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ABSTRACT

Kenya Government has been implementing performance contracting in the public sector agencies with an overall goal of improve service delivery to the public. This is a performance improvement tool that assists in setting SMART objectives, clear targets, specifying agent performance in terms of results (outputs) and assigning accountability to those results, increasing the transparency of the accountability relationship in public institutions, establishing clear reporting, monitoring and evaluation mechanisms of the projects and providing for assessment of performance. Public universities in Kenya have embraced performance contracting as they implement their operational mandates in responding to public expectations. One of the key operational areas is supply chain management targeting to satisfy material and information requirements of users. This study sought to find the effect of performance on the supply chain performance of the public universities in Kenya. The study adopted a correlation design on a sample of 55 out of a population of 84 supply chain professionals in the selected public universities. Structured questionnaire was used to collect primary data upon which a regression analysis was the conducted. The results indicated that there is an average positive relationship of 58.6% ($R=.586$) between performance contracting and supply chain performance of public universities in Kenya. It is clear that 34.3% of supply chain performance of public university accounted for by performance contracting ($R^2=0.343$). Furthermore, it indicated that $F=10.977$ with $p\text{-value}<0.05$ which was significant. The study concluded that performance contracting has a significant positive relationship with supply chain performance of public universities in Kenya.

Key Words: performance contracting, Supply Chain Performance, Public Universities in Kenya

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INTRODUCTION

Performance contracting has been defined as a mechanism under public sector reforms that aims at improving performance of the public sector through setting clear objectives, setting SMART targets, specifying agent performance in terms of results (outputs) and assigning accountability to those results, increasing the transparency of the accountability relationship in public institutions, establishing clear reporting, monitoring and evaluation mechanisms of the projects and providing for assessment of performance Muthaura, F. (2007). Ochieng, Eric O. (2010) notes that this process entails systematic demystifying of government and the process of governance, through creation of synergies in the relationship with citizens by involving and empowering the public to demand accountability from all holders of public office through a series of innovations.

A study on public sector reforms and performance contracting in Kenya by Muthaura, F. (2007) notes that because governments globally have been known to be associated with long bureaucratic procedures often marred with inefficiency and lack of accountability, they have high levels of corruption and wastage of resources translating into poor performance. The study observes that despite this, many governments have tried to put in place measures to reverse this notion and the attitudes towards governments in service delivery that come along with it. However it fails to specify whether SCRM practices are part of the tools to be used to achieve such objectives.

Momanyi, C., Moraa, S. O., Nyamasege, D. and Githii, J. (2014) observes that the Kenya Vision 2030 has recognized performance contracting as one of the key strategies to strengthen public administration and service delivery in the country. They note that performance contracting is a strategy which focuses

on the detailed use of service delivery charters as accountability tools and institutionalizing performance as a culture in the Kenyan public service. These studies, however, fail to clarify how performance contracting could influence supply chain performance of public universities particularly.

Many writers including Ochieng, Eric O. (2010), Muthaura, F. (2007) and Ochieng, Eric O. (2010) agree that the performance contracting process is still facing several challenges. Some of these challenges include: lack of adequate skilled personnel in PC in most institutions; lack of goodwill by some institutions where the institution heads have not yet appreciated the process; total rejection by some institutions; and the long bureaucratic procedures of public institutions which make it hard for some of them to realize time-based targets. All these ultimately affect the performance profile of any public organization in Kenya.

This study sought to determine the effects of performance contracting on supply chain performance in public universities in Kenya.

REVIEW OF LITERATURE

The New Public Management

The New Public Management (NPM) perspective is often associated with positive, action oriented phrases like: reinventing government, re-engineering, revitalization of the public service, organizational transformation, total quality management, paradigm shift, entrepreneurship, empowerment, results-over-process, among others Ayee, J.R.A. (1994). This theory comprises a set of operating principles for managing in the public sector with several proposals.

First, it proposes that a government agency has the responsibility to steer the delivery of public services in the addressing of public issues. Second, it posits

that a government agency ought to be community-owned and that the role of government is to empower citizens and communities to exercise self-governance. Thirdly, that the role of competition is seen as inherently good such that through competition the best ideas and most efficient delivery of services can emerge.

Next principle is that governments should be driven by their missions, and another recommendation is that public agencies should be judged on the results that they generate. Sixth, that citizens and consumers of public services are viewed as customers and, seventh, that those agencies should “earn” their allocation of resources by demonstrating the value in terms of the public good generated by “investment” made in them. The eighth and ninth recommendations of NPM are that the desirability of orienting public agencies towards preventing rather than curing problems, and maximization of the broadest possible number of people and institutions in the decision making process. And finally, leveraging market forces and utilizing market-based strategies in the delivery of public goods.

Birech, K. W. (2011) observes that the NPM captures most of the structural, organizational and managerial changes that took place in the public services in OECD countries like the UK, New Zealand and Australia in the late 1970s. Similarly, it is seen as a body of managerial thought or as an ideological thought system based on ideas generated in the private sector and imported into the public sector Hood, C. (1991).

The NPM shifts the emphasis from traditional public administration to public management and pushes the state towards managerialism. The traditional model of organization and delivery of public services, based on the principles of bureaucratic hierarchy, planning, centralization, direct control and self-sufficiency, is apparently replaced by a market-based public service

management or “enterprise culture” as confirmed by Larbi, G.A. (1999) and Hood, C. (1991).

The main components of NPM have been expanded upon and have evolved since the 1990s. The key components of the NPM may be divided into two strands. The first consists of ideas and themes that emphasize managerial improvement and organizational restructuring, that is, managerialism in the public sector – clusters of ideas which emphasize management devolution or decentralization within public services. The second contains ideas and themes that emphasize market focus and competition. These strands overlap in practice. They should therefore be seen as a continuum ranging from more managerialism at one end (for example, decentralization and hands-on professional management) to more marketization and competition at the other, for example, contracting out Gow, J. I. and C. Dufour. (2000) and Larbi, G.A. (1999).

The relevance of the NPM to public sector management can be found in four main areas. First, NPM proposes decentralizing management, disaggregating and downsizing of public services. Second, NPM also recommends the adoption of performance contracting, which has become an instrument to reform state-owned enterprises. Third, contracting out of the provision of public services is part of efforts to reconfigure state-market relations in order to give more prominence to markets and the private sector. Fourth is the introduction of user fees or charges.

Gow, J. I. and C. Dufour. (2000) identified institutional constraints and capacity issues in the application of the NPM in African countries. The study observes that capacity concerns include the ability to manage a network of contracts, the development of monitoring and reporting systems, and the difficult governance and institutional environment which may constrain

implementation capacity. With decentralizing management, the constraints include unreformed institutions, such as centralized public service commission regulations and treasury expenditure controls, which prevent managers of decentralized units from having control over operational inputs.

Supply Chain Performance Measurements

Performance can be seen as the ability to meet certain criteria, the time it takes, and the path used to get there. Performance measures should be indicators of how well this is being done. Neely, A. D., Mills, J. F., Gregory, M. J. & Platts, K. W., (1995) define performance measurement as: “the process of quantifying the efficiency and effectiveness of action”, and performance measure as, “A performance measure can be defined as a metric used to quantify the efficiency and/or effectiveness of an action”.

Performance measures are created from a single or several indicators of a process. The measures can be a single indicator, a sum of indicators or a ratio of them depending on the information wanted from the measure. Further, measures can be of a ‘single level’ nature where they only represent a local part of a larger system or a company. They can also be of an ‘aggregated level’, based on local measures and represent an aspect of an entire system or an entire company Franceschini, Fiorenzo, Galetto, Maurizio, Maisano, Domenico (2007).

Apart from quantifiable measures with numeric values, there are also qualitative measures. The qualitative measures are more complicated to use, since they cannot be directly represented numerically. Typical qualitative measures are customer satisfaction and information flow i.e. measures that cannot be measured, but have to be expressed in other ways. These measures are better described as average, good, and excellent, which means that measuring them includes some kind of evaluation. One common way of doing this is by using Likert-scales to register opinions and feelings.

Performance Contracting and Supply Chain Performance

Performance contracting is one approach to performance management that influences all management activities in an organization. Ayee, J.R.A. (1994) in a study in India, explored how performance data is used to manage public universities. The study attempted to explain why university administrators employ performance management strategies and showed that universities often use performance data to help manage but many of the causal factors that lead to data use vary across management functions. In that discussion, the researcher explained that performance information use in organizations can be quite productive, providing a mechanism for managers and employees to gain a better sense of both long-term strategic plans and short term performance objectives.

Many studies have investigated the relationship between supply chain risk management and some aspects of organizational performance. Performance contracting has been explained as an approach to performance management providing the environment within which achievement of organizational objectives is carried out. Busienei, P. K. (2010) studying the impact of performance contracting on financial performance concluded that the tool contributed in improving cost savings. While Kosgei, J. K., Yano, K. L., Magugu, C. K. and Chebet, L. L. (2013) and Letting, N. K. and Letangule, S. K. (2012) assessed effects of performance contracting on service delivery and performance respectively, Gakure, R. W., Macharia, S. M. and Orwa, G. (2013) specifically concluded that performance contracting has a role in enhancing effectiveness of performance. Kobia, M. and Mohammed, N. (2006) noted that Kenya Government had prioritized public sector reforms leading to an efficient, effective and ethical delivery of services to the citizens through the use of performance contracting. In the same vein, the New Public Management, according to Obongó, S O.

(2009), shifts the emphasis from public administration to public management and entrepreneurship, effectively pushing a public entity towards managerialism.

Performance contracting is a desirable tool that can be frustrated by lack of resources, commitment (as shown by existing policy framework), knowledge, skills, proper communication, motivation, research and development (i.e. employee competences) Simiyu, A. N. (2012). This follows from a study which critically examined management strategy as a policy tool for overcoming the performance crisis confronting the public sector in Kenya.

Consequently, it can be shown that performance contracting successfully implemented affects service quality, efficiency, consistency and employee creativity Letting, N. K. and Letangule, S. K. (2012). Similar opinions are expressed by Letting, Simiyu, A. N. (2012) who submits that performance contracting enhances performance in areas of customer satisfaction, employee satisfaction and revenue generation. Further, Birech, K. W. (2011) agrees that performance contracting promotes commitment to performance objectives, while Kosgei, J. K., Yano, K. L., Magugu, C. K. and Chebet, L. L. (2013) adds that all essential suppliers should be adequately engaged in

Table 1: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.586 ^a	.343	.312	.70625

a. Predictors: (Constant), OBJECTIVES, STRATEGIC PLANS

b. Dependent Variable: PERFORMANCE

From Table 1 above, it was clear that 34.3% of supply chain performance of public university was accounted for by performance contracting ($R^2=0.343$). Furthermore, it was clear that supply chain

Test of Goodness-of-Fit

Table 2: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.951	2	5.475	10.977	.000 ^b
	Residual	20.949	42	.499		
	Total	31.900	44			

a. Dependent Variable: PERFORMANCE

all aspects of performance contracting objectives and targets setting in a manner that is all inclusive, open, concessional and SMART.

METHODOLOGY

The study used a correlation design approach on a sample of 55 supply chain professionals from a population of 84 staff in supply chain departments of the public universities in the study. Structured questionnaire was dropped in each university and picked after one week, giving the respondents enough time to process and respond to the questions. Regression analysis was then carried out on the data collected from 46 responses obtained, representing a response of 84%.

FINDINGS AND CONCLUSIONS

The objective of this study was to investigate the effects of performance contacting on supply chain performance public universities in Kenya. The model summary and regression results of performance contracting measured by strategic plan implementation and clarity of objectives on supply chain performance of public universities are presented in Table 1 and Table 2 below:

performance of public universities had a moderate positive relationship with Supply chain rick management practices ($R=0.586$).

b. Predictors: (Constant), OBJECTIVES, STRATEGIC PLANS

The ANOVA results in Table 2 above presented the test-of-goodness of fit. The results clearly showed that $F=10.977$ with the level of significance, $p<0.05$, indicating significant test results. This indicated that the sample chosen for the study can be reliably mapped onto the overall population.

CONCLUSION

The objective of the study was to determine the effect of performance contracting on the supply chain performance of public universities in Kenya. Performance contracting was measured by two components, existence of clear strategic objectives and the extent of implementation of respective strategic plans. The findings from results using

Pearson Product Moment correlation indicated that there was a moderate positive correlation between extent of implementation of strategic plans and supply chain performance of public universities in Kenya. However, against expectations, the study findings revealed a very weak negative correlation between clear strategic objectives and supply chain performance of public universities in Kenya. The research hypothesized no significant relationship between performance contracting and supply chain performance of public universities in Kenya. The alternative hypothesis was adopted there being a significant relationship since performance contracting accounted for 58.6% variance in supply chain performance.

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