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Effect of Performance Contracting Practices on Performance of Public Health Institutions in Nairobi and Kiambu Counties, Kenya

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Abstract:
The use of performance contract as a performance strategy has been acclaimed as an effective and promising means of improving the performance of public sector. The objective of this study was to explore on the effect of the Government's performance contracting strategy on the performance of public health institutions in Kenya. Despite the availability of extensive existing literature on the effect of implementing performance contracting in various public sectors in Kenya, there is no information on its implementation effect on the performance in the health sector in Kenya. The research was an explanatory survey; since it's aimed at describe the state of affairs as they exist at present and why. The specific objectives of the study were to determine the effect of PC agreement; the effect of PC appraisals and the effect of PC awards & sanctions on organizational performance of public health institutions in Kenya. The target population and the sample size were all the public health institutions in Nairobi and Kiambu Counties. The study adopted census inquiry. The study used a Likert type 5-scale questionnaire to collect quantitative primary data. The Secondary data was obtained from the documentary analysis of the existing customer/employee satisfaction survey reports, analysis reports on service charters and customers complains/complements, staff performance appraisals and ISO audits findings. Data was analyzed using descriptive statistics (graphs, charts, tables) and inferential statistics, the multiple regression model. There was a positive influence of performance contracting agreement, appraisal and awards & sanctions. From the multiple regression model, all the predictors accounted for about a third of the variation in organization performance in health sector. There was a significant effect of performance contracting agreements and awards & sanctions on organization performance, but performance appraisals do not. The adoption of performance contract in health sector has enhanced the ability to discharge duties through the setting substantial Hospital's PC targets. The evaluation feedback mechanism & information was normally industrious, with performance monitoring, evaluation & appraisal mechanisms timely for corrective/review measures. The reward and sanction system for individual staff performance in the hospital was fair. It's recommended that the government policy makers develop effective and more efficient performance appraisal programs in order to enhance health sector performance, device ways to continuously improve and expand the scope of PC's agreements and award and sanctions policies, improve the health workers' remuneration and their general welfare and incorporate Public-private/NGOs partnerships in order assist in provision of medical facilities and equipment to bridge the government's budgetary gap. The scholars are advised to research on other factors which influence performance in health sector and also the effect on performance of the other performance indicators as contained on the standard GoK contract.

1. Introduction

1.1. Background of Study

Kumar (1994) defines Performance Contracting (PC) as a Memorandum of Understanding (MOU) which is rooted in an evaluation system; which ensures improvement of performance management comprehensively as cited by Kobia (2006). It is also viewed as an agreement between a manager and an employee about the employee's responsibilities and behaviors during a review period. Performance contracting refocuses the mindset of the employees from looking within to focusing on customers and results. From the Government of Kenya guided books, Performance Contract in the Kenyan context is a written agreement between government and a state agency (local authority, state corporation or central government ministry) delivering services to the public, wherein quantifiable targets are explicitly specified for a period of on financial year (July to June) and performance measured against agreed targets. It closely mirrors the OECD (1999) definition 'as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results.

Performance contracts have their origins in the general perception that the performance of the public sector in general and government agencies in particular, has consistently fallen below the expectations of the public, Trivedi (2004). There have been several Government initiatives in form of strategies and legal framework since 2002 meant at improving delivery of services. The current performance management system popularly known as performance contracting in Kenya was introduced in 2004. Performance contracts are based on the premise that what gets measured gets done. The results of performance contracting have been mixed. In

some countries there has been a general sustained improvement in public enterprise management while in other countries some public enterprises have not responded or have been prevented by government policies from responding to the current and modern expectations of the tax payers. The biggest challenge is to match the targets sets by the public institutions with the performance expectations from the citizens (Siambi, Mugo & Ochieng, 2000).There have been incidences where some institutions are score high only for the public to disapprove and contest the score, owing to the contrast between the targets and their achievements on one hand and the clients objective and subjective expectations on the other(Report of Panel of experts on review of performance contracting, September,2010).

1.1.1. Organizational Performance

One of the important questions in business has been why some organizations succeeded while others failed. Organization performance has been the most important issue for every organization be it profit or non-profit one. It has been very important for managers to know which factors influence an organization's performance in order for them to take appropriate steps to initiate them. However, defining, conceptualizing, and measuring performance have not been an easy task. Researchers among themselves have different opinions and definitions of performance, which remains to be a contentious issue among organizational researchers (Barney, 1997). Organizational performance can achieve efficient objectives or goals than economic results. This vision reveals that financial and economic measures present critical limitations in assessing performance. The balanced scorecard model developed by Kaplan and Norton in 1991 was used to measure the effect of turnaround strategies on performance of public corporations in Kenya. The model groups' measures of performance into four distinct categories of performance: financial, customer satisfaction, internal business processes, and innovation and learning perspectives (Chong, 2008).

Improvement in individual, group, or organizational performance cannot occur unless there is some way of getting performance feedback. Feedback is having the outcomes of work communicated to the employee, work group, or company. For an individual employee, performance measures create a link between their own behavior and the organization's goals. For the organization or its work unit's performance measurement is the link between decisions and organizational goals (Dye 1992). Measurement of organizational performance is the first step in improvement. But while measuring is the process of quantification, its effect is to stimulate positive action. The management should be aware that almost all measures have negative consequences if they are used incorrectly or in the wrong situation. Hence they have to study the environmental conditions and analyze these potential negative consequences before adopting performance measures (GoK, 2004).

1.1.2. Performance Contracting Strategy Implementation

The use of Performance Contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. Fundamentally, a Performance Contract is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets. 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. Governments are increasingly faced with the challenge to do things differently but with fewer resources. Performance contracting provides a framework for generating desired behavior in the contest of devolved management structures (Hunter and Gates, 1998).

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. The OECD (1997) alleges that the use of contracting in government services is increasing, as the evidence is fairly clear that contracting out can lead to efficiency gains, while maintaining or increasing service quality levels. The expected outcomes of the implementation of the performance contracting were; improved performance, decline in reliance on Exchequer funding, Increased transparency in operations and resource utilization, Increased accountability for results, Linking reward on measurable performance, Reduced confusion resulting from Multiplicity of objectives, Clear apportionment of responsibility for action, improvement in the correlation between planning and implementation, creating a fair and accurate impression on the performance, greater autonomy, creation of enabling legal and regulatory environment (Kobia and Mohamed,2006).

The Performance Contract is implemented through the Performance Appraisal System (PAS) which has been adopted in the Public Universities. (GoK, 2008). The Performance Appraisal System is premised on the principle of work planning, setting of agreed targets, feedback and reporting. It is linked to other Human Resource Management Systems and process including competitive recruitment and placement of staff, Training and development, reward and compensation, recognition and sanctions (Muthaura, 2008). The Performance Contract's stipulates the duties of employees and the expected results within a time frame (Gianakis, 2002). It commits the public official to perform to, or beyond the specified levels which holds them accountable for results and creates a level of transparency in the management of public resources (Muthaura, 2008). This process is cyclical, reflecting continuous improvement (Neely et al 2001).

1.1.3. Performance Contracting Strategy in Global & National Perspective

In the final report on Evaluation of performance contracting by LOG associates published on 31st March 2010, the consultancy firm notes that the Performance Contract System originated in France in the late 1960s and has been used in about 30 developing countries in the last fifteen years. Performance contracting use has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments all over the world. Its success in such diverse countries as

France, Pakistan, South Korea, Malaysia and India has sparked a great deal of interest in this policy around the world. The latest country to adopt the system is Rwanda. A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public enterprises in their countries. International experience with privatization suggests that the process of implementing a well-thought-out privatization program is a lengthy one (Kobia & Mohamed, 2006).

Performance Contract in Kenya is a hybrid system borrowed from the international best practices and Balanced Score Card. The best practice has been drawn from countries such as Korea, China, USA, UK, Morocco and Malaysia but contextualized/domesticated to suit the native context. The Balance Score Card connects the government's Vision, Mission and Strategic objectives in provision of desired results to its citizens and stakeholders needs, financial/budget, internal processes and capacity building (learning and growth) and links long term targets and annual budgets to strategic objectives. In Kenya, the key features of a performance contracting system include: Aligning national policies and development with Performance Management system at the: National level (Vision 2030) and its related Medium Term Plan (MTP); Sectoral level (sector plan); and institutional level (strategic plans which inform both annual performance target and work plans); Monitoring, Reporting and Evaluation i.e. Performance Measurement and Feedback mechanism including rewards and sanction system which is effective Performance Contract in Kenya is hinged on the existing Government planning and Performance management tools(Kobia & Mohamed, 2006).

1.1.4. Public Health Institutions in Kenya

Before the year 2010 when Kenyans enacted a new constitution and devolved the health sector to be managed by county governments, the Government managed both the Sector's policy and operations centrally through the Ministry of health: from the four national referral hospitals (KNH, MTRH, Mathare mental and the Spinal Injury Hospital) to the provincial, district, sub-district hospitals, health centres, clinics and dispensaries. Funds were allocated in the state budget for: putting up of new Hospitals/health centres /dispensaries; training, employment and management of health workers; purchase of drugs/non pharmaceuticals/equipment (through KEMSA) and maintenance costs. Since the state funding has always been inadequate in almost all aspects in the sector, donor funding has played a substantial supplementary role in sustaining the sector (Oyaya & Rifkin, 2003).

There has been a consistent public outcry about: shortage or pilferage of drugs/non-pharmaceutical/equipment; unaffordability; lack of or absenteeism of medical personnel; corruption, medical mal-practices and negligence that have resulted to deaths and other forms of health damages and consistent strikes, unhygienic practices and uncleanliness. Some of the historical structural adjustment policies reforms undertaken include: introduction of cost sharing, development of insurance system, increased use and development of the non-governmental (NGO) sector, and decentralization of health services through the District Health Management Boards (DHMBs) and Facility Improvement Funds Koivusalo & Ollila (1996). The recent ones include: reforming the NHIF, giving more focus on preventive and chronic diseases rather than curative services, Public-private/NGOs partnerships on health, improvement of health workers' remuneration, leasing of medical equipment and increased representation in decision making (Mwabu, 1998).

1.2. Statement of the Problem

The PC is a critical instrument used by the Government of Kenya to realize its targets and cascaded downwards from the top to the bottom of the state institutions. It promotes transparency and accountability in the management of public resources and utilization of the same for mutual benefit of the people of Kenya. The use of performance contract is also useful in promoting good corporate governance and also offers better and efficient project management and implementation. It also showcases areas of weaknesses which require attention in the following years' financial plans and arrangements (Hunter & Gates, 1998).

Previous studies undertaken on performance contract have focused on largely on state corporations and other commercial public sectors and have mainly focused on only the commercial and the general performance effects of the performance contracting strategies. Opiyo (2006) conducted a study on employee perception of staff promotion process at the University of Nairobi. Kiboi (2006) undertook a study on management perception of performance contracting in state corporations. Korir (2006) studied on the impact of performance contracting at the East African Portland Cement Company Limited. Choke (2006) focused on the perceived link between strategic planning and performance contracting in state corporations.

In many public entities, the organizational performance has for years been faced with problems such as: rigid work culture to embrace change, slow acceptability of the initiative, under-empowered leadership (imposed performance targets and lack of the requisite and timely human & financial resources to perform) and poor or non-motivating incentive, rewards and sanctions practices. Considering that the PC initiative was aimed improving the organizational performance of public service in each public entity under this policy, no study has specifically focused on the effect of implementing this initiative on the performance of public health institutions in Kenya. A knowledge gap therefore existed regarding the effect of implementing the performance contracting policy on the organizational performance of public health institutions in Kenya, this study therefore seeks to establish what the effect that this initiative has had on the performance of public health institutions, considering their unique and important social mandate in the country and the huge budget that the Government allocates to this sector every year (Mbua & Sarisar, 2013).

1.3. Objectives of the Study

The general objective of this study is to determine the effect of implementation of the performance contracting initiative on organizational performance, focusing on the public health institutions in Kenya. The specific objectives were to:

i) Determine the effect of Performance agreement on organizational performance.
ii) Establish the effect of Performance appraisal on organizational performance.

iii) Find out the effect of Performance awards and sanctions on organizational performance.
iv) Explore the effect of Performance contracting practices on organizational performance.

1.4. Research Hypothesis

H_{o1} – there is no significant effect of Performance agreement on organizational performance.
H_{o2} – there is no significant effect of Performance appraisal on organizational performance.
H_{o3} – there is no significant effect of Performance awards and sanctions on organizational performance.
H_{o4} – there is no significant effect of Performance contracting practices on organizational performance.

1.5. Significance of the study

The study was undertaken to explore the effect of implementing the performance contracting policy on the organizational performance of public health institutions in Kenya. It's important to Government policy makers and the public health institutions for practice and the scholars for knowledge. For the practitioners, the findings and recommendations will help in reforming the performance appraisal systems and to continuously improve the agreements and awards & sanctions systems and their scope. Scholars will benefit from this study as the research findings will enrich literature. It is also expected that the study may refine and stimulate further research by academicians, considering that the study has found that the PC practice influence on organizational performance is only 29.5%. There are other factors to be probed.

1.6. Scope and Limitation of the Study

1.6.1. Scope of the Study

The research engaged the managers or the officials in-charge of managing the public health institution in Nairobi and Kiambu Counties only. It took two weeks, by way of self-administered questionnaires.

1.6.2. Limitation of the Study

The limitation of this study was that the findings and recommendations of the study may not be replicated in any other sector – because the health sector operates on a unique environment and therefore has unique needs, experiences and challenges.

1.7. Operational Definition of Terms

- A Performance Contract (PC) or agreement is a freely negotiated performance agreement between the Government, acting as the owner of a Government Agency, and the management of the Agency. It clearly specifies the intentions, obligations and responsibilities of the two contracting parties.
- Performance contracting practices are the applied and structured policies, initiatives and systems used by the organizations to implement the performance contracting strategies.
- Citizen Service Delivery Charter - a written statement describing the rights that a particular group of people should have; a written statement of the principles and the aims of an organization.
- Rapid Results initiate is a structured methodology for building and practicing Results Based Management (RBM) that is required for successful implementation of the Economic Recovery Strategy (ERS). The power behind the approach is that it stimulates "group adrenalin" which is vital in overcoming inertia.

1.8. The Medium Term Expenditure Framework (MTEF)

The MTEF defines a three-year rolling macroeconomic framework, which outlines the overall resource envelope and forms the basis for setting of national priorities and expenditure prioritization.

1.8.1. Ad hoc Committee

This is a team whose membership is drawn from both the public and private sector; whose purpose is to negotiate and agree with the contracting bodies concerning the objectives/targets to be met. The team also assesses the progress and performance.

1.8.2. Public health Institutions

These are dispensaries, health centres, Sub-county Hospitals, County Hospitals and National Referral Hospitals, all which are funded by the Government to provide health services to Kenyans.

1.8.3. Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). The outputs for this study are efficient utilization of funds, service delivery innovations and increased productivity.

1.8.4. Performance Appraisal

Is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses.

1.8.5. Awards and Sanctions

These are the objective positive and negative feedback or result of performance appraisal. They may be monetary or non-monetary, short term or long term, individual based or team based or a mixture of the three.

2. Literature Review

2.1. Introduction

This chapter presents the literature review which was used to contextualize and illuminate this study. The chapter reviews the theories related to the concept of performance contract: performance agreements; appraisals; organizational performance; performance awards and sanctions; utilization of allocated funds; service delivery innovations among public servants; public sector productivity; moderating variables and the conceptual framework of the study.

2.2. Theoretical Background

The Agency theory was initiated by Ross S. & Mitnick B. in 1973. The theory is directed at the ubiquitous agency relationship, in which one party (the principal-in this case the Government) delegates work to another (the agent-in this case the Managers of the public entity), who performs that work. Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when: the desires or goals of the principal and agent conflict and it is difficult or expensive for the principle to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes towards risk. Principals commonly delegate decision-making authority to the agents. Agency problems can arise because of inefficiencies and incomplete information (Govindarajan & Fisher, 1990). The above theory is relevant to this study because the PC system is anchored on the targets agreed on the agreements between the Government (the principal) and the public officers, who are the agents (Ayee, 2008 and Petri, 2002).

Salamon (2008) says there are two theories underlying the concept of performance management: the goal-setting theory and expectancy theory. Goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee (the Managers of the public entity) play an important role in motivating him for superior performance. The expectancy theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events. Locke & Latham (1990); Seijts & Latham (2001) found that when goals are self-set, people with higher self-efficacy set higher goals than do people with lower self-efficacy However critics of this theory argues that selfish and dishonest individuals can quietly sabotage the organization if their personal goals and expectations are not met (Muthaura, 2008).

There is some consensus that performance contracting practice is closely associated with New Public Management (NPM) theory or movement, (Obong'o, 2009 & Mutaaba, 2011 & Larbi, 2014). Hood (as cited in Mackie, 2008) refer to NPM as 'a series of themes relating to reforming the organization and procedures of the public sector in order to make it more competitive and efficient in resource use and service delivery'. NPM is associated with the various reforms initiated in the public sector with the aim of improving accountability and maximize the use of scarce resources in provision of public goods and services. There is agreement among scholars who have studied performance contracting that PC is one of the reforms that have been initiated under NPM whose main focus is making government more efficient by using less to produce more (Cheche and Muathe, 2014) The major weakness of this theory is that most of the time it's State driven according to the manifesto of the Government in power, objectives and targets are imposed to public servants (Ayee, 2008 and Petri, 2002).

2.3. Performance Contracting Practices

Performance Contracting was introduced through Results Based Management, which is a participatory and team-based management approach designed to achieve defined results by improving planning, programming, management efficiency, effectiveness, accountability and transparency (CIDA, 2001). Two agencies saw the piloting of Performance contracting namely Kenya Railways Corporation (April 1989) and the National Cereals and Produce Board in November 1990, which incidentally failed. The Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) saw the re-introduction of Performance Contracting in 2004, which was however, more successful. The PCs were initially re-introduced to 16 state corporations on a pilot basis but in the financial year 2005/2006, a total of 156 agencies representing 35 ministries/departments, 116 state corporations and 5 pilot local authorities signed and implemented Performance Contracts and were evaluated. The agreement or contract defines accountability for specific personal and organizational goals. It defines the individual's expectations. It establishes and agrees results-oriented goals that are aligned with the overall objective you want to achieve. And it concludes with the individual's formal, signed commitment to the agreement. When establishing performance expectations, the overall objective is to come to an agreement that supports your

organization's strategy. For individual performance goals, a study by Kumar (1994) found that the objective is real, measurable improvement so that the person is in a position to help move the company forward.

Performance agreements must clearly state agreed-upon objectives and how these will be measured. Document these things to help you avoid future disagreements about exactly what you expected the person to accomplish. Without an agreement founded on the organization's objectives, you may have to rely on defending your directives with "Because I'm the boss." This will probably do nothing to build trust and respect with the person whose performance you're trying to improve. However, with formal agreements in place, managing and leading your staff can become more objective, and simpler. Performance agreements support a management by objectives approach. This is where managers help staff understand how their roles fit into the larger picture of organizational success. From there, each staff member develops specific performance goals and targets that are aligned with the company's strategic goals (Kumar, 1994).

Performance agreements not only ensure that performance is measured, they also set up a great communication system to regularly discuss individual performance. These agreements are essentially a way of making sure that everyone is aware of what they need to work on, and why (Smith,1999). A study done by Opiyo (2006) found that the process of identifying performance targets in the Kenya's public service is carried out after the budget process has been completed and institutions informed about their resource allocation. This ensures that targets are realistic and achievable within the available resources. The targets emanate from the institutions and are freely negotiated and not imposed arbitrarily by the government. The process of negotiation is carried out in two phases: The first phase is the pre-negotiation consultations. At this stage the negotiating parties carry out a SWOT analysis in order to determine the institution's performance capacity. This helps to determine whether the targets being developed are realistic, achievable, measurable, growth oriented and benchmarked to performance of similar institutions. The second phase is the negotiation process where all issues agreed upon are factored into the performance contract. The draft contract is then submitted to the performance contracting secretariat for vetting. The vetting process ensures among other things that the contracts comply with the guidelines and that they are linked to the strategic objectives of the institutions, anchored on the strategic plans, growth oriented and relevant to the mandate of the institution. Performance evaluation by the ad hoc evaluation committee is based on a comparison of achievements against the targets agreed at the signing of the contract. The negotiation of targets to be included in the contract is conducted by the ad hoc negotiation committee. The final contract is however between the government and the agency (Opiyo, 2006)

2.4. Organizational Performance

In the twenty first century, organizational environments have continued to experience changes as a result of competition in the global market. Each change, be it technological, political, environmental or economical; these external changes exert pressure to organizations for them to remain competitive. Kenyan Corporation's existence has continued to be threatened and, therefore, the need to continuously improve their performance. The word "performance" is utilized extensively in all fields of management. Despite the frequency of the use of the word, its precise meaning is rarely explicitly defined by authors even when the main focus of the article or book is on performance. The correct interpretation of the word performance is important and must never be misread in the context of its use. Often performance is identified or equated with effectiveness and efficiency (Neely et al., 1995). Performance is a relative concept defined in terms of some referent employing a complex set of time-based measurements of generating future results (Corvellec, 1995). According to Richard et al. (2008) organizational performance encompasses three specific areas of firm outcomes including financial performance (profits, return on assets, and return on investment); market performance (sales, and market share); and shareholder return (total shareholder return and economic value added).

In management research, various indicators, both objective and subjective, have emerged to measure organizational performance. However, it has been difficult to operationalize the concept of performance (Lu & Beamish, 2006) and there is a lack of consensus regarding the measures of performance in management field. Efforts to identify the variables associated with the organizational performance and what should be done with a view to attaining the results have been limited due precisely to the lack of comparison and reliability of alternative measures of business performance (Geringer & Hebert, 1991). More exactly, there has not been a comprehensible explanation of the relevant variables that affect performance or development of a network of hypotheses for explaining and predicting organizational performance (Osland & Cavusgil, 1996). Measurement of organizational performance is a controversial topic. This debate is associated with traditional financial/economic measures, for example, return on investment, profit, growth and returns sales (Chong, 2008).In this context, Bucklin and Sengupta (1993) found that economic or financial measures of performance, such as sales and profit, may not clearly reflect the quality of the Small and Medium Enterprises' (SMEs') performance, while Osland and Cavusgil (1996) state that profit, as an economic measure, is not directly comparable across different sectors and stages in the life-cycle of SMEs. Financial measures are objective, simple and easy to understand and compute, but in most cases, they suffer from being historical and are not readily available in the public domain (Chong, 2008). Sapienza et al. (1988), and Geringer and Hebert (1991) found that financial data are often not published, and when that type of data is made public, then it will be merely incorporated in calculations of financial performance. In fact, a financial or economic measure is unlikely to capture the relative performance of the firms.

2.5. Performance Contracting Practices and Organizational Performance

The former is aimed at positively influencing the latter. The success of any organization is dependent on several factors such as leadership management style, employees' motivation and satisfaction levels, facilities e.g., computers, tools, etc. and the political legal environments. Any or all of the factors listed above will determine the direction the organization is heading to in so far as its performance is concerned. If the said factors are implemented to its fullest then the rate of success will be higher but if haphazardly

done will not lead to improved results and efficiency. Each includes regular recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Typically, these become integrated into the overall recurring management systems in the organization (as opposed to being used primarily in one-time projects for change (Brown, 1996).

Some organizational performance improvement systems which are used to measure performance in organizations in modern dynamic environment include: Balanced Scorecard which focuses on four indicators, including customer perspective, internal business processes, learning and growth and financials, to monitor progress toward organization's strategic goals and also use of standard measurements in a service industry for comparative purposes with other organizations (Brown, 1996).

Business process re-engineering which aims to increase performance by radically re-designing the organization's structures and processes, including by starting over from the ground up. It focuses on improving customer satisfaction through continuous and incremental improvements to processes, including by removing unnecessary activities and variations. Continuous improvement is often perceived as a quality initiative (Dye, 1992); Cultural change is a form of organizational transformation, that is, radical and fundamental form of change. Cultural change involves changing the basic values, norms, beliefs, etc., among members of the organization. Embracing quality standardization and recognition (Grinblatt and Titban, 1989); Knowledge management, management by objectives and program evaluation which focuses on collection and management of critical knowledge in an organization to increase its capacity for achieving results. Knowledge management often includes extensive use of computer technology. Its effectiveness toward reaching overall results for the organization depends on how well the enhanced, critical knowledge is applied in the organization. (Dye, 2004) and Total Quality Management (TQM), a set of management practices throughout the organization to ensure the organization consistently meets or exceeds customer requirements. Strong focus on process measurement and controls as means of continuous improvement. TQM is a quality initiative (Lord and Lawrence, 2001).

2.5.1. Performance Agreements and Organizational Performance

The agreement or contract defines accountability for specific personal and organizational goals. It defines the individual's expectations. It establishes and agrees results-oriented goals that are aligned with the overall objective you want to achieve. And it concludes with the individual's formal, signed commitment to the agreement. When establishing performance expectations, the overall objective is to come to an agreement that supports your organization's strategy. For individual performance goals, the objective is real, measurable improvement so that the person is in a position to help move the company forward (Kumar, 1994). Performance agreements must clearly state agreed-upon objectives and how these will be measured. Performance agreements support a management by objectives approach. This is where managers help staff understand how their roles fit into the larger picture of organizational success. From there, each staff member develops specific performance goals and targets that are aligned with the company's strategic goals. Performance agreements not only ensure that performance is measured, they also set up a great communication system to regularly discuss individual performance (Smith, 1999).

Opiyo (2006) observed that the process of identifying performance targets in the Kenya's public service is carried out after the budget process has been completed and institutions informed about their resource allocation. This ensures that targets are realistic and achievable within the available resources. The targets emanate from the institutions and are freely negotiated and not imposed arbitrarily by the government. This helps to determine whether the targets being developed are realistic, achievable, measurable, growth oriented and benchmarked to performance of similar institutions. The second phase is the negotiation process where all issues agreed upon are factored into the performance contract. The draft contract is then submitted to the performance contracting secretariat for vetting. Performance evaluation by the ad hoc evaluation committee is based on a comparison of achievements against the targets agreed at the signing of the contract. The negotiation of targets to be included in the contract is conducted by the ad hoc negotiation committee. The final contract is however between the government and the agency.

This agrees with CIDA, (2001) that performance contracting was introduced through results based management, which is a participatory and team-based management approach designed to achieve defined results by improving planning, programming, management efficiency, effectiveness, accountability and transparency. Kinanga and Partoip (2013) in a study on linkage between employee productivity and participation in target setting found that most employees associated improved performance with performance target setting. These findings were similar to earlier findings by Kobia and Mohammed (2006). Kogei et al., 2013 concluded that involving stakeholders in setting of targets would be crucial in ensuring greater transparency and accountability. Nzuve and Njeru (2013) in a study on PC in Nairobi County in Kenya found that 82% of employees believed that stakeholders have not been involved in performance contracting.

2.5.2. Performance Appraisals and Organizational Performance

Performance measures can be grouped into two basic types: those that relate to results (outputs or outcomes such as competitiveness or financial performance) and those that focus on the determinants of the results (inputs such as quality, flexibility, resource utilization, and innovation). This suggests that performance measurement frameworks can be built around the concepts of results and determinants. The energy sector parastatals use the following parameters to carry out measurements of performance such as money, output/input relationships, customer focus, innovation and adaptation of change and human resources. Within the operations area, standard individual performance measures could be productivity measures, quality measures, inventory measures, lead-time measures, preventive maintenance, performance to schedule, and utilization. Specific measures include: Cost of quality: measured as budgeted versus actual, variances: measured as standard absorbed cost versus actual expenses. Period expenses: measured as budgeted versus

actual expenses. Safety: measured on some common scale such as number of hours without an accident. Profit contribution: measured in dollars or some common scale. Inventory turnover: measured as actual versus budgeted turnover (GoK, 2004).

Muthaura (2008) found that the Performance Appraisal System is premised on the principle of work planning, setting of agreed targets, feedback and reporting. It is linked to other Human Resource Management Systems and process including competitive recruitment and placement of staff, Training and development, reward and compensation, recognition and sanctions. While financial measures of performance are often used to gauge organizational performance, some firms have experienced negative consequences from relying solely on these measures. Kaplan and Norton's balanced scorecard approach operates from the perspective that more than financial data is needed to measure performance and that non-financial data should be included to adequately assess performance.

The performance indicators are agency specific and are developed by the respective agencies upon agreeing on the targets. The actual achievements of the agencies are rated against the set performance targets negotiated and agreed upon at the beginning of the period. The resultant difference is resolved into weighted scores and ultimate performance denominated to a composite score- the value of a weighted average of the raw scores in a performance agreement. It was found that the critical requirement for each target is that they must be growth oriented and therefore must be improving with time (Kobia & Mohamed, 2006). According to Armstrong (2006), performance measurement is the process of establishing achievements and gaps in order to provide feedback. Dooren (2006) argues that performance measurement in public sector should lead to data that feeds in to public policy. She further states that a quality performance measure should be able to measure what it is supposed to measure. Performance contracts are based on employing performance indicators that are meant to measure performance. In coming up with indicators, care should be taken to ensure that they are effective. Letsoalo (2007) argue that performance measurement enhance performance both for the individual and the organization. Mackie (2008) avers that performance measurement will only succeed if there is ownership at all levels. Performance measurement does not always lead to positive consequences (Kariuki, 2011).

2.5.3. Performance Awards and Sanctions and Organizational Performance

Baron (1983) argues that there is a close relationship between rewards and job performance. He notes that if successful performance does in fact lead to organizational rewards, such performance could be a motivational factor for employees. Under such conditions, they can see that their efforts result in rewards. Consequently, they may be motivated to exert higher levels of effort on the job. The notion of rewarding employees for "a job well done" has existed since the 19th century when piece-work systems were first implemented (Schiller, 1996). Piece-work systems simply involve plans which directly associate the employee's level of pay to their output levels. From these piece-work systems evolved the traditional merit program. Performance-based reward systems have a long history in education, particularly in the United States of America (Owen, 2003). The reward system in an organization consists of its integrated policies, processes, and practices for rewarding its employees in accordance with their contribution, skills, competences and market worth, according to (Harvey, 2003).

Latham (2002) states that performance-based reward corresponds closely with employees' actual experiences.Research in goal setting led to the development of high performance cycle which explains how high goals lead to high performance, which in turn leads to rewards such as recognition and promotion. Rewards result in high satisfaction as well as high self-efficacy regarding perceived ability to meet future challenges through setting of even higher goals. Sanctions are governed by the disciplinary procedures contained in regulations issued by the Public Service Commission. These will be directly linked to the performance appraisals. These may be come in form of warning, reprimand, withholding of salary and/or allowances, demotions, termination or dismissal. The president once a year during the national days' fetes best performers with national medals. These are citizens and public officers who have gone beyond the call of duty in national service. Arrangements are at advanced stage to pay annual bonus to the best performing officers in the service if their performance rating is excellent. The President graces the annual performance contract ranking awards ceremony where best performing organizations are recognized and given merit awards. Organizations like the Public Service Commission run commendation systems such as employee of the year award where employees are awarded certificates of merit for outstanding performance and this may lead to accelerated progression in service. Organizations are encouraged to reward and recognize outstanding performance through such other system like commendation letters (Arunga, 2011)

2.6. Conceptual Framework: The Relationship between Performance contracting practices and Organizational Performance

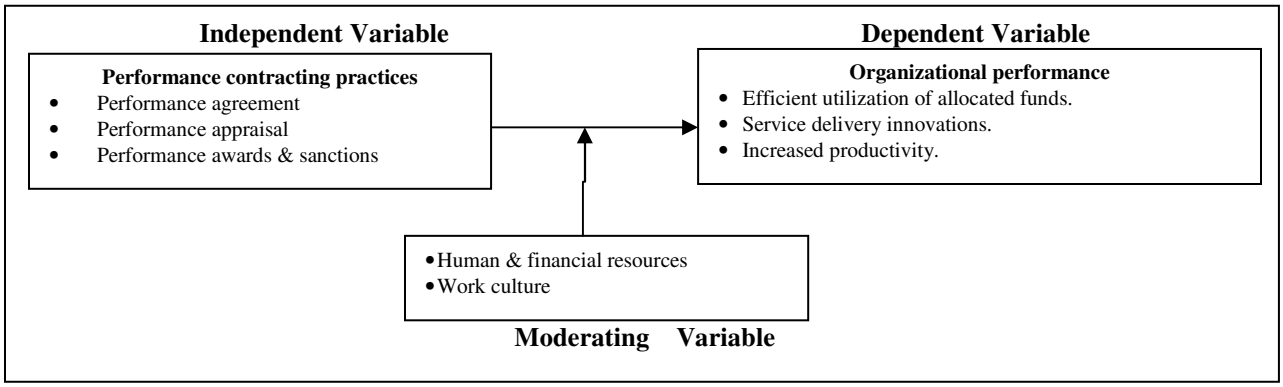

Figure 1: The relationship between performance contracting practices and organizational performance
Source: Own conceptualization (2016).

As shown on figure 1 above, the independent variable (IV) was the performance contracting practices whose pillars were the performance agreement, appraisal and awards & sanctions. Over a period of one financial year, the IV was found to positively influence the dependent variable (DV) which was the organizational performance, described by the above 3 studied parameters, which are part of over 30 parameters found in the 7 larger performance indicators on the GoK's standard performance agreement form (Appendix IV). These are: funds utilization, service delivery innovations and increase in productivity. The moderating variable which negatively affected this causal effect is lack of adequate and competent human capacity, inadequate financial resources in form of budgetary constrain and a rigid work culture that stifles the progress PC strategy.

3. Research Methodology

3.1. Introduction

This chapter presents the research design and methodology that was used to carry out the research. It presents the research design, the population, data collection and analysis.

3.2. Research Design

This was an exploratory survey. Exploratory surveys attempt to go above and beyond what exploratory and descriptive research to identify the actual reasons a phenomenon occurs, (Maxwell & Mittapalli, 2009). The study was therefore explaining how the current PC strategy in public health sector is fairing at present but more importantly: to know why the situation is so.The research tried to identify the unique challenges of PC in the sector, their causes and give proposals on its reform or improvement. The data was collected over a period of three weeks.

3.3. Target Population

The target population were the Managers or the Officials in-charge of managing of all the 141 public health institutions in Nairobi and Kiambu Counties (appendix II). For hospitals, the CEOs, Directors, Medical superintendents and Medical Officers of Health sign their PCs with their boards of management or County Executive Officer for health. For health centres, clinics and dispensaries, the Clinical Officers or Nursing Officers in-charge sign their PCs with the Counties Heads of Clinical or Nursing services. This was therefore a census inquiry, by virtual of all the managers having signed the annual PC agreements with the Government: See a sample of the standard format of a GoK performance contract (Appendix IV).

3.4. Data Collection

To achieve the objectives of the study, both primary and secondary data was used. Primary data was collected using a closed Likert-type 5-scale questionnaire. The questionnaires were self-administered by all the respondents – the Managers or Officials in-charge of the health institutions or their representatives. Primary data was complemented by secondary data obtained from the documentary analysis of the existing customer and employee satisfaction survey reports, analysis reports on service charters and customers complains and complements, staff performance appraisals and ISO audits findings in these institutions.

3.5. Validity and Reliability of Research Instruments

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are.A good way to test for the equivalence of measurement by two investigators is to compare their observations of the same events (Joppe, 2000). Content validity of the instrument was determined through expert judgment which involved discussing the items in the instruments with my Supervisors, Lectures and Colleagues. Their suggestions for change were incorporated in the final instruments that were used in the study. A pilot study was conducted at some 16 health institutions managed by the disciplined/uniformed forces in Nairobi County in June 2016, which is about 11 % of the above sample size.

Reliability refers to the extent to which results are consistent over time and an accurate representation of the total population under study. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable (Joppe, 2000). Reliability was determined by applying the Cronbach's 1953 Alpha of greater than 0.7 was considered reliable (Kothari, 1990). During the study a Cronbach's alpha coefficient of 0.910 was obtained and indicated that the questionnaire was reliable to be used in the main study.

3.6. Data Analysis and Presentation

After data is collected, it was edited, coded, classified and tabulated. It was then analyzed quantitatively to establish correlation and/or causal relationship among variables by use of multiple regression analysis as shown below. The data was analyzed qualitatively/ descriptively and presented in a report format by way of percentages, graphs, bar charts and pie-charts.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where:

Y = Organizational performance

X_1 = Performance agreements

X_2 = Performance appraisals

X_3 = Performance awards & sanctions.
a = Constant
b_1, b_2 = Regression coefficients
e = Error term

3.7. Measurement of Variables

- Performance agreements – Are the PC implementers actively and fully engaged in setting PC's targets? Are their constructive ideals/proposals considered? Are the targets in the PC and service charter SMART? Are enough human and financial resources deployed to support the agreement?
- Performance appraisals – How effective are the PC's monitoring, evaluation & appraisal tools and procedures? Is the monitoring, evaluation & appraisal system objective and fair? Are the monitoring, evaluation & appraisal feedback mechanisms constructive?
- Performance awards/sanctions – How fair and objective are they? Are they of any material consequence? Are they incremental or static?
- Utilization of allocated funds - Is the service offered the best possible with the available resources? Are there realistic mechanisms of savings, cost or waste reduction? Is there duplication of services? Are there means of income generation or resource mobilization? Are the services affordable to most patients?
- Service delivery innovations – Are their ideas and proposals taken into consideration when strategic management & operational decisions are made? Are there any noticeable innovations which have helped to improve service quality? Adaptation of global best or modern practices in operations/systems through benchmarking? Are the individual staff recognized and awarded for their creativity & innovations? Are enough resources dedicated to research & innovation initiatives?
- Increased productivity - Is the service offered the best possible with the available resources? Are there realistic mechanisms of savings, cost or waste reduction? Reduced incidences of medical malpractice and negligence? Better preventive, diagnostic & curative services? Consistent adherence to the professional work manuals, ISO standards and other legal and regulatory guidelines? Meeting or exceeding the core performance targets? Improved customer satisfaction level?
- The secondary or reference data was obtained from: the form the Customer/Employee satisfaction surveys, complains and compliment registers, suggestion boxes, emails, meetings minutes; ISO audit findings and Service charter targets and achievements.

4. Results and Discussions

4.1. Introduction

This chapter present the results from the data collected from the questionnaire and analyzed using descriptive (frequencies, percentages) and inferential statistics (Pearson product correlation and multiple regression). The results were presented in tables and charts. The response rate was 96.45%, since out of 141 questionnaires administered, 136 were used in the study.

4.2. *Demographic Information of Respondents*

This section summarizes the respondent's background information sought during the study and includes their gender, age and working experience in the health sector.

4.2.1. Gender of Respondents

During the study the gender of respondents were sought as summarized in Figure 2. Majority 71 (52%) of the respondents were female and 65(48%) were male. This showed that majority of respondents were female, indicating a gender disparity in the distribution of staff at health sector in Nairobi and Kiambu Counties.

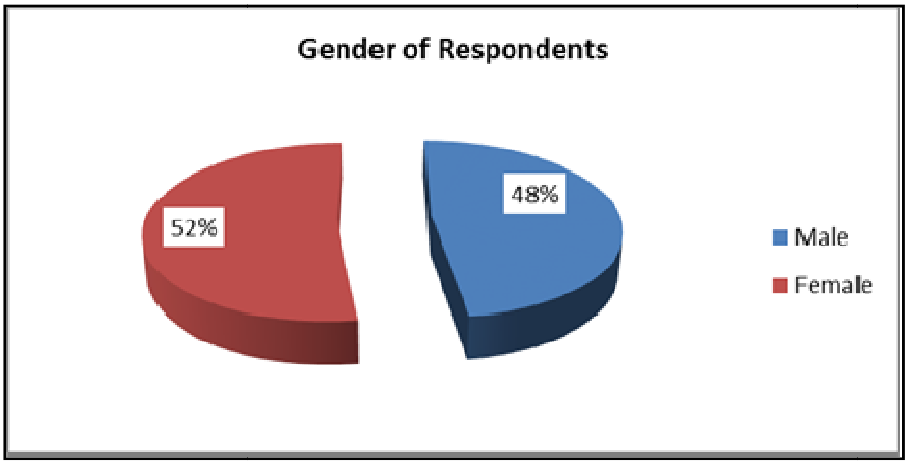

Figure 2: Gender of Respondents

4.2.2. Age of Respondents

From the study 66 (48.5%) of the respondents were aged between 25 and 34 years, with 56 (41.2%) aged between 35 and 44 years as summarized in Figure 3. Also 11 (8.1%) aged between 45 and 54 years and 3 (2.2%) aged over 55 years. The findings indicate that majority of the respondents were below 44 years and were still in their youthful age to enhance implementation of the performance contracting initiatives. This implies that the active staff public health institutions in Kenya may assist in the implementation of the performance contracting initiative in the institution.

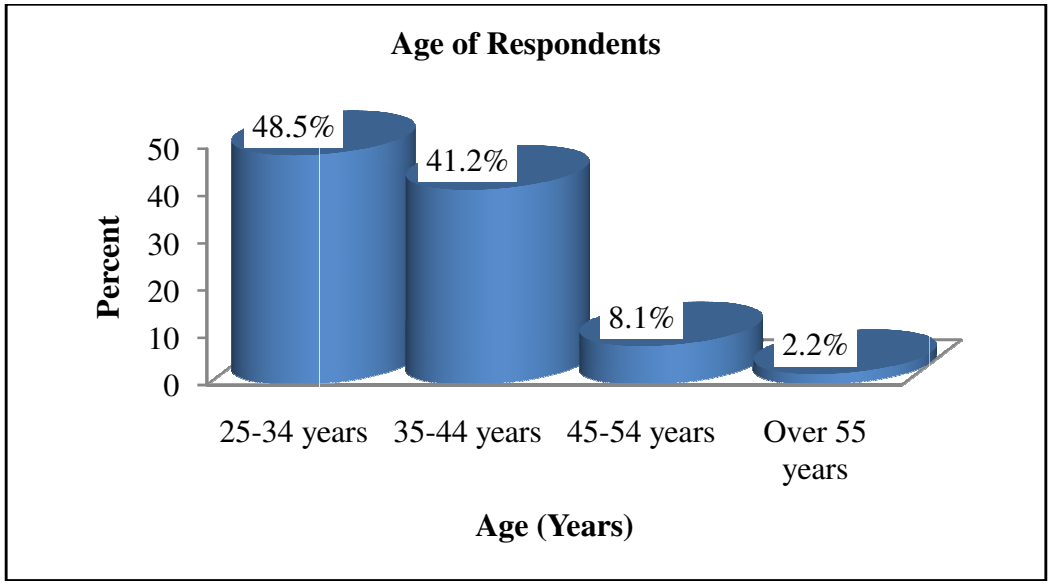

Figure 3: Age of Respondents

4.2.3. Duration Served in The Health Sector

From the findings majority 84 (61.8%) of the respondents had served in the health sector for between 2 and 5 years of experience, with 30(22.1%) having served for 6 to 10 years as shown in Figure 4. However, 15 (11%) served for less than 2 years and 5.1% had worked for more than 11 years. The more an employee is had served in the health sector he or she can assist in implementation of the performance contracting initiative. The findings indicate that the more the staff had served in the public health institutions in Kenya the better they have a good understanding in the implementation of the performance contracting initiative.

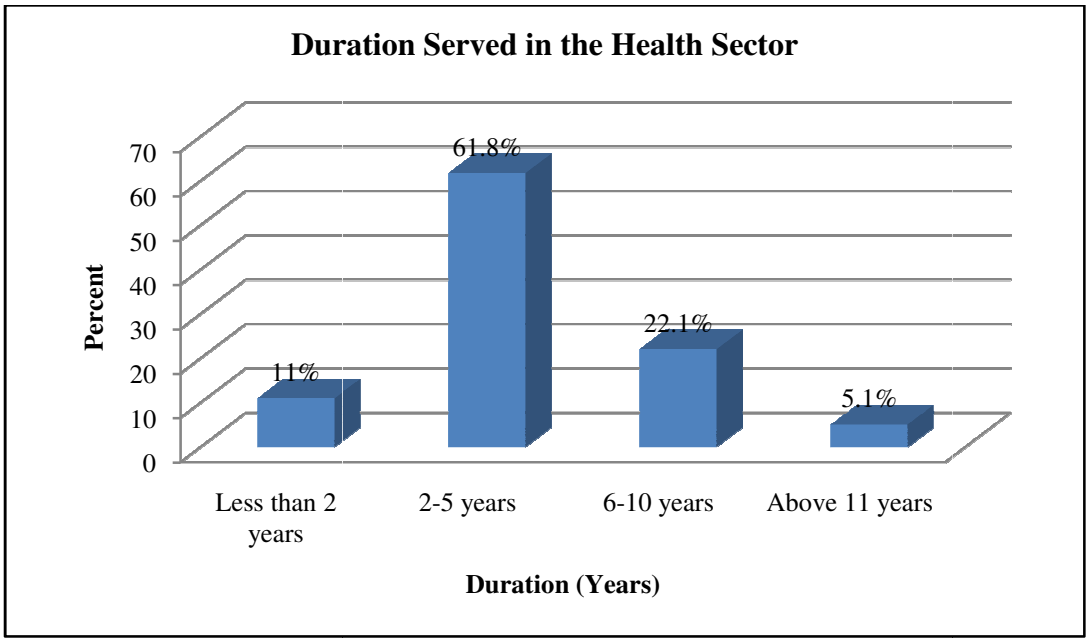

Figure 4: Duration served in the health sector

4.3. Organizational Performance

During the study the organizational performance of public health institutions was considered to be a dependent variable measured in three constructs; utilization of allocated funds, service delivery innovation and increased productivity. The dependent variable was analyzed using descriptive statistics. The respondents were required to rate the extent they agree or disagree with statements relating to the organizational performance of public health institutions. From the study the frequencies, percentage, mean and standard deviation of each statement explaining organizational performance was computed from five-point Likert summarized in the following sections.

4.3.1. Utilization of Allocated Funds

During the study the utilization of allocated funds was the first construct used to measure organizational performance of public health institutions. The respondents were required to rate the extent they agree or disagree with statements relating to the organizational performance of public health institutions using a five point Likert scales. A total of 6 statements representing the utilization of allocated funds were rated by the respondents as summarized in Table 1. Majority of the respondents 129 (94.8%) agreed that the hospital management had substantially improved on the availability of drugs and other essentials (mean =4.43), with only 5.2% undecided. This implies that the hospital management had substantially improved on the availability of drugs.

Statement	Strongly agree		Agree		Undecided		Mean	SD
	Freq	%	Freq	%	Freq	%		
The Hospital management has substantially improved on the availability of drugs and other essentials at the Hospital.	66	48.5	63	46.3	7	5.2	4.43	0.59
Most of the Hospital's budget is spent of the basic/essential patient services	67	49.3	66	48.5	3	2.2	4.47	0.54
A considerable budget is allocated to improve the Hospital's customer service.	62	45.6	71	52.2	3	2.2	4.43	0.54
The level of the Hospital's outreach and corporate social responsibility is remarkable	74	54.4	56	41.2	6	4.4	4.50	0.58
There are effective means of income generation and resource mobilization in the Hospital to supplement the GOK budget.	84	61.8	49	36.0	3	2.2	4.60	0.54
A considerate part of the Hospital budget is allocated to development initiatives/projects.	81	59.6	52	38.2	3	2.2	4.57	0.54
Mean							**4.50**	**0.39**

Table 1: Utilization of allocated funds

From the study most of the respondents 133 (97.8%) agreed that most of the Hospital's budget was spent on the basic/essential patient services and considerable budget was allocated to improve the Hospital's customer service. This was supported by a mean of 4.47 and 4.43 respectively. Majority of the respondents 130 (95.6%) (mean =4.4) agreed that the level of the Hospital's outreach and corporate social responsibility was remarkable and only 4.4% were undecided. From the study most of the respondents133 (97.8%) agreed that there are effective means of income generation and resource mobilization in the Hospital to supplement the GOK budget and considerate part of the Hospital budget is allocated to development initiatives/projects. This was supported by a mean of 4.6 and 4.57 respectively.

The utilization of allocated funds indicated that hospital management had substantially improved on the availability of drugs and other essentials. Hospital's budget was spent on the basic/essential patient services and considerable budget was allocated to improve the customer service and considerate part of the Hospital budget is allocated to development initiatives/projects. There was effective means of income generation and resource mobilization in the Hospital to supplement the GOK budget. The level of the hospital's outreach and corporate social responsibility was remarkable.

From the 6 statements used to explain utilization of allocated funds at public health institutions had an overall mean score of 4.5 indicating that respondents agreed on its contribution to organizational performance. This implies that the proper utilization of allocated fundswas highly rated and contributed to enhanced organizational performance. This agrees with Sullivan, Arthur& Sheffrin, (2003) that "Efficiency" has widely varying meanings in different disciplines. Also concurs with Barr, (2004) that the economic efficiency is measured not by the relationship between the physical quantities of ends and means, but by the relationship between the value of the ends and the value of the means.

4.3.2. Service Delivery Innovation

The service delivery innovation was the second construct used to measure organizational performance of public health institutions. The respondents were required to rate the extent they agree or disagree with statements relating to the service delivery innovation of public health institutions using 6 statements as summarized in Table 2. Majority of the respondents 129 (94.9%) agreed that the creativity of customer service charter in the Hospital is outstanding (mean =4.38), with only 5.1% undecided. This implies thatthe creativity of customer service charter in the Hospital was outstanding.

All the respondents agreed that the innovations were benchmarked against the industry's best practice globally among Hospital's peers mean of 4.45 and standard deviation of 0.64. From the study most of the respondents 132 (97.1%) agreed that there have been material & viable innovations by researchers/staff of the Hospital and management ensured that staff ideas and proposals were taken into consideration when strategic management & operational decisions were made, with only 2.9% undecided. This was supported by a mean of 4.47 and 4.43 respectively.

Statement	Strongly agree		Agree		Undecided		Mean	SD
	Freq	%	Freq	%	Freq	%		
The creativity of customer service charter in the Hospital is outstanding	59	43.4	70	51.5	7	5.1	4.38	0.58
There have been material & viable innovations by researchers/staff of the Hospital	68	50.0	64	47.1	4	2.9	4.47	0.56
The Hospital's policies and practices for rewarding innovators are adequate	65	47.8	60	44.1	11	8.1	4.40	0.64
The Hospital provides enough resources for research & innovation initiatives	65	47.8	63	46.3	8	5.9	4.42	0.60
The innovations are benchmarked against the industry's best practice globally among Hospital's peers.	61	44.9	75	55.1			4.45	0.50
The Management ensures that Staff ideas and proposals taken into consideration when strategic management & operational decisions are made	62	45.6	70	51.5	4	2.9	4.43	0.55
Mean							**4.42**	**0.49**

Table 2: Service delivery innovation

Majority of the respondents 125(91.9%) (mean =4.4) agreed that Hospital's policies and practices for rewarding innovators are adequate and only 8.1% were undecided. From the study most of the respondents128 (94.1%) agreed that Hospital provides enough resources for research & innovation initiatives and 5.9% undecided. This was supported by a mean of 4.45.

The creativity of customer service charter in the Hospital was outstanding and innovations were benchmarked against the industry's best practice globally. There have been material & viable innovations by researchers/staff of the Hospital and management ensured that staff ideas and proposals were taken into consideration when strategic management & operational decisions were made. Hospital's policies and practices for rewarding innovators were adequate and provided enough resources for research & innovation initiatives.

From the 6 statements used to explain service delivery innovation at public health institutions had an overall mean score of 4.42 indicating that respondents agreed on its contribution to organizational performance. This implies that the service delivery innovation was highly rated to contribute to organizational performance in public health institutions. This agrees with Wikipedia, free encyclopedia, (2016) that potential adopters evaluate an innovation on its relative advantage (the perceived efficiencies gained by the innovation relative to current tools or procedures), its compatibility with the pre-existing system, its complexity or difficulty to learn, its trial ability or testability, its potential for reinvention (using the tool for initially unintended purposes), and its observed effects.

4.3.3.Increased Productivity

During the study the increased productivity was the third construct used to measure organizational performance of public health institutions. The respondents were required to rate the extent they agree or disagree with the 7 statements of increased productivity in public health institutions using a five point Likert scales as summarized in Table 3. Majority of the respondents 132 (97.1%) agreed that there was realistic mechanisms of savings, cost or waste reduction in the Hospital(mean =4.55) and the hospital had recorded a sustained decrease in cases of medical malpractice and negligence (mean 4.66).

Most of the respondents agreed that the hospital had adopted better and verifiable preventive, diagnostic & curative services (mean 4.58) and there was consistency in adherence of professional work manuals, SO standards and other legal and regulatory guidelines for the Staff (mean 4.67). They also agreed that the hospital always meets & exceeds the set performance targets and there was sustained annual improvement in the customer's& employee satisfaction's index score in core Hospital's objectives as shown by a mean of 4.56. Finally, majority of them agreed that there was an attestable management effort to adopt modern technology in the hospital's operations and systems (mean of 4.59).

From the results there was a realistic mechanism of savings, cost or waste reduction in the Hospital and thehospital had recorded a sustained decrease in cases of medical malpractice and negligence. The hospital had adopted better and verifiable preventive, diagnostic & curative services and there was consistency in adherence of professional work manuals, SO standards and other legal and regulatory guidelines for the staff. The hospital always meets & exceeds the set performance targets and there was sustained annual improvement in the customer's& employee satisfaction's index score in core Hospital's objectives. There was an attestable management effort to adopt modern technology in the hospital's operations and systems.

From the 7 statements used to explain increased productivity at public health institutions had an overall mean score of 4.60, indicating that respondents strongly agreed on its contribution to organizational performance. This implies that the increased productivitywas highly rated construct of organizational performance in public health institutions. This agrees with Price water house cooper (2013) that alignment – Regardless of the fiscal environment, capacity to connect strategy to execution has been limited and has created an environment of risk aversion, reluctance to drive wide-ranging reforms, and unmet expectations at the political level and amongst the community (Improving public sector productivity through prioritization, measurement and alignment. Productivity is computed by dividing average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period.

Statement	Strongly agree		Agree		Undecided		Mean	SD
	Freq	%	Freq	%	Freq	%		
There realistic mechanisms of savings, cost or waste reduction in the Hospital	79	58.1	53	39.0	4	2.9	4.55	0.56
The Hospital has recorded a sustained decrease in cases of medical malpractice and negligence	94	69.1	38	27.9	4	2.9	4.66	0.53
The Hospital has adopted better and verifiable preventive, diagnostic & curative services	83	61.0	49	36.0	4	2.9	4.58	0.55
There is consistency in adherence of professional work manuals, SO standards and other legal and regulatory guidelines for the Staff	95	69.9	37	27.2	4	2.9	4.67	0.53
The Hospital always meets & exceeds the set performance targets	80	58.8	52	38.2	4	2.9	4.56	0.55
There is sustained annual improvement in the customer's& employee satisfaction's index score in core Hospital's objectives.	80	58.8	52	38.2	4	2.9	4.56	0.55
There are attestable management efforts to adopt modern technology in the hospital's operations and systems	84	61.8	48	35.3	4	2.9	4.59	0.55
Mean							**4.60**	**0.46**

Table 3: Increased productivity

4.4. Effect of Performance Contracting Agreement on Organizational Performance

The first objective of the study was to determine the effect of performance contracting agreement on organizational performance. This was achieved using descriptive and inferential statistics.

4.4.1. Performance Contracting Agreement

The respondents were requested to establish the extent they agree or disagree with statements relating to the performance contracting agreement in health sector. From the study, the proportion, percent and mean of each statement explaining performance contracting agreement was computed from a five point Likert scale as summarized in Table 4. From the study most of the respondents 129 (94.9%) agreed that performance contract has enhanced their ability to discharge duties and the level of their involvement in setting the Hospital's PC targets was substantial with only 5.1% undecided. This indicates that performance contract had enhanced their ability to discharge duties and the level of involvement in setting the Hospital's PC targets was substantial (mean=4.29).

From the study most of the respondents 125 (91.9%) agreed that the constructive ideas/proposals are positively considered in the PC process, annual PC targets set in the Hospital are always SMART and enough resources were allocated in the annual budget to achieve the PC targets with only 2.9% undecided. This was supported by a mean of 4.1, 4.40 and 4.22 respectively. From the study the performance contract has enhanced their ability to discharge duties and the level of involvement in setting the Hospital's PC targets was substantial. The performance contract had enhanced their ability to discharge duties and the level of involvement in setting the Hospital's PC targets. The constructive ideas/proposals are positively considered in the PC process, annual PC targets set in the Hospital are always SMART and enough resources were allocated in the annual budget to achieve the PC targets.

Statement	Strongly agree		Agree		Undecided		Disagree		Mean	SD
	Freq	%	Freq	%	Freq	%	Freq	%		
Performance contract has enhanced your ability to discharge your duties	47	34.6	82	60.3	7	5.1			4.29	0.56
The level of your involvement in setting the Hospital's PC targets is substantial	47	34.6	82	60.3	7	5.1			4.29	0.56
Your constructive ideas/proposals are positively considered in the PC process	31	22.8	94	69.1	4	2.9	7	5.1	4.10	0.68
The annual PC targets set in the Hospital are always SMART	58	42.6	74	54.4	4	2.9			4.40	0.55
Enough resources are allocated in the annual budget to achieve the PC targets	42	30.9	86	63.2	4	2.9	4	2.9	4.22	0.64
Mean									**4.26**	**0.49**

Table 4: Performance Agreements

From the 5 statements used to explain performance contracting agreement at public health institutions had an overall mean score of 4.26, indicating that respondents agreed on its contribution. This implies that the performance contracting agreement was highly rated construct of performance contracting practices in public health institutions. This agrees with Opiyo, (2006) that performance evaluation by the ad hoc evaluation committee is based on a comparison of achievements against the targets agreed at the signing of the contract. The negotiation of targets to be included in the contract is conducted by the ad hoc negotiation committee. This agrees with Kumar, (1994) that individual performance goals, the objective is real, measurable improvement so that the person is in a position to help move the company forward.

4.4.2 Correlation between Performance Contracting Agreement and Organizational Performance

Pearson Product Moment Correlation Coefficient was used to establish the influence of performance contracting agreement on organizational performance as summarized in Table 5. There was a positive influence of performance contracting agreement on organizational performance in health sector ($r=.451$, $n=136$, $p<.05$). This indicated that an increase in performance contracting agreement causes the organizational performance in public health institutions to improve.

		Organization Performance	Agreements
Organization Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Agreements	Pearson Correlation	.451**	1
	Sig. (2-tailed)	.000	

Table 5: Correlation between performance contracting agreement and organizational performance
***. Correlation is significant at the 0.01 level (2-tailed).*
N=136

From the findings it was found that an increase in performance contracting agreement in public health institutions leads to higher organizational performance. This shows that performance contracting agreement is one of the performance contracting practices influencing organizational performance in public health institutions. This agrees with CIDA, (2001) that performance contracting was introduced through results based management, which is a participatory and team-based management approach designed to achieve defined results by improving planning, programming, management efficiency, effectiveness, accountability and transparency.

4.5. Effect of Performance Contracting Appraisal on Organizational Performance

The second objective of the study was to establish the effect of performance contracting appraisal on organizational performance. This was achieved using descriptive and inferential statistics.

4.5.1. Performance Appraisal

The respondents were requested to establish the extent they agree or disagree with statements relating to the performance contracting appraisal in health sector. From the study, the proportion of each statement explaining performance contracting appraisal t was computed from a five point Likert scale as summarized in Table 6. From the study, most of the respondents 126 (92.7%) agreed that Hospital's PC monitoring, evaluation, appraisal tools & procedures were effective and appraisal system was objective and fair with only 7.4% undecided. This indicates that Hospital's PC monitoring, evaluation, appraisal tools & procedures were effective and appraisal system was objective with a mean of 4.38 and 4.40 respectively.

Majority of the respondents 129 (94.9%) agreed that evaluation feedback mechanism & information was normally industrious, performance monitoring, evaluation & appraisal mechanisms were timely for corrective/review measures, appraisal systems clarifies job's expectations, system is used to review & update job's skills &competencies and system is used to review job's accomplishment and goals with only 5.1% undecided. This was supported by a mean of 4.28, 4.40, 4.33, 4.39 and 4.36 respectively.

Statement	Strongly agree		Agree		Undecided		Mean	SD
	Freq	%	Freq	%	Freq	%		
The Hospital's PC monitoring, evaluation & appraisal tools & procedures are effective	61	44.9	65	47.8	10	7.4	4.38	0.62
The Hospital's PC monitoring, evaluation & appraisal system is objective & fair	65	47.8	61	44.9	10	7.4	4.40	0.63
The evaluation feedback mechanism & information is normally industrious	45	33.1	84	61.8	7	5.1	4.28	0.55
The performance monitoring, evaluation & appraisal mechanisms are timely for corrective/review measures	61	44.9	68	50.0	7	5.1	4.40	0.59
The appraisal systems clarify job's expectations	52	38.2	77	56.6	7	5.1	4.33	0.57
The system is used to review & update job's skills & competencies	60	44.1	69	50.7	7	5.1	4.39	0.59
The system is used to review job's accomplishment and goals	56	41.2	73	53.7	7	5.1	4.36	0.58
Mean							**4.36**	**0.49**

Table 6: Performance appraisals

From the study, it was found that Hospital's PC monitoring, evaluation, appraisal tools & procedures were effective and appraisal system was objective and fair. The evaluation feedback mechanism & information was normally industrious, with performance monitoring, evaluation & appraisal mechanisms timely for corrective/review measures. The appraisal systems clarify job's expectations and system was used to review & update job's skills & competencies. The system was used to review job's accomplishment and goals. From the 7 statements used to explain performance contracting appraisal at public health institutions had an overall mean score of 4.36, indicating that respondents agreed on its contribution. This implies that the performance contracting appraisal was highly rated construct of performance contracting practices in public health institutions.

4.5.2. Correlation between Performance Contracting Appraisals and Organizational Performance

Pearson Product Moment Correlation Coefficient was used to establish the effect of performance contracting appraisal on organizational performance as summarized in Table 7. There was a positive influence of performance contracting appraisal on organizational performance in health sector ($r=.199$, $n=136$, $p<.05$). This indicated that an increase in performance contracting appraisal causes the organizational performance in public health institutions to improve.

		Organization Performance	Appraisals
Organization Performance	Pearson Correlation	1	.199*
	Sig. (2-tailed)		.020
Appraisals	Pearson Correlation	.199*	1
	Sig. (2-tailed)	.020	

Table 7: Correlation between performance contracting appraisals and organizational performance
**. Correlation is significant at the 0.05 level (2-tailed).*
b. Listwise N=136

From the findings it was found that the more the performance contracting appraisal in public health institutions leads to increased organizational performance. This shows that performance contracting appraisal is one of the performance contracting practices influencing organizational performance in public health institutions. The findings agree Gok, (2004) that Profit contribution is measured in dollars or some common scale. Inventory turnover: measured as actual versus budgeted turnover. While financial measures of performance are often used to gauge organizational performance, some firms have experienced negative consequences from relying solely on these measures.

4.6. Effect of Performance Contracting Awards and Sanctions on Organizational Performance

The third objective of the study was to determine the effect of performance contracting awards & sanctions on organizational performance. This was achieved using descriptive and inferential statistics.

4.6.1. Performance Contracting Awards and Sanctions

The respondents were requested to establish the extent they agree or disagree with statements relating to the performance contracting awards & sanctions in health sector. The proportion, percent and mean of each statement explaining performance contracting awards & sanctions was computed from a five point Likert scale as summarized in Table 8. From the study most of the respondents 133 (97.7%) agreed that the reward and sanction system for individual staff performance in the hospital was objective and fair, existing enabling environment to perform as an individual as per the set PC's targets/objectives is satisfactory, awards and sanctions administered are of substance and awards and sanctions administered are progressively reviewed with only 2.2% of each undecided. This was equally supported by a mean of 4.43, 4.54, 4.53 and 4.54 respectively.

Finally, majority of the respondents 129 (94.9%) agreed that management guards were against setting of low targets and 5.1% undecided. From the study it was found that the reward and sanction system for individual staff performance in the hospital was objective and fair. There was existing enabling environment to perform as an individual as per the set PC's targets/objectives is satisfactory. The awards and sanctions administered are of substance and awards and sanctions administered are progressively reviewed and management guards were against setting of low.

From the 5 statements used to explain performance contracting awards & sanctions at public health institutions had an overall mean score of 4.51, indicating that respondents strongly agreed on its contribution. This implies that the performance contracting awards & sanctions was highly rated construct of performance contracting practices in public health institutions. This agrees with Harvey, (2003) that the reward system in an organization consists of its integrated policies, processes, and practices for rewarding its employees in accordance with their contribution, skills, competences and market worth.

Statement	Strongly agree		Agree		Undecided		Mean	SD
	Freq	%	Freq	%	Freq	%		
The reward and sanction system for individual staff performance in the hospital is objective and fair	62	45.6	71	52.2	3	2.2	4.43	0.54
The existing enabling environment to perform as an individual as per the set PC's targets/objectives is satisfactory	77	56.6	56	41.2	3	2.2	4.54	0.54
The awards and sanctions administered are of substance	75	55.1	58	42.6	3	2.2	4.53	0.54
The awards and sanctions administered are progressively reviewed	76	55.9	57	41.9	3	2.2	4.54	0.54
The Management guards against setting of low targets	76	55.9	53	39.0	7	5.1	4.51	0.60
Mean							**4.51**	**0.45**

Table 8: Performance Awards & Sanctions

4.6.2. Correlation between Performance Contracting Awards &Sanctions and Organizational Performance

Pearson Product Moment Correlation Coefficient was used to establish the effect of performance contracting awards & sanctions on organizational performance as summarized in Table 9. There was a positive influence of performance contracting awards & sanctions on organizational performance in health sector (r=.413, n=136, p<.05). This indicated that an increase in performance contracting awards & sanctions causes the organizational performance in public health institutions to also improve.

		Organization Performance	Awards and sanctions
Organization Performance	Pearson Correlation	1	.413**
	Sig. (2-tailed)		.000
Awards and sanctions	Pearson Correlation	.413**	1
	Sig. (2-tailed)	.000	

Table 9: Correlation between performance contracting awards and sanctions and organizational performance

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

b. Listwise N=136

From the findings it was found that the more the performance contracting awards & sanctions in public health institutions leads to increased organizational performance. This shows that performance contracting awards & sanctions is one of the performance contracting practices influencing organizational performance in public health institutions. The findings agree with Arunga, (2011) that organizations are encouraged to reward and recognize outstanding performance through such other system like commendation letters.

4.7. Influence of Performance Contracting Practices on Organizational Performance

The general objective of this study was to determine the effect of implementation of the performance contracting initiative on organizational performance, in public health institutions in Kenya. This was achieved using Pearson Product Moment Correlation Coefficient and multiple regression.

4.7.1. Correlation between Performance Contracting Practices and Organizational Performance

Pearson Product Moment Correlation Coefficient was used to establish the effect of performance contracting practices on organizational performance as summarized in Table 10. There was a positive influence of performance contracting agreements (r=.451),appraisal (r=.199)and awards & sanctions on organizational performance in health sector (r=.413). However,awards & sanctions were influenced by performance contracting agreements (r=.302) and appraisal (r=.330).

		Organization Performance	Agreements	Appraisals	Awards and sanctions
Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
Agreements	Pearson Correlation	.451**	1		
	Sig. (2-tailed)	.000			
Appraisals	Pearson Correlation	.199*	.051	1	
	Sig. (2-tailed)	.020	.556		
Awards and sanctions	Pearson Correlation	.413**	.302**	.330**	1
	Sig. (2-tailed)	.000	.000	.000	

Table 10: Correlation between performance contracting Practices and organizational performance
***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*
c. Listwise N=136

This indicated that an increase in performance contracting agreements, appraisals and awards & sanctions causes the organizational performance in public health institutions to rise. As the performance contracting agreements and appraisal increases the awards and sanctions improve.

4.7.2. Model Summary on Organization Performance

Multiple regression analyses were used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors. Multiple regressions were based on exploration of the interrelationship among a set of variables. Multiple Regression analysis was carried out using a model, which combines selected independent variables and dependent variables. A Multiple linear regression model was used to predict organization performance. The prediction was carried out basing on the effect of the three independent variable; performance awards and sanctions, agreements and appraisals.

R^2 represents the values of multiple correlation coefficients between the predictors used in the model and organization performance. All the predictors used in the model represent only a simple correlation between the predictors and factors to be considered for organization performance. The R^2 represented the measure of variability in organization performance that is accounted for by the predictors (independent variables which include performance awards and sanctions, agreements and appraisals). From the model, (R^2 = .29.5) shows that all the predictors account for 29.5% variation in organization performance (Table 11).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.543[a]	.295	.279	.26936	.295	18.427	3	132	.000

Table 11: Model Summary
a. Predictors: (Constant), Awards and sanctions, Agreements, Appraisals

Therefore, the predictors used in the model have captured the variation in the organization performance in health sector. The adjusted R^2 gave the idea of how well the model generalizes the prediction of organizational performance by the independent variables. The value of adjusted R^2 was .279, showing that the prediction of organization performance account for approximately 27.9% less variance. The change statistics were used to test whether the change in adjusted R^2 is significant using the F ratio. The model caused adjusted R^2 to change from zero to .295 and this change gave rise to an F ratio of 18.43 which is significant at a probability of .05.

4.7.3.Analysis of Variance

The analysis of variance was used to test whether the model could significantly fit in predicting the outcome than using the mean as shown in (Table 12). The F- ratio represents the ratio of improvement in prediction that results from fitting the model, relative to the inaccuracy that exists in the model. The F- ratio was 18.43 which is likely to happen by chance and was significant (P<.05). The model significantly improved the ability to predict the organization performance in the health sector. The model significantly improved the ability to predict the organization performance. Thus the model was significant leading to rejection of the null hypotheses. This represented the effect size of the regression model and was significant with a p-value of 0.000.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.011	3	1.337	18.427	.000[b]
	Residual	9.577	132	.073		
	Total	**13.588**	**135**			

Table 12: Analysis of Variance
a. Dependent Variable: Performance
b. Predictors: (Constant), Awards and sanctions, Agreements, Appraisals

4.7.4. Coefficients of Organization Performance

In addition, the β coefficients for each independent variable generated from the model was subjected to a t-test, in order to test each of the hypotheses under study. Table 13 shows the estimates of β values and gives an individual contribution of each predictor to the model. The β value explains about the relationship between organization performanceand each predictor. The t test was used as a measure to identify whether the predictors were making a significant contribution to the model. When the t-test associated with b-values is significant, the predictor is making a significant contribution to the model. The smaller the value of significance (the larger the value of t) that is the greater is the contributor of that predictor. The β value for awards and sanctions, agreements and appraisals had a positive coefficient thus positive relationship with organization performance in the health sector as summarized in the model as:

OP =2.371+.237Agr+.058Apr+.195AwSa+α.....Equation 4.0

Where:

OP= Organization performance in the health sector

Agr =Performance agreements

Apr =Performance Appraisal

AwSa =Performance Awards and sanctions

α= error term

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.371	.308		7.693	.000		
	Agreements	.237	.050	.364	4.742	.000	.906	1.104
	Appraisals	.058	.050	.090	1.158	.249	.888	1.126
	Awards and sanctions	.195	.058	.273	3.367	.001	.809	1.236

Table 13: Coefficients of Organization Performance

a. Dependent Variable: Performance

The regression results in Table 14 show each of the predicted parameters in relation to the independent factors and not all were significant

From the results β_1= 0.237 ($p < 0.05$) which implies that we reject the null hypothesis stating that there is no significant effect of performance contracting agreement on organizational performance. This indicates that for each unit increase in the performance contracting agreements, there is 0.237 units rise in organization performance. There is significant effect of performance contracting agreements on organization performance. These agrees with Smith (1999) that performance agreements not only ensure that performance is measured, they also set up a great communication system to regularly discuss individual performance. These agreements are essentially a way of making sure that everyone is aware of what they need to work on, and why. The Beta coefficient β2= 0.058 ($p > 0.05$) was not significant at ($p>0.05$) which indicates that we fail to reject the null hypothesis stating that there is no significant effect of performance contracting appraisal on organizational performance. This indicates that the performance contract appraisal does not significantly affect organization performance. This concurs with Kobia & Mohamed, (2006) that the critical requirement for each target is that they must be growth oriented and therefore must be improving with time. The resultant difference is resolved into weighted scores and ultimate performance denominated to a composite score- the value of a weighted average of the raw scores in a performance agreement.

The findings also showed that β_3 = 0.195 ($p < 0.05$) which implies that we reject the null hypothesis stating that there is there is no significant effect of Performance Contracting awards & sanctions on organizational performance. This implies that for each unit increase in awards and sanctions, there is 0.195-unit improvement in organization performance. Performance contracting awards and sanctions significantly affect organization performance. This agrees with Owen, (2003) that performance-based reward systems have a long history in education, particularly in the United States of America. This implies that performance- based reward corresponds closely with employees' actual experiences. This finding agrees with Chong (2008) that organizational performance can achieve efficient objectives or goals than economic results. A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public enterprises in their countries. International experience with privatization suggests that the process of implementing a well-thought-out privatization program is a lengthy one (Kobia & Mohamed, 2006).

4.8. Analysis of Moderating Variables

The adjusted R had a low value of .295 – indicating that there are other critical factors which influence the organizational performance of public health institutions in Kenya. These factors include the quoted moderating valuables namely: the adequacy of both Human capital and financial resources and work culture. The study showed that 84% of all the 141 institutions are perpetually underfunded and are therefore not able to achieve the targets set in the PC to fulfil their mandate. The study also found out that 79% of these institutions are understaffed and lack the adequate and competent manpower to execute their mandate, this again causes them to perform poorly on the PC targets. The work culture of apathy, high tolerance to corruption, nepotism and tribalism was also quoted to have some contribution to organizational performance.

Other factors influencing the organizational performance were given as poor and stagnated salaries, slow career progressions and other benefits which are all directly connected to unfavorable and non-progressive schemes of services in the public sector. Political and

social interferences or influences at work places were also mentioned to have influenced how good or poorly these institutions perform on their mandate. These forces are said to be entrenched in the public service and have a positive correlation with the above work culture of apathy, high tolerance to corruption, nepotism and tribalism.

5. Summary, Conclusions and Recommendations

5.1. Introduction

This chapter presents the summary of the study, conclusions drawn, their practical implications and recommendations.

5.2. Summary

The first objective of the study was to determine the effect of performance contracting agreement on organizational performance. The performance contract had enhanced their ability to discharge duties and the level of involvement in setting the Hospital's PC targets. The constructive ideas and proposals are positively considered in the PC process, annual PC targets set in the Hospital are always SMART and enough resources were allocated in the annual budget to achieve the PC targets. The performance contracting agreement was highly rated construct of performance contracting practices in public health institutions. There was a positive influence of performance contracting agreement on organizational performance in health sector. An increase in performance contracting agreement the organizational performance in public health institutions improved. This agrees with CIDA, (2001) that performance contracting was introduced through results based management, which is a participatory and team-based management approach designed to achieve defined results by improving planning, programming, management efficiency, effectiveness, accountability and transparency.

The second objective of the study was to establish the effect of performance contracting appraisal on organizational performance. From the study, it was found that Hospital's PC monitoring, evaluation, appraisal tools & procedures were effective and appraisal system was objective and fair. The evaluation feedback mechanism & information was normally diligent, with performance monitoring, evaluation & appraisal mechanisms timely for corrective and review measures. The appraisal systems clarify job's expectations and system was used to review & update job's skills & competencies. The system was used to review job's accomplishment and goals. There was a positive influence of performance contracting appraisal on organizational performance in health sector. From the findings it was found that the more the performance contracting appraisal in public health institutions leads to increased organizational performance. The findings agree Gok, (2004) that while financial measures of performance are often used to gauge organizational performance, some firms have experienced negative consequences from relying solely on these measures.

The third objective of the study was to determine the effect of performance contracting awards and sanctions on organizational performance. The reward and sanction system for individual staff performance in the hospital was objective and fair. There was existing enabling environment to perform as an individual as per the set PC's targets/objectives is satisfactory. The awards and sanctions administered are of substance and awards and sanctions administered are progressively reviewed and management guards were against setting of low. There was a positive influence of performance contracting awards & sanctions on organizational performance in health sector.An increase in performance contracting awards & sanctions caused the organizational performance in public health institutions to also increase. This agrees with Harvey, (2003) that the reward system in an organization consists of its integrated policies, processes, and practices for rewarding its employees in accordance with their contribution, skills, competences and market worth.

The multiple regression model indicated that all the predictors account for 29.5% variation in organization performance in health sector. There was a significant effect of performance contracting agreements, awards & sanctions significantly affect organization performance, but performance appraisals do not.

5.3. Conclusion

The adoption of performance contract in health sector has enhanced the ability to discharge duties through the setting substantial Hospital's PC targets. The performance contracting agreements influence organizational performance in health sector positively. There was a positive influence of performance contracting agreement on organizational performance in health sector.

The evaluation feedback mechanism & information was normally industrious, with performance monitoring, evaluation & appraisal mechanisms timely for corrective/review measures. The Hospital's PC monitoring, evaluation, appraisal tools & procedures were effective and appraisal system was objective and fair. The performance contracting appraisal influence organizational performance in health sector positively.

The reward and sanction system for individual staff performance in the hospital was fair. The enabling environment to perform as an individual was satisfactory. The awards and sanctions administered were of substance and awards and sanctions administered are progressively reviewed. The performance contracting awards & sanctions influence organizational performance in health sector positively. Performance contracting agreements, awards and sanctions significantly affect organization performance, but performance appraisals do not.

5.4. Recommendations

5.4.1. Recommendations for Practitioners

For the practitioners (Government policy makers and the public health institutions), the findings and recommendations should assist in providing a reforms direction on the performance appraisal systems; explore the means of continuously improving and widening the

scope of the agreements and awards & sanctions systems and explore and incorporate the other factors that influence the organizational performance, considering that the study has found that the PC practice influence on organizational performance is only 29.5%. It's also recommended that health workers' remuneration and general welfare be improved to motivate them to enhance their performance.

5.4.2. Recommendations for Further Research

For Scholars, the study recommends in-depth study the other factors influencing organization performance in health sector, since performance contract practices contributed only 29.5% in that sector. It's also recommended that a research on the effect of other performance indicators on public health institutions' organizational performance, as found on the Government's standard performance agreement, be undertaken.

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7. List of Abbreviations and Acronyms

- PC **–** Performance Contract / ing
- MTRH **–** Moi Teaching and Referral Hospital.
- KNH – Kenyatta National Hospital.
- PGH – Provincial General Hospital.
- NCPB – National Cereals and Produce Board.
- MOA **–** Ministry of Agriculture.
- KARI – Kenya Agricultural Research Institute.
- NAFIS – National Farmers Information Services.
- IPRS – Integrated Population Registration System.
- MoH – Ministry of Health.
- HoDs **–** Heads of Departments**.**
- H/C **–** Health centre.
- CEO – Chief Executive Officer.
- PGH – Provincial general Hospital.
- KEMSA – Kenya Medical Supplies Authority.
- KCG – Kiambu County Government.
- NCG – Nairobi County Government.
- GoK – Government of Kenya.

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APPENDICES

Appendix I: Questionnaire

SECTION ONE: GENERAL INFORMATION:

1. Gender: Male [ ] Female [ ]
2. Your age bracket (Tick whichever appropriate)

25 - 34 Years	[ ]
35 - 44 years	[ ]
45 – 54 years	[ ]
Over 55 years	[ ]

3. For how long have you served in the health sector?

Less than 2 years	[ ]
2 – 5 years	[ ]
6 – 10 years	[ ]
11 years and more	[ ]

Hospital's PC practices and Organizational performance

Please indicate your degree of agreement or disagreement with the all the statements listed below concerning the Hospital's PC practices and Organizational performance as described using the following criteria

CRITERIA RANKING

A. Strongly disagree	1
B. Disagree	2
C. Undecided/Neutral	3
D. Agree	4
E. Strongly agree	5

(Kindly tick in the appropriate box below)

	SECTION TWO: PERFORMANCE CONTRACTING PRACTICES	1	2	3	4	5
	• **Performance Agreements**					
1.	Performance contract has enhanced your ability to discharge your duties					
2.	The level of your involvement in setting the Hospital's PC targets is substantial					
3.	Your constructive ideas/proposals are positively considered in the PC process					
4.	The annual PC targets set in the Hospital are always SMART					
5.	Enough resources are allocated in the annual budget to achieve the PC targets					
	• **Performance appraisals**					
1.	The Hospital's PC monitoring, evaluation & appraisal tools & procedures are effective					
2.	The Hospital's PC monitoring, evaluation & appraisal system is objective & fair					
3.	The evaluation feedback mechanism & information is normally industrious					
4.	The performance monitoring, evaluation & appraisal mechanisms are timely for corrective/review measures					
5.	The appraisal systems clarifies job's expectations					
6.	The system is used to review & update job's skills & competencies					
7.	The system is used to review job's accomplishment and goals					
	• **Performance Awards & Sanctions**					
1.	The reward and sanction system for individual staff performance in the hospital is objective and fair					
2.	The existing enabling environment to perform as an individual as per the set PC's targets/objectives is satisfactory					
3.	The awards and sanctions administered are of substance					
4.	The awards and sanctions administered are progressively reviewed					
5.	The Management guards against setting of low targets					
	SECTION THREE : ORGANIZATIONAL PERFORMANCE					
	• **Utilization of allocated funds**					
1.	The Hospital management has substantially improved on the availability of drugs and other essentials at the Hospital.					
4.	Most of the Hospital's budget is spent of the basic/essential patient services					
5.	A considerable budget is allocated to improve the Hospital's customer service.					
6.	The level of the Hospital's outreach and corporate social responsibility is remarkable					
7.	There are effective means of income generation and resource mobilization in the Hospital to supplement the GOK budget.					
8.	A considerate port of the Hospital budget is allocated to development initiatives/projects.					
	• **Service delivery innovation**					
1.	The creativity of customer service charter in the Hospital is outstanding					
2.	There has been material & viable innovations by researchers/staff of the Hospital					
3.	The Hospital's policies and practices for rewarding innovators are adequate					
4.	The Hospital provides enough resources for research & innovation initiatives					
5.	The innovations are benchmarked against the industry's best practice globally among Hospital's peers.					
6.	The Management ensures that Staff ideas and proposals taken into consideration when strategic management & operational decisions are made					
	• **Increased productivity**					
1.	There realistic mechanisms of savings, cost or waste reduction in the Hospital					
2.	The Hospital has recorded a sustained decrease in cases of medical malpractice and negligence					
3.	The Hospital has adopted better and verifiable preventive, diagnostic & curative services					
4.	There is consistency in adherence of professional work manuals, SO standards and other legal and regulatory guidelines for the Staff					
5.	The Hospital always meets & exceeds the set performance targets					
6.	There is sustained annual improvement in the customer's& employee satisfaction's index score in core Hospital's objectives.					
7.	There are attestable management efforts to adopt modern technology in the hospital's operations and systems					

Appendix II: List of Public Health Institutions in Nairobi and Kiambu counties.

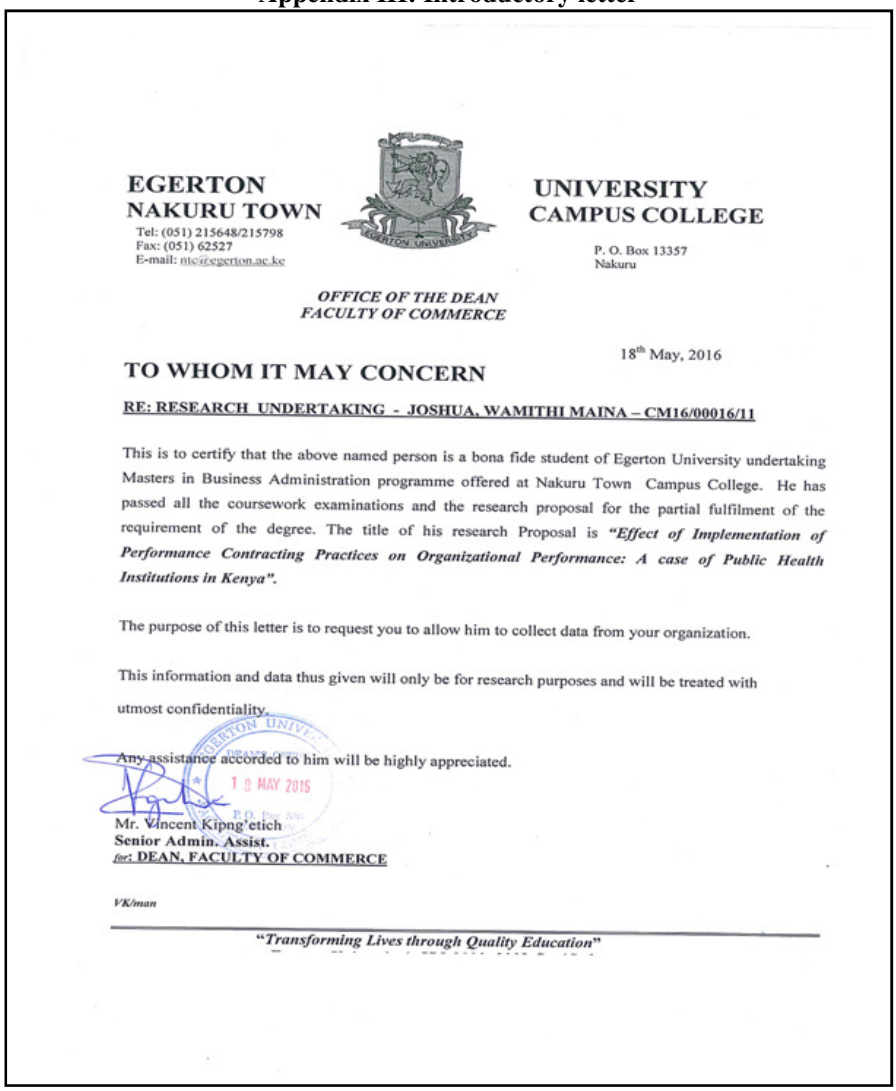
S/ NO	FACILITY NAME	DISTRICT/ CONSTI-TUENCY	SUB-COUNTY/ VILLAGE	FACI-LITY LE-VEL	AGEN-CY
NAIROBI COUNTY FACILITIES					
1	KNH	Westlands	Upperhill	7	MoH
2	Mama Lucy Kibaki	Embakasi	Kayole	5	MoH
3	National Spinal Injury	Westlands	Westlands	6	MoH
4	Mbagathi District	Westlands	Mbagathi	4	NCG
5	Pumwani Marternity	Kamukunji	Pumwani	5	NCG
6	Eastleigh health centre	Kamukunji	Eastleigh	3	NCG
7	Biafra Clinic	Kamukunji	Biafra	2	NCG
8	Pumwani Majengo H/C	Kamukunji	Majengo	3	NCG
9	Bahati H/C	Kamukunji	Bahati	3	NCG
10	Shauri moyo clinic	Kamukunji	Shauri moyo	2	NCG
11	Jerusalem clinic	Kamukunji	Jerusalem	2	NCG
12	Ngaira H/C	Starehe	Park load	3	NCG
13	Rhodes chest clinic	Starehe	Ngaira	2	NCG
14	Ngara H/C	Starehe	Park load	3	NCG
15	Kariokor clinic	Starehe	Ziwani	2	NCG
16	STC casino H/C	Starehe	Ngara	3	NCG
17	Huruma Lions H/C	Starehe	Huruma	3	NCG
18	Lagos Rd. dispensary	Starehe	Ngara	2	NCG
19	Mathare north H/C	Kasarani	Mathare	3	NCG
20	Kariobangi north H/C	Kasarani	Kariobangi	3	NCG
21	Kasarani H/C	Kasarani	Kasarani	3	NCG
22	Kahawa west H/C	Kasarani	Kahawa west	3	NCG
23	Babadogo H/C	Kasarani	Babadogo	3	NCG
24	Westlands H/C	Westlands	Westlands	3	NCG
25	Kangemi H/C	Westlands	Kangemi	3	NCG
26	Karura H/C	Westlands	Karura	3	NCG
27	Lady northey H/C	Westlands	Westlands	3	NCG
28	Lower kabete H/C	Westlands	Lower kabete	3	NCG
29	Mji wa huruma dispensary	Westlands	Runda	2	NCG
30	KARI muguga H/C	Westlands	Muguga	3	NCG
31	Waithaka H/C	Westlands	Waithaka	3	NCG
32	Riruta H/C	Lang'ata	Riruta	3	NCG
33	Ngong road H/C	Lang'ata	Karen	3	NCG
34	Woodley clinic	Lang'ata	Woodley	2	NCG
35	Langata H/C	Lang'ata	Otiende	3	NCG
36	Jinnah clinic	Lang'ata	Lang'ata	2	NCG
37	Karen H/C	Lang'ata	Karen	3	NCG
38	Kibera DO H/C	Lang'ata	Kibera	3	NCG
39	Kayole 1 H/C	Embakasi	Kayole	3	NCG
40	Kayole 2 H/C	Embakasi	Kayole	3	NCG
41	Umoja H/C	Embakasi	Umoja	3	NCG
42	Embakasi H/C	Embakasi	Embakasi	3	NCG
43	Dandora 1 H/C	Embakasi	Dandora 1	3	NCG
44	Dandora 2 H/C	Embakasi	Dandora 2	3	NCG
45	Njiiru H/C	Embakasi	Njiiru	3	NCG
46	Kariobangi south dispensary	Embakasi	Kariobangi south	2	NCG
47	Makadara H/C	Makadara	Hamza	3	NCG
48	Mbotela clinic	Makadara	Mbotela	2	NCG
49	Jerico H/C	Makadara	Jericho lumumba	3	NCG
50	Hono clinic	Makadara	Jerocho	2	NCG
51	Ofafa 1 clinic	Makadara	Ofafa 1	2	NCG
52	Maringo clinic	Makadara	Maringo	2	NCG
53	Loco H/C	Makadara	Industrial area	3	NCG
54	MOW dispensary	Makadara	Industrial area	2	NCG
55	Kaloleni dispensary	Makadara	Kaloleni	2	NCG
56	Railway training institute	Makadara	South B	3	NCG
57	South B clinic	Makadara	South B	2	NCG
58	Lungalunga H/C	Makadara	Lungalunga	3	NCG
Source:www.nairobi.go.ke/assets/downloads/health.facilities-NCC-1.pdf					

KIAMBU COUNTY FACILITIES.					
1	Kiambu district hospital	Kiambu	Township(kiambaa)	5	KCG
2	Tigoni sub-district hospital	Kiambu	Ithanji(kiambu)	4	KCG
3	Gatundu general sub-district	Thika	Ituru	4	KCG
4	Thika district hospital	Thika	Majengo(thika)	4	KCG
5	Ragia health centre	Kiambu	Kamae	3	KCG
6	Wangige health centre	Kiambu	Karura(kikuyu)	3	KCG
7	Githiga health centre	Kiambu	Matuguta	3	KCG
8	Githunguri health centre	Kiambu	Kanjai	3	KCG
9	Gitiha health centre	Kiambu	Gitiha	3	KCG
10	Kagaa health centre	Kiambu	Githunguri(kiambu)	3	KCG
11	Kagwe health centre	Kiambu	Kagwe	3	KCG
12	Karai health centre	Kiambu	Nachu	3	KCG
13	Karuri health centre	Kiambu	Njiku	3	KCG
14	Kieni health centre	Kiambu	Kamukombi-ini	3	KCG
15	Kigumo health centre	Kiambu	Karatina	3	KCG
16	Kihara health centre	Kiambu	Mahindi	3	KCG
17	Kinale health centre	Kiambu	Mukeu(kiambu)	3	KCG
18	Lari health centre	Kiambu	Escarpment	3	KCG
19	Limuru health centre	Kiambu	Kamirithu	3	KCG
20	Lusigetti health centre	Kiambu	Lusingetti	3	KCG
21	Ndeiya health centre	Kiambu	Nderu	3	KCG
22	Ngewa health centre	Kiambu	Nyaga	3	KCG
23	Nyaga health centre	Kiambu	Nyaga	3	KCG
24	Nyathuna health centre	Kiambu	Kirangari(kiambu)	3	KCG
25	Gakoe hc	Thika	Gakoe	3	KCG
26	Igegania health centre	Thika	Muirigo	3	KCG
27	Karatu health centre	Thika	Munyuini	3	KCG
28	Kirwara health centre	Thika	Ngorongo	3	KCG
29	Mugutha health centre	Thika	Mugutha	3	KCG
30	Munyu health centre	Thika	Munyu	3	KCG
31	Ngenda health centre	Thika	Gathage	3	KCG
32	Ngoriba health centre	Thika	Ngoliba	3	KCG
33	Ngorongo health centre	Thika	Ngorongo	3	KCG
34	Ruiru health centre	Thika	Ruiru(thika)	3	KCG
35	Anmer disp	Kiambu	Anmer	2	KCG
36	Chura disp	Kiambu	Chura	2	KCG
37	Cianda disp	Kiambu	Cianda	2	KCG
38	Gachoire disp	Kiambu	Gachoire	2	KCG
39	Gathanga disp	Kiambu	Gathanga	2	KCG
40	Gathangari disp	Kiambu	Gitiha	2	KCG
41	Giathieko disp	Kiambu	Riuki	2	KCG
42	Gichuru disp	Kiambu	Ngecha	2	KCG
43	Kaaria disp	Kiambu	Ndumberi	2	KCG
44	Kamae forest disp	Kiambu	Kinale	2	KCG
45	Kamburu disp	Kiambu	Matimbei	2	KCG
46	Karia disp	Kiambu	Ngegu	2	KCG
47	Kiambaa disp	Kiambu	Anmer	2	KCG
48	Kiawaroga disp	Kiambu	Kiawaroga	2	KCG
49	Kieni forest disp	Kiambu	Mukeu(kiambu)	2	KCG
50	Kimathi disp	Kiambu	Kimathi(kiambu)	2	KCG
51	Kinale forest disp	Kiambu	Mukeu(kiambu)	2	KCG
52	Kiratina disp	Kiambu	Karatina	2	KCG
53	Kiriita disp	Kiambu	Kagwe	2	KCG
54	Migaa disp	Kiambu	Cianda	2	KCG
55	Nderu disp	Kiambu	Nderu	2	KCG
56	Nduriri disp	Kiambu	Gachoire	2	KCG
57	Uplands disp	Kiambu	Githirioni	2	KCG
58	Uthiru disp	Kiambu	Uthiru(kiambu)	2	KCG
59	Gachege disp	Thika	Gachege	2	KCG
60	Gaciika disp	Thika	Gachika(thika)	2	KCG
61	Gitare disp	Thika	Kiamwangi (kamwangi)	2	KCG

62	Githurai disp	Thika	Kiuu	2	KCG
63	Ituramira disp	Thika	Ndundu	2	KCG
64	Juja farm disp	Thika	Komo	2	KCG
65	Kamunyaka disp	Thika	Gachege	2	KCG
66	Mataara disp	Thika	Mataara	2	KCG
67	Mbichi disp	Thika	Gatei(thika)	2	KCG
68	Munyuini disp	Thika	Munyuini	2	KCG
69	Ndarugu disp	Thika	Njahi	2	KCG
70	Ndundu disp	Thika	Ndundu	2	KCG
71	NYS yatta disp	Thika	Ngoliba	3	KCG
72	Approved school disp (kirigiti)	Kiambu	Township(kiambaa)	2	KCG
73	G.k prison disp (kiambu)	Kiambu	Ngegu	2	KCG
74	K.A.R.I disp	Kiambu	Kari	3	KCG
75	Kirigiti juvenile disp	Kiambu	Kiamumbi	2	KCG
76	Approved school thika disp	Thika	Komu	2	KCG
77	Coffee research station disp	Thika	Ruiru(thika)	3	KCG
78	GK prison s.t disp (ruiru)	Thika	Ruiru(thika)	3	KCG
79	GK prisons (thika) disp	Thika	Ruiru(thika)	3	KCG
80	GSU disp (ruiru)	Thika	Mugutha	3	KCG
81	JKUAT disp	Thika	Kalimoni	3	KCG
83	JOY town primary school disp	Thika	Biashara	2	KCG

SOURCE: KENYA OPEN DATA INITIATIVE META DATA: URL: https://www.opendata.go.ke/api/views/dhny-5b3u/rows.csv?accessType=DOWNLOAD.

Appendix III: Introductory letter



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OFFICE OF THE DEAN
FACULTY OF COMMERCE

18th May, 2016

TO WHOM IT MAY CONCERN

RE: RESEARCH UNDERTAKING - JOSHUA, WAMITHI MAINA – CM16/00016/11

This is to certify that the above named person is a bona fide student of Egerton University undertaking Masters in Business Administration programme offered at Nakuru Town Campus College. He has passed all the coursework examinations and the research proposal for the partial fulfilment of the requirement of the degree. The title of his research Proposal is ***"Effect of Implementation of Performance Contracting Practices on Organizational Performance: A case of Public Health Institutions in Kenya".***

The purpose of this letter is to request you to allow him to collect data from your organization.

This information and data thus given will only be for research purposes and will be treated with utmost confidentiality.

Any assistance accorded to him will be highly appreciated.

10 MAY 2016

Mr. Vincent Kipng'etich
Senior Admin. Assist.
for: **DEAN, FACULTY OF COMMERCE**

VK/man

"Transforming Lives through Quality Education"