
THE IMPORTANCE OF SETTING PERFORMANCE TARGETS ON SERVICE DELIVERY IN PERFORMANCE CONTRACTING AT THE MINISTRY OF TOURISM, KENYA

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ABSTRACT: *Performance targets are an important component of management control systems by serving as a standard against which performance is often evaluated in service at the end of a specified period. Thereby, targets largely determine bonuses, career prospects and promotion decisions to motivate service delivery efforts and retain employees. Given this prominent role of targets in business practice, it is important to understand how the public sector sets performance targets to contract with managers. This paper is an insight into the impact of setting performance targets in enhancing performance in service delivery of the public sector. The study employed a descriptive survey design to help obtain and describe information impact of performance targets on service delivery. The target population comprised 164 employees working at Ministry of Tourism headquarters at top, middle and lower levels of management. The human resource framework for the ministries in Kenya are identical thus the study results can be generalized to other ministries. The sample was drawn from each stratum using the simple random sampling technique. Questionnaires were the major source of data collection; a semi-structured questionnaire was most preferable. The author mainly used descriptive statistics that included percentages, mean and standard deviation to analyze data. The findings and recommendations will assist management in enhancing the use of performance targets so as to enhance performance. It sensitizes the employees on the relationship between good performance and good rewards through achievement of set targets.*

KEYWORDS: Control Systems, Performance Contracting, Performance Targets, Service Delivery, Public Sector.

INTRODUCTION

Performance Contracting

In Kenya, Government employees are rewarded based on how they meet the targets lined up in the performance contracts. Individual ministries, Government departments and public institutions may also be rewarded. The performance evaluation of the various departments and divisions in Ministry of Tourism may provide feedback to staff on the performance and contribution in service delivery in Ministry of Tourism.

Performance Contracting is a branch of management science referred to as Management Control Systems 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 (Cole, 2002). Performance contracting is one element of broader public sector reform aimed at improving efficiency and effectiveness, while reducing total costs

(Domberger, 1998). A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results.

One of the challenges in an organization is the idea of employees managing change in the form of performance appraisal, and understanding this resistance to change by the employees is crucial to the success of any organization (Cole, 2002). A performance contract is a tool expected to instill an attitude of accountability within the public sector and govern the relationship between government and the public enterprise management by helping to formalize the corporate plan and mutual obligation of the public enterprise and the government (Choke, 2006). It requires public enterprises to strictly adhere to well defined performance objectives and targets under performance, helping measure the performance of public enterprises against these targets in a transparent and systematic manner and providing appropriate monetary rewards and penalties to induce management to achieve the agreed goals, including adjustments in the financial support from the government (Armstrong, 2003).

Performance Contracts has been acclaimed as an effective and promising means of improving the performance of public institutions including the Ministry of Tourism. Over the last three periods of performance contracting, the public has raised dissatisfaction on the results as they do not relate to performance (service delivery) on the ground as perceived and received by the public. The dissatisfaction with the performance results was not only limited to members of the public. Ministries, Departments and Agencies have also challenged the announced results. Indeed, the public outcry over the results became so strong that the report for 2007 was never released (Kobia & Mohammed, 2006).

Systems Theory

This was proposed in the 1940's by Ludwig von Bertalanfy and furthered by Ross Ashby in 1956. Systems theory emphasizes that real contractual systems are open to, and interact with, their environments, and those they can acquire qualitatively new properties through emergence, resulting in continuing evolution (Mann, 2010). It aims to specify possible courses of reactions and actions, together with their risks, costs and benefits. First, a performance contract is divided into smaller components allowing more specialized concentration on each component. In this case, a manager evaluates from each component and later the entire system. This means that the manager of the public enterprise must pay attention even to the small components of the public enterprise since the contract will evaluate each component separately.

To avoid generating greater complexity with increasing specialization, it becomes necessary to group related disciplines or sub-disciplines. In this case, the manager is tasked to show leadership by grouping the components and being the leader of his team (fellow employees) in-line with achieving the set objectives. As the components and sub-components of the performance contract evaluation are grouped, it is necessary to coordinate the interactions among groups for efficiency. The manager has to ensure coordination by inculcating a sense of accountability. Dividing the performance contract into subsystems requires recognizing why the system as a whole is greater than the sum of its parts. Therefore to maintain good service delivery in public enterprises, managers must not only concentrate on good performance as an end in itself but rather create a conducive working environment through adoption of systems.

Systems approach, developed independently of systems theory, applies systems principles to aid managers of public enterprises with problems of identifying, reconstructing, optimizing, and controlling the public sector, while taking into account multiple objectives, constraints and resources (Cohen, 1995). Performance contracts acts as both an incentive and the means to integrate the performance disciplines, once they have come into practice.

Max Weber was a contemporary of Durkheim known for his work studying complex social. The work of Durkheim and Weber directly influenced Talcott Parsons (1951), who augmented their work by elaborating on the specific functions of social systems. Parsons was an American philosopher, economist, and sociologist interested in articulating a unified conceptual framework or “grand” theory for sociology. Parsons called his theoretical framework “structural functionalism.” Structural functionalism states that social structures involve interaction and relationships among “actors” and are characterized by a functional imperative. This is to say that a defining attribute of a social system is its function in the larger social environment. Parsons delineated four functional states of social systems:

(1) Adaption (to the external environment), (2) goal attainment or growth, (3) integration (with other social systems), and (4) latency (homeostasis) or pattern maintenance (preservation of interactional patterns, norms, and customs through socialization processes). These states are not mutually exclusive but are integrated.

Adaptation describes the dynamic process, in which a given system responds to the demands, pressures of external forces and conditions. It also includes the way in which a system is able to bring in resources from its outside environment. Adaptation involves reciprocal interactions and exchanges between the system and its environment, which ultimately results in both being changed.

Therefore, when attempting to understand and intervene in social systems, social workers must also consider the functional imperative of the system. Thinking of the function a particular system serves can help social workers to evaluate the extent to which the system is succeeding in fulfilling that purpose and to determine areas of weakness or dysfunction that can be strengthened so that the organization functions properly and supports the individuals and subsystems within it.

Performance Targets

Setting appropriate objectives and making effective use of appraisals can improve organizational performance and also facilitate assessment of how well the employees are performing. Establishing clear defined objectives helps employees to focus on specific tasks and corporate goals. To monitor and assess how employees are performing, it is useful to set clear objectives with quantifiable performance. Involving staff in setting targets can ensure that they are more motivated to meet them and they identify better ways of carrying out the tasks. The benefits for defining performance targets include ensuring every employee contribution fits into the organization’s goals, helping individual employees to understand their role and feel more valued, creating standards to measure quantity and quality of employees’ work, and monitor performance of the Organization (Locke, 1968).

Focusing on organization and individual activity through the use of targets linked to strategic aims can be a powerful tool but careful consideration needs to be given to what is targeted, how targets are applied and how targets are applied to (Ashton and Sung, 2005). Targets can

also be viewed as an extreme form of management which all employees will not respond positively to. Performance appraisal includes activities to ensure goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, department, product and employee.

Druker (1995) came up with the practice of management by objectives. He derived it as a principle of management aimed at harmonizing individual manager goals with those of the organization with a view to improve the overall performance. Management by objective enables management of the organization to concentrate their efforts on obtaining desired results from key areas of the business. It provides an opportunity for managers to collaborate in identifying key areas for results and establishing appropriate performance standards against which results can be measured. Ministry of Tourism services delivery standards and performance which are central to its mission have long been the concern of customers and this has affected quality of service delivery. Consequently delivery performance standards for Mail, Courier, financial and Agency services must be specific, measurable, achievable, realistic and time bound of paramount importance is that they meet the expectations of the customer on service delivery.

METHODOLOGY

This paper uses a descriptive survey design, Kothari (2004) describe descriptive analysis as that method that involves asking a large group of people questions about a particular issue. Information is obtained from a sample rather than the entire population at one point in time which may range from one day to a few weeks. The descriptive design helped to obtain and describe information impact of performance contracting on service delivery.

The target population for this study consisted of 164 employees working at the Ministry of Tourism headquarters at top, middle and lower levels of management since they can be in a position to give reliable information on performance contracting. The human resource framework for the ministries in Kenya are identical hence it is possible that the study findings can be generalized to other ministries.

The sample was drawn from each stratum based on simple random sampling technique. The author used the staff database to generate a list of numbers corresponding to staff name and personal number. A sample size of 115 was considered adequate as shown in table 1 below.

Table 1: Calculated Sample Size

Health Professionals	Population	PPS	Sample size
Top management	6	0.03	4
Middle managers	46	0.29	33
Operational level	112	0.68	78
Grand Total	164	1	115

Source, Author, 2014

Data was collected mainly by use of questionnaires. A semi structured questionnaire was with closed ended questions was employed. Due to the busy schedules of the respondents the study adopted a drop and pick method where the data collection instruments were dropped and

collected after having been completed by the respondents, frequent follow ups were done to overcome low response rate and chances of respondents forgetting to fill in the questionnaires.

The questionnaires were coded to enable the responses to be grouped into various categories. The author mainly used descriptive statistics to analyze data. These include percentages, mean and standard deviation. SPSS and Microsoft excel software were used to generate the statistical outputs.

The study also used spearman's correlation, a technique for discovering patterns among the variables to determine if an underlying combination of the original variables can summarize the original set. Spearman correlation was used to test the relationship between performance targets and service delivery (Cooper &Schindler, 2006).

RESULTS AND DISCUSSION

Standards and Performance Targets

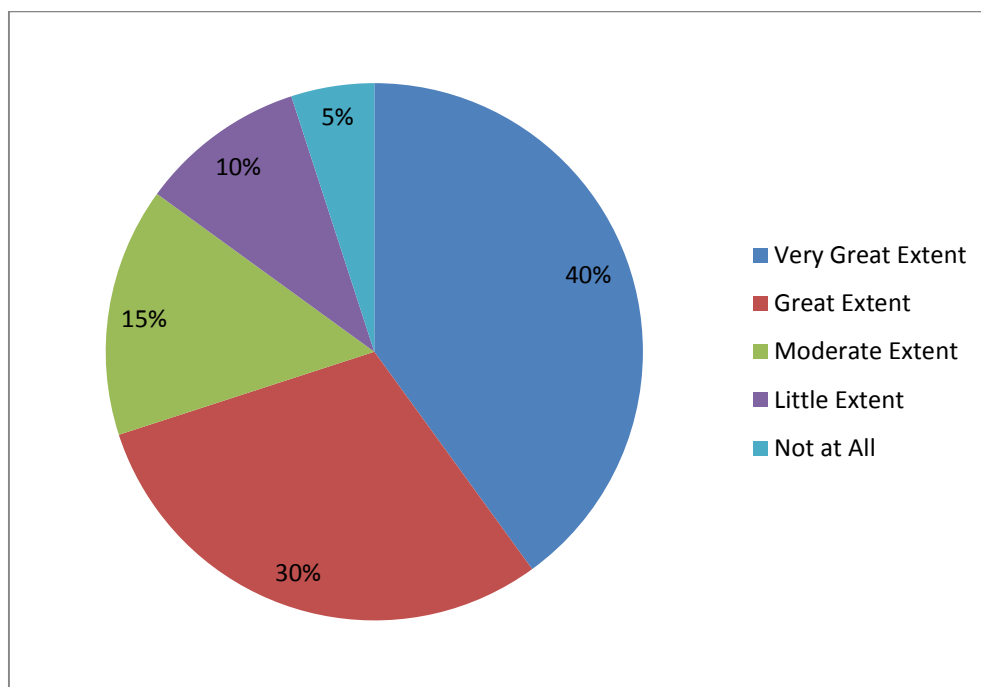


Figure 1: Extent of Standards and Performance targets in enhancing performance

The author sought to find out the extent of standard and performance targets on the performance at the Ministry. Involving staff in setting targets it ensures that they are more motivated to meet them and they identify better ways of carrying out the tasks. This ensures that every employee contribution fits into the organization's goals, helping individual employees to understand their role and feel more valued, creating standards to measure quantity and quality of employees' work, and monitor performance of the Organization which is in accordance to Locke (1968).

Table 2: Opinion to Standards and Performance Targets on Performance at the Ministry

Statement	1	2	3	4	5
The goals and objectives of Ministry of Tourism are clearer with performance contracting		2%	5%	30%	63%
Tasks are prioritized	1%	5%	19%	25%	50%
Setting of standards and performance targets is participatory	2%	5%	8%	20%	65%
Set standards and performance targets are clear		5%	12%	23%	60%
Set standards and performance targets are achievable			17%	25%	58%

The study sought to find out the opinion of the respondents on standards and Performance target on performance to the ministry. According to table 2 it is clear that the respondents strongly agreed to setting of standards and performance targets as being participatory. Agreeing to appropriate objectives and making effective use of appraisals can improve organizational performance and facilitate assessment of how well the employees perform. Employees need to participate in setting standards and performance targets which ensures they are motivated to meet them and identify better ways of carrying out the tasks.

Service Delivery

Table 3: Opinion to performance contracting and service delivery at the Ministry

Statement	1	2	3	4	5
Since performance contracting was introduced, customer complaints have reduced.	1%	9%	12%	25%	53%
Since performance contracting was introduced, delays in services have reduced	4%	12%	20%	23%	41%
After the introduction of performance contracting, customer satisfaction rating index has improved	3%	13%	10%	30%	44%
As a result of performance contracting, you have seen an increase in customer compliments	9%	10%	19%	40%	26%
After performance contracting and issuance of customer service manual, staff are able to offer better services	2%	2%	18%	20%	58%
Since performance contracting, customer queries are handled faster			12%	35%	53%

The author also sought to find out the opinion of respondent on performance contracting and service delivery. According to the findings of the study as illustrated on table 3, the statement on 'after performance contracting and issuance of customer service manual, staffs are able to offer better services' received the strongest agreement. This conforms to Mann (2010) who established that performance contracting had improved service delivery in majority of the public sector enterprises involved; this is because performance contracting inculcated a sense

of accountability in the public servants who in return worked hard and provided services to the public in a professional manner.

Table 4: Level of agreement or disagreement to performance contracting in the Ministry

Statement	Ratings				
	1	2	3	4	5
Service delivery has improved	3%	13%	10%	30%	44%
Staff Performance and Employee productivity has improved	9%	10%	19%	40%	26%
Reporting has improved	2%	2%	16%	20%	60%
Employee innovation and creativity has improved	1%	9%	12%	25%	53%
There is flexibility in management practices and procedures	4%	12%	20%	23%	41%
Corruption has greatly reduced	3%	13%	10%	30%	44%
Employees are more motivated	9%	10%	19%	40%	26%
There is greater Job satisfaction	2%	2%	18%	20%	58%
Instances of buck passing have reduced			12%	35%	53%
Non performers are easily identified	1%	9%	12%	25%	53%
There is more accountability for results	9%	10%	19%	20%	46%
All staff know what they are expected to achieve	4%	12%	20%	23%	41%
Employee management has improved	3%	13%	10%	30%	44%
Professionalism has been enhanced	9%	10%	19%	26%	50%

To establish the level of agreement and disagreement of respondents to performance contracting, the results in table 4 above were obtained. It is clear that there was an improvement in reporting as evident by most respondents strongly agreeing. There was improved service delivery to a large extent because the managers were tasked with service delivery in the contracts. As such, everything had to be done in-line with service provision and achievement of benchmarks as outlined in the contract. In his study, Jones (2005) on performance evaluation for public enterprises in developed countries found out that performance contracts had aided improvement in service delivery in public enterprises through increased accountability as well as improved ethics that saw decrease in wastage of time at the workplace.

Correlation Analysis

Based on a hypothesis that there is no correlation between performance targets and service delivery, the following correlation analysis was obtained.

Performance targets ($r = 0.894$), shows there exists a high correlation between Performance targets and service delivery. The p value (0.001) indicate that the error rate in the measurement of the correlation was low and therefore the correlation coefficient value was statistically significant and therefore we can accept the hypothesis that performance targets influence service delivery at the ministry of tourism.

CONCLUSION

Standards and performance targets have a very great impact on enhancing performance. The study also concludes that performance contracting increases the performance in key state corporations in Kenya. In the system the national goals were translated into explicit and

quantifiable targets in the performance criteria. The inclusion of performance measurements and indicators enabled the system as a useful instrument to scale the performance.

RECOMMENDATIONS

The author recommends that to enhance performance, training should be conducted to all staff to create awareness of the objectives of the performance contract and how to meet the set targets. Employee involvement in setting these targets is also key.

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