FACTORS INFLUENCING THE IMPLEMENTATION OF PERFORMANCE CONTRACTING AT KENYA REVENUE AUTHORITY

By

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A Research Project Submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Business Administration (MBA), School of Business,

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November, 2012

DECLARATION

This research project is my original work and has not been presented in any other institution for any academic award.

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This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

I dedicate this study to my mother, Charity Muthoni, who made a lot of sacrifices to see me through education; who taught me to be strong and to have hope through the direst of situations. To me, she is a beacon of hope and faith. I will forever be grateful to God for her.

ACKNOWLEDGEMENTS

The MBA program has been a long and arduous journey, the successful completion of which has been as a result of support from many individuals. My heartfelt gratitude goes to my supervisor, Professor Ogutu for his guidance, time, criticism and support through out the process. He was always available to offer valuable advice. Without his input, this study would not have been successful.

I appreciate Kenya Revenue authority for granting me the authority to conduct the study among its staff. More so I am very much grateful to the managers who spared time out of their busy schedules to take part in the research. I appreciate my colleagues at work for their cooperation and assistance during the time of my studies. I am indebted to my colleagues in the MBA class throughout the programme, for their interactive discussions. Without this, the programme could not have been manageable.

Last but not least, I pay tribute to my son, Thagana, who has been a source of great joy in the family, and his father Timothy for his constant encouragement, believing and supporting me in anything I put my heart to. I can not forget my mother in-law, Mary Thagana, who has been very supportive and kept reminding me to finish my studies; without them, the completion of this programme would have remained just but a mirage. Above everyone else, I thank the Almighty God for bringing me this far in life, without His love and care I would not be where am today.

ABBREVIATIONS

AAPAM	-	African Association for Public Administration and Management
ERSWEC	-	Economic Recovery Strategy for Wealth and Employment Creation
KRA	-	Kenya Revenue Authority
PCs	-	Performance Contracts (ing)

ABSTRACT

The study sought to achieve the objectives of determining the extent to which performance contracting has been implemented and to establish the factors that affect the implementation of Performance contracts in Kenya Revenue Authority. To achieve these objectives, the study was carried out through a case study design. Personal interviews were conducted on eight senior level managers by the research using interview guides which had open ended questions.

The eight respondents were drawn from eight different departments so as to fully analyse the situation across various departments of KRA; Customs, Corporate Research and Planning, Domestic taxes Domestic Revenue, Domestic Taxes- Large Taxpayer Office, Road Transport, Information and Communication Technology and the Human resources department. The researcher sought appointments with these respondents where he asked the questions following the interview guide (attached appendix 1). The data collected was of qualitative nature and was analysed by content analysis whereby key theme, concept and argument from each response was identified and analysed.

The findings were presented in a narrative format and they showed that performance contracting had not been fully implemented in the organisation as only a section of the staff signed performance contracts i.e. from grades one to ten. The rest of the staff, grades eleven to sixteen fill job evaluations, representing about forty percent of the staff. Secondly, the findings showed that the implementation of performance contracts in the organisation was affected by various factors including resource inadequacy, unrealistic and unachievable targets, reward and penalty system, communication and abrupt staff transfers hamper the implementation among others.

The study recommends that all levels of staff should be introduced to the concept of performance contracting. Performance contracts should be developed for each grade depending on the duties. This is to ensure that they are rational and uniform. Targets sets should be realistic and achievable and lastly drastic staff transfers should be avoided mid-year.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the study

A critical determinant of successful government is the ability to make good decisions, and manage their implementation. Modern government is complex. It requires thousands of decisions to be taken and acted upon each day. The compound effect of these decisions is enormous, due to the size and pervasiveness of government. Government has long struggled with the citizens' perceptions that it is too bureaucratic, unresponsive to the taxpayer or user of its services, and wasteful of the resources it receives. Strategic management creates an accountability framework that makes clear to the citizens what the agency is doing. Later, the agency comes back to report on what it has accomplished. If the agency has executed well, it can improve taxpayers' perceptions of the agency and of government in general. Subsequently, taxpayers will be more likely to support government programs seen to be accountable (Matheson, Scanlan & Tanner, 2009).

Governments have introduced performance contracting in their agencies for different objectives, among them the reduction of reliance on the exchequer funding for government agencies which are expected to generate revenue. Secondly, to divest loss making government agencies and to compel them to give a return to the stakeholders and lastly to improve service delivery to the public by introducing efficiency and effectiveness to the public sector (Kobia & Mohammed, 2006).

1.1.1 Strategy Implementation

Johnson, Scholes and Whittington (2006), observed that strategy implementation is translating the intended strategy in to workable strategies down through the organisation. The emphasis of strategy implementation is on getting the logic of the strategy right and then persuading people of this logic; designing structures and control systems appropriate to the strategy and using them as mechanisms of change; putting in place the resources required; and planning the timing and sequencing of changes required. Control mechanisms and feedback systems are needed to be in place so that the strategies can be refined and amended.

The strategic management process does not end when the firm decides what strategy or strategies to pursue. There must be a translation of strategic thought in to strategic action. While Strategy formulations is concerned with positioning forces before the action Strategy implementation is concerned with managing forces during the action and focuses on efficiency. It is primarily an operational process and requires special motivation and leadership skills. It also requires coordination among many people. (David, 1989)

According to Thompson, Strickland and Gamble (2007), all executives share concerns about planning and execution. They struggle to produce the financial performance forecasts in their long range plans. They are all concerned about closing the strategy-to-performance gap. Performance management refers to managing all elements of the organisational process that affect how well employees perform (Dessler, 2003). Performance management is the activity of tracking performance against targets and identifying opportunities for improvement. The focus of performance management is the future. Managing performance is about managing for results. Performance-based management at any level should demonstrate the organisation's objectives, how these objectives are to be achieved and how the progress towards achieving these objectives is to be measured and the corrective action if the objectives are not achieved (Office of Government Commerce, UK, as downloaded from www.ogc.gov.uk).

1.1.2 Performance Contracting

Performance contracting is a strategic management tool for managing employee performance. Several writers have defined the term differently. According to Trivedi, (2007) performance contract is an agreement between two parties that clearly specifies their mutual performance obligations. For public institutions, the principal is the government while the agent is the ministers and officials of ministries, or the managers of state corporations. The government monitors and evaluates performance and is responsible for public policy while the agent is responsible for implementation of public policies. Kobia & Mohammed (2006) stated that the definition of Performance Contracts has been a subject of considerable debate among the scholars and human resource practitioners. They define Performance Contracting as a branch of management science referred to as Management Control Systems, i.e. is a freely negotiated performance agreement between Government, organization and individuals on one hand and the agency itself.

Performance Contract System originated in France in the late 1960s. It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced to India. It has been adopted in developing countries in Africa, including Nigeria, Gambia, Ghana and now Kenya, (Kobia & Mohammed, 2006). According to Trivedi (2007), Performance contracts were introduced in the context of public enterprises in the 1970s for various reasons among them being; to prevent confusion due to multiplicity of objectives which is a major cause of problems of government agencies, to make public officers more accountable in their duties, to improve correlation between planning and implementation and coordination between various government agencies, to create a benchmark competition among public agencies and enterprises and an enabling public policy environment for other downstream reforms and lastly to create a "fair" and "accurate" impression about public enterprise performance.

1.1.3 Performance Contracting in Kenya

In Kenya, the concept of performance Contracting was first introduced in the management of state corporations in 1989. A Parastatal Reform Strategy Paper, which was approved by cabinet in 1991, was the first official recognition of the concept of Performance Contracting as it was part of the policies that were recommended to streamline and improve the performance of State Corporations, The first two parastatals to be on Performance Contracting were Kenya Railways Corporation and the National Cereals and Produce Board. Kenya Railways signed PC's in April 1989 and National Cereals and Produce Board signed in November 1990. However, these failed for lack of Political goodwill, the performance contracts did not conform to the requirements of the three subsystems of Performance contracts as they lacked the performance incentive system and lastly there was no provision for the impact of external factors (Kobia & Mohammed, 2006).

The policy decision to re-introduce Performance Contracting in the management of public service was conveyed in the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) 2003-2007. The process of implementation began in October 2004 when sixteen pilot state corporations signed and implemented performance contracts. In the financial year 2005/2006, all of the then thirty five ministries, 116 State corporations and 5 Local Authorities signed and implemented Performance Contracting In 2006/2007, the second year of full-scale implementation of Performance Contracts in the Public

Service, all Government Ministries, state corporations and Local Authorities signed and implemented Performance Contracts (Office of the president, 2007).

In 2004, the government of Kenya adopted Results-based Public Sector Management which puts an emphasis on strategic management, more accountability and transparency, and entails the use of Performance Contracts to develop a public sector that works, costs less and gets results. Performance contracting in the public sector was aimed at improving accountability among public officials. Signing a Performance Contract commits a public official to perform to, or beyond, the specified levels. This holds public officials accountable for results and therefore helps in converting tax Shillings into goods and services effectively and efficiently. It also creates transparency in the management of public resources (Office of the prime minister, 2010).

1.1.4 The Kenya Revenue Authority

Kenya Revenue Authority was established in 1995 by an Act of Parliament, Chapter 469 of the laws of Kenya, as a semi-autonomous government agency responsible for revenue administration. The overall objective was to provide operational autonomy in revenue administration and enable its evolution into a modern, flexible and integrated revenue collection agency. It has A Board of Directors, consisting of both public and private sector experts, which makes policy decisions to be implemented by KRA Management. The Chairman of the Board is appointed by the President of the Republic of Kenya. The Chief Executive of the Authority is the Commissioner General who is appointed by the Minister for Finance.

The Authority is divided into five Regions namely; Rift Valley Region, Western Region Southern Region, Northern Region, Central Region. In terms of revenue collection and other support functions, the Authority is divided into the seven departments namely; Customs Services, Domestic Taxes, Road Transport, Support Services and Investigations & Enforcement Department. Each Department is headed by a Commissioner.

Since the inception of KRA, revenue collection has continued to grow while professionalism in revenue administration has been enhanced. Tax collections grew by 114% between 2001/2002 and 2007/2008 from KShs183 billion (US$2,780 million) to KShs392 billion (US$5,935 million), translating to an average of 13.6% per year

(Muthaura, 2007). In the year just ended 2010/2011 KShs 635 billion was collected against a treasury target of KShs 630 billion. However, a number of processes remain manual and KRA is yet to operate as a fully integrated organisation. This actuated the Revenue Administration Reform and Modernisation Program (RARMP) which commenced in 2004/05 with the objective of transforming KRA into a modern, fully integrated and client-focused organization (KRA website as downloaded from www.kra.go.ke).

KRA adopted performance contracting in 2004. Every year the Board of Directors, the commissioner general, commissioners and all staff of the authority sign performance contracts. The sitting Board of directors sign their performance contracts with the ministry of finance through the treasury. Then the Commissioner General signs his/her performance contract with the Board of directors. Later he/she signs with the commissioners of each department. This is cascaded down with the heads of stations signing with their respective commissioners, further down the section heads sign with their stations heads and lastly the officers in each station sign with their section heads.

1.2 Statement of the problem

According to David, (1989) strategy implementation varies substantially among different types and sizes of organisations. It will differ greatly between manufacturing, service, and government organisations. In all but the smallest organisations, the transmission from strategy formulation to strategy implementation requires a shift in responsibility from strategists to divisional and functional managers. Implementation problems can arise because of this shift in responsibility. Managers and employees are motivated more by perceived interest than by organisational interests, unless the two coincide.

The Kenya Revenue Authority was established by an Act of Parliament on July 1st 1995 Chapter 469 for the purpose of enhancing the mobilisation of Government revenue, while providing effective tax administration and sustainability in revenue collection. The Board and Management of KRA have since its inception spent time and resources setting up systems, procedures and the adoption of new strategies aimed at enhancing the operational efficiency of the Authority's processes (KRA website, as downloaded from www.kra.go.ke).

Performance Contracting is part of the broader Public Sector Reforms aimed at improving efficiency and effectiveness in the management of the public service. Research on the success of contracting is mixed; Contracting for service delivery involves risks, which if ignored increase the likelihood of contract failure. One of the ways governments can respond to these risks is to more effectively monitor vendors' performance -a costly activity. Effective monitoring may allow governments to capture the benefits of contracting while avoiding its pitfalls (Browin & Potoski, 2003).

Previous studies have mainly looked at performance contracts in the public corporations in general. These include Kiruthu (2008), Kiboi (2006), Njiru (2007), Choke (2006), Langat (2006) and Emitundo (2010). Kobia & Mohamed (2006) explored the Kenyan experience with performance contracting and highlighted general challenges of implementing performance contracts in Kenya. Mohamed (2009) studied the impact of performance contracting on organisational performance in KRA. Odundo (2007) examined the extent to which KRA satisfied conditions for introducing and implementing performance contracts. She concluded that KRA satisfactorily fulfilled the conditions necessary for developing and implementing Performance contract. This has enhanced accountability and the overall performance of the organisation.

No research has been done on the implementation of performance contracts in KRA. It has not been studied whether KRA has fully implemented performance contracting since its introduction by the government in 2004. Whereas crafting strategy is largely a market-driven activity, implementing and executing strategy is primarily an operations driven activity revolving around the management of people and business processes (Thompson, Strickland and Gamble, 2007). This means that there are bound to be challenges in the implementation of a strategy like performance contracting. From the foregoing there exists a knowledge gap as to what extent has KRA implemented performance contracting? And as to what are the factors affecting implementation of performance contracting in KRA?

1.3 Objectives of the Study

The objectives of this study will be;

i. To assess the extent to which performance contracting has been implemented in KRA.

ii. To establish the factors affecting the implementation of performance contracting in KRA.

1.4 Value of the Study

This study will be of importance to the government and specifically to KRA, the academia as well as the general public. Having introduced Performance contracting to improve accountability among public officers, the government will be keen to know whether KRA has successfully implemented performance contracting and the hurdles being experienced. The study will assist KRA examine whether it's on the right track of implementing performance contracting and how to deal with the challenges its experiencing during implementation.

There is very little literature has been written on performance contracting. Performance measurement in the public sector is at its infancy, having been firmly established following the managerial reforms of the 1980s and 1990s (Kiruthu, 2008). Thus the proposed study seeks to narrow this gap and its findings will provide a source of reference as well as a base for further research.

Now more than ever, members of the public are expecting high quality service delivery from their governments the world over. The Kenyan public will be keen to know if performance contracting has given significant contribution to better service delivery and in particular revenue collection by KRA given that a huge sum of the taxpayer's resources- finances, time, management intellect among others has been invested in the Public sector reforms aimed at making the public sector more efficient, effective and ethical. This study will be vital in this regard.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the conceptual framework of strategy implementation. The concept of strategy and the process of strategic management in general have been looked at. Factors affecting strategy implementation, challenges of strategy implementation and how to deal with these challenges have been discussed. Brief theory of Performance management has also been discussed.

2.2 Concept of Strategy

Strategy is the unifying theme that gives coherence and direction to the decisions of an organization. It is the determination of the long run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals ((Payne, 2009). It is the long term direction of an organization. It is guided by the mission and vision of the organization. While mission is the overriding purpose in line with the values and expectations of stakeholders, vision is the desired future state of the organization.

The strategic management process begins with determination of the mission and vision of the organization. This is followed by scanning of the environment which consists of internal analysis of the firm, analysis of the firm's industry and an analysis of the external macro-environment. The third step is strategy formulation, where the firm matches its strengths to opportunities identified while addressing its weaknesses and external threats. Strategies can either be of corporate level, business or operational level depending on their scope. The fourth step is strategy implementation where the formulated strategy is put in to practice. Lastly, after the strategy has been implemented, evaluation and control is necessary to ensure that the intended goals are achieved (Johnson, Scholes and Whittington, 2006).

2.3 Strategy Implementation

Strategy Implementation comes after strategy formulation in the strategy management process. It is the execution of the formulated strategies. Thompson, Strickland and

Gamble (2007), observe that once managers have decided on a strategy, the emphasis turns to converting it in to actions and good results. Putting the strategy in to place and getting the organisation to execute it well call for different sets of managerial skills. Successful strategy execution depends on doing a good job of working with and through others, building and strengthening competitive capabilities, motivating and rewarding people in strategy-supportive manner, and instilling a discipline of getting things done.

The implementation of strategy is comprised of a series of sub-activities which are primarily administrative. If purpose is determined, then the resources of a company can be mobilized to accomplish it. An organisational structure appropriate for the efficient performance of the required task must be made effective by information systems and relationships permitting coordination of subdivided activities. The organisational processes of performance measurement, compensation, management development; all of them enmeshed in systems of incentives and controls must be directed towards the kind of behaviour required by organisational purpose. The role of personal leadership is important and sometimes decisive in the accomplishment of strategy (Mintzberg and Quinn, 1991).

Strategy implementation varies substantially among different types and sizes of organisations. In all but the smallest organisations, the transmission from strategy formulation to strategy implementation requires a shift in responsibility from strategists to divisional and functional managers. Implementation problems can arise because of this shift in responsibility. Managers and employees are motivated more by perceived interest than by organisational interests, unless the two coincide. Therefore, it is essential that divisional and functional managers be involved as much as possible in strategy-formulation activities. Strategists should equally be involved in strategy implementation activities (David, 1989).

According to Pearce and Robinson (2002), Implementation is successfully initiated in three interrelated stages: identification of measurable, mutually and determined annual objectives, development of specific functional strategies and development and communication of concise policies to guide decisions. Annual objectives guide implementation by converting long-term objectives into specific, short-term ends. Functional strategies translate grand strategies at the business level in to current action plans for subunits of the company. Policies provide specific guidelines for operating managers and their subordinates in executing strategies. A new strategy must be institutionalised i.e. must permeate the very day to day life of the organisation to be implemented. Since strategy is implemented in a changing environment, the execution must be controlled, evaluated and adjusted to changing conditions if it is to succeed.

Thompson (1997) observes that implementation incorporates a number of aspects, some of which can be changed directly and some of which can only be changed indirectly. The latter aspects are more difficult for the strategic leadership to control and change. The success to manage both aspects depend on the implementation of strategies and strategic changes which are determined through the planning and visionary modes of strategy creation and the ability of the organisation and its managers to respond to changes in the environment and adapt in line with perceived opportunities and threats. The aspects of implementation that can be changed directly include; the organisation structure, management systems, policies and procedures, action plans and short term budgets and management information systems. Those that are changed indirectly include: communication systems, managing and developing quality and excellence, manifested values and the organisation culture, the fostering of innovation and problems of successful Implementation.

Thompson, Strickland and Gamble (2007), observe that strategy execution is a job for the whole management team not just a few senior managers. While an organisation's chief executive officer and the heads of major business units are ultimately responsible for seeing successful execution of strategy, the process affects every part of the organisation, from big operating units to frontline work groups. Top-level managers have to rely on the active support and cooperation of middle level and lower managers to push strategy changes in to functional areas and operating units and to see that the organisation operates in accordance with the strategy on a daily basis.

For a chosen strategy to be considered effective, it must be implemented successfully. The prospects for effective implementation are clearly dependent upon the appropriateness, feasibility and desirability of the strategy. New strategies are selected because they offer opportunities and potential benefits, but their implementation, because it involves change, implies risk. Implementation strategies should seek to maximise benefits and minimise risks. Clear responsibility for the successful outcome of planned strategic change should be allocated. The number of strategies and changes being pursued at any time should be limited. The ability of the necessary resources to cope with the changes should be seen as a key determinant of strategy and should not be overlooked. Necessary actions to implement strategies should be identified and planned and responsibility should be allocated. It is important therefore to establish progress measurement points, measures of performance and appropriate monitoring and control mechanisms (Thompson, 1997).

2.4 Factors affecting Strategy Implementation

According to David (1989), successful strategy formulation does not at all guarantee successful implementation. Although inextricably interdependent, strategy formulation and strategy implementation are characteristically different. Successful strategy implementation requires support, discipline, motivation and hard work from all managers and employees. Formulating the right strategies is not enough, because managers and employees must be motivated to implement those strategies. Successful strategy implementation depends upon cooperation among all functional and divisional managers in an organisation.

Strategy implementation always involves the introduction of change to an organization and David (1989) observes that countless business variables affect the success or failure of strategy implementation. Organizational structure is the formal pattern of interactions and coordination developed to link individuals to their jobs and jobs to departments. It also involves the interactions between individuals and departments within the organization. Current research supports the idea that strategies may be more successful when supported with structure consistent with the new strategic direction. For example, departmentalization on the basis of customers, will likely help implement the development and marketing of new products that appeal to a specific customer segment and could be particularly useful in implementing a strategy of differentiation or focus. A functional organizational structure tends to have lower overhead and allows for more efficient utilization of specialists, and might be more consistent with a low-cost strategy (Reference for Business Encyclopaedia as downloaded from www.referenceforbusiness.com).

Finance and accounting managers are expected to devise effective strategy implementation approaches at low cost and minimum risk to the firm. Successful strategy implementation requires additional capital. This may be internal or external to the firm. Internal sources include sale of an asset, or company's net profits. External sources include debt or equity. A firm will select the cheaper source of financing from the sources available to it (David, 1989).

Technology can be defined as the knowledge, tools, equipment, and work methods used by an organization in providing its goods and services. The technology employed must fit the selected strategy for it to be successfully implemented. Companies planning to differentiate their product/service on the basis of quality must take steps to assure that the technology is in place to produce superior quality products or services. This may entail tighter quality control or state-of-the-art equipment. Firms pursuing a low-cost strategy may take steps to automate as a means of reducing labour costs. Similarly, they might use older equipment to minimize the immediate expenditure of funds for new equipment (Reference for Business Encyclopaedia as downloaded from www.referenceforbusiness.com).

Research and development personnel play an integral part in strategy implementation. They are generally charged with developing new products and improving old products in a way that will allow effective strategy implementation. These personnel perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets and altering products to particular tastes and specifications. Strategies such as product development, market penetration and concentric diversification require that new products be successfully developed and that old products be significantly improved. Technological developments that affect consumer and industrial products and services shorten product life cycle need to be developed (David, 1989).

Style of leadership is very influential. The preference of the strategic leader affects the desirability of particular strategic alternatives. The structure of the organisation, the delegation of responsibilities, the freedom of managers to act, their willingness to exercise initiative, and the incentive and reward systems will all be determined and influenced by the strategic leader. These in turn determine the effectiveness of implementation. The strategic leaders, choices and freedom to act, however, may be constrained by any resource limitations and certain environmental forces. The timing of when to act and make changes is also very important (Thompson, 1997). Organisational culture influences strategy implementation in that it is influenced by the values, actions and, beliefs of individuals at all levels of the organization. The culture of an organization develops over a period of time. The culture may be receptive or resistant to changes and this will affect the process accordingly (Encyclopaedia for Business as downloaded from www.referenceforbusiness.com).

2.5 Challenges of strategy Implementation

According to Johnson, Scholes & Whittington (2006), the challenges of implementing strategy include strategic Inertia and drift. There is the real danger that people in organisations become captured by their collective experience rooted in the past success and organisational and institutional norms. The organisation can become captured by the structure and systems. Some organisations have become as much defined by the way they are organised as by what they do. In a sense in such organisations, it is not so much that structure follows strategy but strategy follows structure; they pursue strategies constrained by their structures and systems.

Organisations may be captured by their resource legacy or by what assumptions people make Resource allocation routines may become the driving force behind strategy rather than the other way round. Breaking down cultural inertia and overcoming resistance to change are key requirements for putting strategy in to action. There is need to challenge the prevailing paradigm so that internal constraints on following a new strategy are reduced. In practice there are four problem areas associated with successful implementation of strategies. At any time, strategy and structure need to be matched and supportive of each other. Products and services need to be managed independently, or in linked groups or business units, if they are to be matched closely and effectively with their environments. Structures cannot be created and activated independently of the people involved. Their individual skills may provide either opportunities or constraints. However, it may not be feasible to change the structure markedly every time there is a change in corporate strategy and instead, acceptable modifications to the existing structure are preferred to more significant changes (Thompson, 1997).

Lack of adequate information and communications systems for reporting back and evaluating the adaptive changes which are taking place, cause the strategic leader to be unaware of what is happening. Hence, the performance of the existing structure is not monitored properly, and as a result control mechanisms may be ineffective. Implementing strategy involves change, which in turn involves uncertainty and risk. New skills may have to be developed. Motivating managers to make changes is a key determinant. Management systems which operate within the structural framework will have been developed to meet the needs of past strategies. They may not be ideal for the changes which are taking place currently, and again it is difficult to modify them continually (Thompson, 1997). In a nut-shell, the six silent killers of strategy implementation are top-down or complacent upper management, unclear strategy and conflicting priorities, ineffective senior management team, poor vertical communication, poor coordination across the enterprise and inadequate middle-manager and supervisor management skills (Beer & Eisenstat, 2000).

2.6 Coping with Strategy Implementation Challenges

The success of translating strategy in to action depends on the extent to which people are committed to it (Johnson, Scholes & Whittington, 2006). Managements handling of the strategy implementation process can be considered successful if and when the company achieves the targeted strategic and financial performance and shows good progress in making its strategic vision a reality. The bigger the organisation or the more geographically scattered its operating units, the more that successful strategy execution depends on the cooperation and implementing skills of operating managers who can push the needed changes at the lowest organisational levels and in the process deliver good results. Only in small organisations can top-managers get around the need for a team effort on the part of management and personally orchestrate the action steps required for good strategy execution and operating excellence (Thompson, Strickland and Gamble, 2007).

The translation from formulation to implementation is much easier if managers and employees of the firm understand the business, feel a part of the organisation, and through involvement in strategy-formulation activities have become committed to helping the organisation succeed. Without understanding and commitment, strategy-implementation efforts face major problems. Implementing strategy affects an organisation from top to bottom; it impacts all the functional and divisional areas of a business. Strategists' genuine personal commitment to implementation is a necessary and powerful motivational force for managers and employees (David, 1989). It is therefore important to engage all levels of the company in the strategy planning process.

Information flow from the lowest levels of the company up to the decision-makers brings valuable enterprise information to the decision and planning process. Top management must be fully aware of how the company operates and how change will affect operation (Beer & Eisenstat, 2000). Allowing affected employees to participate in both the planning and implementation of change can contribute to greater identification with the need for and understanding of the goals of the new strategy. Participation in implementation also helps to counteract the disruption in communication flows, which often accompanies implementation of a change (Reference for Business Encyclopaedia as downloaded from www.referenceforbusiness.com).

The rationale for objectives and strategies should be understood and clearly communicated throughout an organisation. Top-down flow of communication is essential for developing bottom-up support. Employees and all stakeholders must understand why the strategy is being put in place and its goals. It is important to obtain acceptance by all key employees and stakeholders involved in implementing the strategy. Key departments like the production department for a manufacturing organisation must support the process if it is to be successful. Training would assist the employees in understanding reasons and the importance of intended change. Employees should be educated about the strategy both before and during implementation. Education can also be used to make the organization more receptive to the need for the change. The Implementation of the new strategy may be done with fanfare so that all levels of employees are enthusiastic about the change and feel as though they have been rewarded for their help in bringing it about. There must also be a broad understanding of when the change begins, and so there should be a launch date or schedule communicated to employees, (Reference for Business Encyclopaedia as downloaded from www.referenceforbusiness.com).

Reward systems or incentive plans may be introduced to motivate individuals to support strategy implementation efforts. These may include bonuses and other financial incentives like stock options, salary raises, promotions, praise, recognition, increased job autonomy, and awards based on successful strategy implementation recognition, and other intangible rewards such as feelings of accomplishment and challenge. These rewards can be made available only to managers or spread among employees throughout the organization. Profit sharing and gain sharing are sometimes used at divisional or departmental levels to more closely link the rewards to performance (Reference for Business Encyclopaedia as downloaded from www.referenceforbusiness.com).

Negotiation may be used when a few important resistors can be identified. It may be possible to offer incentives to resistors to gain their support. Early retirement is frequently used to speed implementation when resistance is coming from employees nearing retirement age. Co-optation is similar to negotiation in that a leader or key resistor is given an important role in the implementation in exchange for supporting a change. Manipulation involves the selective use of information or events to influence others. Such techniques may be relatively quick and inexpensive; however, employees who feel they were tricked into not resisting, not treated equitably, or misled may be highly resistant to subsequent change efforts. Distrust of management is often the result of previous manipulation (Reference for Business Encyclopaedia as downloaded from www.referenceforbusiness.com).

Coercion is often used to overcome resistance. It may be explicit where resistance may be met with termination or implicit where resistance may influence a promotion decision. Coercion may also result in the removal of resistors through either transfer or termination. Coercion often leads to resentment and increased conflict. However, when quick implementation of a change is needed or when a change will be unpopular regardless of how it is implemented, some managers feel coercion may be as good as most alternatives and faster than many others, (Reference for Business Encyclopaedia as downloaded from www.referenceforbusiness.com).

2.7 Performance Management

In many industrialized and developing countries a shift can be observed in the way governments control their public organizations that are involved in policy implementation and service delivery called “public agencies”. Control on inputs by the government is reduced, implying more managerial autonomy for the public agency. Three new mechanisms of control replace input control: control by results in the form of performance contracting, control by means of financial incentives, and control by the introduction of competition. Public services are no longer delivered by strict input controlled and incrementally financed units within monolithic and monopolistic government bureaucracies. Instead, they are increasingly provided by public agencies that have considerable managerial autonomy with respect to the use of their inputs. These agencies are regulated by result- oriented performance contracts and the introduction of performance enhancing incentives or market pressures (Verhoest, 2005).

The process of performance management entails; setting performance targets, designing measures of performance relevant to the targets, systematically and accurately measuring outcomes, using results for informed decision-making and lastly giving feedback to the employees for corrective action to be taken so as to improve performance in cases where the targets were not met while rewarding those that met the set targets (Office of Government Commerce, UK, as downloaded from www.ogc.gov.uk). For performance management to be possible, performance contracts are necessary to bind both the employer and the employee in executing their responsibilities to achieve the set targets.

CHAPTER THREE
RESEARCH METHODOLY

3.1 Research Design

The design of the study was a case study to determine the extent of implementation of performance contracting by KRA and the factors that affect the implementation of these performance contracts. A case study was found to be appropriate since it is an exploratory technique that would intensively investigate one or a few situations similar to the current problem (Zikmund, 2003). Secondly, the case study design was found fitting for this particular study since it be investigates an entire organisation in an in-depth manner and with meticulous attention to detail. This highly focused attention enabled the researcher to carefully study the order of events as they occurred so as to concentrate on identifying the relationships among functions. Thirdly case study was befitting for this study since it places more emphasis on full contextual analysis of few conditions thus enabling intensive study of the social units (Cooper & Schindler, 2003).

3.2 Data Collection

Primary data was used for this study. This was collected by personal interviews from five senior managers drawn from different departments of the organisation. Data was collected by personal interviews where the researcher was guided by an interview guide (attached as Appendix 1). Personal interviews were appropriate for the study they allowed the both researcher and respondent to seek clarification on any question or response. Personal interview gave the researcher an opportunity to probe for more information and the respondent an opportunity to ask the researcher any questions regarding the research (Cooper and Schindler, 2003). Personal interviews were found to be flexible and gave the researcher greater control over the interviewing situation, ensuring high response rate and helping him/her to collect supplementary information as well as pick non-verbal cues from the respondent through observation (Nachimas and Nachimas, 1996).

The research instrument used was an open-ended interview guide. This gave the respondent the freedom to fully express themselves without limitations and enabled the researcher to gather supplementary information which otherwise could not have been got (Nachimas and Nachimas, 1996).

3.3 Data Analysis

The data collected was of a qualitative nature. The first step was that of organising of this data from interview transcripts and observation notes. Thereafter the data was analysed using content analysis; which is a technique for making inferences by systematically and objectively identifying specified characteristics of message (Nachimas and Nachimas, 1996). It is an appropriate tool for handling open-ended questions as it measured the semantic content of the 'what' aspect of a message. Its breadth made it a flexible and wide ranging tool and that could be used as a methodology or a problem specific technique (Cooper and Schindler, 2003). It constituted identifying and extracting key themes, concepts and arguments through the determination of the presence of certain words or concepts from responses.

The data was analysed and evaluated to determine the adequacy, usefulness and consistency. The researcher then quantified and analysed the meaning and relationships of words and concepts. Inferences from the important concepts were made and compiled. Content analysis has successfully been used to conduct qualitative studies in the past as in Hinga (2007), Thiga (1999) among many others.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter represents the analysis of the interviews findings collected by the researcher. Eight managers drawn from different departments were interviewed by the researcher as per the interview guide. The chapter gives the general information of the eight respondents, followed by a discussion of their responses to the questions asked by the researcher in line with the research objectives. Lastly, there is a discussion on how the current study findings compare with those of other similar studies.

4.2 General Information

This Section presents the results of the analysis on the demographic characteristics of the respondents in terms of the department they work, their designation and the duration which they have been working in KRA. The demographics are important in establishing the quality of the answers given by the respondents. The eight respondents interviewed were drawn from different departments; namely; Customs, Corporate Research and Planning, DTD-DR, Marketing & Communication, LTO, Road Transport, Information & Communication Technology (ICT), Human Resources. The aim of getting respondents from all departments in the organisation was very crucial so as it depicts the general picture of factors affecting performance contracting in the organisation. All these managers hold different designations; four were senior Assistant Commissioners, three were assistant commissioners while one was a principal revenue Officer. These are managers with a number of officers working and reporting to them. The aim of interviewing from this level was to ensure that the answers given were of high quality and reliable. The duration that the managers had worked in KRA was crucial in that it depicts the experience of the respondent. All the respondents had worked in KRA before and after the introduction of performance contracts and they were well versed with issues of performance contracting and responded effectively.

4.3 The implementation of Performance Contracts

The respondents were asked of the extent of the implementation of performance contracts in KRA. They all indicated that, performance contracts are supposed to be signed at the beginning of each government's financial year, July of every year. They are supposed to be submitted to the Human resources department by the 30th of August of that particular year. This is not always the case due to certain factors. For instance a delay by the BOD to sign its performance contract with the treasury causes a delay; likewise a delay by the Commissioner General to sign his PC with the board would cause a delay by the rest of the staff to sign their performance contracts.

All the interviewed respondents described the extent of implementation of performance contracting as partial. It is not fully implemented due to the fact that not all employees sign performance contracts, only grades one to ten sign. Grades eleven to sixteen do job descriptions where they are supposed to list down their roles and at the end of the year they are appraised against the achievement of these roles.

They explained that the contract signed by the commissioner for each department is cascaded down to the rest of the staff with each staff being given the leeway to adapt the contents to their job description. There is no standard contract for each job group. Each employee is expected to discuss with his/her supervisor to agree on the content that should be changed to suit him/her. This they explained was caused by the fact that there is no clear job description. In some stations for instance an employee on grade eight will carry out the roles of grade six or seven due to shortage of staff, irregular and unpredictable promotions. There is also a replication of roles where for instance officers from grade ten to seven perform similar roles. Five out of the eight respondents indicated that about 60% of the members of staff sign performance contracts while the rest do job evaluations.

4.4 Factors affecting Implementation of performance contract

The interviewees were asked whether various factors affect the implementation of the performance contracts. These factors include; resource adequacy/inadequacy, performance targets set by treasury, whether KRA has got a reward and penalty system and how it affects the implementation of performance contracts, whether staff transfers affects the implementation of performance contracts, whether employees are empowered and if so, how this affects the implementation of performance contracts, how the communication regarding performance contracts is relayed and whether this affects the implementation of performance contracts , whether there is resistance from staff and if there is how it affects the implementation, whether there is leadership offered by management to the rest of the staff and if this affects the implementation, whether employees are committed to performance contracting and how this affects its implementation, whether KRA conducts performance reviews and how these affect the implementation of Performance contracts, and lastly whether there is any political interference on performance contracting. Below, the findings are discussed as extracted from the interview guide sheets.

4.4.1 Resource Adequacy

All the eight respondents interviewed indicated that the process of implementing performance contracting is impeded by inadequate resources. The delayed release of funding by the treasury, in some instances has made the top management decline to sign their performance contracts in good time. At lower cadres, lack of proper tools for work, which is blamed on lack of adequate financing, hamper achievement of the targets agreed on in the performance contracts. Overall, KRA performance is affected by resource inadequacy. Although the agency commission to KRA from treasury 1.5% of total revenue collected in a financial year, hardly does treasury remit that percentage in full. The delay and failure by treasury to remit the commission to the agency makes it difficult for KRA to deliver the agreed targets. This affects the process of performance contracting in that the performance parameters are negotiated during the financial year and not at the beginning.

4.4.2 Performance Targets

Out of the eight respondents interviewed, only one felt that the targets are realistic; the rest felt that they are overly ambitious and unrealistic. They felt that a performance contract should be mutually agreed between two parties whereas in their case the targets, especially the monetary aspect is imposed on them without being consulted. One respondent felt that although the corporate performance targets are set by the treasury in conjunction with a committee drawn from the corporate research and policy unit, the treasury committee in most of the instances imposes the targets without room for discussion. All the respondents indicated that lack of consultation makes the staff demoralised to achieve the set targets since they feel that the targets are being forced down on them.

4.4.3 Reward and Penalty System

All the eight respondents indicated that KRA has got a staff recognition policy which outlines how staff shall be rewarded for exceptional performance. The annual performance appraisals are based on performance contracts. The rewards include corporate or departmental commendation, salary increment, a standard bonus or employee of the year award. The penalties include caution, no salary increment, no bonus and or in extreme cases, termination of service. Annually, KRA holds the annual awards ceremony where the best performers are recognised. The employee of the year is declared based on exceptional performance, innovation & creativity, commitment, customer service and team spirit. This borrows heavily from the performance contracts.

All the eight respondents interviewed felt that the reward system makes employees work harder to achieve exceptional performance. However, upon further probe, two felt that the system prompts the employees to be dishonesty or to manipulate the performance contracting evaluation process in their favour so as to avoid the penalties for poor performance.

4.4.4 Staff Transfers

Except one, all the respondents expressed that staff transfers do hamper performance contracting. When transfers happen mid year, employees are not allowed to renegotiate their targets even if the circumstances and roles may be different in the new duty station. A staff could move from a revenue to a non-revenue department and the performance contract signed at the beginning of the year shall still stand at the end of the year without consideration that for one half of the year, he was in a section where financial aspect of performance is emphasised more than all other aspects, while in the second half he might have worked in say customer care section where the people perspective may be more emphasised. This brings a mismatch between the contract and the appraisal. One may move to a new section where learning time will be required, this is not considered during appraisal. Probed further, the five of them felt that KRA tries to counter this by aligning transfers with the financial year end; however some transfers still take place mid year and this affects the completion of the performance contracting process by these individuals for that particular year.

4.4.5. Employee Empowerment

Seven of the interviewed respondents felt that employees are not adequately empowered to achieve the set targets in the aspect of resources and skills. They felt that due to lack of adequate finances, the tools of work were not sufficient, impeding on the achievement of the agreed targets. In the annual staff appraisal, both the staff and his supervisor suggest areas where they feel the staff needs training on, and propose courses to help him/her attain the necessary skills. This ends in that paper because there is no follow up on the suggestions by the human resources department.

They however indicated that KRA organises general courses which are attended by all officers as seminars either in-house or in other institutions. It also offers partial sponsorship for staff self-initiated courses which have relevance in their duties. KRA has got in to an arrangement with the Kenya Police to train new customs officers at the Administration Police Training College, so as to equip them with the necessary physical skills required for their duties e.g. border control for customs officers.

4.4.6. Communication on Performance Contracts

All the respondents interviewed felt that the communication regarding performance contracts was appropriately done and adequate. Performance Contracting guidelines are obtained from the prime minister's office by the Corporate Research and policy department. Based on this, the department customises the performance contract to derive the corporate PC which is signed by the BOD and the treasury. This is followed by the commissioner general signing his with the BOD. The commissioners sign their contracts with the CG. Commissioners' contract is cascaded to the staff for each department. Within KRA, Communication regarding performance contracts is mainly communicated through email and memos. Seminars are also organised to sensitise officers on performance contracting. The human resources department releases communication to staff by memos through their departmental heads. The members of staff are supposed to sign and submit his contract by a deadline communicated to them by human resources department. After submission the human resources department checks the signed contracts and if they have not been done satisfactorily, they are sent them back through their section heads for correction. One of the respondents felt that communication to officers stationed in some remote areas of the country is not adequate since some of them do not have access to office email.

4.4.7. Resistance from Staff

Six out of the eight respondents interviewed indicated that there was no resistance from staff mainly due to the fact that it was well communicated before its introduction. Secondly, there has not been resistance due to the fact that the staff understood that this was a government initiative and all parastatals were required to adopt it. One respondent felt that there is mild resistance due to lack of clear understanding by staff. One respondent felt that staff resistance is very strong due to the fact that it was developed by the government without consultation with KRA staff and was imposed on them i.e. the staff felt that the concept was not 'home-grown'.

4.4.8. Leadership by management

Six out of the eight respondents felt that the senior management offered the required leadership where they could. This is done through passing on of the communication regarding PCs from Human resources department or by discussing and agreeing with staff on the targets for the year. The also offer guidance where an employee fails to understand an issue on PCs. This is due to the fact that their performance is dependant on the performance of their juniors.

Two respondents felt that some managers did not offer the necessary leadership may be due to the fact that they do not understand or appreciate the practice of performance contracting. This adversely affects the implementation of performance contracting for lack of management goodwill.

4.4.9. Employee Commitment

All the respondents indicated that all staff is highly committed to the process of performance contracting. This could be because they have understood that its compulsory as a requirement by the government for all state corporations. Secondly, they are motivated by the reward/penalty scheme attached to the performance contracting process. This promotes the implementation process since there is less resistance when staff understands, appreciates and embraces a process.

4.4.10. Performance Reviews

All respondents agreed that constant performance reviews keep employees alert and they can not relax lest they fail to achieve their annual targets. Corporate performance is reviewed quarterly. The top management releases quarterly performance results to the treasury and to the public. Individual performance review is done semi-annually. Every January, the employees are supposed to fill the staff appraisal forms for the semi-annual performance. This assists him/her in identifying the areas that need improvement in the second half so as to achieve the annual target by the end of the year. At the year end he/she fills the annual appraisal form showing performance over the twelve months period.

The deadline for submission to human resource department is by 31st July of the following financial year. This promotes the implementation of performance contracts since it will expose areas of weaknesses long before year end and this gives room for improvement so as to achieve the set targets.

4.3.11 Political Interference

All respondents agreed that at individual level, there is totally no political interference. However, one respondent at corporate levels some politics may get in to play. He indicated that the fact that since implementation of performance contracts is in government is done by the Performance Contracting Steering Committee under the prime minister's office and the funds are released by the treasury, sometimes there has been instances where the two could not agree leading to a delay in release of funds. This has hampered the implementation of performance contracting with the signing of the corporate performance contract being delayed. Probed further he said that this is a very rare occurrence.

4.4.12. Others factors affecting the Implementation of performance contracts

Four of the eight respondents indicated that implementation of performance contracting is affected by the age of staff. Younger staff/ new entrants embrace the practice of Performance contracting more easily than older employees who have been in the system longer, this makes the implementation easier to the younger staff than on the older ones. Five of the respondents cited that some employees have a general negative attitude towards change, whether they are prepared for it or not. This does not make it easy for the implementers of performance contracting. Six of the eight respondents indicated that lack of a standardised PC for each job grade makes comparison of performance among officers irrational some extent unsuccessful because some employees will award themselves undue scores.

4.5 Discussions

The above findings were consistent with the findings of similar earlier studies. They are consistent with Kobia and Mohammed (2006), who concluded that implementation of PCs in Kenya are affected by lack of adequate resources, resources not being released on time, some performance targets being highly ambitious, and unplanned staff transfers. The findings are coherent with Kiruthu (2008), findings where she concluded that the factors that affected the smooth implementation of PCs included; insufficient time to undertake activities to meet the relevant targets (i.e. targets being too ambitious), shortage of staff due to unplanned and untimely staff transfers of staff spearheading the implementation process and inadequate resources or delay in the disbursement of these resources.

Thirdly, the findings of this study were consistent with those of Lentoijoni (2010) who concluded that the challenges faced by the Teachers Service Commission while implementing PCs include: inadequate financial resources, shortage of staff, lack of relevant skills, lack of commitment, untimely budget approvals and funds release among others. Whether examining Kenya as a whole, government ministries or the parastatals the factors affecting the implementation of PCs seem to be the same by a greater extent.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises the findings of the study, discusses the conclusions drawn in line with the objectives of the study. Despite all efforts to minimise errors, it is inevitable that all studies suffer limitations, and this chapter discusses the limitations that the researcher experienced while carrying out the study and the inherent limitations of the study design. It further suggests areas for further study and outlines recommendations for policy and practice in regard to improving the implementation of performance contracting.

5.2 Summary of Findings

This chapter presents the summary of major research findings. The finding results suggest implementation of performance contracting in KRA is partial since not all staff sign performance contracts. Only grades one to ten sign, the rest of the grades i.e. eleven to sixteen do job evaluations. The study revealed that the implementation of performance contracts is affected by various factors. Among these factors the most crucial seemed to be resource inadequacy. These resources include financial and human resources.

The financial resources are inadequate due to the delayed release of funding by the treasury. Lack of financial resources affects the availability of the tools of work. Human resources are inadequate in that there has been a shortage of staff. In some sectors the employees are overwhelmed as they struggle to deliver the agreed targets in the performance contracts for their sectors. However, the administration is addressing the staff shortage by the organisation hiring fresh graduates annually from the year 2003 to date.

The targets set by treasury and cascaded down to various sections may be unrealistic and ambitious; this makes the achievement of the agreed targets impossible, and contributes to the demoralisation of staff because they feel that they are set without consultation with them. Some staff exhibit mild resistance to performance contracting due to the challenges they encounter while executing their duties. This resistance is more prevalent in officers who have been in the system for a longer time than from the new officers who have found the practice of performance contracts.

Mid-year staff transfers affect the implementation of performance contracts. Employee attitude and mild resistance hampers the implementation of performance contracts in KRA. The staff recognition policy adopted by KRA makes the implementation of performance contracts easier. Regular review of the organisation's performance impresses on the staff to improve performance to meet their targets at the end of the financial year. Lack of employee empowerment in terms of skills and resources poses a challenge to the implementation. The means and mode of communication used to communicate matters relating to performance contracting facilitate their implementation. Leadership offered by the managers to other staff support the implementation.

Most employees are not adequately empowered to achieve the set targets in the aspect of resources and skills. There is lack of adequate finances and insufficient tools of work which impede the achievement of the contracted targets. Tools of work include skills and equipments like computers, motor vehicles. Although the training section under the human resources department of KRA is quite revamped, the managers still felt that some training was required on some areas. They felt that the training requirements suggested in the performance appraisals at year end are not followed up there after.

Other factors that may affect the implementation of performance contracts in the organisation include; age of staff; younger staff/ new entrants embrace the practice of Performance contracting more easily than older employees who have been in the system longer. Employee attitude; some employees have a general negative attitude towards change, whether they are prepared for it or not. Lack of standardised performance contracts for each job group makes comparison of performance among employees irrational because some will award themselves undue scores.

5.3 Discussion

The findings indicate that performance contracting in KRA is affected by various factors which may either be internal or external to the organisation. Allocation of funds is by treasury and although the KRA Act recommends that the agency receives up to two percent of the collections, KRA must remit all the funds it to the consolidated fund and its up to the treasury to determine what amount to remit to KRA. This amount has never reached the limit of two percent. This leaves little in the control of KRA. The treasury remits the agency commission not in any planned arrangement and this leaves KRA with no control over how funds are available in the organisation. Although Targets are meant to be set by treasury in discussion with a committee from corporate research and policy unit of KRA, the treasury has got the upper hand and it dictates the target to KRA's representatives during the meetings. These are some of the external factors affecting performance contracting in KRA.

Internal factors affecting performance contracting in KRA include the reward and penalty system adopted by KRA, staff transfers, employee empowerment, communication within KRA regarding performance contracts, resistance from staff, leadership by management, employee commitment, performance reviews. These are within the control of KRA and the organisation has got the power to influence them accordingly. The Authority may appropriate funds to empower staff through training; it may allocate funds to buy presents to reward best performers or could promote them. It may also penalise poor performance through demotion. Managers could be trained on how to give guidance and offer leadership to the subordinates.

5.4 Conclusions of the study

Firstly, the study sought to establish to determine the extent of performance contracting in KRA. Performance contracting was adopted in 2004 by KRA and since then about 60% of the staff sign performance contracts. These are the staff from grade one to ten. The rest of the staff i.e. from grade eleven to sixteen do not sign performance contracts but instead do job evaluations. Performance contracts are signed at the beginning of every financial year and performance appraisals done at the end of the year.

Secondly, the study sought to establish the factors affecting the implementation of performance contracting in KRA. Similar to the implementation of other strategies, performance contracting implementation is affected by factors that are either internal or external to the organisation. The internal factors include; staff resistance, employee attitude Reward/penalty system adopted, staff transfers, staff empowerment, leadership offered by managers to other staff, staff commitment and the mode of communicating performance contract information. The external factors include; resource adequacy and targets set. Funds are availed by treasury and the targets are set by a committee from treasury.

Although the management is highly committed in ensuring that the concept of performance contracts is fully embraced and implemented effectively, there have been a number of challenges towards this goal. These challenges are bound to be encountered since strategy implementation process must be faced by challenges. Despite all this, the implementation of performance contracting in the organisation has been regarded successful given that it is during the period after the adoption of performance contracts that the organisation's overall performance drastically improved. The improved performance may be attributed partially to the effort put in by each member of staff to achieve his/her contracted targets.

5.5 Limitations of the study

There are a number of limitations that have affected the outcome of the study. The study being a case study suffered the limitations of all case studies including the fact that they do not lend themselves to numerical representation. Secondly, being a case study, the study cannot answer a large number of relevant and appropriate research questions and lastly, the study is not generalisable in the conventional sense, because the sample is small and idiosyncratic, and because data is predominantly non-numerical, there is no way to establish the probability that data is representative of some larger population.

There was a limitation in terms of the time factor. This limited the scope and depth of the study. Getting managers to agree on an interview date was difficult. Some agreed but did not avail themselves for the interview and therefore the researcher had to quickly look for a replacement where it was impossible to interview a manager. There was also the limitation of measurement. This being a social research, beliefs and feelings used in the study of perceptions may change over time and across different personalities. Responses may be biased or the answers may be dishonest. Despite the limitations, a lot of care was taken to reduce human error to the lowest level possible to make the study as credible as possible.

5.6 Suggestions for further Research

A similar study may be carried out as a survey instead of a case study. This is because generalising the results of a case study is limited and hence a survey would act as a better pointer of factors affecting the implementation of performance contracts in public organisations. The same study may be conducted on the same organisation, after about ten years to see if the same factors affecting Performance Contracting today shall be the same ones affecting it in the future.

The study may be replicated to other organisations in the public sector and in the to determine whether same conclusions hold. Such a study could also be carried out on private organisations to test whether the same factors apply there. A study may be carried out to establish whether the Kenyan citizenry perceive service delivery by KRA has improved since the implementation of PCs in Kenya. The results of such a study would confirm if the objectives of implementing PCs are being achieved. This particular study concentrated on senior management staff perception of PCs, the same could be replicated for lower level organisational members

5.7 Recommendations for policy and practice

To improve the adoption of performance contracts in KRA, all levels of staff should be included in the signing of performance contracts. Depending on the job group and job description, standardised performance contracts should be developed for each grade to ensure that the performance contracts are rational and uniform. KRA should impress on the treasury to release funds in good time to ensure that it's not handicapped in delivering its duty. Targets set should be realistic and should be arrived at after thorough consultations with station managers who should have consulted with staff in their respective stations before hand.

Drastic staff transfers should be avoided mid year but if they are unavoidable, the member of staff should be given a chance to amend his performance contract to reflect his new roles if they are different from the contracted. All officers in all stations across the country should have access to staff email to enable them access information regarding performance contracts. Employees should continue being empowered by being taken through training so as to be equipped with the necessary skills for performance of their duties. Teamwork and leadership should continue being reemphasised for the achievement of the set targets.

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APPENDICES

APPENDIX 1: INTERVIEW GUIDE

PART A: DEMOGRAPHIC INFORMATION

1. Department...
2. Designation...
3. Duration working at KRA...

PART B: PERFORMANCE CONTRACTING

Extent of implementation of performance contracting

1. Briefly describe the extent of implementation of performance contracting in KRA

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2. Does every employee sign performance contract in KRA? If not which levels qualify and which ones do not? Approximately what proportion would you consider this to be?

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Factors affecting the implementation of performance contracts

3. Has implementation of performance contract been faced with resistance from staff? If yes what would you say has been the magnitude of this resistance; strong or weak?

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4. Has the process been affected by resource adequacy? If yes what are these resources? Are these resources released within the expected time and does this affect Performance contracts implementation?

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5. How is information regarding performance contract implementation in KRA communicated? Does this affect the process in any way?

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6. Is there a reward/penalty system in KRA? If yes, does it affect the implementation process of performance contracts? How does it do this?

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7. What do you think about the performance targets against which performance contracts are based? Are they realistic? Overly ambitious? Does this affect implementation of performance contracting in any way?

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8. Is the implementation of performance contracting affected by drastic staff transfers? If yes how does this happened?

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9. Are the employees empowered to achieve the set targets and does this affect performance contracts implementation?

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10. Do the senior managers offer proper leadership and support to the employees to implement performance contracting and how does this affect the process?

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11. Are all employees committed to the implementation of performance contracts?

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12. How often are performance reviews done and how does this affect the implementation of performance contracts?

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13. Does political interference affect implementation of performance contracts in any way? If yes, how?

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14. Apart from the factors mentioned above, are there others that you feel affect the implementation of performance contracting in KRA?

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APPENDIX II: AUTHORIZATION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 22nd. September, 2011.

TO WHOM IT MAY CONCERN

The bearer of this letter Josephine Muraya

Registration No. D61/8907/2006

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

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