

**FACTORS INFLUENCING IMPLEMENTATION OF PERFORMANCE CONTRACTS
IN PRIVATE WATER AND SANITATION COMPANIES IN KENYA**

BY

NJERU W. PAULINE

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Student Name: **NJERU W. PAULINE**

Reg, No. 14/00630

Sign.....

Date.....

I do hereby confirm that I have examined the master’s dissertation of

NJERU W. PAULINE

And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed

Sign.....

Date.....

Dr. Mary Otieno

Dissertation Supervisor

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ABSTRACT

Performance contracting is an agreement between an employer and employee which establishes general goals for the employees, sets targets for measuring performance and provides incentives for achieving these targets. The implementation of performance contracting has been going on in various ministries, parastatals and private companies in Kenya for the past two decades. Despite the fact that many organizations have adopted the performance contracting; most of organizations are yet to deliver exceptional performance as envisaged in the binding agreement between the organization and its employees. Therefore, organizations have had a plethora challenges in achieving the targets agreed upon during the time of signing the performance contracts due to unknown reasons. In this context Water companies have not been spared by these challenges. Top management staff in these organization have failed to explain why the agreed upon targets by the employees cannot be attained despite that enough resources are injected to the system. The study sought to investigate the factors influencing implementation of performance contracts in private water and sanitation companies in Kenya: A case of Embu water and Sanitation Company limited. The study specifically focused on establishing the effect of performance appraisal, employment training and work policies on implementation of performance contract in private water and sanitation companies in Kenya. This study was conducted through a descriptive study design and census sampling method with the population of the study being 137 employees of Embu water and Sanitation Company limited. Data was collected through administration of questionnaires to the respondent with the research instrument first being subjected to pilot study to test for its reliability and validity. Data analysis was conducted using SPSS with Pearson correlation and ANOVA statistics used to test the regression model. Data was presented through tables, frequencies, percentages and charts. The study was completed within one year starting January 2015. The study found that the implementation of performance contract in EWASCO is much effective. Performance appraisal affects the implementation of performance contracts in the Organization; training of employees affects the implementation of performance contracts in EWASCO; work place policies influence the implementation of performance contracting practices at EWASCO. The study deduces that performance appraisal system, staff training and workplace policies influence the implementation of performance contracting practices at EWASCO. The study also recommends that since performance appraisal system influences performance contracting, the management should devote more time and resources in enhancing the appraisal systems. The employees need to be trained frequently on aspects of performance contracting. The workplace policies in place should be enhanced to facilitate implementation and objectives of performance contract.

Keywords: Performance Contracting, EWASCO, Implementation, Water and Sanitation Companies

DEDICATION

I dedicate this research project to my late father, my loving mother, brothers, sisters and my fiancée for their patience and moral support while preparing this noble document.

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LIST OF ACRONYMS AND ABBREVIATIONS

AAPAM	African Association of Public Administration and Management
EWASCO	Embu Water and Sanitation Company Limited
GoK	Government of Kenya
KCA	Kenya College of Accountancy University
NPM	New Public Management
OECD	Organization for Economic Co-operation and Development
PC	Performance Contracting
PCD	Performance Contracting Department
USA	United States of America
WASREB	Water Services Regulatory Board
WSP	Water Service Provider

DEFINITION OF TERMS

For the purpose of this study the following terms will be applied as defined here below:

A contract is a legal agreement between two parties in which one party promises to perform some specific act or acts in return for a consideration of value for the other.

Employee is a person who is paid to work.

Employer is any person or organization who pays for the work done.

Factors are any of the things that cause or influence something.

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

Performance Contracting System is the coordination scheme of setting targets as well as measuring and evaluating the achievements of the targets set out for a given Ministry by the Government of Kenya.

Research design is defined as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to purpose with the economy in procedure.

Water and Sanitation Company is a legally registered institution offering water and sanitation services as per the requirements of the Water Act 2002.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The current world is characterized by several changes in technology, a more diverse workforce, ever changing government regulations, global competition, and the growing complexity of events in general. To keep at breast with these challenges, most institutions have made a commitment to provide a prompt and quality services to achieve organizational goals (GoK, 2010). In order to meet sustainable reforms and improvement in job performance it requires an accountable and effective leadership qualities in service delivery at all levels (Gok, 2004; Ochieng, 2010). (Armstrong and Baron, 2004; Ochieng, 2010).

According to Trivedi (2000) and Birech (2010) performance contracts point out the shared performance goals, targets and tasks which a given regime demands the civil servants and managers of public organizations to convene within a declared episode. Heskett (2006), states that the sole purpose of performance appraisals should be to drive better business results for the organization by making sure that the daily efforts of employees directly contribute to both their team's goals and the goals of the organization. In addition, performance is the other side of personal development.

Therkildsen (2001) posit that the performance contracting therefore involves highly structured procedures of evaluating results which he considers to be an extremely involving technical exercise on one hand and on the other hand a morale-boosting exercise for managers and staff. The performance contract does not usually go into resource appropriations which, although required for practically all resources, are automatic. He further suggests that members of staff are not sufficiently involved in drawing up contracts, a task which in spite of exhortations from central government is still rampantly the preserve of managers. In

management terms, this means that performance goals are all too often viewed as being imposed from above rather than from a collective thought process.

1.1.1 Concept of Performance Contracting

Performance contracting refers to a branch of management control systems which offer information that is aimed for managers in performing their jobs and to assist an institution in developing and maintaining viable patterns of behaviour (CAPAM, 2005). As part of performance management, performance contracting is a core element of new public management, which is a global movement reflecting liberation management and market-driven management (Poister *et al.*, 2014).

According to Wheeler (2001), Performance Contract contains a range of management instruments utilized to define responsibility and expectations between parties to achieve mutually agreed results. Performance Contracts represent a state-of-the-art tool for improving public sector performance (GoK 2004). Public sector reforms have become a common phenomenon around the globe, especially in developing countries as in meeting the requirements of the taxpayers. The practice is being used in many government institutions and non-governmental.

George, (2004) states that performance of any entity can be approached from different perspective that include but not limited to; personnel, technical, political and social contributions. All these components of performances in a company contribute to the economic position which is reflected by the performance report of respective organisations. He further found that, an entity which has best performance from all its departments usually optimizes the monetary value in terms of returns to resources (Capital) employed. Therefore, economic performance indicates all other performances hence the need for preparation of performance reports during the year and the financial statements at the end of every financial year.

Performance contract include both monetary and non-monetary motivators. It includes clear definition of the assignment, data collection and performance. A contract is a legal agreement between two parties in which one party promises to perform some specific act or acts In return for a consideration of value for the other (Chabbra, 2005). He claimed that every contract as a performance of a promise as its essence, and most contracts contain specific redress to cover performance. Performance contracting is not a novel concept since for centuries, people have been rewarded according to their performance, according to the effort they expend, or the results they produce.

Currently, many organizations are opting for performance contracting rather than permanent employment (Lienert, 2003). They contract competent personnel to ensure effective and efficient achievement of set targets. Employing on contract basis includes outsourcing where firms get agencies or consultants to carry out at least the preliminary work of submitting suitable candidates or drawing up a short list (Lienert, 2003). According to Armstrong (2004), it beats logic how a short time work can be permanent to require permanent employees. Employees are living in a dynamic world where changes especially in technology are a must and there are a lot of advancements such that where need arises in an organization of a specialist due to a certain technological change, then the person required is hired on contract.

Chabbra (2005) provides a case where a lecturer can lecture in one college at a specific time and attend other lessons elsewhere at different times. This helps greatly in improving ones skills due to much experience. It also influences freedom and gives people responsibility for determining their own working systems. In contract employment, many things are included. It includes the issue of training since it determines the degree to which one will be satisfied by a job and hence how effective his or her performance is. Where one is not well trained, he or she

feels endangered and this may bring dissatisfaction hence poor performance due to stress (Onunga, 2002).

The issue of motivation is also regarded to ascertain to what level the employees on contracted employment motivated, and how does this influence their performance. It is from the above background that the researcher having done Human Resource Management will know how effective contractual employment is based onto performance of employees on this type of employment. It is in line with managerial expectation of achieving set goals and objectives that is performance.

1.1.3 Embu Water and Sanitation Company Limited

A water and sanitation company is a legally registered institution offering water and sanitation services as per the requirements of the Water Act 2002. According to the final report, 2008 of Ministry of Water and Irrigation (MWI), other institutions that offer water services include organised and licensed community based projects and some non-governmental organizations. For a company to grow, it requires human capital (Water Regulatory Board (WASREB), Reports, (2012) expects the top management employee to work under performance contracting over specific period of time, while operational employees to work under performance contracting but on permanent basis.

Embu Water and Sanitation Company (EWASCO) is a public sector organization, mandated to provide water and sanitation services to Embu Municipal Council and its environs. EWASCO is currently the third best water provider company in Kenya as per WASREB rating of 2010. EWASCO has attracted funding from JICA (Japan International Corporation Agency). Worth Kshs. 2.5 billion and the project is currently on going, and it has also attracted funds from World Bank to the tune of Kshs. 200 million for construction of sewerage infrastructure. The

Kenya government has been increasingly concerned with the provision of clean water and sanitation services.

The Company is out on water reforms which have called for developing infrastructure and structures management, that will achieve greater efficiency and more responsiveness to public needs. There has been a rapid shift in economic, social and environmental endeavor's the world over; more so due to globalization and enhanced public awareness of civil rights and obligations with regard to governance and public service, and thus the role of public sector has evolved from the regulator/provider to one that secure welfare of every member in the society.

EWASCO Limited is committed to ensuring compliance with the Provision of Water Act 2002 among other regulatory and supervisory corporate governance. Essential to the establishment of a good governance structures designed to ensure accurate reporting to the board to facilitate an informed decision making process assessment and improvement (EWASCO Newsletter, 2009). EWASCO Limited has a composition of Board members, board committees; these are, finance and administration committee, technical planning and strategy committee and audit committees. All these committees are charged with the responsibility of ensuring effective and efficient service delivery to the targeted clientele in terms of water and sanitation services.

The audit committee of the board of directors assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and reporting practices of the company, and such other duties as directed by the Board. In this regard, internal auditors play a vital role in promoting accountability and efficient management (governance) through the financial compliance and performance evaluation audits and risk identification. Consultation with management and promoting economic growth is another role of

audit therefore providing efficient and effective use of resources in the company as well as supporting the public services towards result-based performance (Atak, 2004).

1.2 Statement of the Problem

Performance contracting has attracted attention of researchers in the recent past years, (Wheeler, 2001; Gathai, Ngugi, Waithaka and Kamungi 2012). According to Armstrong and Baron (2004) the general public is keener on quality, quick and timely services from the government thus making the public institutions to be more vigilant on these variables. According to Veronica (2008) performance contract is affected positively and negatively by the motivation of employees and that political interference impacts on the process and implementation of performance contract.

Performance contracts have been put in place in many government organizations as a means of improving organizational performance a culmination of public service reforms agenda. It has been twelve (12) years since the enactment of Water Act, and in compliance with this Act, many Water Companies were formed. The Water Services Regulatory Board (WASREB) gave the WSP mandate to employ and evaluate top management through performance contracts (WASREB reports 2003). However, ever since the introduction and implementation of performance contracts, performance has not significantly achieved the desired levels of envisaged performance.

Public organization continue to suffer loses and financial unsustainability. The water companies (WSP) are no exceptions since the performance and financial status has continued to deteriorate despite introduction of performance contracts among the management cadre (WSP Financial Report 2014), leading to stress due to fear of losing the job based on non-performance. (Mbua, 2013).

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

A conceptual gap therefore exists regarding the factors influencing implementation of performance contracts among the private water and sanitation companies in Kenya. However, the purpose of this research was determining the factors that influence implementation of performance contracts in WSP with special reference to Embu water and Sanitation Company limited. The study will seek to determine the influence of Workplace policies, employee training and performance appraisals on implementation of performance contracts.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to assess the factors influencing implementation of performance contract in private water and sanitation companies in Kenya.

1.3.2 Specific Objectives

- i) To establish the effect of performance appraisal on implementation of performance contract in private water and sanitation companies in Kenya.
- ii) To determine the effect of employee training on implementation of performance contract in private water and sanitation companies in Kenya.
- iii) To determine the extent to which work place policies affects implementation of performance contract in private water and sanitation companies in Kenya.

1.4 Research Questions

The study was guided by the following questions

- i) How does performance appraisal affect implementation of performance contract in private water and sanitation companies in Kenya?
- ii) How does employee training affects implementation of performance contract in private water and sanitation companies in Kenya?
- iii) To what extent does work place policies affects implementation of performance contract in private water and sanitation companies in Kenya?

1.5 Justification of the Study

In Kenya a lot of research has been going on concerning the implementation of the performance contracting in various organizations however no research has been done on factors influencing implementation of performance contract in private water and sanitation companies. Most of Water companies in Kenya have suffered a great deal due to ineffective leadership that lack the knowhow of implementation of performance contracting. More so the leader is not aware of the factors that influence the implementation of PC. Therefore this led to a study gap that require urgent attention to salvage water companies from dwindling by ensuring there is proper implementation of the PC hence leading to employer-employee satisfaction in the company.

This study would provide the assurance about the contribution of auditing function to the corporate governance so as trust and assurance of quality of service delivery to prevail. This would lead to good governance that would strengthen the relationship between water providers and the other stakeholders.

The water bodies shall use this study to make their policies that would ensure all water provider organizations have a fully developed internal audit function. In any employment relationships which refers to the interconnections that exist between employers and employees in

the workplace. As long as one is an employee, he or she automatically has a contract of employment as soon as one accepts a job offer. Many private water companies in Kenya employ on both performance contracting and on permanent based on performance, the two type of contracts differs on that one contract takes a certain period of time while other one takes up to retirement although regularly evaluated.

For performance contracting to be successful it requires the strategic managers to analyses the factors which influence performance as some works as a tool to success. From the view adopted by many organizations to adopt performance contractual employment, then the study justified in the sense that it intends to assess the employment relationship that would highly influence the performance of employees in the contractual employment.

1.6 Scope of the Study

The study was carried out in Embu Water and Sanitation Company Limited. The reason being that it is one of the largest water services providing company which provides services to more than half of Embu County and among the largest in Kenya. Embu Water and Sanitation Company limited covers 997km². It has one hundred and thirty (137) employees inclusive the cooperate mangers. The key informants were the management staff whose contracts are both under performance contract for specific period and performance contracting on permanent basis.

1.7 Limitations and Assumption of the Study

1.7.1 Limitation of the study

The case study was limited to the employees of Embu water and Sanitation Company Limited. There were several companies in Kenya providing water and sanitation services, and more so at least each county has a company providing water and sanitation services. However, the research findings could be used as a basis for further research in the performance contracting field.

It was difficult to convince all managers to fill the questionnaires fears being the type of contract one maybe engaged on. Not all respondents would be willing to participate in the research for some felt that they might be hindrance, but the researcher assured the employees of confidentiality. The method of data collection used by the researcher (descriptive) was biased in its seeking solution targeted and thus exposing a biased characteristic of the study.

The researcher had the limitation of time value since the research was conducted within the time frame of three months. There was less said about factors influencing effectiveness of performance contracting hence less literature was expected, as many researchers focused on implementation of performance contracting in public sector.

1.7.2 Assumption of the Study

The study assumed that:

1. Respondents would give honest, detailed and accurate answers to the questions posed to them.
2. The employees of EWASCO were aware of what is performance contracting in their organization.
3. Some performance contacting policies exist in EWASCO.
4. There would be enough time for the study in EWASCO.

1.8 Significance of the Study

This study would provide critical information to various stakeholders in the corporate world including:

1. Management would discover the importance of the role of internal auditing function in their organizations.
2. Management would be able to re-assess its position in giving prominence to the function of internal audit.

3. Management would rely on this research to strong internal audit department is worthwhile.
4. Shareholders would use the information attested by the internal auditor to evaluate the Performance of the company. They would want to rely on internal audit reports which are regular than relying entirely on external audit report which comes once a year and is based mainly on historical aspect of transactions rather than current and the near future expectations. Future researchers and academic scholars could use the findings of this study as a base on researching on the internal auditing.
5. Internal Auditors: The study contributes significantly to the internal auditing debate. The internal auditors may understand their role in organizations and the challenges they are likely to face as they carry out their roles. Internal auditing provides assurance to the external donors, regulatory bodies, the government and policy makers. The study would provide the assurance about the contribution of auditing function to the corporate governance so that trust and assurance of quality of service delivery. Good governance would strength the relationship between water providers and the other stakeholders. These bodies can use this study to make it a policy that all water provider organizations must have a fully developed internal audit function.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with review of works related to the factors influencing effective implementation of performance contracts in private water and sanitation companies in Kenya. This chapter reviews literature which is related to the study based on the key thematic areas such as the theoretical review, which focus on three theories, principal agent theory, rational contract theory and incentive theory. The empirical review is concerned with the discussion of variables: performance appraisal, employee training and workplace policies. The other sections covered here are knowledge gap, conceptual framework and the operationalization of the variables.

2.2 Theoretical Framework

The study is based on three theories namely Principal agent theory, rational contract theory and incentive theory.

2.2.1 Principal Agent Theory

The theory is based on the premise that both the principal and the agent want to maximize benefits. The agent will try and set targets that minimize risk of not attaining targets. The principal has to design a contract that is attractive to the agent while maximizing benefits for the principal (Sengooba, 2010). The key question in the theory is how the principal (shareholder) can control the actions of the agent (bureaucrats) to ensure they act in his best interest?

When applied to public sector, Performance contracting becomes a noble tool that is utilized by citizens to hold public officials accountable and consequently elected officials employ it to hold the bureaucrats accountable (Larbi, 2010, Ochieng, 2010). Ayee (2008) and Petri (2002) argue that PC is based on the Principal agent theory. There are different principal agent relationships in implementation of PC.

In the context of public service, in the first instance, the citizens act as the principal while the political class act as the agent. To maximize their chance of re-election, the politicians have a contract with the citizens to fulfil the campaign promises. However, the political class does not provide services to the citizenry directly. This is done through institutions that are headed by appointees of the political class who then assumes the role of principal while the bureaucrats become the agents. The politicians have an interest in re-election and hence have to meet their part of the bargain to secure it while the bureaucrats are motivated by the prestige and benefits accruing from continued occupation of office (Petrie, 2002).

2.2.2 Relational Contract Theory

Relational Contract Theory is a theory that was coined by Iain MacNeil in 1998 in the U.S.A. in the past two decades and it has been applied in theoretical research in common law jurisprudence ever since (Michael, 2010). MacNeil suggested that the Relational Contract Theory contrasts legal formalism to a certain extent and is anchored on the assumption that all the contracts can fall along a relational range from discrete to mere transaction or to highly relational, although no relation can be totally separated from relational elements; the separation of the contract from a relational context and the complete and exact planning of the relationship ex ante (presentation), although having a great importance for contracts law, cannot explain totally modern contractual relationships.

Highly relational contracts are these, the effect of which is strongly based on a specific social and economic context, on an ongoing relation (usually of trust) between the parties, which influences the scope and content of the contract (Therkildsen, 2001). He stated that this entire context that “hides” behind the contract may help people understand and explain the contractual content.

Michael (2010) reported that some notable points of the theory is the effect of constant renegotiation, the resolution of conflicts between the parties, the interaction between agents in modern business contracts (as the contracted parties are mostly companies governed by agents), the importance of the concept of the “exchange” as the terminus for modern contracts and of course the contractual norms. According to relational contracts theory, relations are governed by a set of common characteristics (norms) that play an important role, regarding the content of the relation, the formation of parties’ obligations and the actual operation of the contracts. These norms are based on a set of internal values and the broad context social and economic factors, related to the relation.

According to MacNeil (1998), there exist ten norms common for all kinds of contracts: role integrity, reciprocity, implementation of planning, effectuation of consent, flexibility, contractual solidarity, the ‘linking norms’ (restitution, reliance and expectation interests), creation and restraint of power, propriety of means and harmonization with the social matrix¹. There are also five norms (additional or the same as these of common contracts), responding in an intensive way to contracts with a highly relational character than conventional contracts: role integrity, preservation of the relation (expansion of contractual solidarity), harmonization of the relational conflict, supra-contract norms and propriety of means.

Other scholars, such as Austen-Baker (2010), although supported the concept of norms, proposed simpler and more comprehensive norms models. Relational contracts theory, according to Michael (2010), can comprise among its other scopes a valuable tool, in order to describe and explain the operation and the content especially of the contracts, which could be defined as highly relational. More so, it seems quite interesting to try to apply this theory to a specific kind

of relation. This research is designed to test the application of the norms theory to performance contracts' duties in determining performance of employees.

2.2.3 Incentive Theory

This is a theory anchored on manipulation of the employee psychology by the employer. Incentive theory in psychology treats motivation and behavior of the employee by influencing his or her beliefs, such as engaging in activities that are expected to be profitable Gore (1996). A reward, tangible or intangible, is provided after the occurrence of a behavior with the aim of causing the behavior to reoccur (Hope, 2001). This is done by associating positive meaning to the behavior. Previous studies on the effect of rewards to employee performance have indicated that if the person is given the reward immediately, the effect is greater, and that the effect decreases as time elapses (Lane, 1987; Lienert, 2003; and Lings, 2004).

Repetitive action-reward combination can cause the action to become a habit. Positive reinforcement is demonstrated by an increase in the future frequency or magnitude of a response due to in the past being followed contingently by a reinforcing stimulus. Negative reinforcement involves stimulus change consisting of the exclusion of an aversive stimulus following a response. Positive reinforcement involves a stimulus change comprising of the presentation or magnification of an appetitive stimulus following a response.

From this perspective, motivation is achieved by environmental events, and the concept of distinguishing between intrinsic and extrinsic forces is irrelevant. According to Stucker (1971), performance contracting is not a novel concept. For centuries people have been rewarded according to their performance, which is according to their effort they make or the results they produce.

2.3 Empirical Studies

This section concentrates on the studies done in relation to the area of study, of factors influencing implementation of performance contracts private water and sanitation in Kenya, in particular it has captured relevant studies done in relation to three variables, performance appraisal, employee training and work place policies on factors influencing implementation of performance contracts.

Performance management process typically involves four main stages namely work plan management, skills development, performance monitoring and evaluation, and rewarding of outstanding performance. The performance aspect of the plan obtains agreement on what has to be done to achieve objectives, raise standards and improve performance. In terms of skills development, the staff member and the manager identify and agree on the training requirement, development and information needs of the staff member to meet their performance which on a large extend would meet the business needs. This includes selecting options and the development of an action plan to access the opportunities identified (Armstrong, 2006).

Similarly, under performance monitoring, the staff member provides regular feedback to the manager on their progress towards the achievements of the agreed performance objectives. The manager provides regular formal and informal feedback on their assessment of the staff member's achievements.

2.3.1 Performance Appraisal

According to the study carried out by Kinanga and Partoip in 2013 on the linkage between employee productivity and participation in target setting, they unravelled 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 very important in any organization in ensuring greater

transparency and accountability. Nzuve and Njeru (2013) in their study on Performance contracting in Nairobi County in Kenya discovered that 82% of the employees believed that stakeholders were not been involved in performance contracting.

Hope (2001) in her study on PC points out that performance contracts spell out the mutual performance responsibilities which the government obliges civil servants and other officials in the management of institutions to meet in a given period of time. According to the study of Choke (2006) on the perceived link between strategic planning and performance contracting in state corporations in Kenya, he found out that most managers perceive PCs as a management tool useful in achieving set targets. Kiboi (2006) on the other hand studied the management perception of performance contracting in state corporations and achieved similar results.

Korir (2005) also studied the impact of performance contracting at the East African Portland Cement. His study found that in the presence of PCs there is a corresponding improvement in performance.

2.3.2 Training of Employees

Presently companies in Kenya are forced to function in a world full of change and complexity, and it is more important than ever to have the right employees in order to survive the surrounding competition. New companies and business are coming up every day, new technologies are constantly being innovated and the knowledge and perception of how much your employees actually matters to your organization is rising every day. This has compelled most of the companies to look for the right expertise in different areas, and human resources are therefore an important competitive factor that needs to be taken into consideration while

managing business (Ljungberg and Larsson, 2005). For this most of the companies arrange training and developments for their employees.

Organizations have to balance both production effectiveness as well as efficient workforce to be successful. Even though a company has managed to find the right employees, this is not enough. A crucial factor is to make employees best and reduce the turnover rate. Hameed and Waheed (2011) stated that employees are essential elements for an organisation and cannot achieve the company's objectives without training, trainings develops employee performance along with skills and competencies. However, training is visualized as a helpful way to deal with the changes cultivated through technology advancement and innovation.

Khan (2012) illustrates that among all factors such as technology, innovation, behaviour of management and work environment, there is a huge impact of training on the employee performance. In some cases, it may be difficult to identify concrete outcomes or results for a service. For example, training and education services might be provided with the goal of disseminating information and modifying people's behavior, however, it may be difficult or impossible to track participants and determine whether the training helped people to think and act differently. In these cases, the development of or output measures such as the number of people served or the number of training sessions or outcome measures to evaluate the impact of the training effort such as pre/post test scores should be developed. If a department is unable to identify performance outcomes for a specific service type, a meeting with head of the section and other departments may be useful to stimulate new ideas and share best practices (Korir, 2005).

2.3.3 Work Place Policies

Every organization to experience economic growth or to achieve good returns on investments, requires a matching workforce-development and workplace-innovation strategy. Labels used to

describe research on this relation include high-performance work systems, high-commitment work systems, high-involvement work systems and high-performance human resource management. According to Appelbaum, Gittell and Leana (2011) study this is called the common thread within the workplace innovation, aimed at achieving and sustaining high levels of performance in an organization. This to be realized, the organization requires a positive workplace environment and practices that develop and leverage employees' knowledge and ability to create value.

Workplace innovations are complementary to “technological” innovations and, sometimes even refer to all non-technological innovations within organizations. Non-technological innovation is a broader concept, including also dynamic management, new marketing practices and external collaboration (Pot, 2011). Organizational performance, measured as a combination of an increase in turnover, profit and labour productivity during the last two years, was significantly better in organizations with more activities in workplace innovation. This is also the case for the four different aspects of social innovation. Employers in workplace innovative companies were more content with the terms of employment and HR practices in their organizations, compared to those in non-innovative organizations (Pot, 2011).

Kobia and Mohammed (2006) carried out a study on the successes and challenges of implementing performance contracting in Kenya. The survey was conducted among senior public service course participants at Kenya Institute of Administration. Primary data was collected using a questionnaire administered to a sample of 280 senior public service course participants at the Kenya Institute of Administration. The course participants were selected since they were key in the implementation of performance contract in the Kenyan government ministries and agencies. The study established that performance contract led to improvement of

performance, efficiency and effectiveness in service delivery through a transparent and accountable system.

2.3.4 Implementation of Performance Contract

The study conducted by Uusikyla and Virtanen (1999) on performance contracting in Finland disclosed that PC resulted into some benefits that accrued into the organization due to enhanced harmonization of state institutions and the parent ministry in strategic planning and budget practice. In a study of Mauritius, Chittoo (2009) established that there was a complexity of communication in the public service with each ministry implying that performance contracts in many countries in Africa might not have had meaningful impact on communication between institutions.

In addition the research carried out by Kobia and Mohammed (2006) revealed that most employees in public service had not signed individual performance contract. Later studies have also shown different outcomes; For instance the research carried out by Letangule and Letting in the year 2012 on PC implementation at the Ministry of Education in Kenya found out that there is need to integrate of PC and departmental work plans for good results to be obtained.

More so the study Gakure, Eliud and Karanja (2008) established that at Kenya Civil Aviation Authority, 56% of employees had signed a performance contract. In another study at Maua Municipal Council in Kenya by Kariuki (2011), the level of employee contribution in PC was found to be 59% which was similar to a later study at Teachers Service Commission in Kenya by Gatere, Keraro and Gakure (2013) where employees were found to have individual contracts that were interlinked with departmental work-plans and institutional PC targets. These findings show that PC has to a great extent been cascaded to the lower levels. However, research

comparing PC combination in different sectors or between line ministries and state corporations ought to be undertaken to validate the findings since most are based on single entities.

The study of Gore (1996) recognizes the importance of performance contracting in that he admits that in the United States federal government, performance contracts are in one way or the other changing the way many bosses do their jobs. He believes that many managers have changed their attitude towards workers, which in turn has encouraged innovation and good customer service. On the other hand, Hill and Gillespie (1996) argue that performance contracting is expected to increase accountability because clear and explicit managerial targets, combined with managerial autonomy and incentives to perform, make it easier to establish the basis for managerial accountability and to achieve outputs.

Therkildsen (2001) speculates that performance contracts if well executed increase political accountability by making it easier for managers to match targets with political priorities. Politicians can, in turn, hold managers accountable for their performance as being witnessed in many developing nations. This would include selecting options and the development of an action plan to access the opportunities identified

2.4 Knowledge Gap

In Kenya less studies has been done on factors influencing implementation of performance contracts, a study by Choke (2006) studied the perceived link between strategic planning & performance contracting in state corporations and found that most manager perceive PCs as a management tool useful in achieving set targets. Kiboi (2006) on the other hand studied the organization insight of routine contracting in state corporations and achieved similar results. Korir (2005) also studied the impact of performance contracting at the East African Portland Cement. His study found that in the presence of PCs there is a corresponding improvement in performance.

A conceptual gap therefore exists regarding the factors influencing implementation of performance contracts among the private water and sanitation companies in Kenya. However, the purpose of this research is to determine the factors that influence implementation of performance contracts in WSP with special reference to Embu water and Sanitation Company limited.

The study sought to determine the influence of Workplace Most of Water companies in Kenya have suffered a great deal due to ineffective leadership that lack the knowhow of implementing performance contracting. More so the leader is not aware of the factors that influence the implementation of PC. Therefore this has led to a study gap that require urgent attention to salvage water companies from dwindling by ensuring there is proper implementation of the PC hence leading to employer-employee satisfaction in the company.

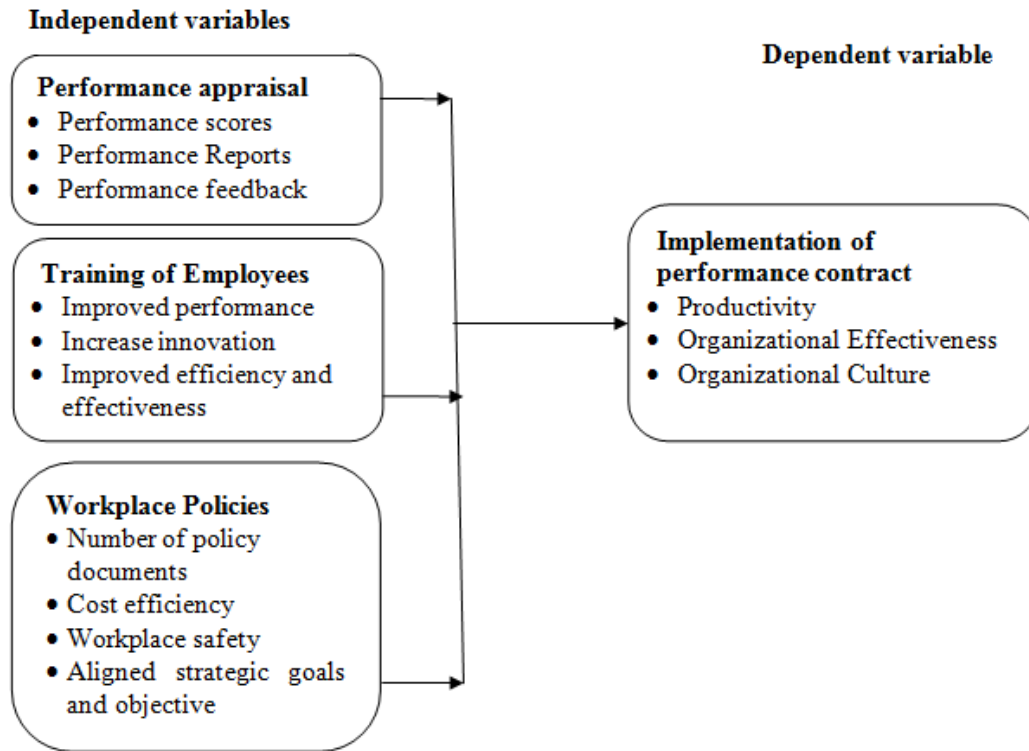
This study sought to provide the assurance about the contribution of auditing function to the corporate governance so as trust and assurance of quality of service delivery to prevail. This is to ensure good governance that will strength the relationship between water providers and the other stakeholders. Then the water bodies shall use this study to make their policies that will ensure all water provider organizations have a fully developed internal audit function.

2.5 Conceptual Framework

A conceptual framework is a tool researcher's use to guide their inquiry; it is a set of ideas used to structure the research, a sort of a map (Kothari, 2004). Therefore it is the researcher's own point on the problem and direction of the research. As shown in figure 1, the independent variables include performance appraisal, employee training and work place policies. The dependent variable was implementation of performance contract.

FIGURE 1

Conceptual Framework



Source: Author (2015)

2.6 Operationalization of Variables

The study aims to investigate the analysis of factors leading to effective implementation of performance contract in water companies in Kenya a case of Embu water and Sanitation Company limited in Embu County. The independent variables are, performance appraisals, training of employees, workplace policies. The Dependent variables are effective implementation of performance contracts, and the moderating variables are type of Leadership, values and communication style. The following operationalization table gives the insight on how various variables were measured, analyzed and conclusions drawn.

TABLE 1**Operationalization of the Study Variables**

Objective	Variable	Indicator	Measurement
To establish the effect of performance appraisal on effective implementation of performance contract in private water and sanitation companies in Kenya.	Performance appraisal	Performance scores Performance Reports feedback	Ordinal scale/
To determine the effect of employee training on effective implementation of performance contract in private water and sanitation companies in Kenya.	Training of employees	Improved performance Increase innovation Improved efficiency and effectiveness	Ordinal scale
To determine the extent which work place policies affects the effective implementation of performance contract in private water and sanitation companies in Kenya.	Workplace policies	Number of policy documents Cost efficiency Workplace safety Aligned strategic goals and objective	Ordinal scale

Source: Author (2015)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This section presents the procedures that were used to conduct the study. The section focuses on research design, target population, sample and sampling procedures, research instruments, data collection and data analysis procedures.

3.2 Study Area

The location of this study was at Embu Water and Sanitation Company Limited, which covers an area of 997 KM². The company is situated in Embu County within Embu Municipal Council. However the study only targeted the employees of EWASCO and not the service consumers of the company.

3.3 Research Design

A research design is defined as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to purpose with the economy in procedure. According to Berg (2001) a research design refers to a road map used for planning when undertaking a research study. He points out that it aims at visualizing and imagining how the research is undertaken, the type of data to be collected, how it is collected and how much it costs the researcher. It therefore enables the researcher to obtain relevant data from which he or she is able to draw conclusions. While agreeing with this definition, Orodho (2005) defines it as the Scheme, outline or plan that is used to generate answers to research problem. This study employed a descriptive survey design. Thus, this approach was appropriate for this study as it would help to describe the state of affairs as they exist without manipulation of variables which is the main aim of the study.

Descriptive designs are used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification (Orodho, 2012). On the other hand, in order to maintain these occurrences, descriptive survey is preferred because it makes enough provision for the protection against bias and maximizes reliability of the evidence collected (Kothari, 2004). This design helped the researcher to study the situation as it is since the independent variables cannot be manipulated. In this study, the design assisted in analysis of both the quantitative and qualitative data since the researcher used a semi-structured questionnaire to collect the data.

3.4 Target Population

Bryman (2008) define a population as the total collection of elements about which the researcher wishes to make some inferences. Mugenda and Mugenda (2003) defined population as an entire group of individuals, events or objects having common observable characteristics. It is the group, or the individual to whom the survey applies, the element of population whom the study seeks response from in relation to the research question.

The target population for this study comprised of 137 employees of Embu Water and Sanitation Company Limited. The study focused all employees of Embu water and Sanitation Company limited. This formed a cross section of people who were involved in the implementation of performance contract in private water and sanitation companies in Kenya.

To investigate the factors influencing implementation of performance contract in private water and sanitation companies in Kenya, the study must take into consideration the fact that staff members of the state corporations are quite significant to elicit information on factors influencing implementation of performance contract in private water and sanitation companies in Kenya. Mugenda and Mugenda (2008) explain that the target population should have some observable characteristics, to which the study intended to generalize the results of the study.

3.5 Data Collection Instrument

Data collection instrument is used in research to refer to a device that specifies and objectifies the data collecting process, instruments are normally written and may be given directly to the subject to collect data or may provide objective description of the collection of certain types of data (Macnee and McCabe, 2006). According to Mugenda and Mugenda (2003), a researcher needs to develop instruments with which to collect data. The study used a questionnaire to collect primary data, while secondary data was obtained from companies annual reports. Questionnaires are a series of written questions on a topic about which the respondents' opinions are sought. A drop and pick method was used to administer the questionnaire. Leedy et al., (2001) observe questionnaire enables the researcher to focus on areas of importance and which address the research directly.

Questionnaires pose several advantages including, information can be collected from a large sample and diverse regions, confidentiality is upheld through questionnaires, they save time, since they were presented in paper format there is no opportunity for interviewer bias, convenience for respondents, no interviewer variability and absence of interviewer effects. The questionnaires that were applied during the study had open ended and closed ended questions all briefly stated and well-focused in recognition of the busy schedule of the participants. The structured questions were close ended with alternatives from which the respondent is expected to choose the most appropriate answer.

Open ended and closed ended questions as well as structured and unstructured were used in the questionnaire. Structured questions reduce data collection time while unstructured questions encourage the respondent to give in depth responses thereby enhancing quality of data collected (Cooper and Schindler, 2008). The study administered the questionnaire individually to all respondents of the study. The study exercised care and control to ensure all questionnaires

issued to the respondents are received and to achieve this, the study maintained a register of questionnaires, which were sent and which were received. The questionnaire was administered using a drop and pick later method.

3.5.1 Validity and reliability of Research Instruments

According to Cooper and Schindler (2003) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which was employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept.

Mugenda and Mugenda (2003) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field. To establish the validity of the research instrument the researcher sought opinions of scholars and experts including the supervisor at EWASCO. This allowed modification of the instrument thereby enhancing validity. Furthermore, the study assessed the responses and non-responses per question to determine if there was any technical dexterity with the questions asked. In regard to content, the validity was established by consulting an experienced researcher, who assisted to improve the instruments.

According to Eriksson and Kovalainen (2008), reliability, is the extent to which a measure, procedure or instrument yields the same result on repeated trials. Mugenda and Mugenda (2003) define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. In order to test reliability in research, three methods are widely used which are the ‘test re-test’ method, the ‘split-halves’ method and the ‘internal-consistency’ method. The researcher used the test – retest method to measure the degree

of reliability of instrument, the researcher conducted a similar test with a similar group at EWASCO after two weeks to find out if the results were the same or almost the same.

Then internal consistency method was tested using Cronbach's Alpha. Cronbach's alpha which is a measure of internal consistency, that is, how closely related a set of items are as a group. A "high" value of alpha is often used as evidence that the items measure an underlying (or latent) construct. Reliability with a predetermined threshold of 0.7 is considered acceptable. That is, values above 0.7 indicated presence of reliability while values below signified lack of reliability of the research instrument. The researcher conducted a pilot study in a different organisation offering the same type of products and services. The respondents that participated in the pilot study were not part of the actual study.

3.6 Data Analysis

Data from the field is voluminous and cannot be absorbed. It has to be put in the form that an average mind can understand and make sense of (Chadran, 2004). Once the questionnaires were collected from the respondents, the researcher checked them for incomplete error, then code and eventually enter the data into Statistical Package for Social Sciences (SPSS). Data collected from the respondents was quantitative in nature. In analyzing the data collected, descriptive statistics methodology was utilized.

The quantitative data that was obtained from the questionnaires was coded and keyed into statistical package of social science (SPSS) analysis software. SPSS is computer software that makes it easy to analyze the distribution and frequency of data. Qualitative data was analysed by use of descriptive statistics such as percentages, means, mode and standard deviation. Data will be presented in the form of frequency distribution tables, graphs and pie charts to facilitate description and explanation of the study findings. Tables and figures were used to summarize responses for further analysis and facilitate comparison. This generated quantitative reports

through tabulations, percentages, and measure of central tendency. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons.

Further, the research employed a multiple regression model in analyzing factors influencing implementation of performance contracting in Water and sanitation Companies in Kenya. Regression analysis is a statistical tool for the investigation of relationships between variables. Usually, the investigator seeks to ascertain the causal effect of one variable (independent variable) upon another (dependent variable). The researcher also typically assesses the statistical significance of the estimated relationships, that is, the degree of confidence that the true relationship is close to the estimated relationship. The regression equation will be:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \alpha, \dots \dots \dots (i)$$

Where:

Y is the dependent variable (Implementation of performance contract)

β_0 is a constant

β_1 , β_2 , and β_3 are regression coefficients representing the condition of the independent variables to the dependent variables.

X_1 is performance appraisal

X_2 is employee training

X_3 is work place policies.

α - Error term explaining the variability of quality of service as a result of other factors not accounted for.

The error term is normally distributed about a mean of 0 and for purposes of computation ϵ is assumed to be 0. The equation was solved by the use of statistical model where SPSS will be applied. This offered a quantitative and qualitative description of the objectives of the study.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter contains the data analysis, presentation and interpretation of the results of the study as set out in the research methodology. The aim of this study was to assess the factors influencing implementation of performance contracts in private water and sanitation companies in Kenya: A case of Embu Water and Sanitation Company limited. The raw data was collected using a questionnaire and intensive analysis was done in order to accomplish the study. Proper analysis assisted in making comparisons of the different reactions from the responses which guided in the formulation of the conclusion and recommendations. To enhance quality of data obtained, both the structured and unstructured questions were included in the questionnaire. The data obtained was fed into SPSS version 21.0 and used to compute the proxies used to measure the factors influencing implementation of performance contract in private water and sanitation companies in Kenya with specific focus of Embu Water and Sanitation Company limited.

The results are presented in the form of summary tables, charts and graphs, Further a regression analysis is used to answer the research objective and to establish the strength of the relationship between the variables. Interpretations of these results are presented in graphical form, tables and prose form to enhance great usability. They are outlined in line with the research objectives such as: to establish the effect of performance appraisal on implementation of performance contracts in private water and sanitation companies in Kenya; to determine the effect of employee training on implementation of performance contract in private water and sanitation companies in Kenya and to determine the extent to which work place policies affects implementation of performance contract in private water and sanitation companies in Kenya.

4.2 Response Rate

Response rate refers to the extent to which the final data set includes all sample members and is calculated from the number of people with whom questionnaires were completed divided by total number of people in the entire sample. This study involved 137 employees of Embu water and Sanitation Company limited who were involved in the implementation of performance contract in the Water and Sanitation Company. The responses obtained from the study are summarized in the Table 2 below.

TABLE 2
Response Rate

Response	Frequency	Percentage
Responded	108	78.8
Not responded	29	21.2
Total	137	100.0

Source: Author (2015)

From the study, 108 out of 137 sampled respondents filled in and returned the questionnaire contributing to 78.8%. This was possible because the researcher was given a chance to meet employees on a staff meeting whereby she was able to explain to them the need and the important of their participation in the study, the urgency and reasons of the study. As a result the study was able to get over 60% questionnaires returned the same day and the rest within two days with several follow-ups using phone calls.

This response rate was good and it conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The questionnaires that were not returned were due to reasons like, the respondents were on annual leave and others were on off days since they are shift workers. The response rate demonstrates a willingness of the respondents to participate in the study.

4.3 Demographic Information

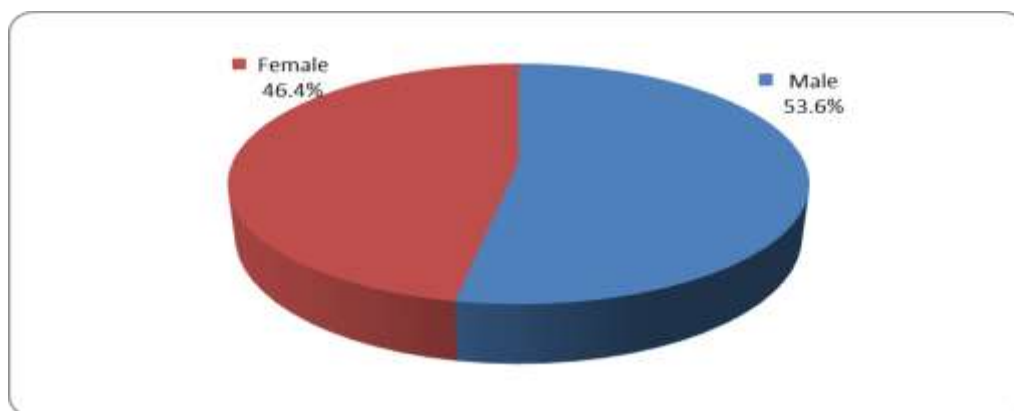
The research instrument collected various information to help in creating a general demographic profile of the respondents. Below is a discussion of these factors.

4.3.1 Gender of Respondents

In this study the respondents sampled were expected to comprise both male and female staff working in Embu water and Sanitation Company limited. The question of gender was considered important in the study primarily because it could help the researcher get a balanced view from both sexes. According to the results shown in Figure 2, majority (53.6%) of the respondents were male while 46.4% of them were females.

The findings show that Embu Water and Sanitation Company Limited is gender sensitive; however male are slightly more than the female staff. The findings implies that the views expressed in these findings are gender sensitive and can represent the opinions of both genders as regards to the factors that influence effectiveness of performance contracting in Embu water and Sanitation Company limited.

FIGURE 2
Gender of the Respondents



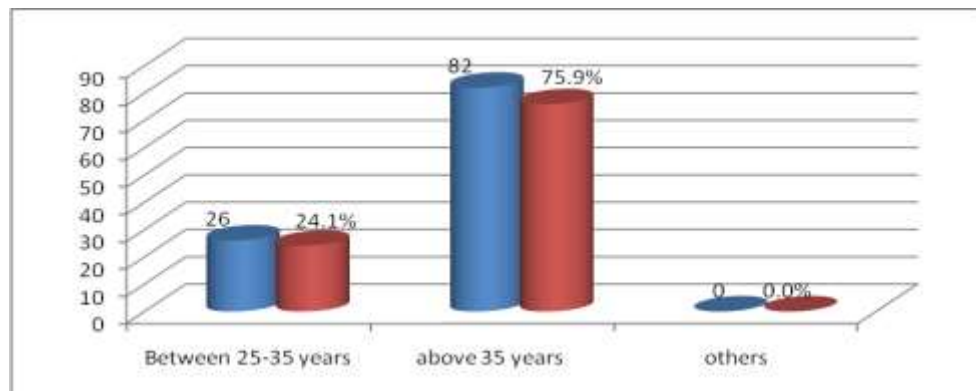
Source: Author (2015)

4.3.2 Age Category

The study sought to investigate the composition of the respondents in terms of age brackets. This aimed at understanding how the respondents were distributed across the various age brackets and consequently their opinions on the topic of study. The study shows that majority (75.9%) of the respondents indicated that their ages were above 35 years; while 24.1% of the respondents were aged between 25 and 35 years. From these results, the respondents were well distributed in terms of age and that they are active in technological advancements and productivity and hence can contribute constructively in this study.

FIGURE 3

Age Brackets of the Respondents



Source: Author (2015)

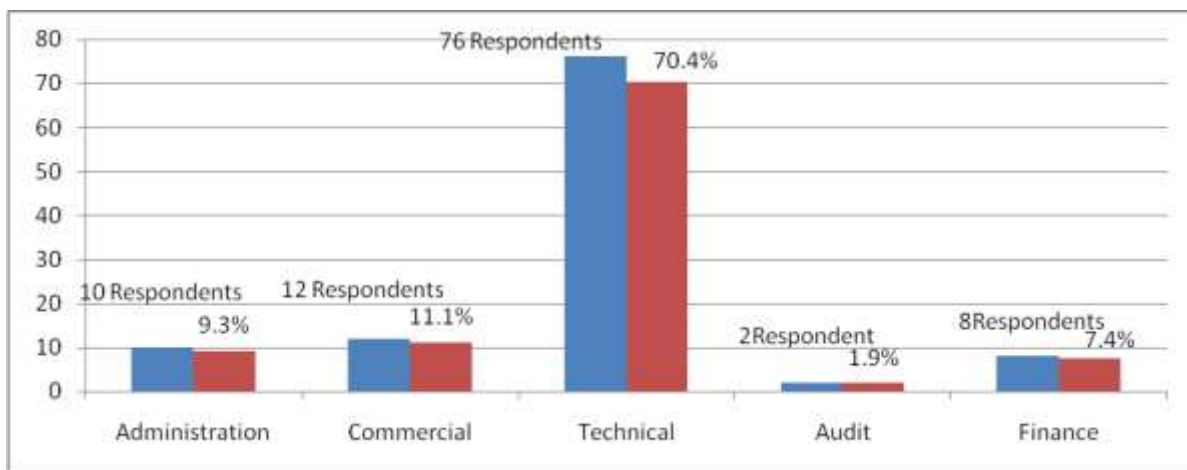
4.3.3 Departments of the Respondents

The researcher felt that there was need find out the response rate from respondents from different department, within Embu water and Sanitation Company limited. This was to ensure that all the departments affected by implementation of performance contracts in Embu water and Sanitation Company limited are captured in the study. According to Figure 4, 70.4% of the respondents worked in the technical department, 11.1% of them were staffs in the commercial department,

another proportion comprising 9.3% of the respondents were serving in the administration department, 7.4% worked in the finance department while 1.9% of the respondents recalled that they were in charge of the audit department. This implies that all departments that were targeted by the study were involved and that the findings are not biased.

FIGURE 4

Respondents' Departments



Source: Author (2015)

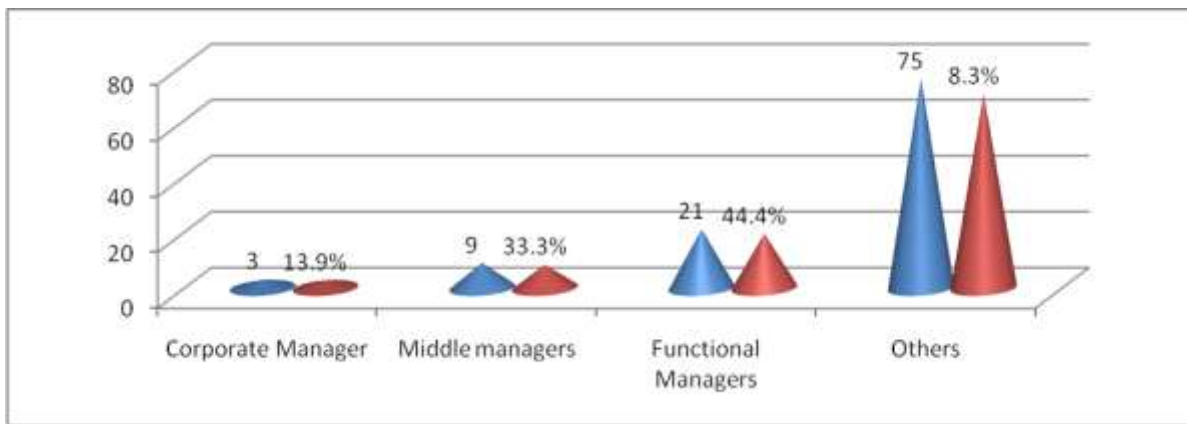
4.3.4 Level of Employment

The researcher felt that there was need to find out the level of respondents within EWASCO, on the study of factors influencing implementation of performance contracts in private water and sanitation companies in Kenya. The researcher found that all levels were represented as follows; 69.4% of the respondents included other employees of Embu water and Sanitation Company limited, 19.4% of the responses were obtained from the functional managers in Embu water and Sanitation Company limited, 8.3% of them were middle managers, while 2.8% of the respondents indicated that they worked as corporate managers at Embu water and Sanitation Company limited.

These findings show that the respondents that participated in the study were mainly those involved in the formulation and implementation of the decisions concerned with the implementation of performance contract in Embu Water and Sanitation Company limited and hence their insights are viewed as more resourceful for knowledge and policy recommendations.

FIGURE 4

Designation of the Respondents



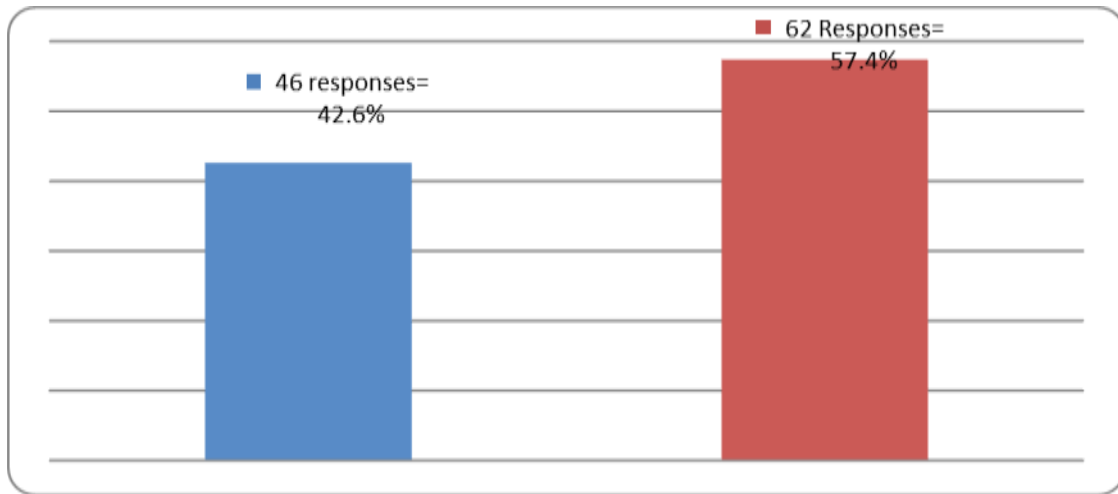
Source: Author (2015)

4.3.5 Length of Service

The length of continuous service in an organization determines the extent to which one is aware of the issues sought by the study. The results shown in Figure 6 reveal that majority of the respondents (comprising 57.4% of the population) had been working in the Water and Sanitation Company for a period of more than 5 years as compared by 42.6% of those who indicated that they had a work experience of less than 5 years in Embu Water and Sanitation Company Limited. This implies that most of the staff participating in this study had been working for the company for more than five years, and hence they are helpful and conversant with the study on factors that influence effectiveness of performance contracting in Embu water and Sanitation Company limited.

FIGURE 5

Duration Worked in Embu Water and Sanitation Company Limited



Source: Author (2015)

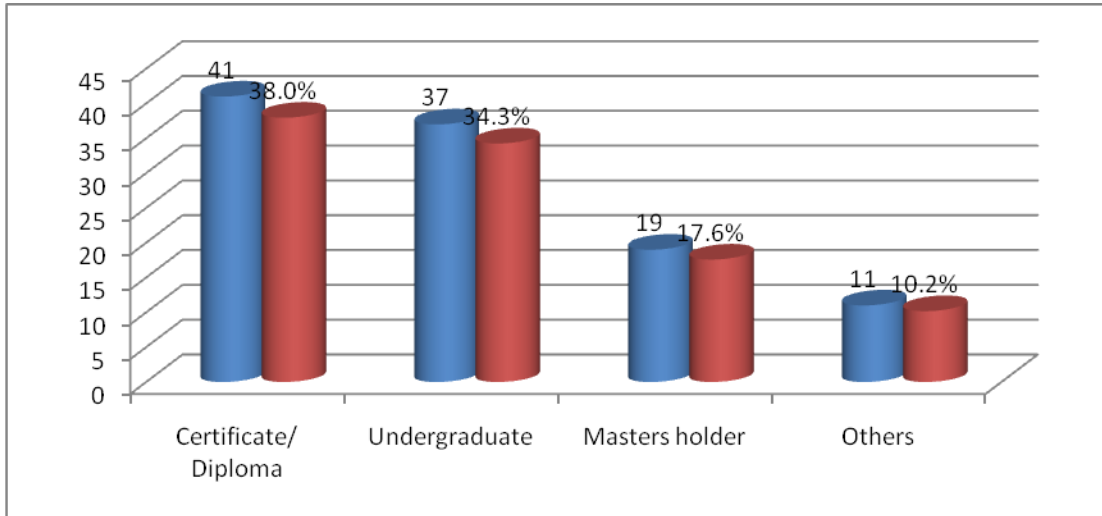
4.3.6 Level of Education

Embu Water and Sanitation Company Limited employ staff in charge of various duties and responsibilities hence different academic qualifications. The target population comprised of people in different work stations and qualification requirements hence different academic qualifications.

Majority of the respondents (shown by 38.0%) reiterated that they certificate/ diploma, 34.3% undergraduate, 17.6% of them masters holder whereas 10.2% are holders other academic qualifications like CPA and HND. These findings imply that all the respondents were academically qualified and also familiar with their duties and could dispense them effectively in terms of professional work ability and performance.

FIGURE 6

Level of Education



Source: Author (2015)

4.4 Implementation of Performance Contracts

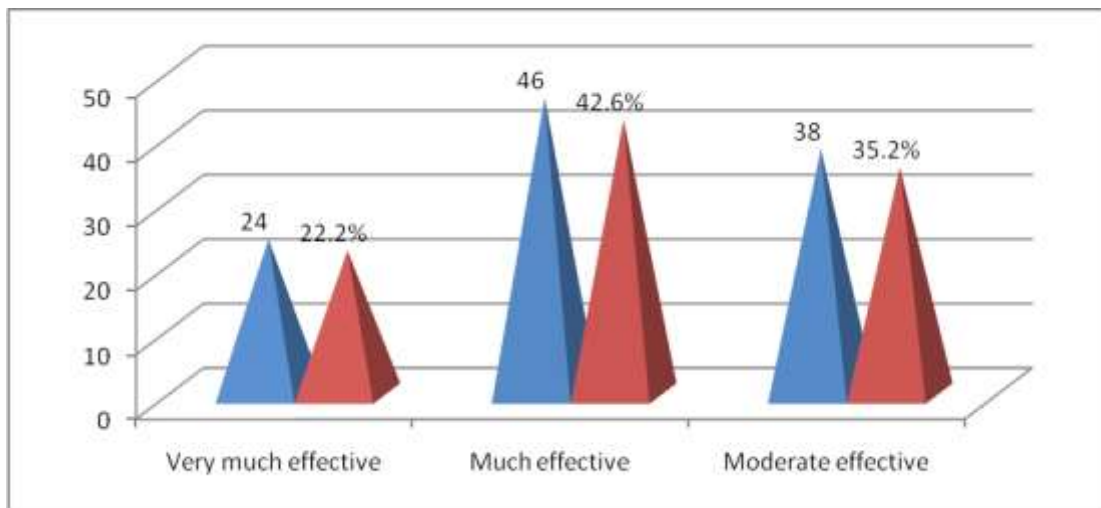
The general objective of the study was to assess the factors influencing implementation of performance contracts in private water and sanitation companies in Kenya. The respondents were required to indicate the level of effectiveness of implementation of performance contract in EWASCO. According to the results depicted in Figure 8, majority of the respondents (comprising 42.6% of the population studied) rated the effectiveness of implementation of performance contract in EWASCO to be much effective, 35.2% of them rated it to be moderate effective while 22.2% of the staffs rated the implementation of performance contract in EWASCO very much effective.

These results are a clear indication that the implementation of Performance contracting in EWACSO can be termed to be generally moderately effective as outlined by the respondents. They concur with Lane (2005) that performance contract becomes a powerful tool for helping employees develop and achieve their full potential. The overall objective of performance

contracting is to gain high performance culture in which members of staff in an organization take responsibility for the continuous improvement of business processes as well as contributions within a framework provided by sound and effective leadership from the top management of the organization.

FIGURE 7

Effectiveness of Implementation of Performance Contract in EWASCO



Source: Author (2015)

On the terms of the performance contract signed in the Organization, majority of the respondents recalled that the terms of the contract set out the executives and other personnel performance requirements in terms of leadership, relations with the other stakeholders, and individual contribution to the collective interest of the corporation as an agency.

According to Ochieng (2010) the main purpose of the performance contracting is to ensure delivery of quality service to the public in a transparent manner so as the organization to survive and realize its mission and vision. performance contracting covers such points as objectives and standards of performance, performance measures and indicators to assess the extent to which objectives and standards of performance have been achieved, competence

assessment and operational requirements for quality, customer service, team working and employee development which is expected by employees to successfully carry out their work.

The study further sought to establish the extent to which various factors provided influence performance contract implementation in EWASCO. A scale of 1 to 5 was used where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent.

TABLE 3

Factors influencing Performance Contract Implementation at EWASCO

Factors influencing performance contract implementation	No extent	Little extent	Moderate extent	Large extent	Very large extent	Mean	Std dev
Strategic plan, & mission of organization communicated clearly and directly to all employees	29.2	43.8	8.3	8.3	10.4	3.542	1.5152
A reporting structure put in place to facilitate communication of the objective of performance contract	0	12.5	14.6	25	29.2	3.332	1.4923
System of communication set up to enhance feedback on performance	11	0	19	20	50	3.974	1.3183
An organization structure has been created to facilitate achievement of set targets/goals in the performance contract	18.8	10.4	35.4	35.4	33.3	3.297	1.6102
Prevailing organizational structure is supportive of performance contract implementation	0	12.5	18.8	43.8	25	3.682	1.2500

Source: Author (2015)

As revealed in Table 3, majority of the respondents reiterated that system of communication set up to enhance feedback on performance provided influences performance contract implementation to a great extent as shown by a mean score of 3.9745, as well as prevailing

organizational structure is supportive of performance contract implementation to a great extent as shown by a mean score of 3.6828 and strategic plan, & mission of organization communicated clearly and directly to all employees to a great extent as shown by a mean score of 3.5428, while a reporting structure put in place to facilitate communication of the objective of performance contract and an organization structure has been created to facilitate achievement of set targets/goals in the performance contract influences performance contract implementation to a great extent as shown by a mean score of 3.3322 and 3.2972 respectively.

These results are a clear indication that every contract as a performance of a promise as its essence, and most contracts contain specific redress to cover performance. As Akaranga (2008) observes, the results of performance contracting are sector directing its energies towards delivering targeted results for Kenyans and utilizing resources more productively. This holds true since service processes have different performance requirements than those of production processes because of their characteristics.

4.5 Performance Appraisal

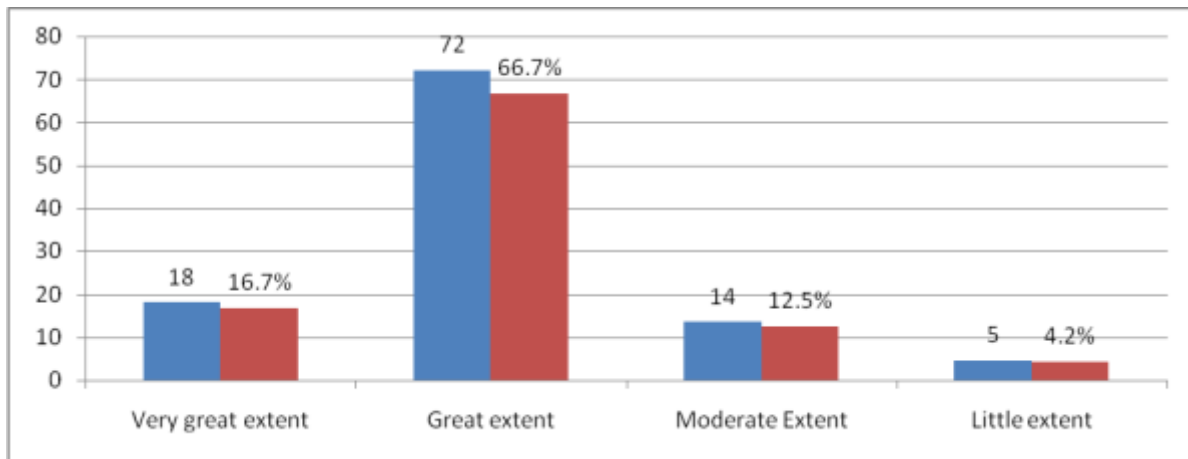
The first specific objective of the study sought to establish the effect of performance appraisal on implementation of performance contract in private water and sanitation companies in Kenya. Accordingly the respondents were requested to rate the extent to which performance appraisal affects the implementation of performance contracts in the Organization.

An overwhelming majority of the respondents represented by 66.7% recapped that performance appraisal affects the implementation of performance contracts in the Organization to a great extent, 16.7% of those who indicated that performance appraisal affects the implementation of performance contracts in the Organization to a very great extent, then 12.5% who indicated moderate extent, whereas 4.2% if the respondents indicated to a little extent.

These results imply that performance appraisal affects the implementation of performance contracts in the Organization. According to Kiboi (2006) the common purposes of performance contracting are to clarify the objectives of service organizations and their relationship with government, and facilitate performance evaluation based on results instead of conformity with bureaucratic rules and regulations which have killed thinking, innovation and creativity.

FIGURE 8

Extent to which Performance Appraisal affects PCs in EWASCO



Source: Author (2015)

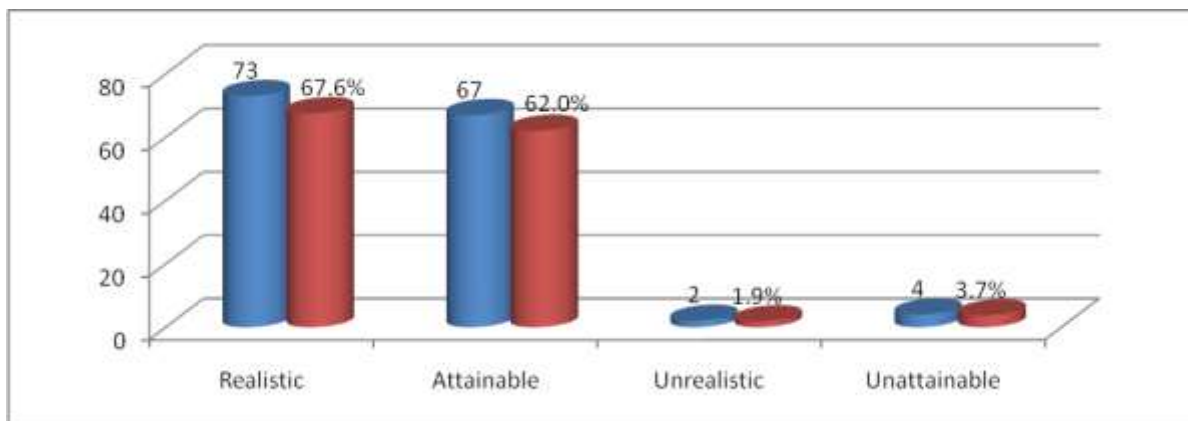
The respondents were requested to explain their understanding of performance appraisals. According to the responses obtained, performance appraisal is understood as a feedback system that involves the direct evaluation of individual performance by a supervisor, manager or peers. Others explained performance appraisal as the process by which accurate staff performance and staff professional needs are obtained, while others still view performance appraisal as a system concerned with developing the abilities, strengths and aspirations of all staff and working positively with them to fulfil their needs.

EWASCO uses performance contracting and scaling the contracts down to operational levels which are supported by clearly defined performance appraisal systems that provide the mechanism for quantifying individual performance for reward or reprimand. These results coincide with those of Hope (2001) who established that performance appraisal in performance contracting specifies the mutual performance obligations, intentions and the responsibilities, which a government requires public officials or management of public agencies or ministries to meet over a stated period of time.

The researcher sought to establish how the respondents would rate performance appraisal done in their organisation. From the study, 67.6 of the respondents collectively reported that the performance appraisal done in their organisation is realistic and 62.0% of the population studied showed that the performance appraisal done in their organisation is attainable. On the negative views, 3.7% of them indicated that it is unattainable whereas 1.9% of the respondents reported that performance appraisal done in their organisation is unrealistic.

FIGURE 9

Rating the Performance Appraisal done in EWASCO



Source: Author (2015)

On how often performance appraisal is performed within the Organization, all (100%) of the respondents said it was done on annual basis. The study was further interested in establishing the extent to which the respondents were satisfied with the performance appraisals process in EWASCO.

TABLE 4

Extent to which Staffs are satisfied with Performance Appraisals

Extents	Frequency	Percent
To a very great extent	5	4.9
To a great extent	32	29.4
To a moderate extent	61	56.9
To a little extent	10	8.8
Total	108	100.0

Source: Author (2015)

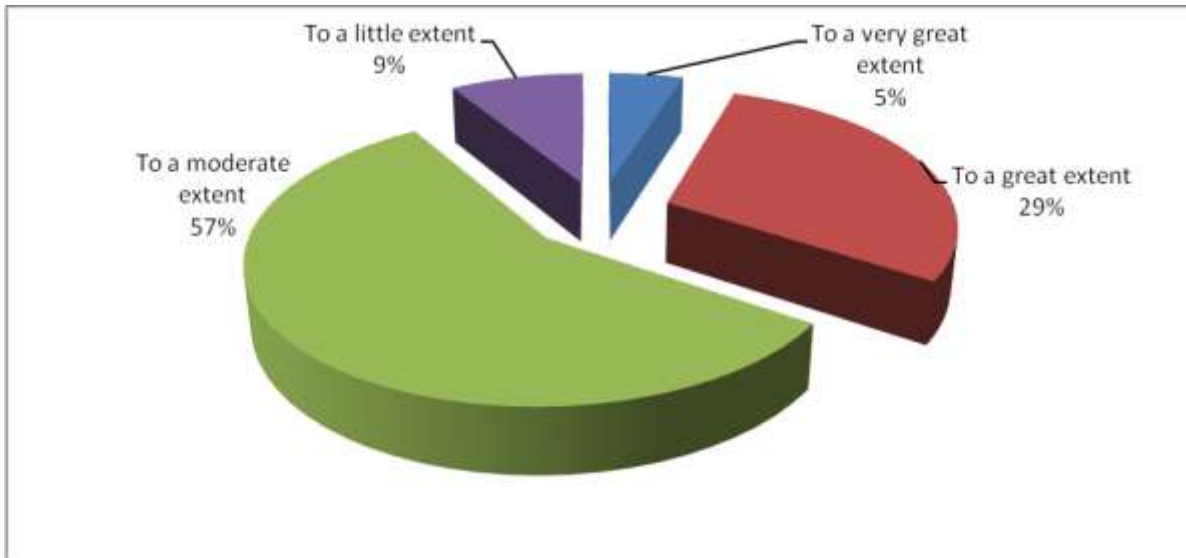
From the study, 56.9% of the respondents indicated that they were satisfied with the performance appraisals process in EWASCO to a moderate extent, 29.4% of the respondents indicated that they were satisfied with the performance appraisals process in EWASCO to a great extent, 8.8% of them indicated to a little extent, while 4.9% of the respondents indicated that they were satisfied with the performance appraisals process in EWASCO to a very great extent. This is a clear indication that EWASCO has a performance appraisals process that moderately satisfies its staff.

4.6 Training of Employees

In its second specific objective, the study sought to determine the effect of employee training on implementation of performance contract in private water and sanitation companies in Kenya. In this regard the respondents were required to indicate the extent to which training of employees affects the implementation of performance contracts in EWASCO.

FIGURE 10

Extent to which Staff Training affects Performance Contracting



Source: Author (2015)

From the results depicted in Figure 11, 56.9% of the respondents indicated that training of employees affects the implementation of performance contracts in EWASCO to a moderate extent, 29.4% of the respondents indicated that training of employees affects the implementation of performance contracts in EWASCO to a great extent, 8.8% of them indicated to a little extent, while 4.9% of the respondents indicated that training of employees affects the implementation of performance contracts in EWASCO to a very great extent.

According to the study of Hameed and Waheed (2011) who found that employees are essential elements for an organisation and cannot achieve the company's objectives without training, trainings develops employee performance along with skills and competencies. The respondents were requested to indicate their level of agreement with the various statements about staff training and its effects on performance contracting in Embu Water and Sanitation Company

limited. A scale of 1 to 5 where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent was provided.

TABLE 5

Staff Training and its effects on Performance Contracting in EWASCO

Staff training and its effects on performance contracting	No extent	Little extent	Moderate extent	Large extent	Very large extent	Mean	Std dev
Level of employee training leads to improved confidence on the performance contracting in the Corporation	11.3	0	18.8	20.3	49.6	3.969	1.31
Education background increases understanding on the performance contracting in the Corporation	7.5	0	13.5	34.6	44.4	4.157	0.93
Training provides the employees with required knowledge to adopt performance contracting effectively	0	0	12	26.3	61.7	4.496	0.70
Training provides employees with the necessary abilities for performance contracting in the Corporation systems	0	0	54.2	41.7	4.2	3.500	.59

Source: Author (2015)

From the results shown in table 5, majority of the respondents indicated that training provides the employees with required knowledge to adopt performance contracting effectively to a great extent as shown by a mean score of 4.4962, education background increases understanding on the performance contracting in the corporation to a great extent as shown by a mean score of 4.1579, level of employee training leads to improved confidence on the performance contracting in the corporation to a great extent as shown by a mean score of 3.9699 and training provides employees with the necessary abilities for performance contracting in the corporation systems to a great extent as shown by a mean score of 3.5000.

Previously, Khan (2012) found that well adjusted employees work willingly towards organizational objectives and respond flexibly to organizational problems, performance contracts also put pressure on the entire services network to work towards improving performance, performance contract places special attention on the “way forward” which will enable corporations to achieve long-term results.

4.7 Work Place Policies

To determine the extent to which work place policies affects implementation of performance contract in private water and sanitation companies in Kenya, the respondents were requested to indicate the extent to which the employees are involved in policy formulation in EWASCO.

TABLE 6

Extent to which employees are involved in policy formulation in EWASCO

Extent	Frequency	Percent
To a very great extent	5	4.9
To a great extent	32	29.4
To a moderate extent	61	56.9
To a little extent	10	8.8
Total	108	100.0

Source: Author (2015)

The respondents were further required to indicate the extent to which the work place policies influence the implementation of performance contracting practices at EWASCO. Accordingly, 56.9% of the respondents indicated that work place policies influence the implementation of performance contracting practices at EWASCO to a moderate extent, 29.4% of the respondents indicated to a great extent, 8.8% of the respondents indicated that work place policies influence the implementation of performance contracting practices at EWASCO to a little extent, whereas 4.9% of them indicated that work place policies influence the implementation of performance contracting practices at EWASCO to a very great extent.

According to Kobia and Mohammed (2006) performance contracting highly influences flexibility in management practices and procedures, reduced corruption, job satisfaction, improved service delivery, improvement motivation as well as staff performance and employee productivity, enhanced the employee innovation and improved the employee creativity. The study was inquisitive of the extent to which various statements were true about performance contracting practices at EWASCO. Table 7 shows the rating assigned by the respondents.

TABLE 7

Statements Regarding Performance Contracting Practices at EWASCO

Performance contracting practices at EWASCO	No extent	Little extent	Moderate extent	Large extent	Very large extent	Mean	Std dev
The work place policies friendly in the organisation	0	58.2	31.1	10.7	0	3.4754	0.682
The workplaces policies provide incentives for achieving effective performance contract in the organization	0	21.2	21.2	34.6	23.1	3.5962	1.0711
The work place policies address the control mechanisms for PC in the organization	11.5	9.6	11.5	44.2	23.1	3.5769	1.2733
The PC process and systems are efficient and effective in the organization policies	0	4.9	41.8	53.3	0	3.483	0.592

Source: Author (2015)

According to the results depicted in Table 7, most of the respondents reiterated that the workplaces policies provide incentives for achieving effective performance contract in the organization to a great extent as shown by a mean score of 3.5962 and the work place policies address the control mechanisms for PC in the organization to a great extent as shown by a mean score of 3.5769, whereas the PC process and systems are efficient and effective in the

organization policies and the work place policies friendly in the organisation to a great extent as shown by a mean score of 3.483 and 3.4754 respectively.

The respondents were required to share other information about the factors influencing implementation of performance contract in private water and sanitation companies in Kenya. They indicated that organizational structure, management style, internal communication, information technology and remuneration influence the implementation of performance contract in the Company. They further added that performance contracts has helped the Water and Sanitation Company to achieve its mission, enhanced customer focus, commitment to growth and satisfactory returns to shareholders through professionalism and use of modern technology.

4.8 Regression Analysis

To establish the relationship between the independent variables and the dependent variable of the study the study conducted inferential analysis. The study sought to complement the descriptive analysis by carrying out a multiple regression analysis. A multivariate regression model was applied to determine the relative importance of each of the three variables with respect to the factors affecting implementation of performance contracts in EWASCO. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. The model Summary for the regression is shown in table 8 below.

TABLE 8

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.981	0.863	0.691	0.752

Source: Author (2015)

The three independent variables that were studied, explain 86.3% of the Implementation of performance contract as represented by the R². This therefore means the three independent variables only contribute about 86.3% to the implementation of performance contracts in EWASCO while other factors not studied in this research contributes 13.7% of the Implementation of performance contract in EWASCO.

TABLE 9

Coefficient of determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.318	.509		2.552	0.0000
	Performance appraisal	0.708	.632	.602	1.121	0.0140
	Training of Employees	0.482	.557	.360	0.563	0.0237
	Workplace Policies	0.598	.396	.465	1.028	0.0144

Source: Author (2015)

The researcher conducted a multiple regression analysis so as to determine the relationship between the parameters of implementation of performance contract in EWASCO and the three variables of management practices. As per the SPSS generated table, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$) becomes:

$$Y = 2.318 + 0.708X_1 + 0.482X_2 + 0.598X_3 \dots\dots\dots(ii)$$

The regression analysis conducted showed that if all the independent variables (performance appraisal, training of employees and workplace policies) were held constant at zero, implementation of performance contract in EWASCO will be 2.318. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in

performance appraisal will lead to a 0.708 increase in implementation of performance contract in EWASCO; a unit increase in workplace policies will lead to a 0.598 increase in Implementation of performance contract in EWASCO, while a unit increase in training of Employees will lead to a 0.482 increase in implementation of performance contract in EWASCO.

These results shows that performance appraisal contributes more to implementation of performance contract in EWASCO, followed by workplace policies, while training of employees contributes the least to implementation of performance contract in EWASCO. At 5% level of significance and 95% level of confidence, training of employees had a 0.0237 level of significance and workplace policies had a 0.0144 level of significance, while performance appraisal had a 0.0140 level of significance hence the most significant factor influencing the implementation of performance contract in EWASCO.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four; it also gives the discussions, conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were: To establish the effect of performance appraisal on implementation of performance contract in private water and sanitation companies in Kenya; To determine the effect of employee training on implementation of performance contract in private water and sanitation companies in Kenya; and to determine the extent to which work place policies affects implementation of performance contract in private water and sanitation companies in Kenya. The chapter finally presents the recommendations for further research.

5.2 Summary of Findings

The general objective of the study was to assess the factors influencing implementation of performance contract in private water and sanitation companies in Kenya where the context of focus was Embu Water and Sanitation Company limited. The study found that the implementation of performance contract in EWASCO is much effective. From the results the terms of the contract set out the executives and other personnel performance requirements in terms of leadership, relations with the other stakeholders, and individual contribution to the collective interest of the corporation as an agency. The major thrust of the reform agenda that organizations in Kenya have been pursuing involves the adoption and introduction of multiplicity of measures intended to improve service delivery.

According to Ochieng (2010) the main purpose of the performance contracting is to ensure delivery of quality service to the public in a transparent manner so as the organization to survive and realize its mission and vision. This, thus, calls for measures to ensure that the targets

are set for continuous service delivery. These measures originated from the need to show demonstrable gains from reform following the pains imposed by the structural adjustment reform period; responding to public demands for accountability and transparency; influence of new public management ideas as well as a shift to market economies and private sector-led economic development among others.

The study found that system of communication set up to enhance feedback on performance provided influences performance contract implementation to a great extent as well as prevailing organisational structure is supportive of performance contract implementation to a great extent and strategic plan, & mission of organisation communicated clearly and directly to all employees to a great extent. In addition, a reporting structure put in place to facilitate communication of the objective of performance contract and an organisation structure has been created to facilitate achievement of set targets/goals in the performance contract influences performance contract implementation to moderate extents. These results agree with Birech (2010) who observed that performance contracts indicate the mutual performance duties, intentions and the responsibilities which a government requires public officials or management of public agencies or ministries to meet over a stated period of time. They offer a framework that generates desired behavior in employees in the contest of devolved management structures.

5.2.1 Performance Appraisal

The study found that performance appraisal affects the implementation of performance contracts in the Organization to a great extent. According to the results, performance appraisal is a feedback system that involves the direct evaluation of individual performance by a supervisor, manager or peers. It is the process by which as accurate a picture of staff performance and staff professional needs are obtained, while others still view performance appraisal as a system

concerned with developing the abilities, strengths and aspirations of all staff and working positively with them to fulfil their needs.

EWASCO uses performance contracting and scaling the contracts down to operational levels which are supported by clearly defined performance appraisal systems that provide the mechanism for quantifying individual performance for reward or reprimand. The study established that the performance appraisal done in their organisation is realistic and attainable. The study found that performance appraisal is performed within the Organisation in annual basis and that EWASCO has a performance appraisals process that moderately satisfies its staff. The results are in agreement with the findings obtained by Nzuve and Njeru (2013) who found that 82% of the employees believed that stakeholders were not been involved in performance contracting. Accordingly, there should be central role of ensuring that employees and stakeholder are involved in target setting in order to create ownership and by extension, commitment to the organization mission and vision by the employees.

5.2.2 Employee Training

The study established that training of employees affects the implementation of performance contracts in EWASCO to a moderate extent. According to the foregoing chapter, training provides the employees with required knowledge to adopt performance contracting effectively to a great extent, education background increases understanding on the performance contracting in the corporation to a great extent, level of employee training leads to improved confidence on the performance contracting in the corporation to a great extent and training provides employees with the necessary abilities for performance contracting in the corporation systems to a great extent.

The same sentiments were echoed by Hameed and Waheed (2011) who stated that employees are essential elements for an organisation and cannot achieve the company's objectives without training, trainings develops employee performance along with skills and competencies. Accordingly, training is visualized as a helpful way to deal with the changes cultivated through technology advancement and innovation.

5.2.3 Work Place Policies

The study ascertained that employees are involved in policy formulation in EWASCO to a great extent. It was clear that work place policies influence the implementation of performance contracting practices at EWASCO to a moderate extent; work place policies influence the implementation of performance contracting practices at EWASCO. The workplaces policies provide incentives for achieving effective performance contract in the organization to a great extent and the work place policies address the control mechanisms for PC in the organization to a great extent and on the other hand the PC process and systems are efficient and effective in the organization policies and the work place policies friendly in the organisation to moderate extents.

Appelbaum, Gittell and Leana (2011) also found that for high levels of performance in an organization require a positive workplace environment and practices that develop and leverage employees' knowledge and ability to create value. From the inferential analysis, the three independent variables that were studied, explain 86.3% of the implementation of performance contract in EWASCO.

If all the independent variables (performance appraisal, training of employees and workplace policies) were held constant at zero, implementation of performance contract in EWASCO would be realized at 2.318. According to the regression performance appraisal contributes more to implementation of performance contract in EWASCO, followed by

workplace policies, while training of employees contributes the least to implementation of performance contract in EWASCO. Kobia and Mohammed (2006) reaffirmed that the goal as the improvement of performance enhance efficiency and effectiveness in service delivery through a transparent and accountable system.

5.3 Conclusions

The study concludes that the implementation of performance contracting at EWASCO is overseen by an institutional framework anchored in the executive arm of the Board of Directors. The findings of the study confirm that the terms of the performance contract set out the executives and other personnel performance requirements in terms of leadership, relations with the other stakeholders, and individual contribution to the collective interest of the corporation as a government agency.

Performance contracting is an essential tool in enhancing accountability, good governance and achievement of expected results in both the public and private sectors. It was made clear that system of communication set up to enhance feedback on performance provided, prevailing organizational structure is supportive of performance contract implementation, strategic plan, & mission of organization communicated clearly and directly to all employees, and a reporting structure put in place to facilitate communication of the objective of performance contract and an organization structure has been created to facilitate achievement of set targets/goals in the performance contract.

5.3.1 Performance Appraisal

The study shows that performance appraisal system is one of the hallmarks of a successful implementation of PC in EWASCO. This process involves evaluating organization, group or individual performance against predetermined targets. This is seen in the light that there is a link between performance contract and performance appraisal. Performance appraisal can be

achieved through training all employees on all aspects of the performance contract which in turn leads to improved performance. This is in accordance to the motivation in embarking on the performance contracting was to institutionalize performance oriented culture in the Company through introduction of an objective performance appraisal system.

According to the findings, it is clear that EWASCO uses performance contracting and scaling the contracts down to operational levels which are supported by clearly defined performance appraisal systems that provide the mechanism for quantifying individual performance for reward or reprimand. This infers that the performance appraisal done in their organisation is realistic and attainable. It is also clear that performance appraisal is performed within the Organization in annual basis and that EWASCO has a performance appraisals process that satisfies its staffs.

5.3.2 Training of Employees

From the study, it was clear that rated the level of staff training on performance contracting in the Organization is good and as a result it affects performance contracting in EWASCO. It was therefore established that training provides the employees with required knowledge to adopt performance contracting effectively, education background increases understanding on the performance contracting in the Company, level of employee training leads to improved confidence on the performance contracting in the corporation and training provides employees with the necessary abilities for performance contracting in the corporation systems.

5.3.3 Workplace Policies

The study further concludes that workplace policies are based upon business strategic plans and other related corporate documents. They define and specify tasks so that the staffs working in an organization could perform them systematically, purposefully and with reasonable probability of

achievement. As such, work place policies influence the implementation of performance contracting practices at EWASCO. From the findings, the study concludes that the workplaces policies provide incentives for achieving effective performance contract in the organization, they address the control mechanisms for PC in the organization, the PC process and systems are efficient and effective in the organization policies and the work place policies friendly in the organisation.

5.4 Recommendations

Looking forward towards the realization of the three pillars of Kenya's Vision 2030 demands that the public institutions restructure to perform and develop frameworks for implementation of performance measures at the various levels of management for the organization. Consequently, the following recommendations are made.

5.4.1 Performance Appraisal

The study also recommends that since performance appraisal system influences performance contracting, the management should devote more time and resources in enhancing the appraisal systems. As such there is the need to ensure uniformity in the interpretation and the application of the guidelines in the primary evaluation; ensure accuracy in the computation and the arithmetic; ensure correct application of the formulae; ensure that all indicators in respective matrices have been included in the evaluated performance contract and ensure that units of measure have been applied uniformly across the Institution.

5.4.2 Training of Employees

From the findings, the level of staff training on performance contracting affects performance contracting in the Corporation. The study, thus recommends that employees need to be trained frequently on aspects of performance contracting. This could be during induction and through short courses, workshops and seminars conducted by organization in order to make the whole

idea of performance contracting understood and fully supported as a way of improving and sustaining organizational productivity.

5.4.3 Workplace Policies

Improving the workplace policies and systems is just like introducing change in any organization is an evolutionary process. The environment within which the organizations reform is taking place is continually changing and the current practices will continually be subjected to review and assessment. The study recommends that, workplace policies in place should be enhanced to facilitate implementation and objectives of performance contract. This will enhance the efficiency of the organization which was seen to affect achievement of set targets/goals in performance contract. Performance contracting must therefore be continually reviewed and adapted to assist organizations improve their service delivery.

5.5 Recommendations for Further Studies

This study has investigated the factors affecting implementation of performance contracts in EWASCO. The study assessed and analyzed data with a focus on the effects of performance appraisal, training of employees and workplace policies implementation of performance contract in EWASCO. There are other private water and sanitation companies in Kenya whose orientation in the country is close to that of EWASCO but differ in their orientation in management, counties of their operations and their settings all together and hence differences in their approach of performance contracting. This warrants the need for another study which would ensure generalization of the study findings for all the private water and sanitation companies in Kenya and hence pave way for new policies.

The study therefore recommends another study be done with an aim to investigate the factors influencing implementation of performance contract in other private water and sanitation companies in various counties in Kenya. Further, another study could be conducted to investigate

the impact of performance contracting on the performance of the private water and sanitation companies in Kenya.

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APPENDICES
APPENDIX I
INTRODUCTORY LETTER TO THE RESPONDENTS

Pauline Wanja Njeru

P.OBOX 2142

EMBU

20/09/2015.

Mobile No: 0722721404

Dear Respondent

I hereby kindly notify you that I am a Master student at KCA University in the school of graduate and public management. Indeed I have been cleared by the University to proceed for research that will lead to an award of Masters in Business Administration (MBA) research project of Corporate Management Option at KCA University. Therefore I seek to assess the factors influencing effectiveness of performance contracting in water companies in Kenya: A case of Embu Water and Sanitation Company Limited. The study explores the targets in performance contracting and identifies the factors that influence effectiveness of performance contracting in water companies in Kenya. You have been selected as one of the participants in this study because of the important role you play as an employee of EWASCO. Enclosed is a questionnaire which you are kindly requested to respond to appropriately. Your information will be accorded the highest confidentiality it deserves, and will solely be used for the purpose study. I am looking forward to be hearing from you.

Thank you in advance for your sincere participation.

Yours faithfully,

Pauline W. Njeru

APPENDIX 2
QUESTIONNAIRE

This questionnaire consists of five sections (Parts I to V). Kindly respond to all questions by putting a tick (✓) or giving the answers as per the instruction. Write your answer in the space provided. The information given here will only be used for the academic purposes and will be treated with utmost confidentiality.

PART 1: BACKGROUND INFORMATION

1. Name:
2. Gender: Male Female
3. Age: Between 25-35 years above 35 years others
4. Indicate the department you are currently working in

Administration <input type="checkbox"/>	Commercial <input type="checkbox"/>
Technical <input type="checkbox"/>	Audit <input type="checkbox"/>
Finance <input type="checkbox"/>	
5. Indicate the level of your employment

Corporate Manager <input type="checkbox"/>	Middle managers <input type="checkbox"/>
Functional Managers <input type="checkbox"/>	Others <input type="checkbox"/>
6. Indicate your length of service

Less than 5 years <input type="checkbox"/>	Above 5 years <input type="checkbox"/>	Others <input type="checkbox"/>
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7. To date, what has been your highest formal qualification?

Secondary School Level <input type="checkbox"/>	Certificate/ Diploma <input type="checkbox"/>
Undergraduate <input type="checkbox"/>	Masters holder <input type="checkbox"/>
PhD holder <input type="checkbox"/>	Other (Specify.....) <input type="checkbox"/>

PART II: IMPLEMENTATION OF PERFORMANCE CONTRACT

8. In your own opinion indicate the level of effectiveness of implementation of performance contract in EWASCO

Very effective	Moderately effective	Effective	Less effective	Not effective

9. What are the terms of the performance contract signed in this organization?
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10. To what extent do the following factors listed below influence the implementation of performance contract in this Firm? Rate using a scale of 1 to 5 where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent

Factors influencing performance contract implementation	5	4	3	2	1
Strategic plan, & mission of organization communicated clearly and directly to all employees					
A reporting structure put in place to facilitate communication of the objective of performance contract					
System of communication set up to enhance feedback on performance					
An organization structure has been created to facilitate achievement of set targets/goals in the performance contract					
Prevailing organizational structure is supportive of performance contract implementation					

PART III: PERFORMANCE APPRAISAL

11. To what extent does performance appraisal affect the implementation of performance contracts in the Organization?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

12. What do you understand by performance appraisals? Kindly explain your answer

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13. How do you rate performance appraisal done in your organisation?

Realistic [] Unrealistic []
 Attainable [] Unattainable []

14. How often does your organisation perform performance appraisal?

Annual [] biannual [] quarterly [] I don't know []

15. To what extent are you satisfied with the performance appraisals process in your organisation?

little extent	moderate extent	large extent	great extent	very extent

16. To what extent does your Organization set targets for contractual employees?

little extent	moderate extent	large extent	great extent	very extent

Explain how setting of targets contributed to performance depending on your answer?

PART IV: TRAINING OF EMPLOYEES

17. To what extent does your organization train staff on performance contract practices?

No extent	little extent	Moderate extent	large extent	

Kindly explain your answer,

18. To what extent does your organization provide external training on PC for the employees?

No extent	little extent	Moderate extent	large extent	

19. To what extent does training of employees affect the implementation of performance contracts in the Organization?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

20. Kindly indicate the extent to which the following statements are true about performance contracting practices at EWASCO. Using the scale 1 to 5 where 1 represents no extent and 5 represents very great extent.

Statement	1=No extent	2=Little extent	3=Moderate extent	4=Large extent	5=Very large extent
Level of employee training leads to improved confidence on the performance contracting in the Corporation					
Education background increases understanding on the performance contracting in the Corporation					
Training provides the employees with required knowledge to adopt performance contracting effectively					
Training provides employees with the necessary abilities for performance contracting in the Corporation systems					

PART V: WORK PLACE POLICIES

21. Do you have documented policies in your organisation?

Yes No

22. To what extent does the employee involved in policy formulation?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

23. How many different documents do you know?

One Two
 Three More than

24. To what extent do the work place policies influence the implementation of performance contracting practices at EWASCO?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

25. Kindly indicate the extent to which the following statements are true about performance contracting practices at EWASCO. Using the scale 1 to 5 where 1 represent no extent and 5 represents very great extent.

Statement	1=No extent	2=Little extent	3=Moderate extent	4=Large extent	5=Very large extent
A) Are the work place policies friendly in your organisation?					
B) Do the workplaces policies provide incentives for achieving effective performance contract in your organization?					
c)How does the work place policies address the control mechanisms for PC in your organization?					
d) Do you find the PC process and systems efficient and effective in your organization policies?					

26. What other information would you like to share about the factors influencing implementation of performance contract in private water and sanitation companies in Kenya?

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27. In your opinion, what do you think should be done to enhance implementation of performance contract in private water and sanitation companies in Kenya?

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Thank you for your participation