

# Performance Contracting in Kenyan Service Delivery: An Analysis of Kericho County Referral Hospital

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**Abstract:** The primary goal of this research was to determine the procedures adopted to address issues with service provision, namely in areas like service accountability, client happiness, and feedback mechanism, the Kericho County Referral Hospital has adopted performance contracting. This strategy lays out the obligations and goals of each party to work together to accomplish shared goals and improve performance as a whole. This study's goal was to assess how the performance-contracting model affected Kericho County Referral Hospital's management team's service provision. A total of 52 participants from Kericho's County Referral Hospital Executive participated in the study. Each respondent was given a questionnaire to complete on their own. Making use of the Social Sciences Statistical Package (SPSS), the gathered data was examined. The data was displayed using means, standard deviations, Frequencies and percentages after it underwent descriptive analysis. Regression analysis was employed to examine the hypotheses. The results showed that there was a strong correlation between the independent and dependent variables, leading to the rejection of three null hypotheses. Consequently, the study found that aim setting, execution, monitoring, and assessment positively impact service provision. Decisions regarding how to improve performance contracts would be aided by the findings for policymakers. Policymakers of the County government would find the findings useful in determining how to improve performance contracts. The performance contracting policies task force will benefit from the study's findings and will assist the administration of Kericho County Referral Hospital in identifying areas where service provision needs to be improved.

**Keywords:** Performance Contracting, Service Delivery, Kericho County, Referral Hospital, Kenya.

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## I. INTRODUCTION

### ➤ Background of the Study

All around the world, governments have embraced performance contracting as a means of defining goals more precisely (AAPAM, 2006). Developed in France in the late 1960s, the Performance Contract (PC) System was extensively refined in Korea, Pakistan, and India (OECD, 1997). Developing nations in Africa, including Tunisia, Zaire, Burundi, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Gabon, the Gambia, Guinea, Madagascar, Mali, Mauritania, Niger, Togo, and Ghana have embraced the system. The plan has been implemented in Mexico, Venezuela, Colombia, Chile, Bolivia, and Brazil in Latin America. The United Kingdom, the United States, Canada, Denmark, Finland, Sri Lanka, Korea, Pakistan, China, India, Bangladesh, and Malaysia are a few more (SCSTM, 2005).

Public service provision can be enhanced via performance contracting, which basically links performance to remuneration for both individuals and institutions. In the public sector, performance contracting has become popular

as a way to enhance service provision (Domberger, 2018). Growing populations around the world have raised demand for excellent service provision (World Bank, 2019). According to Kearney (2018), the aging population in Europe has hampered service provision globally by creating a lack of skilled labor, nepotism, and political instability. According to Yuan, Zhou, Liu, Yang, and Shen (2018), low-income individuals in China are unable to hold the government accountable for providing effective services due to low public engagement and rising levels of illiteracy, which cause them to be ignorant of government legislation.

Around the globe, government institutions are notorious for their extensive bureaucracy and drawn-out service provision processes. Poor service provision, resource waste, inefficiency, and poor economic performance are the outcomes of this. Setting clear goals, In order to improve service provision in government institutions, performance contracting was introduced in a number of ways, including Setting SMART (Simple, Measurable, Accurate, Realistic, and Time-bound) goals, defining agent performance in terms of outputs and holding people accountable for them, making

the accountability relationship in public institutions more transparent, putting in place clear reporting, monitoring, and evaluation procedures for the projects, and offering a foundation for performance evaluation (Oduor, 2010).

In many African nations, public services face numerous obstacles that limit their ability to provide services (Lienert 2003). In human resources, these include a lack of personnel, critical skills, suitable attitudes, and the proper mental state. The lack of material and financial resources is a persistent issue. The public sector suffers from a slow deterioration of ethics and accountability. However, public sector reforms aimed at resolving these issues produced only patchy outcomes (AAPAM 2005).

The extensive use of performance contracting and the utilization of measurements obtained from civil personnel, which resulted in better service provision, are partially responsible for Tanzania's quick growth (Shillingi, 2017). For example, by introducing performance contracting with specific goals, the National Housing Corporation increased service provision by 36% between 2016 and 2019 (Sulle, 2019). Implementing these technologies is still difficult, nevertheless (Sulle, 2019). In its 2008-2009 Strategic Plan, the East African Community (EAC) employed performance contracting to identify member states' contributions and focus on important projects (Ndung'u, 2019).

In Kenya, performance contracting was initially implemented in 1991 with the approval of the Parastatal Reform Strategy Paper. This study examined the implementation of performance contracting as a test project for the National Cereals and Produce Board and Kenya Railways (Government of Kenya, 2010a) in August 2003 saw the creation of a Performance Contract Steering Committee and publishing through Legal Notice No. 93, the State Corporations (Performance Contracting) Regulations (2004), Kenya began the process of implementing performance contracting. Performance is defined by these standards as the assessed outcomes of reaching predetermined performance goals.

The government set out to achieve a number of "core" outcomes when implementing performance contracting (Government of Kenya 2010a) which lead to the benefits started to show up in institutions that are involved through better financial and administrative performance as well as better service delivery, which led to the decision to expand its coverage to all ministries, departments, and agencies (MDAs). For the first time, ministries had to create service charters with their clients, work toward predetermined goals, and evaluate their performance against the finest in the world. Many African nations wanted to learn from Kenya's experience because of the remarkable outcomes, which earned them international acclaim (Government of Kenya 2010a:2).

According to the 2005 Kenya Government Policy Paper on Performance Contracting, performance contracts are a performance agreement that is freely negotiated between the government, which owns the company, and the company.

They are a sub field of management science known as the management contract system. In conclusion, the idea is stated as 1 deriving from performance, which Armstrong (2006) defines as the accomplishment of measurable goals that serve as the basis for work. Performance in this context refers to both behavior measurement and outcome measurement. These are elements that affect how well an organization performs. Barney (2006)

In order to fill these gaps, performance contracting was implemented in 2003 (Omondi, 2019). Through elements including goal setting, feedback, and continuous training, a case study was also conducted in Mandera County revealed definite connections between performance contracting and public service provision (Hassan, 2019). But as far as we know, no scholarly research has looked specifically at the effects on Kericho County hospital service provision. Although there is ongoing discussion regarding its exact definition, research shows that performance contracting is an effective management technique that enhances public sector outcomes in OECD nations (Obong'o, 2019).

In Kenya, it is seen as a legally enforceable agreement between citizens and government agencies about goals over predetermined time frames (GoK, 2004). The benefits started to show up in participating institutions through better financial and administrative performance as well as better service delivery, which led to the decision to expand its coverage to all ministries, departments, and agencies (MDAs). For the first time, ministries had to create service charters with their clients, work toward predetermined goals, and evaluate their performance against the finest in the world. Many African nations wanted to learn from Kenya's experience because of the remarkable outcomes, which earned them international acclaim (Government of Kenya 2010a: 2).

#### ➤ *Statement of the Problem*

Despite performance contracting's widespread adoption in Kenya's public sector, a critical knowledge gap exists regarding its specific impact on healthcare service delivery within the devolved county governance system. While previous research indicates that performance contracting has enhanced accountability and customer focus in Kenya's public institutions (GoK, 2019), studies have primarily focused on national government entities, with limited attention to county-level healthcare facilities. Existing studies either examine decentralized governance without addressing performance contracting (Walker, 2015), discuss management aspects without connecting to service outcomes (Wiseman, 2017), or offer limited generalizability due to narrow implementation contexts (Hassan, 2019).

This research gap is particularly significant given the essential role of county hospitals in Kenya's healthcare system and the substantial resources invested in performance management systems. This study addresses this gap by examining how performance contracting dimensions—target setting, negotiation and vetting, execution, and monitoring and evaluation—affect service delivery at Kericho County Referral Hospital.

➤ *Main Objective of the Study*

Determining the impact of performance contracting and service provision in Kenya's Ministry of Health.

• *Specific Study Goals*

- ✓ To ascertain how target setting affects the provision of services in Kericho County referral hospital
- ✓ To determine the impact of negotiation and vetting on the provision of services in Kericho County referral hospital
- ✓ To ascertain how Kericho County referral hospital execution affects provision of services
- ✓ To ascertain how evaluations and monitoring affect the provision of services in Kericho County referral hospital

## II. LITERATURE REVIEW

This section presents the theoretical framework, conceptual framework, and empirical literature. Information from publications on subjects linked to the research challenge is presented in this chapter, both theoretical and empirical. The specific topics that will be looked at include related theories of performance contracting, scholarly and authorial writings regarding the subject, and the methods used to put performance contracts into practice. Additionally, covered in this chapter will be the evolution of the performance contracting idea in Kenya and its use by Kenyan State Corporations. In addition, the chapter will detail the tactics used to guarantee that performance contracts are implemented successfully.

➤ *Theoretical Framework*

Three theoretical frameworks—expectation theory, the dynamic theory of goal setting, and service provision—that can be used to design and manage performance management served as the foundation for this study.

➤ *Performance Contracting Strategy*

According to Rael and Kiptum (2017), performance contracting (PC) is a relatively new idea in the public sector. It is a results-oriented phenomenon that strongly links output

to the caliber of inputs and is quantifiable with rigorous adherence to certain standards. Management instrument utilized to specify responsibilities and expectations between partners in order to achieve a desired result are a performance contract (Wanjala, Njoroge, and Bulitia 2017). According to Kander (2018), A written agreement between parties is known as a performance contract, two or more parties that requires both parties to accept certain terms in order for the agreement to be enforceable. An employer must offer the required benefits when an employee completes the required work under a performance contract.

For this study, the OECD (1993; 2009; 2019) and the Performance Management Guideline (2016) are the most advised, despite the fact that different organizations, academics, management professionals, and researchers have given diverse descriptions of performance contracting. A performance contract is a set of supervision tools used to establish goals and responsibilities between parties in order to achieve mutually agreeable results, according to the OECD (2009; 1999). A formal agreement known as a performance contract is signed between the government and a government agency for the provision of public services, according to the Performance Management Guideline (2016). that specifies pertinent outcomes that the agency is required to generate or deliver. Performance is evaluated in relation to quantifiable goals that are specifically intended to be accomplished within a given time limit.

Guidelines for performance 2024–2025 fiscal year, 21st cycle The framework describes or explains how to approach every aspect of performance contracting, including figuring out how to measure milestones, goal-setting and providing daily assessments. It is impossible to overstate how important it is to focus on each step of the performance contracting cycle in order to execute the contract effectively. How the county referral hospital handles the success of the entire process will be determined. In Figure 1 below, the performance contracting cycle is displayed. in accordance with the performance requirements. 2024–2025 fiscal year, 21st cycle.

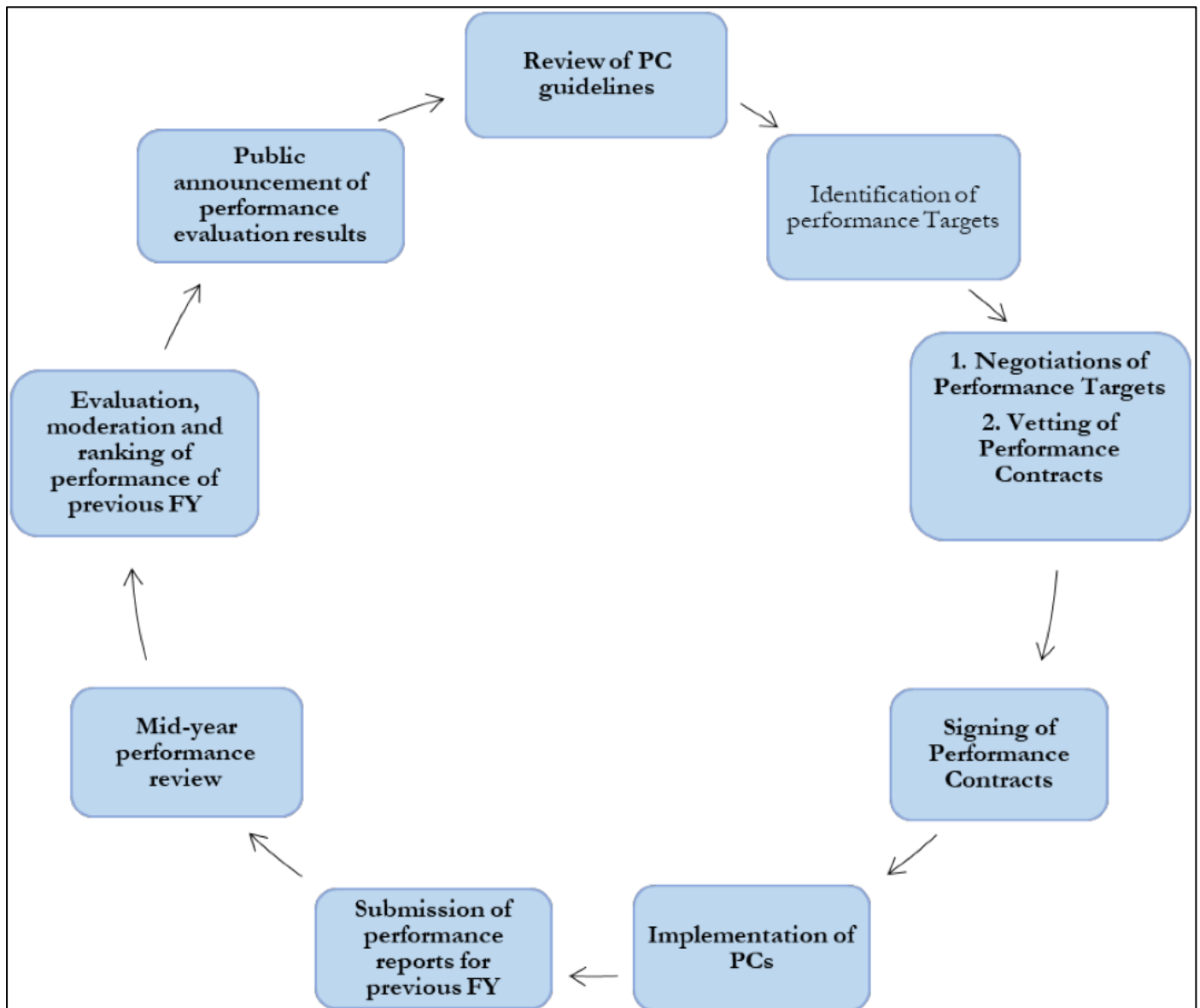


Fig 1 The Performance Contracting Cycle

By addressing the perception of continuously falling short of expectations, performance contracting seeks to improve public sector performance (RBM Guide, 2018). Excessive rules, a range of values, political meddling, and bad management are some of the factors that have led to subpar performance, making contracts a tool for change (Salome et al., 2019). Enhancing overall public service delivery, encouraging accountability at both the senior and lower levels, prioritizing financial stewardship, and defining personnel responsibilities in achieving set goals are among the objectives, according to Arif et al. (2018).

#### ➤ Target Setting and Service Provision

Research indicates that target setting frequently takes place as a component of larger performance management frameworks in public sectors that strive to provide services efficiently, rather than on its own (Verhoest, 2015; United Nations Development Programme, 2019). Two methods of quality improvement that align with management theory include benchmarking and balanced scorecards (Oliver & Nakamura, 2018; Schang & Morton, 2016). According to

Karl et al. (2019), goals are the fundamental component of performance contracting. As per Fisher et al. (2015), the Goal principle asserts that performance and motivation are improved by clear, difficult, but attainable goals, particularly when they are perceived as equitable and established collaboratively with managerial backing.

Target setting is associated with improvements in service provision, according to international evidence. As manager attitudes shifted, US performance contracting that included stakeholder involvement and communication improved customer service and innovation (Sloof & Praag, 2017; World Bank, 2019). In poor countries, it has been discovered that output-based contracts with clear priorities and accountability boost government accountability and connect administrator outcomes to a range of priorities (Therkildsen, 2001). Developing nations still have difficulties, nevertheless, in achieving the full potential of performance contracting. Although more explanation might improve delivery and lessen ambiguity, a Rwandan study confirmed the impact of target setting in enhancing



accountability, engagement, and efficiency (Ndagijimana, 2020). Although there is no statistical testing of the influence intensity, analysis in Kenya supports the positive performance contracting impacts of target setting. Beyond objectives that promoted service, the Tourism Board's contracting was impacted by elements including incentives, capability, and management.

#### ➤ *Vetting and Negotiations and Services Delivery*

Setting realistic, measurable goals that are based on comparable performance and available resources is made easier by screening and negotiating (Aguinis, 2017). This procedure makes benchmarking, development focus, and feasibility determination easier. Nonetheless, the study gave negotiations a higher priority than screening. According to research conducted in the Stakeholder participation in the Democratic Republic of the Congo (DRC), Nigeria, and the Gambia through vetting and negotiations is crucial. However, the lack of a uniform timeline means that the effects of performance contracts vary from state to state (Martin, 2019).

Under President Magufuli, Tanzanian reforms improved public sector delivery by leveraging elements like goal-setting, capacity building, and vetting/negotiations, which included elements like time, training, resources, and attitudes (Rugumyambeto, 2019). Research in Kenya has connected negotiations and screening to better delivery, but since 2013, the devolved contexts have received less attention. Limited staff engagement in contracting and only minimal success in meeting metrics were found in a study on public universities. Senior management was seen as forcing obstacles on reluctant younger employees, such as a lack of cooperation throughout the negotiating and vetting processes (Nganyi et al., 2019). There is a lot of room for improvement since some organizations only achieved 27% effectiveness in vetting (Kinyulusi et al., 2018).

According to research, correctly carried out vetting guarantees stakeholder participation, alignment with standards, and a relationship between priorities, all of which improve institutional performance (Mbua & Ole Sarisar, 2019; Ogudha, 2017; Kobia & Mohammed, 2006). But delivery in a number of agencies has suffered due to difficulties integrating negotiations and screening (Mose, 2017; Shivachi, 2017). Establishing SMART objectives that, in a perfect world, are equivalent to industry standards, conducting organizational SWOT assessments, and assessing the sufficiency of resources all depend on the negotiating consultation phase (Kinyulusi et al., 2018). After incorporating the concerns discussed in phase one, draft contracts are sent to independent vetting to make sure they adhere to standards and priorities (Ogudha, 2017). Establishing appropriate, thorough goals and budgets requires the involvement of stakeholders (Mbua & Ole Sarisar, 2019; Kobia & Mohammed, 2006).

#### ➤ *Implementation and Provision of Services*

##### • *Monitoring and Evaluation and Service Provision*

According to studies, performance contracting relies heavily on monitoring and evaluation (M&E) to track

advancement, spot gaps, and direct changes (Metawie & Gilman, 2019; Lienert, 2018). Effective monitoring offers early clues as to whether performance targets are being met or not, claims Grapinet (2018). Monitoring makes it easier to spot possible issues and triumphs as well as the discrepancy between performance as intended and actual. According to Metawie and Gilman (2019), UK government agencies who implemented efficient M&E were well regarded for their service provision across the globe. Lienert (2018) shown that companies periodically assess the efficacy of their appraisal processes in addition to ongoing employee assessments. Through frequent reviews and HR roles that are linked, M&E helps to calculate scores, check objective achievement, and improve service provision (SEC, 2019). But a lot of African nations lack M&E systems and instead rely on secondary.

##### • *Service Provision*

The function of a public office is to provide to residents, clients, and other stakeholders are outlined in detail in the Citizen Service provision Charters (CSDCs), which are well-defined public documents. Even though there are several public institutions in place to serve the public, opinions and experiences regarding the caliber and modes of provision of these services has frequently fallen short of expectations. Public institutions must view people as citizens who contribute to the daily life and growth of the country, rather than only as consumers, given the importance of consumers to their existence. According to the World Bank (2017), this viewpoint is crucial for promoting communication between the country's major players, such as the commercial sector and civil society. Even if the Ministry of Health (MOH) citizen charter was introduced in order to enhance the quality of care in government hospitals in 2006,

Aguinis (2018) asserts that the government must acknowledge the significance of cultivating a citizen-centered administration in order to provide services effectively. In order to guarantee the provision of high-quality public services and their accessibility, it should endeavor to implement policies in a consistent manner using a variety of legislative and other frameworks. Programs must be redesigned with a clear emphasis on satisfying consumer needs. Sijbom (2013) asserts that service delivery innovation is essential in the global economy because of the ever-evolving preferences and the rise of different client communities /customer with a wide range of trends, interests, and beliefs. Government agencies use innovation to improve customer/client value, provide cost-effective services and goods, and streamline service delivery processes to increase productivity and cut expenses.

Ja-Shen and Hung-Tai (2009) assert that a key business strategy is service innovation. A vital feedback system for evaluating an organization's performance and employee behavior is complaints. A complaint is a way to voice discontent with a company's goods, services, employees, or complaint resolution process with the hope of receiving a response. Good governance and efficient service provision depend on the proper handling of public sector complaints and protection of the right to remedy. By incorporating grievances, openness, involvement, and evaluation into

organizational policies and practices, appeals and redress processes uphold democratic transparency values and foster good governance. In Kenya's county governments record and report on the settlement of public complaints in order to evaluate the performance of service provision. Public service reforms are intended to improve the operational efficiency, effectiveness, and accountability of public institutions.

#### • Concept of Strategy

A strategy is a plan or pattern that combines the main objectives, rules, and steps of an organization into a coherent whole, according to Quinn (1980). Webster (1994) refers to this as the cornerstone of strategic management and states that for the process (strategic management) to work effectively, a solid foundation (strategy) is required. These are the actions, choices, and routes that organizations use to get to a particular point or degree of success. According to Mintzberg (1994), a strategy is a plan, direction, guidance, or course of action for the future as well as a pattern or consistency in conduct throughout time. According to Teare et al. (1992), the

majority of businesses began their cycle of strategic planning by evaluating and modifying their business goals in light of development priorities, accomplished results, and performance reviews in key areas (such as people, standards, and business development).

#### ➤ Conceptual Framework

A conceptual framework is an analytical tool that organizes ideas by identifying factors and variables, and the relationships between them (Miles et al., 2014). This study's conceptual framework illustrates the relationship between Performance Contracting and Service Provision in Kenya: A Case study of Kericho County Referral Hospital in Kericho County, Kenya. The independent variables include target setting, negotiation and vetting, execution, and monitoring and evaluation, while the dependent variable is healthcare delivery. The framework demonstrates how these variables are interrelated and how they collectively contribute to understanding the relationship between performance management practices and healthcare delivery outcomes in the hospital setting.

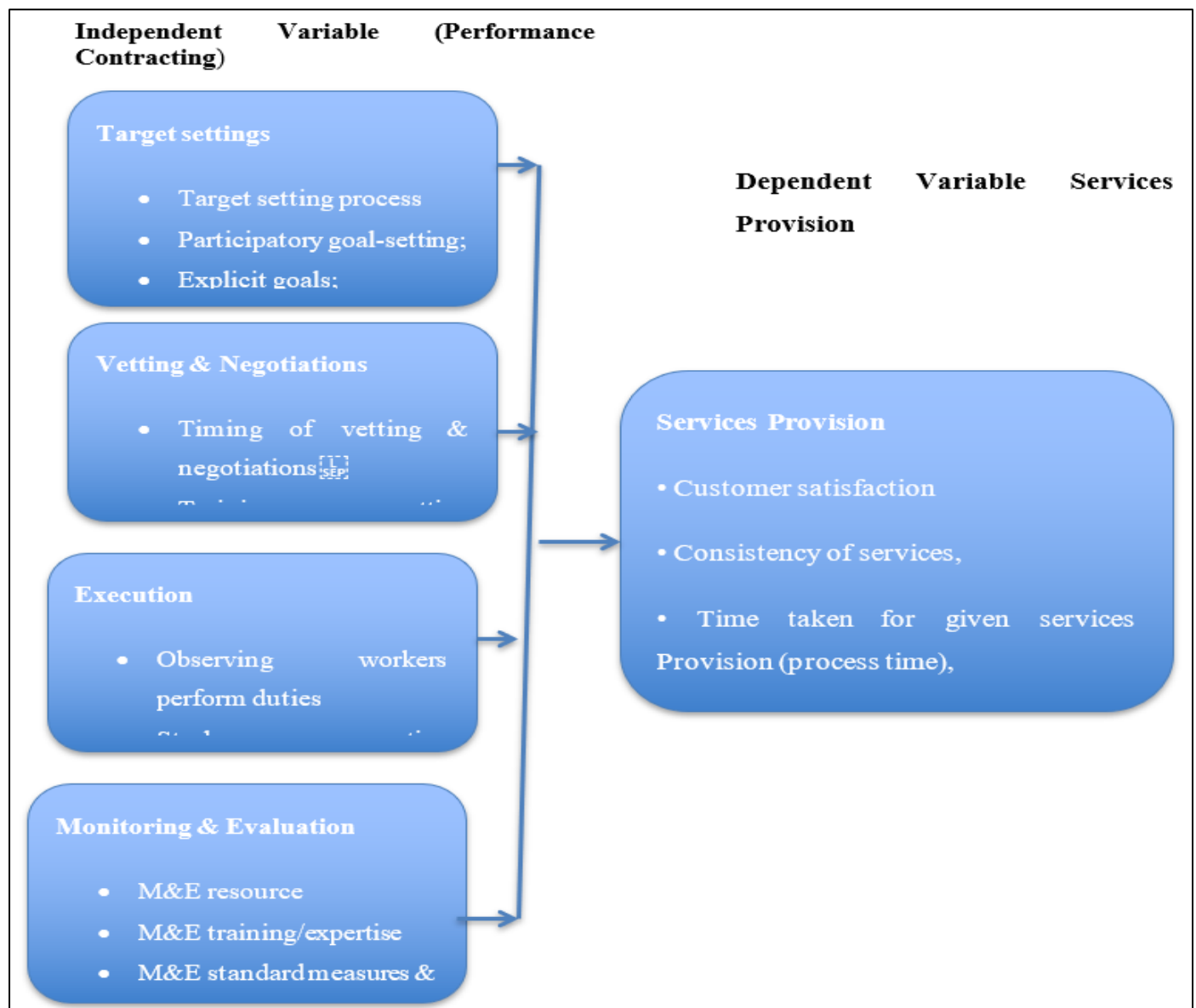


Fig 2 Conceptual Framework

### III. RESEARCH METHODOLOGY

This study employed a descriptive case study design, focusing on Kericho County Referral Hospital's implementation of performance contracting. The target population comprised 52 hospital staff in management and executive positions including directors, heads of departments, and members of the service delivery unit. A census approach was utilized rather than sampling to ensure comprehensive representation of all relevant perspectives. Data collection involved structured questionnaires and interview guides to gather both quantitative and qualitative insights.

Data analysis was conducted using SPSS, employing both descriptive statistics (means, standard deviations, frequencies, and percentages) and inferential methods (correlation analysis, ANOVA, and regression analysis) to examine relationships between variables and test hypotheses. Instrument reliability and validity were established through expert review and pilot testing prior to full implementation. The research design enabled in-depth investigation of performance contracting's impact on service delivery within the specific institutional context.

### IV. RESULTS AND DISCUSSIONS

The respondent demographics showed a majority were male, over 45 years old, highly educated with at least an undergraduate degree, and had 5 or more years of experience working in the county government. While 57% indicated having signed performance contracts, 66% expressed a generally negative attitude, though awareness on aspects like target setting (88.2%), vetting (76.4%), execution (90.6%) and M&E (85.8%) was high. Further findings showed unanimous agreement that target setting supports service delivery in line with statutory planning requirements.

#### ➤ Overview of Key Findings

The key findings of this study suggest that performance contracting plays a pivotal role in improving service delivery at Kericho County Referral Hospital. The research identified several key components that were integral to the success of performance contracts: target setting, vetting and negotiations, execution, and monitoring and evaluation (M&E). The study found that each of these components had a positive impact on the hospital's ability to meet the service delivery goals outlined in the performance contracts.

Specifically, the study found that target setting, as a key component of performance contracts, contributed significantly to the improvement of hospital services. Respondents indicated that clear and achievable targets helped staff focus on specific goals, leading to improved service outcomes. Moreover, the negotiation process was identified as an essential mechanism for ensuring that the goals of the performance contracts were aligned with the hospital's resources and capacity.

Execution was found to be another critical factor in the successful implementation of performance contracts. Proper execution ensured that the agreed-upon targets were met, and

regular performance reviews helped identify any issues that arose during the implementation phase. Finally, the study revealed that monitoring and evaluation (M&E) played a key role in tracking progress, identifying bottlenecks, and ensuring that corrective measures were taken promptly.

#### ➤ Target Setting and Service Delivery

Target setting was one of the most significant factors contributing to improved service provision at Kericho County Referral Hospital. The study found that 88.2% of respondents were highly aware of the target setting process, and 75% reported that well-defined, SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) goals positively impacted the quality of services provided at the hospital.

Target setting is an essential aspect of performance contracting, as it provides a framework within which individuals and teams are expected to operate. It establishes clear expectations, reduces ambiguity, and creates accountability. In the context of Kericho County Referral Hospital, respondents emphasized that setting realistic targets helped align hospital staff with the institution's broader objectives of improving service delivery. For instance, clearly defined targets for patient wait times, service delivery rates, and patient satisfaction helped hospital staff focus their efforts on achieving measurable outcomes.

Respondents also noted that when targets were specific and time-bound, they provided a clear focus, preventing staff from losing sight of the larger goals. Moreover, regular assessments of progress against these targets helped maintain motivation and ensured that any setbacks were identified early. These findings are consistent with the research of Verhoest (2015), who argued that performance contracting and goal setting contribute significantly to improved service delivery by establishing clear, measurable outcomes.

However, while the majority of respondents agreed on the benefits of target setting, a few (25%) pointed out that challenges such as resource limitations and insufficient staff training hindered the full achievement of targets. These respondents argued that target setting alone would not be enough without the necessary support and infrastructure to back it up.

#### ➤ Vetting and Negotiations

The process of vetting and negotiations was identified as a critical step in the implementation of performance contracts at Kericho County Referral Hospital. The study found that 76.4% of respondents were aware of the vetting process, and 72% believed that it played a critical role in improving service delivery.

Vetting and negotiations ensure that the goals set in the performance contracts are realistic and achievable given the hospital's resources, capabilities, and operational context. Respondents emphasized that the negotiation phase provided an opportunity to align hospital objectives with available resources and to address potential challenges before they became significant barriers. Through vetting, stakeholders

could evaluate whether the proposed targets were feasible and, if necessary, adjust them to make them more achievable.

For example, some respondents highlighted that the negotiation phase allowed hospital management to discuss staffing needs, financial constraints, and other resource limitations. By addressing these issues early on, they could prevent future setbacks and ensure that the performance contract could be implemented successfully. In contrast, respondents also pointed out that the lack of a standardized timeline for the vetting process sometimes led to delays in implementing performance contracts. These delays hindered the timely delivery of services and reduced the effectiveness of the performance contracts.

#### ➤ *Executions and Service Delivery*

Execution was another crucial factor influencing the success of performance contracts. The study found that 90.6% of respondents reported that effective execution ensured that performance targets were met and that services were delivered according to the agreed-upon standards. Effective execution is essential for the successful implementation of performance contracts, as it translates the goals outlined in the contracts into actionable steps. In the case of Kericho County Referral Hospital, respondents noted that proper execution required not only clear targets but also effective management, regular performance monitoring, and the efficient use of available resources.

Respondents emphasized that execution was closely linked to motivation. When staff members were held accountable for meeting performance targets, they were more likely to take ownership of their roles and strive to improve service delivery. However, some respondents (15%) noted that communication gaps between management and staff

sometimes led to misunderstandings about expectations, which in turn hindered effective execution. The study suggests that improving communication and feedback loops between management and staff could improve execution and enhance service delivery.

#### ➤ *Monitoring and Evaluation (M&E) and Service Provision*

Monitoring and Evaluation (M&E) was found to be a key driver of service delivery improvements at Kericho County Referral Hospital. The study revealed that 85.8% of respondents were aware of the M&E processes, and the majority of respondents (80%) reported that the regular monitoring of performance helped identify areas of improvement and ensure that corrective actions were taken promptly. The study found that the use of performance scorecards, regular progress reviews, and data-driven insights from M&E systems helped hospital management track the effectiveness of performance contracts and adjust strategies as needed. Moreover, M&E processes allowed for the identification of gaps in service provision and provided a basis for decision-making when issues arose.

However, some respondents (18%) highlighted challenges related to the quality of data used for M&E purposes. They pointed out those inconsistencies in data collection and a lack of trained personnel to manage M&E processes sometimes resulted in inaccurate assessments of performance. Addressing these issues by investing in better data collection methods and training staff in M&E procedures could further improve the effectiveness of performance contracts.

#### ➤ *Correlation Results*

The results of the correlation analysis, conducted using SPSS, are summarized in the following table:

Table 1 Correlation Matrix Results

Variable	Target Setting	Vetting & Negotiations	Execution	M&E	Service Provision
Target Setting	1	0.62**	0.75**	0.68**	0.80**
Vetting & Negotiations	0.62**	1	0.65**	0.70**	0.76**
Execution	0.75**	0.65**	1	0.77**	0.85**
Monitoring & Evaluation (M&E)	0.68**	0.70**	0.77**	1	0.82**
Service Provision	0.80**	0.76**	0.85**	0.82**	1

Note: Significant at the 0.01 level (2-tailed)

The correlation coefficients indicate strong positive relationships between all components of performance contracting and service provision. Specifically, the correlation between execution and service provision ( $r = 0.85$ ) is the strongest, followed closely by the correlation between target setting and service provision ( $r = 0.80$ ) and M&E and service provision ( $r = 0.82$ ).

#### ➤ *Regression Analysis*

To determine the combined influence of the four performance contracting dimensions on service provision, multiple regression analysis was conducted. The results are summarized in Table 2:

Table 2 Multiple Regression Results

Variable	Beta coefficient	t-value	p-value
Constant	0.562	2.147	0.037
Target Setting	0.285	3.418	0.001
Negotiation & Vetting	0.198	2.736	0.009
Execution	0.376	4.519	0.000
Monitoring & Evaluation	0.312	3.864	0.000

$R^2 = 0.783$ , Adjusted  $R^2 = 0.765$ ,  $F = 43.217$ ,  $p = 0.000$



The regression model yielded an  $R^2$  value of 0.783, indicating that the four performance contracting dimensions collectively explained 78.3% of the variance in service provision. The model was statistically significant ( $F = 43.217$ ,  $p < 0.001$ ), confirming the combined influence of the independent variables on service provision.

All four independent variables demonstrated significant positive relationships with service provision ( $p < 0.01$ ). The standardized beta coefficients indicate the relative influence of each variable, with execution ( $\beta = 0.376$ ) having the strongest effect, followed by monitoring and evaluation ( $\beta = 0.312$ ), target setting ( $\beta = 0.285$ ), and negotiation and vetting ( $\beta = 0.198$ ).

• *The Regression Equation can be Expressed as:*

Service Provision =  $0.562 + 0.285(\text{Target Setting}) + 0.198(\text{Negotiation \& Vetting}) + 0.376(\text{Execution}) + 0.312(\text{Monitoring \& Evaluation})$ . These findings indicate that while all performance contracting dimensions significantly contribute to service provision, execution and monitoring/evaluation have particularly strong influences. This suggests that implementation quality and feedback mechanisms are especially critical for translating performance contracts into improved service outcomes.

➤ *Discussion of Findings*

The findings underscore performance contracting's importance in improving service provision at Kericho County Referral Hospital. The study demonstrates that clear target setting, thorough vetting and negotiations, effective execution, and robust M&E processes are crucial elements contributing to successful performance contract implementation and service delivery enhancement. The findings align with previous research on performance contracting in public sector institutions. Sulle (2019) found performance contracts significantly improved service delivery in Tanzania, while Hassan (2019) demonstrated similar improvements in Mandera County, Kenya. The current study extends these findings by highlighting performance contracting's specific impact in hospital settings and identifying factors influencing contract success in health sectors.

The strong positive correlations between all independent variables and service provision highlight the critical role that target setting, vetting and negotiations, execution, and M&E play in improving service delivery. Execution's highest correlation with service provision indicates that effectively implementing performance contracts is the most influential factor in enhancing service delivery, underscoring the importance of ensuring contracts are not only well designed but properly implemented. The finding that execution has the strongest impact on service delivery ( $\beta = 0.376$ ) aligns with implementation science principles emphasizing that even well-designed interventions fail without proper execution. This reinforces the need for adequate implementation support, including training, resources, and management systems that translate performance contract goals into operational realities.

Monitoring and evaluation's strong influence ( $\beta = 0.312$ ) highlights feedback systems' importance in performance improvement. Effective M&E provides timely information for course correction, ensures accountability, and creates organizational learning opportunities. However, challenges in data quality and analytical capacity suggest areas for improvement in strengthening M&E systems.

Target setting's significant impact ( $\beta = 0.285$ ) validates goal-setting theory's principles regarding specific, measurable objectives' motivational effects. The finding that negotiation and vetting, while significant ( $\beta = 0.198$ ), had the least relative influence suggests that while important for establishing realistic expectations, their impact is realized primarily through subsequent execution and monitoring processes.

The regression model's high explanatory power ( $R^2 = 0.783$ ) indicates that these four dimensions collectively account for a substantial portion of variation in service provision quality. This comprehensive model provides a valuable framework for understanding how performance contracting influences healthcare delivery outcomes. Despite generally positive outcomes, the study also identified several implementation challenges, including resource constraints, communication gaps, data quality issues, and procedural delays. These challenges suggest potential areas for improvement to enhance performance contracting's effectiveness in healthcare institutions. The findings particularly highlight the need for better alignment between performance targets and resource allocation, and for stronger communication systems ensuring clear understanding of performance expectations across organizational levels.

## V. CONCLUSION

This study confirms that performance contracting significantly enhances service provision at Kericho County Referral Hospital through four key dimensions: target setting, negotiation and vetting, execution, and monitoring and evaluation. The strong positive correlations and high explanatory power of the regression model ( $R^2 = 0.783$ ) provide compelling evidence that performance contracting represents an effective management approach for improving healthcare services in Kenya's devolved system. Execution emerged as the most influential factor ( $\beta = 0.376$ ), highlighting that implementation quality determines effectiveness more than contract design itself. The study demonstrates that while performance contracting positively impacts service delivery, challenges including resource constraints, procedural delays, communication gaps, and data quality issues prevent the system from reaching its full potential. These findings contribute valuable empirical evidence on performance management in Kenya's county healthcare institutions, validating theoretical frameworks while offering practical insights for enhancing service delivery through improved performance contracting implementation.

## RECOMMENDATIONS

Based on the study findings, several targeted recommendations are proposed to enhance performance contracting effectiveness at Kericho County Referral Hospital and similar institutions. County governments should standardize performance contracting procedures with clear timelines while strengthening the alignment between performance targets and resource allocations to address implementation constraints. Hospital management should prioritize communication systems improvement to ensure clear understanding of performance expectations across all organizational levels, while investing in monitoring and evaluation capacity through enhanced data systems, analytical tools, and staff training. Implementation support structures and appropriate incentive mechanisms linked to performance achievement should be established to translate contracts into actionable plans and motivate staff. Future research should extend this study to multiple county hospitals, incorporate patient perspectives, conduct longitudinal analysis, and investigate implementation mechanisms in greater depth to develop more comprehensive understanding of performance contracting's impact on healthcare service delivery across Kenya's devolved governance system.

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