

Perceived Influence of Performance Contracting on Employee Satisfaction at Kenya Power Company - Kisumu Branch

¹Beatrice Akinyi Obuong' and ²Aketch Ng'ong'a, ^{PhD}

¹ *Certified Human Resource Practitioner, Kenya*

² *Business Strategy Consultant, Kenya*

***Corresponding Author:** Beatrice Akinyi Obuong', Human Resources Practitioner, Kenya

ABSTRACT: Performance contracting is a management tool that states functions, responsibilities and terms of performance for the agreed firm's target. It is crucial for organizations to put into consideration the idea of perception to be able to establish factors that affect peoples' behaviour. The study investigated the perceived influence of performance contracting at Kenya Power Company. Descriptive research design was used. The entire 135 management (Senior and standard terms) employees of Kenya Power – Kisumu, drawn from all the departments were used as the target group. The entire population was interviewed thus this was a census survey. Semi - structured questionnaires were used to collect data. The study concluded that Performance contracting did affect organizational performance and it was deemed as a management instrument to be used to achieve the set objectives and target. The study findings showed that performance contracting and employees' satisfaction had connection, since it ensured that employees have a set targeted for achieving organizational objectives and that getting employees on performance contracting process helped them understand the goals of the organization. This worked as a job satisfaction indicator to the employees. Finally the study concluded that performance contracting lead to motivation, positive work culture, work efficiency, reduced turn over. The study recommends that there is need for employee involvement in the performance contracting processes since it helps in eliminating possible resistance and ensuring commitment of the workforce. This research focused on Perceived Influence of Performance Contracting on Employee Satisfaction at Kenya Power Company - Kisumu Branch. The findings of this study was confined to management (Senior and standard terms) employees of Kenya Power – Kisumu, drawn from all the departments and did not generalize on the entire staff of KPC - Kisumu. The research suggests a further research on the Perceived Influence of Performance Contracting on Employee Satisfaction not only at Kenya Power Company - Kisumu Branch but also in the private firms.

Keywords: Performance Contacting, Perceived Influence, Employee Satisfaction, Kenya Power Company-Kisumu

I.

II. BACKGROUND OF THE STUDY

Competition alongside immense pressure to achieve results in contemporary organizations has forced them to think strategically and to put strategic plans into action. Thus Management has been made to set targets to which they are held accountable and evaluated against at the end of the stipulated period based on their performance contract. Performance contracts are seen as management tool used to attain the set target and objectives in any organizational set up (Nzuve & Njeru, 2013). According to Mullins (1999) while performance contracting continues to draw different perceptions, employers consider performance contracts as a critical management gradient used to attain results. With the ever changing business arena, employers believe that the only means to achieve employee satisfaction, growth and sustain performance is to adopt performance contracting policy as a management and control tool. Cole (1997) a critical factor that can influence the success of performance contracting is how employees perceive it. Unlike other resources in an organization, employees are complex human beings, who are influenced by and can act based on their perception. The study will be based on goal setting theory (Latham and Locke, 1979), expectancy theory of work motivation (Vroom, 1964) and attribution theory (Weiner, 1972). According to Latham and Locke (1979) organizational performance increases when individuals set goals and more so if the goals are specific. The theory established an intimate link between goal setting and positive workplace performance. Lack of goals may lead to agency achieving objective not related to mandate. Vroom (1964) suggest that individuals are motivated to achieve certain objectives if they are more of good and less of harm. A goal is worth accomplishing if it is desirable to undertake. Weiner's (1972) asserts that most important factors affecting one's attribute is ability; effort, task difficulty, and luck.

Kenya Power is public corporation that was established in 1983. In Kenya Power Company; performance contracting was established in 2004 with an aim of improving the workforce productivity and general output. The Kenya Power Kisumu Branch has 350 employees of which 155 of them are on contract,

while 195 of the employees are on permanent terms. With an aim of leading by example and attaining workplace balance, management of Kenya Power Kisumu is thus on performance contract. Kenya Power (KP) Kisumu branch is mandated to transmit and distribute electricity within Kisumu County. The company serves over 155,000 customers. Other than its core mandate of efficient electricity distribution to its customers in western Kenya, the other objective of Kenya Power Kisumu branch is focused on managing reinforcement and extensions of the distribution grid and metering. (KPC Journal, 2008). Performance Contracting is an administration control implement and a component of primary administration. Khan (2007) performance contract is a laid down consensus between different parties for a common objective, accompanied with certain binding terms and conditions. Kobia (2006) performance contracting is a performance measuring tool for monitoring and continuous improvement. Hope (2001) stated that performance contract explains a course of action, plan and mandate required by state for a stated duration. Hope (2001) advances that the idea behind performance contracting is the decentralized system of management in which a lot of focus is process oriented thus providing a room for behavioral changes among employees.

Moyes, Shao and Newsome (2008) describe employee satisfaction as how comfortable and happy employees are in their work place. Employee satisfaction is dependent on how individual employees are contented with their work. Effective organizations should therefore put a lot of emphasis on ensuring a happy workforce (Bhatti and Qureshi, 2007). Locke (2002) argued that lack of employee satisfaction will amount to employee tardiness, absconding of duties, strikes, turnover which will in turn affect the firm's productivity. Effective Employee satisfaction amounts to employee's positive feelings about their work (Cole, 2002). According to Khan (2007), while intellectual occupation fulfillment may realize full of feeling representative fulfillment, the two builds are unmistakable, not straightforwardly related, and have distinctive predecessors and outcomes. Khan (2007) extends that a portion of the key parts of representative fulfillment incorporate acknowledgment for a vocation well done, a solid workplace, a perfect, sufficiently bright satisfactory space with the best possible gear, fair pay, connected to life span or rank, as well as to execution, the opportunity to work with fascinating, spurred, mindful individuals, whose individual and expert objectives are in arrangement with one's own particular and employment adaptability with individual flexibility among others. A motivated and satisfied workforce works dedicatedly towards attaining the set goal (Ostroff, 1992). Employers find it hard to identify the exact needs and wants of the employees.

Braun & Clarke (2006) define perception as the procedure by which an individual chooses, composes and translates boosts into a significant and reasonable photo of the world. Hope (2003) define perception as a process in which one interprets sensory inputs such as smell, sight, sound or feelings. One's impression of occasions when he or she takes a gander at an objective and endeavors to translate what he or she sees is intensely impacted by individual qualities of the individual perceiver. Hope (2003) further says individual qualities that influence recognition incorporate a man's mentalities, identity, thought processes, interests, past encounters and desires. Perception are the thoughts and minds of employees towards organizations' operations and systems (Armstrong, 2004). According to Nzuve (2007), research evidence has shown that individuals' emotions and convictions about somebody or something appeared to be just approximately identified with how they carried on towards it and therefore the investigation of representatives' recognition is basic toward plan and administration of strategies in an association. Hope (2013) maintains that the components of acknowledgment for performing great, odds of advancement, expert development, remuneration, and impetus plans, are seen as propelling variables by numerous representatives who will thus feel fulfilled. Hope (2013) further argued that initiating systems of compensation, recognizing employees' efforts and creating enabling environment for employees is one of the critical factors of assuring employee satisfaction. Nzuve (2007) articulated importance of perception by stating that people behavior is based on their perception to the reality. In support Latham & Locke (2009) highlights that observation adds intention to data assembled by means of the five faculties of touch, notice, hearing, vision and taste; it is the essential vehicle through which we come to comprehend the encompassing and ourselves. Factors such as physical senses, health differences, general intelligence, nature and effects of experiences, innate abilities and learned skills, individual values and attitudes, personality differences, individual aspirations and goals, status, situation or context (Cole, 2002) influence perception.

Research problem

In modern firms, performance contracting is becoming a critical tool in ensuring that firms meet desired targets and goals. Remaining competitive in the market has become a core driver behind this policy. Luthans (1998) argues that the contribution of performance contracting policy in organizations has achieved greater heights. Muthaura (2008) stated that the public sector has with time adapted strategies used in private sectors for instance the performance contracting upon the employees out of which positive results have been evident. Various stakeholders, employees and the policy makers have had different perceptions with regard to the

performance contracting. Hope (2001) argues that while people perceive things and events differently, the ultimate results of their actions or conclusions normally relate in one way or the other.

Performance contracting was introduced in Kenya Power Company, in the year 2004 with an aim of improving workforce productivity and the general output. The center order of this procedure has been for joined and successful administration conveyance with the perspective of taking care of the various client's requests (KPLC Journal, 2008). Kenya Power Company Kisumu branch is included in various exercises, for example, power conveyance in the whole Kisumu area, electric metering, permitting, charging, crisis power administrations, and client relations (KPLC, 2008). With the change of structure and operations in Kenya Power, Kisumu Branch strives to position itself within dynamic environments. Performance contracting has been adopted to improve the general productivity and enhance service delivery (KPLC, 2008). Firms which have initiated this policy to enhance their productivity have had to contend with various perceptions and attitudes of employees across the divide with regards to performance contracting. The lingering question has been whether or not performance contracting is key to the organizational success. Several local studies have been done on perceived influence of performance contracting.

Ominde (2014) on his study on perceived as 'Influence of Performance Contracting on the Performance of Kisumu Polytechnic' observed that performance contracting has yielded significant benefits to Kisumu Polytechnic in terms of organizational performance. Samuel (2013) focused on representative impression of execution contracting process in the service of nearby government and resolved that there was limited capacity among the employees to understand and conceptualize the performance-contracting concept. Besides, Samuel (2013) concluded that 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. Langat (2006) studied the components vital for the outline of a decent execution contract in state companies. The study established that for a fruitful plan of execution contract it is important for an association to obviously characterize its vision, mission and vital goals. Korir (2006) focused on the effect of execution contracting in state organizations with particular reference to East African Portland Cement Company. In his findings, Korir (2006) established that there is employee involvement in the setting and negotiations of performance contracting across all the departments.

From the above studies, there is hardly any coverage on the performance contracting and employee satisfaction. The studies have instead concentrated on the results accrued from the implementation of performance contracting and the factors affecting performance contracting. For instance, Ominde (2014) on his study on perceived Influence of Performance Contracting on the Performance of Kisumu Polytechnic, focused more on the general benefits accrued from the performance contracting. Langat (2006) focused on the factors necessary for the design of a good performance contract in state corporations while Korir (2006) focused on the impact of performance contracting in state corporations with specific reference to East African Portland Cement Company. Therefore, the research was done on the perceived influence of performance contracting on employee satisfaction at Kenya Power Company Kisumu Branch.

III. RESEARCH OBJECTIVE OF THE STUDY

The main objective was to establish the Perceived Influence of Performance Contracting on Employee Satisfaction at Kenya Power Company - Kisumu Branch.

IV. THEORETICAL FOUNDATION

This study was anchored upon the attribution theory, goal-setting theory and expectancy theory: Attribution hypothesis focuses on the routes in which individuals clarify the conduct of others. It investigates how people 'characteristic' causes to occasions and how this psychological recognition influences their inspiration (Heider, 1958). According to Locke & Latham (2002), objective setting includes the improvement of an activity arrange intended to persuade and manage a man or gathering toward an objective. Locke & Latham (2002) develops that more particular and driven objectives prompt to more execution change than simple or general objectives. Vroom (1964) believes that the expectancy theory is about the mental procedures with respect to decision, or picking. It clarifies the procedures that an individual experiences to settle on decisions.

Heider (1958) was the first to propose a psychological theory of attribution. Weiner, (1974) built a hypothetical system that has turned into a noteworthy research worldview of social brain science. Heider (1958) discussed what he called 'naïve' or 'commonsense' psychology. In his view, Heider (1958) argued that individuals resembled beginner researchers, attempting to comprehend other individuals' conduct by sorting out

data until they landed at a sensible clarification or cause. Weiner (1974) Attribution theory is concerned with how people decipher occasions and how this identifies with their reasoning and conduct. A man looking to comprehend why someone else accomplished something may trait at least one causes to that conduct. According to Heider (1958), a man can make two attributions, inner attribution, the derivation that a man is acting surely in view of something about the individual, for example, disposition, character or identity, outer attribution, the induction that a man is carrying on a specific path as a result of something about the circumstance he or she is in.

Locke & Latham (2002) put forward the Goal-setting theory of motivation. This theory states that goal setting is essentially linked to task performance. "It states that specific and challenging goals along with appropriate feedback contribute to higher and better task performance. Locke and Latham (2006) argue that it is not sufficient to urge employees to 'do their best' 'doing one's best' has no external referent, which makes it useless in eliciting specific behavior. Locke and Latham (2006) to elicit some specific form of behavior from another person, it is important that this person has a clear view of what is expected from him/her. Locke and Latham (2002), a goal is thereby of vital importance because it helps an individual to focus his or her efforts in a specified direction. In other words, goals canalize behavior. Locke and Latham (2002) stated that the goal setting theory was based on the premise that much human action is purposeful, in that it is directed by conscious goal (O'Neil & Drillings, 1994). O'Neil & Drillings (1994) the decision to set a goal results from dissatisfaction with current performance levels. Locke and Latham (2002) setting a goal should include setting a structure that directs actions and behaviors which improve the unsatisfactory performance. Setting a goal will change a person's behavior in order to work towards achieving the set goal. Goal-setting theory predicts that people will channel effort toward accomplishing their goals, which will in turn affect performance (Locke & Latham, 1990).

According to Vroom (1964) Expectancy theory is based on four assumptions; one assumption is that people join organizations with expectations about their needs, motivations, and past experiences. These influence how individuals react to the organization (Vroom, 1964). Vroom (1964) a second assumption is that an individual's behavior is a result of conscious choice. That is, people are free to choose those behaviors suggested by their own expectancy calculations. A third assumption is that people want Different things from the organization (good salary, job security, advancement, and challenge). A fourth assumption is that people will choose among alternatives to optimize outcomes for them personally. Vroom (1964) argued that leaders should try to increase the belief that employees are capable of performing the job successfully. Ways of doing this include: select people with the required skills and knowledge; provide the required training and clarify job requirements; provide sufficient time and resources; assign progressively more difficult tasks based on training; follow employees' suggestions about ways to change their jobs; intervene and attempt to alleviate problems that may hinder effective performance; provide examples of employees who have mastered the task; and provide coaching to employees who lack self-confidence. In essence, leaders need to make the desired performance attainable.

Vroom (1964) Expectancy theory is about the mental processes involved in making choices. In organizational behavior, expectancy theory embraces Victor Vroom's definition of motivation. Vroom (1964) proposed that a person decides to behave in a certain way, selecting one behavior over other behaviors, based on the expected result of the selected behavior. Vroom (1964) for instance, people will be willing to work harder if they think the extra effort will be rewarded. In essence, the motivation behind chosen behavior is determined by the desirability of the expected outcome. At the theory's core is the cognitive process of how an individual processes the different motivational elements. Mullins (1999) processing is done before an individual makes the final choice. The expected result, therefore, is not the sole determining factor in the decision of how to behave because the person has to predict whether or not the expectation will be fulfilled (Mullins, 1999). Expectancy theory can help managers understand how individuals are motivated to choose among various behavioral alternatives. To enhance the connection between performance and outcomes, managers should use systems that tie rewards very closely to performance. Managers also need to ensure that the rewards provided are deserved and wanted by the recipients. To improve the connection between effort and performance, managers should use training to improve employee capabilities and help employees believe that added effort will in fact lead to better performance" (Mullins, 1999).

Performance Contracting

Kobia & Mohammed (2006), the concept of performance contracting has attracted considerable attention from scholars due to its potential to transform service delivery. Kobia & Mohammed (2006) extend that most of the available literature has focused on employee awareness and participation, the linkage between PC and individual targets, linkage between PC and reward systems, effects of PC on performance, training and the

theories that underpin the concept. A performance contract is an agreement for mutual understanding between an employer and an employee within the sub-field of performance management. In other terms, it is an agreement between two parties that specify their obligations towards each other (Kobia, 2006). The management of the Public Service in Kenya has been a challenge and has been undergoing changes and evolving over time towards improved service delivery to the citizens and none has born better results than performance contracting. Key trend in the New Public Management (NPM) approach in crisis states is the increasing resort to performance contracting as an instrument to reform state-owned enterprises (Kobia & Mohammed, 2006). Introduction of performance contracting emanated from the realization that public service was not clear about its goals as it had several functions with multiple objectives to fulfil where some were not related to their core mandate. It's also from realization that what gets measured gets done, a philosophy that has been practiced widely in the private sector (Government of Kenya, 2005). Kobia & Mohammed (2006) in a study "Kenya Experience with Performance Contracting reckon that performance contracting has revolutionized service delivery in the public service.

Spector (1997) noted that from a performance improvement perspective, employees deserve clear direction from management. Spector (1997) extends that employees should have a clear understanding of what the organization is trying to accomplish and what role they play in making it happen. Mathura (2007) explains that the first principle of performance is to focus on results and avoid the risk of losing sight of the outcomes that are required to meet the organization's goals. Employees' focus is about making sure goals, objectives, activities, deliverables, and measures are aligned and congruent (Spector, 1997). Spector (1997) Once people know the goals, they should know what is expected of them and the direction the organization is heading, they will require tools that help them perform the job. Mathura (2007) asserts that performance contracting is both a philosophy and a tool for coordinating employees towards achievement of results. Performance Contracting is widely known as a compelling strategy, which several companies are adopting nowadays. From small to large-scale establishments, they have been using it to continually maintain their stable status in today's overly competitive market. Its emerging power as a business tool is undoubted. Since its inception, service contracting has spread to companies of all industries both private and public as an alternative to simply using internal resources (Kotler, 2003).

Employee Satisfaction

Vroom (1964) defined employee satisfaction as affective orientations on the part of individuals toward work roles which they are presently occupying. Employee satisfaction is a worker's sense of achievement and success on the job. It is generally perceived to be directly linked to productivity as well as to personal well-being. Employee satisfaction implies doing a job one enjoys, doing it well and being rewarded for one's efforts. Employee satisfaction further implies enthusiasm and happiness with one's work (Vroom, 1964). Spector (1997) performance based contracts contributes to satisfaction when followed with the right human value by the firm and conducive work environment. It is the key ingredient that leads to recognition, income, promotion, and the achievement of other goals that lead to a feeling of fulfilment (Kaliski, 2007).

Spector (1997) identified features of employee satisfaction. According to Spector (1997) organizations should be guided by human values. Such organizations will be oriented towards treating workers fairly and with respect. In such cases, the assessment of employee satisfaction may serve as a good indicator of employee effectiveness. High levels of employee satisfaction may be sign of a good emotional and mental state of employees. Second, the behaviour of workers depending on their level of employee satisfaction will affect the functioning and activities of the organization's business. From this, it can be concluded that employee satisfaction will result in positive behaviour and vice versa, dissatisfaction from the work will result in negative behaviour of employees. Third, employee satisfaction may serve as indicators of organizational activities. Through employee satisfaction evaluation, different levels of satisfaction in different organizational units can be realized (Spector, 1997).

Perception

Armstrong (2006) defines perception as a way individuals select, organize and interpret information inputs to create a meaningful picture of the world. He further observes that motivation is also perceptual. In addition, Armstrong (2006) further says that it is the process of receiving, organizing and assigning meaning to information or stimuli detected by our five senses. In other words, it is an approximation of reality because what we perceive is the meaning. Greer & Gray (1999) defines perception as personal constructs channels that employees conceptualize and anticipate events. According to Johnson & Scholes (2002) 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. Therefore, Johnson & Scholes (2002) further stated that to the organization, employee expectations are much more important than their knowledge of objective reality. It is not what actually 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.

Senge (1999) adds that people respond to situations based on their perception about reality rather than the reality itself. Perceptions may also differ from organization to organizations. Senge (1999) some organizations perceive that aggressive and dominating culture and the maintenance of conformity of all employees to certain beliefs and values is essential for their success. But some organizations perceive that cooperation, team culture and preservation of individual's identities are crucial for their success". According to Kobia (2006), organization is considered as a structural process in which individuals bound together in a formal relationship and interacts with each other to accomplish certain common objectives. The success of any organization depends highly on the efficiency, role performance and job satisfaction of its employees (Kobia, 2006). A study by Kobia (2006) revealed that factors like affiliation, recognition, behavior of superior and self-perception of job responsibility had positive and significant relationship with the job performance. The overall level of job performance was moderate. Kobia (2006) extends that the personal traits of employees of educational institutes like age, education, monthly income, experience, and weekly hours, opportunity for advancement and rewards and punishment had positive but non-significant relationship with employee satisfaction.

Perceived Influence of Performance Contracting on Employee Satisfaction

Scholes (2002) performance contracting is seen as a major catalyst of improving efficiency and effectiveness in organizations. Organizations are required to set targets and achieve them in a given period of time. In a competitive world today, organizations are challenged and required to improve quality of service, productivity, profitability, service delivery and customer satisfaction. According to Ominde (2014) incentives being set aside to award employees for meeting performance contracting targets should be adequate to motivate employees to perform, sanctions for not meeting the performance contracting targets should be made known in order to avoid fear of performance contracting as a practices of enhancing performance. In his study Ominde (2014) finalized that in order to improve performance there is need for employee involvement across the board. Armstrong (2000) asserts that performance contracting is based on the principle of management by agreement or contract rather than management by command. Further, Armstrong (2000) defines performance contracting as a strategic and integrated approach to delivering sustained success in organizations by improving the performance of people who work in them and developing capabilities of teams and contributors. Performance contract is legally binding contractual obligations that tie an organization or individual in undertaking specified tasks at predetermined levels of performance within a given period of time (Ominde, 2014).

Wildavsky and Dake (2001) the perception of an individual, when he or she looks at a target and attempts to interpret what he or she sees is heavily influenced by personal characteristics of the individual perceiver. Personal characteristics that affect perception include a person's attitudes, personality, motives, interests, past experiences and expectations. People in organizations are always judging each other; managers must appraise their employees' performances and evaluate how much effort they are putting into their jobs" (Wildavsky and Dake, 2001). A New person who joins a work team is immediately sized up by other members. In many cases, these judgments have important consequences for the organizations and one such specific application is the performance evaluation. An employee's performance appraisal is very much dependent on the perceptual process. His/her future is closely tied to appraisal, rewards such as promotions, pay raises and continuation of employment is among the very most obvious outcomes. The performance appraisal presents an assessment of the employer's work" (Wildavsky and Dake, 2001). The manager can successfully plan, organize the work of employees, help them to structure their work more efficiently, and effectively. However, all these efforts might not succeed due to the perception of employees towards those efforts. The issues such as fair pay for work performed, the validity of performance appraisals and the adequacy of the working conditions are not judged by employees in a way that ensures common perceptions, nor can there be assurance that individuals will interpret conditions about their jobs in a favorable light (Ulleberg and Rundmo, 2003).

V. METHODOLOGY

This study adopted descriptive survey design. The main advantage of this type of design is that it enables the researcher to assess the situation within the study area at the time of the study (Kothari, 2011). According to Kothari (2011), a descriptive study is concerned with finding out who, what, where and how a phenomenon which is the concern of this study. It is because of this that the study adopted this design as it

allowed investigation on perceived influence of performance contracting on employee satisfactions at Kenya Power Kisumu. A population or universe for a study is any group of individuals or institutions which have one or more characteristics in common that are of interest to the researcher (Kothari, 2011). The study targeted the entire 135 management (Senior and standard terms) employees of Kenya Power – Kisumu, drawn from all the departments. The entire population was used as the sample size thus a census survey.

The study used descriptive statistics to analyze data. Kothari (2011) descriptive statistics is used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. The analysis process begun with the cleaning of the data collected through the questionnaires where possible corrections and adjustments were done. Researcher observed trends in the data whereby this assisted the researcher in undertaking further statistical procedures to make conclusions. Descriptive statistics is the discipline of quantitatively describing the main features of a collection of information, or the quantitative description itself (Kothari, 2011). The data was presented in charts, graphs and tables and complemented by the researchers own interpretation.

VI. FINDINGS AND DISCUSSION

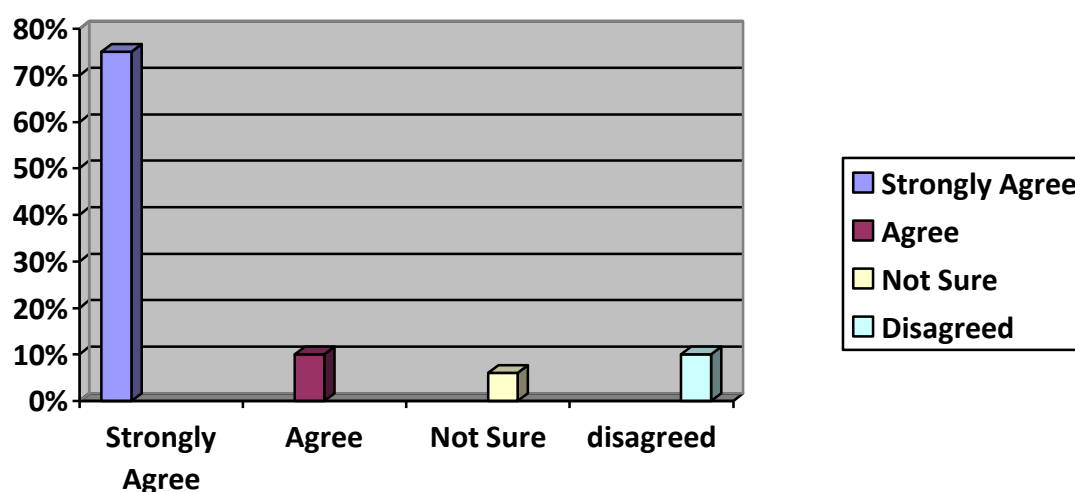
Performance Contracting

The study sought to investigate if the company had a performance contracting policy. From the findings, the entire respondents were on performance contract. This was based on the 122(100%) of the respondents and the target group.

Performance Contracting affects Employee Performance

The study sought to investigate if performance contracting did affect the employee. From the findings, 92 (75%) strongly agreed, 12 (10%) agreed, 6 (5%) were not sure while 12 (10%) disagreed. See Figure 2 below.

Figure 2: Performance Contracting affects Employee Performance



Source: (Research data, 2016)

From the findings, it was evident that performance contracting did affect organizational performance. This was based on the 92 (75%) of the respondents who strongly agreed and 12 (10%) of the respondents who agreed. The respondents argued that performance contract was a management instrument used to attain certain company targets through defined and clear objectives posed on individual employees.

According to Samuel (2013) performance contracting contributes to improved organizational performance since it helps promote accountability, work planning and teamwork which are key organizational performance indicators.

Relationship between Performance Contracting and Employee Satisfaction

This research investigated the possibility of link between performance contracting and employee satisfaction. From the findings, 87(71%) strongly agreed, 14(11%) agreed, 9(8%) were not sure while 12(10%) disagreed. These are as presented in table 4 below.

Table 4: Relationship between Performance Contracting and Employee Satisfaction

Category	Number of respondents	Percentage of respondents
Strongly Agree	87	71%
Agree	14	11%
Not sure	9	8%
Disagree	12	10%
Total	122	100%

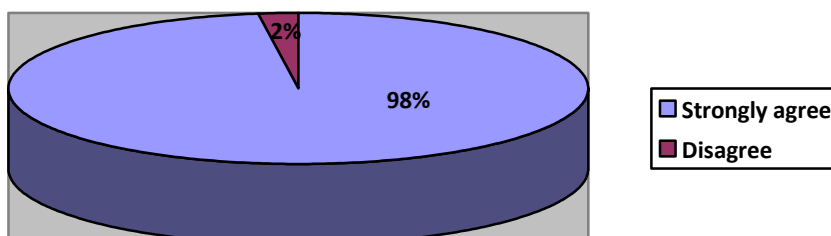
Source: (Research data, 2016)

It was evident that performance contracting did have a relationship with employee satisfaction. This was based on the majority of the respondents 87 (71%) who strongly agreed while 14 (11 %) agreed. The respondents argued that performance contracting ensured that performance expectations and goals for individuals are channelled toward achieving organizational objectives and that getting employees on performance contracting better understand and tackle their roles and responsibilities. Ominde (2014) agrees that Performance contracting is seen as “a major catalyst of improving efficiency and effectiveness, employee satisfaction in organizations. Organizations are required to set targets and achieve them in a given period of time”.

Different Employees have different Perception with regard to Performance Contracting

The study father sought to establish if different employees had similar opinion or different opinions with regards to performance contracting. From the findings, 120 (98%) of the employees strongly agreed while only 2(2%) of the employees disagreed. These are as presented in figure 3 below.

Figure 3: Different employees have different perception with regard to performance contracting



Source: (Research data, 2016)

It was evident that different employees had different perception with regard to performance contracting. This was based on the majority of the employees 120 (98%) of the employees who strongly agreed while only 2 (2%) disagreed. The respondents argued that individuals perceive different things on an individual and unique capacity and they act on the same differently. According to Johnson & Scholes (2002) “for each individual, perception is totally a personal phenomenon based on that person’s needs, wants, values and personal experiences”.

Performance Contracting has led to Positive Change in Attitude

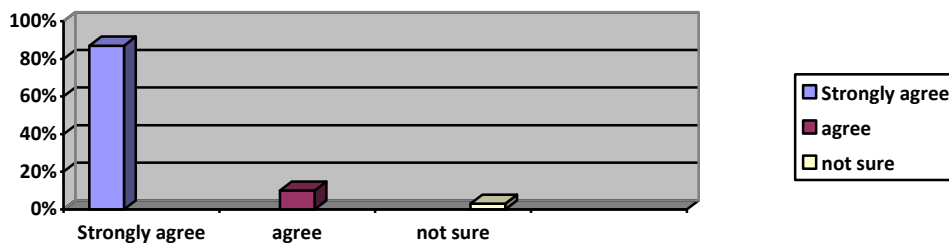
The study sought to investigate if performance contracting had led change in attitude. From the findings, 90 (74%) strongly agreed, 24 (20%) agreed while 8 (6%) were not sure. It was evident that performance contracting did lead to positive change in attitude. This was based on the majority of the respondents 90 (74%) who strongly agreed. The respondents’ argued that performance contract was the only way employees remained committed to the responsibilities. They said that performance contract to a large extent ensured that employees

approached their daily roles with positive mind set and attitude as they were always determined. Samuel (2014) performance contract helps in improvement in performance due to positive work attitude, accountability, work planning, teamwork and motivation as a result of the performance contracting process.

Performance Contracting Process on improved Accountability

The study sought to establish if performance contracting did lead to enhanced accountability. The findings showed that 87% strongly agreed, 10% agreed, 3% were not sure. See figure 4 below.

Figure 4: Performance Contracting Process on improved Accountability



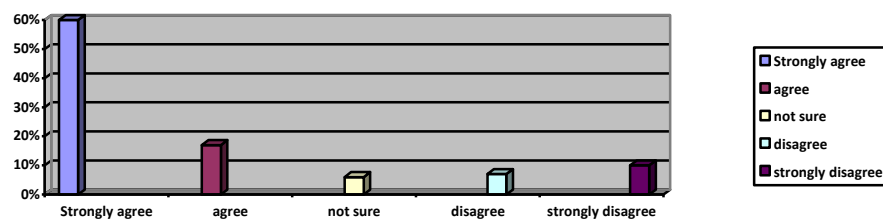
Source: (Research data, 2016)

The study revealed that indeed performance contracting lead to accountability and utilization of resources. This was based on the majority of the respondents 106 (87%) who strongly agreed, 12 (10%) agreed and only 4(3%) were not sure. The respondents argued that contracted employees were always eager to deliver in their respective areas of operation with an aim of automatic renewal of their respective contracts. They argued that at the end of the day, they always remained accountable and responsible for their actions. Samuel (2014) opines that performance contract helps in improvement in performance due to positive work attitude, accountability, work planning, teamwork and motivation as a result of the performance contracting process.

Performance Contracting Process has led to Improved Employee Planning

The studies investigate if performance contracting did lead to improve employee planning. From the findings, 60 % strongly agreed, 17 % agreed, 6% were not sure, 7% disagreed while 10% strongly disagreed. See figure 5 below

Figure 5: Performance Contracting Process on Improved Employee Planning



Source: (Research data, 2016)

The study revealed that performance contracting did contribute to improved employee planning. This was based on the majority of the respondents, 60 % who strongly agreed and 17 % who agreed. The respondents argued that performance contracting enabled employees to be more organized in such a way that they could easily plan for their set targets. Kobia & Mohamed (2006) “performance contract makes employees plan accordingly since the plan will also set out how the staff member's performance will be measured or evaluated against set objectives”.

Performance Contracting improves Communication

The study sought to investigate if performance contracting did lead to improved employee communication. From the findings, 45% of the employees strongly agreed, 30% agreed, 8% were not sure, 10% disagreed while 7% strongly disagreed. See table 5 below.

Table 5: Performance Contracting Improves Communication

Category	Number of respondents	Percentage of respondents
Strongly Agree	55	45%
Agree	36	30%
Not sure	10	8%
Disagree	12	10%
Strongly disagree	9	7%
Total	122	100%

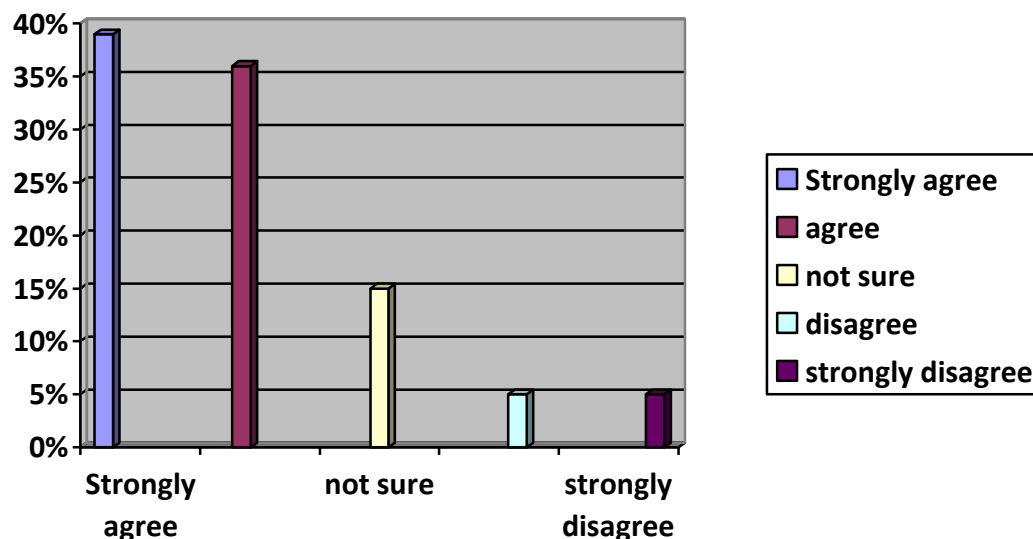
Source: (Research data, 2016)

From the findings, the study revealed that performance contracting did play a role on employee communication. This was based on the majority of the respondents 45% of the employees who strongly agreed and the 30% who agreed. The respondents argued that communication was key to any employee performance and since performance contracting was being seen as a performance improvement tool, it was obvious that this could only be achieved through various factors including communication.

Performance Contracting Process has led to Improved Team Work

The study further sought to investigate if performance contracting had led to the improved team work. From the findings, 39% strongly agreed, 36% agreed, 15% were not sure, 5% disagreed while 5% strongly disagreed. See figure 6 below.

Figure 6: Performance Contracting Process has led to Improved Team Work



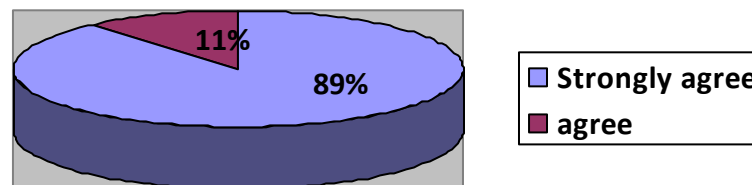
Source: (Research data, 2016)

From the findings, it was evident that performance contracting did contribute to the improved team work. This was based on the majority of the respondents 39% who strongly agreed and 36% who agreed. The respondents argued that performance contracting was widely adopted as a strategy to bring employees together and achieve a common course which aimed achieving firm's objective. Mathura (2007) asserts that "performance contracting is both a philosophy and a tool for coordinating employees towards achievement of results".

Employees are Motivated as a result of Performance Contracting

The study sought to investigate if performance contracting contributed to employee motivation. From the findings, 89% of the employees strongly agreed while 11% of the employees were not sure. See figure 7 below.

Figure 7: Employees are Motivated as a result of Performance Contracting



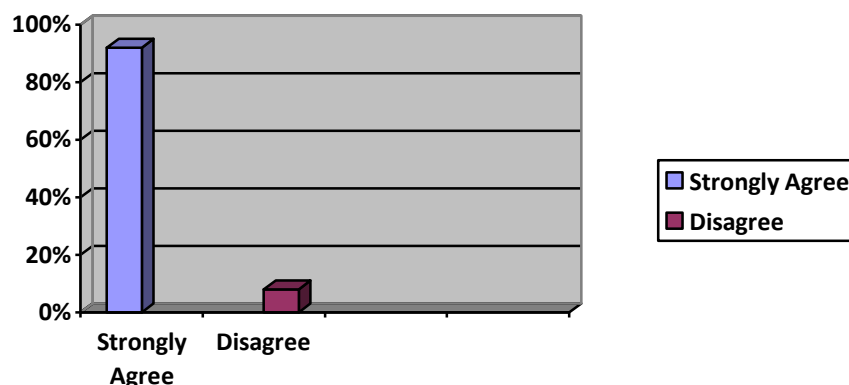
Source: (Research data, 2016)

It was evident that performance contracting led to the employee motivation. This was based on the majority of the respondents 89% of the employees who strongly agreed. The respondents argued that performance contracting ensured that employees remained committed. The respondents argued that performance contracting motivated employees to remain committed and become more result oriented. According to Specter (1997) “employees’ focus is about making sure goals, objectives, activities, deliverables, and measures are aligned and congruent”.

Performance Contracting Process has led to a Positive Work Culture

The study sought to investigate if performance contracting contributed to positive work culture. From the findings, 92% of the respondents strongly agreed while 8% disagreed. See figure 8 below.

Figure 8: Performance Contracting Process has led to Positive Work Culture



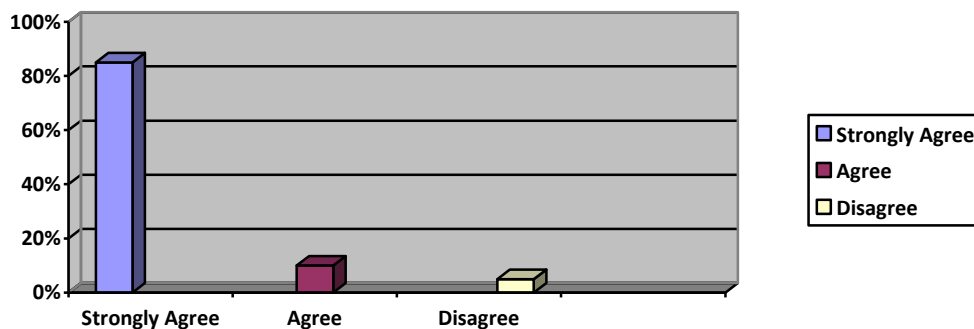
Source: (Research data, 2016)

It was evident that performance contracting process has led to positive work culture. This was based on the 92% of the respondents who strongly agreed. The respondents argued that performance contracting offers employees a chance to develop work oriented minds and attitude. They argued that by promoting positive work culture, there was accountability, motivation and result oriented performance. Samuel (2014) “performance contracting is considered as essential tool for enhancing good governance and accountability for the results”.

Performance Contracting is a Tool for ensuring Employee Commitment

The study established if performance contracting did contribute to the employee commitment. From the findings, 85% of the employees strongly agreed 10% agreed while 5% of the employees disagreed. See figure 9 below.

Figure 9: Performance Contracting is a Tool for Ensuring Employee Commitment



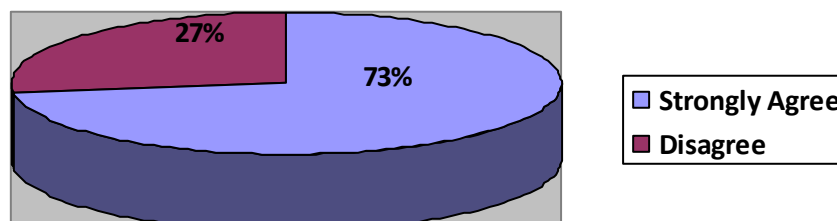
Source: (Research data, 2016)

It was evident that performance contracting did contribute to the employee commitment. This was based on the 85% of the respondents who strongly agreed and 10% of the respondents who agreed. The respondents argued that with performance contracting, employees remained focused and committed with a view to attaining sure goals, objectives, activities and organization's deliverables. Besides, they argued that through performance contracting, employees were more aware of their roles and objectives to the firm. Mathaura (2007) "performance contracting is widely known as a compelling strategy which several companies are adopt to attain commitment desired results".

Performance Contracting Reduces Employee Turnover

The study investigated if performance contracting ensured reduced employee turnover. From the findings, 73% of the employees strongly agreed while 27% of the respondents disagreed. See figure 10 below.

Figure 10: Performance Contracting Reduces Employee Turnover



Source: (Research data, 2016)

The study revealed that performance contracting did reduce the turnover of employees. This was based on the 73% of the respondents who strongly agreed. The respondents argued that performance contracts were short time affair, with targets which rarely saw employees leave before the set target. They argued that with the set targets, employees were always self-driven and motivated. They further argued that performance contracts had better term which also offered batter grounds for employees to stay longer till completion of the assigned targets.

Performance Contracting Promotes Work Efficiency

The study further investigated if performance contracting promoted work efficiency. From the findings, 88% of the respondents strongly agreed, 9% agreed while 3% were not sure. See table 6 below.

Table 6: Performance Contracting Promotes Work Efficiency

Category	Number of respondents	Percentage of respondents
Strongly Agree	107	88%
Agree	11	9%
Not sure	4	3%
Total	122	100%

Source: (Research data, 2016)

It was evident that performance contracting did promote efficiency. This was based on the 88% of the respondents who strongly agreed and 9% of the respondents who agreed. The respondents argued that performance contracting ensured utilization of resources, result based performance and attaining desired goals which lead to the work efficiency. According to Muthaura (2007) “with performance contracting, employees’ focus is about utilizing resources efficiently, making sure goals, objectives, activities, deliverables, and measures are aligned and congruent”.

VII. CONCLUSION AND RECOMMENDATIONS

Conclusion

This research concluded that performance contracting is a critical management tool in the modern organizational set up since it helps create commitment and define responsibilities among employees. Above findings confirm the findings by Mathaura (2007) where he found that “performance contracting is both a philosophy and a tool for coordinating employees towards achievement of results”. Besides, there existed relationship between performance contracting and employees satisfaction, as it ensured that individuals are channelled toward achieving organizational objectives and that getting employees on performance contracting process helped them understand the goals of the organization. This worked as a job satisfaction indicator to the employees. The above conclusion contradicts a study by Spector (1997) where he argued that performance based contracts only contributes to satisfaction when followed with the right human value by the firm and conducive work environment.

Performance contracting equally promoted positive work culture as employees approached their daily roles with positive mind set and attitude as they were always determined to attain the desired targets. It was equally clear that performance contracting lead to motivation, positive work culture, work efficiency since performance contracting lead to motivated employees, ensured efficient utilization of resources, ensured employee remain focused on objectives and targets. Kobia (2006) asserts that “there is a direct linkage between performance contracting and employee awareness, participation, individual targets, reward systems and training”. His study does not focus on the link between performance contracting and positive work culture, motivation, communication and efficiency.

Recommendation for Policy and Practice

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 favourable to their personal interests and objects. Firms must therefore, treat and put into practice the perception of employees as long as the perception leads to positive outcome that would benefit organization. KPLC management must involve its staff in the critical aspects of performance contracting process to win their ownership, loyalty and commitment for successful implementation of the process.

The management of KPLC should also train and sensitize their employees on critical aspects of performance contracting. KPLC - Kisumu leadership should also put in place an Integrated performance management system and reward based 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 policies so as to eliminate possible resistance to change.

Area for Further Study

The research suggests a further research on the perceived influence of performance contracting on employee satisfaction not only at Kenya Power Company - Kisumu Branch but also in the private firms.

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***Corresponding Author:** Beatrice Akinyi Obuong',
Human Resources Practitioner, Kenya