

## Effect of government policy on performance planning for implementation of performance contracting in the government ministries in Kenya

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### Abstract

The study sought to analyse the effects of government policy on performance planning for the implementation of performance contracting in government ministries in Kenya. A mixed-method type of design was adopted. Stratified sampling was used to sample four government ministries. In sampling staff to be interviewed, top and middle-level management totalling 831 were identified. Thirty per cent of the 831 (249 staff members) were considered to be representative enough for the study. The study adopted descriptive and inferential statistics. The study used ANOVA, regression analysis, and correlation to analyse the relationship between variables. The study finding observed that there was a strong correlation coefficient of 0.866 at p-value of 0.035 between government policy and performance planning, which implied that employees' performance planning is significant in the implementation of performance contracting; a unit standard deviation increase in effective training and development was likely to increase the standard deviation of performance monitoring by 0.096 on implementation of performance contracting; a unit standard deviation increase in top management commitment was likely to increase the standard deviation of performance reporting on performance implementation by 0.337. The study concludes that government policies have an effect on performance contracting in government ministries in Kenya. Further, the conclusion was that government policy has minimally addressed issues of training and development. Therefore, it is recommended that transfer of training be included in the next reviews of the government policy and specifically addressed in the workplace that often affect the impact of training and development.

**Key terms:** Contracts, employees, government, planning, government policy.

## INTRODUCTION

Government policy describes a course of action, creating a starting point for change. Government policy plays a vital role in the public sector through result-based management and performance contracting frameworks for delivering quality services to the public (Poole, 2019). According to Janićijević et al. (2015), government policies have positive and negative effects towards result-based management and, therefore, the performance contracting process. Monetary and fiscal policies are employed in government policies to change the policies. Changes in government policies have an adverse effect on performance contracting due to foreign direct investment (FDI). FDI influences management in such a way that it provides an implicit catastrophe to the public sector's finances. Several government valuation challenges have employed performance contracting and result-based management to claim the derivative approach of monitoring and reporting (Heckscher, 2018).

Government policies are always incorporated with social-cultural factors in coagulating performance contracting practices like changing plans respecting ethnic knowledge systems, use of influential leaders, incorporating community policing and anticipating innovation outcomes through ensuring that employees in the government ministries have adequate and necessary and outstanding skills and qualities that promote performance contracting. Nevertheless, government policies have shifted from focusing on activities and input and increased most of its reliability on outcomes and output with much reliance on quantification. These shifts result-based management to focus on strategic planning, monitoring and reporting, performance measurement as well as improving decision-making policies, causing government ministries to experience difficulties in changing various policies that influence the scope and nature of the public sector (Mehmood et al., 2017).

In the Kenyan context, the factor underlying the introduction of performance contracting as a government policy was the understanding that sustained focus on cost reduction and incremental productivity, along with customer orientation and clarification of objectives at the corporate level, can lead to service delivery improvement. Government

policies review some of the push factors behind the rapid uptake of performance management in developing countries. It further highlights reforms in public service from a historical perspective and discusses the genesis of performance contracting in Kenya as a government policy (Farnham & Horton, 2018).

## LITERATURE REVIEW

### Performance Planning and Performance Contracting

A performance contract is a tool of strategic management that measures negotiated performance targets. It looks into the negotiation of performance agreements between the government acting as a state agent and the corporation's management (GoK, 2007). On the basis of this correlation, the strategic plans developed by the various corporations provide the impetus for the formulation of performance contracts. The performance targets, indicators, obligations, and measurements are all drawn from the strategic plans, implying that there should be a very close link between the two (Schwella, 1998).

In planning, stakeholder mapping and involvement are critical for the organisation to achieve its objectives. It is important to identify the needs of the stakeholders and design appropriate strategies that will address these needs in the performance contracting process, as their involvement in the formulation of the strategies in the strategic plans will provide invaluable support during the implementation of the activities (Vineeth, 2017). In addition, the performance contract formulation process should be consultative so as to enhance ownership and enable the implementing agency to set realistic targets (Davies & Chan, 2001).

According to Kobia and Mohammed (2006), the performance contracting of the early 1990s failed to achieve their intended objectives because of the widespread use of consultants in the formulation of contract plans, including the determination of mechanisms for their monitoring and evaluation, as public enterprises management had not developed the necessary sense of ownership and commitment to the success of the enterprise contracts (El-Ghalayini, 2017). Getting employees involved in the planning process helps them to understand the organisational goals as well as what needs to be done, why it needs to be done, and how well it should be done. It also

involves a highly structured phase of evaluating results with rigorous technical exercise on the one hand and a morale-boosting exercise for workers on the other hand serve (Trivedi, 2000). The exercise needs to address the individual and the organisational levels simultaneously so that it is evident that the organisation's performance is strongly linked with the performance of the people involved (Makawiti, 2011). The involvement of members of staff in drawing up contracts in a negotiated manner is important. This will ensure that performance goals are not perceived to be imposed by management on the staff to encourage staff ownership of the performance contracting process. Makawiti (2011) further observed that all the stakeholders should be involved in the various stages of the process during the planning stage. This includes consultation in the design stage, representation of the private sector during workshops and formulation of contracts.

## Government Policies

In the course of the 1980s, management of the public sector was the primary focus of reforms in most African countries under the auspices of structural adjustment programs (SAPS). Most governments were, however, both scorched and strained by the efforts to reform the public sector that was primarily spearheaded by the World Bank owing to the insistence by the body on the need to operate akin to private sector entities and deregulate enterprises that were publicly owned (World Bank Group, 2015). The change in approach to the management of the public sector was informed by the necessity to limit the cost and scope of government, reduce deficit spending, lower inflation, and maintain stability at the macroeconomic level. New public management (NPM) models were consequently introduced in just about all institutions of the public sector across the continent as part and parcel of reform programs as a reaction to these challenges.

Government policies, as an organisational factor, play a vital role in the public sector through result-based management and performance contracting framework of delivering quality services to the public. Prior to the significance, the primary function of the government was allocating revenues and undertaking the economic risk to all projects and services undertaken by the state departments and the government

ministries (Poole, 2019). Furthermore, parameters like infrastructure investment on mega projects, which have a significant impact on the public, such as healthcare, education, energy, agriculture, and trade, are mainly government obligations.

According to Janićijević et al. (2015), government policies have positive and negative effects towards result-based management and, therefore, the performance contracting process. Monetary and fiscal policies are employed in the government policies to change the policies. Changes in government policies have an adverse effect on performance contracting due to foreign direct investment (FDI). FDI influences management in such a way that it provides an implicit catastrophe to the public sector's finances. Several government valuation challenges have employed performance contracting and result-based management to claim the derivative approach of monitoring and reporting (Heckscher, 2018).

Rasappan (2018) argued that the government supports most of the policies that aim at attaining performance among the workforce in the public sector by creating comprehensive reforms required in employee management in the government ministries in a driven direction that attracts, retains, develops and utilises competent workforce. Regarding setting policies and priorities, the government considers external pressures that have conceptualised performance contracting that is oriented at formulating policies, monitoring and implementing programs, mobilising resources needed to implement plans, transforming policies into programs as well as strengthening government ministries and other infrastructure. Government policies are always incorporated with social and cultural factors in coagulating result-based management practices like changing plans respecting ethnic knowledge systems, use of influential leaders, incorporating community policing and anticipating innovation outcomes through ensuring that employees in the government ministries have adequate and necessary and outstanding skills and qualities that promote performance contracting.

Nevertheless, government policies have shifted from focusing on activities and input and increased most of its reliability on outcomes and output with much reliance on quantification. These shifts result-based

management to focus on strategic planning, monitoring and reporting, performance measurement as well as improving decision-making policies, causing government ministries to experience difficulties in changing various policies that influence the scope and nature of the public sector (Mehmood et al., 2017). This weakens public accountability, causing ministries to lack a compensation and career management system that rewards employees. Generally, based on the negative perspective of government policies, it is believed that government ministries consider politics and conflict balancing as core elements of national interest.

In seeking to improve performance in the public sector, public institutions have resorted to the adoption of practices commonly applied in the private sector under the auspices of new public management (Minogue & Martin, 2016). The NPM and associated models have, as a consequence, emerged as the remedy for falling standards of service delivery in many developing countries as emergent from initiatives applied towards reforming the public service. In an effort to attain similar ends, the Government of Kenya introduced performance contracting to attain two crucial goals. The first goal was the improvement of service delivery, while the second goal was to refocus the target of the public service on a business culture that prioritises the delivery of results and customer satisfaction as opposed to looking inwards. In the Kenyan context, the factor underlying the introduction of performance contracting as a government policy was the understanding that sustained focus on cost reduction and incremental productivity, along with customer orientation and clarification of objectives at the corporate level, can lead to service delivery improvement (Farnham & Horton, 2018).

Some of the key government policies that focus enhancing performance contracting to achieve result-based management in the government ministries include the following; *recruitment policies in the government ministries*. Recruitment, as an onset of the talent management process, is critical in the decision-making process during the establishment of a working relationship (McKenna & Beech, 2014).

Government policies, as an organisational factor, play

a vital role in the public sector through result-based management and performance contracting framework of delivering quality services to the public. Prior to the significance, the primary function of the government is allocating revenues and undertaking the economic risk to all projects and services undertaken by the state departments and the government ministries. Furthermore, parameters like infrastructure investment on mega projects, which have a significant impact on the public, such as healthcare, education, energy, agriculture, and trade, are mainly government obligations (Budhwar & Boyne, 2014).

According to Janićijević et al. (2015), government policies have positive and negative effects towards result-based management and, therefore, the performance contracting process. Monetary and fiscal policies are employed in the government policies to change the policies. Changes in government policies have an adverse effect on performance contracting due to foreign direct investment (FDI). FDI influences management in such a way that it provides an implicit catastrophe to the public sector's finances. Several government valuation challenges have employed performance contracting and result-based management to claim the derivative approach of monitoring and reporting (Heckscher, 2018).

Government policies address major significant challenges encountered during capacity building and training processes. These policies are always aimed at top management as a way of dealing with wage labourers and personnel in key areas like employee relations, works related to education and work that includes apprenticeship, master proofs, content training, as well as reward and social security as a way of improving performance contracting and result-based management. Rasappan (2018) argues that the government supports most of the policies that aim at attaining performance among the workforce in the public sector by creating comprehensive reforms required in employee management in the government ministries in a driven direction that attracts, retains, develops and utilises competent workforce. Regarding setting policies and priorities, the government considers external pressures that have conceptualised performance contracting that is oriented at formulating policies, monitoring and implementing programs, mobilising resources needed to implement

plans, transforming policies into programs as well as strengthening government ministries and other infrastructure. Government policies are always incorporated with social-cultural factors in coagulating performance contracting practices like changing plans respecting ethnic knowledge systems, use of influential leaders, incorporating community policing and anticipating innovation outcomes through ensuring that employees in the government ministries have adequate and necessary and outstanding skills and qualities that promote performance contracting. Nevertheless, government policies have shifted from focusing on activities and input and increased most of its reliability on outcomes and output with much reliance on quantification. These shifts result-based management to focus on strategic planning,

monitoring and reporting, performance measurement as well as improving decision-making policies, causing government ministries to experience difficulties in changing various policies that influence the scope and nature of the public sector (Mehmood et al., 2017). This weakens public accountability, causing ministries to lack a compensation and career management system that rewards employees. Generally, based on the negative perspective of government policies, it is believed that government ministries consider politics and conflict balancing as core elements of national interest.

## RESULTS AND FINDINGS

### Descriptive Statistics of Government Policies

**Table 1: Descriptive Analysis of the Variable Government Policies**

Statement	Strongly Disagree%	Disagree%	Neutral%	Agree%	Strongly Agreed%
The ministry uses the government policy guidelines on performance planning for effective implementation of performance contracting	10	24	30	22	14
The ministry sensitises its staff on the benefits of adhering to the government policy guidelines	5	41	10	27	17
The staff in the ministry adheres to the policy guidelines while carrying out performance planning activities	5	43	19	14	19
The ministry has in place a policy implementation plan	54	24	3	7	12
There is effective policy planning in the ministry.	4	25	28	26	17

#### 1. The ministry uses the government policy guidelines on performance planning for effective implementation of performance contracting

Government policies were measured using a five-point Likert scale that ranges from 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. All the results are depicted in Table 1 above. The intent of this statement was to determine the effect of government policy on performance planning for the implementation of performance contracting in government ministries. Findings presented in Table 1

indicate that ten per cent (10%) of the respondents strongly disagreed that the ministry uses the government policy guidelines on performance planning for effective implementation of performance contracting, twenty-four per cent (24%) Disagreed, thirty per cent (30%) were neutral, and only twenty-two per cent (22%) agreed with the statement while fourteen per cent (14%) Strongly agreed. The implication of the majority 30% of the respondents providing neutral responses may mean that either the respondents were not interested in the survey at

all and were simply looking to answer questions as quickly as possible or that the respondents could be fearing that by providing accurate information might be damaging to the image of their ministries. It, therefore, suggests that the government needs to establish why the majority of its employees fail to provide a definite to such a question and address issues that may hinder the use of government policy guidelines on performance planning for effective implementation of performance contracting.

Government policies, as an organisational factor, play a vital role in the public sector through result-based management and performance contracting framework of delivering quality services to the public. Prior to the significance, the primary function of the government was allocating revenues and undertaking the economic risk to all projects and services undertaken by the state departments and the government ministries (Poole, 2019). Furthermore, parameters like infrastructure investment on mega projects, which have a significant impact on the public, such as healthcare, education, energy, agriculture, and trade, are mainly government obligations.

According to Janićijević et al. (2015), government policies have negative and positive effects towards result-based management and, therefore, the performance contracting process. Monetary and fiscal policies are employed in the government policies to change the policies. Changes in government policies have an adverse effect on performance contracting due to foreign direct investment (FDI). FDI influences management in such a way that it provides an implicit catastrophe to the public sector's finances. Several government valuation challenges have employed performance contracting and result-based management to claim the derivative approach of monitoring and reporting (Heckscher, 2018). Government regulations and influence in human resource practices in the public sector can be distinguished based on economic and social motives and public interest, which ensures that there are strategic measures in place that enhance resource availability to strengthen a result-based development (Poole, 2019). Government policies address major significant challenges encountered during capacity building and training processes. These policies are always aimed at top management as a way of dealing

with wage labourers and personnel in key areas like employee relations, works related to education and work that includes apprenticeship, master proofs, content training, as well as reward and social security as a way of improving performance contracting and result-based management.

## **2. The Ministry Sensitises its Staff on the Benefits of Adhering to the Government Policy Guidelines**

Sensitisation is one of the most important practices when it comes to adherence to government policy guidelines on departmental or ministry-level empowerment of employees through the organisation of these forums by authorities. Findings in the table above indicate that five per cent (5%) strongly disagreed that the ministry sensitises its staff on the benefits of adhering to the government policy guidelines, forty-one per cent (41%) of the respondents disagreed, ten per cent (10%) of the respondents provided neutral results, twenty-seven per cent (27%) of the respondents agreed while seventeen (17%) of the respondents strongly agreed on sensitisation process.

## **3. The Staff in the Ministry Adheres to the Policy Guidelines while Carrying Out Performance Planning Activities**

This item investigated whether staff in the ministry adhered to guidelines and policies while performing planned activities. Findings presented in Table 1 indicate that five per cent (5%) of the respondents strongly disagreed, forty-three (43%) of the respondents disagreed, nineteen per cent of the respondents provided neutral feedback, fourteen per cent (14%) of the respondents agreed while nineteen per cent (14%) of the respondent agreed with adherence policy when performing ministry planned activities. Possible factors that might have contributed to such low adherence may include political, cultural, technological, and environmental or just failure to provide prompt feedback, among other factors, and this may adversely affect performance planning in the government ministries in Kenya. Some of the best practices that have been adopted by some organisations or countries include the provision of prompt feedback, the use of appropriate technology, consistent monitoring of progress, the provision of training, and participation and involvement in decision-making processes, among others.

## 4. The Ministry Has in Place a Policy Implementation Plan

This section investigated whether the ministry had a policy implementation plan, which is regarded as a key model in the adoption of policy methods in an institution. The majority of the respondents, fifty-four per cent (54%), strongly disagreed, twenty-four per cent (24%) of the respondents disagreed, three per cent of the respondents gave neutral feedback on the policy implementation plan, seven per cent of the respondents agreed on the same, while twelve per cent (12%) of the respondents strongly agreed that ministries have in place policy implementation plans to guide them.

## 5. There is Effective Policy Planning in the Ministry

Effective policy planning is a key collaboration procedure in policy development in various institutions; in this context, the findings were four per cent (4%) of the respondents strongly disagreed that it is effective, twenty-five per cent (25%) of the respondents agreed, twenty-eight per cent of the respondents agreed, while only seventeen per cent (17%) of the respondents strongly agreed that there is effective policy planning in the ministries.

## Effects of Government Policy on Performance Planning

### Correlation Analysis

Correlation analysis was done to establish the

relationship between government policy and performance planning for the implementation of performance contracting in government ministries. Table 2 below presents the findings indicating that there is a strong Pearson correlation coefficient of 0.866 at a p-value of 0.035. This implies that the employees' performance planning is significant in the implementation of the performance contracting process since the p-value of 0.035 is less than the conventional p-value of 0.05.

A study by Shirley (1998) reveals that the logic of performance contracts is persuasive. This was achieved by conducting two empirical studies on analysing the effects of implementation contracts on profitability and productivity in hundreds of state enterprises in China, and the correlation between performance contracts, motivations, training and productivity was statistically examined. This study further found that there is no evidence that employee training assisted organisations in improving their efficiency or the performance contracting process. These findings imply that performance planning makes the implementation of the performance contracting process an easy and more achievable process. This could be due to the fact that trained employees perform better due to their understanding of the organisational processes.

**Table 2: Correlation Analysis of Government Policy and Performance Planning**

		Performance planning		Government policy	
Performance planning	Pearson Correlation	1	0.866		
	Sig. (2-tailed)		0.035		
	N	200	200		
Government policy	Pearson Correlation	0.866	1		
	Sig. (2-tailed)	0.035			
	N	1	200		

## Regression Results on Government Policy and Performance Planning

Regression is a statistical technique that describes a relationship between two variables in mathematical terms (Andre, 2004). Findings presented in Table 3 indicate an R-square value of 0.545, which implies that

performance planning explains 54.5 per cent of the implementation of the performance contracting process in Government Ministries. These findings could be interpreted to imply that performance planning plays a significant role in the implementation process.

**Table 3: Regression Results on Government Policy and Performance Planning**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.728 <sup>a</sup>	.545	.535	.42324	1.821

## ANOVA on Government Policy and Performance Planning

Table 4 presents the findings of the ANOVA test between government policy and performance planning in the implementation of performance contracting in the Government ministries. The findings indicated that government policy was significant,

although at a low F-value of 0.136 at a p-value of 0.024, which is just at the boulder of the conventional value of 0.05. In this case, the low F-value implies that the null hypothesis that government policy has no significant effect on performance planning for implementation of performance contracting is rejected.

**Table 4: ANOVA on Government Policy and Performance Planning**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	6.390	2	3.195	0.153	0.045
Residual	2071.191	189	20.921		
<b>Total</b>	<b>2077.581</b>	<b>191</b>			

## CONCLUSIONS AND RECOMMENDATIONS

**Conclusion:** The study concludes that government policies enhance performance contracting to achieve result-based management practices. The study also concludes from the findings that performance contracting indeed increases service delivery in the government ministries, as overwhelmingly attested to by the findings and greatly so, going by the respondents' high levels of agreement. It also goes that performance contracting indeed greatly influences institutions' standards and performance targets, an important proxy in determining organisations' effectiveness, as overwhelmingly attested to by the findings, going by the high levels of

agreement from respondents across the departments. **Recommendations:** This study makes the following recommendations based on its findings and conclusions: The study established that training and development have a significant influence on performance contracting and result-based management. Government policies have a minimal focus on issues of training and development in addressing the work environment. Therefore, it is recommended that transfer of training be included in the next review of the policy and that issues in the workplace that often affect the impact of training be specifically addressed.

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