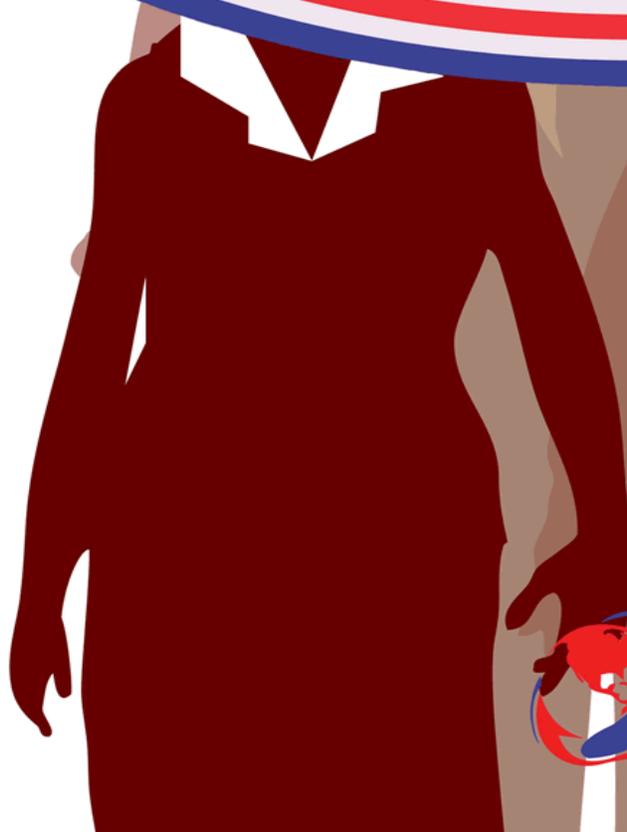


Journal of Human Resource and Leadership (JHRL)

INFLUENCE OF FORMAL STRUCTURES ON SUSTAINABLE PERFORMANCE CONTRACTING OF EMPLOYEES IN CHARTERED PUBLIC UNIVERSITIES IN KENYA

Joshua Enane Amwayi, Prof. Mike Amuhaya Iravo, Prof. Romanus Odhiambo and Dr. Victor
Ladan Lutsili



INFLUENCE OF FORMAL STRUCTURES ON SUSTAINABLE PERFORMANCE CONTRACTING OF EMPLOYEES IN CHARTERED PUBLIC UNIVERSITIES IN KENYA

^{1*}Joshua Enane Amwayi

¹PhD Candidate: Jomo Kenyatta University of Agriculture and Technology

*Corresponding Author's Email: jeamwayi@yahoo.com

²Prof. Mike Amuhaya Iravo

Lecturer: Jomo Kenyatta University of Agriculture and Technology

³Prof. Romanus Odhiambo

Lecturer: Jomo Kenyatta University of Agriculture and Technology

⁴Dr. Victor Ladan Lutsili

Lecturer: Technical University of Mombasa, Kenya

Abstract

Purpose: The study at investigating the influence of formal structures on sustainable performance contracting of employees in chartered public universities in Kenya

Methods: The study adopted a descriptive research design. This study adopted a positivist research philosophy. The population of the study comprised of all the staff members in public chartered universities in Kenya. For this study, target population was 27,054. This figure comprised of various staff at the universities who included; the Academic, Administrative and Technical staff. Various strata were identified from the areas of academic specialization of schools or faculties. The sample size was 384 respondents. Primary data was collected by use of one main structured questionnaire that captured the various variables of the study. Both descriptive and inferential statistics were used.

Results: Formal structures as an element of institutional framework influenced sustainable performance contracting of employees in chartered public universities in Kenya through providing the policy framework as well as rules and regulations for the development and implementation of the performance contracts.

Unique contribution to theory, practice and policy: The study recommends that the management of the chartered public universities in Kenya should conduct regular review of the institutions' formal structures in order to ensure that they remain up to date; are reflective of the changes happening within the institutions and also enhance the employees' performance.

Keywords: *Formal structures, sustainable performance contracting, employees, chartered public universities*

1.0 INTRODUCTION

1.1 Background of the Study

It has often been said that the most important asset of any organization is its employees. Indeed, people and the management of people are increasingly seen as key elements of competitive advantage (Locke & Latham, 2012). Unlike traditional views on competitive advantage which emphasized such barriers to entry as economies of scale, access to capital, and regulated competition, more recent views have highlighted an organization's strategic management of its human resources as a source of competitive advantage, which cannot easily be acquired or imitated (Franco & Boume, 2013). The importance of people management as a critical source of competitive advantage has been highlighted because of the increasingly competitive global marketplace facing organizations, and the ease with which other sources of competitive advantage such as technology, manufacturing processes, structure, and business strategy, can easily be acquired or imitated. Organizations are, therefore, seeking to understand how their human resources can be managed for sustainable competitive advantage (Lienert, 2015).

1.1.1 Performance Contracting System Globally

Performance contracting as a part of the performance management system is a topic which is often discussed but rarely defined. Literally it is the process of quantifying action, where measurement is the process of quantification and action leads to performance (Moy, 2011). Although the UK promoted the concept of Public Sector Reforms (PSR), the idea of Performance Contracts (PCs) can be traced to France in the 1970s with the aim of reforming State-Owned Enterprises (Wang & King, 2009). Unlike the UK model whose focus was the public sector, the performance framework experimented in France targeted the private sector. However, eventually the public sector in many countries warmed up to performance contracting system. By 1995, PCs had been experimented in more than 50 countries (Greiling, 2011). As of June 1994, the World Bank (2013) documented 565 PCs adopted in 32 developing countries and 103,000 PCs in China alone.

1.1.2 Performance Contracting System Regionally

In Africa, the end of colonialism brought with it tremendously expansion of public service. Employment in to the public service was used by leaders to reward cronies for loyalty and as a way of ensuring that crucial services were not left in the hands of foreigners (Ong'olo, 2013). This situation led to ballooning of wage bill relative to Gross Domestic Product leading governments to borrow from multi-lateral lenders to meet operational costs. The inability of

governments to meet operational costs leading to borrowing from multilateral donors was the trigger to public service reforms as the lenders specifically the World Bank and the International Monetary Fund forced most governments to reform their public service under structural adjustment programme (Aduamoah & Campion, 2012).

1.1.3 Performance Contracting in Kenya

In the Kenyan context a performance contract is a written agreement between Government and a state agency (local authority, State Corporation or Central Government Ministry) delivering services to the public, wherein quantifiable targets are explicitly specified for a period of one financial year (July to June) and performance measured against agreed targets (Kamonche, 2011). The performance contracting practice hence mirrors very closely the OECD definition as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. The Government of Kenya guide-books on performance contracting defines it as a management tool for measuring performance against negotiated performance targets (Akaranga, 2011).

Performance contract is a freely negotiated performance agreement between the government, acting as the owner of the agency and, the management of the agency (Halachmi, 2012). The Performance Contract specifies the mutual performance obligations, intentions and responsibilities between the two parties. Polit and Beck (2014), defines it as “performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent.

1.1.4 Performance Contracting in Kenyan Universities

Kenyan universities rank their universities in the country and also rely on the webometrics world ranking from Spain (Obongo, 2009). Kenya has now embarked through the German Academic Exchange Service, to plan ranking its own universities based on performance (Njeru, 2014). Chartered Public Universities in Kenya are accredited by Commission for University Education (CUE). This Commission also recognizes the quality assurance agency for universities, the importance of education and affirms the national accreditation system necessary for guaranteeing quality and training in the universities. This means public acceptance and confirmation evidenced by being awarded a Charter after meeting the standard of academic excellence set by the commission. For any university to be accredited, the CUE must ascertain that the physical, human, library and financial resources, viable relevant academic programmes and a good structure of governance exists (Mohammed, 2013).

There are thirty- one public and thirty-nine chartered private universities and the first ten are led by University of Nairobi, Strathmore University, Egerton University, Jomo Kenyatta University of Agriculture and Technology, Maseno, Moi, Kenya Methodist, TaitaTaveta respectively (CUE, 2016). For them to attain high performance, universities must promote quality and relevance; promote the rights, culture, ethical behaviour, rational values and the country’s national interests;

enhance equity and access to university activities; promote efficient, effective and good governance systems in order to practice and maintain public trust; have sustainability and adopt best practice while having systems of checks and balances in the system and the institution of non-discriminatory practices (Makhanu, 2013).

1.1.5 Public Chartered Universities in Kenya

Higher education institutions in the world are facing new challenges which require reforms in their management and governance styles (Lindblom, 2014). The rise of new stakeholders, internal factors, together with globalization and the rapid pace at which new knowledge is created and utilized are among the recent developments which challenge higher education institutions. While they have responded rather slowly in the past, to changing circumstances, there is now an urgent need for them to adjust rapidly in order to fulfill their missions and the needs of other stakeholders (Imperato, 2013).

Kenya placed considerable importance on the role of education in promoting economic and social development after the achievement of independence in 1963 (Kelman, 2014). This resulted in the rapid expansion of the education system to provide qualified persons for the growing economic and administrative institutions, and to undertake some reforms to reflect the aspirations of an independent state (Kamonche, 2011).

1.2 Statement of the Problem

As a result of perceived gains in improving service delivery in government agencies, performance contracting has been one of the Government of Kenya's principal development strategy to build a public service capable of meeting the challenges of the 21st century (NPR, 2016). The aim of the performance contract was to enhance service delivery that meets both the national and international standards. In the light of this, Education has also been identified as the central pillar to Kenya's realisation of Vision 2030 (Kamonche, 2011). The continuous need to improve both efficiency and effectiveness in the public sector in light of the scarce resources and the high public expectations; all Public Universities were put on Performance Contracts by the Government. It was believed that the Performance Contracts would create a management system that focuses on the attainment of desired results and instilling a framework of accountability. This has not been achieved to date as the chartered public universities in Kenya have been underperforming and their rating by webometrics has been on the drop since 2010.

Performance contracting in these universities has been faced with a number of challenges that include setting of standards, evaluation and control. Target setting and evaluation in public universities are done by the respective institutions and only moderated by the Ad hoc Negotiation and Evaluation Task forces which are far removed from the ground (Kiragu, 2014). Government reports and some studies adduced so far point to poor management, lack of research funds, tribalism, corruption, political interference, insufficient physical and financial resources and politically appointed councils as the major causes of poor employee performance in public Universities in the country. This complicates the objectivity of evaluation given that it is new in the eyes of the evaluators (Njiru, 2008).

Globally, studies on perceptions conducted in this area show that some performance contracting can be poorly specified (Moy, 2011; Wang & King, 2009; Armstrong and Baron, 2014). For example, in Australia and New Zealand public universities, it was noted that performance contracting compromised the quality of teaching and research (Franco & Boume, 2013). In Kenya, Njeru (2014) notes that there are a considerable number of corporations that have not embraced the changes necessary in the implementation of performance contracting because of negative perceptions. Muthaura (2008) notes that those corporations that have appropriate performance contracts have greatly improved service delivery. However, the implementation of PCs in the civil service and state corporations has been faced with several challenges (Makhanu, 2013). According to the studies above there exist limited empirical evidence that suggests institutional framework influence sustainable employee performance contracting. The purpose of this study, therefore, was to fill the gap by providing empirical evidence on the influence of formal structures on sustainable performance contracting of employees in chartered public universities in Kenya.

2.0 LITERATURE REVIEW

2.1 Goal Setting Theory

The goal setting theory assumes that a direct relationship exists between the definition of specific and measurable goals and performance will be the first to be applied in this study. If managers know what they are aiming at, they are motivated to exert more effort, which increases performance (Holmstrom, 1982). The theory as advanced by Marwaha and Tommerdahl (1995) asserts that goal setting and encouragement of decision rights are a basis for employee performance. Wheeler (2001) observes that taking responsibility for results requires that organizational members are given the opportunity to influence their results favourably and have the freedom to take action. This implies that people have to be authorized by their managers to independently and swiftly take action on problems without having to ask for permission first.

Decision rights allow greater involvement of employees in deciding on issues that affect their work (Locke & Latham, 2012). This implies that workers have a say in defining the right Key Performance Indicators (KPIs) and the mandate to establish Critical Success Factors (CSFs) in relation to their job responsibilities. According to Feuerstein (1996) employees are most likely to meet or exceed performance goals when they are empowered with the authority to make decisions and solve problems related to the results for which they are accountable. The performance goals of an organization represent a shared responsibility among all its employees, each of whom has a stake in the organization's success.

The relevance of goal setting theory in this study was to provide a parameter of assessing employees commitment and performance, the evidence of this theory does exist that higher performance results when goals are well defined but challenging, as a successful outcome boosts the self-esteem, then employee seeking structure in organizations would find compatibility with goal setting. The goal setting theory was used to support decision rights in this study by the employees through the set structures within the organization hence tackling the first objective.

2.2 Conceptual Framework

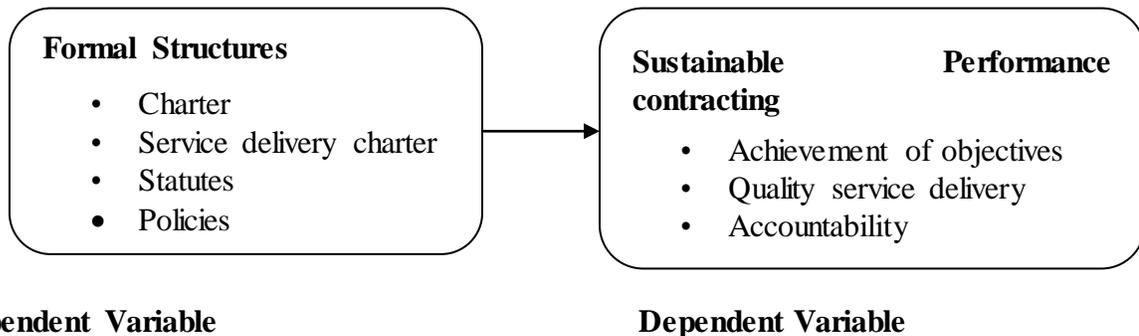


Figure 1: Conceptual Framework

2.3 Review of Study Variables

2.3.1 Formal Structures and Employee Performance Contracting

Karjalainen *et al.* (2010) conducted studies on two different frameworks of HRM practices in a comparative study done in Bosnia and Eritrea. These were the internal development framework and the acquisition framework. These frameworks correspond respectively to high involvement HRM and traditional or the commitment and the control HR systems. Langevoort (2012) in his study suggested that there is an internal fit among the practices such that there is a synergistic effect that is greater than the sum of their individual parts. The approach is the contingency perspective, which suggests that effective HRM practices have to be consistent with other aspect of the organization. The scholars also reviewed the configuration perspective which suggests that effective HRM practices consist of a pattern of practices that are internally consistent and externally congruent with other organizational characteristics (Wanjohi, 2012).

2.3.2 Measurement of Sustainable Performance Contracting

Performance is the driving force of every organization. Basing arguments on Results Theory, Cummings and Qiao (2013) indicate that the essence for the existence of organizations is performance. Collier (2010) indicates that organizational performance is measured through various indicators depending on the organizational structure. Walsh (2011) indicates that whereas profit oriented organizations tend to measure performance through financial turnovers and profit earnings, non-profit oriented organizations tend to measure performance through social benefits. According to Grover *et al.* (2013) performance of governments should be measured through service delivery, their arguments seem to have been informed by sentiments advanced by results theory. In results theory, Hilmer (2013) notes that performance focuses on processes and activities rather than end results.

3.0 METHODOLOGY

The study adopted a descriptive research design. This study adopted a positivist research philosophy. The population of the study comprised of all the staff members in public chartered universities in Kenya. For this study, target population was 27,054. This figure comprised of various staff at the universities who included; the Academic, Administrative and Technical staff. Various strata were identified from the areas of academic specialization of schools or faculties. There are twenty-seven thousand and fifty-four employees in the thirty-one chartered public universities in Kenya and this formed the sampling frame. Cluster sampling techniques were employed first to identify the various universities and clusters relevant to this study. The universities were arranged in eight clusters according to where they are located and as per the provincial demarcations. That was; Central, Coast, Eastern, Nairobi, North Eastern, Nyanza, Rift Valley and Western.

The total population of employees of public chartered universities was over ten thousand and to get a representative population sample, Dell *et al.*, (2002) recommended the following formula:

The sample size was determined using statistical population surveys whereby:

$$n = \frac{z^2 pq}{d^2} \dots\dots\dots (3.1)$$

Where n = Desired minimal sample size (where pop>10,000)

z = Standard normal deviation which was equal to 1.96 at 95% confidence level.

p = Proportion of the target population estimated to have a particular characteristic being measured. In this case it was estimated to be 0.5.

q = 1 – P

d = The level of statistical significance set, which in this case was 0.05.

$$n = \frac{1.96^2 \times 0.5 \times 0.5}{0.05^2} \approx 384 \dots\dots\dots (3.2)$$

Primary data was collected by use of one main structured questionnaire that captured the various variables of the study. Face to face interviews were also conducted to registrars. Secondary data was collected through review of published literature such as journals articles, published theses and textbooks. The researcher also, made use of secondary data from universities records. Before the actual data collection, piloting of questionnaire was done using a number of academic staff members who were not included in the final study. Both descriptive and inferential statistics were used. Inferential data analysis was done using Pearson correlation coefficient and linear

multiple regression analysis (both enter and stepwise methods) and multiple regression analysis (stepwise method).

4.0 RESEARCH FINDINGS AND DISCUSSIONS

4.1 Demographic Characteristics of Respondents

4.1.1 Age Distribution of the Respondents

Based on Table 4.1 below, it is evident that majority of the staff working in chartered public universities in Kenya are aged between 26 and 54 years, with 37% of them being aged 26-34 years, 33.8% being aged 35-44 years and 19.6% being aged 45-54 years. Further, 5.3% were aged less than 25 years while 4.3% were aged 55 years and above. This showed that majority of the employees of the chartered public universities in Kenya were in their most productive years.

Table 4.1 Respondents' Age Distribution

Age bracket (in years)	Frequency	Percent
Less than 25	15	5.3
26-34	104	37.0
35-44	95	33.8
45-54	55	19.6
55 & above	12	4.3
Total	281	100.0

4.1.2 Respondents' Job Titles

The results presented in Table 4.2 below indicate that the study respondents were drawn from diverse occupations within the chartered public universities in Kenya implying that the study was not biased to views from any particular group of university staffs. However, most of the respondents were lecturers and administrative assistants.

Table 4.2: Job Titles of the Respondents

	Frequency	Per cent
ICT Officer	8	2.8
Accountant	5	1.8
Maintenance manager	1	.4
Games tutor	5	1.8
Technician	7	2.5
Lecturer	56	19.9
Auditor	4	1.4
Senior Administration Assistant (SAA)	3	1.1

Secretary	17	6.0
Librarian	9	3.2
Procurement officer	7	2.5
Planning officer III	4	1.4
Senior ICT officer II	5	1.8
Human resource officer	14	5.0
Director	6	2.1
Tutorial Fellow	9	3.2
Technologist	6	2.1
Teaching Assistant	1	.4
Transport manager	3	1.1
Head of internal audit	1	.4
Administrative assistant	43	15.3
COD	6	2.1
Dean	1	.4
Clerk	14	5.0
Public relations officer	2	.7
Registrar	5	1.8
Accommodation officer	1	.4
House keeper	1	.4
Customer service supervisor	3	1.1
Office assistant	3	1.1
Receptionist	6	2.1
Research assistant	5	1.8
Security officer	5	1.8
Lab Technician	2	.7
Driver	4	1.4
Cook	5	1.8
Environmental Assistant	2	.7
Cleaner	1	.4
Messenger	1	.4
Total	281	100.0

4.2 Descriptive Results

4.2.1 Formal Structures and Sustainable Performance Contracting

The study sought to examine the influence of formal structures on sustainable performance contracting of employees in chartered public universities in Kenya. The findings are as follows.

The study sought to establish the ways in which formal structures influenced sustainable performance contracting of employees in chartered public universities in Kenya. From the study findings, the respondents indicated that formal structures influenced sustainable performance contracting of employees in chartered public universities in Kenya in various ways and which included providing the policy framework for the development of the performance contracts, providing the rules and regulations governing the implementation of the performance contracts, facilitating communication of the agreed performance targets and performance evaluation criteria and providing a framework that promotes full and effective participation of the employees in the formulation of the performance contracts.

Other indicated factors as per the respondent's include; providing a mechanism for resolving disputes related to the performance contracts, enabling close coordination of the performance contracting process across the various organizational departments and promoting frequent review of existing employee performance contracts to ensure their consistency with the current organization needs. As such it is evident that formal structures play a critical role in ensuring the sustainability of employees' performance contracting within the chartered public universities in Kenya.

The study also evaluated the extent to which respondents agreed with various statements on formal structures using a likert scale of 1-5 where 1 - to no extent, 2 - to a low extent, 3 - to a moderate extent, 4 - to a great extent and 5 - to a very great extent. According to the study results presented on Table 4.3, most of the respondents agreed to a great extent with the various statements on formal structures: employees are compliant with service delivery charter (mean = 4.217); our management aims at ensuring delivery service charter is enhanced (mean = 4.231); the university statutes are aimed at ensuring sustainable performance contracting of employees (mean = 3.826); respondent's being involved in formal structures implementation process as per the strategic plan (mean = 3.779); the set formal structures need technical and logistic support in order to fulfill their mandate (mean = 3.890); the current laid formal structures need to be reviewed since some of the clauses are obsolete (mean = 3.922).

The universities need skilled manpower that will monitor performance to ensure that contracting parties are within the parameters of the agreed performance targets (mean = 3.868); the concerned parties should carry out research and development to improve performance contracts of the chartered public universities (mean = 4.214); the management should coordinate and work with other relevant departments (mean = 3.673) and to ensure successful checks and balances, all employees should submit quarterly reports for evaluation (mean = 4.000). This implied that formal structures as constructs of institutional framework did influence sustainable performance contracting of employees in chartered public universities in Kenya. This is accounted for by the

means of the statements measuring formal structures ranging between 3.6 and 4.2. This shows that majority of the respondents were in agreement with the statements. Similarly, the standard deviations of majority of the statements are in the range of 1.

Table 4.3: Respondents' Extent of Agreement with Statements on Formal Structures

Statements	Mean	Std. Dev
Employees are compliant with service charter	4.217	0.7786
Our management aims at ensuring delivery service charter is enhanced	4.231	0.5344
The university statutes are aimed at ensuring sustainable performance contracting of employees	3.826	1.2599
I am involved in formal structures implementation process as per our strategic plan	3.779	0.7845
The set formal structures needs technical and logistic support in order to fulfill their mandate	3.890	1.1395
The current laid formal structures need to be reviewed since some of the clauses are obsolete	3.922	0.7471
Universities need skilled manpower that will monitor performance to ensure that contracting parties are within the parameters of the agreed performance targets	3.868	0.9376
The concerned parties should carry out research and development to improve performance contracts of the chartered public universities	4.214	0.7819
The management should coordinate and work with other relevant departments	3.673	1.0349
To ensure successful checks and balances, all employees should submit quarterly reports for evaluation	4.000	0.8783

4.2.2 Sustainable Performance Contracting

The study sought to establish the areas based on the respondents' opinion that the universities could improve in order to increase staff performance and productivity. From the study findings, the respondents were of the opinion that some of the areas that the management of the universities could improve in order to increase staff performance and productivity were: staff remuneration and recognition, staff training and development, staff social welfare, communication with the staff, participative decision making and delegation of decision making powers, conflicts resolution mechanisms, provision of timely feedback on staff performance evaluation and workplace safety and security. This implied that there were various areas of

interest to the respondents that if improved could lead to increased employees' performance and productivity within the chartered public universities in Kenya.

The study also evaluated the extent to which institutional framework enhanced various aspects of sustainable performance contracting using a likert scale of 1-5 where 1 - to no extent, 2 - to a low extent, 3 - to a moderate extent, 4 - to a great extent and 5 - to a very great extent. According to the study results shown in Table 4.4, most of the respondents agreed to a great extent with the various statements on how institutional framework enhanced various aspects of sustainable performance contracting: achievement of objectives is as a result of institutional framework (mean = 4.078); employee's motivation has increased since the signing of performance contracts (mean = 4.021); every employee supports the method used for performance contracting as per the strategic plan (mean = 4.146); institutional framework ensures quality service delivery (mean = 4.274); performance of employee is as a result of institutional frameworks (mean = 3.957); institutional framework depend on employee participation and they endeavor to practice internal democracy (mean = 4.032); accountability in the university has ensured customer satisfaction (mean = 4.178); accountability in the university has resulted to social benefits in the university (mean = 3.957) and to enhance sustainable performance contracting of employees accountability is key and should be rewarded (mean = 4.231). This implied that institutional framework played a significant role in enhancing sustainable performance contracting of employees in chartered public universities in Kenya. This is accounted for by the means of the statements measuring institutional framework ranging between 3.9 and 4.2. This shows that majority of the respondents were in agreement with the statements. Similarly, the standard deviations of majority of the statements are in the range of 1.

Table 4.4: Extent to Which Institutional Frameworks Enhance Various Aspects of Sustainable Performance Contracting

Statements	Mean	Std. Dev
Achievement of objectives is as a result of institutional framework	4.078	0.9340
Employee's motivation has increased since the signing of performance contracts	4.021	0.9256
Every employee supports the method used for performance contracting as per the strategic plan	4.146	0.9506
Institutional framework ensures quality service delivery	4.274	0.9818
Performance of employees is as a result of institutional frameworks	3.957	0.8139
Institutional framework depend on employee participation and they endeavor to practice internal democracy	4.032	0.8339

Accountability in the university has ensured customer satisfaction	4.178	0.8261
Accountability in the university has resulted to social benefits in the university	3.957	1.0098
To enhance sustainable performance contracting of employees accountability is key and should be rewarded	4.231	0.7652

The study further sought to establish the challenges that faced the implementation process of performance contracting tool in the respondent's institution. According to the study findings, the respondents cited various challenges that affected implementation of performance contracting in their institutions and which were: poorly designed performance contracts, lack of ownership of the performance contracting implementation process by the employees, lack of adequate facilitation of the implementation of performance contracting by the management, lack of employees participation in setting performance targets, lack of top management's commitment to full implementation of the performance contracting process, lack of motivation/incentives for the employees to realize set performance targets, inadequate monitoring and evaluation criteria for the performance contracting implementation process, resistance to change by employees, diversity in work tasks making it difficult to standardize key performance indicators and inadequate sensitization of the employees about the concept of performance contracts. This implied that implementation of performance contracting in chartered public universities in Kenya was being affected by a myriad of challenges and which require to be addressed if the benefits of performance contracting are to be realized in these institutions.

4.3 Tests for Model Assumptions

4.3.1 Tests of Normality

Use of inferential parametric statistical procedures requires that the assumptions of such tests of normality are tested. Normality tests help to confirm whether the data follows a normal distribution or not (Wheeler, 2001). If the normality is not achieved, the results may not depict the true picture relationship amongst the variables. In this study, normality was tested using Kolmogorov-Smirnov Test and the Shapiro-Wilk Test. The Shapiro-Wilk Test is more appropriate for small sample sizes (< 500 samples), but can also handle sample sizes as large as 2000. For this reason, this study used the Shapiro-Wilk test as our numerical means of assessing normality. If the Sig. value of the Shapiro-Wilk Test is below 0.05, then the data significantly deviates from a normal distribution but if the Sig. value of the Shapiro-Wilk Test is greater than 0.05, then the data is normal.

Table 4.5 below indicates that the significance values for the Shapiro-Wilk tests were 0.266 for formal structures and 0.229 for performance contracting. Since the p-values of Shapiro-Wilk tests for all the study variables were greater than 0.05 then we accept the hypothesis that the data came from a normally distributed population. The results of the tests are, therefore, of a normally distributed population.

Table 4.5: Tests of Normality

Variables	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Formal structures (x_1)	.358	281	.119	.872	281	.266
Performance contracting (y)	.277	281	.314	.810	281	.229

a. Lilliefors Significance Correction**4.4 Factor Analysis****4.4.1 Factor Analysis for Formal Structures**

Factor analysis was used to extract the most important components of formal structures that influenced sustainable performance contracting of employees in chartered public universities in Kenya. The principal component analysis and varimax rotation methods were used to extract components with Eigen values > 1 . Table 4.6 indicates that factor analysis results on formal structures aspects yielded three components/factors. These were interpreted as regulation factor (Variance = 36.301%), monitoring & evaluation factor (Variance = 19.279%) and people factor (Variance = 14.921%); the three factors explaining 70.501% of the variance in aspects of the formal structures. Since the largest Eigen value of 3.630 corresponds to the regulation factor, this is the component that claims most of the responses. The rotated component matrix for the formal structures is as follows.

Table 4.6: Rotated Component Matrix for Formal Structures

Rotated component factor analysis for aspects of formal structures	Components					
	Regulation factor	Monitoring & evaluation factor	People factor			
The set formal structures needs technical and logistic support in order to fulfill their mandate	0.950					
The management should coordinate and work with other relevant departments	0.915					
Universities need skilled manpower that will monitor performance to ensure that contracting parties are within the parameters of the agreed performance targets	0.829					
The university statutes are aimed at ensuring sustainable	0.754					

performance contracting of employees

To ensure successful checks and balances, all employees should submit quarterly reports for evaluation 0.768

Employees are compliant with service charter 0.746

The current laid down formal structures need to be reviewed since some of the clauses are obsolete 0.624

Our management aims at ensuring delivery service charter is enhanced 0.731

I am involved in formal structures implementation process as per our strategic plan 0.693

The concerned parties should carry out research and development to improve performance contracts of the chartered public universities 0.613

Eigen Values	3.630	1.928	1.492
Variance %	36.301	19.279	14.921
Cumulative %	36.301	55.580	70.501

Extraction Method: *Principal Component Analysis*. Rotation Method: *Varimax with Kaiser Normalization*. a. Rotation converged in 5 iterations.

4.5 Inferential Statistics

4.5.1 Correlation Results

Results of the Pearson correlation, as shown in Table 4.7 below, indicate that there is a significant positive correlation between formal structures and performance contracting ($r=0.609$, p value <0.05);

4.5.2 Regression Results

The regression results are organized on the basis of the research hypotheses as follows;

4.5.2.1 Hypothesis I: Formal Structures and Sustainable Performance Contracting

Table 4.7: Model Summary for Formal Structures

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.832 ^a	0.692	0.691	.8843

Predictors: (Constant), formal structures

According to Table 4.7 above, R square is the coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables. The value of R square is 0.692 which means that 69.2% variation in sustainable performance contracting of employees in chartered public universities in Kenya was due to variations in formal structures, with 30.8% of variation in sustainable performance contracting of employees in chartered public universities in Kenya being explained by other factors and not formal structures.

Table 4.8: ANOVA (Analysis of Variance) for Formal Structures

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	489.644	1	489.644	626.109	.0000 ^a
	Residual	218.190	279	.7820		
	Total	707.834	280			

a. Predictors: (Constant), formal structures

b. Dependent Variable: Sustainable performance contracting

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The "F" column provides a statistic for testing the hypothesis that all $\beta \neq 0$ against the null hypothesis that $\beta = 0$ (Weisberg, 2005). From the findings in Table 4.8, the significance value is .0000 which is less than 0.05 thus the model was statistically significant in predicting how formal structures influenced sustainable performance contracting of employees in chartered public universities in Kenya.

Table 4.9: Coefficient results for Formal Structures

	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	6.431	.712		9.032	.0000
Formal structures [X_1]	0.680	.188	.645	3.617	.0004

a. Dependent Variable: Sustainable Performance contracting

Based on the regression results shown on Table 4.9 above, holding formal structures constant at zero, sustainable performance contracting of employees in chartered public universities in Kenya would be 6.431. A unit increase in formal structures would lead to a 0.680 increase in sustainable performance contracting of employees in chartered public universities in Kenya. At 5% significance level, formal structures had a $p=0.0004$ which is <0.05 , and hence the study accepted the hypothesis that *formal structures positively significantly influence sustainable performance contracting of employees in chartered public universities in Kenya.*

4.10 Discussion of Findings

4.10.2 Formal Structures and Sustainable Performance Contracting

The respondents indicated that formal structures influenced sustainable performance contracting of employees in chartered public universities in Kenya in various ways and which included providing the policy framework for the development of the performance contracts, providing the rules and regulations governing the implementation of the performance contracts, facilitating communication of the agreed performance targets and performance evaluation criteria, providing a framework that promotes full and effective participation of the employees in the formulation of the performance contracts, providing a mechanism for resolving disputes related to the performance contracts, enabling close coordination of the implementation of the performance contracting process across the various organizational departments and promoting frequent review of existing employee performance contracts to ensure their consistency with the current organization needs.

This was consistent with the findings of Cleland and Ireland (2007) who in a review of public sector performance contracting in Belgium observed that formal structures were critical to the success of performance contracting in both public and private entities as they provided a mechanism for resolving any problems associated with the performance contracts while also enabling close coordination of the performance contracting implementation process across the various organizational units. This was also in line with Fletcher (2011) who argued that, in performance appraisal and management, the role of formal structures in ensuring the success of performance contracting cannot be overstated especially in providing a sound framework for the development and implementation of performance contracts and that allows both management and staff input in the entire process. However, Ghalayani and Noble (2011) while reviewing the changing basis of performance measurement noted that unless the formal structures are reviewed from time to time to ensure that they are aligned with the current state of affairs within the organization, they are likely to impede rather than facilitate the execution of the performance contracting process.

The study findings also showed that the respondents agreed to a great extent with the various statements on formal structures including that the employees were compliant with the university's service charter (mean = 4.217); the management of the universities aimed at ensuring that the delivery service charter was enhanced (mean = 4.231); the set formal structures needed technical and logistic support in order to fulfill their mandate (mean = 3.890); the current

laid formal structures needed to be amended since some of the structured need review (mean = 3.922); the universities needed skilled manpower that would monitor performance to ensure that contracting parties are within the parameters of the agreed performance targets (mean = 3.868); the concerned parties should carry out research and development to improve performance contracts of the chartered public universities (mean = 4.214); the management should coordinate and work with all departments (mean = 3.673) and to ensure successful checks and balances, all employees should submit quarterly reports for evaluation (mean = 4.000). Further, the regression analysis results showed that there existed a strong positive relationship between formal structures and sustainable employee performance contracting (as shown by a beta value of 0.680, $p < 0.05$). This implied that formal structures as constructs of institutional framework did significantly influence sustainable performance contracting of employees in chartered public universities in Kenya.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.2 Summary of Findings

5.2.1 Formal Structures and Sustainable Performance Contracting

The study established that formal structures influenced sustainable performance contracting of employees in chartered public universities in Kenya in various ways and which included providing the policy framework for the development of the performance contracts, providing the rules and regulations governing the implementation of the performance contracts, facilitating communication of the agreed performance targets and performance evaluation criteria, providing a framework that promotes full and effective participation of the employees in the formulation of the performance contracts, providing a mechanism for resolving disputes related to the performance contracts, enabling close coordination of the performance contracting process across the various organizational departments and promoting frequent review of existing employee performance contracts to ensure their consistency with the current organization needs.

5.3 Conclusions

Formal structures as an element of institutional framework influenced sustainable performance contracting of employees in chartered public universities in Kenya through providing the policy framework as well as rules and regulations for the development and implementation of the performance contracts. In addition, the study concluded that there existed a significant positive relationship between formal structures and sustainable performance contracting of employees in chartered public universities in Kenya.

5.4 Recommendations

Given the findings that the set formal structures needed technical and logistic support in order to fulfill their mandate, the current laid formal structures needed to be reviewed since some of the clauses were retrogressive and that the universities needed skilled manpower that would monitor performance to ensure that contracting parties are within the parameters of the agreed performance targets, the study recommends that the management of the chartered public

universities in Kenya should conduct regular review of the institutions' formal structures in order to ensure that they remain up to date; are reflective of the changes happening within the institutions and also enhance the employees' performance.

REFERENCES

- Aduamoah, M., & Campion, C. (2012). An evaluation of procurement challenges in Kumasi Polytechnic. *International Journal of Business and Management*: 1 (4), 33- 47.
- Armstrong, M. & Baron, A. (2012). Managing performance: performance management in action: *Chartered Institute of Personnel and Development*. TJ International, Padstow London, UK.
- Armstrong, M. & Baron, A. (2014). *Managing performance: performance management in action*. London: Chartered Institute of Personnel and Development.
- Cleland, D., & Ireland, L. (2007). *Public Sector Performance Contracting in Belgium and Flanders: Creating the Influence Needed for Strategic Success*, London, Koga Page Ltd. Publishers.
- Collier, B. (2010). The role of ASIC in corporate governance: *Paper presented at the corporate governance Summit*, Canberra: ASIC.
- Cummings, G., & Qiao, Y. (2013). The use of qualification based selection in public procurement: a survey research, *Journal of Public Procurement*, 3 (2), 215-216.
- Cummings, T., & Warley, C. (2005). *Organization development and change*, 8th edition Cincinnati, OH: South – Western College Publishing.
- Dell, B., Holleran, S. & Ramakrishnan, R. (2002). Sample Size Determination. *Human Resource Journal*, 43, (4), 207-213.
- Feuerstein, M. (1996). *Partners in Evaluation: Evaluating Development and Community Programmes*. Forster, R ed 1996. ZOPP Marries PRA, Eschborn: GTZ.
- Fletcher, C. (2011). Performance appraisal and management. The developing research agenda: *journal of Occupational and Organization Psychology*, (74) 13- 25.
- Franco, M., & Bourne, M. (2003). Factors that play a role in "managing through measures". *Management Decision London Then Bradford-*, 41, (8), 698-710.
- Ghalayani, A., & Noble, J. (2011). The changing Basis of Performance Measurement, *International Journal of Operations and Production Management*, 16 (8). 33-42. MCB University Press.
- Government of Kenya (2013). Economic Recovery Strategy for Wealth and Employment Creation. Government Press, Nairobi, Kenya

- Greiling, D. (2011). Performance Measurement: a remedy for increasing efficiency in Public Services. *International Journal of Productivity and Performance Management*. 55,(6), 448-465.
- Greiling, D. (2015). Performance Measurement in the Public Sector. *The German experience International Journal of Productivity and Performance Management*. 54,(7), 557-567.
- Halachmi, A. (2012). *Performance measurement ad government and government productivity*, Work study. 51, (2), 63-73.
- Hilmer, F. (2013). *The National Competition Policy*, Australian Government Publishing Service, Canberra, <http://www.nhif.or.ke/healthinsurance/aboutus/>: Accessed on 27th April 2016: 1320 hrs.
- Holmstrom, B. (1982). Moral hazard in teams, *Bell Journal of Economics*, 13(2), (Autumn), 324-40
- Imperato, G. (2013). Corporate crime, responsibility, compliance and governance: *Journal of Health Care Compliance*, 7(3), 11-19.
- Ireland, R., & Certo, S. (2007). Resources, industry membership, and firm performance: The role of capability configurations for IPO- stage new ventures. *Paper presented at Babson college entrepreneurship research conference (BCERC)* Irene M. McCarty Ward for best paper on the topic of high Technology.
- Ireland, R., Covin, J., & Kuratko, D. (2009). Conceptualizing corporate entrepreneurship strategy: *Entrepreneurship Theory and Practice*, 33 (1), 19-46.
- Kamonche, K. (2011). Competence creation in the African public sector, *International Journal of Public Sector management*, 4, (2), 4-8.
- Karjalainen, K., Katariina, K., & Erik, M. (2010). On-compliant work behavior in purchasing: An exploration of reasons behind maverick buying. *Journal of Business Ethics*, 11, (85), 245-261.
- Kelman, S. (2014). *Procurement and public management: The fear of discretion and the quality of government performance*. Washington, DC: The AEI Press.
- Kiragu, K (2014). *Improving service delivery through public service reform: lessons of experience from selected sub-sahara African countries*, paper presented at the second meeting of the DAC network on Good Governance and Capacity Development held at the OECD Headquarters.
- Lan, Z., Riley, L., & Cayer, N. (2015). How can local government become an employer of choice for technical professionals? Lessons and experiences from the city of Phoenix: *Review of Public Personnel Administration*, 25 (3), 225-242.
- Langevoort, D. (2012). Monitoring: The Behavioral Economics of Corporate Compliance With Law. *Columbia Business Law Review*, 1, 71-118.

- Lienert, I. (2015), Civil Service Reform: Mixed Results After 10 Years', International Monetary Fund, *Finance and Development*, 35 (2) 34-39.
- Lindblom, C. (2014). The implications of organizational legitimacy for corporate social performance and disclosure: *Critical Perspectives on Accounting Conference*, New York.
- Lisa, I. (2010). Compliance Culture: A conceptual framework, *Journal of Management and Organization*, 19 (7), 702-714.
- Locke E., & Latham, G. (2012). Building a practically useful Theory of Goal Setting and Task motivation: *American Psychologist*, 57, (9), 705-717.
- Makhanu, K. (2013). How does MMUST wish to conduct its Business? - Paper presented at a MMUST workshop on Performance Contract Target Setting – Busia.
- Marc, G., & Susan, E. (1994). Planning for information systems integration: some key challenges, *Journal of Information Science*, 20. (3), 146-60.
- Marwaha, J., & Tommerdahl, J (1995). Outsourcing your customer service, *Telemarketing*, 14, (2), 84-9.
- Mohammed, N. (2013). *The Kenyan Experience with Performance Contracting*. A paper presented at the 28th Conference of the Africa Association of Management Professionals –Arusha, Tanzania.
- Moy, P. (2011). Best Practices and Trends in Performance Based Contracting. *A final report submitted to Office of Financial management*; 210, 11th. Ave. S.W. Rm.311, Olympia, Washington D.C. 98504.
- Muthaura, F. (2008). *Restoring and Building trust in Government through innovations to promote quality of Public Service*. Government Printer, Nairobi, Kenya.
- Njeru. I. (2014). Management of Strategic Change in the Implementation of Performance Contracts among State Corporations in Kenya. Nairobi: University of Nairobi.
- Njiru, C. (2008). *Perceived Link Between Strategic Planning and Performance Contracting in Kenyan State Corporations*. Unpublished MBA Research Project, UoN.
- Obongo S. (2009). Implementation of Performance Contracting in Kenya – *International Public Management Review*, 10, (2), 66-84.
- OECD (2012). *Compendium of country examples and lessons learned from applying the methodology for assessment of national procurement systems*. Paris: OECD Publishing.
- OECD, (2009). *Performance Contracts in Public Enterprises, Lessons from Case studies on Performance Contracting*, Organization for Economic Co-operation and Development, Paris France. OECD. London: Cambridge University Press.

- Ong'olo, D. (2013). Public private partnerships practice and regulatory policy in Kenya: Nairobi: The Institute of Economic Affairs (IEA, Kenya)
- Polit, D., & Beck, T. (2014). *Nursing Research: Principles and Methods*. 7th edition. Philadelphia: Lippincott Publishers.
- Republic of Kenya (2010) *First Annual Progress Report on the Implementation of the First Medium-term Plan (2008-2012): Kenya Vision 2030*. Nairobi: Republic of Kenya.
- United Nations Educational, Scientific and Cultural Organization (2014). *Strategy Report*, Government Printer, Nairobi, Kenya
- Walsh, K. (2011). Quality and public services, *Public Administration*, 69, (2), 503-714
- Wang C. & King, K. (2009). Human Performance models revealed in the global context – Information age publishing inc. charlottes.
- Wanjohi, M. (2012). Challenges facing small medium enterprises in Kenya and the efforts in progress: Nairobi: Acts Press.
- Wheeler, F. (2001). A Bayesian approach to service level performance monitoring in supplier, provider relationships, *The Journal of the Operational Research Society*, 52, 4, 383-90.
- World Bank (2013). Applying the Rapid Results approach in Kenya. Retrieved from www.worldbank.org (Accessed on 12th December 2013)
- World Bank. (2010). *How to Evaluate Performance of Government Agency*. A manual for practitioners. United Kingdom, McGraw-Hill Press.