

**EFFECT OF PERFORMANCE CONTRACTING ON QUALITY
SERVICE DELIVERY IN TECHNICAL AND VOCATIONAL
EDUCATIONAL INSTITUTIONS IN SIAYA COUNTY, KENYA**

BY

DANIEL OCHIENG OGUDHA

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ABSTRACT

Performance contracting is aimed at performance improvement within the public sector. However, despite the improvements in performance in some sectors like education and banking, Technical and Vocational Educational Training (TVET) Institutions still face challenges such as consistent decline in quality of training and lack of relevance in skills offered. Most studies focus on factors influencing performance contracting and how performance contracting affects efficiency, creativity and innovation and consistency. There is limited focus on effect of performance contracting on the quality service delivery in TVET Institutions. Consequently, the effect of performance contracting on quality service delivery in TVET institutions context is unknown. Effect of contracting on efficiency, contracting on creativity and innovation and contracting on consistency, on quality service delivery in TVET institutions is unknown. This study purposed to determine the effects of performance contracting on quality service delivery in TVET institutions. Specific objectives were to establish effect of contracting on efficiency on quality service delivery, determine effect of contracting on creativity and innovation on quality service delivery and to analyze the effect of contracting on consistency on quality service delivery in TVET institutions in Siaya County, Kenya. The conceptual framework depicts performance contracting as independent variable and quality service delivery as dependent variable. The study was anchored from Agency Theory. Correlation survey design was used in the study. The population was 80 heads and assistant heads of the TVET institutions of whom a saturated sample shall be used. Self administered questionnaire was used to collect data. Reliability of instrument was established at $\alpha = 0.71$ and 0.77 , for performance contracting and quality service delivery respectively. The validity test was done using expert review. Results show ($B = .145$, $p = .043$), ($B = .185$, $p = 0.013$) and ($B = .414$, $p = 0.000$) for objectives one, two and three respectively. The findings mean that contracting on efficiency has significant positive effect on quality service delivery accounting for 14.5% percent rise in quality service delivery. Contracting on creativity and innovation has significant positive effect on quality service delivery and accounts for 18.5% rise in quality service delivery. Contracting on consistency has significant effect in quality service delivery and accounts for 41.4% increase in quality service delivery. R^2 is 0.398. This means that the three predictors together predict up to 39.8 % rise in quality service delivery. It is expected that findings from the study may contribute to knowledge to improve on effective utilization of resources by corporate bodies, stakeholders and other related institutions. The study results may help government improve policy on the operations of the performance contracting. It may also provide basis for academia to conduct further research.

CHAPTER ONE

INTRODUCTION

This chapter presents the background of the study, the statement of the research problem, objectives of the study and research questions. Also discussed in this chapter are the significance of study, scope of study and the conceptual framework that guided the study.

1.1 Background of the Study

Technical and Vocational Education and Training (TVET) refers to aspects of the educational process involving, in addition to general education, the study of technologies and related sciences and the acquisition of practical skills, attitudes, understanding and knowledge relating to occupations in various sectors of economic and social life (UNESCO, 2012). Technical and Vocational Education and Training plays a significant role of imparting skills to the youth who drop out of primary and secondary school and to those who end their education at primary or secondary level. According to Goel (2010), the skills from TVET institutions contribute to economic growth and social development. This has enhanced the need to establish TVET institutions. Globally, TVET is increasingly becoming important in times of rapid social and technological change. Workers need more updated skills to participate in the knowledge economy as the competencies they acquire increasingly become quickly outdated (Neal, 2011).

In Africa (Yamada 2007), technical and vocation training provides a means for complementary system of education, with possibilities of credit transfer to higher education. Thus, TVET needs to be designed and delivered in a close partnership with prospective employers with a view of providing vital skills to the increased numbers of young people contemplating basic education programs. The increased numbers is a result of government effort to achieve the education for all (EFA) goals and Millennium development Goals (MDG). Technical and Vocational Education and Training (TVET) is a challenge in all African countries. In most countries the enrolment rate in formal TVET at secondary level is 5% or less. Non-formal TVET is pre-dominant and highly fragmented. Learning opportunities at the workplace, non-formal learning, private

revision, and initiatives under various non-educational sector ministries all tend to operate in a non-coherent way. (UNESCO, 2010). The development of Technical, vocational, and Entrepreneur Training (TVET) is fundamental in Kenyan's effort to lower levels of poverty and create opportunities for out of school youth (Vision 2030). Further, it places great emphasis on science, technology, and innovation in general and TVET in particular as a means of social economic and technological transformation. Since 1963, Kenya has undergone extensive upgrading of its educational systems. Many youth polytechnics have been created to serve post primary school people in need of employment skills but despite the massive investment in youth polytechnic programs, Kenya like other developing countries still experiences the problem of unemployed youth. TVET institutions face challenges that include consistent decline in the quality of training and lack of relevance in skills being taught. These challenges have been attributed underfunding however they continue to exist. Agency relationship that exists between government and heads of these institutions has not been explored as the potential cause. Performance contracting was introduced by government but its effect has not been investigated.

A Performance Contracting is a management tool for measuring performance against negotiated performance targets. It is a freely negotiated performance agreement between the Government, acting as the owner of a public agency, and the management of the agency. Performance Contract specifies the mutual performance obligations, intentions and responsibilities of the two parties. It is a branch of management science referred to as Management Control Systems. It is a contractual agreement to execute a service according to agreed-upon terms, within an established time period, and with a stipulated use of resources and performance standards (Opiyo, 2006). Kothari (2004) defined it as 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.

Elizabeth et al., (2012) conducted a study on the analysis of factors that influence the implementation of performance contracting in state corporations in Kenya. The study

focussed on Kenya Civil Aviation Authority. In provincial administration sector on Kenyan government, Rotich et al (2014) conducted a study on effects of performance contracting implementation on service delivery. In addition to this Kosgei et al, (2013) studied the effects of performance contracting on service delivery in public health sector. Omboi and Kariuki, (2011) also studied factors affecting implementation of performance contracting initiative in local authority sector. Ochoti, et al, (2012) studied Factors influencing employee performance appraisal system in provincial administration sector. However none of the above studies explored the effect of performance contracting on the quality service delivery in Technical and Vocational Educational Training (TVET) institutions. Moreover the above studies were conducted in different sectors which does not relate with the education sector where this research intends to study.

Elsewhere Arai, (2010) studied the impact of temporary contracts on gross job and worker flows in manufacturing sector of Sweden. He also studied the impact of firm performance on individual wages in private health sectors of Sweden. Deborah, (2003) also studied Beyond Words: an empirical study of context in contract creation in South Carolina of the U.S. Still, Petri, and Virtanen, (1999) looked at public sector performance contracting in Finland in the ministry of social affairs & health sector. However all the above studies were conducted in more developed countries like Europe and America whose there context does not relate with developing countries like Kenya. The studies do not cover effect of performance contracting on quality service delivery among Technical and Vocational Educational Training (TVET) institutions in Siaya County, Kenya. In this respect, knowledge is lacking

Efficiency refers to the efforts to be put to improve the output while minimizing the costs and waste (Oyugi, 2005). In the public sector, managers and policy makers are embracing the role that competition can play in increasing efficiency and effectiveness, and contracting has been widely adopted as a vehicle to achieve reform in the new public management. The OECD (1997) alleges that the use of contracting in government services is increasing, as the evidence is fairly clear that contracting out can lead to efficiency gains, while maintaining or increasing service quality levels. Rodger and

Leibenstein, (2004) on the other side studied empirical evidence on X-Efficiency in Education sector in United States. Elsewhere Berger and Mester, (2000) studied measuring banking sector efficiency: theory and evidence in banking sector in United Kingdom. Donsyah, (2004) looked at the efficiency in Islamic banking: an empirical study in 18 banks in Europe, U.S banks and Asian banks. Further Malak, (2008) looked at the empirical study on efficiency and productivity of the banking industry but now in Egypt. Studies as exemplified above have not focused on effect of contracting on efficiency on quality service delivery and less so among TVET institutions in Siaya County, Kenya.

Creativity and Innovation refers to the ability to make or produce new things using skill or imagination (Kobia, 2006). McKeon (2008) refers innovation to both radical and incremental changes in thinking, things, and processes or in services. Luecke and Katz (2003), gave a convenient definition of innovation from an organizational perspective; successful introduction of a new thing or method. Today, creativity forms the core activity of a growing chapter of the global economy capitalistically generating (generally non-tangible) wealth through the creation and exploitation of intellectual property or through the provision of creative services and products. Santanen, (2003) studied, opening the black box of creativity: casual effects in creative solution generation in Becknell University. Goldenberg, (2003) also studied Structuring Creativity: Creative Templates in Negotiation in Hebrew University of Jerusalem. Paulus, (2003) on the other side studied Group Brainstorming and Team Innovation: Some Rules for the Road to Innovation in University of Texas-Arlington. In addition, Michael, (2003) looked at the Creativity and Innovation Implementation in Work Groups: The Paradoxical Role of Demands in Aston University, U.K. Nijstad, (2003) further studied Four Principles of Group Creativity in the University of Amsterdam. Finally, Ford, (2003) looked at the Creative Associations and Entrepreneurial Opportunities in the University Florida. However, the above studies were only conducted in universities from more developed countries like United Kingdom and United States whose context cannot be related to TVET institutions in developing countries like Kenya. Moreover, they were not specific

on effect of contracting on creativity and innovation on quality service delivery among TVET institutions in Siaya County, Kenya.

Consistency refers to the quality of always having the same standards, opinion, behaviors. Scholars have long realized that in order for employers to get desired contributions from their employees, they must provide appropriate inducements (Schein, 1965). Satisfied and well adjusted, work willingly towards organizational objectives and respond flexibly to organizational problems (Ostroff, 1992). Norman (2004) indicates that performance contracting can be used as a tool to ensure consistency in a decentralized context. Within the national guidelines each department is able to design a local strategy, flexible enough for a very wide range of circumstances, but consistent with the strategic priorities set by the central government. Integrating the action plans of the departments through performance contracts can be a way of checking the consistency of decisions taken at decentralized levels. Geert & Peter (2000) studied Consistency of Teaching Approach & Student Achievement in Dutch elementary schools. Elsewhere, Rutter (2013) conducted an empirical study of the effects of brand personality and consistency between marketing channels in performance within the United Kingdom education sector. Still, Yee et al., (2010) looked on the impact of employee satisfaction on quality and profitability in high-contact service industries in Hong Kong, China. Studies are not clear on the effect of contracting on consistency on quality service delivery in TVET institutions in Siaya County, Kenya. Moreover the studies were only conducted in more developed countries which cannot be compared to developing countries like Kenya.

Concepts of service are of great importance, this is because of the impact it has in businesses across the world. Service is largely intangible and is normally experienced simultaneously with the occurrence of production and consumption. It is the interaction between the seller and the buyer that renders the service to customers (Gronroos, 1988). Service could also be viewed as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Kotler, (2006) defined services as a form of product that consists of activities, benefits, or

satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything. In the opinion of Lovelock, and Wright, (2002) and cited by Nimako, and Azumah, (2009) services refers to economic activities offered by one party to another, most commonly employing time-based performances to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibilities.

However, the most common definition is the traditional notion that views quality as the customer's perception of service excellence, i.e. quality is defined by the customer's impression of the service provided (Parasuraman et al., 1985). Thus, service quality is defined as the gap between customers' expectation of service and their perception of the service experience. It is therefore the customer's perception that rates the service quality of an entity. Conceptually, service quality is defined as global judgment or attitude relating to the overall excellence or superiority of the service (Parasuraman et al., 1988). Several researchers have dealt with service quality in public services (Bryland and Curry, 2001; Rowley, 1998; Wisniewski, 2001) conducted their researches on the service quality in public services. Bryland & Curry, (2001) also conducted their study on the implementation of SERVQUAL in the public health sector. In addition, Caron & Giauque, (2006) looked at the effect and challenges of SERVQUAL in German public sectors.

Anderson (1995) also measured the quality of service provided by a public university health clinic in Australia. Using five-dimensions of SERVQUAL (i.e. tangibles, reliability, responsiveness, assurance and empathy), Parasuraman *et al.*, and (1988) also assessed the quality of service provided by the clinic at the University Of Houston in Health sector. Using the SERVQUAL approach, Wisniewski (2001) carried out a study to assess customer satisfaction within the public sector across a range of Scottish Councils services. Finally, Donnelly *et al.* (2006) carried out a study to explore the application of SERVQUAL approach to assess the quality of service of Strathlyde Police in Scotland. Still, Augustine, (2007) carried out a research to identify management and customer perceptions of service quality practices in the Malaysian Public sector. However their

studies looked at the perceptions of management and customers. It is thus observed that most of the studies to date, have concentrated on service quality in US and European public service sector, while some more recent studies have looked at service quality in other developed countries leaving aside the developing countries like Kenya and their TVET institutions.

1.2. Statement of Problem

The current performance management system popularly known as Performance Contracting was introduced in 2012 by the Kenyan government. It was established in public institution to improve service delivery. TVET institutions are among the institutions controlled by performance contracting. These institutions face challenges that include lack of relevance in skills offered and consistent decline in quality of training. These challenges have not been addressed from the point of view of performance contracting. Studies on performance contracting have focused on other contexts and have not addressed specifically what effect performance contracting has on quality service delivery in TVET institutions. The studies have left out effect of contracting on consistency, contracting on creativity and innovation and contracting on consistency on quality service delivery.

1.3. Objectives of the Study.

The broad objective of this study was to determine the effect of performance contracting on the quality service delivery in TVET institutions in Siaya County, Kenya

The specific objectives of the study include:

- i. To establish the effect of contracting on efficiency on quality service delivery in TVET institutions in Siaya County, Kenya.
- ii. To determine effect of contracting on creativity and innovation on quality service delivery in TVET institutions in Siaya County, Kenya.
- iii. To analyze the effect of contracting on consistency on quality service delivery on quality service delivery in TVET institutions in Siaya County, Kenya.

1.4. Research Hypotheses

The study was guided by the following specific research hypotheses:

H₀1. There is no significant effect of contracting on efficiency on quality service delivery in TVET institutions in Siaya County, Kenya.

H₀2. There is no significant effect of contracting on creativity and innovation on quality service delivery in TVET institutions in Siaya County, Kenya.

H₀3. There is no significant effect of contracting on consistency on quality service delivery on quality service delivery in TVET institutions in Siaya County, Kenya.

1.5. Significance of the Study

The study is expected to improve service delivery to the public by ensuring the top level managers are accountable for results, reverse the decline in efficiency. It may help focus resources on attainment of key national policy priorities of the government. It will facilitate institutionalization of performance oriented culture in the public service through introduction of an objective performance appraisal system, measure and evaluate performance, link reward to measurable performance, facilitate the attainment of desired results, instill accountability for results at the highest level of the government. Results of the study will facilitate culture of accountability pervades all levels of the government machinery and strengthen and clarify the obligation required of the government and its employees in order. The findings may also stimulate more educators and students to undertake further research in related area of study. Finally, the findings may also be useful to stakeholders such as those whose settings have similar characteristics to those of TVET institutions in identifying, planning and implementing projects to assist in improving performance contracting. Researchers may find basis for further research in this study.

1.6. Scope of the Study

The study focused on establishing effect of contracting on efficiency, contracting on creativity and innovation, and contracting on consistency on quality service delivery on quality service delivery in TVET institutions in Siaya County, Kenya. It was conducted

in TVET institutions in Siaya County, Kenya. It covered a point in time seeking information at a time point across all the units

1.7. Conceptual Framework

The conceptual framework below depicts the effect of Independent Variable, Performance contracting on dependent variable, quality service delivery. Performance contracting is defined by contracting on efficiency, contracting on consistency, and contracting on creativity and innovation. Quality service delivery is defined by Reliability, Assurance, Tangibles, Empathy, and responsiveness in service delivery. It is hypothesized that performance contracting influences quality of service delivery positively in the context of the study though with no significant effect. The hypothesized relationship between performance contracting and quality of service delivery is intervened by variables such as working environment. The interplay among the study variables is shown in figure 1.1 below.

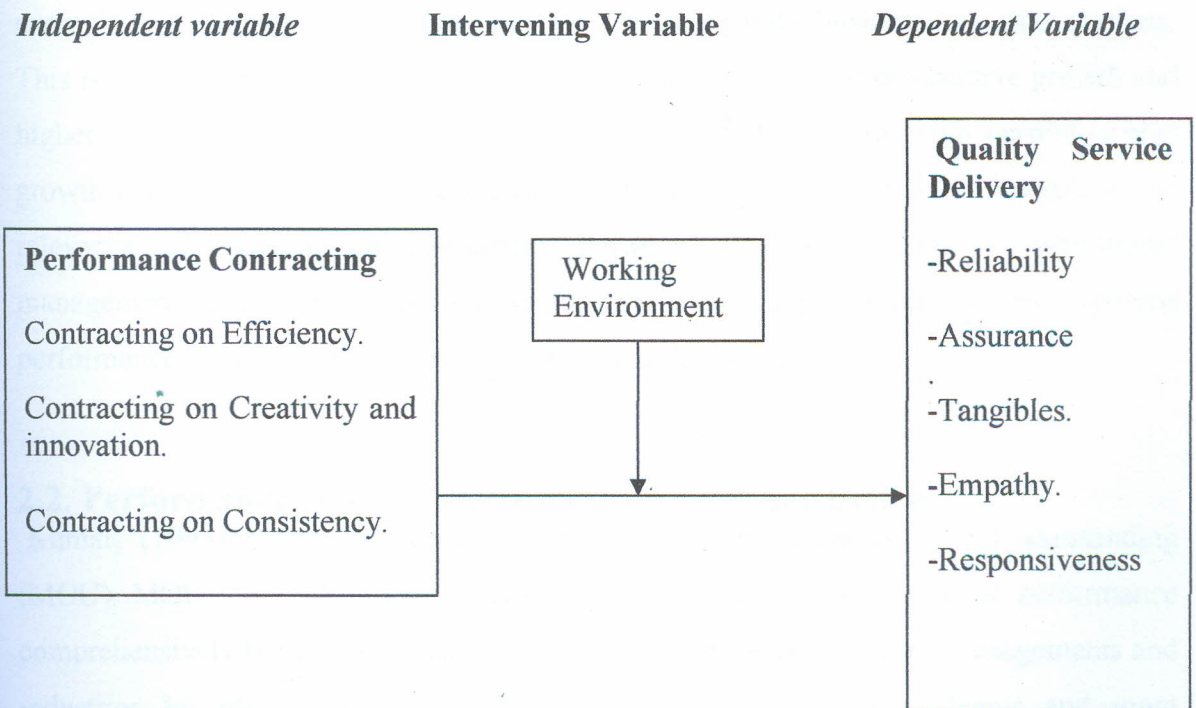


Figure1.1: A Conceptual framework showing Performance Contracting and Quality Service Delivery.

Source:-Adapted from Parasuraman, Zeithaml and Berry (1988) and Opiyo(2006)

CHAPTER TWO

2.0 LITERATURE REVIEW

This chapter reviews both theoretical and empirical studies done on the effects of performance contracting on quality of service delivery on public universities.

2.1 Theory of the Study

The agency theory by Jensen and Meckling (1976) is a supposition that explains the relationship between principals and agents in business. Agency theory is concerned with resolving problems that can exist in agency relationships due to unaligned goals or different aversion levels to risk. The most common agency relationship in finance occurs between shareholders (principal) and company executives (agents). Agency theory addresses problems that arise due to differences between the goals or desires between the principal and agent. This situation may occur because the principal is not aware of the actions of the agent or is prohibited by resources from acquiring the information. For example, company executives may have a desire to expand a business into other markets. This is sacrificing the short-term profitability of the company for prospective growth and higher earnings in the future. However, shareholders that desire high current capital growth may be unaware of these plans. The theory anchors the study as it explains the relevance of performance contracting between government and its institutions' management. The Agency relationship that the theory explains results into improved performance by use of performance contracting as a control tool.

2.2. Performance contracting and Quality Service Delivery

Kumar, (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent. Ostroff, (1992) defines performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. While Smith, (1999) argues that a common definition of

performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution.

Philip et al, (2014) did a study on teaching workload analysis for performance contracting and service delivery in the academic setting of Kenya to analyse why there is disconnect between the implementation of performance contracting as a management tool in public universities. A descriptive study design was used. From a total population of 5630 teaching staff from seven public universities, a sample size of 848 teaching staff from three public universities were picked using simple random sampling technique. They found out that teaching workload hinders the service delivery. That tangibles improve the quality of service delivery in public universities by easing employee teaching workload and that reliability contributes to quality of service offered. In their conclusion they concluded that efficiency and effectiveness in respect to student enrolment, timely graduation so as to join the labor market, teaching methodology, timely exams and timely release of exam results should be addressed adequately to improve on the quality service. In addition, the university should try to link performance contracting practices to these variables, sustain them and equip its staff with the necessary tools and skills besides giving feedback to its customers and also linking the courses offered to the industry.

Elsewhere, Elizabeth et al, (2012) conducted a study on the analysis of factors that influence the implementation of performance contracting in state corporations (A case study of Kenya civil Aviation Authority (K.C.A.A). The objective was to analyze the factors influencing implementation of performance contracting in state corporations in Kenya. Descriptive research design was used. From a population of 156 employees of KCAA, a sample of 78 respondents was picked. They found that there should be high motivational rewards for good performance and that the performance measurements are used to evaluate, control and improve operation process in order to ensure that the organizations achieves its goals and objectives. The organization should avail requisite resources necessary for implementation of strategy and that the management practices for evaluation of performance contracting outcomes. Finally the study found that the strategy

implementation evolves either from a process of winning group commitment through a coalitional form of decision making. In their conclusion they stated that the set targets be well communicated to employees in an organization and that the organizations have a team building activities to motivate e.g. organizing tours to employees. At the same time they concluded that every employee in an organization must be committed to their work and not only to the top leaders.

Rotich et al, (2014) conducted a study on effects of performance contracting implementation on service delivery in provincial administration, to evaluate the effectiveness of performance contracting in improving efficiency in service. Using descriptive research design and a population of 490 i.e. 90 from provincial administration and 400 from members of the public, 147 respondents were taken as sample size. They found that many staffs have changed their attitude towards work which in turn has encouraged good customer service. They also found out that the provincial administration staff takes minimum time in solving public issues and they also have slight sense of responsibility due to performance contract. They therefore concluded that PC be improved by frequent training and retraining of staff, use of incentives like salary increments, rewards and promotions. There should be an effective communication with public, availing adequate and timely resources, eradicate corruption loopholes, regulate transfer of staff, recruiting qualified staff and the provision of offices. Finally, they concluded that identifying challenges and intervening factors is also paramount to ensure that attainment of set targets is not compromised.

Kosgei et al, (2013) studied the effects of performance contracting on service delivery in public health sector to discover insights which were flexible, open and enabled the research to collect a wide range of subjects' data and impression. Stratified random sampling to obtain a representative sample among members of department staff and a deliberate sampling technique to obtain primary data from suppliers and internal department, was used. They found out that low levels of academic qualification resulted to less number of employees being involved in setting targets and that the introduction of performance contracting initiatives was enhance better service delivery by public

institutions. They concluded that more training sessions to members be organized, new practices be embraced and procedures with service recipient in mind. Finally they suggested that staff members should be involved in decision making concerning their areas of operations.

Omboi and Kariuki, (2011) studied factors implementation of performance contracting initiative at Municipal council of Maua, Kenya to determine the factors affecting implementation of P.C initiative. Using a cross chapter of descriptive research design, both qualitative and quantitative methods in nature was used with a total population of 570 and a sample size of 206. They found out that a general profile of business owners and employees within the jurisdiction of M.C.M were satisfied with service delivery since PC initiatives were introduced. They recommended that M.C.M and other local authorities should emphasize on stakeholders participation in setting out targets under performance contracting procedures and that the government should think of increasing percentage of devolved funds from current 7.5% to 20% of the national income in order to strengthen the development index which was to enhance improvement in service delivery.

Ochoti et al, (2012) studied factors influencing employee performance appraisal system: A case study of the ministry of state for provincial administration and internal security, Nyamira districts, Kenya. Using descriptive survey design with a total population of 76 employees and a sample size of 44 employees, their results showed that all the five factors: implementation process, interpersonal developments, RATER accuracy, informational factors and employee attitudes had a significant positive relationship with the performance appraisal system. They concluded that if all these five factors are taken into consideration by the raters and the government policy makers, then PAS can be a good performance management tool.

Still Mbua and Ole Sarisar, (2013) looked on the concept of performance contracting-Kenya scenario/experience to explore the development of the concept of PC in supporting public sector reforms in Kenya and to further explores the contextualization of the

concept. They found out that sustaining performance gains derived from the PC is central to improving public sector service delivery in Kenya and concerted efforts be made to inculcate sustainability while continuously improving public offerings. In their conclusion, an in-depth analysis of each sector must be done so as to be able to get a better understanding of how the various sectors are performing. They recommended that more studies to be done with a view to establish the challenges that the various departments could be facing in the implementation of the new concept of Performance Contracting.

From the empirical literatures above, it's true that they all focused their studies on performance contracting and service delivery. Most of them used descriptive design study and simple random sampling which enabled them get lots of data. Unfortunately, Elizabeth et al, (2012) , Kosgei et al, (2013), Omboi et al, (2011), Ochoti et al, (2012) and Mbua et al, (2013), in their studies neglected education sector. However, Philip et al (2014) in their study on teaching workload analysis for performance contracting and service delivery in academic setting of Kenyan public universities captured the teaching staff of the university. The studies above did not clearly explore effect of performance contracting on TVET institutions in Siaya County, Kenya. Knowledge is lacking about the relationship of these two variables.

2.2.1. Contracting on Efficiency and Quality Service Delivery.

Efficiency refers to the efforts to be put to improve the output while minimizing the costs and waste (Silvestro, 1998). In the public sector, managers and policy makers are embracing the role that competition can play in increasing efficiency and effectiveness, and contracting has been widely adopted as a vehicle to achieve reform in the new public management (Williams, 1994). The OECD (1997) alleges that the use of contracting in government services is increasing, as the evidence is fairly clear that contracting out can lead to efficiency gains, while maintaining or increasing service quality levels.

Teresa, Zsuzsanna, and Isabella, (2005) conducted their study on improving public banking sector efficiency in South Africa to examine the key institutional drivers that may contribute to improving public sector efficiency. They found out that

decentralization of the political power and spending responsibility to sub national governments and that by increasing scale of operations in education and health sectors may improve efficiency. They then concluded that performance indicators acts as a monitoring and signaling tool that tells decision makers what is working with government programs and what is not working. They also found out that there was lack of empirical evidence and systematic evaluation of the impact of institutional variables on efficiency. Alabar, and Abubakar, (2013) studied Impact of employee empowerment on service quality- an empirical analysis of the Nigerian banking industry. Objective of their study was to determine the impact employee empowerment has on service quality in the Nigerian banking industry. The study covered nine branches out of the fifteen branches of First Bank in Kaduna State. This is because the nine branches are within Kaduna State metropolis and so, there was easy access. The sample size consisted of all the staff in the various branches with the exception of contract (in sourcing) staff. The study found out that employee empowerment has positive and significant impact on service quality. It recommends that First Bank should continue to promote teamwork amongst employees so that every staff irrespective of gender would work towards a common vision of achieving the objectives of the Bank. A more enabling environment for the female employees should also be encouraged so that there was a balance in enhancing productivity.

Groot, and Hulst, (2012) conducted a study on performance management and cost-effectiveness of public services: empirical evidence from Dutch municipalities of Netherlands. The study aimed at relating cost effectiveness to variables probing performance management practices. The model was empirically estimated using data of around 75 Dutch municipalities on output, client satisfaction, cost and organizational structure in 2008 and 2009. The results show a large variation of efficiency scores, with an average of 60% compared with the most efficient municipalities. Higher quality of staff, however, does not pay off in terms of higher efficiency. Apparently, possible productivity gains are not enough to compensate for higher personnel costs. Finally, the use of fully performance driven management practices does not seem to be associated with higher efficiency.

Still, Gorla, Somers, and Wong, (2010) looked at Organizational impact of system quality, information quality, and service quality in India's health sector. The objective was to model the relationship between information systems' (IS) quality and organizational impact. The results showed that IS service quality is the most influential variable in this model (followed by information quality and system quality), thus highlighting the importance of IS service quality for organizational performance. This paper contributes theoretically to IS success models through the system quality-to-information quality and IS quality-to-organizational impact links.

Finally, Walsh, and Gordon, (2010) conducted another study of Understanding Professional Service Delivery in Cornell University. The purpose of this paper was to apply concepts from organizational and social identity theories to theoretically consider different ways that professional service providers conceptualize their roles and deliver their knowledge in hotel sector. The study found that the field has yet to provide a clear understanding of what professional service delivery actually looks like. The paper offers propositions examining the process by which professionals identify with membership in their profession and firms that in turn, influence their expert-based self-concepts, the images they form of their clients as recipients of their knowledge, and ways they create the service exchange.

In summary, Teresa, et al, (2005) conducted a study on improving public banking sector efficiency in South Africa. Alabar, et al, (2013) studied Impact of employee empowerment on service quality- an empirical analysis of the Nigerian banking industry. Elsewhere Groot, et al, (2012) conducted a study on performance management and cost-effectiveness of public services: empirical evidence from Dutch municipalities of Netherlands. Still, Gorla, et al, (2010) looked at Organizational impact of system quality, information quality, and service quality in India's health sector. However none of the above studies explored the effect of efficiency on quality service delivery in public university. Moreover Walsh, et al, (2010) conducted another study of Understanding Professional Service Delivery in Cornell University of the United States which is in a

more developed country where its context cannot be compared to a developing country like Kenya. The studies are not clear on effect of contracting on deficiency on quality service delivery in Siaya County, Kenya.

2.2.2. Contracting on Creativity & innovation and Quality Service Delivery

This refers to the ability to make or produce new things using skill or imagination. Today, creativity forms the core activity of a growing chapter of the global economy capitalistically generating (generally non-tangible) wealth through the creation and exploitation of intellectual property or through the provision of creative services and products (Feldman, 1999). The creativity is becoming a more integral part of industrialized nations' economies (Nonaka, 1991). To enhance creativity in business, three components were needed: expertise (technical, procedural and outcomes, such as quality, highlight the challenges associated with managing a service, but not the provider of that service: intellectual knowledge), creative thinking skills (how flexibly and imaginatively people approach problems) and motivation (Simonton, 1999). Fields such as science and engineering have, by contrast, experienced a less explicit (but arguably no less important) relation to creativity (Simonton, 1999). Nonaka (1991) examined several successful Japanese companies. He saw creativity and knowledge as being important to the success of organizations. In particular, he emphasized the role that tacit knowledge has to play in the creative process.

Santanen, (2003) studied *Opening the Black Box of Creativity: Casual Effects in Creative Solution Generation in Becknell University*. The objective was to examine the creativity literature from a cognitive perspective and to propose a Cognitive Network Model of creativity (CNM) that explains one possible causal mechanism behind the generation of creative solutions to problems. He found out that groups used either free brainstorming or directed brainstorming to generate solutions for one of two ill-structured tasks. In both tasks, people using directed brainstorming produced solutions with higher average creativity ratings and higher concentrations of creative solutions than did groups using free brainstorming.

Goldenberg, (2003) looked at Structuring Creativity: Creative Templates in Negotiation in Hebrew University of Jerusalem. The research aimed at an attempt to bring this innovative technique into the negotiation arena and to demonstrate that creative and insightful problem solving can be achieved through systematic, inventive thinking. He found that certain structures in creative ideation and problem solving processes are identifiable, objectively verifiable, and can be studied, generalized and implemented across various managerial areas. These structures, termed Creativity Templates, can serve as facilitative tools in channeling the ideation process, thereby enabling the negotiator to be more productive and focused in generating creative options and proposals. He also found out that the template approach to creativity and problem solving has, so far, been successfully applied in new product development processes

Still, Mathew et al, (2012) looked at the impact of technology on service delivery in banking sector of America. Using a sample of 440 electronic banking customers, they found out that as much as there were problems encountered by customers in relation to security, speed and complexity of use, in some situations it was a preferred alternative and that if the problems encountered are addressed properly then creativity and innovation is ranked the best. It was however concluded that a company that fails to innovate and remains blocked in “industry recipes” was eventually lose its competitive advantage.

Summarily, it is evident from the studies done by Mathew et al, (2012), Goldenberg, (2003) and Santanen, (2003) that they both found out that creativity and innovation improves quality service delivery. However, their studies were conducted in universities within more developed countries like United Kingdom and America where the context doesn't relate with the developing countries like Kenya. They did not focus effect of contracting on creativity and innovation on quality service delivery in TVET institutions in Siaya County, Kenya. Knowledge is therefore lacking in this respect.

2.2.4. Contracting on Consistency and Quality Service Delivery.

Consistency refers to the quality of always having the same standards, opinion, behaviors, among others. Scholars have long realized that in order for employers to get

desired contributions from their employees, they must provide appropriate inducements (Schein, 1965). Satisfied and well adjusted, work willingly towards organizational objectives and respond flexibly to organizational problems (Ostroff, 1992). However it has never been easy for employers to know what employees expect and which kinds of inducements was to influence employees to make desired contributions consistently. Norman (2004) indicates that performance contracting can be used as a tool to ensure consistency in a decentralized context. Within the national guidelines each department is able to design a local strategy, flexible enough for a very wide range of circumstances, but consistent with the strategic priorities set by the central government. Integrating the action plans of the departments through performance contracts can be a way of checking the consistency of decisions taken at decentralized levels.

Sumaedi, Bakti, and Yarmen, (2012) conducted an empirical study of public transport passengers' behavioral intentions: the role of service quality, perceived value & satisfaction in Jakarta, Indonesia. The objective of the study was to explore the relationship between passenger's behavioral intentions. A population of 800 and a sample size of 339 passengers through questionnaire were used. They found out that preserved value & service quality significantly affect passengers' behavioral intention. They also found out that perceived value is significantly affected by service quality and perceived sacrifice.

Elsewhere Sousa, and Voss, (2006) looked at the impact of e-service quality on customer behavior on multi-channel e-services in banking sector of U.S.A. The objective of the study was to examine the impact of quality on behavioral intentions in e-services & to find out the impact of e- service quality on customer channel behavior. They found out that e-service quality had a strong impact on e-loyalty and that e-service quality did not have an impact on customer behavior.

At the same time, Suki, (2013) conducted an empirical study on customer satisfaction with service delivery in the life insurance in Labuan, Malaysia. The aim of the study was to examine the effect of service quality on customer satisfaction with service delivery in

the life insurance industry. Using quantitative research method, 100 completed self administered surveys found that assurance, tangibility & empathy have positive & significant relationship with customer satisfaction with service delivery in the life insurance industry. They also found out that high levels of skills & experience among employees of Life Assurance Company & the dedication of agents provide customer confidence.

Still, Geert and Peter, (2000) sought to investigate whether student achievement levels vary according to the consistency of the teaching approach after controlling for socio-ethnic background at both the individual and class levels. They also wanted to establish the relations between teachers, class and students characteristics in Dutch elementary schools. They found out that teachers attendance and consistency contributes a lot to quality service.

The studies evidence lack of focus on effect of contracting on consistency on quality service delivery in TVET institutions in Siaya County, Kenya. To this extent, there is lack of knowledge.

CHAPTER THREE

METHODOLOGY

In this chapter, the researcher has presented the methodology to be used in the research project. The areas explored include: research design, Target population, sampling technique and Sample size, data collection procedure and methods of data analysis.

3.2 Research Design

The study adopted a correlation survey design. Kothari (2009) points out that correlational survey research studies are concerned with specific predictions, narration of facts and characteristics concerning individuals, groups or situations and relationships that exist among variables.

3.3 The study area

The study was carried out in Siaya County, Kenya. Siaya County is one of the counties in the former Nyanza Province in the southwest part of Kenya. It is bordered by Busia County to the north, Kakamega County and Vihiga County's to the northeast and Kisumu County to the southeast. It shares a water border with Homa Bay County which is located south of Siaya County. The total area of the county is approximately 2,496.1 km². The county lies between latitude 0° 26' to 0° 18' north and longitude 33° 58' east and 34° 33' west.

3.4 Target Population.

The target population was 40 heads and 40 assistant heads of all the 40 TVET institutions in Siaya County, Kenya. The population is thus 80 managers and assistant managers and principals and deputy principals of these institutions. The heads and their assistants have been chosen because they have the best knowledge of performance contracting in the institutions. They are also conversant with service delivery issues within the institutions. They are best placed to provide the information on this agency relationship they have with the government control system they have with the government

3.5 Sample Size and Sample Techniques.

The study used all the members of target population as respondents because the number is small. It used a saturated sampling.

3.6 Data Collection methods.

3.6.1 Data Collection Procedure.

Before undertaking the actual study in the respective TVET institutions, the researcher was contact and seek permission the relevant institutions. The researcher briefed them about the study and what it sought to achieve. Alongside, the researcher designed route and schedule of data collection. The researcher then proceeded to pilot the instrument before proceeding for main data collection.

3.6.2. Instruments for Data Collection.

A self-administered questionnaire was dropped to each respondent and picked later. The questionnaire consisted of both open ended and closed ended questions. Respondents to self-administered questionnaires are relatively unlikely to answer questions to please (Mark et al. 2003). The questionnaire was divided into three parts covering demographic variables, practices and expectations from performance contracting. In case additional information was required by the researcher, semi-structured interviews was conducted.

3.7 Reliability and Validity of Research Instruments.

3.7.1 Reliability of Research Instruments.

Before engaging in the actual exercise of data collection, the instrument was first piloted to confirm its reliability. Tabachnick and Fidel (2001) states that reliability relates to the constancy with which a measuring instrument yields certain result, where the results of constructs measured demonstrate a high percentage of similar outcomes and is without bias. This analysis was conducted for all statements structured on a likert point scale using Cronbach alpha score test at a threshold of 0.7. The reliability coefficient for performance contracting was established at $\alpha = 0.71$ and that of quality service delivery at $\alpha = 0.77$. This confirmed the instrument was reliable.

3.7.2 Validity of Research Instruments.

The researcher employed construct validity as advocated by Cronbach (1955), in which it related the measuring instrument to the general theoretical framework so as to determine whether the instrument was tied to the concepts and the theoretical assumptions. Content validity was done to ascertain clarity and simplicity. The researcher used clear wording of the questions by using terms that are likely to be familiar to, and be understood by the respondents. The researcher engaged experts and his supervisors to ascertain whether the content of the research instrument is up to standard, after which he was administer it to the respondents as Kothari (2004) suggest that face validity is determined by expert judges, thus, the items in research instrument was carefully and critically examined and approved by supervisors.

3.8. Data Analysis and Presentation.

Descriptive and Inferential analysis of data was conducted. Descriptive statistics was used for establishing performance contracting and quality service delivery. Effect was analyzed for each of the objectives using regression model as in model 3.1.

The data was presented in form of tables, graphs and charts.

The model to be used in the study takes the form;

$$Y_{ij} = \alpha_{ij} + \beta_{1j} X_{1j} + \beta_{2j} X_{2j} + \beta_{3j} X_{3j} + \epsilon_{ij} \dots \dots \dots 3.1$$

Where;

Y_{ij} - Aspect of quality service delivery at a particular TVET institution (dependent variable)

X_{1j} - Contracting on Efficiency at a particular TVET institution

X_{2j} - Contracting on Creativity and Innovation at a particular TVET institution

X_{3j} - Contracting on Consistency at a particular TVET institution

α_{ij} - The intercept / constant

β_{ij} - The regression coefficients of the independent variable at a particular TVET institution or the changes induced in Y by X

ϵ_{ij} - The error term

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter gives the response rate, data screening and cleaning, descriptive statistics and presents analyses of various responses on items of key variable constructs including moderation analysis on the hypothesized moderator variable. More significantly it analyses results based on the objectives of the study.

4.1 Response Rate

The respondents consisted of senior managers drawn from three categories of Bus firms who did not take part in the pilot study. A total of 80 questionnaires were distributed and 78 returned. This represented a response rate of 97.5 %. This response rate is consistent with the argument by Fowler (2002) that the whole point of conducting a survey was to obtain useful, reliable, and valid data to analyze and draw conclusions about the target population. Consequently, the more responses received, the more likely it is that one was able to draw statistically significant conclusions about the target population.

4.2 Effect of Contracting on Efficiency (CoE) on Quality Service Delivery

Table 4.1 shows results on objective one. The results indicate that Contracting on Efficiency has a positive significant effect on quality service delivery by the TVETs with significance level below 0.05 ($B = .145, p = .043$). This means that when Contracting on efficiency is emphasized in performance contracting, quality service delivery by the TVETs increases. A unit rise in Contracting on efficiency contributes up to 14.5% rise in quality service delivery if other factors were held constant. This is observed both statistically and practically

Table 4.1: Effect of Contracting on Efficiency on Quality Service Delivery

Model	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	.864	.240		3.601	.000

CoE	.145	.072	.162	2.031	.043
CoCI	.185	.074	.215	2.475	.013
CoC	.415	.090	.363	4.595	.000
R	0.631				
R ²	0.398				
Adj.R ²	0.386				

Dependent Variable: Quality Service Delivery by TVETs

Source: Survey Data (2017)

The results in table 4.1 agree with those of Omboi and Kariuki (2011) who found that performance contracting enhances service delivery. The results disagree with those of Groot and Hurst (2012) who found that performance management did not have association with service delivery in terms of improving efficiency.

4.3 Effect of Contracting on Creativity and Innovation on Quality Service Delivery

Table 4.2 shows results on objective two. The results indicate that Contracting on Creativity and Innovation has a positive significant effect on quality service delivery by the TVETs with significance level below 0.05 ($B = .185, p = .013$). This means that when Contracting on creativity and innovation is emphasized in performance contracting, quality service delivery by the TVETs increases. A unit change in Contracting on creativity and innovation contributes up to 18.5% rise in quality service delivery if other factors were held constant. This is observed both statistically and practically

Table 4.2: Effect of Contracting on Creativity and Innovation on Quality Service Delivery

Model	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	.864	.240		3.601	.000
CoE	.145	.072	.162	2.031	.043
CoCI	.185	.074	.215	2.475	.013

CoC	.415	.090	.363	4.595	.000
R	0.631				
R ²	0.398				
Adj.R ²	0.386				

Dependent Variable: Quality Service Delivery by TVETs

Source: Survey Data (2017)

The results in table 4.2 agree with those of Goldenburg (2003), Santanen (2003) and Mathew (2012) who found that creativity and innovation enhances service delivery. The results do not conform to those of Groot and Hulst (2012) who found that performance management did not have association with service delivery in terms of improving efficiency.

4.4 Effect of Contracting on Consistency on Quality Service Delivery

Table 4.3 shows results on objective three. The results indicate that Contracting on Consistency has a positive significant effect on quality service delivery by the TVETs with significance level below 0.05 ($B = .415, p = .000$). This means that when Contracting on consistency is emphasized in performance contracting, quality service delivery by the TVETs increases. A unit change in Contracting on consistency contributes up to 41.5% rise in quality service delivery if other factors were held constant. This is observed both statistically and practically

Table 4.3: Effect of Contracting on Consistency on Quality Service Delivery

Model	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	.864	.240		3.601	.000
CoE	.145	.072	.162	2.031	.043
CoCI	.185	.074	.215	2.475	.013
CoC	.415	.090	.363	4.595	.000

R	0.631
R ²	0.398
Adj.R ²	0.386

Dependent Variable: Quality Service Delivery by TVETs

Source: Survey Data (2017)

The results in table 4.3 agree with those of Still, Geart and Peter (2000) who found that consistency enhances quality of service. The results do not conform to those of Groot and Hulst (2012) who found that performance management did not have association with service delivery in terms of improving efficiency.

R² is .398. This means that contracting on efficiency, contracting on creativity and innovation and, contracting on consistency together explain 39.8 percent of quality service delivery by TVETs. Similarly, the adjusted R² is 0.386 and also significant. The shrinkage in this case is 0.012 (0.398-0.386) which is below the level of 0.5 suggested by Field (2005) and means that the model is valid, has stability for prediction and predicts variance of performance at 39.8%.. The study therefore developed the model below for effect of performance contracting on quality service delivery by TVETs in Siaya County

Quality Service Delivery=0.864+0.145CoE+ 0.185CoCI +0.415CoC..... 4.1

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the results of the study and reports the conclusions drawn. In addition, practical contributions of the study are discussed together with observed limitations. The chapter concludes by providing potential avenues for future research.

5.1 Summary of Findings

Research objective one sought to establish the effect of contracting on efficiency on quality service delivery by TVETs in Siaya County. The results show positive significant effect of contracting on efficiency on quality service delivery. This means the null hypothesis is rejected.

Research objective two sought to establish effect of contracting on creativity and innovation on quality service delivery by TVETs in Siaya County. The results show significant positive effect of contracting on creativity and innovation on quality service delivery by TVETs in Siaya County. This means the null hypothesis is rejected.

The third objective sought effect of contracting on consistency on quality service delivery by TVETs in Siaya County. Results showed significant positive effect of contracting on consistency on quality service delivery by TVETs in Siaya County, Kenya. This means the null hypothesis is rejected.

5.2 Conclusions of the study

From the findings, conclusions are that if contracting for efficiency is emphasized, quality service delivery by the TVETs increase. Secondly, as contracting for creativity and innovation increases in focus, quality service delivery increases. Lastly as contracting for consistency increases, quality service delivery is also enhanced.

5.3 Recommendations of the Study

It is recommended that the TVETs puts efforts in contracting on efficiency as this increases quality service delivery. Contracting on creativity and Innovation should also

have strong focus as it too enhances quality service delivery. Similarly, contracting for consistency should also be emphasized as it also enhances quality service delivery.

5.5 Suggestions for Further Research

This study establishes the foundations for numerous future conceptual and empirical research efforts. Other contractual areas in performance contracting can be considered. It is also suggested to academicians to conduct similar studies in other contexts and apply different designs.

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