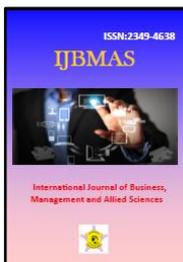

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**Role of Organisation Culture and Management Commitment on
Implementation of Performance contract in Tanzania's Local Authorities:
A Case of Morogoro Municipal Council**

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ABSTRACT

The study aimed to examine the role of organization culture and management commitment on implementation of performance contract in Tanzania's Local authorities using Morogoro Municipal Council as a case study. Public sector has recognized the importance of performance management in improving performance of public sector in delivering quality services to the citizens. One of the key priorities of the Tanzanian government in public sector reforms was to execute programmes that will enhance an efficient, effective and quality delivery of services to the people by using different performance tools, one of them being performance contract. The study found that organisation culture and Management Commitment are very important for successful implementation of performance contracts in Morogoro Municipal Council. The study further recommended that, Head of departments should lead by examples. Also, there is a positive relationship between how Head of departments commit themselves to the process of Performance contract implementation and how they motivate their staff. Finally, employees should not be transferred from one station to another, unless there is a good reason for the same, as frequent employees' transfer affects the process of performance contract execution and therefore should be avoided at all cost.

Keywords: organisation culture, management commitment, Tanzania, Local Authorities

1. Introduction

Jenkins (2003) defines performance contract as a performance tool for performance measurement that determines operational and management autonomy between organisations in public service. It enhances quality of services by reducing quantity of controls. Therefore, performance contract changes the management style of public sector from processes oriented, and concentration is entirely focused on results. Performance are measured, good performances are

rewarded and recognized, where poor performers are sanctioned. In simple terms, performance contract is an agreement between a government and a public organisation which establishes general goals for the public organisations or independent department, to set target for performance measurement and incentives are provided for those who achieve their targets (Dooren, 2006). It is an agreement negotiated freely between the employer and employees on targets which are expected to be achieved in particular financial year (Jenkins, 2003). Also, involves review of performance targets agreed and periodic evaluation to check if performance is on right track.

Performance Contract

New Public Management (NPM) was firstly practised in New Zealand, United Kingdom and Australia, thereafter, followed by the United States of America (USA) and finally to the entire world (Kobia & Mohamed, 2006). Features which recognized NPM include separation of politics and administrations, accountability, outsourcing of non-core functions, performance contract, client service charters, use of ICT, user charges, privatization, budget cuts, improved accounting and improved financial management (Mutahaba, 2011). Then, in 1990s, the model of performance contract was adopted in many countries to manage public service (Kobia & Mohammed, 2006). In Africa, the World Bank is argued to be responsible for introduction of performance contract in many countries. The emphasis of World Bank reforms targeted to cut cost of operations and most of services which are not core functions to be outsourced (Mutahaba, 2011). Therefore, employees were supposed to engage their clients and agree on how to improve their performance as the basis of performance agreement for each particular financial year.

Performance Contract in Tanzania

The first phase of public sector reform in Tanzania was launched in 1993 focusing on cost control with rightsizing of employees in public sector through restructuring of government structures and functions. This was mainly donors and creditors driven under Structural Adjustment Programme (SAPs) conditions under IMF and World Bank (Kobia & Mohammed, 2006). The reforms emphasized on freezing employment in public service, cleaning of payrolls to remove 'ghost workers', budgetary limits, early and voluntary retirement, retrenchment of employees who were not qualified and emphasize on employing graduates for efficient improvements in public service (Mutahaba, 2011). In Tanzania, performance contract with a tool known as Open Performance Review Appraisal System (OPRAS) was introduced to ensure effectiveness and performance of the employee at work place. This tool required employees to set their objectives in consultation with the supervisor at the beginning of financial year, then review those targets after six and later annual review at the end of twelve months of the respective financial year (Bana, 2009). This tool replaced all confidential performance appraisal system that were characterized by absence of feedback and poor performance of most employees in the public services (Massawe, 2009). However, there is no established index as to how management commitment and organisation culture influence implementation of performance contract in Tanzania's Local Authorities with particular reference to Morogoro Municipal Council. This study therefore was sought to bridge that gap in the literature.

2. Review of Literature

Performance contracts defines the expectations of each parties regarding performance to be accomplished in respective financial year (Jenkins, 2003). The work to be done is defined, expected results, required attributes in terms of knowledge, skills and expertise as well as required competencies required to attain these results; where measures to monitor performance are identified (Mehdi, 1994). Performance contracts was introduced in the public-sector due to the fact that, public sector performance had constantly tumbled below the citizens' expectations in term of quality service delivery (Mutahaba, 2011). Hence, the tool under public-sector reforms meant to improve performance management of public sector through efficiency and effective use of resources

entrusted to them by public. The literature review indicated that, the general impact of performance contract is worthwhile towards improving performance in public service.

Organisation culture

Any implementation initiatives need support from culture of that organisation and so performance contract in local authorities, and hence, culture is very helpful in dissemination and promotion of core values (Robbins,1999). There is need for adjustment of staff behaviours, systems and styles of doing things if new strategy has to be realized (Pearce & Robinson, 2007). Culture can be viewed as shared values, beliefs, general pattern of behaviour that are commonly possessed by members, and this are related to how things are done in a particular setting within an organization (Robbins,1999). So, lack of strong values to meet changing needs within a particular culture can challenge successful execution which lead to positive results (Marginson, 2002). The cultural model to be adopted by an organisation, should be only that which emphasizes employees' participation in both strategy formulation and implementation (Doreen, 2006). An infused organisation culture that emphasize on performance is very helpful towards execution of strategies in the entire organisation.

Management commitment

Performance management is defined as systematic approach that improve team and individual performance in order to achieve goals of an organisation (Wilson, 2005). It is a practice through which work is defined and achieved. The very vital thing in strategy executing (in this case a performance contract) is the commitment of management to the strategic direction of the firm, and it is a requirement for executing any strategy (Ahmad& Schroeder, 2003). So, the management need to show their loyalty, willingness and fully energy in entire process of performance contract execution (Hill & Jones, 1997). This apparent management commitment provides a positive signal to members who are supporters of the exercise in the organisation (Peters, 2005). The long-term objectives and strategies should be guided by the management and leadership in the firm by making any initiative are well comprehended and supported by members responsible for execution.

Theoretical Literature Review

This study was guided by two theories, that is New Public Management (NPM) theory, and Principle Agent Theory.

New Public Management Theory

New Public Management (NPM) theory is defined as 'a series of themes that relate to restructuring organisations and procedures of the public sector in order to make it more competitive and efficient in delivery of service and resource use' (Mackie, 2008). It is related to reforms initiated in the public service aimed at improving accountability and maximize the use of scarce resources for provision of quality public services. The scholars in performance contract have agreed that, one of the reforms under NPM is that of making government and entire public sector to use less resources to produce more (efficiency).

Principal Agent Theory

Performance contract is founded on the Principal agent theory. The theory emphasize son the ground that, both the principal and the agent are there to maximize benefits (Ayee (2008). Though, the principal is deprived due to lack of information such as the actual ability of the agent; and that is why, agent will always try to set targets that minimize risk of not attaining; and on the other hand, the principal has to set a contract that is appealing to the agent while maximizing benefits for the principal (Ssengooba, 2010). In respect to public sector, performance contract is used by management to oversee performance of employees, and citizens use it to hold public officials accountable and in turn elected officials use it to hold the bureaucrats (management) accountable.

Conceptual Framework

Conceptual framework is a research tool intended to assist a researcher in developing an understanding of the situation under investigation. The study utilized conceptual framework illustrated below in order to meet the objective of the research. Effective implementation of performance contracting (PC) was conceptualized as being dependent on two factors, that is organization culture, and management commitment.

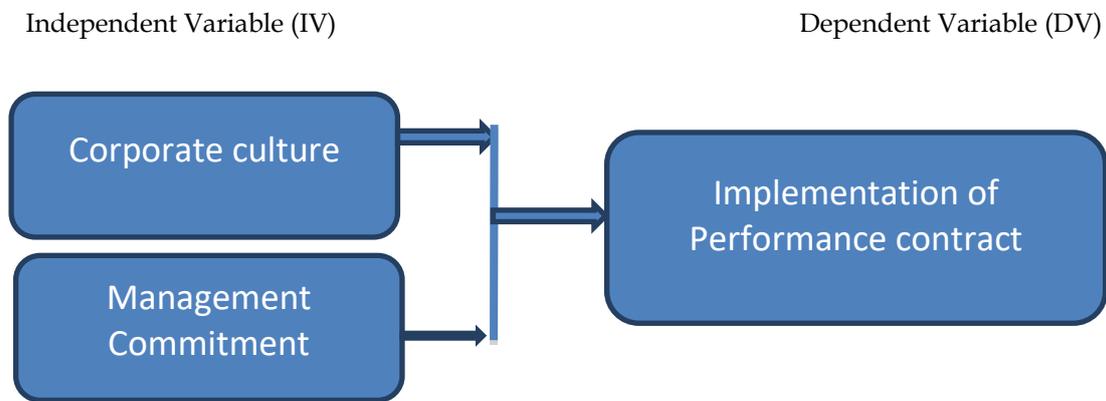


Figure 2.1: Conceptual framework of the study

The independent variables which affect the dependent variable were conceptualized as follows: Firstly, Organization culture shapes the way the employees do their work. Shared believes and values are very strong attributes when it comes to organization performance. Therefore, if the employee believes and values are well managed, then the implementation of performance contract will be smooth and effective and the vice versa is true. Secondly, management should commit themselves to implementation process of performance contract; this will show the importance and encourage other employees to take it seriously. It is under assumption that, if the management will ignore the process, the rest of employees will do the same, and hence the management should show commitment by leading from front. Failure to this, will create confusion which will affect implementation of performance contract negatively.

Empirical Literature Review

Chittoo (2009) revealed that, there is communication complexity in the public sector with each organisation jealously protecting its circle of influence. This concludes that, in Africa, performance contracts may not have meaningful impact on communication internally between organisations. Also, research carried out by Kobia and Mohammed (2006) revealed that most staffs in public sector rarely sign individual performance contract, while Letangule and Letting (2012) established that, Performance contractsexecutionin public service haveintegratedindividual targets with organisation annual work plans, this concur with the need of performance contracts to be cascaded to the lower levels for effective and efficiency executive of organisation objectives. Moreover, Kinanga and Partoip (2013) studied linkage between employee productivity and participation in setting target and revealed that, most employees are related to improved performance due to setting performance target.

3. Research Objectives

The main objective of this study was to examine the role of organisation culture and management commitment on implementation of performance contract in Local authorities using Morogoro Municipal Council as a case study. Specifically, the study was set out to determine the effect of organization culture on influencing implementation of Performance Contract; and also, to

examine the impact of management commitment on execution of performance contract in Local authorities.

4. Research Methodology

This part explains the methodology that were used in this study, identify procedures and techniques that were used to collect, process and analyze data.

Research Design

Research design as the plan, outline or scheme that is used to produce answers to research problems in a particular study (Orodho, 2003). A descriptive research design is appropriate strategy for answering research questions which ask how, what and which do not require control over the events (Yin, 1994). The descriptive design is crucial for provision of chance to acquire a lot of information throughout the area under study, and can be used as an indirect test of a theory or model and some behaviours or situations that cannot be studied in any other way. It allows findings of the study to be presented through simple statistics, mean scores, tables, percentages and frequency distributions, (Mugenda & Mugenda, 2003). The study described the practices, attitudes, beliefs, challenges and suggestions regarding the influence of organisation culture and management commitment on implementation of Performancecontractin Local authorities, usingMorogoro Municipal Council as a case study.

Population, Sample Design and Sampling procedure

Population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated in a particular study (Ngechu, 2004). For the case of this study, the target population were 110employeesofMorogoro Municipal Council. Purposive sampling technique was used to select heads of departments and the rest of employees were selected using accidental sampling technique. Mugenda and Mugenda (2003) argue that for a sample to be representative enough, it should be at least 10% of the target population. A total sample of 62 respondents out of 110 employees were subjected in this study, where six (6) were Head of departments and 56 were normal employees in Morogoro Municipal Council.

Data Collection and presentation

Data were collected using open and closed ended questionnaires. The tools were designed to collect both qualitative and quantitative data, where both structured unstructured questionnaires were used to save time and money by collecting all types of data at the same time. Unstructured questionnaires were used to encourage the respondent to give an in-depth as they were free to explain anything they thought worthwhile. Moreover, interview was used to supplement information obtained from questionnaires. Data were coded, edited and analyzed using Excel spreadsheet into frequencies and percentages, and then were presented using tables and figures.

5. Analysis and Interpretation

This section presents the responses from target population that formed the sample of the study whose main objectives was to examine the factors influencing implementation Performance contract in Local authorities in Morogoro Municipal Council. The data we reanalysed through descriptive statistics and presented using tables and charts.

Response Rate Analysis

In this study, 69 respondents were targeted out of which only 62 which is 90% of the expected respondents returned their filled questionnaires. This is above 10% by Mugenda and Mugenda (2003) for a sample to be a representative in a given study. Thereafter, data were analyzed using Excel Spreadsheet which generated frequencies and percentages, and then figures and tables were used to

support information in this study. The result in table 5.1 indicates that, out of 62 respondents, 10% were Heads of Departments while 90% were normal employees. This was a good response rate for data to be analyzed.

Table 5.1: Response Rate

Respondents	Expected	Actual	% of response
Head of Departments	9	6	10%
Employees	60	56	90%
Total	69	62	

Organisation Culture in implementation of PC

The study sought to find out the extent which the organization Culture influences the implementation of Performance Contract in Morogoro Municipal Council. The key indicators of organization culture included the inclusiveness in target formulation, participation in PC implementation, and availability of performance culture in Local authorities.

Inclusiveness in Performance Targets formulation

The managers were asked to state whether they are involved in the initial stages of Performance targets setting and formulation. The results in the figure 5.1 indicates that, out of 62 respondents the majority about 84% agreed that, the top management involved employees in formulation and implementation process; while only 11% disagreed on the issue; and 5% of respondents were neutral.

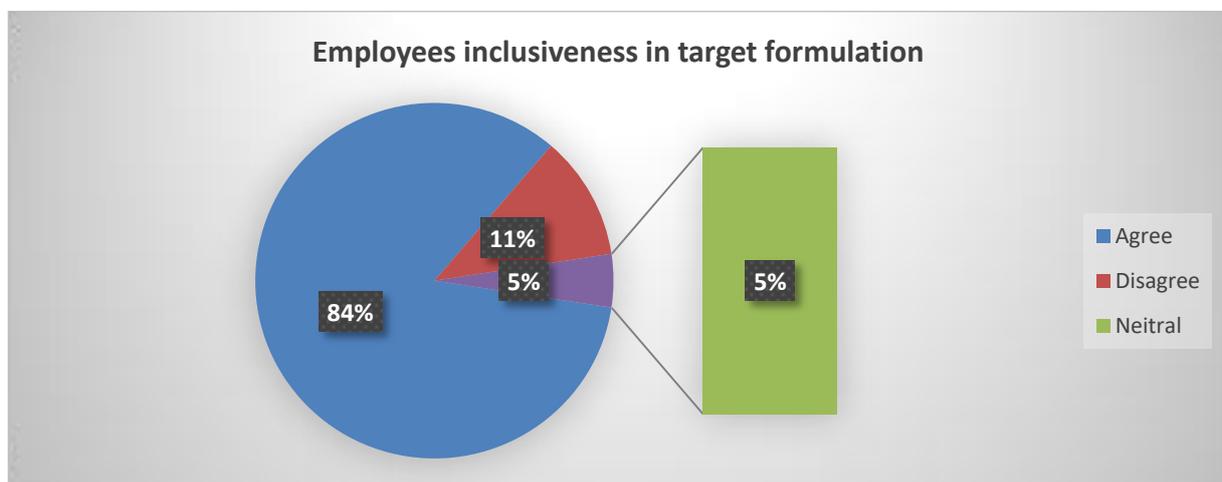


Figure 5.1 Inclusiveness of Employees in Targets Formulation

This shows that, the culture of involving staff in Performance setting is crucial for effective implementation of the Performance Contracting process. This is also supported by one employee who lamented that:

“In each end of the financial year, our supervisors meet with their subordinates to discuss individual performance for the ending financial year and discuss targets for coming financial

year. This is very participatory and improves communication between senior and junior employees in Morogoro Municipal Council”¹

Employees Participation in PC implementation

In respect to this question, the study sought to find out the level of participation of Employees in implementing performance contract in Morogoro Municipal Council. The findings in Figure 5.2 indicates that, out of 62 respondents, majority about 77% confirmed the high level of participation of employees in implementation performance contract, while 16% revealed the medium level of participation, while 7% of respondents revealed the low level of participation in the implementation of performance contracts in Local authorities.

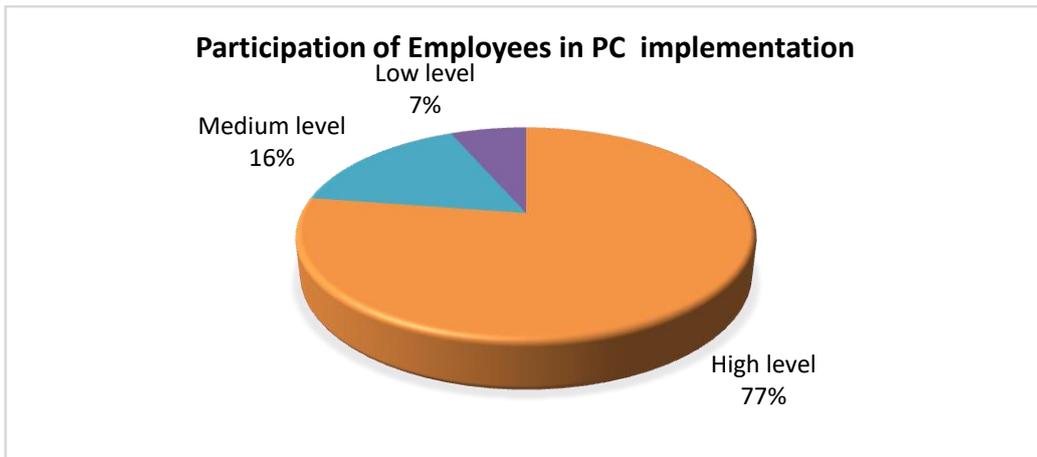


Figure 5.2Level of Participation of Employees in Performance Contract.

Availability of performance culture in Local authorities

In this question, respondents were asked to indicate if there is performance culture in Local authorities. The results in figure 5.3 indicates out of 62 respondents, majority about 58% agreed on the availability of performance culture while 32% of respondents disagreed on the presence of performance culture in Local authorities. Also, 10% of respondents were neutral with this question. The findings generalized that, there is availability of performance culture in Morogoro Municipal Council (MMC). This is also supported by Head of Department, Human Resources, who claimed that: “At MMC, we have core values such as team work, accountability, responsibility, and togetherness, which have played a big role in nurturing acceptable performance culture in the council. Employees work in teams and are always accountable to their actions. This has positively shaped our culture towards improved performance in our organisation”²

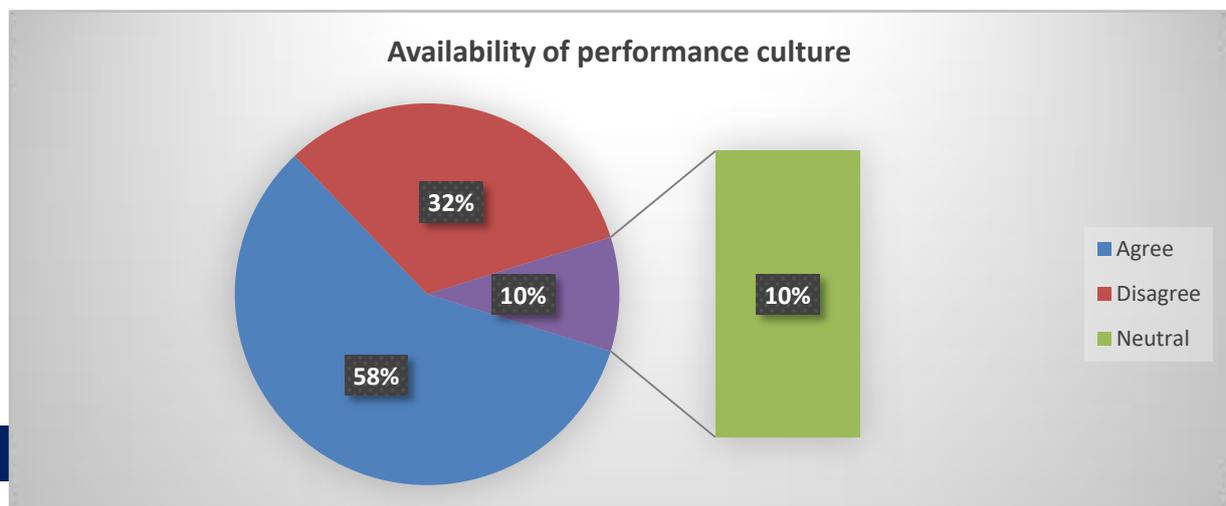


Figure 5.3 Availability of Performance Culture in Local authorities

From these findings, it is clear that for local authorities to perform well to the required level, the management should create a formidable culture of competitive performance. Employees should be encouraged to work hard and a clear set criterion of rewarding best performers should be clearly spelt out and be known to all the employees. This is also supported by Pearce & Robinson, (2007) who emphasized the importance of organisation culture in implementing performance contract, and they stressed on the needs of healthy organization culture for positive results. This study is in agreement with the two scholars in that, any strategy implementation requires a very strong culture. There should be a defined culture and a strategy of winning staff to perform. Therefore, the literature and findings converge on the need of health corporate culture for successful implementation of performance contracts in local authorities.

Management Commitment in implementation of PC

The study wanted to establish the extent to which Management Commitment influences the implementation of Performance Contract in Local authorities. In respect to this objective, two indicators were subjected to this study, that is performance feedback on performance contract and rewarding performance while implementation Performance contracts in Morogoro Municipal Council.

Performance Feedback on Performance Contract

In respect to this area, the study was interested to know if management provide performance feedback to employees in timely basis or not. The results from the Table 5.2 indicates out of 62 respondents, majority about 79% agreed on the commitment of management in giving performance feedback to employees on time; on the other hand, 8% disagreed and 13% were neutral regarding the performance feedback provided by management in Morogoro Municipal Council. This also was supported by one employee who argued that:

“in our council, we receive both positive and negative feedback from our supervisors. The positive one encourages the exhibited performance behaviours by employees in respective year, and sometimes rewards are given to good performers, and negative feedback is deliberately designed to discourage unacceptable behaviours which can negatively impact performance in the organisation, poor performers are given warnings and reprimand designed to shape their behaviours”³

Table 5.2: Performance Feedback on PC

	Frequency	Percent
Disagree	5	8.0
Neutral	8	13.0
Agree	35	79.0
Total	62	100.0

The findings are in line with studies from past scholars. For instance, Pearce and Robinson, (2009) confirmed that, positive feedbacks energize employees towards improving their performance, while negative feedback is a sign that changes are highly needed.

Rewarding Performance in Implementation of PC

³Interview, Namewithheld, MMC HQ, 20th April 2017

In this question, the study wanted to know how management rewards performance while implementing performance contracts in Local authorities. The results from figure 5.4 indicates out of 62 respondents, majority about 45% agreed on the management commitment towards rewarding good performance, while 40% of respondents disagreed and 15% were neutral regarding performance rewards from Top Management in Morogoro Municipal Council. In general, the findings concluded that, Management is Local authorities with particular reference to Morogoro Municipal Council are committed in rewarding good performers and suctioning poor performers in the process of implementing performance contracts in Tanzania's public sector. One employee complained that:

"in our council, performance rewards are not frequent, in most cases rewards in term of tangible items are only given once per year in May Day celebration⁴, apart from that, we only receive appreciations from our superiors and nothing more"⁵

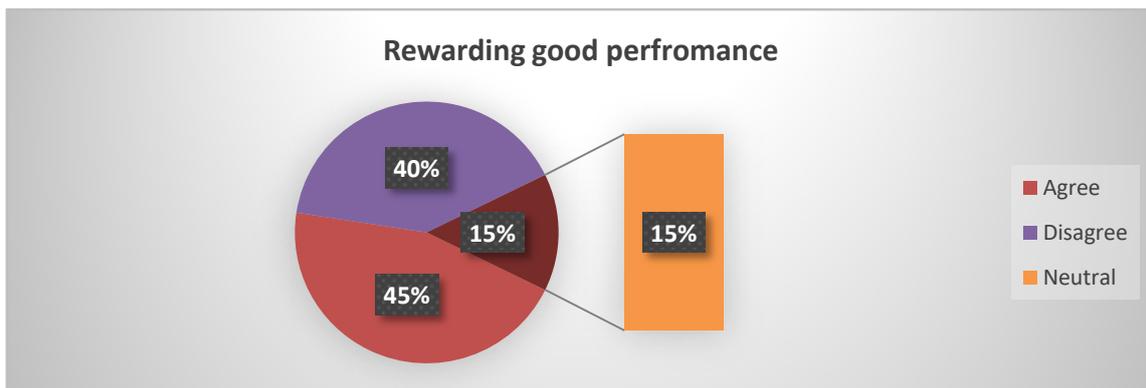


Figure 5.4: Rewarding Performance in Implementation of Performance Contract

The findings on commitment of management in implementation of performance contract is supported by other scholars who affirmed that, the line managers must also be in the right positions for effective execution of a new strategy (Jones & Hill, 1997). The findings of this study are in conformity with the views of this scholars because it has revealed that, where there is laxity in management PC implementation will not be effectively implemented.

6. Summary of Findings, Conclusion and Recommendation

The summary, conclusion and recommendations are presented in this section, where recommendations are sorely drawn from the findings of this study.

Summary of Findings

This part gives the summary of the major findings in respect to the specific objectives of this study. The summary is based on the study objectives which investigated the role of organisation culture and management commitment on the effective implementation of performance contract in Tanzania's Local Authorities, using Morogoro Municipal Council as a case study.

Organisation Culture for implementing Performance Contract

The study sought to find out the influence of organization culture on implementation of Performance Contract in Tanzania's Local Authorities. According to the findings of this study, out of 62 respondents, average of 73% indicated employees' involvement; target setting (84%), employee participation (77%) and availability of performance culture (58%); and therefore, implementation of the same has not been very difficult. It is also clear that, there is a culture of rewarding best

⁴ Workers Day, Celebrated on 1st May, in each year

⁵ Interview, namewithheld, MMC HQ, 26th April 2017

performers and reprimanding poor performers in Morogoro Municipal Council, this has a positive contribution to the implementation of performance contract in this council.

Management Commitment in implementing Performance Contract

In respect to this objective, the aim was to find out the Management commitment towards implementation of performance contract in Local Authorities. The findings revealed that, out of 62 respondents, an average of 62% agreed that, they get enough support from the management (performance feedback 79% and rewarding performance 45%); and by being availed with required resources necessary for implementation of PC; and that management practices fair evaluation of PC outcomes in the council.

Conclusion

The study concludes that lack of staff training and sensitization have negative effects on implementation of Performance Contracting process due to lack of implementation skills. Sound Organization culture is very important for any strategy implementation. The culture of healthy completion should be embraced if at all they want an effective implementation of performance contract process in Morogoro Municipal Council by which the management of the council should emphasizing culture of rewarding good performers, togetherness, and reprimanding poor performers. Also, commitment from the heads of departments is very vital for any strategy execution. Heads of Departments should recognize the hard-working employees by promoting them, a token of appreciation, and giving recommendation letters as positive reinforcement outcome.

Recommendation of the study

This study recommends the following Firstly, Local authorities should set budget to facilitate training of their employees on different tools of performance improvement, and the importance of using performance contract towards improving their performance. Secondly, Heads of Departments of Local authorities should support and encourage good performance culture in their councils. This is due to the fact that; good performance culture promotes and rewards good performances at the same time reprimanding poor performers. Thirdly, Local authorities should have an active monitoring and evaluation tool for performance in order to monitor the implementation processes of performance contracts and its effectiveness towards achieving both individual and organisation goals. The tool will be able to spot out the gap between targeted and actual performance of each employees in the organisation. Thirdly, continuous training and communication by management on the importance of performance contract will help employees to own the process and link with other performance tools in the council. Finally, employees should not be transferred from one council to another unless it is inevitable, due to the fact that, unplanned staff transfer has a very negative impact on implementing performance contract in Morogoro Municipal Council as was revealed by this study.

Areas for Further Studies

The study covered only two variables such as management commitment and organisation culture on influencing performance contract in local government authorities, hence other studies may consider other factors such as government policy, rules and regulations, organisation resources, and other factors which are not covered in this study. Also, further study should consider other sections of public sector such as central government or executive agencies and see if the factors studied have the same influence as that in local government authorities.

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