DETERMINANTS OF EFFECTIVE PERFORMANCE OF CHIEF EXECUTIVES IN PUBLIC ORGANIZATIONS IN KENYA. A CASE OF SELECTED STATE CORPORATIONS

BY
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AUGUST 2005
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Determinants of effective performance
DECLARATION
This is my original work and has not been presented for award in any other university to fulfil examination purpose.

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This Project Report has been submitted for examination with our approval as university supervisors.

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DEDICATION:

This project is specially dedicated to my wife Mrs. Catherine Ukiru, and my four children, Sylvia, Bill, Peter, and Joy.

Special dedication also to my beloved Mum Pricila and my late Dad, Alfayo.
ACKNOWLEDGEMENT:

First and foremost, I wish to acknowledge the Almighty God and His son Jesus Christ for enabling me to finish the MBA Course that led to the writing of this project. May they be given the Glory.

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Definition of Terms

The following terms were used in the research study:-

1. Accountability - Being responsible for your decisions or actions that are subject to openness
2. Chief Executive officer - Top most officer in charge of an organization
3. Commitment - Willingness to work hard and give your energy and time to an assignment.
4. Contract - Official written agreement
5. Control - Power to make decisions
6. Criteria - standard or principle by which something is judged
7. Determinants - Anything that decides whether or how something is done
8. Divest - withdraw from investing in un profitable business
9. Effective - producing the result that is desired
10. Empowerment - To have control over your own situation
11. Evaluation - To form an opinion of amount, value or quality of something after thinking about it carefully.
12. Flexibility - Able to change to suit new conditions
13. GOK - Government of Kenya
14. Goals - Something that you hope to achieve
15. Government - A group of people responsible for running a country
16. Insolvent - Not having money to pay what you owe
17. Motivation - The reason why somebody behaves the way he does
18. Objectives - something that you are trying to achieve.
19. Patronage - System by which an important person gives help to somebody in return for their support
20. Performance - How well or badly you do something
21. Performance Standards - Quality output that one is supposed to achieve in a particular task
22. Reward - Compensation or appreciation for doing work well
23. Sample - Number of people or things taken from a larger group and used in test to provide information about a group
24. State Corporations - Government owned enterprise
25. Transparency - Being open in any transaction
26. Variables - Able to be changed
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ABSTRACT

The study will be based on the Determinants of success and performance of Chief Executives in public organizations. Focus was on eight (8) selected State Corporations out of sixteen which have already signed performance contracts. It had been noticed with great concern that the performance of State Corporations has deteriorated in the recent past. Most of them have failed to meet their stated objectives both financial and administrative. Many State Corporations have been under liquidation while others have collapsed due to mismanagement. It hence became imperative to establish the causes of the decline. This hence made the buck to rest on the doors of the chief executives responsible for the daily operations of the State Corporations. The researcher strove to establish the the Determinants of effective performance of Chief Executives in Government State Corporations with specific focus on eight parastatals which had signed performance contracts.

The broad objective of the study is to establish the factors that affect the success and performance of Chief Executives in public organizations with specific focus on eight (8) State Corporations which have already signed Performance Contracts.

Specifically, the study aimed to achieve the following objectives:-

- To determine the qualities and experience of a CEO that affects the performance of a State Corporation.
- To establish the relationship between the selection criteria and the performance of the Government’s CEO’s in the State Corporations.
- To find out if performance evaluation criteria of CEO’s in State Corporations and corporate goals affect their performance.
- To find out if autonomy of CEO’s has a bearing on their performance.
- To establish if incentives and benchmarking are important in determining the performance of CEO in State Corporations.
The researcher conducted a study in eight State Corporations with a target population of 4000 employees. Random sampling method was used because the respondents are from different organizations. A sample of 94 respondents shall be selected.

The instruments of data collection included questionnaires and interview guides. The researcher introduced himself to the organizations of study and introduced the subject as a requirement to meet in order to obtain the MBA degree in Kenyatta University. He then randomly selected the respondents for either interview or issue questionnaires. The questions were both close ended and open ended. The closed ended questions were of “yes and No answers that required respondents to tick where applicable. The open-ended questions required the respondents to delve deeper into the subject of study. The researcher also considered secondary information from existing written literature on the subject of study. The information gathered was presented using simple statistical methods of data collection such as bar charts, pie charts, tables histograms.

The results of the research are expected to be used by the government to come up with proper evaluation criteria of its chief executives which shall be vital in drawing performance contracts for effective operation of government State Corporations.

The concept of performance contracting was first introduced in Kenya in 1989. A Parastatal Reform Strategy Paper which was approved by the cabinet in 1991, was the first official recognition of the concept of performance contracting as it was part of the following policies that were recommended to streamline and improve the performance of state corporations:

- Divesture or liquidation of non-strategic parastatals.
- Contracting out commercial activities to the private sector
- Permitting private sector competition for existing state monopolies
- Improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives. Performance
contracts where applicable will be used to make transparent the cost of social services, and to compensate parastatals for their net costs. The main objective of performance contracting is to ensure that social service or non commercial objectives are costed and compensated for.

The research identified eight state corporations that signed performance contracts on 1st October 2004. (See appendix 1. The researcher managed to interview 84 respondents, out of the 94 targeted ones. The general feeling was that the performance of CEO’s was poor. It also emerged that, besides the variables of study, there were other determinants of CEO’s effective performance such as motivated staff, conducive working environment, good policies. This hence calls for further research in the area of determinants of effective performance of CEO’s.
1.0 INTRODUCTION

1.1 Background Information

State Corporations are formed under State Corporations Act Cap 446 of the laws of Kenya. They are formed for various purposes such as Commercial, Regulations, Development Institutions, Revenue Collectors, Financial Institution, Educational Institutions, Culture, and Research Institutions. Way back in 1982, the Government of Kenya realised the need for reforms in State Corporations. The State Corporations began to venture deeply into Commercial areas, competing with the private sector.

But as time progressed the State Corporations which were expected to be vibrant in business ventures were not making any profit as anticipated. This made the Government to intervene by granting them loans. This financial commitment by the Government retarded the country’s economic growth. The levels of unemployment surged. This made the government to divest by privatising some State Corporations in the 1990’s. In addition, the government decided to introduce performance measurement in the management of State Corporations as an effort to complement privatisation effort. This process had to take off in 2003.

In its efforts to meet continuing public demand for goods and services, the government thought it wise to heavily invest in the Parastatal sector in form of equity and long term debt. Equity investments were either in form of subvention grants in non-commercial State Corporations. Long term debt is on lent to State Corporations at concessional rates of interest. It is now confirmed that the State Corporations owed the government a total outstanding debt of Kenya Shillings 35.65 billions as at 31st May 2004 while total outstanding on-lent loans was Kenya Shillings 47.45 billions. As of now, the share of the State Corporation country total debt is 12%. A big number of the State Corporations which were guaranteed loans defaulted to repay forcing the government to service on their behalf. This hence led to massive
accumulation of arrears of on-lent loans. Records have it that out of a total amount of Kenya shillings 54.51 billions of on-lent loans, only Kenya Shillings 7.24 billions was repaid by 31st March, 2004. The balance seems un recoverable. This has hence eroded the capital base of most parastatals forcing some out of business while others technically insolvent, making them survive on the good will of the government and other creditors. It should be noted that there are 120 parastatals in which the government has majority shares either directly or indirectly. Out of these, 45 are commercial, 37 regulatory, 11 research institutions, 14 education and training, 6 Regional Development Authorities and 8 in Social Sectors. Their formation was based on a vision that they will grow into efficient, effective and self sustaining entities. They were expected to contribute a lot to the economy of the country and the welfare of the society in particular by creating employment and providing solutions to the emerging global challenges. But this has never been the case. Most State Corporations have collapsed despite the government intervention. Some are surviving on the government’s goodwill and other creditors.

It is also important to note that dismal performance of parastatals is partly attributed to over-staffing (Oyula 2004). In 1990s the Public Service over employed to unmanageable levels such that some State Corporations were unable to pay their staff and other overheads. Employees became de-motivated, making it difficult for CEOs to operate with their de-motivated staff. Furthermore, staff remuneration consumed most of the Corporation’s income. This made it difficult for State Corporations to meet other obligations effectively.

Political patronage according to Oyula (2004) is also another factor not to be left behind. Since Parastatal Chiefs are appointed by the Head of State, they cannot work with autonomy with full control of their respective Parastatals. They have to dance to the tune of their masters. This made most Parastatals to lose millions of shillings through dubious political events such as depositing money in Euro Bank by Parastatal Chiefs in the previous KANU regime.

Poor management and corruption also characterised the collapse of most Parastatals especially in the 1990s. Most Parastatal Chiefs were appointed to their positions without due regard to their academic and professional qualifications. They
could hardly understand the Vision, Mission and Objectives of their respective Parastatals. The only Mission they embarked on was looting to the best of their ability.

It should also be noted that lack of performance standards and targets gave way for poor evaluation criteria of the success of Parastatal CEO’s. They are never given performance standards to achieve. Hence it becomes difficult to evaluate their success.

This study shall hence strive to establish the factors that contributed to dismal performance of state corporations and try to come up with probable solutions.

1.2 Statement of the Problem

The performance of State Corporations largely depends on the experience of chief executives. Various State Corporations have performed poorly in the recent past due to lack of clear performance standards, targets and criteria of performance evaluation of their chief executives. There is hence need to examine the criteria for appointing government chief executives in Kenya and the qualities they should possess to qualify in their appointments. It should also be noted that there is no clear criterion for determining the performance levels of these executives at present, hence making it difficult to evaluate their effectiveness. This has ultimately led to poor performance of State Corporations in almost all spheres of management. Political patronage is also another issue to be emphasized. Oyula (2004) in his Paper on the Performance of state Corporations emphasizes that Parastatals performed dismally due to political patronage. Chief Executive Officers facilitated corruption since they have to please their masters by looting Corporations funds to finance non existent projects. For instance, towards the last general elections in 2002, most State Corporations Chiefs were forcefully made to deposit millions of shillings in Euro Bank which were never recovered.

Parastatal Chiefs also lack autonomy to have full control over their activities. Since they are political appointees, they have to always consult before they take any decision. This has ended up with wrong decisions being taken in favour of political masters (Oyula 2004).
This Research sought to answer the Question "What should be done to improve the performance output levels of State Corporations in Kenya?"

1.3 Objectives of the study

The broad objectives of the study was to establish the factors that affect the success and performance of Chief Executives in public organisations.

SPECIFIC OBJECTIVES

1) To determine the qualities and experience of a CEO that affects the performance of State Corporations.
2) To establish the relationship between the selection criteria and the performance of CEO’s in Government State Corporations.
3) Find out if Performance Evaluation Criteria of CEO’s in State Corporations and corporate goals affect their performance.
4) To find out if autonomy of CEO’s has a bearing on their performance.
5) To establish if incentives and benchmarking are important in determining the performance of CEO’s in State Corporations.

1.4 Research Questions

- Does Selection Criteria of Government Chief Executives affect their performance.
- Is evaluation criteria and corporate goals important element in determining the performance levels of Government Chief Executives?
- Does autonomy of CEO's in state corporations have a bearing on their performance?
- Are incentives and benchmarking important in determining the performance of Chief Executive Officers in State Corporations?
1.5 Significance of the Study

The current performance evaluation criteria for parastatal Chief Executives needs to be revisited. The researcher hopes that the findings of this study will address the performance criteria to be used by the government to design new or improve on existing performance evaluation systems of government chief executives in State Corporations. Hence findings of this study will be useful in designing performance contracts for chief executives in State Owned Corporations. The findings of this study shall benefit the following:

a) The Government of Kenya
   The Government will use the findings to improve on the existing evaluation criteria of chief executives in state corporations and finally draft their performance contracts

b) Research Institutions
   They will use the findings of my research to fill in the gaps and improve on it further

1.6 Scope of the Study

This study covered eight (8) Kenyan State Corporations which have signed Performance Contracts (Appendix i). However reference was made through literature review to other countries where performance contracting of chief executives in State Corporations has succeeded.

1.7 Limitations of the study

The study was hampered by the following limitations:

a) the chief executives might be too busy to respond to the questionnaires
b) some respondents may not be fully aware of the subject matter since it is a new concept
c) the respondents might delay with the questionnaires, thus affecting my deadline
d) it might be difficult for some organisations to allow the researcher to conduct a study on them
1.8 MBO Model

The researcher adopted the model below in analysing the application of MBO to the effective performance of Chief Executives in State Corporations:

- Collecting Goal Setting
- Standards & Targets
- Empowerment
- Commitment
- Control
- Time Frame
- Reward
- Flexibility
- Performance Review
- Acknowledgement
- Appreciation
- Acceptance
- Competence
- Performance Review

Success of MBO

- Collective Goal Setting
For MBO to succeed, the Manager and the subordinate Manager should collectively set the goals to be achieved.
• **Clear Performance Standards and Targets**
  For MBO to be effective, there should be clear performance standards and targets in place against which the subordinate manager will be evaluated.

• **Empowerment.**
  In MBO, the subordinate manager should be empowered to have autonomy over the attainability of the set goals and objectives.

• **Commitment**
  To achieve the results through subordinate managers, the manager should instil in the former a sense of commitment and desire to contribute to organizational goals.

• **Control**
  Subordinate managers should be given responsibility to control and co-ordinate their own activities because they know what will help or hinder the attainability of their goals.

• **Time Frame**
  For MBO to succeed, there should be a clear time frame within which certain set goals and targets should be achieved:

• **Reward**
  Those managers who attain the set goals should be rewarded. This calls for a reward system to be put in place to compensate those who meet the set goals.

• **Flexibility**
  There is need for management to be flexible and alter any plan that is likely to hinder the attainability of the set goals.

• **Acknowledgement**
  Managers need to acknowledge the efforts of subordinates.

• **Appreciation**
  Managers need to appreciate their subordinates when they achieve the set goals and objectives.

• **Acceptable**
Managers need to accept subordinates the way they are without prejudice.

- **Competence**
Managers need to be competent on their work in order for MBO to be successful.

- **Performance review**
There is need for management to review the progress of activities verses the intended objectives to achieve.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents an analysis of the literature both general and specific that has been done in the area of performance evaluation of government chief executives in State Corporations. The literature review will examine how various experts have analyzed the concept of performance contracts and the determinants of an effective Chief Executive. It will also examine the critical issues that make Chief Executive fail to achieve their objectives. This chapter will also come up with a conceptual framework pertaining to independent and dependent variables. It will also come up with an MBO a model to be adopted in the study. It will finally come up with a summary and the gaps to be filled by the study.

2.2 Conceptual Framework

The dependent variable of performance of a Chief Executive Officer is influenced by seven independent variables namely autonomy of CEOs, selection criteria, evaluation criteria, bench marking, supportive organizational structure, defined corporate goals and incentives. The seven independent variables are interrelated as explained below:
Autonomy of CEOs

Selection criteria

Evaluation criteria

Benchmarking

Supportive organizational structure

Defined corporate goals

Incentives

Effective Performance of CEOs

Independent variables

Dependent variable

Source: T U Kamaliki 2005
Explantion

• Autonomy of CEOs, selection criteria, evaluation criteria, benchmarking, educational qualifications and experience, supportive organizations structure defined corporate goals and incentives, have a positive impact on the performance of chief executive officers in public organizations.

2.3 Past studies in the area of research

It is through management by objectives (MBO) that the government can maximally control and motivate its chief executives in various departments (Gram, 1986). This is convenient in that it will enable the government to establish financial and administrative goals and objectives to be attained. Hence performance is measured against these goals. As a result the Chief Executives can be rewarded based on the attainability of these goals. This system is commonly applied in the American and Canadian business. The system is based on control and motivation. As a system of motivation, it is based on the following assumptions:

• That people work harder with goals than without goals. This assumption holds that people have unique preferences hence they anticipate certain results from their work. People do work willingly when given clear goals. Management by objectives entails assigning goals that are clearly defined, operational, measurable and attainable.

• Rewards are an important ingredient of motivation. These are both intrinsic and extrinsic rewards. The intrinsic rewards emanate from an individual's internal drive through the desire for setting the goals and accomplishing them. Extrinsic rewards on the other hand are provided by the employer as a result of the employees' performance.

• People have a desire for fairness; people will be motivated to work for rewards that are administered equitably.

Gram further states that, the MBO system provides a chief executive with a means to interpret the government's goals as they apply to them, and also to establish clear goals they do endeavour to achieve. The government should not impose goals on the chief executive. Instead, there should be mutual discussion, agreement and co-operation. MBO as a tool of performance evaluation is instrumental in defining responsibilities and goals, improving government's chief executive relation and measuring performance. To crown it all, feedback should be done during the periodic
reviews. The size of the firm is also important in determining the performance of a chief executive. The larger the organisation, the more responsibilities for the chief executive. Hence their remuneration should be determined accordingly. The size measurement variables connote the number of branches and sub-branches in an organisation. The period the government body has been in existence will directly impact on the performance of the chief executive. Those that have been in existence for long will exert more influence due to prestige.

Performance contracts first originated in Europe in the 1960s and 1970s in the context of public enterprises (Trivedi 2004). This was followed by Britain and New Zealand in 1980s. In his defence on performance contracts, he stressed that, what gets measured gets done. If no efforts are put in place to measure results, it hence becomes almost impossible to justify success from failure.

Trivedi defines performance contract as an agreement between two parties that clearly specifies their mutual obligations. According to him, the parties to the performance contract are principal and the agent.

- Principal: a subordinate entity in the same government entity. Its primary duty is to evaluate performance and ensure that relevant public policy is in place.
- Agent: a subordinate entity in the same government entity. Its performance is evaluated by the principal and is charged with the duty of implementing the public policies.

The relevance of performance contracts is mainly to prevent confusion due to multiplicity of goals and objectives. The parliament, ministry of Finance and the office of the president are the key principles to ensure that the problem of multiplicity of goals is addressed. Trivedi (2004) further emphasises that performance contracts do prevent vicious cycle of the “NOT ME syndrome. This syndrome portrays a picture where no one wants to shoulder the blame for the management problems facing government entities. Performance contracts also improves the correlation between planning and implementation, and the coordination between various government agencies.

Trivedi (2004) outlines the following as cardinal features as effective and instrumental in successful governance of an enterprise:
• Performance information system: It enables an easy access to information concerning employee performance.
• Performance evaluation system: This entails the performance criteria to be used to evaluate employee performance. It should be clarified who should evaluate.
• Performance incentive system: It is a guide on how to reward employees who excel and punish those who do not meet the required performance.

According to Peter Sagimo (2002) Management by Objectives is a process or system in which managers at all levels in an organization jointly set specific objectives to be accomplished within a specific time frame and for which a subordinate manager is then held directly responsible. It is a systematic formal goal setting and review process which is jointly carried out by all managers throughout the organization. It is based on the principal that all organizations exist for a purpose, top management sets goals and objectives that are common to the whole organization. The MBO approach injects an element of dialogue into the process of passing objectives from one organizational level to another. The manager brings specific objectives and measures which he sees as appropriate or contributing to the accomplishment of his job. Managers at all levels collectively develop group or specific goals, measures of achievement and time frames in which subordinate manager commits himself to the accomplishment of those goals. The subordinate manager is then held responsible for the accomplishment of his goals. The manager and the subordinate manager may have occasional progress reviews and re-evaluation meetings. At the end of the set period, the subordinate manager is judged on the results he has achieved. Whatever the outcome, it will be based on the accomplishment of goals he had a hand in setting and committed himself to achieving.

Sagimo continues to say that MBO can help the manager achieve the following from employees of the organization:

• Greater commitment and desire to contribute to the welfare of the organizations. This is done by allowing employees to see that the objectives they are working towards are not simply handed to them but that they have played a part in formulating them.
MBO injects dynamics into the organization. This comes from the energy produced as a person, strives to achieve a goal to which he has taken the psychological risk to commit himself.

Better control and co-ordination towards goal accomplishment. This is achieved by having subordinates who are more likely to control and co-ordinate their activities because they know what will help and what will hinder goal achievement. This tells subordinates who can perform and those who cannot. The manager can then use this information to help the subordinates' development by helping them strengthen the areas in which they are weak.

2.4 Critical Review of Major Issues

2.4.1 Performance

According to Cyert (1975), there are difficulties in assessing the performance of a chief executive. He is of the idea that there should be more reliable criteria for judging the chief executive's performance as this will guarantee more measurements and feedback. This will hence make the chief executives not to take their work for granted.

On the other hand Milgrom (1991) is of the view that multiple targets could be dangerous on the principal's welfare.

The president Hon. Mwai Kiabaki of Kenya in his speech on Kenyatta Day, 20th October 2004 emphasized their the Government is implementing public sector reforms to speed up service delivery and timely completion of projects and programs. The Result Based management is being adopted in the public service to improve performance. He cited the Chief Executives of State Corporations who had been placed on Performance Contracts. Their contracts shall only be renewed if only they perform according to the standards expected.

Generally speaking, the introduction of performance contract system is meant to address the following weaknesses that are common in State Corporations:

- Poor performance and service delivery.
- Lack of transparency and accountability.
- Inefficiency and low productivity.
- Political patronage.
Oyula (2004) on commenting on the reasons of poor performance of chief executives of the Kenyan Parastatals, include the following: -

- Overstaffing in both the state corporations and the civil service. The Kenya civil service which was formed immediately after independence had been expanding tremendously until it reached unmanageable levels in the 1990s. The remuneration was so poor that de-motivation was the order of the day. Hence the chief executives find it difficult working with a de-motivated work force.

- Political patronage
  Appointments of chief executives is done by the head of state. Hence dancing to the tune of who he appointed determined the chief executives survival in the position.

- Limited working capital which makes them not accomplish most of their projects.

- Lack of proper and consistent performance evaluation

- Lack of qualified technical personnel.

- Poor tools and equipment.

- Failure to keep up with advances in technology.

In the Daily Nation dated 28th December 2004, the Permanent Secretary and Director, Directorate of Personnel Management, Office of the President, Mr. S.P. Njau, OGW, CBS, who is also the Chairman of Performance Contracts Steering Committee indicated that Performance Contracts clearly specify the intentions, obligations and responsibilities of two parties, the Government and the Agent. As an instrument of measuring the extent at which organizational goals have been achieved, Performance Contract is based on the premise that:-

- What gets measured gets done
- If you do not measure results, you cannot tell success from failure
- If you cannot see and measure success you cannot reward it.
- If you cannot reward success, you are probably rewarding failure.
- If you cannot recognize failure, you cannot correct it.
- If you cannot see success, you cannot learn from it.

In the East African Standard News Paper of 3rd February 2005, the Regional News Editor of Western, Mr. Okech Kendo cites Australian Public Service where performance contracting has succeeded. This is because in the Australian
Government, there are clear performance indicators and targets well specified. Nurses, Magistrates Judges and Police are on performance contracts. There are job descriptions for all public officers and expectations have to be met. If they are not met, the public begins to think of exit clauses for below performance.

He continues to say that Ghana and Senegal have experimented with performance contracts but the results have not been impressive because of the general flaws of public service structures and hiring. If then Kenya wants to go this direction, as it should for all State Corporations and permanent secretaries, it has to take the full course rather than signing contracts with beneficiaries of patronage.

In his speech when officially launching the Training Programme on performance contracts in the public service on 14th February 2005 at Utalii Hotel Nairobi, Honourable William Ole Ntimama, E.G.H, M.P, Minster for state in the Office of the President in charge of Public Service indicated that the concept of Performance Contracting in Kenya was introduced in sixteen (16) pilot state corporations of which thirteen(13) signed their contracts on 1st October, 2004 and three signed theirs on 21st December, 2004 respectively. The Civil Service together with all the other state corporations are scheduled to sign performance contracts by 30th June 2005. He went on to indicate that performance contract is a freely negotiated performance agreement between government and its service delivery agents or public enterprises. It clearly specifies the intentions, obligations, responsibilities and powers of the contracting parties. Through performance contracts, there will be a transformation in the way the public service is run by focusing on the culture of accountable performance in the management of public resources. Hon. Natimama goes on to say that it is the intention of the Government to re-emphasize meritocracy and excellence as the criteria for recruitment and retention of public officers in the service, hence making Kenya a “working Nation”.

Hon. Ntimama concludes by saying that at the end of the performance contracting period, the evaluation of performance will be undertaken by independent institutions which are not parties to the contracts in order to ensure impartiality in the process. The results of the evaluation will be made public where by the top ten performers (both state corporations and ministries) will be made public
2.4.2 Autonomy of CEOs (management)

According to the United Nations Guidelines for Performance Contracting (1992), one of the main reason for poor performance, low management morale and lack of management accountability in public enterprises is the pervasive tendency of politicians and ministries to treat enterprises as government departments, to require all major decisions to be made or approved outside the enterprise and leave no room for the enterprise to be enterprising. Performance Contracts should include clear statements of the powers and authority of enterprise management to make decision and any limits or exceptions to this authority. Authority should be sufficient to enable the management to take all decisions which will enable them to achieve the targets. The tougher the targets and the more competitive environment the more autonomy and flexibility will be required. A vital distinction has to be made and observed between those matters on which the government wishes to retain decision-making authority and those matters on which the enterprise management has authority. General statements about management autonomy have usually had little or no effect. Failure to spell out what management can and cannot do suits in no change from the preceding situation.

2.4.3 Criteria of Selection of CEO's of State Corporations

Oyula (2004) when presenting a paper on performance contracting of State Corporation's CEO's reiterated that the political nature of appointing the State Corporations CEO's has led to the downfall of most State Corporations. This has led to political patronage where CEO's have to dance to the tune of their political masters. They lack independence and autonomy to make sound decisions.

There is hence need to declare the positions of State Corporations CEO's competitive and a fair and transparent government body be formed to vet their suitability. This should be done purely on merit but not favouritism.
2.4.4 Evaluation Criteria

In the Daily Nation newspaper of 28th December, 2004, Mr. Simon P. Njau, the Permanent Secretary and Director, Directorate of Personnel Management, Office of the President and who is also the Chairman of the Steering Committee said that:-

- What gets measured, gets done;
- If you do not measure results, you cannot tell success from failure;
- If you cannot see and measure success, you cannot reward it;
- If you cannot reward success, you are probably rewarding failure;
- If you cannot recognise failure, you cannot correct it; and
- If you cannot see success, you cannot learn from it.

In all the above, the Permanent Secretary of DPM meant that Performance Evaluation is very important in determining the success of any program. In the Commonwealth Secretariat, Performance Contracts: Handbook for managers (1994 pages 4), an example of Pakistan's Signalling System of Performance Contracting is given. This system is based on the principle that given the Capital Stock in hand, how best can the management make use of it? The system aims at motivating the management to maximise returns on the sunk capital. To attain this, objective, attempt is made to evolve a primary criteria of evaluation which reflects the improvement in real productivity which in turn leads to an increase in socially relevant profit. (as against privately relevant profit). A performance contract is signed at the beginning of the year in which the management is committed to improvement in real profitability. At the end of the year, and based on a comprehensive evaluation system the management is awarded a performance bonus which is determined by the improvement in real performance.

Suresh Kumar (1994) in the Indian case study prepared for Commonwealth Secretariat, London 1994 indicated that performance contracts for Public Sector units in India are known as memorandum of understanding (MOU's). The MOU is rooted in a system of evaluation which not only looks at performance comprehensively at both commercial and non-commercial criteria of performance in
their static and dynamic aspects, but also ensures and forces improvement of performance and management and industries by making the autonomy and accountability aspects clearer and more transparent. It is an annual document which is an intrinsic part of along term corporate plan in which the government (represented by the Secretary in the line ministry) and the public enterprise (represented by its CEO) lay down their mutual obligations and responsibilities based on the missions and objectives of public investment and after mutual negotiations. The idea is to choose appropriate criteria, assign mutually acceptable priorities to them and decide at the beginning of the year how the achievement for the targets (and deviations there from) are to be evaluated. The crux of the evaluation system is to set the evaluation parameters in advance and before the actual performance is delivered further, the process of negotiation is assisted by an objective third body which finally evaluates the performance thus importing complete objectivity in to the system.

2.4.5 Benchmarking

It is important to explore the relationship between benchmarking and performance agreements. Benchmarking is the process of establishing the gap between current practice and relevant best practice. This entails finding that is best at what. Your organization does, studying carefully how it does so well making plans to raise your own performance to that level, implementing the plans and monitoring the results. In their book “Reinventing Government (1992), David Osborne and Ted Gaebler indicate that though the idea of benchmarking started in the private sector, it has permeated to the Public Sector. Whether in the private or Public Sector, the purpose of benchmarking is to improve in the performance of the organization. It achieves this by:-

- Signalling the management willingness to pursue a philosophy that embraces change in a proactive rather than reactive manner.

- Establishing meaningful goals and performance measure that reflect an external focus and quantum leap thinking.
• Creating early awareness of competitive disadvantage and
• Promoting teamwork that is based on competitive need and driven by data, not by intuition and gut feeling.

It is important to take into account what is to be benchmarked. It should focus mainly on roles, process, strategic issues and results. For example in the case of roles according to David Osborne and Ted Gaebler (1992), benchmarking can be done to establish the function or mission of an organization and how that mission is reflected in the organization’s operation and services. The actual structure of a competitor (in terms of degree of centralization, location to specific functions and clustering or divisions of departments) or “best-in-class” benchmarking targets can be analysed.

Is there any relationship between benchmarking and Performance Agreements? Benchmarking is a means not an end to itself. It is a technique to set criteria and criteria values. By comparing a Government Agency with the best practice government agency in the same sector, it is possible for find out not only what to measure but what levels of performance to aspire to.

2.4.6 Defined Corporate Goals

In the United Nations Guidelines for Performance Contracting (1992), Corporate Goals Play a crucial role in the success of any public entity. The effectiveness of public enterprises is often cramped by a multiplicity of unexamined goals. Great diversity of views can co-exist especially in large, long established and socially oriented organizations. The first step and very crucial one for the enterprise is to define its goals. If goals of the enterprise have not been clearly defined, it is useful for the Chief Executive to lead a consensus building exercise for the management group, who get together away from their offices and try to define in a mutually acceptable manner the different goals for which the organization operates or should operate. Care should be exercised to avoid goal conflict. Public enterprises have a tendency of having multiple goals such as efficiency, profitability, regional
development, public access to service, environment conservation among others. Multiple goals are inevitably in potential conflict. For instance short-term profitability can often be increased by delaying, plant maintenance or by cutting out all staff development expenditure. If the government does not pre-agree with the management as to the relative importance to be given to these conflicting goals managers will tend to go for the easier goals. Furthermore, if it is not clear how different goals are to be assessed relative to each other, overall performance cannot be measured nor rewarded. Different goals must therefore be weighted according to their respective importance in the eyes of the government. This is done by establishing the weight or “trade off” which is given to indicators used for measuring achievement of each goal.

2.4.7 Supportive Organization Structure
Oyula (2004) also cites organization structure as vital in determining the successful performance of Chief Executives in State Corporation. Most Parastatal Chiefs fail to realize their objectives partly due to lack of supportive organization structure. Some structures are so rigid and bureaucratic that conflict of roles is the order of the day.

In the United Nation Guidelines for Performance Contracting (1992) it is confirmed that there are links between Public Management Systems operating on Managementalizing model (devolution of management authorities etc) and successful implementation of performance contracting. This is not surprising given that performance contracting requires enhanced discretion to manage and increased accountability for pre-specific results. In Australia, Canada, Denmark, Finland, New Zealand, Norway and the United Kingdom for instance, Performance Contracting is used to increase the clarity of goals and accountability relationship in the context of decentralization and a devolved management environment. Cases where a national government continues to operate with a strong centralised bureaucracy for budgeting and administration, the administration is constrained in its ability to move.

2.4.8 Incentives
One of the main reasons for losses in public enterprises is inefficiency due to lack of incentives for managers. (United Nations Guidelines for Performance Contracting 1992). Incentive Pay Schemes are commonly targeted only at operatives and are
based on simple measures of output and physical productivity. Sales people get commissions based on the quantum of sales. These schemes do not ensure that the right outputs are being produced in the right mix or the market, that new technology and methods are introduced, that the right level of support is given to producing amounts, that overheads are controlled or that higher productivity is transacted into financial gains. These management responsibilities are often neglected, hence creating an incentive gap. Incentive systems which have faced this problem and filled the gap have been more successful than those which have avoided facing the problem. A contract which defines the target performance and the policy framework is a good basis for introducing performance-related incentives. Such incentives should include financial bonus, recognition, honours, promotion to higher salary bracket, grant of further autonomy among others. This is meant to enhance the motivational levels of the executives for improved performance.

2.5 Summary/gaps to be filled by the study

Performance evaluation is an important exercise that the government should take seriously. This research shall hence examine the current performance evaluation of chief executives in state corporations and establish the loopholes therein and recommend appropriate evaluation criteria. The research shall also use the research questions stated to establish the determinants of an effective chief executives in state corporations.
3.0 RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Research Design is the blueprint for the collection, measurement and analysis of data. In this chapter, the researcher shall identify the tools of data collection, how data will be analysed and presented.

3.2 Target Population

This study shall target eight (8) State Corporations with a population of 4000. The total distribution is as shown in the table below:

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>CLASS OF RESPONDENTS IN 8 STATE CORPORATIONS</th>
<th>TOTAL NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIEF EXECUTIVES</td>
<td>8</td>
</tr>
<tr>
<td>BOARD OF DIRECTORS</td>
<td>100</td>
</tr>
<tr>
<td>HEADS OF DEPARTMENTS</td>
<td>40</td>
</tr>
<tr>
<td>HEADS OF HR. DEPARTMENTS</td>
<td>8</td>
</tr>
<tr>
<td>ORDINARY EMPLOYEES</td>
<td>3844</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4000</td>
</tr>
</tbody>
</table>

3.3 Sampling Procedure

The researcher will use stratified sampling method. Stratified sampling is normally applied where the respondents are not of the same status. They are hence stratified in layers, their views analyzed and compared. Stratified sampling also increases the sample's statistical efficiency. It also provides adequate data for analysing the various sub-populations. It also enables different research methods and procedures to be used in different strata. It is also useful when the researcher wants to study the characteristics of certain population sub group. This is so applicable in this research since the respondents who compose of the Chief Executives, Board of Directors, Heads of Departments, HR Departments and ordinary employees are of different
status and might hold different views on the subject under study. The entire target population 4000 out of which the researcher shall sample out 94 respondents for interview. The researcher used his discretion to determine the percentage of respondents to be targeted in each category as follows:

- CEO's 100%
- Board of Directors 20%
- Heads of Departments 50%
- Heads of HR 100%
- Ordinary employees 1%

The same information is as tabulated in the table below:

**Table 3.3: Sampling procedure**

<table>
<thead>
<tr>
<th>DESIGNATION</th>
<th>POPULATION</th>
<th>Targetted Percentage</th>
<th>RATIO</th>
<th>SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEOs</td>
<td>8</td>
<td>100</td>
<td>1.0</td>
<td>8</td>
</tr>
<tr>
<td>BOARD OF DIRECTORS</td>
<td>100</td>
<td>20</td>
<td>0.2</td>
<td>20</td>
</tr>
<tr>
<td>HODs</td>
<td>40</td>
<td>50</td>
<td>0.5</td>
<td>20</td>
</tr>
<tr>
<td>HEADS OF HR</td>
<td>8</td>
<td>100</td>
<td>1.0</td>
<td>8</td>
</tr>
<tr>
<td>ORDINARY EMPLOYEES</td>
<td>3844</td>
<td>1</td>
<td>0.01</td>
<td>38</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>94</td>
</tr>
</tbody>
</table>

3.4 Instruments of Data Collection/Data Collection Procedures.

3.4.1 Questionnaire

This study was descriptive in nature. The researcher design a questionnaire comprising of both open and closed ended questions. Open-ended questions entail the respondents to delve deeper in the subject matter. The closed ended questions composed of Yes or No answers. The researcher booked an appointment with the management of organisations of study to identify the respondents to issue questionnaires to. The researcher designed two questionnaires: One for CEO's and the other for Board of Directors, Heads of Departments, Heads of Human Resources and ordinary employees. Both questionnaires had similar questions apart from that of
the CEO’s, which had a section for criteria model to indicate whether they had achieved their intended objectives during the period indicated.

3.4.2 Interview Schedules

The researcher also used interview guides to conduct the research. These are questionnaires converted into interviews where the respondents shall be interviewed on the subject matter.

3.5 Data Analysis

The data collected was analysed by use of descriptive statistics. Data was mainly analysed using tables, charts, percentages.

3.6 Data Presentation

The data so far collected and analysed was presented using simple histograms, bar charts, Pie charts.

3.7 Performance Analysis (Criteria Model- For CEO’S only)

<table>
<thead>
<tr>
<th>Objectives of State</th>
<th>Financial year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Score</th>
<th>% Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation</td>
<td>2004</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualitative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above model will be used by the researcher to collect data from the respondents (CEO’s only). The respondents were at liberty to add objectives that were not included in the model. Hence the respondents rated the attainability of their objectives on a scale of 1-5, 5 being the highest.
3.8 Expected Output

The findings of this study shall be used to chart way forward on how performance of chief executives in State Corporations can be effectively measured. The opinion offered, may be used by the government, to improve on the already existing performance criteria for chief executives or design new ones. The researcher is optimistic that the recommendations so far made will provide basis for further research in improving performance of state corporations.
CHAPTER FOUR:

4.0 DATA ANALYSIS, PRESENTATION AND FINDINGS

4.1 Introduction

This chapter presents an analysis and presentation of data collected from the eight state corporations of study. The research study was based on the Determinants of Effective Performance of chief executives in the Public organizations in Kenya. Focus was on eight state corporations out of the sixteen state corporations that had signed Performance Contracts by 1st October 2004 (see appendix 1). The main target was the eight Chief Executives, Board of Directors, Heads of Human Resources Departments, Heads of departments and ordinary employees, all totaling to 94. Out of eight targeted Chief Executives, six responded while seventy eight out the remaining eighty eight respondents responded. An experimental study was first conducted on the Performance Contracting Steering committee at DPM to establish what constitutes effective performance of chief executives in state corporations. The researcher used their responses as an indicator when analysing the responses of the 84 respondents. The results were then presented using various methods of statistical presentations such as bar charts, bar graphs, pie charts.

4.2 Quantitative analysis

4.2.1 Number of Respondents who responded

The researcher managed to get 84 responses out of the 94 targeted respondents. This was 89% response. The same information can be presented in the pie chart and table shown below:
Fig 4.2.1 Number of respondents responded

Table 4.2.1-Number of respondents responded

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number interviewed</td>
<td>84</td>
<td>89</td>
</tr>
<tr>
<td>Not interviewed</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>94</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki tom-2005

From the above information, it is clear that most respondents positively responded to the research study.

**Performance**

4.2.2 When asked to give opinion of the performance of CEO’s 60 indicated poor, 15 indicated good 7 indicated average 1 indicated very good and 1 indicated very poor. This can be presented in the table below: shown below
Table 4.2.2-Performance Response Frequency Percentage distribution

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>V.Good</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>Good</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Average</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Poor</td>
<td>60</td>
<td>71.6</td>
</tr>
<tr>
<td>Very poor</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information it is indicated that the CEO's performance is Good.

**Autonomy**

4.2.3 When asked whether most CEO's are autonomous in their decision making five (74) indicated 'No' while 10 indicated Yes. The same information can be presented in the following bar graph and table

Table 4.2.3-Autonomy of CEO's

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>74</td>
<td>88</td>
</tr>
<tr>
<td>Yes</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005
From the above information it is clear that CEO’s are not autonomous in decision making.

4.2.4 When asked whether autonomy from central government could improve the CEO’s performance 80 indicated “YES” while 4 indicated “NO”. The same information can be presented in the pie chart shown and table below:

Table 4.2.4 - Autonomy of CEO’S from Central Government

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>80</td>
<td>95</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above figure, it is evident that if CEO’s can be independent from the central government their performance can improve greatly.

4.2.5 When asked whether the selection of criteria of CEO’s includes seeking the services of external experts 78 indicated No while 6 indicated Yes. The same information can be presented in the table bar graph shown:

Selection criteria
Table 4.2.5 -Selection Criteria-Seeking services of external experts

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>No</td>
<td>78</td>
<td>93</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information it is clear that selection of CEO's does not include seeking the services of external experts.

4.2.6 When asked whether selection criteria of CEO's affects performance all the 84 respondents indicated yes the same information is tabulated in the table below.

Table 4.2.6 Selection criteria and CEO'S performance

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information it is clear selection of CEO's affects performance.
Evaluation criteria

4.2.7 When asked whether evaluation is done for CEO'S all the 84 respondents Indicated “YES”. and none indicated No This is shown in the table below:

Table 4.2.7-Evaluation criteria Done

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom; 2005

From the above information it is evident that there exist evaluation criteria for CEO’s

4.2.8 When asked whether evaluation criteria affects performance, all the 84 respondents indicated “yes” this is shown in the table below; - When asked to explain how evaluation criteria affects performance, they indicated the following:

Table 4.2.8-Evaluation criteria and performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above table it is clear that selection criteria affect CEO’s performance:

- Evaluation yields fruits if it is based on objectives and individuals goals set.
- Evaluation yields fruits when it is result oriented
- Evaluation yields fruits when it is reward oriented
- Evaluation yields fruits when it is based on performance standards and targets
Benchmarking

4.2.9 When asked whether benchmarking with the best practices in other organizations may improve the performance of CEO’s in state corporations, all the 84 respondents indicated “yes” This is shown in the table below

Table 4.2.9Benchmarking and performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information it is clear that benchmarking with best practices in other organization is improves performance

Supportive organization structure

4.2.10 When asked whether supportive organization structure plays a vital role in improving the performance of CEO’s in state corporation all 84 respondents indicated yes. This is shown in the table below

Table 4.2.10-supportive organisation structure and performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005
From the above information it is clear that supportive organization structure is important in improving CEO's performance

**Defined corporate Goals**

4.2.11 When asked whether defined corporate goals are crucial in improving the performance of CEO's in state corporations, all the 84 respondents indicated "YES".

Table 4.2.11 Defined corporate Goals and performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information it is clear that defined corporate goals are important in improving CEO’s performance

**Incentives**

4.2.12 When asked whether incentives are important in determining the effective performance of CEO's, all the 84 respondents indicated "YES".

Table 4.2.12 Incentives and performance

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>
From the above information it is clear that incentive are important in improving CEO’s performance.

### 4.2.13 Criteria Model

This was a table to be filled to indicate whether the objectives set for the year 2004/2005 had been achieved. This model was restricted to the chief executives only. From the 8 targeted CEO’s only 6 managed to fill the model. The results were as follows:

### (a) Financial indicators

- **Return on investments**

  2 CEO’s indicated that in the year 2004/2005 the returns on the investments were fair (2 marks), 3 indicated poor, 1 indicated good and the non indicated very good and excellent.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>V. Good</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Good</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Fair</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Poor</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information, it is clear that Returns on investments were poor. (1 mark)
• Completion of final accounts

Three CEO’s indicated that the completion of final accounts were good (3 marks), 2 indicated fair, and none indicated excellent very good and poor as shown in the table below.

Table 4.2.13 (b) - Completion of Final Accounts

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>V. Good</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Good</td>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>Fair</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information, it is clear that completion of accounts was Good.9 3 marks

• Quantitative indicators

• Customer satisfaction

Three of CEO’s indicated that customers satisfaction was poor while two indicated that customer satisfaction was fair and 1 was silent as shown in the table below.

Table 4.2.13 (c) - Customer satisfaction

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers satisfaction poor</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Customer satisfaction fair</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Silent</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005
From the above information, it is clear that customers still complain of the goods and services offered.

- **Employees satisfaction**

Four CEO’s indicated that employees satisfaction was poor while two were silent as shown in the table below.

Table 4.2.13(d)-Employee satisfaction

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee satisfaction</td>
<td>4</td>
<td>67</td>
</tr>
<tr>
<td>poor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Silent</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kamaliki Tom, 2005

From the above information, it is clear that employees dissatisfied (1 mark)

### 4.3 Qualitative Analysis

#### Performance

When asked to explain what affects the performance of CEO’s, most respondents indicated the following:

- Poor relationship with the parent ministries
- Autonomy of the CEO’s
- Lack of modern tools and equipment
- Political interference

#### Autonomy

When asked to explain the extent to which autonomy from the central government can improve the performance, the respondents indicated the following:

- Autonomy will make them exercise their powers fully.
- Autonomy would lead to flexibility in making their decisions
- Autonomy will enable them plan effectively
- Autonomy would make them feel recognized
When asked to suggest areas that require autonomy, the respondents indicated the following:

- Budget and financial management.
- Projects planning and implementation
- Procurement of goods services.
- Recruitment and selection
- Policy formulation and implementation

**Selection criteria**

When asked to suggest what is taken into consideration in the selection criteria of CEO's, the respondents indicated the following:

- Educational and academic qualifications. CEO's should be people with sound educational and academic backgrounds
- Professional qualifications. The should be people with strong professional backing
- Experience. They should be people with vast experience in senior managerial positions

When asked explain how selection criteria affects the CEO’S performance, most the respondents indicate the following “YES” They indicated that:

- When selection is based on experience there are positive results.
- When selection is competitive, there are positive results. That the poss of CEO’s should be advertised competitively, but not to be politically influenced
- If there is an independent institution to vet the background of the candidate before placement, the performance of CEO’s can be improved
- When selection is not based on favoritism and tribalism, there are positive results.

When asked to suggest what should be done on selection criteria to improve performance, the respondents indicated the following:


• An independent body preferably parliament should be formed to interview and vet the reputation of the CEO’s to be assigned duties.
• The positions of the CEO’s should be competitive, but not political.
• Educational and professional qualification should be seriously considered when selecting CEO’s

**Evaluation criteria**

When asked to mention the criteria of evaluating the CEO’s, the respondents indicated that it is through the normal routine annual evaluation which is not based on results. There are no performance standards and targets in place against which the performance CEO’s can be measured.

When asked to suggest what should be done on evaluation criteria to improve the performance of CEO’s in state corporations the respondents indicated the following:-

• Evaluation criteria should contain elements of corporate objectives to be achieved. Clear performance objectives should be put place against which performance of CEO’s will be measured
• Evaluation criteria should be based on rewards and penalties. Those CEO’s who achieve their objective should be rewarded and those who do not achieve should be punished
• Evaluation criteria should be based on performance standards and targets to be achieved. Sound performance standard which are attainable and measurable should be put in place

**Benchmarking**

When asked to explain how benchmarking may improve the performance of CEO’s, the respondents indicated the following:-

• Benchmarking widens the scope of CEO’s on how things are effectively done in other organizations. The sense can be borrowed and practiced.
- Benchmarking improves relationship with other organizations
- Benchmarking makes organization to know where they are and where they are suppose to go and how to go there
- Benchmarking may lead to reorganization of work processes which may lead to improved service delivery

**Supportive organization structure**

When asked to explain the extent to which supportive organization structure is important in improving the performance of CEO's, the respondents indicated the following:

- It leads to clarity of roles and avoids ambiguous responsibilities
- It enhances division of labour. Every one knows his role
- It leads to proper delegation of duties since the chain of command is straight forward

**Defined corporate Goals**

When asked to explain the extent to which defined corporate goals may affect the CEO's performance, the respondents indicated that:

- Defined corporate goals give proper direction
- Defined corporate goals give sense of purpose
- Defined corporate goals enhance the attainability of corporate objectives
- Defined corporate goal make people know the kind of business they are in

**Incentives**

When asked to suggest ways in which incentives may affect the CEOs performance in state corporations, the respondents indicated that:

- Incentives enhance the motivational levels of CEO's. They feel motivated when given incentives and hence work hard
- Incentives are good indicators of recognition. Good incentives make CEO's feel recognized
when asked to mention other internal factors they consider important in enhancing their performance as CEO’s, there respondents indicated the following:-

- Co-operation from heads of departments and staff. This make the relationship friendly, hence making it easier for CEO’s to improve their performance
- Modern tools and equipment
- Motivated staff
- Conducive wrong environment for staff
- Good policies and procedures

When asked to mention other of external factors they consider important in enhancing their performance, the respondents indicated the following

- Central government support
- Political good will
- Donor support

When asked to mention some of the factors that hindered them from achieving their objectives, the respondents indicated the following:-

- Political interference
- Lack of autonomy from the parent ministries
- Thin market
- Unstable economic conditions

When asked to mention some of the critical issues they consider as important in improving the performance of chief executives of state corporations, the respondents indicated the following:-

- The vision of each CEO’s
- The ambition and handwork of CEO’s
- The Integrity of CEO’s

4.5.15 When asked to mention the efforts the Government should put in place in order for performance contracting of CEOs to be effective, the respondents indicated the following:-

- It should be introduced in phases.
- People should be given time and training on the matter before full implementation.
- Good governances
• There should be proper identification of objectives and activities against which performance should be measured.

• Clear performance standards and evaluation system should be put in place.
CHAPTER FIVE:
5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction / summary of findings

This chapter presents a summary of findings as outlined in chapter four of Data Analysis, Presentation and findings from the analysis of the data in chapter four the researcher came up with the following findings:–

- The performance of the CEO's in state corporations has been poor
- Political interference and poor tools and equipment affect the performance of CEO's
- Most CEO's are not autonomous in their decision making
- Autonomy of CEO's may improve their performance
- Selection criteria has an impact on the CEO's performance
- Evaluation criteria has an impact on the CEO's performance
- Benchmarking with the organizations with the best practices improves the performance of the CEO's since it indicates where the organization has weaknesses for further improvement
- Supportive organization structure improves the CEO's performance since it improves work flow in the organization
- Incentives do improve the CEO's performance since they improve their morale
- Conducive working environment is important in enhancing the performance of CEO's
- Political good will is important in enhancing the performance of CEO's
- Economic stability is also important in enhancing the CEO's performance since it encourages investment

5.2 Answers to Research Questions

1. Selection criteria of government of chief executive affects their performance in several ways:–

- It is supposed pegged on experience in order to yield fruits
- It is supposed to be pegged on academic and professional qualifications in order to yield fruits
- It is supposed to be competitive rather than being politically influenced
- An independent body should be formed to vet the background of chief executives and interview them before final appointment.
2. a) Evaluation criteria is important in determining the performance of CEO’s in several ways:–
   - There should be clear performance standards and target in place against which the performance of CEO’s should be measured.
   - There should be clear specific, attainable and measurable objectives in place.
   - There should be mutual agreement between the supervisor and the subordinate on the objectives to be achieved and how they shall be measured.

b) Corporate goals are important in enhancing the performance of CEO’s in that:–
   - They provides direction
   - They enable easy attainability of corporate objectives
   - They clearly specify the type of business organization is in

3. Autonomy of CEO’s has a bearing on the CEO’s performance in that:–
   - It make the CEO’s feel recognized
   - It make CEO’s plan the for activities effectively

4. a) Incentive are important in determining the performance of CEO’s in that:–
   - They enhance motivations levels of CEO’s
   - They are good indicate of recognition

b) Benchmarking is important in determining the performance CEO’s in that:–
   - It is an eye opener to best practices in other organization which can be borrowed and practiced
   - It indicate the organization of where it is, where it has to go and how to go there.

5.3 Conclusion

Performance of the CEO’s in the state corporations in Kenya has for sure been dismissal. This is attributed partly to the fact that no proper evaluation criteria had been put in place to measure the performance of the CEO’s. No performance standards and targets were put in place against which to measure their success or failure. Hence fumbling with work process was the order of the day.

Also political appointment of the positions was the selection criteria used. Hence no regard to experience, academic and professional qualifications were considered. As
a result, such top executive positions were handled by people who did not meet the basic requirements. This hence led to poor management of corporations, making many of them bankrupt.

From the background information of this research, the problem statement, the literature review and consequently the findings clearly indicate that government owned corporations are important investments that are crucial in improving the country’s economy. Hence their chief executive officers should be appointed based on merit rather than political and that their evaluation criteria should be objective with clear performance standards and targets in place.

To crown it all, the research has come up with more Determinants of effective performance of CEOs in Public organizations in addition to those that the research had initially itemized in the conceptual framework. This indicates that there are still more gaps to be filled. Hence other researchers are at liberty to do further research on the subject matter.

5.4 Recommendations

From the findings indicated in chapter four and summarized in chapter five, the researcher recommends the following:

- The selection of the CEO’s of the public organization should be based on merit but not political
- The evaluation of the CEO’s of the Government owned organizations should be based on clear goals, performance standards and targets
- Proper incentives should be put in place to reward CEO’s who meet and exceed the targets
- Benchmarking with organizations with the best practice should be encouraged in order to identify best practices for effective performance of CEO’s
- The positions of the CEO’s of government owned corporations should be competitive
- For performance contracting to succeed, CEO’s of the government owned corporations should be autonomous in their decision making.
5.5 Room for Further Research

The findings of this research are very important in the area of performance management. They open the platform for further research in various areas with ultimate aim of improving performance.

The areas that are recommended for further research include:-

a). **Performance Standards**

It is important for organizations to undertake thorough research on performance standards against which to measure employees. Performance standards are very critical in that they contain elements of measurability; if this is not clearly done, subordinates are likely to fail to achieve the targets.

b) **Performance Evaluation**

This is also another critical area that requires professionalism. The criteria of performance evaluation should be well set and agreed upon between the supervisor and employees. Hence further research is needed in this area to come up with a method of setting specific, achievable, and measurable objectives. Failure to do this may lead to friction between the supervisor and subordinates.

c) **Benchmarking**

This is also another critical area that requires further research. Benchmarking with best practices in other organizations is very important as it makes organizations re-study their work processes and determine the ones that are faulty and hindrances to service delivery.
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APPENDICES
APPENDIX I

LIST OF EIGHT STATE CORPORATIONS

1. Telcom Kenya
2. Kenya Broadcasting Corporation
3. National Housing Corporation
4. Kenya Power and Lighting
5. National Oil Corporation
7. ICDC
8. Kenya Pipeline Corporation
APPENDIX II - QUESTIONNAIRES

(A) QUESTIONNAIRE FOR CHIEF EXECUTIVES
(To be filled by Chief Executives of State Corporations)

INSTRUCTION: This questionnaire consists of items on the determinants of effective chief executives in State Corporations in Kenya. Please complete each item as per the instructions given. (All information collected is purely meant for academic research and will be treated as confidential.)

(PERFORMANCE)

1. What is your opinion on performance of CEO's in Public Organisations?
   (A) Very Good (B) Good (C) Average (D) Poor (E) Very Poor

2. What do you think affects their performance?

(AUTONOMY)

3. Are most CEOs autonomous in their decision making?
   (A) Yes (B) No

4. Do you think autonomy from central government could improve the CEOs performance?
   Yes [ ] No [ ]

5. If Yes to what extent?

6. Suggest areas that require autonomy to improve performance

(SELECTION CRITERIA)

7. What in general is taken into consideration in the selection criteria of CEOs?
   (A) Experience
(B) Achieved Qualifications
(c) Others
specify ............................................................................................................................
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(BENCHMARKING)

15) Do you think Benchmarking with the best practices in other organisations may improve the performance of CEOs in State Corporations?
   (A) Yes  (B) No

16) If so in the above, explain how benchmarking may improve the performance of CEOs.

(SUPPORTIVE ORGANISATION STRUCTURE)

17) Do you think organization structure plays a vital roles in improving the performance of CEOs in State Corporations?
   (A) Yes  (B) No

18) If so, to what extent?

(DEFINED CORPORATE GOALS)

19) Do you think well defined corporate goals play a crucial role in improving the performance of CEOs in State Corporations?
   (A) Yes  (B) No

20) If so, briefly explain the extent to which defined corporate goals may affect CEOs performance in state corporations.

(INCENTIVES)

21) Do you think incentives are important in determining the effective performance of CEOs in state corporations?
   (A) Yes  (B) No

22) If so, suggest ways in which incentives may affect CEO’s performance in state corporations.
Please fill the table shown. The stated performance objectives are vital in enabling the researcher capture the relevant data.

<table>
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<tr>
<th>The Corporations Objectives</th>
<th>Financial Year</th>
<th>1 Poor</th>
<th>2 Fair</th>
<th>3 Good</th>
<th>4 V. Good</th>
<th>5 Excellent</th>
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### Financial Indicators

- Return on Investments
- Completion of Financial Accounts

### Administrative Indicators

- Adoption of MBO
- Employee Involvement in decision making

### Operational

- Capacity Utilization
- Project
Quantitative Indicators

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<th>Indicator</th>
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<td>Safety measures</td>
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(24) What other internal factors would you consider important in enhancing your performance as a Chief Executive? 

(25) What external factors do you consider important in enhancing your performance as a Chief Executive? 

(26) What were the bottlenecks that hindered your organization from attaining its objectives in the stated period? 

(27) What other critical issues do you consider as important in measuring the performance of Chief Executives in the State Corporations?
(28) What efforts do you think the Government should put in place in order for performance contracting of Chief Executives to effectively operate?
(B) QUESTIONNAIRE FOR BOARD OF DIRECTORS, HEADS OF DPTS, HEADS OF HUMAN RESOURCES AND EMPLOYEES

INSTRUCTIONS: This questionnaire consist of items pertaining to criteria for determining performance of CEOs in State Corporations Please complete each item as per the instruction given. (All information collected is purely meant for academic research and will be treated with confidentiality)

(1) Name of the State Corporation .................................................................

(2) Name of the officer (optional) .................................................................

(3) Designation ............................................................................................

(PERFORMANCE)

(4) What is your opinion on performance of CEO’s in Public Organisations?
(A) Very Good (B) Good (C) Average (D) Poor (E) Very Poor

(5) What do you think affects their performance?
............................................................................................................................

(AUTONOMY)

(6) Are most CEOs autonomous in their decision making?
(A) Yes (B) No

(7) Do you think autonomy from central government could improve the CEOs performance?

Yes [ ] No [ ]

(8) If Yes, to what extent?
............................................................................................................................
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............................................................................................................................

(9) Suggest areas that require autonomy to improve performance
............................................................................................................................
(SELECTION CRITERIA)

(10) What in general is taken into consideration in the selection criteria of CEOs?
   (A) Experience
   (B) Achieved Qualifications
   (c) Others
   specify .................................................................

(11) Does the selection criteria include seeking services of external experts such as Training and consultancy firms and advertising for public corporation?

   Yes ☐   No ☐

(12) Do you think selection criteria affects performance of eventual incumbents?

   Yes ☐   No ☐
   Explain .................................................................

(13) Suggest what can be done on selection criteria to improve performance.

   ..............................................................................

   ..............................................................................

   ..............................................................................

   ..............................................................................

EVALUATION CRITERIA

(14) Is there any evaluation done for CEO's?

   Yes ☐   No ☐

(15) If so what is the criteria?

   ..............................................................................

   ..............................................................................

   ..............................................................................

(16) Do you think evaluation criteria affects performance?

   Yes ☐   No ☐
   Explain .................................................................

   ..............................................................................

   ..............................................................................

(17) Suggest what can be done on evaluation criteria to improve the performance
of CEOs in State Corporations.

(BENCHMARKING)

(18) Do you think Benchmarking with the best practices in other organisations may improve the performance of CEOs in State Corporations?

(A) Yes  (B) No

(19) If so in the above, explain how benchmarking may improve the performance of CEOs.

(SUPPORTIVE ORGANISATION STRUCTURE)

(20) Do you think organization structure plays a vital role in improving the performance of CEOs in State Corporations?

(A) Yes  (B) No

(21) If so, to what extent?

(DEFINED CORPORATE GOALS)

(22) Do you think well defined corporate goals play a crucial role in improving the performance of CEOs in State Corporations?

(A) Yes  (B) No

(23) If so, briefly explain the extent to which defined corporate goals may affect CEOs performance in state corporations.

(INCENTIVES)

(24) Do you think incentives are important in determining the effective performance of CEOs in state corporations?

(A) Yes  (B) No

(25) If so, suggest ways in which incentives may affect CEO's performance in state corporations.
(26) What other internal factors would you consider important in enhancing the performance of a Chief Executive?

(27) What external factors do you consider important in enhancing the performance of a Chief Executive?

(28) What other critical issues do you consider as important in measuring the performance of Chief Executives in the State Corporations?

(29) What efforts do you think the Government should put in place in order for performance contracting of Chief Executives to effectively operate?
### APPENDIX III-WORK PLAN

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<th>APRIL</th>
<th>JUNE</th>
<th>JULY</th>
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<td>3. Analysis of data</td>
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<td>4. Report writing and presentation</td>
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## APPENDIX IV

### BUDGET

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<td><strong>TOTAL</strong></td>
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