STRATEGY IMPLEMENTATION AND PERFORMANCE CONTRACTING IN
REGULATORY STATE CORPORATIONS IN KENYA: A CASE OF KENYA DAIRY
BOARD

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APRIL, 2017
DECLARATION

Declaration by the candidate

This research project is my original work and has not been published or submitted for a degree award in any other university.

Sign: ----------------------------------------- ---------------------------------------------

MWANGI EVANSON NJOROGE Date

D53/OL/23383/2013

Declaration by Supervisor(s)

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

Sign: ----------------------------------------- ---------------------------------------------

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Department of Business Administration,

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DEDICATION

This research project is dedicated to my family whose endurance and motivation gave me the courage and will power to study and gain more understanding of the world I live in. Above all I dedicate all to the almighty God for granting me life mercies and endurance to pursue the entire study session.
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<thead>
<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GoK</td>
<td>Government of Kenya</td>
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<td>HR</td>
<td>Human Resource</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>ICT</td>
<td>Information communication and Technology</td>
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<td>KCC</td>
<td>Kenya Cooperative Creameries</td>
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<td>KDB</td>
<td>Kenya Dairy Board</td>
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<tr>
<td>KIPPRA</td>
<td>Kenya Institute for Public Policy Research and Analysis</td>
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<td>MDAs</td>
<td>Ministries, Department and Agencies</td>
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<tr>
<td>RBMT</td>
<td>Result Based Management Theory</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>TBL</td>
<td>Triple Bottom Line</td>
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OPERATIONAL DEFINITION OF TERMS

Strategy
A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.

Implementation
This refers to the carrying out, execution, or practice of a plan, a method, or any design for doing something.

Performance Contracting
Contractual agreement process to execute a service according to agreed-upon terms, within a fixed time period and with a stipulated use of resources and performance standards.

Organizational Structure
Refers to a system used to define a hierarchy within an organization. It identifies each job, its function and where it reports to within the organization.

Financial Resource
Refers to the money available to a business for spending in the form of cash, liquid securities and credit lines.

Organizational Norm
Refers to the acceptable standard of behavior within an organization.

Communication
Two-way process of reaching mutual understanding, in which participants not only exchange (encode-decode) information, news, ideas and feelings but also create and share meaning.

State Corporation
A legal entity that is created by the government in order to partake in activities on the government's behalf.
ABSTRACT

The purpose of this study was to investigate the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya with specific reference to Kenya Dairy Board. This study was guided by the following specific objectives: to establish the influence of organizational structure, financial resources, organizational norm and communication on performance contracting in Regulatory State Corporations in Kenya. This study employed a descriptive survey research design. The target population was 141 respondents comprising of 6 managers and 135 employees. A census survey was used to select the respondents due to the small target population size. Data was collected through the use of questionnaires with close and open ended questions for the employees and for the managers. The study used both quantitative and qualitative method of data analysis. Descriptive statistics of mean and standard deviation were used to analyse the quantitative data and content analysis technique to analyse qualitative data. The study findings revealed p-values for organizational structure, financial resources, organizational norms and communication are less than 0.05 indicating the dependent variables are statistically significant and hence influence the dependent variable of performance contracting. This study concluded that regulatory bodies in Kenya selects the right people for key positions to enhance strategic implementation and ensure success of the performance contracting process. It was also established that distribution of financial resources towards performance contract is still not clearly aligned to the strategy implementation functions in most of the regulatory bodies in Kenya. The management of regulatory bodies relates well with employees within the organization and the goals and incentives for the workforce are aligned with the strategy towards the implementation of performance contracting. Regulatory bodies that have effective communication channels during strategy implementation on performance contracting are considered successful with communication requirements of the strategy implemented with careful consideration. This study recommends that the current structure of regulatory bodies in Kenya should allow employee participation in decision making. Financial resources must be accompanied by a sound institutional infrastructure, proper conduct of monetary and fiscal policies, proper management of resources and increase in transparency to ensure a successful performance contracting process. In addition, regulatory bodies in Kenya should minimize power distance between the lines of authorities as well as the relationship between the top management and the junior staff for enhanced performance. The management can elicit more support for the set strategies by having clear and communicated career paths for their employees. Finally, communication to all stakeholders is necessary to ensure that the strategic process receives support from all concerned functions. It suggests that further study should be carried on the influence of management support on the implementation of performance contracting in regulatory bodies in Kenya.
CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

In order to compete effectively in today’s complex, dynamic, and unpredictable global marketplace, having a strategy in place has become a necessity. DeWit and Meyer (2004) state that the value of any strategy and its potential contributions include: increasing productivity, reducing costs, growing profits, and improving service or product quality. Therefore, implementing strategy would thus be perceived as being about allocating resources and changing organizational structure (Muraguri & Wagoki, 2016). The implementation process involves the collective wisdom, knowledge, and even subconscious minds of the collaborators (Cater & Pucko, 2010). Implementing strategies successfully is vital for any organization, be it public or private (Fiegener, 2005).

The public sector in Kenya has been facing challenges in service delivery since the country’s independence back in 1963 which have hindered realization of sustainable development (Mbithi, 1996). Among the factors that contributed to the poor performance include: poor implementation of government policies, and continued poor traditional reporting on financial performance measurement due to ignorance and inadequacy in measuring the human capital element of the organization (Keenoy, 1997; Republic of Kenya, 2005b). In the era of New Public Management (NPM), performance contracting emerged as a management tool for the public organizations (Muriu, 2014). Performance contracting aims at improving efficiency and effectiveness, while reducing total costs (Gathai, Ngugi, Waithaka & Kamingi, 2012).

Balogun (2003) cited in Muraguri and Wagoki (2016) contends that performance contracts are mostly used to enhance the process of strategy implementation. Success in an organization can
only be attained when well-conceived plans are implemented (Muraguri & Wagoki, 2016). Performance contracting is a strategic management tool whereby principals sign a performance agreement with their agents on various deliverables such as profit, service standards, staff turnover and many other business activities. Performance contracting is supposed to enhance job satisfaction for the employees with the hope that their satisfaction would lead to improved job performance which in turn leads to tangible and improved financial performance (Muraguri & Wagoki, 2016).

1.1.1 Strategy Implementation

Olsen, Slater, and Hult (2009) argue that the job of strategy implementation is to translate plans into actions and the intended results. The test of successful strategy implementation is whether actual organization performance matches or exceeds the targets spelled out in the strategic plan. Shortfalls in performance signify weak strategy, weak implementation or both. The effectiveness with which a particular strategy is implemented should strongly affect performance on dimensions on which the strategy is expected to affect. Empirically, most strategy research studies employ the construct of business performance to examine a variety of strategy content and process issues (Olsen et al., 2009).

According to David (2013), both managers and employees should be involved in the implementation decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation, management of conflict, organization structure, managing resistance to change, and organizational culture. In developing policies during the implementation process, methods, procedures, rules, norms, and administrative practices are established. According to David (2013), strategies which are
implemented within an organization should support the culture associated with the firm. The proposed strategy should preserve, emphasize, and enhance the culture, in accordance with the culture supporting the proposed strategy.

Strategic implementation literature according to Dooley, Fryxell and Judge (2011) focuses on the distinct relationship between implementation and other various organizational elements. For example, Skivington and Daft (2010) identified the implementation process as being undertaken through a systematic approach which provided a link between strategic consensus and implementation success. These findings were further endorsed by Dooley et al. (2010) who determined a positive association between strategic consensus and firm performance.

The implementation phase also requires institutionalization of strategy that is, developing organizational capability to a point where it is fully supportive of the new strategy. The reality of strategy resides in its strategic actions rather than its strategic statements (Burgelman, Grove & Meza, 2009). This involves action-oriented activities such as communicating strategic intentions throughout the organization, matching strategy with organizational structure, matching strategy with culture, selecting effective leadership and designing effective reward systems. These two phases of strategy implementation are geared towards improving organizational performance. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

1.1.2 Performance Contracting

Performance Contracting is a contractual agreement to execute a service according to agreed-upon terms, within a stipulated time period, and with a specified use of resources and performance standards (Nderi, 2013). A performance contract constitutes a range of management
instruments used to define responsibilities and expectations between parties to achieve mutually agreed results (Behn & Kant, 2009). Behn and Kant (2009) further state that performance contracting is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. It is therefore, according to Greer, Youngblood and Gray (2009) a management tool for ensuring accountability for results by public officials, since it measures the extent to which they achieve targeted results.

Globally, the success of Performance Contracts is evidenced in a number of diverse countries as France, Pakistan, South Korea, Malaysia and India, which have sparked a great deal of interest in its policy (Shirley & Lixin, 2007). Scholl (2009) observed that governments are increasingly faced with the challenge to do things differently but using fewer resources. Scholl (2011) further reckons that performance contracting provides a framework for generating desired behavior in the contest of devolved management structures. Employers view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves.

In Belgium for instance, performance contracting in the public sector dates back to the breaking of the traditional monolithic government in the 1830s and stipulated the compulsory public utility service being provided by the agency and the government’s conditions (Bouckaert, Verhoest & Cortk, 2009). Grapiret (2010) noted that in Finland, major public service reforms were introduced during the period between the year 1987 to 1997 with an aim making public agencies more responsible and accountable. In Denmark performance contract played a major role in improving efficiency and increasing policy control as observed by May (2010).
In the 1980s, African countries experience of poor performance in public agencies called for new and major comprehensive public sector reforms strategy to address service delivery problems (Kobia & Mohammed, 2006). As a result, the first generation reforms in Africa were implemented in 1980s and early 1990s as part of economic reforms across the continent. The second generation reforms (performance contracting) focused on improving quality of public sector through installing measures to improve management and accountability. The recent introduction of Performance Agreement/Contracting system in Nigeria is expected to achieve two main objectives of enabling the federal government of Nigeria to measure performance of Ministries, Department and Agencies (MDAs) in a fair, objective, and comprehensive manner and create a result-oriented public service delivery mechanism (Yik & Lee, 2012).

In Kenya, Performance Contracting was first introduced through the Parastatals Reform Strategy Paper, which was approved in 1991. This strategy paper saw the introduction of performance contracting on a pilot basis to two agencies: Kenya Railways Corporation and the National Cereals and Produce Board (GoK, 2010). The decision to extend its coverage to all ministries, department and agencies (MDAs) was as a result of the benefits that were beginning to be manifested in participating institutions through improved administrative and financial performance as well as improved service delivery. Ministries were for the first time being required to work towards set targets, draw out service charters with their clients and compare their performance with the best in the world. The results of these efforts were so significant that they won international recognition with various African countries wishing to learn from Kenya’s experience (GoK, 2010).

Currently, performance contracting is being implemented in a total of four hundred and sixty two (462) public institutions. Performance contracting was re-introduced into the Kenyan Public
Service in 2004 as part of the Civil Service Reform instituted under the Economic Recovery Strategy for Wealth and Employment Creation. The re-introduction of Performance Contracting in Kenya was contextualized through an administrative circular issued by the Permanent Secretary and Secretary to the Cabinet and Head of the Public Service and later anchored through subsidiary legislation for State corporations and Local Authorities. Implementation of performance contracting is overseen by an institutional framework anchored in the executive arm of Government (GoK, 2010).

Strategic plans are the cornerstone for the implementation of the performance contracts as they provide the roadmap for execution of the specific strategic direction that an organization will pursue to achieve its objectives (Government of Kenya, 2006). All public institutions are required to prepare performance contracts based on their strategic plans. Kobia and Mohammed (2006) noted that performance in the public service is pivotal institution in the society and facilitator of all national activities and provides leadership benchmark for the rest of the economy. Obong’o (2009) observed that generally, when public service performs optimally, all other sectors in the economy performs as well. An efficient and performing public service is a major factor in enhancing economic growth and prosperity (Muthaura, 2007).

1.1.3 Regulatory State Corporations in Kenya

State Corporations (SC) in Kenya are formed by the government to meet both commercial and social goals (Miniga, 2013). According to Miniga (2013), SC’s exist for various reasons which include: correcting market failures, exploiting social and political objectives, providing education, health, redistributing income or developing marginal areas. According to Guidelines on State Corporations (GSC) from the Office of the President (2016), to date there are 378 operational state corporations in Kenya being classified into eight broad functional categories
based on mandate and core functions. The eight categories are Financial; Commercial; Regulatory; Public Universities; Training and Research; Service; Regional Development Authorities; and, Tertiary Education. The area of interest of this study was on the state corporations which are Regulatory in nature of which they are 27 in number (GSC, 2016). This study concentrated on Kenya Diary Board which is a regulatory SC under the Agriculture, Livestock, Fisheries and Blue Economy ministry.

Nderi (2013) highlights that the government of Kenya adopted performance contracting in the public service in order to ensure that there is reduction or altogether elimination of reliance on exchequer funding for government agencies, which are expected to generate revenue or make profit. Performance contracting is also adopted to ensure that parastatals improve performance to deliver quality and timely services to the citizen and instil a sense of accountability and transparency in service delivery and the utilization of resources (RBM Guide, 2005). Implementation of the Process of Performance Contracting began in 2004 in state corporations. Sixteen State Corporations signed the Performance Contracts (PCs) by December 2004. Following the success in implementing performance contracts in state corporations, the government extended the process to Public Service beginning with Permanent Secretaries and accounting officers (Nderi, 2013).

1.1.4 Overview of Kenya Dairy Board

Kenya Dairy Board (KDB) is a statutory body established in 1958 through an Act of Parliament, the Dairy Industry Act, Cap 336 of the Laws of Kenya. KDB is mandated to regulate, develop and promote the Dairy Industry in Kenya (KDB, 2017). The functions of the board include: organizing, regulating, and developing efficient production marketing, distribution and supply of dairy produce; improving the quality of dairy produce; securing reasonable and stable prices to
producers of dairy produce; promoting market research in relation to dairy produce; permitting the greatest possible degree of private enterprise in the production, processing and sale of dairy produce; and ensuring, either by itself or in association with ant government department or local authority the adoption of measures and practices designed to promote greater efficiency in the dairy industry (KDB, 2017).

The dairy sub-sector accounts for 14% of the agricultural GDP and 3.5% of national GDP. Smallholder dairy farmer’s account for approximately 75% of the total milk produced in the country (Kenya Dairy Board, 2011). The liberalization of the dairy industry in 1992 led to the rapid growth of the informal milk trade dealing mainly in marketing of raw milk that controls an estimated 80% of the total marketed milk in Kenya. As a result of this situation, several challenges relating to quality control and standards have emerged and need to be addressed. In the past, dairy policy in Kenya has focused on increasing the market share of pasteurized milk and value addition while attempting to address potential public health risks of consuming raw milk. Legislation passed in 1958 created the Kenya Dairy Board (KDB) to regulate milk marketing and encourage the highest degree of private enterprise and high milk quality (Kenya Dairy Board, 2011).

Smallholder dairy farmers accounts to over 80 percent of the country’s total milk production which currently stands at approximately 5.2 billion litters annually. About 45% of the total production is consumed at home or fed to calves whereas approximately 55% is marketed. 86 percent of the 55% (almost 50% of total production) of the marketed milk get to the consumer through “warm-chain”. This is either directly from farm to consumer, (approximately 42%) or from farm through milk bar, shops, kiosks, mobile traders and dairy cooperative societies (approximately 44%) to consumer. Only 14% of the marketed milk get to consumer through
“cold-chain” either directly from farm to a processors or through dairy cooperative societies (approximately 12%) which is then distributed to consumers after processing. For processors and marketers of milk and milk products to meet the growing consumer demand and to compete effectively with imports and competing beverages and foods, quality assurance (with respect to consumer perception of quality) is paramount (KDB, 2011).

1.2 Statement of the Problem

The public sector organizations play a critical role in Kenya’s economic growth and development (Busaka & Khwasira, 2015). At present, according to GSC (2016), Kenya has more than 300 parastatals operating in different sectors some of which were established to help accelerate economic and social development as well as increase participation of Kenyans in the economy. However, these noble objectives have not been fully realized. Failure by some of the parastatals to effectively implement strategies has negatively impacted on the operations of these organizations and the country as a whole. Effective strategy implementation helps reduce costs which are a major challenge in most public sector firms (Busaka & Khwasira, 2015).

The government of Kenya adopted performance contracting in the public service in order to ensure that there is reduction or altogether elimination of reliance on exchequer funding for government agencies, which are expected to generate revenue or make profit. One of the key regulatory SC that has consistently contributed to the exchequer in Kenya is the Kenya Dairy Board (KDB). There was need to find out whether strategy implementation influences performance contracting. Hence, there existed a need to investigate strategy implementation and performance contracting on Regulatory State Corporations in Kenya.
A number of studies carried out on in the area of strategic management and performance contracting such by sector such by Muriu (2014); Muraguri and Wagoki (2016); Mbithi (1996); Maiyo (2013); Nderi (2013); Musyoka (2011); and Wanjama, M. (2009) have been general or have failed to give detailed insights on influence of strategy implementation on performance contracting on Regulatory State Corporations in Kenya. Although these studies among others attained their objectives, they did not delve into the influence of strategy implementation on performance contracting on Regulatory State Corporations in Kenya. There is a scarcity of published work on influence of strategy implementation on performance contracting in Regulatory State Corporations, particularly in the context of developing countries in the dynamic African region and specifically in Kenya. This study intended to bridge this gap in knowledge that existed.

1.3 Objectives of the Study

This section presents the general objective and the specific objectives for the study.

1.3.1 General Objective

The general objective of this study was to investigate the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya with a focus on the Kenya Dairy Board.

1.3.2 Specific Objectives

This study was guided by the following specific objectives:

i. To establish the influence of organizational structure on performance contracting in Regulatory State Corporations in Kenya
ii. To examine the implication of financial resources on performance contracting in Regulatory State Corporations in Kenya

iii. To identify the effects of organizational norms on performance contracting in Regulatory State Corporations in Kenya

iv. To determine the role of communication on performance contracting in Regulatory State Corporations in Kenya

1.4 Research Questions

This study sought to answer the following research questions:

i. What is the influence of organizational structure on performance contracting in Regulatory State Corporations in Kenya?

ii. What is the implication of financial resources on performance contracting in Regulatory State Corporations in Kenya?

iii. What is the effect of organizational norms on performance contracting in Regulatory State Corporations in Kenya?

iv. What is the role of communication on performance contracting in Regulatory State Corporations in Kenya?

1.5 Significance of the Study

Findings from the study will be beneficial to various groups of people namely the management of KDB, regulators, policy makers, researchers and academicians.

The study would be significant to the management of Kenya Dairy Board, especially to decision makers involved in implementation of strategy. It would also provide a clear link on how performance contracting and strategy implementation are related which should be useful to the
management. The SC heads would use the findings as the base upon which to review the SC’s service delivery.

The regulators and the policy makers can use the finding as reference for policy guidelines on development and management of state corporations in the country. They would be able to use the findings of the study to formulate viable policy documents that effectively would cope with the barriers and challenges in regard to strategy implementation and performance contracting. Based on the findings, recommendations are made. If followed, these recommendations would be useful to administrators and policy makers in curbing challenges related to strategy implementation.

The study would provide additional information into the already existing body of literature regarding the strategy implementation and performance contracting in Kenya. The findings of this study would enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. It would provide basis for further research.

1.6 Scope of the Study

This study was carried out in Kenya Dairy Board (KDB). The study focused of the influence of organizational structure, financial resource, organizational culture and communication on performance contracting. 141 sampled staff who included managers and employees participated in the study. The study covered a period of 2010 – 2014.

1.7 Limitations of the Study

The respondents were hesitant to respond as some of them feared being victimized for disclosing relevant information for the study. Some officers could over rate their competence in
implementation of reforms. The study was also limited to cover the whole population due to the size of the study population. To overcome these, the researcher assured the respondents of the strict confidentiality of any information disclosed by them and explained to the respondents’ the need of the study. The study also ensured that the information provided by the Human Resource Department was utilized to determine the competencies of the respondents.

1.8 Organization of the study

This study comprises of the proposal which entails chapters one, two and three. This chapter has presented the background information, problem statement, purpose of the study, objectives of the study, research questions, significance of the study, scope of the study, limitations of the study and definition of terms used. Chapter two provides a salient review of literature related to the study that illuminates work which has influenced this research and which justifies the need for extending the current research. Chapter three details the research methodology which will be employed in this research. Chapter four details the data analysis, interpretation and presentation while Chapter five consists of the summary of findings, conclusions and recommendations.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter explored the existing literature relevant to the study as presented by various researchers, scholars’, and authors. The review includes other scholar’s work both at international and local scale. This section covered the theoretical framework whereby theories related to the study were discussed. The chapter also reviewed empirical literature and the conceptual framework of variables was discussed. By pointing at the weaknesses and gaps of the previous researches, it will help support the current study with a view of suggesting possible viable measures or ways of filling them.

2.2 Theoretical Review
This section presents the theories on which this study is grounded on. These theories include result based management theory and the stakeholders theory,

2.2.1 Result Based Management Theory (RBMT)
The influence of performance contracting on the relationship between strategy implementation and organizational performance is underpinned by Result Based Management Theory (RBMT) (Balogun, 2012). RBMT is a performance based management theory that explains organizational performance as a function of result based management tools. The proponents of the theory assert that organizations seek to improve performance through change efforts that place more efforts on results rather than processes (Greer et al., 1999). This is achieved by imparting managerial and operational autonomy to managers and ensuring accountability for results by managers, and puts more emphasis on results rather than processes. The theory further holds that result-based management tools are useful in articulating clearer definitions of objectives and supporting innovative management.
This theory is relevant to the study because RBMT suggests that performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other activities within the organization. Therefore, in an organization’s effort to implement strategies effectively, it is important to establish the resources owned by the company and how such resources can be tapped for the given organization’s performance.

2.2.2 Stakeholder Theory

Performance can be attributed to the stakeholder theory. The proponents of the stakeholder theory postulate that organizational performance is a function of how well an organization satisfies its stakeholders and focuses on building closer customer relationships (Berry, 2003). Shareholders are an important constituent of the many stakeholders and profits are a critical output but not necessarily the main one. Further, this theory states that the interconnected networks of stakeholders affect the decision making process and in essence effectiveness and outcomes of the firm (Freeman, 2004). Managers are thought of as agents who should manage the organization for the benefit of its stakeholders.

From the stakeholder perspective, organizational performance is a function of how well the organization has served the different stakeholders of the firm (Freeman, 2004). Stakeholder theory has caused evolution of performance measurement from the conventional measures of economic prosperity which are return on assets and growth in sales to include non-financial and less tangible measures such environmental integrity and social equity (Hubbard, 2009; Kaplan & Norton, 2008). According to Hubbard (2009), measurement of performance has evolved over time from outdated financial measures (March & Sutton, 2007) which focused exclusively on the shareholder to stakeholder based approaches including the Sustainable Balanced Score Card SBSC (Kaplan & Norton, 2002) and Triple Bottom Line (TBL) approach (Elkington, 2007).
This is despite there being consensus among scholars that economic prosperity measures which focused only on the shareholders are still valid and relevant (Yip et al., 2009), but these needed to be enhanced to include contemporary, intangible and externally oriented measures (Kinuu, 2014). In line with the emerging stakeholder theory, which calls for assessment of organizational performance against the expectations of all its stakeholders organizational performance measurement has moved from being centered on economic prosperity of shareholders value to include all its stakeholders which include environmental integrity and social equity measures (Hubbard, 2009).

This theory is relevant to the study because it states that the purpose of a business is to create value for stakeholders. In order to succeed and be sustainable over time, executives must keep the interests of employees are aligned and are going in the same direction. Introducing value creation for all stakeholders broadens the framework of management, bringing it closer to a more realistic economic optimum, generating new cooperative value creation capabilities, and overcoming some conflicts.

2.3 Empirical Review

Muriu (2014) carried out a qualitative study attempting to find out factors affecting the implementation of performance contracting process in the Civil Service in Kenya. His study specifically sought to establish the influence of employees’ motivation, organization culture; organizational effectiveness and government policies in the implementation of performance contracting process. Population composed of 1098 employees at the Department of Infrastructure Headquarters distributed in five divisions based on their area of specializations. Findings revealed that all the four factors; government policy, employee motivation, organizational culture and organizational effectiveness explained the implementation process and were
significant to a moderate and high extent. The study findings play key role in bridging the gap in the existing literature, however the study did not delve into the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya.

In her study, Nderi (2013) sought to determine the influence of performance contracting on strategy implementation in commercial state corporations in Kenya. The study used descriptive survey design. The target population for this study was 31 commercial State Corporations in Kenya as presented in the SCAC guidelines. The findings revealed that the relationship between the two variables was negative during the previous strategic plan period and negative during the current strategic plan period. This was so because some of the organizations had just began implementing the current strategic plan. The study thus discloses that though there was a negative relationship between cascading of performance contract and strategy implementation. The study however did not look at the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya.

Strategy implementation is a challenge for most of the public sector organizations in Kenya as there are various soft, hard and mixed factors that have negatively influenced the strategy implementation resulting in poor implementation process (Busaka & Khwasira, 2015). Busaka and Khwasira (2015) carried out a descriptive research with the aim of establishing the challenges influencing strategy implementation in public sector organizations. The study found a fairly strong positive relationship between availability of financial resources and strategy implementation. It was established that there was a fairly weak positive relationship between information technology and strategy implementation. Financial resources were found to be the most important factor in enhancing strategy implementation while the least factor was information technology. Even though the study attained its objectives it did not look at the
influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya.

Maiyo (2013) carried out a cross sectional study on the challenges of strategy implementation in the parastatals within the agricultural sector in Kenya and determined the measures taken by these parastatals to address such challenges. The study revealed that the major challenges of strategy implementation encountered by parastatals were in compatible organizational structure, resources constraint, and commitment of top management, external factors, technological advancements, management style, and location of the parastatals to the markets, teamwork and non-adaptive organizational culture. The measures taken to address these challenges include; organizational learning, two-way communication, internal business processes, resource provision, customer focus, financial controls, setting up policies, creation of horizontal structure, focused leadership and culture- strategy alignment. The study however did not look at the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya.

Kiplagat (2014) carried out a study with the aim of analysing the strategy implementation challenges among government parastatals in Kenya. The target population constituted Kenya Revenue Authority (KRA) employees in Nairobi, from which a sample size of 120 respondents were identified through stratified sampling. The study revealed that employees are indeed a challenge to strategy implementation at KRA evidenced by a positive significant relationship between employee competencies and strategy execution at KRA. Additionally the study revealed that communication contributes 60.3 percent of strategy execution. The study further revealed that majority of the respondents agreed KRA’s organizational structure dictates the strategy execution process. Additionally the administrative system facilitates strategy execution. In the
same regard leadership in KRA has ensured that leaders show equal attention to all functional-level concerns. There is also communication flow in KRA organization between top management and KRA has maintained the flexibility to adapt goals based on environmental changes.

In their study, Muraguri and Wagoki (2016) sought to establish the influence of performance contracting on strategy implementation in Mount Kenya University. The study aimed at establishing the effect of performance management training on strategy implementation in Mount Kenya University. The study employed a descriptive research design. The target population for the study included the administrative employees in Mount Kenya University. The study established that performance management training have a significant effect on strategy implementation. The researcher recommended that the university should build on enhancing performance management training to enhance strategy implementation in their institution. This study did not establish the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya.

2.4 Factors Influencing Strategic Implementation

This section of the chapter presents the factors influencing strategic implementation such as organizational structure, financial resources, organizational norms, and communication.

2.4.1 Organizational Structure

According to Heide and Gronhaug (2012) organizational structure is the second most important strategy implementation factor. Drazin and Howard (2013) see a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies. They point out that changes in the competitive environment require adjustments to the
organizational structure. Adjusting organizational structure according to perfect strategy can ensure successful strategy implementation. Different strategy types have different requirements regarding an adequate organizational structure.

All organizations have some form of more or less formalized structure which has been defined by Borjas (2012) as comprising all the tangible and regularly occurring features which help to shape their members behaviour. The organizational structures incorporate a network of roles and relationships and usually help in the process of ensuring that collective effort is explicitly organized to achieve specified ends. Rose (2008), argues that Human Resource (HR) systems and the organization structure should be managed in a way that is congruent with organizational strategy. Rose (2008) further explained that there is a HR cycle which consists of four generic processes or functions that are performed in all organizations. These include slimmer and flatter organization structures in which cross-functional operations and team-working have become more important, more flexible working patterns, total quality and lean production initiatives, and the decentralization and devolvement of decision-making.

According to Hellgren and Sverke (2009), there are no absolute standards against which an organization structure can be judged. There is never one right way of organizing anything and there are no absolute principles that govern organizational choice. The fashion for delayering organizations has much to commend it, but it can go too far, leaving units and individuals adrift without any clear guidance on where they fit into the structure and how they should work with one another, and making the management task of coordinating activities more difficult (Johnson, 2011). Traditional organization structures consist of a range of functions operating semi-independently and each with its own, usually extended, management hierarchy (Hellgren & Sverke, 2009). The organization structure should be flexible enough to respond quickly to
change, challenge and uncertainty. This flexibility should be enhanced by the creation of core
groups and by using part-time, temporary and contract workers to handle extra demands.

Hellgren and Sverke (2009) found that even in troubled organizations, structural change is
intermittent and can take long periods of time and changes with little or no tangible results.
Sagimo (2010) argues that finding satisfactory systems of roles and relationships to implement
during restructuring process is usually an ongoing universal struggle. Craig (2009) on his part
notes that managers and supervisors rarely face well defined problems which have clear cut
solutions, instead, they confront enduring restructuring quandary without easy answers.

2.4.2 Financial Resources

Kuchru (2010) states that implementation also refers to the organizational resources and in which
way the resources reflect in the activities and choices required for execution of a strategic plan.
The resource based view of competition draws upon the capabilities and resources that reside
within an organization or that which an organization might want to develop in order to achieve
sustainable competitive advantage (Henry, 2011). Organizational capabilities are equated to the
collective skills and abilities within an organization to organize, manage, and coordinate and
control specific activities. Resources can be tangible resources which can be further categorized
as physical resources, financial resources and human resource (Henry, 2011).

According to Eikelenboom (2009) resources are considered the ultimate source of sustainable
value creation. Effective management plays a major role to ensure proper utilization at the right
time and setting. While resources are important their existences per se do not confer any benefit
to the organization (Henry, 2011). Competences are the attributes that a company requires to be
competitive in a highly turbulent and hyper competitive environment. Implementation of strategy
test the ability to allocate resources, design structures and systems, formulate functional objectives and plan for operational effectiveness.

Finding correlation between strategies and business processes are a key component in resource alignment (Rosemann, 2010). Strategic Management should build on the foundations of business process alignment to ensure that there is alignment between processes and strategies. This process by extension is interested in optimizing the use of process to the given strategies to ensure optimal resource allocation (Koliadis et al., 2008). Alignment can be described as a realization of relation between a set of process models and a set of strategies.

Hrebiinakn (2006) argues that strategies fail in implementation due to lack of resources. The finance strategic plan is an arrangement that focuses on how to successfully; make money, spend money, and estimate the income and operating cost. The total amount necessary to effectively manage an organization is planned for by executives as they settle on the requirements for the execution of their sections goals as well as the objective (Hrebiinak, 2006).

A recent school of thought based on extensive research suggests that competitive advantage of a firm depends on the resources the firm can command (Grattan, 2011). Financial resources are one of the critical resources which affect the ability of an organization to execute given tasks. According to Hussey (2013) financial resources can be a limiting factor and the way which it is obtained may make it easier or harder to further resources in the future. Leveraging of the firm is a key strategic decision and affects the strategies which are developed in the future and how successfully they can be implemented. Leadership plays a key role in financial resource allocation and alignment; a leader must prioritize and makes resources available during strategic implementation (Lussier & Achua, 2009).
Financial metrics have generically been used as a mode of accessing performance of an organization. Strategy implementation shows role of finance as the establishing and monitoring of specific and measurable financial strategic goals on a coordinated and integrated (Thompson et al., 2009). Financial resources management is a critical function of the management team of any organization. This function is even more important when financial resources are highly limited and capital allocations are difficult. This is a call for the finance team to be fully engaged and involved in the decision-making process of the business, its long-term strategy and the implementation of the strategy. The strategy should detail how all financial and non-financial resources will be managed to support delivery (Thompson et al., 2009).

2.4.3 Organizational Norms

The relationship between organizational norms and strategy has been well explored in literature. A study found a strong association between corporate strategy and culture, thus concluding that organizations with prospectors’ strategy tend to have developmental culture, while those with defensive strategy tend to have hierarchical culture (Sadri & Lees, 2011). Organizational norms include the shared beliefs, norms and values within an organization. It sets the foundation for strategy. For a strategy within an organization to develop and be implemented successfully, it must fully align with the organizational culture. Thus, initiatives and goals must be established within an organization to support and establish an organizational culture that embraces the organization’s strategy over time (Sadri & Lees, 2011).

Hrebniak (2010) conducted a study on obstacles to effective strategy implementation and found that poor or inadequate information sharing, unclear responsibility and accountability, and working against the organizational power structure or part of organizational structure results in failed implementation processes. Likewise, Lorange (2008) investigated the importance of
human resources in implementing strategies in organizations and found that if a strategy implementation needs to succeed, then top management must be heavily involved in monitoring and reviewing the progress of each strategic program created by the company. In a similar study, Carlopio and Harvey (2012) focused on social-psychological principles and their influence in successful strategy implementation and found that if an organization’s structure and culture are not aligned with a proposed strategy and the new behaviors required, the strategy implementation process will certainly be defeated.

In a study involving Latin American firms, Brenes and Mena (2011) concluded that organizational norm supportive of principles and values in the new strategy resulted in successful strategy implementation in the sampled firms. They also revealed that 86% of the most successful companies see culture aligned to strategy as highly significant, against only 55% of less successful companies. Successful implementation is a challenge that demands patience, stamina and energy from the involved managers. The key to success is an integrative view of the implementation process (Raps, 2005).

According to Arthur et al (2010), the culture that exists within an organization cannot be separated from the behavior and styles of the leaders of the organization. The manner in which they lead will directly impact on the organization’s culture and teamwork. People relate to and imitate the behavior they observe in leaders, which makes the influence of leadership on culture all the more important. An effective and robust culture is a critical ingredient in ensuring the increase of bottom results for any organization. The relationship between an organizations culture and performance can be attributed to the fact that culture usually controls the way in which individual members make decisions, interpret and manage the organization’s environment, use information, and how they behave.
Crittendens (2011) posits that a strategy cannot be successfully implemented without understanding the culture of the organization, since the culture of the organization comprises the main opposition to implementation. With a few slight exclusions, organizational change could translate to cultural change (Heracleous, 2010). The implementation of a new strategy begins with comprehension of organizational culture and concludes with a change in this culture to facilitate and uphold the strategy (Lund, 2010). Culture allows the adaptive behavior by the organization necessary for strategy implementation (Mehta & Krishnan, 2012). The cultural analysis allows us to identify the subgroup dynamics. Through this, it is possible to identify the strategy-critical elements that require to be dealt with for a successful implementation.

Strong cultures encourage successful strategy implementation. On the contrary, weak cultures are a stumbling block to successful strategy implementation (Buul, 2010). Mehta and Krishnan (2012) argue that strong culture support shared belief in norms, practices and other virtues within the organization that help strengthen everyone to partake their jobs to promote successful strategy implementation. In weak cultures, employees have little or no pride in ownership of work. It is sloppy and there are very few values tempting people to form political groups within the organization. Such cultures provide little or no assistance to implement strategy.

One of the chief challenges in strategy implementation is perceived to be more cultural and behavioural in nature, including the impact of deprived integration of happenings and reduced ownership feelings and commitment (Aaltonen & Ikavalko, 2009). Corboy and O’Corrbui (2009) identify serious iniquities of strategy implementation. These include lack or poor understanding of strategy implementation, lack of full appreciation of the strategy by customers and staff, non-acknowledgement of difficulties and obstacles, and ignoring the daily business imperatives. Marginson (2012) contends that strategy implementation progresses either from a process of
endearing group commitment through a coalitional form of decision-making, or as a result of comprehensive coalitional participation in implementation staff through a robust corporate culture.

2.4.4 Communication

According to Rapert et al. (2012), communication is deeply connected with strategic consensus. Everybody in the organization must know the direction the organization is going and what are the objectives. As well they must know the vision, thus the ideal state. Communication serves as a mean to reach this consensus. Management’s task is to ensure that this communication takes place, between themselves and middle management, between different functions and between other important connections in the organization.

Rapert et al (2012) see the need for vertical communication through the organization as well as frequent communication as major method to reach shared perceptions, values and beliefs among the workforce and eventually reach a stage of higher performance of the organization. Also Noble (2009) feels the significance of a common language and understanding. Beer et al. (2010) see a major challenge in the lack of honest upward conversations from employees about barriers and underlying causes, which is caused by a strict top-down management style. They agree with Noble (2009) and Rapert et al. (2012) that poor vertical communication inhibits effective strategy implementation and promote more open dialog within the organization.

Noble (2009) focused on involving people from different functions. The next important factor is the degree to which inter-organizational strategic perceptions are congruent. In their work Rapert et al (2012) concern themselves with strategic consensus, in specific on shared understandings and priorities. Consensus is key, because strategies can be interpreted in a diverse set of ways. It
is the manager’s responsibility to promote and unified direction of the people in the organization. Strategic consensus is connected with implementation success and increased performance. As a means of enhancing strategic consensus, frequent vertical communication plays a crucial role.

As organizations are social collectives, communication is a mechanism to transmit ideas and values. It increases the identification, which is also linked to Noble’s (2009) involvement in the formulation stage. Rapert et al (2012) see a lack of clear common understanding as a major barrier to strategy implementation. This is in line with the opinion of Beer and Eisenstat (2010); organizations would lack strategic consensus and clarity about goals and direction. Noble (2009) found out, when people have a poor understanding of broader scope and goals they are not able to work sufficiently to reach a different organizational stage with a new strategy.

2.5 Conceptual Framework

Mugenda and Mugenda (2003), define a conceptual framework as a hypothesized model identifying the concepts under study and their relationships.
Independent Variables

Organizational Structure
- Tall/Flat
- Span of Control
- Decentralization
- Centralization

Financial Resources
- Cash
- Liquid Securities
- Credit Lines

Organizational Norms
- Core Values
- Integrity
- Responsive
- Adjustable

Communication
- Feedback
- Collaborative
- Written/Verbal
- Top Down/Bottom Up

Dependent Variable

Performance Contracting
- Employee Performance
- Informed Decision
- Accountability
- Transparency

Figure 2.1: Conceptual Framework

Source: Researcher (2016)

In this framework found in Figure 2.1, there are certain strategy implementation factors influencing performance contracting in regulatory state corporations in Kenya. These factors include but are not limited to: organizational structure, financial resources, organizational norms and communication. Performance contracting in regulatory state corporations in Kenya is the dependent variable that is affected by the independent variables. The study will be guided by the conceptual framework as shown in Figure 2.1 relating the dependent and independent variables.
2.6 Research Gap

Strategy implementation has been established to influence organizational performance (Cater & Pucko, 2010). According to Balogun (2013) performance contracts are used to enhance the process of strategy implementation. Performance management has also been considered as one of the main instruments for enhancing strategic thinking and prioritization. Organizations that have adopted performance contracting have been found to encourage greater openness and accountability, and thus yield better performance (Brown et al., 2007; Trivedi, 2009). Although studies found in the empirical literature section attained their objectives, they have been general or have failed to give detailed insights on the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya. There is a paucity of published work on the influence of strategy implementation on performance contracting in Regulatory State Corporations, particularly in the context of developing countries in the dynamic African region and specifically in Kenya. This bridged this gap in knowledge that existed.

2.7 Summary of the Literature Review

The literature review shows that organizational structure, financial resources, organizational norms and communication have a very great influence of the strategy implementation. Hellgren and Sverke (2009) found that even in troubled organizations, structural change is intermittent and can take long periods of time and changes with little or no tangible results. Sagimo (2010) argues that finding satisfactory systems of roles and relationships to implement during restructuring process is usually an ongoing universal struggle. Organizational capabilities are equated to the collective skills and abilities within an organization to organize, manage, and coordinate and controls specific activities. Resources can be tangible resources categorized as physical
resources, financial resources and human resources (Henry, 2011). According to Eikelenboom (2009) resources are considered the ultimate source of sustainable value creation. Effective management plays a major role to ensure proper utilization at the right time and setting.

The literature review looked at the theoretical literature which covers the theories on which this study is grounded on. The study discussed the empirical literature by looking at past studies done on the area of strategy implementation and performance contracting. It also covered conceptual literature which discussed the variables of the study. This chapter reviewed the conceptual framework. From the review, the study established the gaps literature that needed to be covered and bridged the gaps that existed.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprised of the research design, target population, sampling and sample size, data collection instruments, pilot study, data collection techniques, data analysis and ethical issues.

3.2 Research Design

The current study employed a descriptive research design. The research design was chosen for this research due to its ability to ensure minimization of bias and maximization of reliability of information gathered. This study employed a descriptive survey research design. Dooley (2007) defines research design as the scheme, outline or plan that is used to generate answers to research problems. According to Churchill (1999) a descriptive survey is appropriate since it describes the elements of the study variables. The study sought to determine the influence of performance contracting on strategy implementation in regulatory state corporations in Kenya and make predictions.

3.3 Target Population

Orodho (2005) defines target population as a large population from whom a sample population is selected. The target population for this study comprised of 6 departments in the Kenya Dairy Board namely; Information communication and Technology (ICT), Marketing, Finance, Human Resource Management (HRM), Business development and Technical department. The target population was 141 respondents as shown in table 3.1
Table 3.1: Target Population Table

<table>
<thead>
<tr>
<th>Department</th>
<th>Manager</th>
<th>Employees</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>1</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>Marketing</td>
<td>1</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td>Finance</td>
<td>1</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>HRM</td>
<td>1</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Business Development</td>
<td>1</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>Technical</td>
<td>1</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>135</strong></td>
<td><strong>141</strong></td>
</tr>
</tbody>
</table>

Source: Kenya Dairy Board (2016)

3.4 Sampling Design and Sample Size

This section presents the sampling design techniques used in this study and the sample size.

3.4.1 Sampling Design

According to Kombo and Tromp (2006), sampling procedures refers to how cases are to be selected for observation. It provides a detailed explanation of the subjects to be involved in investigation and how these are to be selected from the target group. Since the number of target population is small, a census survey of all managers and employees in each of the 6 departments was carried out.

3.4.2 Sample Size

Sample size determination is the act of choosing the number of observations or replicates to include in a statistical sample (Kombo & Tromp, 2006). The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample.
Since the sampling method was a census survey, the sample size was 141 respondents as shown in table 3.2.

### Table 3.2: Sample Size Table

<table>
<thead>
<tr>
<th>Department</th>
<th>Managers</th>
<th>Employees</th>
<th>Sampled Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>1</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>Marketing</td>
<td>1</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td>Finance</td>
<td>1</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>HRM</td>
<td>1</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Business Development</td>
<td>1</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>Technical</td>
<td>1</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6</strong></td>
<td><strong>135</strong></td>
<td><strong>141</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2016)

#### 3.5 Data Collection Instruments

Data was collected through the use of questionnaires with close and open ended questions for the employees and for the managers.

##### 3.5.1 Questionnaires

A questionnaire is a set of questions designed to generate the data necessary to accomplish the objectives of the research project (Orodho, 2005). Cooper and Schindler (2003) recommends the use of questionnaire in descriptive studies because self-administered surveys cost less than personal interviews and researcher can contact participants who might otherwise be inaccessible.

This study used a questionnaire containing both open and close-ended questions so as to be able to capture more information from the respondents. The close-ended question was on 5-point likert scale. Likert scale is the most widely used approach to scaling responses in survey research (Borg & Gall, 1989).
3.6. Pretesting of the instrument

Before administering the research instruments to the respondents, pre-testing was done so as to help in determining the validity and reliability of the research tools to ensure that the questions are applicable and clearly understandable.

3.6.1 Validity of the Instrument

Validity is the degree to which the research instruments appropriately and accurately measure what they are supposed to measure (Orodho, 2005). The study employed construct validity as advocated by Cronbach (1955), in which it relates the measuring instrument to the general theoretical framework so as to determine whether the instrument will be tied to the concepts and the theoretical assumptions. Content validity was done to ascertain clarity and simplicity. The study used clear wording of the questions by using terms that are likely to be familiar to, and understood by the respondents. The researcher also engaged experts and his supervisor to ascertain whether the content of the research instrument are up to standard.

3.6.2 Reliability of the Instrument

Reliability is the degree of consistency that the instrument or tool demonstrates on repeat trials (Kothari, 2007). Reliability of the measures was assessed with the use of Cronbach’s alpha. Cronbach’s alpha allows us to measure the reliability of the different categories. It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Reid, 2006). Reid (2006) further indicates that as a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and a good indication of construct reliability. This study obtained a correlation coefficient of 0.85 (see Appendix III) which showed a strong correlation coefficient.
3.6.3 Pilot Study

Pilot study is an activity that assists the research in determining if there are flaws, limitations, or other weaknesses within the research instrument design and allows him or her to make necessary revisions prior to the implementation of the study (Orodho, 2005). A pilot study was carried out in Kenya Cooperative Creameries (KCC) comprising of 10 respondents.

3.7 Data Collection Procedures

A letter of authorization to proceed to the field was obtained from the University. The researcher personally administered the questionnaires to the respondents who were assured that strict confidentiality would be maintained in dealing with the responses. The respondents were given one week to fill in the questionnaires after which the filled-in questionnaires were collected.

3.8 Data Analysis and Presentation

The study used both quantitative and qualitative method of data analysis. Quantitative analysis was used on data collected through questionnaires. Collected data was first coded and then quantitatively analyzed according to statistical information derived from the research questions. The coded data was then tabulated and presented for statistical analysis by calculating the percentages, means and variance on each variable by use of Statistical Package for Social Sciences (SPSS) version 17.0. Data results were presented in tables, graphs and charts to give a clear picture on the findings. Content analysis technique was used to analyze qualitative data from open ended questions and reported in narrative form along with quantitative presentation.
Regressions and Analysis of Variance (ANOVA) test were used to determine the effect of strategy implementation on performance contracting. The regression equation was:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Whereby \( Y = \) Strategy Implementation
\( X_1 = \) Organizational Structure
\( X_2 = \) Financial Resources
\( X_3 = \) Organizational Norms
\( X_4 = \) Communication
\( \beta_1, \beta_2, \beta_3, \text{ and } \beta_4 \) are coefficients of determination
\( \epsilon \) is the error term.

### 3.9 Ethical Issues

Ethical measures are principles which the researcher should bind himself with in conducting his research (Schulze, 2002). The researcher acquired a letter of authorisation from the University before proceeding to the study area. Participants were given adequate information on the aims of the research, the procedure that were to be followed, the credibility of the researcher and the way in which the results were to be used. This enabled participants to make an informed decision on whether they want to participate in the study or not. Participant confidentiality was not compromised as their names and their personal data were not indicated in the data collection instruments.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

In this chapter the key issues related to data presentation, analysis and interpretation have been discussed. This chapter presents study responses regarding the influence of strategy implementation on performance contracting in Regulatory State Corporations in Kenya. First, the research response rate has been computed and presented for each section. Secondly, the demographic characteristics of the participants have been described. Thirdly, the findings on the four key objective areas of the study have been presented and interpreted. The responses were analyzed using descriptive and inferential statistics. The data has been presented in tables, chart and figures.

4.2 Response Rate

The study targeted a sample size of 141 respondents comprising of 6 managers and 135 employees from which 124(91.9%) employees filled in and returned the questionnaires. All the managers responded to the questionnaire forming a response rate of 100%. The overall response rate was 92.2%. Mugenda and Mugenda, (2003) notes that a response rate of 50% is adequate for analysis and reporting, a response rate of 60% is good and that of 70% and above is very good. This therefore meant that the response rate of 92.2% was appropriate for the study. This is shown in table 4.1.
Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Administered</th>
<th>Responded</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>6</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td>Employees</td>
<td>135</td>
<td>124</td>
<td>91.9</td>
</tr>
<tr>
<td>Total</td>
<td>141</td>
<td>130</td>
<td>92.2</td>
</tr>
</tbody>
</table>

Source: Research Data (2016)

The questionnaire return rate was high because the researcher ensured that the respondents had been sensitized prior to administration of the questionnaires.

4.3 Background Information

On the background information of employees, the researcher was interested in knowing the gender, age, length of work in the current station and the education level.

4.3.1 Distribution of the respondents by Gender

The respondents were asked to indicate their gender to which they gave their responses as indicated in Figure 4.1.

![Figure 4.1: Distribution of the respondents by Gender](image)

Source: Research Data (2016)
Figure 4.1 shows that majority of the respondents (56.9%) were male while 43.1% were female. This is an indication that both genders were involved in this study and thus the finding of the study did not suffer from gender bias. This further indicates that the Kenyan employment sector is dominated by men as compared to the women.

4.3.2 Distribution of the respondents by Age

The respondents were asked to indicate their age to which they gave their responses as indicated in Table 4.2

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25</td>
<td>39</td>
<td>30.0</td>
</tr>
<tr>
<td>25-35</td>
<td>45</td>
<td>34.6</td>
</tr>
<tr>
<td>36-45</td>
<td>25</td>
<td>19.2</td>
</tr>
<tr>
<td>&gt;45</td>
<td>21</td>
<td>16.2</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data (2016)

Table 4.2 show that majority (34.6%) of the respondents were aged between 25 and 35 years old, 30.0% aged less than 25 years, 19.2% aged between 36 and 45 years and 16.2% aged over 45 years. The findings depict that the Kenyan employment sector is dominated by middle aged people and the youth while the younger age (<25 years) are most likely in schools and colleges.

4.3.3 Distribution of the respondents by Work Experience

The study sought to find out the duration the respondents have had their work experience. The findings are shown in Figure 4.2
Figure 4.2: Distribution of the respondents by Work Experience

Source: Research Data (2016)

Figure 4.2 shows that majority (40.0%) of the respondents had worked for a period of between 6 and 9 years in the current station, 35.4% for over 10 years, 14.6% between 2 and 5 years and 10.0% for less than 2 years. This is an indication that majority of the respondents had worked for a period long enough and had a wealth experience to contribute to the study effectively. The findings therefore indicate that the longer the employees have worked in the organization the better they are at understanding the strategies of the company. They are therefore at a better place to implement the strategies since they are now conversant with them and know what exactly the company needs to grow.

4.3.4 Level of Education

The study requested the respondent to indicate their highest level of education. The findings are presented in Table 4.3.
Table 4.3: Distribution of the respondents by Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency (F)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>11</td>
<td>8.5</td>
</tr>
<tr>
<td>University degree</td>
<td>51</td>
<td>39.2</td>
</tr>
<tr>
<td>Masters</td>
<td>39</td>
<td>30.0</td>
</tr>
<tr>
<td>Post-graduate diploma</td>
<td>29</td>
<td>22.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>130</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2016)

Table 4.3 shows that majority (39.2%) of the respondents had attained a university degree, 30.0% Masters degree, 22.3% Post Graduate Diploma and 8.5% College/Diploma. This shows that majority of the respondents had attained a degree level of education and would therefore contribute adequately to the study. The findings further reveal that the respondents are well learned and therefore are at a better position of understanding the strategies of the company as well as helping in implementing these strategies and helping the organization to achieve its overall goals.

4.4 Descriptive Statistics

Descriptive statistics such as means and standard deviations were used to present that quantitative data with the use of Statistical Package for Social Sciences (SPSS) version 17.0. These were presented as per the study objectives as follows.

4.4.1 Organizational Structure and Performance Contracting

The first research objective sought to establish the influence of organizational structure on performance contracting in Regulatory State Corporations in Kenya. The study sought to find out whether organizational structure influence performance contracting in Regulatory State Corporations in Kenya. The findings are shown in Figure 4.3.
Figure 4.3: Organizational Structure and Performance Contracting

Source: Research Data (2016)

From the research findings, majority (97.7%) of the respondents as shown in figure 4.3 agreed that organizational structure influences performance contracting in Regulatory State Corporations in Kenya while 2.3% disagreed. The findings support Hellgren and Sverke (2009) who found that even in troubled organizations, structural change is intermittent and can take long periods of time and changes with little or no tangible results. Sagimo (2010) argues that finding satisfactory systems of roles and relationships to implement during restructuring process is usually an ongoing universal struggle. Craig (2009) on his part notes that managers and supervisors rarely face well defined problems which have clear cut solutions, instead, they confront enduring restructuring quandary without easy answers.

The study sought to find out the extent to which organizational structure influences performance contracting in Regulatory State Corporations in Kenya. Their responses are shown in Table 4.4.
Table 4.4: Extent to which Organizational Structure influences Performance Contracting

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmental Strategic Plan affect the implementation of PC process</td>
<td>3.43</td>
<td>1.107</td>
</tr>
<tr>
<td>Division’s Strategic Plan developed from the Department’s strategic plans affects PC implementation process</td>
<td>2.58</td>
<td>1.318</td>
</tr>
<tr>
<td>Individual plans developed from the department affects the implementation of PC process</td>
<td>3.70</td>
<td>1.114</td>
</tr>
<tr>
<td>Division’s Core Values affect the PC implementation process</td>
<td>2.53</td>
<td>0.987</td>
</tr>
<tr>
<td>The organization structure allows timely decision making towards the implementation of Performance contracting</td>
<td>3.33</td>
<td>0.903</td>
</tr>
<tr>
<td>A tall organizational structure influences the implementation of performance contracting</td>
<td>3.60</td>
<td>0.955</td>
</tr>
<tr>
<td>A flat organizational structure influences the implementation of performance contracting</td>
<td>3.80</td>
<td>0.853</td>
</tr>
</tbody>
</table>

Source: Research Data (2016)

The results show that the respondents strongly agreed that a flat organizational structure influences the implementation of performance contracting in Kenya (M=3.80, SD=0.853) and Individual plans developed from the department affects the implementation of PC process (M=3.70, SD=1.114). These were followed by the statements that a tall organizational structure influences the implementation of performance contracting (M=3.60, SD=0.955), Departmental Strategic Plan affect the implementation of PC process (M=3.43, SD=1.107), The organization structure allows timely decision making towards the implementation of Performance contracting (M=3.33, SD=0.903), Division’s Strategic Plan developed from the Department’s strategic plans
affects PC implementation process (M=2.58, SD=1.318) and lastly, Division’s Core Values affect the PC implementation process (M=2.53, SD=0.987).

These findings concur with the findings of Drazin and Howard (2013) which see a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies. They point out that changes in the competitive environment require adjustments to the organizational structure. Adjusting organizational structure according to perfect strategy can ensure successful strategy implementation. Different strategy types have different requirements regarding an adequate organizational structure.

Rose (2008), argues that Human Resource (HR) systems and the organization structure should be managed in a way that is congruent with organizational strategy. Rose (2008) further explained that there is a HR cycle which consists of four generic processes or functions that are performed in all organizations. These include slimmer and flatter organization structures in which cross-functional operations and team-working have become more important, more flexible working patterns, total quality and lean production initiatives, and the decentralization and devolvement of decision-making.

4.3.2 Influence of Financial Resources on Performance Contracting

The second research objective sought to examine the influence of financial resources on performance contracting in Regulatory State Corporations in Kenya. The study sought to find out the influence of financial resources on performance contracting in Regulatory State Corporations in Kenya. The findings are shown on Figure 4.4.
The research findings reveal that majority (95.4%) of the respondents agreed that financial resources influence in Regulatory State Corporations in Kenya while 4.6% disagreed. The findings are in line with Eikelenboom (2009) who observed that resources are considered the ultimate source of sustainable value creation. Effective management plays a major role to ensure proper utilization at the right time and setting. While resources are important their existence per se do not confer any benefit to the organization (Henry, 2011). Competences are the attributes that a company requires to be competitive in a highly turbulent and hyper competitive environment. Implementation of strategy test the ability to allocate resources, design structures and systems, formulate functional objectives and plan for operational effectiveness.

The study sought to find out the extent to which financial resources influences performance contracting in Regulatory State Corporations in Kenya. The findings are shown in Table 4.5.
Table 4.5: Extent to which Financial Resources influences Performance Contracting

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular appraisals are conducted to ensure that resources are utilized only for purposes intended</td>
<td>3.78</td>
<td>0.947</td>
</tr>
<tr>
<td>Normal internal audit is conducted to ensure that resources are utilized only for purposes intended</td>
<td>3.28</td>
<td>0.716</td>
</tr>
<tr>
<td>The organization has received donor support financially in implementing its strategic plans for the last 5 years</td>
<td>2.60</td>
<td>1.008</td>
</tr>
<tr>
<td>Lack of financial resources slows down the implementation of strategies</td>
<td>1.95</td>
<td>0.904</td>
</tr>
<tr>
<td>Funding dictate the extent to which the organizational strategies will be implemented</td>
<td>3.83</td>
<td>0.712</td>
</tr>
</tbody>
</table>

Source: Research Data (2016)

The results show that the respondents strongly agreed that funding dictate the extent to which the organizational strategies will be implemented (M=3.83, SD=0.712) and regular appraisals are conducted to ensure that resources are utilized only for purposes intended (M=3.78, SD=0.947). These were followed by the statements that normal internal audit is conducted to ensure that resources are utilized only for purposes intended (M=3.28, SD=0.716), the organization has received donor support financially in implementing its strategic plans for the last 5 years (M=2.60, SD=1.008) and lastly, lack of financial resources slows down the implementation of strategies.

The findings are in line with Hrebiniakn (2006) who argued that strategies fail in implementation due to lack of resources. The finance strategic plan is an arrangement that focuses on how to successfully; make money, spend money, and estimate the income and operating cost. The total
amount necessary to effectively manage an organization is planned for by executives as they settle on the requirements for the execution of their sections goals as well as the objective (Hrebiniak, 2006).

4.4.3 Influence of Organizational Norms on Performance Contracting

The third research objective sought to identify the influence of organizational norms on performance contracting in Regulatory State Corporations in Kenya. The study sought to find out whether organizational norms influence performance contracting in Regulatory State Corporations in Kenya. The findings are shown on Figure 4.5.

![Diagram showing the influence of organizational norms on performance contracting in Regulatory State Corporations in Kenya.](image)

**Figure 4.5: Influence of organizational norms on performance contracting in Regulatory State Corporations in Kenya**

**Source: Research Data (2016)**

From the research findings, majority (98.5%) of the respondents as shown in figure 4.5 agreed that organizational norms influence performance contracting in Regulatory State Corporations in Kenya while 1.5% disagreed. The findings support Sadri and Lees (2011) who found a strong association between corporate strategy and culture, thus concluding that organizations with prospectors’ strategy tend to have developmental culture, while those with defensive strategy tend to have hierarchical culture. Hrebniak (2010) conducted a study on obstacles to effective strategy implementation and found that poor or inadequate information sharing, unclear
responsibility and accountability, and working against the organizational power structure – all part of organizational structure – results in failed implementation processes.

The study sought to find out the extent to which organizational norms influences performance contracting in Regulatory State Corporations in Kenya. Their responses are shown in Table 4.6.

**Table 4.6: Extent to which Organizational norms influences Performance Contracting**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organizational way of doing things affect the implementation of Performance Contracting process</td>
<td>2.7</td>
<td>0.788</td>
</tr>
<tr>
<td>The organization uses the information obtained from various sources for smooth implementation of strategies</td>
<td>2.6</td>
<td>0.750</td>
</tr>
<tr>
<td>The organizational uniqueness is noted in the use delegation method to coaching and mentoring</td>
<td>3.1</td>
<td>0.654</td>
</tr>
<tr>
<td>The organization determines customer satisfaction and keeps modifying approaches to make performance contracting a reality</td>
<td>3.2</td>
<td>0.612</td>
</tr>
<tr>
<td>Organizational teamwork is noted across all the divisions in the performance contracting implementation process</td>
<td>2.4</td>
<td>0.801</td>
</tr>
<tr>
<td>Employees’ creativity and innovativeness is greatly enhanced for implementation of performance contracting</td>
<td>3.3</td>
<td>0.699</td>
</tr>
<tr>
<td>Core values: integrity, honesty, meritocracy affects implementation of performance contracting</td>
<td>3.4</td>
<td>0.641</td>
</tr>
</tbody>
</table>

**Source: Research Data (2016)**

The results show that the respondents strongly agreed that Core values: integrity, honesty, meritocracy affects implementation of performance contracting (M=3.4, SD=0.641) and also employees’ creativity and innovativeness is greatly enhanced for implementation of performance
contracting (M=3.3, SD=0.699). These were followed by the statements that the organization determines customer satisfaction and keeps modifying approaches to make performance contracting a reality (M=3.2, SD=0.612), the organizational uniqueness is noted in the use delegation method to coaching and mentoring (M=3.1, SD=0.654), The Organizational way of doing things affect the implementation of performance contracting process (M=2.7, SD=0.788) and lastly, the organization uses the information obtained from various sources for smooth implementation of strategies (M=2.6, SD=0.750).

The findings support Arthur et al (2010) who noted that the culture that exists within an organization cannot be separated from the behavior and styles of the leaders of the organization. The manner in which they lead will directly impact on the organization’s culture and teamwork. People relate to and imitate the behavior they observe in leaders, which makes the influence of leadership on culture all the more important. An effective and robust culture is a critical ingredient in ensuring the increase of bottom results for any organization.

4.4.4 Communication and Performance Contracting

The fourth research objective sought to establish the influence of communication on performance contracting in Regulatory State Corporations in Kenya. The study sought to find out the influence of communication on performance contracting in Regulatory State Corporations in Kenya. The findings are shown on Figure 4.6.
The study findings reveal that majority (94.6%) of the respondents agreed that organizational norms influence performance contracting in Regulatory State Corporations in Kenya while 5.4% disagreed. These findings are in line with Rapert et al. (2012) who found that communication is deeply connected with strategic consensus. Everybody in the organization must know the direction the organization is going and what are the objectives. As well they must know the vision, thus the ideal state. Communication serves as a mean to reach this consensus. Management’s task is to ensure that this communication takes place, between themselves and middle management, between different functions and between other important connections in the organization.

The study further sought to find out the extent to which communication influences performance contracting in Regulatory State Corporations in Kenya. Their responses are shown in Table 4.7.
Table 4.7: Extent to which Communication influences Performance Contracting

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feedback systems affect implementation of performance contracting process</td>
<td>1.9</td>
<td>0.805</td>
</tr>
<tr>
<td>Exchange of information among stakeholders influences the implementation of performance contracting</td>
<td>2.8</td>
<td>0.766</td>
</tr>
<tr>
<td>Availability of information to the management for decision-making influences the implementation of performance contracting</td>
<td>2.5</td>
<td>0.714</td>
</tr>
<tr>
<td>Written communication influences the implementation of performance contracting</td>
<td>3.2</td>
<td>0.612</td>
</tr>
<tr>
<td>Bottom up communication influences the implementation of performance contracting</td>
<td>2.4</td>
<td>0.801</td>
</tr>
<tr>
<td>Formal communication influences the implementation of performance contracting</td>
<td>3.9</td>
<td>0.461</td>
</tr>
</tbody>
</table>

Source: Research Data (2016)

The results show that the respondents strongly agreed that formal communication influences the implementation of performance contracting (M=3.9, SD=0.461) and also written communication influences the implementation of performance contracting (M=3.2, SD=0.612). These were followed by the statements that exchange of information among stakeholders influences the implementation of performance contracting (M=2.8, SD=0.766), availability of information to the management for decision-making influences the implementation of performance contracting (M=2.5, SD=0.714), bottom up communication influences the implementation of performance contracting (M=2.4, SD=0.801) and lastly, feedback systems affect implementation of performance contracting process (M=2.4, SD=0.801).
Noble (2009) focused on involving people from different functions taking into consideration the degree to which inter-organizational strategic perceptions are congruent. In their work, Rapert et al (2012) concern themselves with strategic consensus, in specific on shared understandings and priorities. Consensus is key, because strategies can be interpreted in a diverse set of ways. It is the manager’s responsibility to promote unified direction of the people in the organization. Strategic consensus is connected with implementation success and increased performance. As a mean of enhancing strategic consensus frequent vertical communication plays a crucial role.

4.5 Implementation of Performance Contracting

On the measurement of performance contracting as an independent variable, study sought to find out the extent to which strategic plan influences performance contracting. This is shown in Table 4.8.

Table 4.8: Implementation of Performance Contracting

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved employee performance</td>
<td>3.4</td>
<td>0.641</td>
</tr>
<tr>
<td>Better informed decisions</td>
<td>2.6</td>
<td>0.750</td>
</tr>
<tr>
<td>Improved accountability</td>
<td>2.8</td>
<td>0.802</td>
</tr>
<tr>
<td>Greater transparency</td>
<td>3.0</td>
<td>0.578</td>
</tr>
</tbody>
</table>

Source: Research Data (2016)

The results show that the respondents strongly agreed on the statement that strategy implementation on performance contracting leads to improved employee performance (M=3.4, SD=0.641) and that there is greater transparency (M=3.0, SD=0.578). These were followed by
the statements that there is improved accountability (M=2.8, SD=0.802) and that there is better informed decisions (M=2.6, SD=0.750).

The success of Performance Contracts in such diverse countries as France, Pakistan, South Korea, Malaysia and India, has sparked a great deal of interest in this policy around the world (Shirley & Lixin, 2007). Scholl (2009) observed that governments are increasingly faced with the challenge to do things differently but using fewer resources. Scholl (2011) further reckons that performance contracting provides a framework for generating desired behavior in the contest of devolved management structures. Employers view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves.

4.6 Regression Analysis

Regression analysis was used to model, examine, and explore the relationship between performance contracting in Regulatory State Corporations in Kenya against the four independent variables (organizational structure, financial resources, organizational norms and communication) used for the study, this was important in measuring the extent to which changes in one or more variables jointly affected changes in another variable.

Regression analysis was also used to generate an equation applied to the independent variables in order to best predict the dependent variable in the model. Each independent variable is associated with a regression coefficient describing the strength and the sign of that variable’s relationship to the dependent variable. Analysis was done using SPSS version 17.0 to generate the model summary, Analysis of variance (ANOVA) and coefficients of regression. A model summary was
generated providing the values of R, R Squared, Adjusted R Square and Standard error of the estimates for dependent and independent variables. The results are shown in Table 4.9.

### Table 4.9: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1</td>
</tr>
<tr>
<td>1</td>
<td>.502</td>
<td>.252</td>
<td>.188</td>
<td>1.242</td>
<td>.252</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Communication, Organizational Structure, Financial Resources, Organizational Norms

**Source: Research Data (2016)**

The value of R in the model was 0.502 showing a very strong correlation between performance contracting Regulatory State Corporations in Kenya and the independent variables which included organizational structure, financial resources, organizational norms and communication. The study further showed R-square (0.252) which measured the proportion of the variation in the performance contracting that was explained by variations in the independent variables. The four independent variables that were studied, explain 18.8% of performance contracting in regulatory bodies in Kenya as represented by the adjusted R². This therefore means that other factors not studied in this research contribute 81.2% of the performance contracting in regulatory bodies in Kenya. Therefore, further research should be conducted to investigate the other factors (81.2%) that affect the performance contracting in regulatory bodies in Kenya.

### 4.6.1 ANOVA

Analysis of Variance (ANOVA) was used to determine the linear relationship among the variables under investigation. Using this method, the sum of squares, degrees of freedom (df),
mean square, value of F (calculated) and its significance level was obtained. The results are shown in Table 4.10.

**Table 4.10: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>24.453</td>
<td>4</td>
<td>2.113</td>
<td>3.962</td>
<td>.001a</td>
</tr>
<tr>
<td>Residual</td>
<td>72.527</td>
<td>126</td>
<td>1.543</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>96.981</td>
<td>130</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Communication, Organizational Structure, Financial Resources, Organizational Norms

b. Dependent Variable: Performance Contracting

**Source: Research Data (2016)**

Table 4.10 reveals that the significance value is 0.001 which is less than 0.05 thus the model is statistically significance in predicting how various factors affect performance contracting in regulatory bodies in Kenya.

The F critical at 5% level of significance was 2.113. Since F calculated is greater than the F critical (value = 3.962), this shows that the overall model was significant. The linear regression's F-test has the null hypothesis that there is no linear relationship between the two variables (in other words R²=0). With F = 3.962 and 51 degrees of freedom the test is highly significant, thus we can assume that there is a linear relationship between the variables in our model. The relationship (p < 0.05) indicated a linear relationship among the variables under the study meaning there was 95% chance that the relationship among the variables was not due to chance.
4.6.2 Coefficients

As shown on Table 4.10, organizational structure, financial resources, organizational norms, and communication had a positive and significant effect on performance contracting in regulatory bodies in Kenya as indicated by beta values. The relationships (p<0.05) are all significant with Organizational Structure (t=2.134, p<0.05), Financial Resources (t=2.341, p<0.05), Organizational Norms (t = 2.856, p<0.05) and Communication (t = 5.898, p<0.05).

Table 4.11: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>95.0% Confidence Interval for B</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.531</td>
<td>.809</td>
<td>1.645</td>
<td>.107</td>
<td>.297</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>.656</td>
<td>.138</td>
<td>.149</td>
<td>2.134</td>
<td>.002</td>
</tr>
<tr>
<td>Financial Resources</td>
<td>.761</td>
<td>.154</td>
<td>.313</td>
<td>2.341</td>
<td>.004</td>
</tr>
<tr>
<td>Organizational Norms</td>
<td>.540</td>
<td>.154</td>
<td>.392</td>
<td>2.856</td>
<td>.006</td>
</tr>
<tr>
<td>Communication</td>
<td>.751</td>
<td>.168</td>
<td>.124</td>
<td>5.898</td>
<td>.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance Contracting

Source: Research Data (2016)

Table 4.10 further shows the constant in this model is represented by a value of 0.531, which is the expected value of performance contracting in regulatory bodies in Kenya when the values of the independent variables are equal to zero. Financial resources was found to be the most (76.1%) significant among the four variables followed by communication (75.1%), organizational structure (65.6%) and organizational norms. From the coefficients Table, it is evident that the p-values for organizational structure (0.002), financial resources (0.004), organizational norms (0.006) and communication (0.001) are less than 0.05. This therefore
means that organizational structure, financial resources, organizational norms and communication are statistically significant and they therefore influence performance contracting in regulatory statutory bodies in Kenya. Based on the analysis, the regression equation for the independent variable on the dependent variable resulted to the following:

\[ Y = 0.531 + 0.656X_1 + 0.761X_2 + 0.540X_3 + 0.751X_4 \]

Where \( Y \) = Performance Contracting

\( X_1 \) = Organizational Structure

\( X_2 \) = Financial Resources

\( X_3 \) = Organizational Norms

\( X_4 \) = Communication
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
The basic purpose of this chapter is to give the summary of the findings, conclusions and recommendations of the study. This was based on the research findings that is presented and discussed in the previous chapters. The study established several findings which make a direct contribution to knowledge and policy formulation. Recommendations both for further research as well as policy and practice have been made.

5.2 Summary of the Findings
This study aimed at determining the influence of strategy implementation and performance contracting in regulatory state corporations in Kenya focusing on Kenya Dairy Board. The task included; establishing the influence of organizational structure on performance contracting in Regulatory State Corporations in Kenya; examining the implication of financial resources on performance contracting in Regulatory State Corporations in Kenya; identifying the effects of organizational norms on performance contracting in Regulatory State Corporations in Kenya; and determining determine the role of communication on performance contracting in Regulatory State Corporations in Kenya. The study reviewed previous studies with a view to establish academic gaps which the present study sought to bridge. This was done through library research.

This study adopted a descriptive survey design and employed quantitative research as the main approach to guide the study. The study targeted 141 respondents, from 6 departments in the Kenya Dairy Board namely; Information communication and Technology (ICT) department, Marketing department, Finance, Human Resource Management (HRM) department, Business
development and Technical department. The research instrument used in data collection was a questionnaire to draw information from the respondents. To ensure validity of the instruments, expert opinion was sought. Data analysis was started immediately after the field. Data was summarized into frequencies and percentages and presented in tables and figures. This section comprises of discussions based on the specific research objectives of the study.

Given below is a summary of the key study findings.

The study findings reveal that majority of Kenya Dairy Board employees are male aged between 25 and 35 years old and have worked for a period of between 6 and 9 years in the current station. The study findings also reveal that majority of the Kenya Dairy Board have attained a university degree.

5.2.1 Influence of Organizational Structure on performance contracting

The study findings reveal that majority of the respondents agreed that organizational structure influence performance contracting in Regulatory State Corporations in Kenya. The findings further reveal that majority of the Kenya Dairy Board employees strongly agreed that flat organizational structure influences the implementation of performance contracting in Kenya and individual plans developed from the department affects the implementation of performance contracting process.

5.2.2 Influence of Financial Resources on performance contracting

The study findings reveal that majority of the Kenya Dairy Board employees agreed that financial resources influence performance contracting in regulatory state corporations in Kenya. The findings further reveal that majority of the respondents strongly agreed that funding dictate the extent to which the organizational strategies will be implemented and conducting of regular
appraisals on financial status of the corporations ensure that resources are utilized only for purposes intended.

5.2.3 Influence of Organizational Norms on performance contracting

The study findings reveal that majority of the respondents agreed that organizational norms influences performance contracting in regulatory state corporations in Kenya. Majority of the respondents strongly agreed that core values: integrity, honesty and meritocracy affects implementation of performance contracting processes and employees’ creativity and innovativeness is greatly enhanced through organisational norms for implementation of performance contracting.

5.2.4 Influence of Communication on performance contracting

The study findings reveal that majority of the Kenya Dairy Board employees agreed that communication influences performance contracting in regulatory corporations in Kenya. The findings further reveal that majority of the respondents strongly agreed that formal and written communication influences the implementation of performance contracting processes within the regulatory state corporations in Kenya.

The study findings reveal p-values for organizational structure, financial resources, organizational norms and communication are less than 0.05. This therefore means that organizational structure, financial resources, organizational norms and communication are statistically significant and they therefore influence performance contracting in regulatory statutory bodies in Kenya.
5.3 Conclusion

The study found that majority of the respondents agreed that organizational structure influence performance contracting in Regulatory State Corporations in Kenya. The study found that the regulatory state corporations in Kenya employ the appropriate organizational structure processes to select the right people for key positions to enhance strategic implementation with the view of ensuring that performance contracting becomes a success. The nature of the regulatory corporations’ structure enhances the organizations flexibility critical to performance contracting with their current structure having clear lines of authority and the structure adopted to enhance organization effectiveness, efficiency and responsiveness. The findings support Hellgren and Sverke (2009) who found that even in troubled organizations, structural change is intermittent and can take long periods of time and changes with little or no tangible results. Sagimo (2010) argue that finding satisfactory systems of roles and relationships to implement during restructuring process is usually an ongoing universal struggle. Craig (2009) on his part notes that managers and supervisors rarely face well defined problems which have clear cut solutions, instead, they confront enduring restructuring quandary without easy answers. Drazin and Howard (2013) note that a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies. They point out that changes in the competitive environment require adjustments to the organizational structure. Adjusting organizational structure according to perfect strategy can ensure successful strategy implementation. Different strategy types have different requirements regarding an adequate organizational structure. Rose (2008) argues that Human Resource (HR) systems and the organization structure should be managed in a way that is congruent with organizational strategy
The study found that majority of the Kenya Dairy Board employees agreed that financial resources influence performance contracting in regulatory state corporations in Kenya. On financial resources, the study found that, is not only important to have the resources but of more importance is the alignment of the resources to the strategy so as to support the implementation process. Financial resources can be a limiting factor to achievement of corporate goals and objectives and the manner at which the resources are obtained may make it easier or harder to establish sustainable mechanisms to finance the organisation. Hence, proper management of these resources is critical for regulatory corporations to achieve their strategic goals. The findings are in line with Eikelenboom (2009) who observed that resources are considered the ultimate source of sustainable value creation. Effective management plays a major role to ensure proper utilization at the right time and setting. While resources are important, their existence per se do not confer any benefit to the organization (Henry, 2011). Competences are the attributes that a company requires to be competitive in a highly turbulent and hyper competitive environment. Implementation of strategy test the ability to allocate resources, design structures and systems, formulate functional objectives and plan for operational effectiveness. Hrebiniakn (2006) further argues that strategies fail in implementation due to lack of resources. The finance strategic plan is an arrangement that focuses on how to successfully; make money, spend money, and estimate the income and operating cost. The total amount necessary to effectively manage an organization is planned for by executives as they settle on the requirements for the execution of their sections goals as well as the objective (Hrebiniak, 2006).

The study found that majority of the respondents agreed that organizational norms influences performance contracting in regulatory state corporations in Kenya. On organizational norms, the study found that the management of state corporations relates well with employees within the
organization and the goals of and incentives for the workforce are aligned with the strategy towards the implementation of performance contracting. Organizational culture includes the shared beliefs, norms and values within an organization. The regulatory state corporations in Kenya provide a stable organisational culture which systematically support strategy implementation towards effective performance contracting and foster a culture of partnership, unity, teamwork and cooperation among employees. The findings support Sadri and Lees (2011) who found a strong association between corporate strategy and culture, thus concluding that organizations with prospectors’ strategy tend to have developmental culture, while those with defensive strategy tend to have hierarchical culture. Hrebniak (2010) conducted a study on obstacles to effective strategy implementation and found that poor or inadequate information sharing, unclear responsibility and accountability, and working against the organizational power structure, all part of organizational structure, results in failed implementation processes. According to Arthur et al (2010), the culture that exists within an organization cannot be separated from the behaviour and styles of the leaders of the organization. The manner in which they lead will directly impact on the organization’s culture and teamwork.

The study found that majority of the Kenya Dairy Board employees agreed that communication influences performance contracting in regulatory corporations in Kenya. The study found that the regulatory bodies have established effective communication channels which facilitate effective strategy implementation during the performance contracting processes. Careful consideration is given to communication requirements of the strategy to ensure corporation goals and objectives are achieved. In addition, the methods of communication to be utilized during strategy implementation are also considered including the technologies or methods to be used to transfer information back and forth among the managers and employees. These findings are in line with
Rapert et al. (2012) who found that communication is deeply connected with strategic consensus. Everybody in the organization must know the direction the organization is going and what are the objectives. As well they must know the vision, thus the ideal state. Communication serves as a mean to reach this consensus. Management’s task is to ensure that this communication takes place, between themselves and middle management, between different functions and between other important connections in the organization.

Therefore, study concludes that organizational structure, financial resources, organizational norms and communication have a positive and significant effect on performance contracting in regulatory state corporations in Kenya.

5.4 Recommendations

The research study sought to unearth the various factors that contribute to strategy implementation and performance contracting in regulatory state corporations in Kenya with specific reference to Kenya Dairy Board. The purpose and significance of the study was to inform regulatory state corporations on recommendations that will facilitate effective service delivery and realise performance objectives.

For regulatory state corporations (KDB and others), the study recommends that the organisational structure should be established in a manner that allows for employee participation at all levels of decision making. The structure should be developed to ensure that the staffs are involved in objective driven decisions especially that relate to performance contracting. All the staff in their different job related capacities should be involved in developing key strategic objectives and formulate pertinent performance related activities. Specific information sourcing and generation mechanisms should be established to assist the organisation realise set objectives.
and goals. The information derived from internal and external stakeholders should facilitate developing of strategies that will enable the corporations to gain competitive advantage and utilize the performance contracting processes to realize set strategic objectives and enhance service delivery.

Financial resources contribute significantly to realisation of organisational goals and objectives. Performance contracting process provides guidance on achievement of goals and objectives. Since the activities and targets established under the performance contracting processes are supported by relevant financial resources, the study recommends that the performance contracting process should be supported by sound financial resources so as to support the realisation of organisational goals and objectives. Regulatory state corporations should be able to plan with adequate financial resources accompanied with a sound institutional infrastructure, proper monetary and fiscal policies. In addition, the study recommends that proper management of resources and increased accountability encourages realisation of institutional objectives through increased transparency. Internal audits should be conducted to ensure that the resources are utilised for purposes intended for in order to realise strategic objectives.

Regulatory state corporations should enhance organisational norms that promote ownership to the institution goals and objectives. Towards this end, the study recommends minimisation of power distance between established lines of authority in order to encourage information delivery between the various functional levels within the organisation. Top management should encourage the lower management cadre to provide information related to the various departments on critical issues affecting the performance of the organisation. The agencies on the other hand should ensure a strong alignment between employee’s attitudes and strategic goals and objectives for effective implementation of the institutional strategies.
Communication is vital for providing the essential feedback for achieving organisational goals and objectives. Performance contracting process establishes mechanisms for reporting and feedback on key activities intended to achieve those goals and objectives. In order for communication to be effective, the study recommends that the regulatory corporations need to develop mechanisms that rewards achievements and install structures to further realise organisational growth. Transparent ways of providing incentives to the agency staff should be encouraged and to include mechanisms for promotions and rewards based on merit and which have significance towards the achievement of the strategic plans. The management of the regulatory agencies can elicit more support for set strategies by having clear and communicated career paths for their employees. Communication to all stakeholders is necessary to ensure that the strategic process receives support and ensures the success of the organisation. The organization should have an alignment of financial resources to set performance contracts outputs through the identified activities aligned to the strategic objectives. In order to support the competitive advantage of the regulatory state corporations, the study recommends an incentive program that promotes realisation of goals and objectives as set out in the performance contracts.

The government should provide the required financial provisions to regulatory state corporations in order to realise the organisational objectives as assessed during the performance contracting process. Lastly, the government should provide guidance and support on the development of an appropriate organisational structure for regulatory state corporations that promote effective communication and supports development of a sound organisational culture and that works to realize provision of services to stakeholders of regulatory state agencies. The study also recommends for the establishment and enhancement of transparency processes within the regulatory agencies to ensure that financial resources are utilized for the effective and sustainable
realisation of goals and objectives. At the same time, it recommends that stakeholders should contribute to the development of strategic goals of the regulatory agencies through continued feedback so as to provide for institutional ownership of intended activities as aligned in the performance contacting processes.

5.5 Suggestion for Further Study

Based on the study findings, this study suggests that further study should be carried on the influence of management support on the implementation of performance contracting in regulatory bodies in Kenya.
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APPENDICES

APPENDIX I: QUESTIONNAIRE

Questionnaire Code: SP/PC ………

This research is meant for academic purpose. It will try to provide data on “Strategy Implementation and performance contracting in Regulatory State Corporations in Kenya: A Case of Kenya Dairy Board.” Kindly you are requested to provide answers to these questions as honestly and precisely as possible. Responses to these questions will be treated as confidential.

**Instructions:**

i. Do not write your name or that of your department or school anywhere on this questionnaire

ii. Tick [ √ ] where appropriate or fill in the required information on the spaces provided

**Section A: Demographic Data**

1. Gender: Male [ ] Female [ ]

2. Age:
   
   [ ] Less than 25 Years [ ] 25 – 35 Years
   
   [ ] 36 –45Years [ ] Over 45 Years

3. How long have you worked in the current station?
   
   Less than 2 years [ ] 2 – 5 years
   
   6– 9 years [ ] 10 and above [ ]

4. What is your level of education?
   
   Diploma/College [ ] University Degree [ ]
   
   MBA/MA [ ] Post-graduate Diploma [ ]
Section B: Organizational Structure

5. Does organizational structure influence strategy implementation in regulatory state corporations in Kenya? Yes [ ] No [ ]

The statements below relate to Organizational Structure on the influence of strategy implementation in regulatory state corporations in Kenya. Supplied also are five options corresponding to these statements:

Key: Strongly agree(SA)=5, Agree(A)=4, Undecided(U)=3, Disagree(D)=2, and Strongly Disagree(SD)=1.

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<tr>
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<tbody>
<tr>
<td>Departmental Strategic Plan affect the implementation of PC process</td>
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<tr>
<td>Division’s Strategic Plan developed from the Department’s strategic plans affects PC implementation process.</td>
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<td>Individual plans developed from the department affects the implementation of PC process</td>
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<td>Division’s Core Values affect the PC implementation process</td>
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<tr>
<td>The organization structure allows timely decision making towards the implementation of Performance contracting</td>
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<tr>
<td>A tall organizational structure influences the implementation of performance contracting</td>
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<tr>
<td>A flat organizational structure influences the implementation of performance contracting</td>
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</table>

6. In your own suggestion, how does organizational structure influence performance contracting in regulatory state corporations in Kenya?

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Section C: Financial Resources

7. Do financial resources influence strategy implementation in regulatory state corporations in Kenya? Yes [ ] No [ ]

The statements below relate to Financial Resources on the influence of strategy implementation in regulatory state corporations in Kenya. Supplied also are five options corresponding to these statements:

**Key:** Strongly agree(SA)=5, Agree(A)=4, Undecided(U)=3, Disagree(D)=2, and Strongly Disagree(SD)=1.

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<tr>
<td>Regular appraisals are conducted to ensure that resources are utilized only for purposes intended</td>
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<tr>
<td>Normal internal audit is conducted to ensure that resources are utilized only for purposes intended</td>
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<tr>
<td>The organization has received donor support financially in implementing its strategic plans for the last 5 years</td>
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<td>Lack of financial resources slows down the implementation of strategies</td>
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<tr>
<td>Funding dictate the extent to which the organizational strategies will be implemented</td>
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8. In your own suggestion, how does financial resources influence performance contracting in regulatory state corporations in Kenya?
Section D: Organizational Norms

9. Does an organizational norm influence strategy implementation in regulatory state corporations in Kenya? Yes [ ] No [ ]

The statements below relate to Organizational Norms on the influence of strategy implementation in regulatory state corporations in Kenya. Supplied also are five options corresponding to these statements:

Key: Strongly agree(SA)=5, Agree(A)=4, Undecided(U)=3, Disagree(D)=2, and Strongly Disagree(SD)=1.

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<tbody>
<tr>
<td>The Organizational way of doing things affect the implementation of Performance Contracting process</td>
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<tr>
<td>The organization uses the information obtained from various sources for smooth implementation of strategies</td>
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<td>The organizational uniqueness is noted in the use delegation method to coaching and mentoring</td>
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<td>The organization determines customer satisfaction and keeps modifying approaches to make performance contracting a reality</td>
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<td>Organizational teamwork is noted across all the divisions in the performance contracting implementation process</td>
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<td>Employees’ creativity and innovativeness is greatly enhanced for implementation of performance contracting</td>
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<tr>
<td>Core values: integrity, honesty, meritocracy affects implementation of performance contracting</td>
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</table>

10. In your own suggestion, how does organizational structure influence performance contracting in regulatory state corporations in Kenya?
Section E: Communication

11. Does communication influence strategy implementation in regulatory state corporations in Kenya? Yes [ ] No [ ]

The statements below relate to Communication on the influence of strategy implementation in regulatory state corporations in Kenya. Supplied also are five options corresponding to these statements:

Key: Strongly agree(SA)=5, Agree(A)=4, Undecided(U)=3, Disagree(D)=2, and Strongly Disagree(SD)=1.

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<tr>
<td>Feedback systems affect implementation of performance contracting process</td>
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<td>Exchange of information among stakeholders influences the implementation of performance contracting</td>
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<td>Availability of information to the management for decision-making influences the implementation of performance contracting</td>
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<td>Written communication influences the implementation of performance contracting</td>
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<td>Bottom up communication influences the implementation of performance contracting</td>
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<tr>
<td>Formal communication influences the implementation of performance contracting</td>
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12. In your own suggestion, how does organizational structure influence performance contracting in regulatory state corporations in Kenya?

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81
Section F: Performance Contracting

13. Using a scale of 1-5, please indicate your agreement/disagreement levels with the following statements on influence of strategy implementation on performance contracting in Kenya Dairy Board, Kenya. The rating scale indicates agreement levels as follows: 1- Strongly Agree, 2 – Agree, 3- Neither Agree nor Disagree, 4 – Disagree, 5 – Strongly Disagree

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<tr>
<td>Improves employee performance</td>
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<td>Leads to better informed decisions</td>
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<td>Improves accountability</td>
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<tr>
<td>Leads to greater transparency</td>
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</table>

14. In your own suggestion, how does strategy implementation affect performance contracting in regulatory state corporations?

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Thank you very much for your valuable time and response. Your feedback will be treated with utmost confidentiality.
APPENDIX II: A LETTER OF TRANSMITTAL

Mwangi Evanson Njoroge  
P.O Box 30406-00100  
Nairobi

The Managing Director  
Kenya Dairy Board  
P.O Box 30406-00100  
Nairobi, Kenya

Dear Sir/Madam,

**Re: Research Study**

I am student from Kenyatta University City Campus, Pursuing a Master’s in Business Administration Degree in Strategic Management. Currently, I am in the process of undertaking research on ***“Strategy implementation and performance contracting in Regulatory State Corporations in Kenya: A Case of Kenya Dairy Board.”***

I therefore request to be granted permission to carry out the study in the attached list of selected departments in your organization.

Yours Faithfully

Mwangi Evanson Njoroge  
MBA, Student  
Kenyatta University – City Campus
APPENDIX III: RESEARCH PERMIT

CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before
   embarking on your research. Failure to do that
   may lead to the cancellation of your permit.
2. Government Officers will not be interviewed
   without prior appointment.
3. No questionnaires will be used unless it has been
   approved.
4. Excavation, filming and collection of biological
   specimens are subject to further permission from
   the relevant Government Ministries.
5. You are required to submit at least two (2) hard
   copies and one (1) soft copy of your final report.
6. The Government of Kenya reserves the right to
   modify the conditions of this permit including
   its cancellation without notice.

THIS IS TO CERTIFY THAT:

MR. EVANSON NJOROGE MWANGI
of KENYATTU UNIVERSITY, 30406-100
NAIROBI, has been permitted to conduct
research in Nairobi County

on the topic: STRATEGY
IMPLEMENTATION AND PERFORMANCE
CONTRACTING IN REGULATORY STATE
CORPORATIONS IN KENYA: A CASE OF
KENYA DAIRY BOARD

for the period ending:
26th August, 2017

[Signature]

Permit No: NACOSTI/P/16/50881/13324
Date Of Issue: 26th August, 2016
Fee Received: Ksh 1000

[Signature]

Director General
National Commission for Science, Technology & Innovation
APPENDIX IV: DATA COLLECTION LETTER FROM THE UNIVERSITY

KENYATTU UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@kua.ac.ke
Website: www.ku.ac.ke

Internal Memo

FROM: Dean, Graduate School
TO: Mwangi Evanson Njoroge
C/o Business Administration Department.

DATE: 31st May 2016
REF: D5/01/20383/13

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

This is to inform you that Graduate School Board, at its meeting of 25th May 2016, approved your Research Project Proposal for the M.B.A. Degree Entitled, "Strategy Implementation and Performance Contracting in Regulatory State Corporations in Kenya: A Case of Kenya Dairy Board".

You may now proceed with data collection, subject to clearance with the Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking forms per semester. The form has been developed to replace the progress report forms. The Supervision Tracking Forms are available at the University’s website under Graduate School webpage downloads.

Thank you.

HARRIET KBOKKE
FOR: DEAN, GRADUATE SCHOOL

cc: Chairman, Department of Business Administration

Supervisors:
1. Mr. Robert Naudiwa
C/o Department of Business Administration
Kenyatta University
APPENDIX V: RELIABILITY TEST RESULTS

<table>
<thead>
<tr>
<th>Respondent</th>
<th>X</th>
<th>Y</th>
<th>D (X-Y)</th>
<th>D²</th>
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<tbody>
<tr>
<td>1</td>
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<td>5</td>
<td>4</td>
<td>5</td>
<td>-1</td>
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∑D² = 3

\[ r = 1 - \frac{6\Sigma(D)^2}{N(N^2 - 1)} \]

Where:

\[ r = \text{Correlation coefficient} \]

\[ N = \text{Sample, } = 5 \]

\[ \Sigma = \text{Summation of scores,} \]

\[ D = \text{Deviation } = 3 \]

\[ r = 1 - \frac{6(3)}{5(5^2 - 1)} = 0.85 \]

Coefficient (r) = 0.85