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## **Are Performance Contracts Effectively Yielding Results in Zimbabwe's Rural Local Authorities?**

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### **Abstract:**

*The government of Zimbabwe introduced performance contracts (PCs) in the sector in 2013 in response to deplorable performance of state-owned and quasi-government entities. Performance Contracts were seen as the solution to these perennial problems, as they can be used as a management tool to create transparency and accountability to the public leading to improved service delivery. The study adopted a case study approach of four (4) rural local authorities in Zimbabwe in the Matabeleland region. A sample of 75 participants was drawn from the participating local authorities drawn from the two Matabeleland Provinces as follows: - Kusile and Umguza in Matabeleland North and Matobo and Umzingwane Rural District Councils in Matabeleland South. From the 75 participants, 50 are on performance contracts while the other 25 consists of those who are just below the targeted group but whose performance has influence on the targeted group. These then form the internal stakeholders group. Results obtained are indicative of a level of change in behaviour and approach towards improvement of service delivery.*

**Keywords:** *Performance contracts, service delivery, local authority, public sector*

### **1. Introduction**

Performance contracts in Zimbabwe's public sector were adopted as a panacea to non-performing state enterprises. From empirical evidence, they were seen as the only solution to the performance problems bedeviling these entities, which accordingly have become the sole industry in the third world country after the collapse of the manufacturing sector. Ncube, *et al* (2017) state that this was aimed at turning around the economy after the realisation that the Zimbabwean economy was only anchored by Government entities after the collapse of the private sector. In a bid to stimulate economic activity and increase performance in non-performing state enterprises, performance contracts were introduced as a tool to bring innovation and some level of sanity. (Masuku, 2013)

Ncube *et al* (2017:1) state that "in general, performance contracts form an effective part of contemporary tools used by organisations to manage employees". PCs have been used the world-over resulting in economic growth and development, hence the belief by the government of Zimbabwe that these will lead to prosperity and achievement of its state mandate. The main development goal for any country is to achieve broad-based, sustainable improvement in the standards of the quality of life for its citizens. The Public sector plays an indispensable role in the effective delivery of public services that are critical to the functioning of a state economy. When the delivery of services becomes ineffective, it affects the quality of life of the people and nation's development process (Ncube, *et al*, 2017, Kobia and Mohammed, 2006, Gathungu and Owanda, 2015).

#### *1.1. Research Objectives*

The study sought to assess whether the adoption of performance contracts has led to improved performance and service delivery.

#### *1.2. Theoretical Review*

The researcher noted that there are various theories that inform performance management and several researchers have used different theories to back and form the basis of their views. For instance, Guest (1997) viewed the Expectancy Theory as the key linkage between motivation and performance. Justice Theory (Latham *et al.*, 2005) and Self-Determination Theory (Ryan and Deci, 2000) are also seen as relevant. Donovan (2001) believed that Equity Theory, Expectancy Theory, Cognitive Evaluation Theory, Goal-Setting Theory, Control Theory, and Social Cognitive Theory are more direct and significant in the discussion.

In view of this, the researcher chose the Goal-Setting theory and the Control Theory. Goal Setting Theory is of relevance because setting of organizational and individual goals is essential in the performance of tasks, as the goals form a basic performance standard. Control Theory comes into perspective when we consider the effect of feedback to an individual employee's performance. The two theories were seen to be backing each other in that the Control theory plays sort of a subordinate role basing its control aspect on the goals set both at strategic and operational level.

### 1.2.1. Goal-Setting Theory

Goal-setting on performance has proved to be the most effective way of managing performance in the workplace. The parties to the employment relationship that is the employer and employee need to sit and set specific, clear and achievable goals and this sets the tone for performance. Buchner (2007) asserts that the set goals usually direct attention to priorities and this energises and stimulates effort. Emphasis is on setting specific and difficult goals which accordingly tend to lead to sustained task performance.

According to Locke and Latham (2002) goal-setting theory connects difficult and specific goals to performance outcomes as these goals challenge workers to use knowledge they have and put to use strategies that may lead to success. The theory basically highlights the influence of goals in employee performance and how people are influenced by these to dig deeper into their skills base and apply innovative strategies to achieve the goals. Difficult and specific goals led to higher performance when compared to vague *do-your-best goals* (Locke and Latham, 2002, Ugaddan, 2013). Goal-Setting theory has as its moderators: - goal commitment, goal importance, self-efficacy, task complexity and feedback. These act as drivers of performance in that they increase enthusiasm on the part of the worker to perform tasks exceptionally well, particularly because they would have participated in the setting of the goals and therefore there would be goal congruence. Insofar as achievement of tasks is concerned, goal-setting has proved that higher performance results from the combination of goals and feedback than from goals or feedback separately (Locke and Latham, 2002, Buchner, 2007, Ugaddan, 2013).

### 1.2.2. Control Theory

According to Dwivedi and Giri (2016), control theory is concerned with control mechanism which should be imposed at all the levels of an organisation in order to get desired results. Focus should be put on the organisational structure, behavioural controls and then performance measurement techniques or mechanisms/systems. In line with the overall organisational goals and objectives, the control system seeks to control behaviour, outputs and inputs in a bid to ensure congruence with the overall organisational plans or business strategy.

The theory therefore acts as a follow-up management tool which seeks to maintain adherence to set goals. The control theory avails a dynamic account of the joint effects of performance information and referent goals on supervisors' feedback and goal setting behavior, and on subsequent subordinate task performance (Sandelands *et al*, 1991). The theory helps in performance management by evaluating the output of the system for its consistency with pre-defined sets of parameters. In case of any kind of deviation it will be adjusted by the controller in the system (Dwivedi and Giri, 2016). Control theory is a self-regulator as it is viewed as a continuous comparative process aimed at reducing discrepancy that may arise between standards for behaviour and actual behaviours observed (Carver and Scheier, 1981, Buchner, 2007, Ugaddan, 2013). The theory emphasises on feedback and this feedback acts as an employee behaviour modifier, as it continuously highlights the diversions from actual standards and thereby influencing behaviour change.

The control theory advances the view that performers/workers modify their behaviour to suit the standards as set through the feedback process and therefore it effectively shapes behaviour through feedback. The theory asserts performers monitor their behaviour and its effects relative to behavioural standards. As long as actual-standard discrepancies are minimal, no change in behaviour is called for. But as discrepancies between standards and current behaviours increase, a call for change eventually occurs. Control theory states that performers either change their behaviours to reduce this negative gap, or they may attempt to change the standard itself (Carver and Scheier, 1981, Buchner, 2007, Ugaddan, 2013).

### 1.3. Empirical Review/Literature Review

Performance Contracts (PCs) are state-of-the-art mechanism for improving the quality of organisational performance and satisfying customers' needs. They are management tools/policies that are adopted to ensure that organisations attain optimum benefits from use of their human resources. (Lu, 2013, Safiullah, 2015, Ncube *et al*, 2017). The motive behind the adoption of Performance Contracts is to increase performance through use of available human resources and the system of performance measurement. Performance contracts make use of performance management systems in order to relate employee performance to actual contract conditions (Madhekeni, 2012, Ncube *et al*, 2017). (Qureshi, Shahjehan, Zia-ur-Rehman, & Afsar, 2010) defines Performance Management System (PMS) as 'a strategic and integrated approach of conveying continued success to institutions by developing the people in a way that improves group and personal performance'. PMS provides an integrated and continuous approach for rewarding and managing performance through performance measurement.

Performance contracts in the public sector agencies are instrumental for enhancing good governance, promoting a culture of accountability in the government and translating development goals into reality. PCs as a tool emphasise more on outcome rather than the process. (Safiullah, 2015). The public sector is the fertile ground for performance contracts as they come in to resolve problems associated with multiplicity of objectives which are mostly responsible for confusion evident in the sector, lack of responsibility and identity, where people perceive that someone somewhere is responsible and not them. PCs also address issues to do with improving co-relation between planning and implementation, improved coordination between various state agencies, alignment of corporate goals, values, defining expectations and establishment of performance targets and standards. (Gakure, *et al*, 2013, Muriu, *et al*, 2013, Safiullah, 2015)

According to Muthaura (2007) and Muriu, *et al* (2013), factors that contribute to poor performance include; excessive regulations and control, frequent political interference, poor management, outright mismanagement of resources and lack of a guiding vision, lack of clear focus as to what is expected from employees and poor or no methods of measuring performance. PCs therefore provide a comprehensive solution to these challenges, as the employer and employee set out the expectations and agree on timelines and processes of achieving those set targets. This then clears the grey areas that are embedded in the bureaucratic systems and as well

reduces red tape by defining clear lines of performance expectations and open up the avenues for innovative strategies. A well-designed PC determines several targets to achieve results within stipulated timeframe and specifies who, what, when, where, and how of performance expectations. It ensures transparency and accountability of an organisation, optimum utilisation of public resources, quantifies achievements of an organisation and above all increases efficiency of the organisation as well as its employees (Safiullah, 2015).

Performance Contracts require the adoption and implementation of an effective Performance Management System/tool. The tool should be able to effectively measure the performance indicators that the organization intend to consider. Under the New Public Management concept, the public sector organisations have to cut budgets and to improve the efficiency and effectiveness of government bureaucracy as their objectives, hence the need to adopt initiatives such as Performance Contracts (van Thiel and Leeuw, 2002). These initiatives are adopted in response to challenging economic conditions that have become stressors to organisations and hence to base their competitive edge on improving performance and productivity gains (Buchner, 2007, Ugaddan, 2013). It then becomes apparent that for these organisations to survive in these turbulent conditions there must be able to review employee performance, manage employees' collective contributions to organizational effectiveness in their ongoing pursuit of competitive goals (Nankervis and Compton, 2006). PCs ensure that organisations remain aware and focused to their goals and their achievement remains one of the key objectives for survival.

#### *1.4. Research Methodology*

The research adopted a case study of four (4) rural local authorities in Matabeleland North and South, (two from each Province), who introduced Performance Contracts for its management in 2013. The rural local authorities employ over 200 employees between them and out of these, Performance Contracts directly affected 50. The researcher used the purposive sampling technique to achieve representativeness. The method enabled the researcher to select targeted group of employees employed under Performance Contracts. Convenience sampling also was used on employees not directly under Performance Contracts but viewed as stakeholders or internal customers and have an influence on improvements and challenges on the effects/impact of Performance Contracts. Data was collected through questionnaires and interviews.

#### *1.5. Findings and Discussions*

The study established from 47 (63%) respondents that the Chief executive Officers, the Heads of departments and their assistants are all under one year Performance Contracts. These are drawn from the key departments as outlined in the Rural District Councils Act [CAP 29:13] and these are Finance, Administration, Social Services, Engineering Services and Environment departments.

#### *1.6. Procedure Followed in Setting Performance Targets*

Questionnaires distributed to 46 (61%) respondents on Performance Contracts (PCs) identified the following procedure that the council use in determining performance targets.

They indicated that the first step the council take is to establish the Council's key result areas (KRAs) with special emphasis put on the clients, their needs and problems, identification of key stakeholders looking into their role in the performance requirements of Council, focus is also put on policies in place and those that are required to facilitate performance, setting of specific goals and objectives. Further to these, impacts of the performance goals set are analysed and a projection is made on the outcomes. All these are as outlined in the Integrated Results Based Management (IRBM) Council Integrated Performance Agreement (CIPA) document.

The respondents explained that every financial year the council sets a meeting with stakeholders. The major stakeholder being the government represented by officials from the mother ministry, business community, various associations and committees representing citizens and the traditional leadership. From this meeting council targets are officially agreed upon and adopted. The respondents went on to highlight that the council targets form the Chief Executive Officers' targets (CEO). In-order to achieve these targets the CEO would then sit with the Heads of Departments (HODs) setting their targets as well. The HODs further break the targets down to supervisors/line managers. In summary, the CEO sets the targets for HODs, who in turn set the targets for supervisors. The respondents also pointed out that the government circulated a template of a performance contract, that each individual would use to set targets, evaluate the targets to check on level of achievement and if not achieved to satisfactory levels then outline the reasons/challenges. To evaluate the performance, the government introduced in all the 92 local authorities the Integrated Result Based Management performance management system. This was implemented through the human resource department. To facilitate this, government ensured that all relevant stakeholders were trained on both performance contracts and Integrated Result Based Management, through the relevant ministry. (Ncube *et al*, 2017, Government of Zimbabwe, 2013)

#### *1.7. Techniques Used in Reporting Performance and Approaches to Correct Deviations*

The research established that there are basically two ways in which performance is reported and endorsed, these are through annual budget reviews and performance reviews. The Rural District Councils Act [CAP 29:13] in section 121 outlines the budget procedure, in which the local authorities are expected to do budget consultations. It is during these meetings that local authorities are expected to report on broad activities done, as per the annual budget document and as well report on the achievement levels. Stakeholders and members of the public are then expected to interrogate the report and raise their concerns, if any.

It was also established that the Ministry did not completely overhaul the processes outlined in the founding statutes but only introduced the PCs to support and improve what has always been there. Participants informed the researcher that the process outlined in section 121 of the RDC Act is religiously followed, that is with regards to Council budgeting procedure, where the estimates are

expected to be submitted to a Committee of Council, then the Committee presenting the estimates to Council for approval, availing the budget document to the public to peruse and availing copies for sale to the public and subsequent submission to the Ministry for approval. Respondents also highlighted to the researcher that the budget document should have a summary that compares the current budget with the proposed estimates. These summarise the performance of the entity and therefore serve as a measure of organisation wide performance.

#### *1.8. Procedure Followed in Assessing Performance*

The rural local authorities adopted Performance Contracts (PCs) in 2013, following the directive from the mother Ministry in an effort to adhere to the demands of the Government crafted economic blueprint known as the ZIMASSET (Zimbabwe Agenda for Sustainable Socio-Economic Transformation). The ZIMASSET document clearly specifies that the Office of the President and Cabinet (OPC) does the monitoring and evaluation of the ZIMASSET activities, which basically are the mandate of the RDCs. In this regard, the Office of the President and Cabinet becomes the overall overseer of performance.

However, questionnaires sent out and received from 42 respondents revealed that performance is assessed at varying levels for different members. The Chief Executive Officer's performance is assessed by the Council Chairperson and reported to Council, while Heads of departments' performance is assessed by the Chief Executive Officer and the HoDs assess performance of their subordinates, respectively.

#### *1.9. Benefits Realised through Performance Contracts*

The research established that the introduction of Performance Contracts led to the change in the mind-sets of both management and key stakeholders. The culture of performance is suddenly being embraced in the sector and this has led to realisation of some incremental benefits and improved service delivery. Performance Contracts are meant to improve organisational accountability and transparency, optimum utilisation of public resources, delivering more with less cost, quantifying measurable outcome and enhance competency. They result in improved service quality, efficiency, consistency and employee creativity which lead to improved overall organizational performance. (Gathunguet al, 2013, Safuillah, 2015)

The study established that the introduction of Performance Contracts (PCs) led to improvements that have significantly increased the quality of service delivery. The respondents (67%) to questionnaires noted that PCs have led to significant changes in performance of rural local authorities due to clear standards set and relevant performance measurement. They noted that the introduction of PCs was not embraced well at first but has eased the way these entities work, as it has made it easy for local authorities to relate with stakeholders, exchange ideas through the process of strategic planning. In the process a solid partnership has been born and the results of this partnership are evident in some districts. The respondents went further to highlight that the success of PCs is dependent on the availability of resources, in terms of financial and human resources, as these determine the availability of equipment, tools and skills required for effective performance.

Insofar as the rural local authorities under study are concerned, varying levels of success have been recorded in the two provinces. Of note is the fact that the local authorities can attribute a lot of their recent successes to performance, as they have been able to acquire service delivery equipment between 2013 and now, and all this is attributable to PCs. In pursuit of the set targets, rural local authorities have devised various innovative ways of operations, which have seen some of them creating private-public partnerships particularly in the servicing of land for housing purposes. However, the benefits are not universal in all local authorities, solely because success in performance requires some sort of investment both in terms of equipment and human resources. The investment can come about through strategic recruitment and acquisition of state of the art equipment to suit the skills and abilities of employees.

#### *1.10. Performance Related Challenges*

The research also established that further to the benefits achieved through Performance Contracts, there are still challenges with performance in the sector due to varying reasons. Respondents identified five internal and two external factors or issues as causes of failure in local authorities' performance and these include lack of skilled or qualified personnel in some critical positions, failure to set achievable targets and unavailability of tools and equipment to execute tasks, lack of objectivity, personality issues, multiplicity of objectives and political interference.

From the identified factors, internal factors affect processes and operational activities within the organisation and therefore form the internal environment of the organisation. Most rural local authorities fail to recruit qualified personnel in critical positions because of their location in remote areas. Due to this challenge and the uniform set up of the entities, setting of targets and goals is usually influenced by the mandate as per the RDC Act. This has a negative impact on those less resourced local authorities as it then becomes impossible for them to achieve the targets. Respondents also highlighted that there is a challenge of tools and equipment, that is required in the provision of services, for example, plant machinery for road construction and maintenance. Lack of objectivity on the part of management was also identified by respondents, this usually manifests itself in unnecessary diversionary behaviour by managers, who are always concentrating on minor and less goal directed activities. Finally, on internal factors the respondents highlighted personality issues as a factor that affects performance. These manifests themselves as conflicts/disputes arising among members or groups based on conduct that is not directly related to work issues and or behaviours that do not conform to organisational culture and philosophy. In rural local authorities this is evident in people with political affiliations and these usually affect their uptake of new initiatives as they may be compelled to sabotage whatever comes from the other end.

On the external factors, respondents identified multiplicity of objectives as the factor affecting performance in rural local authorities. They note that, over and above the mandate prescribed in the RDC Act, rural local authorities are a link between central government

and the citizens and therefore those who are at the top may be compelled to use the local authorities to push their agendas. Reference was made to local members of parliament using local authorities to push their political agenda. In so doing, local authorities' plans may be ruined, in that the politician may divert the focus of the local authority to suit the agenda being driven at that time. This explanation was partly used by the respondents to describe political interference. However, political interference was said to range from local to national level, where the example of the cancellation of debt towards the 2013 elections, as outlined in Circular number CX/58 (dated 23 July 2013) was referenced. The respondents also felt that local members of parliament as key stakeholders and opinion leaders need to participate in goal setting (target setting) and strategic plan formulation, for them to influence change in behaviour and inculcate the culture of performance across all government agencies.

#### *1.11. Service Delivery Challenges*

Service delivery is outlined as the main mandate of the rural local authorities and these include refuse collection services, road construction and maintenance, water and sewer reticulation, provision of health and education services and facilities. Respondents to the questionnaires on the subject highlighted lack of financial resources, ineffective revenue collection systems, misuse of resources and political hindrances as the major challenges.

The study established from the majority of respondents, that lack of financial resources forms the basis of the challenges being faced by local authorities in providing adequate service delivery to the communities. The financial constraints hinder local authorities in service delivery as they are unable to acquire adequate resources. This affects the timeliness of the service and as well as quality of the services rendered. Ineffective revenue collection systems stems from both the lack of innovation by the executive and lack of financial resources. Insofar as developing effective revenue collection system may require investing on some software, it is incumbent on top management to effectively come up with a cost effective way of maximising on revenue collection, firstly on the traditional sources. Rural local authorities to an extent are rich but misuse of resources is rampant in the sector. The misuse comes in different forms that may include using organisation funds to pamper local politicians through donations and hosting of non-council activities. It may also manifest itself through unwarranted perks for the executive and councillors.

#### *1.12. The Role of Oversight Bodies on Performance*

Rural local authorities are quasi-government entities and therefore are semi-independent. Since they are not completely independent, the government has an oversight role through some agencies. In the case of rural local authorities, councillors, the District Administrator, the Provincial Administrator, the Office of the President and Cabinet and the Ministry of Rural Development, Preservation of Culture and Heritage are performing this task. Over and above the listed entities, the most critical group is the community, who are the beneficiaries or consumers of the services from rural local authorities. These play a critical role as they are responsible for the evaluation of the quality of services provided by the local authorities.

## **2. Conclusion**

Performance Contracts have seemingly introduced a new lease of life in the rural local authorities sector. The research has revealed that the local authorities that religiously formulate performance plans and set achievable and funded targets have succeeded in their endeavours. It is on this background that the use of Performance Contracts is seen to be bringing the much needed turn-around and therefore the government should ride on the success and introduce performance related pay schemes in order to reinforce the behaviour. Through performance related rewards, employees on performance contracts will perform even better, knowing that their performance would be recognised and rewarded.

## **3. Recommendations**

The discussion above necessitates that the researcher propose the following as recommendations, use of strategic recruitment and selection procedures to deliberately employ qualified and capable employees in critical positions, improved coordination of activities to ensure success by aligning the Acts which will result in alignment of activities between RDCs and government agencies, effective management of performance contracts, introduction of new and effective revenue collection systems, involvement of local leadership in strategy formulation and performance evaluation and linking performance with rewards. Performance contracts require resources; therefore rural local authorities need to engage on private-public partnership in order to effectively harness the much required financial resources.

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