EMPLOYEE PERCEPTION OF PERFORMANCE CONTRACTING PROCESS IN THE MINISTRY OF LOCAL GOVERNMENT

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DECLARATION

I declare that this is my original work and that it has not been presented for a degree or any other qualification in any other university or institution for an academic award.

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SIGNED …………….. DATE ………………

SUPERVISOR

I confirm this research project has been submitted for examination with my approval as the university supervisor.

SIGNED ……………….. DATE ………………..

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DEDICATION

To my wife and children: you are the strongest pillar in my life without whose inspiration I would not have completed this project.
ACKNOWLEDGEMENT

Most of the content of this study was learnt from my lecturers, senior management staff and colleagues in the ministry of Local Government and other professionals who believe in transforming service delivery in the Public Service. I am indebted to all of them and extend my sincere gratitude and appreciation. I also wish to acknowledge in a special way a few individuals.

First and foremost, I wish to express my sincere gratitude to my lecturer and supervisor, Mr. George Omondi who tirelessly gave me the necessary support, guidance and encouragement during the whole process of my study. His constant review and correction of the study ensured that the study was organized and remained focused.

Secondly, I would like to extend my special gratitude to my wife and children for the sacrifice they made in terms of the resources and quality time that I took away from them in the course of my study. For their inspiration and understanding that all the sacrifice was for a good course, I am immensely grateful.

I also wish to acknowledge the support and cooperation I got from the Heads of Department at the Ministry especially Head of Human Resource Management Division and all the Ministry’s employees who spared their valuable time to respond to my questionnaire and return it in time.

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ABSTRACT

Performance contracting is a performance management tool that defines responsibilities and expectations between parties to achieve mutually agreed results. Performance contracting process involves; workplan management, skills development, performance monitoring, evaluation and results. Successful implementation of performance contracting process depends on how employees perceive the process. It is important for organizations to understand the whole notion of perception and its related concepts to be able to determine factors that influence peoples’ behavior. The objective of the study was to establish employee perception of performance contracting process in the Ministry of Local Government. A descriptive design was used and all the 270 employees of the Ministry were studied. Descriptive statistics were used to analyze the data collected by way of a semi-structured questionnaire. The findings of the study showed that most employees did not participate in critical aspects of the performance contracting process and did not understand the performance contracting concept. The Ministry of Local Government did not have a clear and fair system of performance evaluation and reward and did not provide adequate and timely resources. There was improvement in performance, work attitude, accountability and motivation as a result of performance contracting process. It is concluded that since employees were not involved in the performance contracting process, they did not own it and were not committed to it. They did not have capacity to conceptualize the process. The study also concludes that the Ministry did not plan and budget effectively for its projects and programs leading to employees not being able to meet their performance targets. It had not institutionalized an integrated performance management system. Finally, the study concludes there was improvement in the following areas critical for improved performance as a result of the performance contracting process: work attitude, accountability, team work and employee motivation. It is recommended that the Ministry involves its employees in critical aspects of the performance contracting process to be able to win their ownership, commitment and support. It should also train and sensitize its employees on the performance contracting concept for successful implementation of the process. The study further recommends that the Ministry should adopt an integrated performance management approach that links performance to all the other aspects of human resource management especially performance management and reward. It should plan and budget for its projects and programs effectively to ensure availability of resources to enable its employees meet their performance targets. Lastly, the study recommends that the Ministry should enhance the gains made so far as a result of performance contracting process. Limitation of the study is that it was confined to studying employee perception in the Ministry of Local Government and therefore its findings may not apply to other Government Ministries. It is suggested that suggests further studies on perception of external customers of the performance contracting process in the Ministry of Local Government for improvement.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Performance management is a recent development which adopts a future-oriented strategic focus on managing performance and is applied to all employees in a workforce in order to maximize their current performance and future potential. The increased focus on performance at all levels in an organization arises from the pressures of globalization and the associated requirement to create competitive advantage in order to survive in an international market place. Human capital, the value-creating skills, competencies, talents and abilities of an organization’s workforce (Elias and Scarbrough, 2004) is argued to be an essential component in creating such competitive advantage (Mayo, 2001). Organizational changes arising from competitive pressures, including flatter structures, leaner staffing levels and multi-skilled cross functional teams operating with considerable autonomy (Walsh 2002) have a great impact on performance management.

Concept of performance management has developed over the past two decades as a strategic, integrated process which incorporates goal setting, performance appraisal and development into a unified and coherent framework with the specific aim of aligning individual performance goals with the organizations wider objectives (Dessler 2005). Consequently it is concerned with; how people work, how they are managed and developed to improve their performance and ultimately how to maximize their contribution to the organization. It is underpinned by the notion that sustained organizational success will be achieved through a strategic and integrated approach to improving the performance and developing the capabilities of individuals and wider teams (Armstrong and Baron, 2004). Although competitive pressures have been the driving force in the increased interest in performance management, organizations have also used these processes to support or drive culture change and to shift the emphasis to individual performance and self-development (Fletcher and Perry; 2001).

There are a number of principles underlying the concept; firstly, it is a strategic process in that it is aligned to the organization’s wider objectives and long-term decisions. Secondly, it is integrative in nature, not only aligning organizational objectives with
individual objectives, but also linking together different aspects of human resource development, employee reward and organizational development, into a coherent approach to people management and development. Thirdly, it is concerned with performance enhancement in order to achieve both individual and organizational effectiveness. Further, the principal underlying the concept relates to communication and understanding and the fact that performance management is based on agreement between a manager and an individual. A shared understanding of and continued dialogue about an individual’s goals and the standards expected and the competencies needed, together with an appreciation of the organization’s wider mission, values and objectives. Finally, performance management is owned and driven by line management rather than HR function.

1.1.1 Concept of perception

Different scholars have come up with different views of perception. Kotler (2003) defines perception as the process by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the world. Perception depends not only on the physical stimuli, but also on the stimuli’s reaction to the surrounding field and on the conditions within the individual. Perception is also defined as the process by which information is acquired through the five (5) senses (Bateman, and Zeithmal, 1993). According to Johnson and Scholes (1999), perception is the process by which the individual receives, selects, organizes and interprets information in order to create a meaningful picture of the world. On the other hand, Kibera (1996) views perception as the process by which people select, organize, interpret and assign meaning to external phenomena or stimuli. Thus, it is the process by which people make sense of the world around them. Perception is largely selective. Selectivity of perception serves as a filter through which potentially important or favorable experiences will be allowed to flow, while potentially unimportant or unfavorable experiences are locked out. Extensions of these are selective exposure and selective retention (Kibera and Waruingi, 1998).

People emerge with different perceptions of the same stimulus object because of three perceptual processes: selective attention, selective distortion and selective retention. Selective attention arises due to the fact that people are exposed to a tremendous amount of daily stimuli. Individuals have a heightened awareness of stimuli that meet their needs
or interests and minimal awareness of stimuli irrelevant to their needs. Selective distortion describes the tendency of people to twist information into personal meanings. Selective retention asserts that people will forget much of what they learn. They tend to retain information that supports the attitudes and beliefs for chosen alternatives (Kotler, 1988; Kibera and Waruingi, 1998).

Individual perception of any process in an organization, including that of change is therefore critical as individuals act and react on the basis of their perceptions not on the basis of objective reality. For each individual, reality is totally a personal phenomenon based on that person’s needs, wants, values and personal experiences. Thus, to the organization, employee expectations are much more important than their knowledge of objective reality. It is not what actually is that affects their actions, and because individuals make decisions and take actions based on what they perceive to be reality, it is important that organizations understand the whole notion of perception and its related concepts to more readily determine what factors influence peoples’ behaviour (Schiffman and Kanuk, 2003). Complex relationships among individuals exist due to underlying differences in opinion and philosophies. (Johnson and Scholes 2002). Strategy implementation can be done smoothly when these individuals agree on what they perceive as a positive reward for their involvement.

1.1.2 Performance Contracting Process

Performance contracting is a branch of management science referred to as management control system and is a contractual agreement to execute a service according to agreed upon terms, within an established time period and with a stipulated use of resources and performance standards (Domberger, 1998). A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clear definitions of objectives supporting innovative management, monitoring and control methods and incentives.

Performance contracting process typically involves four main stages namely, work plan management, skills development, performance monitoring and evaluation and rewarding of outstanding performance. According to (Schwella 1998) performance contracting
processes tend to be fairly standard and should address agency objectives. In the performance plan there must be an agreement on what has to be done to achieve the objectives, what should be the standard of performance, what skills should be imparted and how information (feedback) on progress should be channeled. Within the context of performance evaluation, (Armstrong and Baron 2004) stipulate that employees achievement of the objectives in the work plan needs to be evaluated and outstanding performance rewarded.

1.1.3 Ministry of Local Government

Following the introduction of result based management as a reform measure in the Public service for improved performance, the Ministry of Local Government like other public institution embraced performance contracting as a tool to improve performance at the Ministry. Consequently, in line with the performance contracting guidelines, the Ministry embarked on developing its strategic plan aligning it to the National Policy documents such as economic recovery strategy for wealth and employment creation (ERS 2003 – 2007) and vision 2030.

According to the Ministry’s strategic plan 2008 - 2012, the Ministry’s mission is to facilitate Local Authorities to achieve good governance and improved service delivery for enhanced socio-economic development. The strategic objectives in the plan include: Improve coordination of Urban Regional Planning: Deepen Public sector (Local Authorities) reform measures, provide infrastructure development support to local authorities establish a more effective legal and policy framework to govern the Ministry’s and Local Authorities operations. Address capacity gaps in the human as well as infrastructure needs of the ministry; leverage ICT for improved local governance transformation and improved communication; strengthen information, education and communication (IEC) objective of the Ministry.

The Ministry’s Performance contract is anchored on the above strategic objectives where each department is assigned roles in the achievement of the objectives. The Ministry has four (4) major departments thus; Urban Development, Administration, Local Authorities Inspection and Markets Development with a total workforce of two hundred and seventy (270) employees (Ministry of Local Government September 2012 payroll). Heads of
the departments draw their respective departmental objectives and work plans from the strategic plan. They agree on the targets to be achieved by their departments with the Permanent Secretary who is the CEO of the ministry and who signs the performance contract with the Government. These are cascaded downwards to sections and individual employees who are expected to come up with Individual targets and work plan drawn for the departmental objectives.

Whereas the central planning unit plays the coordination role in the implementation of the performance contract, heads of departments provide leadership in their respective departments by setting agreed targets and developing individual work plans with their subordinates. They are also charged with the responsibility of monitoring and evaluating performance of employees and ensuring that mitigation measures are put in place in areas where the desired results are not being achieved. Performance appraisal system is used to measure performance of each employee at the end of the contracting Period.

The Ministry has faced the following challenges during the Implementation of performance contracting: numerous legislation conflicting with the Local Government Act which is the enabling legislation; political interference and limited autonomy of the chief executive officer in the implementation of performance contracts; Non-involvement of the employees at the conceptualization and development of the strategic plan and performance contract stage; unclear link between reward and performance; culture change; limited and sporadic funding. The above challenges coupled with the attendant employee perception could be the reasons why the Ministry has been ranked poorly in performance contracting over the years. This study seeks to establish this.

1.2 Research Problem

Performance contracting process typically involves four main stages namely: - work plan management, skills development, performance monitoring and evaluation and rewarding outstanding performance. An individual perception of any process in an organization including that of change is critical as individuals act and react on the basis of their perceptions and not on the basis of objective reality. For each individual, reality is totally a personal phenomenon based on that person’s needs, wants, values and personal experience. Perception is important in the motivation process and therefore employee
perception of a process in an organization is crucial since employees are the driving force behind the success of an organization. Managers should therefore understand the process of perception in order to ensure employees and themselves perceive organization’s objectives in a similar manner. Workers grievances and complaints emanating from their various perceptions should be addressed so as to successfully align individual objectives with the organizational wider objectives for the success of the organization.

Employees in the Ministry of Local Government do not participate and are not consulted during the strategic planning process and during the formulation of departmental objectives and work plans. Consequently there is lack of ownership among the employees. Due to inadequate skills and training employees have not conceptualized the whole process of performance contracting and therefore have difficulties in preparing work plans and setting smart targets and do not comprehend the linkage between organizational objectives and individual objectives. Employees, find the process of submitting quarterly performance progress reports as cumbersome and time consuming. The ministry structure is beuracratric and emphasizes officialdom and chain of command, consequently employees are not free to engage with management in performance related discussions and make suggestions on improvement. Limited and sporadic funding coupled with beuracratric procurement processes has led to employees being frustrated while trying to meet their performance targets. Employees find the instrument used to evaluate performance as complex and lacking objectivity and since the ministry has not institutionalized a reward framework, most of the hard working employees are demoralized.

Various studies have been carried out on the concept of performance contracting. (Letangule and Letting 2012) studied the impact of performance contracting on performance, a case study of the Ministry of education and found out that performance contracting has a great effect on improvement of service quality in the Ministry of Education. (Akaranga 2008) critical review of performance contracting revealed that performance contracting improved service delivery in public institutions (Kobia and Muhammed 2006) in their study of the Kenyan experience in performance contracting found out that performance contracting had led to the Public Service being more customer and performance oriented. Simiyu (2012) in a study on performance contract as
a tool for improving performance in Local Authorities in Kenya established that performance contracting had enhanced performance of local Authorities in the areas of customer satisfaction and revenue generation.

Whereas the above studies have generally looked at the impact of performance contracting on performance in the Public Service, there is little review, if any, of the impact of employee perception of performance contracting process. This study will address this knowledge gap by focusing on the impact of employee perception of performance contracting on the performance contracting process as influenced by the employees’ demographic characteristics in the Ministry of Local Government.

1.3 Research Objective
To establish employee perception of performance contracting process in the Ministry of Local Government.

1.4 Value of the Study
The findings of the study will be significant to the Government in its efforts to improve implementation of performance contracting in the civil service. It will also assist the Government to come up with policies that recognize the employees as the driving force behind successful implementation of performance contracting and overall organization success.

The study will provide a basis upon which academicians will explore more into field of employee perception in so far as it influences overall organizational performance. It will also provide useful insights to managers and practitioners about performance contracting as a performance management tool and the role employee perceptions play in performance, motivation and overall success of an organization. In today’s economy, employees are a critical asset in ensuring an organization has a competitive edge. An appreciation of what would affect their current and future performance is therefore of great concern to decision makers. Unlike other resources in a firm, employees have to be motivated to be effective in their work. (Njoroge 2003) argues that managers need to be interested not only with the physical resource in the work place, but more importantly with their emotional presence.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter contains the literature review of the study. It looks at performance management concept, types of performance contracts and performance contracting process. It also looks at perception concept.

2.2 Performance Management
All high performance organizations whether public or private are, and must be, interested in developing and deploying effective performance management systems, since it is only through such systems that they can remain high-performing and competitive organizations (NPR; 1997). Performance management is a management process designed to link the organization's objectives with those of individuals in such a way as to ensure that both individual and corporate objectives are as far as possible, met (Armstrong; 1999) defines performance management as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.

It is widely accepted that business performance is a multi-faceted concept and hence it is not surprising the variety of ways different disciplines tackle it. Performance is measured from different perspectives due to the understanding of performance by the different disciplines. Measuring performance is therefore beset by the challenge of defining the selected critical success factors that can drive performance (NPR; 1999). (Ittner and Larcker; 2003) note, the complexity of performance and advise that businesses that do not scrupulously uncover the fundamental drivers of their units of performance face several potential problems often ending up measuring too many things, trying to fill every perceived gap in the measurement system. The result is a wild profusion of peripheral, trivial or irrelevant measures.

Measurement systems are evolving from performance measurement to performance management integrated systems that link strategy, resources and processes in coherent
and understandable frameworks. Studies by (Marr; 2004) and (Ghalayani and Noble; 1996), indicate that performance measurement systems have evolved from the traditional un-dimensional, financial focused systems to strategic integrated systems that are flexible to the drastic changes in environment. (Ghalayani and Noble; 1996) note the evolution of integrated performance measurement systems and that these changes take into consideration the fast changing business environment by incorporating strategic issues in the performance measurements. They provide performance from multi and interrelated perspectives; are linked to the organization's value and strategy; are based on the critical success factors or performance drivers; are valid, reliable, easy to use and motivating to users; enable comparisons to be made and progress to be monitored both in measurement and evaluation; are linked to the rewards system and encourages the appropriate behavior; and highlight improvement, opportunities and suggests some improvement strategies.

Employees must know that they need to perform their jobs successfully (Davis 1996). Planning means setting performance expectations and goals for individuals and groups to channel their efforts toward achieving organizational objectives. Getting employees involved in the planning process helps them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done. The shared view can be expressed in a variety of ways such as the job description (Torrington; 1995), or assignment instructions in the case of security industry. Planning employee's performances should include establishing the elements and standards of the performance appraisal plans. Performance elements and standards should be measurable, verifiable, equitable and achievable (Stebler M. 1997).

2.3 Types of Performance Contracts

(Mann; 1995), and (GOK; 2005a), trace the evolution of performance contracting to France in the 1970’s when the French Prime Minister commissioned a committee by Simon Nora to investigate relations between public enterprises and the ministers. The concept was thereafter introduced in Franco-phone Africa in the 1980's in the National Railway in Senegal, Latin American and Asian countries followed later in the same decade. Performance contracts are known by different names in different countries such as performance agreement; contratos de rendimientos; contract du plan; contrats de program;
framework agreement; memorandum of understanding; purchase agreement; results framework; and letter of responsibility (GOK 2005a; Trivedi 2005). (Mann; 1951), (Trivedi; 2005) and (GOK; 2005a) observe that there are generically two types of performance contracts;

First, the French System where performance contracts do not allocate weights to targets. It has no distinction between targets in terms of emphasis (by weighing them differently) and as such performance evaluation is affected by a high degree of subjectivity. It can only point out when a particular target was met or not which creates great difficulty for making an overall judgment regarding agency performance. It is practiced in France, Senegal, China, Ivory Coast, Benin and United Kingdom.

Second, the Signaling System which is based on the premise that public enterprise management should be appropriately guided to aim at improving real productivity and its efforts acknowledged and rewarded by an incentive system. It allocates weights. It adopts a system of "five point" scale and "criteria weight" which ultimately result in calculation of "composite score" or an index of performance of the enterprise. It is practiced in Pakistan, Korea, Philippines, India and Gambia.

2.4 Performance Contracting Process

(Sean; 2009) points out that performance contracting should be much more than a process for documenting and delivering feedback, coaching and rating. He believes that when expanded beyond basics performance contract becomes a powerful tool for helping employees develop and achieve full potential. Processes should be fairly standard and be able to address agency objectives. The amount of detail provided depends on the level of guidance required to support the needs of business units. Performance management process typically involves four main stages namely, work plan management, skills development, performance monitoring and evaluation and rewarding of outstanding performance. In terms of work plan management it is based upon business plans and other corporate documents, key deliverables and areas of responsibility to which staff members will contribute are determined. A staff member and manager agree on the work and responsibilities of the staff member's position. The plan will also set out how the staff member's performance will be measured or evaluated against set objectives (Akaranga,
On the other hand, (Schwella; 1998) stipulates that performance contracting processes tend to be fairly standard. Processes should address agency objectives. The amount of detail provided depends on the level of guidance required to support the needs of business units. The performance aspect of the plan obtains agreement on what has to be done to achieve objectives, raise standards and improve performance in terms of skills development and information needs of the staff members to meet their performance targets which on a large extent will meet the business needs. This includes selecting options and the development of an action plan to access the opportunities identified (Armstrong, 2006). Similarly, under performance monitoring, the staff member provides regular feedback to the manager on their progress towards the achievement of the agreed performance objectives. The manager provides regular formal and informal feedback on their assessment of the staff members achievement. Within the context of performance evaluation, (Armstrong and Baron; 2004) stipulate that the staff member's performance and achievement of the objectives in the work plan needs to be evaluated periodically. Lastly, with regards to rewarding outstanding performance there is need to reward outstanding work which is recognized from the evaluation report. The top performers are to be rewarded in various ways ranging from recognition to award of medals and other materials endowments (Armstrong and Baron, 2004, Armstrong 2006).

(PBMSIG; 1999) argues for a structured approach as used in the US, which focuses on strategic performance objectives; provides a mechanism for accurate reporting; bring all stakeholders into planning and evaluation of performance; provide a mechanism for linking performance to budget expenditure; provide a framework for accountability; and share responsibility for performance improvement. They suggest a six-step process that includes establishing a successful program which include the definition of an original vision, mission and strategic objectives; establishment of an integrated performance measurement system; establishment of accountability for performance; establishment of a process/system for collecting performance data; and one for using performance to drive performance improvement. (GOK; 2005a), (OECD; 1999), (Trivedi; 2000) and (Mann: 1995) advance the view that a standard performance contract should consist of three sub-systems; first, Performance
Information System - which relates to need for reasonable information between Government and the Government Agency in the process of negotiating performance targets. Secondly, Performance Evaluation System - which comprises of performance measurement criteria and evaluation systems. Thirdly, Performance sanctions/ incentive systems relates to a system that links rewards/sanctions with measurable performance.

According to (OECD; 1999), fundamental preconditions for successful implementation of a performance contract can be divided into two categories, those of:- Performance and evaluation criteria in the contracts must be clearly understood, and must be fair to the manager and the Public Enterprise. Some of the institutional preconditions include, performance targets that should be negotiated and not imposed arbitrarily from the Government; Public enterprise managers must be left free to manage the enterprise with agreed parameters: once performance targets have been set and performance ; performance should be judged.

There is however no step-by-step approach or process cited in literature to be followed by public service in developing countries. (PBMSIG; 2001); (NPR; 1999) and (OECD; 1999) however cite the following dimensions as major components of an integrated performance measurement system whose inclusion would result in success in the implementation of any performance systems. These include leadership in championing the cause; a conceptual framework to enable the organization to focus its measures; Commitment by everyone since the degree of commitment will determine the degree of success; involvement of all stakeholders, customers and employees both by level and timing of employee involvement individually tailored depending on size and structure of the organization; creation of a sense of urgency to move to a new and enhanced performance measurement and management regime; communication; ongoing feedback process to keep the organization in pace with emerging technologies and trends; environmental scanning of both the external and internal environments; enhanced organizational capacity centered on people and processes in ensuring that inefficient and ineffective processes do not get in the way of the drive to success; and institutionalized accountability for performance and measures with focus on results.

2.5 Perception

(Bennet; 1999) considers perception as a process in which one interprets sensory inputs
such as sight, sound, smell or feelings. Two people may physically see the same thing but they may have their own individual interpretation of what it is. Perception is closely linked with the individual and the human factor. The human factor in organization has been a subject of debate for some time now. Its origin can be traced back to the early works of Elton Mayo. According to (Cole; 2002), Elton Mayo's study addressed the issue of the worker in the work place rather than the work itself. Further, Abraham Maslow demonstrated that the hierarchy of needs could influence behavior in an organization. At any one time it is the unfulfilled needs of an individual that act as motivators. According to (Cole; 2002), an individual behavior is formed on the perception of what they consider to be the reality. According to (Njoroge; 2004), this theory stresses the importance of perception in the motivation process. It argues the case for the view that individuals act on the basis of how they perceive situations. According to (Cole; 2003), individual effort and productivity is determined by the perception of the situation.

According to (Cameron and Green; 2004), individual change is at the heart of everything that is achieved in an organization. Once the individuals have the motivation to do something different, the whole world begins to change. Employees are complex beings. Their interest may not necessarily coincide with that of an organization. This is because human beings act on the basis of perception. According to (Njoroge; 2003), perception in an organization is crucial to researchers as employees are the driving force behind the success of an organization. There is need for managers to be aware of the perceptual difference between themselves and that of the employees, which may give rise to organizational conflict.

Perception is influenced by internal and external factors leading people to see some perceived objects or persons, events differently. External factors are characteristic of perceived objects or persons, which may include size, intensity, contrast, repetition, motion, novelty, status and appearance. Internal factors in perception are characteristics of the perceiver. The perceivers have a tendency to use themselves as a basis for perceiving others, events, objects. Internal factors that can influence perception are needs and motives, past experiences, self-contest and personality (Nzuve, 1999). People emerge with different perceptions of the same stimulus object because of three perceptual processes: selective attention, selective distortion and selective retention.
Selective attention arises due to the fact that people are exposed to a tremendous amount of daily stimuli. Individuals have a heightened awareness of stimuli that meet their needs or interests and minimal awareness of stimuli irrelevant to their needs. Selective distortion describes the tendency of people to twist information into personal meanings. Selective retention asserts that people will forget much of what they learn. They tend to retain information that supports the attitudes and beliefs for chosen alternatives (Kotler, 1988; Kibera and Waruingi, 1998).

(Newstrom; 2007) notes that people look at the world and see things differently. Even when presented with the same object two people may view it in two different ways. The view of their objective environment is filtered by perception, which is the unique way in which each person sees, organizes or interprets things. (Nganga; 2004) argues that Perception is influenced by intelligence, personality, expectation and interest. According to (Njoroge; 2003), attitudes and perceptions are developed over time and can change as new information and experiences are acquired. (Bennet; 1999) argues the case for managers to understand the process of perception in order to ensure employees and managers perceive the organizations objectives in a similar manner, appreciate workers grievances and complaints from their point of view and to improve communication between managers and their subordinate by interpreting things the same way.

In today's economy, employees are a critical asset in ensuring an organization has a competitive edge in the market place. An appreciation of what would affect their current and future performance is therefore of great concern to decision makers. Unlike other resources in a firm, employees have to be motivated to be effective and efficient in their work. (Njoroge; 2003) therefore argues that managers need to be interested not only with the physical presence of the employee in the work place but more importantly their emotional presence.

Policies and structures must also be able to generate commitment and enhance individual and group performance. A critical factor that can greatly influence performance in that respect is how they perceive various initiatives that management introduce in an effort to enhance the competitiveness of an organization. A critical initiative being undertaken by
management today is strategic change management, aimed at making implementation of firm's business strategies more effective. (Cummings and Worley; 2005) explain that employee perception influences employee involvement in strategic change management. Employee involvement always leads to a higher rate of success in the implementation of strategic change management coupled with higher productivity. According to (Cummings and Worley; 2005), there is a growing body of research, which has found a consistent relationship between employee involvement with such measures as productivity, financial performance, customer satisfaction and labor hours.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design
This was a descriptive survey. Descriptive survey was considered appropriate for the study since it was intended to help the researcher to describe the phenomenon under study in its state at the time and its characteristics. By using the design the researcher hoped to be able to easily access information from a large number of respondents at a lower cost within a short period of time.

3.2 Population
The population of the study consisted of all the two hundred and seventy (270) employees in the Ministry of Local Government (Ministry of Local Government September 2012 payroll). All the employees of the Ministry were studied.

3.3 Data Collection
The study used primary data collected through a semi-structured questionnaire which was divided in parts A and B. Part A was designed to obtain demographic data of the respondents. Part B was used to collect data on employee perception of performance contracting process. The questionnaire was administered using the ‘drop - and - pick - later’ method.

3.4 Data analysis
Data was analyzed using the following descriptive statistics; arithmetic means, frequencies and percentages. Means were used to determine the most common response. Frequencies were used to determine the frequency of each category of responses and percentages were used to determine the proportion of each category of responses. The statistics were presented in tables, pie charts and bar charts.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
The chapter contains an analysis of the data collected and the results of the study. The results have been displayed in frequencies, percentages, and means and presented in tables, graphs and charts. The chapter also contains discussion of the results of the study.

4.2 Response rate
The study targeted all the 270 employees of the Ministry of Local Government. Out of these, 240 filled and returned the questionnaire. This constituted 80% response rate which was a reasonable rate for the study.

4.3 Demographic Characteristics
The study sought to find the demographic characteristics of the respondents. The study showed that the majority of the respondents (51.9%) had served in the Ministry for a period between 1-5 years as shown in the table below.

<table>
<thead>
<tr>
<th>No. of Years</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>125</td>
</tr>
<tr>
<td>6-10 years</td>
<td>41</td>
</tr>
<tr>
<td>11-15 years</td>
<td>12</td>
</tr>
<tr>
<td>over 15 years</td>
<td>62</td>
</tr>
</tbody>
</table>

The study showed that out of the 240 respondents, 54% were female while 46% were male as shown in the table below. The result is an indication that there was gender balance in the Ministry.
Table 2: Gender composition

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>110</td>
</tr>
<tr>
<td>Female</td>
<td>130</td>
</tr>
</tbody>
</table>

The study also sought to find out the highest level of education attained by the respondents. The result of the study is shown in the table below.

Table 3: Highest level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary school</td>
<td>36</td>
</tr>
<tr>
<td>Diploma</td>
<td>77</td>
</tr>
<tr>
<td>Bachelors degree</td>
<td>48</td>
</tr>
<tr>
<td>Masters degree</td>
<td>43</td>
</tr>
<tr>
<td>PhD</td>
<td>-</td>
</tr>
<tr>
<td>Professional qualification</td>
<td>48</td>
</tr>
</tbody>
</table>

From the table above the highest level of education attained by the respondents was a Bachelors degree (18%). The majority of the respondents (32%) had a diploma level of education. This is an indication that the Ministry had a fairly educated labour force. Level of education is one of the factors that influence an individual’s perception.

The results of the study showed the following age distribution;

Table 4: Age Distribution

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 25</td>
<td>10</td>
</tr>
<tr>
<td>26 – 34</td>
<td>54</td>
</tr>
<tr>
<td>35 – 44</td>
<td>41</td>
</tr>
<tr>
<td>45 – 54</td>
<td>125</td>
</tr>
<tr>
<td>&gt; 55</td>
<td>10</td>
</tr>
</tbody>
</table>

The result from the table shows that over 50% of the respondents fall within the age
bracket 45-54 years an indication that the Ministry has an ageing workforce. This category of staff has various experiences and beliefs that influence their perceptions.

4.4 Employee Perception

The study sought to find out from the respondents how they perceived the various aspects of performance contracting process. Their opinions were rated on a likert scale 1-5. The scores “strongly disagree” and “disagree” (1 and 2) represented aspects of the process perceived negatively by the respondents and “strongly agree” and “Agree” (5 and 4) represented aspects of the process perceived positively. Employee perception of the following aspects of performance contracting process were studied; employee involvement, employee knowledge and skills, availability of resources, existence of fair performance evaluation and reward system, existence of communication and feedback mechanism and performance improvement.

4.5 Perception of employee Involvement

The following aspects of employee involvement were studied; strategic planning process, negotiation and setting of targets, formulation of departmental workplans and consultation with supervisor. The results of the study are shown in the table below.

Table 5: Employee involvement

<table>
<thead>
<tr>
<th>Perception</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning Process</td>
<td>27%</td>
<td>30%</td>
<td>43%</td>
</tr>
<tr>
<td>Negotiation and setting of targets</td>
<td>35%</td>
<td>4%</td>
<td>61%</td>
</tr>
<tr>
<td>Negotiation and setting of targets</td>
<td>35%</td>
<td>4%</td>
<td>61%</td>
</tr>
<tr>
<td>Formulation of departmental work plans</td>
<td>42%</td>
<td>12%</td>
<td>46%</td>
</tr>
<tr>
<td>Consultation with Supervisor</td>
<td>35%</td>
<td>9%</td>
<td>56%</td>
</tr>
<tr>
<td>Average</td>
<td>35%</td>
<td>14%</td>
<td>51%</td>
</tr>
</tbody>
</table>

From the results in the table, on the average, majority of the respondents (52%) were of the opinion that employees were not involved in strategic planning process, negotiating
and setting targets, formulation of departmental work plans and consultation with the supervisor. This is an indication that there was little employee involvement during the performance contracting process and therefore lack of ownership of the process on the part of the employees. For successful implementation of any process in an organization employees must be involved to win their support and commitment.

4.6 Perception of employee Knowledge

The study sought to find out the respondents’ perception of employee knowledge about the following aspects of performance contracting process; the vision and mission of the Ministry, setting of targets and preparation of individual work plans. The result of the study is shown in the graph below.
Figure 1: Employee Knowledge

The results in the graph, show that on the average, the majority of the respondents (47%) were of the opinion that employees did not have knowledge about the vision and mission of the Ministry, setting of targets and preparation of individual work plans. This is an indication that there was lack of capacity among the employees to understand the performance contracting concept.

4.7 Perception of Availability of resources

The results of the study on whether requisite resources were availed when required are shown in the chart below.

Figure 2: Availability of resources
It can be seen from the chart above that 57% of the respondents were of the opinion that the Ministry did not avail the requisite resources as and when required. This is an indication that there was poor planning and budgeting. Employees cannot meet their targets as required when resources are not availed when required. Consequently, the Ministry cannot implement its projects and programs effectively and efficiently.

4.8 Perception of performance evaluation and reward

The researcher sought to find out whether there existed a fair and clear system of performance evaluation and reward. The results are as shown below:

Figure 3: Performance evaluation and reward
51% of the respondents were of the opinion that there did not exist a fair and clear performance evaluation system, while 53% were of the opinion that there did not exist a fair and clear reward system. This is an indication that the Ministry is yet to institute an integrated performance management system that links performance to other human resource management aspects.

4.9 Perception of Communication

The study sought to find out whether employees thought there existed open channels of communication for feedback on performance and performance related complaints. The results of the study are shown in the chart below:
On the average the majority of the respondents (49%) were of the opinion that there were no clear performance feedback and complaints mechanism in the Ministry. This is an indication that the Ministry had an organizational structure that was bureaucratic and emphasized hierarchy, seniority and chain of command. This type of structure is rigid and an impediment to effective and efficient service delivery.

4.10 Perception of performance improvement

The study sought to find out from the respondents whether there was improvement in the following aspects that contribute towards performance improvement as a result of performance contracting process; positive work attitude, accountability, work planning, teamwork and motivation.
Table 6: Performance improvement

<table>
<thead>
<tr>
<th>Perception</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive work attitude</td>
<td>43%</td>
<td>12%</td>
<td>35%</td>
</tr>
<tr>
<td>Accountability</td>
<td>62%</td>
<td>13%</td>
<td>25%</td>
</tr>
<tr>
<td>Workplanning</td>
<td>48%</td>
<td>8%</td>
<td>44%</td>
</tr>
<tr>
<td>Teamwork</td>
<td>57%</td>
<td>15%</td>
<td>28%</td>
</tr>
<tr>
<td>Motivation</td>
<td>55%</td>
<td>13%</td>
<td>55%</td>
</tr>
</tbody>
</table>

From the table above an average of 53% of the respondents were of the opinion that there was improvement in performance due to positive work attitude, accountability, work planning, teamwork and motivation as a result of the performance contracting process. This is an indication that performance had improved as a result of the performance contracting process.

4.11 Discussion

Understanding of employee perception of any process in an organization is important for successful management of performance in the organization. From the results of the study it can be concluded that employees in the Ministry of Local Government have negative perception of the performance contracting process, a performance management tool introduced in the civil service. Managers should understand existing employee perceptions in the Ministry to be able to align the perceptions with the Ministry’s strategic objectives. It is concluded from the study that employees in the Ministry were not involved in the performance contracting process. Consequently, there was lack of ownership of the process, commitment and loyalty on the part of the employees which is a hindrance to the successful implementation of the process. Most of the employees did not have the capacity to understand the performance contracting concept. Consequently, most employees are not able to conceptualize the link between the Ministry’s strategic objectives and individual performance. There is need for the Ministry to sensitize and train its employees on the strategic planning process. Getting employees involved in the
strategic planning process helps them to understand the goals of the organization, what needs to be done, and how well it should be done

The study concludes that there is no fair system of performance evaluation and reward in the Ministry and requisite resources were not availed as and when they are required leading to employees especially the hardworking ones being demotivated. The Ministry should develop an integrated performance management system that links strategy, resources and processes in coherent and understandable frameworks. The Ministry should establish elements and standards of performance which should be measurable, verifiable, equitable and achievable.

It is noted from the study however that improvement in the areas of accountability, work planning, and teamwork as a result of performance contracting process had led to improvement in performance in the Ministry. The Ministry should therefore build on the gains achieved as a result of the process to enhance its performance level.
5.1 Introduction

This chapter contains a summary of the results of the study and conclusions. It also contains recommendations and limitation of the study. Finally the chapter gives suggestion for further study.

5.2 Summary of the findings

The objective of the study was to establish employee perception of performance contracting process in the Ministry of Local Government. The results of the study indicate that most of the respondents were of the opinion that employees were not involved in the critical aspects of the performance contracting process. The results also show that employees did not understand the vision and mission of the Ministry and did not know how to set targets and how to prepare work plans. Most of the respondents were also of the opinion that requisite resources were not allocated as and when they were required. Procedure for evaluating and rewarding performance was not clear and fair. There were no clear procedures for feedback and channeling of performance related complaints. However there was a general feeling that there was improvement in the following aspects as a result of performance contracting process which had improved performance; work attitude, accountability, teamwork, workplanning and motivation.

5.3 Conclusion

The study concludes that employees were not involved in critical aspects of the performance contracting Process. There was therefore no ownership, commitment and loyalty among the employees. The study also concludes that there was limited capacity among the employees to understand and conceptualize the performance contracting concept. Inability of the employees to link the Ministry’s strategic objective with individual performance is a hindrance to the successful implementation of the performance contracting process.

The study further concludes that the Ministry had not institutionalized Performance Evaluation and reward Systems in the Ministry. It did not have an Integrated
Performance Management System in place. Feedback on Performance and channels for Performance related complaints are limited. This could be explained by the fact that the Organizational Structure of the Ministry is bureaucratic and emphasizes hierarchy and Seniority consequently stifling free and open communication.

Finally the study concludes that the Ministry did not have effective planning and Budgeting process to ensure availability of resources when they are required.

5.4 Recommendation

Employee perception is important in the successful implementation of any process in the organization. Individuals act on the basis of how they perceive a situation and will act positively only if they perceive situations as being favorable to their personal interests and objects. It is important therefore that managers in the Ministry of Local Government should try to understand employee perception and related concepts to be able to align employee interests and objectives to those of the organization.

The Ministry should involve its employees in the critical aspects of performance contracting process to win their ownership, loyalty and commitment for successful implementation of the process. It should also train and sensitize them on critical aspects of strategic planning process. Getting employees involved in the planning process helps them understand the goals, vision and mission of the organization, what needs to be done, why it needs to be done and how well it should be done.

The Ministry should also put in place an Integrated performance management system by linking Performance to all the aspects of Human Resource Management especially employee development and reward. It should also institutionalize effective planning and budgeting to effectively and efficiently implement its projects and programs.

5.5. Limitations of the Study

The study was confined to employee perception of performance contracting process in the Ministry of Local Government. The results of the study may not therefore apply to other Government Ministries.
5.6 Suggestion for further Study

Since the study was confined to employee perception of performance contracting process in the Ministry of Local Government, it is suggested that further study should be carried out to establish perception of the Ministry’s external customers of the process. This will not only help the Ministry understand what its external customers think of the process for improvement, but it will also help to validate some aspects of the results of this study.
REFERENCES


APPENDIX A: LETTER OF INTRODUCTION

Date: _____________________

Dear Sir/ Madam,

I am a Master of Business Administration student in the University of Nairobi currently undertaking research on the employee perception of performance contracting from the Ministry of Local Government.

Please assist me complete the attached questionnaire. The information given is for academic purposes only and will be treated in strict confidence.

Thank you in advance for your co-operation.

Samuel Mang’ale

0724 – 261 636
APPENDIX B: QUESTIONNAIRE

Part A: Demographic Data

1. What is your Department? ________________________________________________

2. How long have you been employed by the Ministry?
   - 1 – 5 years
   - 6 - 10 years
   - 1 – 15 years
   - Over 15 years

3. Please tick appropriate Male [ ] Female [ ]

4. Please indicate the highest level of your education by ticking one of the following
   - Secondary school level
   - Diploma level
   - Bachelors Degree
   - Masters Degree
   - PhD Degree
   - Professional qualification (CPA, CPS, IMIS, AUI, KATC, MSK)
     (Specify) _______________________________________________________

5. What age bracket do you fall? (Tick one)
   - Less than 25 [ ] 26 – 34 [ ] 35 - 44 [ ]
   - 45 – 54 [ ] More than 55 [ ]
## Part B: Employee Perception of Performance Contracting Process

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees have been involved in the strategic planning process and</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>understand the Ministry’s vision and mission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are involved in the process of negotiating and setting targets</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>with their immediate supervisors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees know how to set SMART targets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are involved during the process of formulating departmental</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>work plans.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees know how to prepare work plans</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Employees consult with their immediate supervisors during the process of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>formulating individual work plans</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Requisite resources are allocated as and when they are required.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Process of monitoring performance is carried out through regular</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>submission of quarterly progress reports.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There exists a clear procedure of feedback on performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clear and fair performance evaluation process is undertaken at the end of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the contract period.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>There is a fair and clear procedure of rewarding good performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The process of imposing sanctions on poor performance is clear to all</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are aware about the procedure of channelling performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>related complaints to the Ministerial Performance Management Committee.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance contracting process has led to improved performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance contracting process has led to positive change in attitudes of staff towards the Ministry.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance contracting process has led to increased accountability in the use of resources.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance contracting process has led to improved employee planning in the ministry.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance contracting process has led to improved communication between employees and their supervisors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance contracting process has led to improved team work.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are motivated as a result of performance contracting process.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance contracting process has led to positive work culture.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>