Influence of Human Resource Management on Performance Contracting Results in Local Authorities in Kenya

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ABSTRACT

Purpose: The purpose of the study was to determine the influence of human resource management on performance contracting results in local authorities in Kenya.

Methodology: The study used a Correlational research design. The target population comprised of 41867 employees. This study used stratified random sampling to select a sample of 328 from the 175 Local Authorities in Kenya as per the Ministry of Local Government. Questionnaires were used to collect data from local authority employees. Descriptive and inferential statistics was used to conduct analysis.

Results: The study found out that human resource management practices significantly affect the effectiveness of performance contracting.

Unique contribution to theory, practice and policy: The study recommended that independence of the human resource department be supported. The recommendations maybe critical to the successful running of the county governments which takes over the services performed by local authorities.

Keywords: Performance Contracting, Human Resource Management, Local Government
1.0 Introduction

According to England (2000) a performance contract addresses economic, social or other tasks that an agency has to discharge for economic performance or for other desired results. It organizes and defines tasks so that management can perform them systematically, purposefully, and with reasonable probability of accomplishment. It also assists in developing points of view, concepts and approaches for determining what should be done and how to go about it. Performance contracts comprise determination of mutually agreed performance targets and review and evaluation of periodic and terminal performance.

Jenkins (2007) states that a performance contract is defined as a management tool for measuring performance that establishes operational and management autonomy between government and public agencies. It reduces quantity of controls and enhances the quality of service. The performance contract privatizes the style of public sector management by focusing on results and not processes. It also measures performance and enables recognition and reward of good performance and sanction bad performance.

Traditionally, the shortcomings of the public sector were seen as organizational problems capable of solution by appropriate application of political will, powerful ideas and managerial will. The overriding concern with economic growth has led to a refocusing (Fernandez, 2010). Over the years, poor performance of the public sector, especially in the management of public resources has hindered the realization of sustainable economic growth (Spivey, 2005). Some of the factors adversely affecting performance include: excessive regulations and controls, frequent political interference, poor management, outright mismanagement and bloated staff establishment. To improve performance, the Government has been undertaking a number of reform measures (Trivedi, 2009).

Kenya’s Vision 2030 has recognized performance contracting among the key strategies to strengthen public administration and service delivery. The strategies will in this regard focus on deepening the use of citizen service delivery charters as accountability tools, and entrenching performance as a culture in the Public Service. (Obongo, 2009). The challenge of securing commitment for results is profound, particularly at this time when the rhetoric of public service performance improvement is as prevalent as the reality. This commitment takes willingness to commit beforehand, taking responsibility for, as well as owning and accepting praise and blame for delivery of services agreed upon in a performance contract (Akaranga, 2008; Obongo, 2009).

Local Government is the part of government which deals with matters concerning the inhabitants of a particular area or form usually, financed at least in part by local taxes (Hutchison Encyclopaedia, 2004). The local government is the closest government to the people hence it is often referred to as grass roots government. Bearuaster (2002) believes that the local government holds a unique position within the system.

1.2. Problem Statement

Public outcry on quality of services is not uncommon in public sector local authorities included. Despite government’s inputs and concern and introduction of performance contracting, performance of local authorities on service delivery is far below expectation (Afro Barometer Briefing Paper, 2010). Based on the lower performance ranking of local authorities in Kenya and
the continued drop in rank for local authorities, there is a justifiable need for a study to establish factors hindering performance contracting in improving service delivery in Kenyan local authorities. Mitullah (2004) brings out the deteriorating performance of Kenyan local authorities while the Afrobarometer survey of 2004 decries the poor service delivery of local authorities. The reviewed local studies Akaranga (2010), Kobia and Muhamed (2006), Muganda-Ochara and Van Belle (2008) and Mittullah and Waema (2007) did not critically address the factors hindering performance contracting from improving service delivery of Local Authorities. Studies by Mitullah and Waema (2007) and Muganda-Ochara and Van Belle (2008) were narrow and suffered from conceptual gaps since they only addressed the role of ICT in local authorities service delivery. The study by Kobia and Mohamed (2006) suffered from a contextual gap since it concentrated on the Kenya Institute of Administration while the focus of the current study is on Local Authorities. The study by Akaranga (2010) also faced methodological issues since it was a desk-based study in addition to exploring a different contextual area (the general public sector). It is due to these conceptual and contextual gaps that the current study wishes to establish the employees perception on the determinants influencing performance contracting results of local authorities in Kenya.

1.3 Objective of the Study
To investigate whether human resource management practices have an influence in performance contracting results.

2.0 LITERATURE REVIEW
2.1 Theoretical Review

Systems theory
Bertalanffy (1972) defines system theory as the trans disciplinary study of systems in general, with the goal of elucidating principles that can be applied to all types of systems at all nesting levels in all fields of research. The term does not yet have a well-established, precise meaning, but systems theory can reasonably be considered a specialization of systems thinking, a generalization of systems science, a systems approach. The term originates from Bertalanffy’s General System Theory (GST) and is used in later efforts in other fields, such as the action theory of Talcott Parsons and the system-theory of Niklas Luhmann. According to Patton, (2006) systems framework is fundamental to organizational theory as organizations are dynamic entitles that are goal oriented. The systems approach to organizations relies heavily upon achieving negative entropy through openness and feedback.

The theory is relevant to the study because all organizations interact with outside world as they are often systems. Sections of organizations interact amongst themselves in exchange of key information and materials. The theory is important in this study as the Local Authorities are often systems interacting with outside world in service delivery and other inputs. In this regard, it is an important tool in diagnosing management deficiencies and providing principles through which they can be remedied. Systems theory is therefore evident in the leadership and governance styles adopted by the local authorities.

Goal Setting Theory
Hastings (2011) stated that clear goals and appropriate feedback motivates employees. He also went on to say that when employees worked towards a goal, it spearheaded a major source of
motivation within the employees to actually reach the goal. Hastings (2011) suggests that not only does the assignment of specific goals result in enhanced performance but that, assuming goal acceptance, increasing the challenge or difficulty of goals leads to increased motivation and increases in performance.

Goal-setting theory places less emphasis on rewards and stresses the motivating power of defining appropriate work goals and engaging employee commitment to them (Marsden, 2004). A number of studies have attempted to examine the relationship between goal-setting and performance. It was found that the majority of evidence suggests strong support for the theory. In fact, it is where managers were not sure of their objectives, doubts into the credibility of the system evolved. Marsden and French, (2001), found that when employees thought performance contracting had led managers to set targets more clearly (because they have to appraise them afterwards), and if they thought their last appraisal fair, then they were more likely to experience positive incentive effects.

Goal setting theory is at the centre of performance contracting. The theory is therefore relevant to this study as performance contracts have a lot in setting goals and agreeing with the Ministry on the same. They are evaluated on the goals they have set themselves which form the basis of performance contracting.

### 2.2 Empirical Literature Review

According to Armstrong (2006), human resource management (HRM) is defined as a strategic and coherent approach to the management of an organization’s most valued assets – the people working there whom individually and collectively contribute to the achievement of its objectives. Human resource management includes conducting job analyses, planning personnel needs, and recruitment, selecting the right people for the job, orienting and training, determining and managing wages and salaries, providing benefits and incentives, appraise performance, resolving disputes, and communicating with all employees at all levels. Lings (2004) emphasizes the importance of human resource management when he pointed out that many researchers and employers neglect one important focus, the demand of internal employees, especially those who directly get in touch with customers. Because the attitude and behaviour of employees interacting with customers would influence the feeling and behaviour of the customers when they get the service, it is quite important for managers to efficiently define and manage the way their employees provide the service in order to make sure that their attitude and behaviour are good for providing the service.
2.3: Conceptual Framework

![Conceptual Framework Diagram]

Figure 1: Conceptual framework

3.0 RESEARCH METHODOLOGY

Correlational research design was used to conduct the study in 175 Local Authorities in Kenya as per the Ministry of Local Government. The population was 41,867 employees. Sampling was not done at the organizational level but rather at the employee level. A sample of 328 was selected using a stratified systematic sampling technique.

Table 1 Target Population

<table>
<thead>
<tr>
<th>Stratum</th>
<th>Population(N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Council</td>
<td>15,785</td>
</tr>
<tr>
<td>County Council</td>
<td>13,693</td>
</tr>
<tr>
<td>Municipal Council</td>
<td>6,426</td>
</tr>
<tr>
<td>Town Council</td>
<td>5,963</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>41867</strong></td>
</tr>
</tbody>
</table>

(Source: GOK 2011)

The sample estimate was calculated using the formula below recommended by Mugenda and Mugenda (2003). The formula yielded a sample of 384 respondents proportionately distributed in the 175 local authorities. The respondents were selected through random stratified sampling across all the departments as per each local authority. Local authorities were stratified into four strata...
based on type of local authority as per table 1. Under stratified sampling, the population is divided into several sub-populations that are individually more homogeneous than the total population and then we select items from the total population (Kothari, 2004). A sample of 384 respondents will be used.

4.0 RESULTS AND DISCUSSIONS

4.1 Performance Contracting Factor Analysis Component Matrix

In order to reduce the data to a meaningful and manageable set of factors, factor analyses was conducted. Factor analyses reduces the data to a manageable set of factors (Sekaran, 2006). Table 1 shows the component matrix of performance contracting which indicates that all the statement with a coefficient of 0.4 were retained and those with less than were dropped during regression analysis. This is in line with Sekaran (2006) who averred that statements with a coefficient of less than 0.4 should not be analyzed further. Out of 17 items 12 were retained for further analyses since they were the only items that made the threshold of 0.4 and 5 were dropped.

Table 1: Performance Contracting Component Matrix

<table>
<thead>
<tr>
<th>Statement</th>
<th>Retained</th>
<th>Dropped</th>
</tr>
</thead>
<tbody>
<tr>
<td>The council complies 100 with the budget</td>
<td>0.708</td>
<td></td>
</tr>
<tr>
<td>The council undertakes periodical monitoring and Evaluation to ensure compliance with the budget</td>
<td>0.669</td>
<td></td>
</tr>
<tr>
<td>The council implements the service delivery charter 100</td>
<td>0.663</td>
<td></td>
</tr>
<tr>
<td>The council circulates the baseline survey results to the employees</td>
<td>0.612</td>
<td></td>
</tr>
<tr>
<td>I have assigned a performance contract</td>
<td>0.594</td>
<td></td>
</tr>
<tr>
<td>The council fully implements baseline survey recommendations</td>
<td>0.584</td>
<td></td>
</tr>
<tr>
<td>The council achieves the set revenue collection targets</td>
<td>0.577</td>
<td></td>
</tr>
<tr>
<td>The council undertakes periodical monitoring and evaluation to ensure compliance with service delivery charter</td>
<td>0.567</td>
<td></td>
</tr>
<tr>
<td>The council achieves its development index targets every year</td>
<td>0.54</td>
<td></td>
</tr>
<tr>
<td>The council is ISO certified</td>
<td>0.47</td>
<td></td>
</tr>
<tr>
<td>The council funds are utilized on programmed activities</td>
<td>0.383</td>
<td></td>
</tr>
<tr>
<td>The council complies 100 with the strategic plan</td>
<td>0.351</td>
<td></td>
</tr>
<tr>
<td>The council provides adequate working tools and protective clothing to the employees.</td>
<td>0.207</td>
<td></td>
</tr>
<tr>
<td>I find my work challenging and interesting</td>
<td>0.19</td>
<td></td>
</tr>
<tr>
<td>The council has a service delivery charter</td>
<td>0.174</td>
<td></td>
</tr>
<tr>
<td>I am aware that the council has a performance contract</td>
<td>0.122</td>
<td></td>
</tr>
</tbody>
</table>
4.2 Descriptive Analysis- performance Contracting

The section addresses the various measurements of effectiveness of performance contracting in local authorities in Kenya. Table 2 shows that 90% of the respondents agreed that they were aware that the council has a performance contract, 80% disagreed that they have signed a Performance contract and 82% disagreed that the council complied 100% with the budget. In addition, 7% agreed that the council funds are utilized on programmed activities, 78% disagreed that the council undertakes periodical monitoring and evaluation to ensure compliance with the budget and 55% disagreed that the council achieves the set revenue collection targets. Eighty percent of the respondents disagreed that the council achieves its development index targets every year, 87% agreed that the council has a strategic plan and 71% disagreed that the council complies 100% with the strategic plan.

Furthermore, 79% of the respondents agreed that they find their work challenging and interesting, 94% agreed that the council has a service delivery charter, 77% disagreed that the council implements the service delivery charter 100% and 88% disagreed that the council undertakes periodical monitoring and evaluation to ensure compliance with service delivery charter. Eighty-eight percent disagreed that the council circulates the baseline survey results to the employees, 70% disagreed that the council fully implements baseline survey recommendations and 94% disagreed that the council was ISO certified. The score of the responses for this section disagrees at 55% indicating that more employees disagreed with the statements in regard to performance contracting in the local authorities in Kenya.

The findings concur with those in Grapinet (1999) who conducted a study on public sector performance contracting in France. The authors noted that performance contracts, which were introduced in 1992 and became fully operational in 1999, had brought in positive breakthroughs in participatory management for those departments responsible for service delivery. This study shows that despite the benefits of performance contracting cited by Grapinet, only a fair employees signs the performance contracting and hence participatory management is not enhance in the local authorities. However, the study also noted that staffs are not sufficiently involved in drawing up contracts, a task that, in spite of exhortations from central government, is still largely the preserve of managers. The study called for a change in staff attitude and motivation especially the ones whom show little inclination to take part in setting their own performance goal.

The findings imply that there were no strong systems that guided performance contracting in the local authorities in Kenya. This was evidenced by the disagreements from the respondents that the council was ISO certified, they have signed a performance contract, the council complied 100% with the budget and the council funds were utilized on programmed activities. This implies that there were very poor measures of performance contracting at local authorities in Kenya.

It also implies that the benefits of performance contracting may not be achieved unless sound measures are put in place and all employees signs the performance contracts.
4.3 Human Resource Practices Factor Analysis

To reduce the number of variables to a meaningful interpretable and manageable set of factors, factor analyses were done. Out of 10 questions, 4 were dropped and 6 were retained for further analysis as they met the acceptable threshold of 0.4 as per Sekaran (2007). Results on Table 2 for technology factor analysis indicates that only four statements were dropped from the analysis and six statements were retained since their coefficients were more than 0.4.

Table 2: Human Resource Practices Component Matrix

<table>
<thead>
<tr>
<th>Statement</th>
<th>Retained</th>
<th>Dropped</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees are recruited on merit based on qualifications and work experience</td>
<td>0.814</td>
<td></td>
</tr>
<tr>
<td>Vacant positions are advertised for competitive selection of qualified candidates</td>
<td>0.765</td>
<td></td>
</tr>
<tr>
<td>There is an elaborate human resource policy</td>
<td>0.528</td>
<td></td>
</tr>
<tr>
<td>Training and development is based on capacity, needs and capacity objectives</td>
<td>0.526</td>
<td></td>
</tr>
<tr>
<td>Upgrading/promotions are performance based and equitable</td>
<td>0.456</td>
<td></td>
</tr>
<tr>
<td>There is no discrimination in staff training</td>
<td>0.416</td>
<td></td>
</tr>
<tr>
<td>The employee benefits are better as compared to other Organizations in similar category</td>
<td>0.161</td>
<td></td>
</tr>
<tr>
<td>Job appraisals practiced, are performance based and equitable</td>
<td>0.14</td>
<td></td>
</tr>
<tr>
<td>Appropriately qualified staff occupy all key positions of the council</td>
<td>0.045</td>
<td></td>
</tr>
<tr>
<td>The council has the right number of staff</td>
<td>0.008</td>
<td></td>
</tr>
</tbody>
</table>

4.4 Descriptive-Human Resource Management Practices and Effectiveness of Performance Contracting

The major objective of the study was to investigate whether human resource management has an influence in performance contracting in local authorities in Kenya. Table 3 illustrates that 59% of the respondents disagreed that there was an elaborate human resource policy, 93% disagreed that vacant positions are advertised for competitive selection of qualified candidates and 94% disagreed that employees are recruited on merit based on qualifications and work experience. Sixty-seven percent disagreed that training and development is based on capacity, needs and capacity objectives, 47% disagreed that job appraisals practiced, are performance based and equitable and 84% disagreed that upgrading/promotions are performance based and equitable.
In addition, 81% agreed that appropriately qualified staff occupy all key positions of the council, 50% agreed that the council has the right number of staff and 45% agreed that the employee benefits are better as compared to other organizations in similar category. Finally, 71% of the respondents disagreed that there was NO discrimination in staff training. The scores in this section indicates that more employees disagreed that human resource management practices influenced performance contracting. This is evidenced by a mean of 60% who disagreed on the statements.

The findings contrast with those in Bouckaert, Verhoest and De Corte (1999) who attempted to analyze the public sector performance contracting in Belgium and Flanders. The paper analyzed the effects of contract management on several organizational dimensions such as human resources management, financial management and cost consciousness, internal organizations and external relations. In the field of human resource management, the paper claimed that performance contracting had improved the performance orientedness of human resources management and increased the flexibility of allocating the right person to the right job. In the area of finance management, the paper claimed that the use of performance-based contracts has induced an increased cost consciousness. In addition, the use of contracts and the accompanying increase of operational autonomy have also induced some developments in the internal structure.

The findings also contrast with Schermerhorn (2002) who avers for organization to achieve its objectives there must be appropriately skilled employees in all levels of management at all times. The findings at the same time contrast with Armstrong (2006) who asserts that best human resource practices includes recruiting the right people, training and developing personnel to improve on skills, appraising performance and providing adequate benefits and incentives.

The findings imply that the local authorities have not put in place effective human resource management practices which means that there are no human resource policies at the council, the vacant positions are not advertised for competitive selection of qualified candidates and the employees were not recruited on merit based on qualifications and work experience.

**Table 3: Human Resource Management Practices**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is an elaborate human resource policy</td>
<td>46</td>
<td>13</td>
<td>33</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Vacant positions are advertised for competitive selection of qualified candidates</td>
<td>34</td>
<td>59</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Employees are recruited on merit based on qualifications and work experience</td>
<td>45</td>
<td>49</td>
<td>1</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Statement</td>
<td>Strongly Disagree %</td>
<td>Disagree %</td>
<td>Neutral %</td>
<td>Agree %</td>
<td>Strongly Agree %</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>------------</td>
<td>-----------</td>
<td>---------</td>
<td>------------------</td>
</tr>
<tr>
<td>Training and development is based on capacity, needs and capacity objectives</td>
<td>27</td>
<td>41</td>
<td>3</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>Upgrading/promotions are performance based and equitable</td>
<td>35</td>
<td>49</td>
<td>3</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>There is no discrimination in staff training</td>
<td>40</td>
<td>31</td>
<td>4</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Mean</td>
<td>27</td>
<td>33</td>
<td>9</td>
<td>22</td>
<td>8</td>
</tr>
</tbody>
</table>

4.5: Human Resource and Effectiveness of Performance Contracting Odd Ratio Regression

Binary logistic regression was used to model relationship between human resource management practices and performance contracting effectiveness. Results show that human resources management practices regarding whether there is an elaborate human resource policy, whether employees are recruited on merit based on qualifications and work experience, and whether upgrading/promotions are performance based and equitable are statistically associated to performance contracting effectiveness (p<0.050). A change in these financial human resource management practices increases the probability performance contracting effectiveness by 1.583, 1.521 and 1.179 times respectively.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study concludes that the human resource practices especially in the area of hiring and recruitment, promotions, and rewarding of performance were ineffective. The ineffective human resource management practices contribute to ineffective performance contracting of local authorities. There is a positive and significant relationship between human resource management practices and performance contracting. These findings imply that human resource practices were statistically significant in explaining effectiveness of performance contracting of local authorities in Kenya.

5.2 Recommendations

From the study conclusions, there were ineffective human resource management practices at local authorities. The study recommends that local authorities should improve hiring practices to ensure that hiring should be done in line with qualifications. To improve hiring practices, the
independence of the human resource department need to be supported by the executive and political wing. Consequently professional bodies should be used in recruitment. Performance appraisals that are supported by rewards should be introduced so as to improve the staff morale.

5.3 Areas for Further Study

The study was confined to human resource management. Further empirical work is encouraged to test other measures like socio-economic factors. Future studies should apply different research instruments like focus group discussions to involve respondents in discussions in order to generate detailed information which would help improve performance contracting implementation.

REFERENCE


30


Last Accessed on May 2012. Government Printer


