondents strongly agreed that they were provided with all the resources and support for job performance. Performance measurements are used to evaluate, control and improve operations process in order to ensure that the organization achieves its goals and objectives and that in their department, people are encouraged to uphold high performance. Moreover, employees get sufficient feedback about how well they are doing and that Performance measurement provides information about how well a process is being conducted and how good the results from it are.

Organizational commitment

The study found out that the respondents strongly agreed that the organization avails requisite resources necessary for implementation of strategy and that management practices fair evaluation of PC outcomes. From the study, it was noted that to successfully improve the overall probability that the strategy is implemented as intended, commitment by top management is mandatory and that top management shows commitment to the strategic direction itself. The respondents also agreed that top managers demonstrate their willingness to give energy and loyalty to the implementation process and that there exists good relationship between managers and staff.

Organizational Culture

Finally, the study found out that the respondents strongly agreed that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture. The respondents indicated that employees at all levels sign performance contracts. The respondents also agreed that the organization encourages employees to be proactive and that organizational culture within KCAA supports strategy implementation.

Conclusion

The study concludes that turnover has negative effects on performance contracting due to the disruption of existing routines or the loss of an employee's accumulated experience to a great extent, the effect of turnover on performance contracting depends on the nature of the environment in which turnover occurs to a great extent, employees turnover's has a significant effect on performance contracting in Kenya Civil Aviation authority to a moderate extent and that there are well developed policies in Kenya Civil Aviation authority to address the effect of turnover on performance contracting to a moderate extent.

Further, the study concludes that knowledge of strategic planning, development of work plans and monitoring capacities among the staff is central to the success of Performance contracting to a great extent, there are well developed policies in Kenya Civil Aviation authority to address the employee sensitization on performance contracting to a great extent and that the effect of employee sensitization on performance contracting affects the royalty and commitment of the employees to the contracts to a great extent.

In addition, the study concludes that Performance measurements are used to evaluate, control and improve operations process in order to ensure that the organization achieves its goals and objectives and that in their department, people are encouraged to uphold high performance.

The study concludes that the organization avails requisite resources necessary for implementation of strategy and that management practices fair evaluation of PC outcomes. From the study, it was noted that to successfully improve the overall probability that the strategy is implemented as intended, commitment by top management is mandatory and that top management shows commitment to the strategic direction itself.

Finally, the study concludes that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

Recommendations

The study recommends that since turnover has negative effects on performance contracting due to the disruption of existing routines and the loss of an employee's accumulated the Kenya Civil Aviation authority should ensure that there are well developed policies in Kenya Civil Aviation authority to address employee turnover.

Further, the study recommends that Kenya Civil Aviation authority uses capacity building seminars and forums to address the negative effects of lack of employee sensitization on Performance contracting.

The study recommends that the organizations have Strategic performance measures that monitor the implementation and effectiveness of an organization's strategies and that determine the gap between actual and targeted performance.

In addition, the study recommends that every employee in the organization be committed to their work and not only the top leaders. This will allow measurement of accomplishments and not just of the work that is performed.
Finally the study recommends that the leaders to explain the culture of their organization to the employees. This may include widely communicating goals of the organization, posting the mission statement on the wall and talking about accomplishments.

Recommendation for Further Studies

This study has reviewed factors influencing implementation of performance contracting in state corporations in Kenya with special reference to Kenya Civil Aviation Authority. To this end therefore a further study should be carried out to establish the factors influencing implementation of performance contracting in other state corporations in Kenya.

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