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The Assessment on the Effects of Financial Resources and Structures on the Implementation of Performance Contract in Tertiary Institutions in Meru County

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Abstract: Performance contract is a management tool for measuring freely negotiated performance targets between institutions management and the Government. Performance Contracts have been used in many enterprises in the world. Performance contract was introduced by the Government of Kenya to ensure delivery of quality service to the public as well tertiary institutions also known as TIVET institutions. The purpose of this study was to carryout assessment on the effects of financial resources on the implementation of performance contract in Tertiary institutions in Meru County. The specific objectives of the study were: to determine the effects of financial resources on implementation of performance contract in tertiary institutions in Meru County andto establish the effect of structures on implementation of performance contract in tertiary institutions in Meru County. The study adopted a survey research design and stratified sampling technique was used to draw a sample size of 63 from a population of 76 employees of tertiary institutions in Meru County. Data was collected using a questionnaire and the interviews. Data analysis was done using SPSS software; correlation coefficients were used to determine the nature of the relationship between the dependent variable and independent variables. Chi-square analysis will be done to test significance of variables. The findings were presented in tables and figures. The study of the findings were considered important for gathering information for managerial policy decision making that enabled the managers understand the positive approaches towards performance contracting as a management tool for improving performance in tertiary learning institutions which has continuous benefits to the long-term development. The findings of this study were; financial resources affected implementation of performance contract in tertiary institutions to a very great extent. Also there is a significant relationship between financial resource and implementation of performance contract in tertiary institutions to a very great extent {r(63) = 0. 78, p <0.05}. There is a strong positive relationship between structure of PC and implementation of performance contract {r(63) = 0.63,p <0.05}. Based on the findings the study recommended that the Government should release financial resources in good time to enable the officers implement performance contracting. This will help them to meet their targets in good time and the institutions should continually monitor and evaluate the managers so as to ensure that they follow the correct performance contracting procedures.

Keywords: Financial resources, structures, Implementation, performance contract and Tertiary institutions.

INTRODUCTION

The effectiveness of performance contracting is a key input in the successful implementation of Kenya vision 2030 and medium term plans. Indicators and targets form a framework of an effective performance management system that delivers high quality services and builds public confidence and trusts in the performance management systems [1]. This means that through Performance contract tertiary institutions can improve on performance. Inadequate financial resources in tertiary institutions due to low budgetary allocations by the government unlike the public universities that are directly financed by the government, is a challenge when acquiring materials and equipment like computers needed for the achievements of set targets. Structural efficiency in the public sector is important as it enhances transparency and accountability [2]. Tertiary institutions managers who are key decisions maker need to ensure that performance contracting being a tool for measuring management performance are well facilitated by providing good equipped offices to enhance the implementation of performance contracting process and inspire other employees to know their targets, understand and accept organizational objectives. This study was to carry out an assessment to establish whether availability or unavailability of financial resources and clear structures affect implementation of PC in tertiary institutions.

According to ROK[3], evaluation of the performance of public agencies for the financial year 2010/2011, none of the tertiary institution in Meru County scored excellent and especially Meru teachers training college was ranked among the ten bottoms performing tertiary institution. Therefore, this study investigated the resources for implementing performance contract in tertiary institutions in Meru County.

General objective

The general objective of the study was to carry out an assessment on the effects of financial resources and structures on the implementation of performance contract in Tertiary institutions in Meru County.

LITERATURE REVIEW

Performance contracting mostly involves values and inputs like the knowledge, skills and behavior required to produce the positive output, it is developed in line with the concept of Management by Objectives (MBO) and self-control. This has made performance management to become an important and effective tool for managing evaluating employees' performance through work planning [4]. Performance contract is a freely negotiated performance agreement between Government, acting as the owner of an Agency, and the management of the Agency. It is a range of management tools used to define responsibilities and expectations between parties to enable them achieve mutually agreed results, performance contract specifies what needs to be achieved, expected levels of achievement, timelines, evaluation and reporting methodologies [5]. According to Muthaura [6], Government in 2003 introduced performance agreements management tools to create accountability to the public for targeted results. Performance Contracts expanded from a pilot group of 16 commercial public enterprises in 2004, to eventually cover the entire public service in Kenya, comprising the following institutions: 38 Ministries and Accounting Departments,130 Public Enterprise,175 Local Authorities, that is, municipalities, local, county, and urban councils. According to Omboi et al [7], Performance management reduces quality of controls and enhances the quality of service. The performance contract privatizes the style of public sector management by focusing on result and not process. Job satisfaction and morale of employees tend to be higher. Active participation of subordinates in goal setting and performance reviews help to satisfy ego and self-actualization needs [8]. An impressive record of setting and accomplishing goals is an indicator of a manager's performance, Close linkage between overall goal and individual goal leads to integration of individual with the organization.

According to Armstrong [8], it is desirable to carefully define performance so that it supports the organization strategic goal. Setting clear goal for individual employees is a critical component of performance management. Therefore it is desirable to carefully define performance so that it supports the organization strategic goal. Setting clear goals for individual employees is a critical component of performance management. Many tertiary institutions sometimes they are given guidelines and set targets on performance contracts that are not in line with their strategic plan this result to misallocation of scarce funds hence straining institution more financially. Performance measurement is not an end in itself and unless it can direct efforts towards organizational goals and influence future performance it would only represent a tool for measuring past activities [9]. Organization effectiveness is defined as the capacity of an organization to achieve its goals by making effective use of the resource available to it [10]. According to Armstrong [8], Performance management is the integration to performance appraisal system with broader human resource system as a means of aligning employees work behaviors with the organization goals. Performance management should be an ongoing interactive process designed to enhance employee capability and facilitate productivity. Manager is responsible for achieving the target of his work units. The extent to which these targets are achieved is a good criterion for evaluation. Performance management focuses on further performance planning and improvement and personal development rather than retrospective performance appraisal [11].

Performance management should not be imposed on managers as something 'special' they have to do; it should instead be treated as a natural function that all good managers carry out. To ensure that a management performance culture is built and maintained, performance management has to have the active support and encouragement of top management who must make it clear that it is regarded as a vital means of archiving sustained organizational success. Tertiary institutions only line managers who have ideas about performance contracts whereas the other employees are properly monitored and evaluated on performance contracts therefore they not take the process serious. They must emphasize that performance management is what managers are expected to do and that their performance as managers will be measured by reference to the extent to which they do well. According to Richer [12], poor performance is best seen as a problem in which the employer and the management are both accountable. In fact, one can argue that it is unlikely to emerge that people are effectively managed. Managing under performance is therefore positive process that is based on feedback through the year and looks forward to what can be done by individuals to overcome performance problem and importantly, how managers can provide support and help.

Performance contracting constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitor and control methods and at the same time imparting managerial and operational autonomy to public service managers. A fundamental prerequisite for Performance Contracts is the introduction of a sound policy, legal and regulatory reforms must be in place before Performance Contracts can take place. The understanding of the legal and regulatory principle is essential.

As Buchner [13], emphasizes, performance management should be something that is done for people and in partnership with them. Performance management is a continuous and flexible processes that involve managers and those whom they manage acting as partners within a framework that set out how they can best work together to archive the required results. It is based on principal of management by contract and agreement rather than management by command. Managers should recognize that employees are major contributors to the efficient achievement of the organization success[11].

Effect of Financial resources on implementation of performance contract

Lack of clear focus as to what is expected from employees and poor or no methods of measuring performance has been the greatest challenge [6]. The Government elected in 2003 decided to manage public service through performance contracting system to address the situation. The introduction of performance contracting in Kenya in 2003 was geared towards several expected outcomes; improved performance, decline in reliance on Exchequer funding, increased transparency in operations and resource utilization, increased accountability of results, linking reward on measurable performance, reduced confusion resulting from municipality of objectives, clear apportionment of responsibility for action, improvement in the correlation between planning and implementation, create a fair and accurate impression on the performance, achievement of greater autonomy and creation of enabling legal and regulatory environment [14].

According to Greiling [26], the main concern has been to improve external accountability and increase internal efficiency and effectiveness at the same time; in particular, performance contracting is seen as a tool for improving public budgeting, promoting a better reporting system and modernizing public management while enhancing efficiency in resource use and effectiveness in service delivery. Thrivedi [15], observes that it is true that without incentives, people start ignoring the evaluation system. The initial stages, performance tends to improve even in the absence of any monetary rewards. This is because of the so called “audit effect.” The latter implies that people shape up when they are confronted with a new system; irrespective of its intrinsic merits. The Kenyan system needs to think carefully to ensure that benefits of giving incentives exceed the costs. Like other developing countries, Kenya has scarce budgetary resources. Thus, any incentive scheme must ensure that it is not only revenue neutral but also sends desirable signals for cost reductions. But again the question of how to then redistribute the incentive/gains to the entire staff in an excelling organization lingers. Some of the problems experienced during the implementation of the performance contract were mainly of an internal nature. But looked at on a broader perspective these however point out on the internal inefficiencies that plague many of the public agencies.

According to Kobia and Mohammed [16], some of these include: the lack of adequate resources, resources not being released on time; some performance targets were highly ambitious and unplanned transfer of staff. Stability of resources enhances the motivating effect of the contract. When resources are not available or availed late, the staff involved gets frustrated and this now affects morale of employees which eventually delay implementation of performance contract in tertiary institutions in Meru County. The majority of the public service officers have expressed this view. Organization need to avail resources necessary for implementation of strategy and that management practices fair evaluation of performance contract [17], to successfully improve the overall probability that the strategy is implemented as intended; commitment by top management is mandatory and show commitment to the strategic direction itself. Availability of resources is also a factor in the use of performance contracting [9]. Lacking finances due to low budgetary from the government allocation, tertiary institutions are unable to meet performance implementation costs like the purchase of necessary equipment and materials which make impossible to achieve their targets. However none above studies provide a clear picture on the status of tertiary institutions based on inadequate financial resources which adversely affect the implementation of performance contracts.

Effect of structures on implementation of performance contract

Availability of an office and officer that coordinates PC in tertiary institutions is a key factor in implementation of performance contract in tertiary institutions. Organizational Capabilities includes structural arrangements to help enhance the organization's capabilities to process information [18]. A clear structure on performance contracts indicates who is accountable for directing, coordinating and carrying out the activities. It should also define the chain of command, spelling out the level of the office in the local authorities. The availability of office equipment and knowledge in the use of office equipment is investigated vis-a-vis their effect on output in the office. The availability and use of modern office equipment will inevitably affect the activities and output of the secretary in offices and business organizations [19]. Performance management systems involve a considerable amount of paperwork, writing and exchange of documents. When the administrative demands are great, both employees and managers end up spending their performance management time pushing paper rather than discussing performance issues and development. Automation can greatly facilitate the performance management workflow and substantially reduce the paperwork associated with this process. In fact, evaluations of automated performance management systems show that they are viewed positively by managers and employees, decrease workload, ensure widespread access to performance management tools and provide a standardized, structured approach to collecting andStoring performance data. It is important to balance time, resource, development and maintenance costs [20]. Employees and managers have to work in harmony and better co-operation, with better understanding in order to increase their productivity, employees will be more committed to their firm's culture, values, aspirations, image and targets and thus be able to perform better to enhance productivity [21]. Therefore for tertiary institutions to effectively implement performance contract mangers must provide well equipped offices and involve enough and qualified employee who are willing to work effectively by implementing performance contract targets.

The Agency Theory

Agency Theory was developed by Ross S. & Mitnick B. in 1972 and later itwas modified by Jensen and Meckling in 1976, explains the relationships in which one party determines the work while another party does the work. Under this relationship, the principal hires an agent to perform work the principal is unable or unwilling to do. For example, in corporations, the principals are the shareholders of a company, delegating to the agent (the management of the company) to perform tasks on their behalf. Agent is supposed to act in the sole interest of the principal. According to Jensen and Meckling [22], the agent has a moral responsibility for his actions, which he cannot dismiss simply because he acts as an agent for another. To determine when an agent does act in their principal's interest, the standard of "Agency Loss" has become commonly used. Agency loss is the difference between the best possible outcome for the principal and the consequences of the acts of the agent. For instance, when an agent acts consistently with the principal's interests, agency loss is zero. The more an agent's acts deviate from the principal's interests, the more agency loss increases.

When an agent acts entirely in her own self-interest, against the interest of the principal, then agency loss becomes high. Therefore agency loss is minimized when the principal and the agent share common interests. This means that both the principal and the agent desire the same outcome and that the principal is knowledgeable about the consequences of the agent's activities. In other words, the principal knows whether the agent's actions serve in the principal's best interest [22].Performance contracting recognizes the relationship between the agent and Principal in tertiary institutions whereby the Head of institutions, on behalf of the ministry ensures the implementation of performance contract policies to all departments by ensuring set targets are achieved. The idea behind principal-agent is that Government is too busy emphasizing on performance contracting and so hires the heads of tertiary institutions to implement and monitor performance contracting process. This theory is important to my area of study as it help in understanding that government need to align its interest with those of heads of tertiary institutions to whom it has delegated executive powers, by allocating required finances to facilitates them in acquiring enough materials and equipment to carryout performance contract work and other related costs. This will encourage them to take into account the objectives of the institutions and to act in the institution's interest for better performance.

RESEARCH DESIGN AND METHODOLOGY

The study was conducted in Meru County in Kenya and the target population was the managers of five tertiary institutions under the ministry of education science and technology in Meru County. Three were technical training institutes and two teachers training colleges. In choosing the accessible population, the researcher focused on the target population of 76 managers, which included Deputy Principals, Registrars, PC coordinators and Heads of departments from the five tertiary institutions because they are the major players involved in the implementation of performance process. Stratified Random sampling was used to obtain sample size of 63 respondents selected at random which was appropriate because according to Kothari (2010) [23] the population was not homogeneous. The researcher picked five Deputy Principals, four Registrars, four PC coordinators and fifty Heads of departments, this constituted 83% picked at random in each case. The advantage of stratified random sampling is that it focuses on important sub-groups and ignores irrelevant ones [24]. The questionnaire was used to collect primary data from the respondents, which were administered by the research assistants. Questionnaire is the link between the client and researcher. It represents the way in which the researcher has translated the client's needs into a method of data capture [25]. The study also used interview to gather information on implementation of performance contract.

The data analysis was done using SPSS software. Correlation coefficient was undertaken to determine the nature of the relationship between the dependent variable and each of the independent variable. Chi-square analysis was done to test the level of significance of variables. Qualitative respondents were transformed into themes and the results of the study were tabulated in frequencies and percentages, then graphical presentation for easy comprehension.

RESEARCH FINDINGS

Response rate

The response rate is the proportion of the sample that participated in the survey and returned their questionnaires as intended by the researcher. For the purpose of data collection 63 questionnaires were issued to respondents and all the 63 questionnaires were returned, giving a response rate of 100%.This shows that the research assistants had good rapport with the respondents and that the respondents were taking the research seriously.

Distribution of respondents by gender

The respondents were asked to indicate their gender with the aim of establishing whether the study was gender sensitive. The results were shown in Table 1.

Table 1: Distribution of respondents by gender

Categories	Responses	Percentage
Female	30	47.5
Male	33	52.8
Total	63	100

Table-1 shows that the male respondents were slightly higher (52.8%) than the female respondents who were (47.5%). This shows that the project was gender sensitive and that there was good representation of both genders. This was likely to give balanced responses.

Age Distribution of respondents

The researcher sought to establish the age distribution for the officers. The responses were presented in Table 2.

Table 2: Age distribution of respondents

Age in years	Frequency	Percentage (%)
20-25	6	9.6
26-35	27	42.8
36- 45	19	30.2
46 - 55	8	12.6
Above 55	3	4.8
Total	63	100

Table 2 revealed that majority of the respondents (42.8%) were 26 - 35 years of age followed by those aged 36 – 45 years with 30.2% responses. The least were those aged above 55 years (4.8%). This age distribution was likely to give well distributed responses.

Academic qualification of respondents

The researcher required the responded to indicate their academic qualification as part of their demographic information. The responses were presented in Table 3.

Table 3: Academic qualification

Qualification	Frequency	Percentage (%)
Diploma	18	28.6
First degree	29	46.1
Masters	14	22.2
Ph.D	0	0.0
Others	2	3.1
Total	63	100

Table 3 revealed that majority (46.1%) of the respondents had the first degree as their highest academic qualification. This shows that the respondents had acquired the academic qualification which could enable implement performance contract policy. The second group was those with Diplomas (28.6%) and masters (22.2%) implying that all the respondents had the required qualification to teach in tertiary institutions and implement performance contract.

Time institution started implementing performance contracting

The respondents were required to indicate the time they had implemented performance contracting. The responses were presented in Table 4.

Table 4: Time performance contracting was implemented

Duration in years	Frequency	Percentage (%)
Less than 1	10	15.9
1 - 2	8	12.7
3 - 4	25	39.7
Above 4	20	31.7
Total	63	100

Table 4 shows that majority of the respondents (39.7%) had implemented performance contracting for 3 – 4 years followed by 31.7 percent of the respondents who indicated that they had implemented for above 4 years. This means that most of the respondents had enough experience for implementing the performance contract hence had enough information about the resources for implementing performance contract in Tertiary institutions in Meru County

Rating of the implementation of performance contract

The respondents were required to indicate their rating of performance contracting in their institution. The responses were presented in Table 5.

Table 5: The rating of performance contracting

Duration in years	Frequency	Percentage (%)
Very high	18	28.7
High	28	44.4
Moderate	14	22.2
Low	2	3.1
Very low	1	1.6
Total	63	100

Table 5 shows that majority (44.4%) of the respondents indicated high rating of performance contracting in their institution followed by 28.7 percent of the responses who indicated very high rating. This implies that the respondents were aware of the rating of performance contracting in tertiary institution.

Financial resources and implementation of performance

The first objective for this study was to determine the effects of financial resources on implementation of performance contract in tertiary institutions in Meru County. The respondents were first required to indicate their opinion on whether financial resources affected implementation of performance contract. The responses were presented in Table 6.

Table 6: Response on whether financial resources affect contracting

Response	Frequency	Percentage (%)
Yes	59	94.0
No	4	6.0
Total	63	100

Table 6 shows that majority (94%) of the respondents agreed that financial resources affected implementation of performance contract in tertiary institutions. This is because the funds are needed for implement the performance contract. It was also stated that most of the institutions were not getting enough funds and this ended up delaying the attainment of the targets. In other incidences the fund were delayed hence affecting the timelines of the implementation the strategic plans. Further the respondents were required to indicate the extent to which financial resources affected the implementation of performance contract. The responses were presented in Table 7.

Table 7: Extent to which finances affects implementation of performance contract

Extent	Frequency	Percentage (%)
Very great extent	22	35.0
Great extent	20	31.7
Some extent	15	23.8
Little extent	4	6.3
Very little extent	2	3.2
Total	63	100

Table 7.shows that majority (35%) of the respondents indicated that financial resources affected the implementation of performance contract to a very great extent and great extent (31.7%) respectively. The respondents were also required to indicate the extent to which budgeting of finances affect the implementation of performance contract. The responses were presented in Table 8.

Table-8: Extent to which budgeting affect implementation of performance contract

Extent	Frequency	Percentage (%)
Very great extent	24	38.0
Great extent	21	33.3
Some extent	11	17.6
Little extent	5	7.9
Very little extent	2	3.2
Total	63	100

Table 8 shows that majority (38%) of the respondents indicated that budgeting of finances affect the implementation of performance contract to a very great extent followed 33.3% of the respondents who indicated that budgeting of finances affect the implementation of performance contract to a great extent.

The respondents were also required to indicate the extent to which they agreed with the statement that student fee is the main source of income that is used in implementing the performance contract. The responses were presented in Table 9.

Table 9: Extent to which students' fee affects implementation of PC

Extent	Frequency	Percentage (%)
Very great extent	20	31.7
Great extent	31	49.3
Some extent	5	7.9
Little extent	5	7.9
Very little extent	2	3.2
Total	63	100

Table 9. shows that majority of the respondents (49.3%) indicated that student fee is the main source of income that is used in implementing the performance contract followed by 31.7% who indicated that to a very great extent student fee is the main source of income that is used in implementing the performance contract.

To determine the nature of the relationship between financial resources and implementation of performance contract in tertiary institutions in Meru County, the researcher used correlation coefficient presented in Table 10.

Table 10: Correlation between financial resources and performance contract

		Financial resources	Performance contract implementation
Financial resources	Pearson Correlation	1	$.78^{**}$
	Sig. (2-tailed)		.000
	N	63	63
Performance contract implementation	Pearson Correlation	$.78^{**}$	1
	Sig. (2-tailed)	.000	
	N	63	63
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 10 shows that there is a strong positive relationship r(63) = 0. 78,p<0.05 between financial resources and implementation of performance contract. This means that if financial resources determine the implementation of performance contract to a very great extent. This implies financial resources should be improved so as to improve implementation of performance contract.

This result agrees with Kobia and Mohammed [16] who argued that some of factors which determine implementation of performance contract include: the lack of adequate resources, resources not being released on time; some performance targets were highly ambitious and unplanned transfer of staff. Stability of resources enhances the motivating effect of the contract. When resources are not available or availed late, the staff involved gets frustrated and this now affects morale of employees which eventually delay implementation of performance contract in tertiary institutions in Meru County. The majority of the public service officers have expressed this view. Organization need to avail resources necessary for implementation of strategy and that management practices fair evaluation of performance contract [17], to successfully improve the overall probability that the strategy is implemented as intended; commitment by top management is mandatory and show commitment to the strategic direction itself.

Structures and implementation of performance contract in tertiary institutions

The third objective for this study was to establish the effect of structures on PC on implementation of performance contract in tertiary institutions in Meru County. To achieve this objective the respondents were first required to indicate their opinion on whether structures on PC affects implementation of performance contract presented in Table 11.

Table 11: Structures and PC implementation of performance contract

Response	Frequency	Percentage (%)
Yes	44	70.0
No	19	30.0
Total	63	100

Table 11 shows that majority (70%) of the respondents agreed that of structures on PC affects implementation of performance contract in tertiary institutions. This is because availability of an office and officer that coordinates PC in tertiary institutions is a key factor in implementation of performance contract in tertiary institutions. Organizational Capabilities includes structural arrangements to help enhance the organization's capabilities to process information.

The responses were also required to indicate the extent to which performance contracting structures influences implementation of performance contracting. The responses were presented in Table 12.

Table 12: Extent to which performance contracting structures affects implementation of performance contract

Extent	Frequency	Percentage (%)
Very great extent	17	27.0
Great extent	33	52.4
Some extent	6	9.5
Little extent	4	6.3
Very little extent	3	4.8
Total	63	100

Table 12 shows that majority of the respondents (52.4%) indicated that performance contracting structures affects the implementation to a great extent followed by 27% who indicated that to a very great extent performance contracting structures affects the implementation.

The researchers also sought to establish the extent to which equipped office affects the implementation of performance contract. The responses were presented in Table 13.

Table 13: Extent to which equipped office affect implementation of performance contract

Extent	Frequency	Percentage (%)
Very great extent	26	41.3
Great extent	19	30.1
Some extent	10	15.9
Little extent	5	7.9
Very little extent	3	4.8
Total	63	100

Table 13 shows that majority of the respondents (41.3%) indicated that equipped office affects the implementation to a very great extent followed by 30.1% who indicated that to a great extent equipped office affects the implementation. This is because equipped office improves the performance of officers in implementation of performance contracts by providing conductive environment.

To determine the relationship between structures and implementation of performance contract in tertiary institutions in Meru County, the researcher used correlation coefficient presented in Table 14.

Table.14: Correlation between structure of PC and performance contract

		Financial resources	Performance contract implementation
Financial resources	Pearson Correlation	1	.63**
	Sig. (2-tailed)		.000
	N	63	63
Performance contract implementation	Pearson Correlation	.63**	1
	Sig. (2-tailed)	.000	
	N	63	63
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 14 shows that there is a strong positive relationship r(63) = 0. 78,p<0.05 between structure of PC and implementation of performance contract. This means improving performance contracting would improve the implementation of performance contract. These results agree with AL Bento & Bento [18] who argued that a clear structure on performance contracts indicates who is accountable for directing, coordinating and carrying out the activities. It should also define the chain of command, spelling out the level of the office in the local authorities. The availability and use of modern office equipment will inevitably affect the activities and output of the secretary in offices and business organizations [19]. Performance management systems involve a considerable amount of paperwork, writing and exchange of documents. When the administrative demands are great, both employees and managers end up spending their performance management time pushing paper rather than discussing performance issues and development. Automation can greatly facilitate the performance management workflow and substantially reduce the paperwork associated with this process.

Interview schedule results

The benefits of implementing performance contract in our institutions includes; effective tool for managing evaluating employees' performance through work planning, responsibilities and expectations between parties to enable them achieve mutually agreed results, performance contract specifies what needs to be achieved, expected levels of achievement, timelines, evaluation and reporting methodologies and accountability to the public for targeted results. It is also a tool for improving public budgeting, promoting a better reporting system and modernizing public management while enhancing efficiency in resource use and effectiveness in service delivery. One respondent said, " *Financial resources affect performance contract to a great extent since when resources are not available or availed late, the staff involved gets frustrated and this now affects morale of employees which eventually delay implementation of performance contract in tertiary institutions*." Another respondent said that, " *when there is no finances the institutions are unable to meet performance implementation costs like the purchase of necessary equipment and materials which make impossible to achieve their targets*". It was indicated that the main sources of finance in the institutions includes; government, students fees and donations. It was however stated that there were no enough computers for the employees. One respondent said, "*the computers are only found in the offices in charge of institutions administrations and examinations*". The computers were therefore reported to be very few and therefore the ratio very big. It was also reported that there well formulated policies on PC in all the institutions which had already been communicated to all the employees through their departmental heads.

Summary of the findings

The data for this study was collected using the questionnaires as the main research instruments. The researcher sampled 63 managers who were selected randomly from different strata to represent the whole population. These were composed of Deputy Principals, Registrars, PC coordinators and Heads of departments from the five tertiary institutions because they are the major players involved in the implementation of performance process. The collected data was coded and analyzed in the SPSS software platform using both descriptive and inferential statistics. Under descriptive statistics data was presented using frequency distribution Tables while under inferential statistics data was presented using correlation coefficients and Chi-square tests.

The study established that majority (44.4%) of the respondents indicated high rating of performance contracting in their institution followed by 28.7 percent of the responses who indicated very high rating. It was indicated by a majority (94%) of the respondents that financial resources affected implementation of performance contract in tertiary institutions. It was also established that budgeting of finances affects the implementation of performance contract to a great extent with (38%) of the respondents and very great extent 33.3%. It was also revealed that by majority of the respondents (49.3%) indicating that student fee is the main source of income that is used in implementing the performance contract followed by 31.7% who indicated that to a very great extent student fee is the main source of income that is used in implementing the performance contract. The study also revealed that there is a strong positive relationship r(63) = 0. 78,p<0.05 between financial resources and implementation of performance contract.

Finally the study also established that that majority (70%) of the respondents agreed that of structures on PC affects implementation of performance contract in tertiary institutions. This is because availability of an office and officer that coordinates PC in tertiary institutions is a key factor in implementation of performance contract in tertiary institutions. Organizational Capabilities includes structural arrangements to help enhance the organization's capabilities to process information. Also majority of the respondents (52.4%) indicated that performance contracting structures affects the implementation to a great extent followed by 27% who indicated that to a very great extent performance contracting structures affects the implementation. Majority of the respondents (41.3%) indicated that equipped office affects the implementation to a very great extent followed by 30.1% who indicated that to a great extent equipped office affects the implementation. There is a strong positive relationship r(63) = 0. 78,p<0.05 between structure of PC and implementation of performance contract. This means improving performance contracting would improve the implementation of performance contract.

Conclusions from the study

Based on the findings of this study the researcher made the following conclusions

Financial resources affected implementation of performance contract in tertiary institutions to a very great extent. This is because the funds are needed for implement the performance contract. Also there is a significant relationship between financial resource and implementation of performance contract in tertiary institutions to a very great extent.

The structures on PC affect implementation of performance contract in tertiary institutions. These includes; contracting structures, equipped offices and staff. There is also strong positive relationship between structure of PC and implementation of performance contract.

Recommendations from the study

Based on the findings of this study the researcher wishes to make the following recommendations;

The Government should release financial resources in good time to enable the officers implement performance contracting. This will help them to meet their targets in good time.

The institutions should continually monitor and evaluate the managers so as to ensure that they follow the correct performance contracting procedures.

Suggestions for further research

This study investigated the resources for implementing performance contract in Tertiary institutions in Meru County. Further research can be done on the following;

The factors influencing the success of implementing performance contract.

The workers attitude towards the implementing performance contract.

The influence of implementing performance contract on efficiency of tertiary institutions.

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