

**PERFORMANCE CONTRACTING AND SERVICE DELIVERY IN NATIONAL WATER  
AND SEWERAGE CORPORATION – UGANDA**

**CASE STUDY OF KAMPALA WATER**

**BY**

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**OCTOBER 2015**

**DECLARATION**

I Margaret Sanyu Luwalira, do declare that the work herein is presented in its original form and has not been presented to any other University or Institution for any academic award whatsoever.

Signature.....

Date.....

**APPROVAL**

This dissertation was carried out under our supervision and has been submitted for examination with our approval

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## **DEDICATION**

This work is dedicated to my husband; Mr. Deogratias Luwalira Noah and our children Mugagga Gracious Victor, Muwanguzi Godrich, Mukisa Glorious (R.I.P) and Mulungi Godwin (R.I.P) plus my sister; Mrs. Sarah Mutabaazi.

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## **ABBREVIATIONS**

GOU:	Government of Uganda
IDAMC:	Internally Delegated Area Management Contracts
KW:	Kampala Water
NWSC:	National Water and Sewerage Corporation
PACE:	Performance Autonomy and Creativity Enhancement
MOU:	Memorandum of Understanding
SMART:	Specific, Measureable, Achievable, Realistic and Timely
KPI:	Key Performance Indicator
GOA:	General Accounting Office
PCs:	Performance Contracts
PSA:	Public Service Agreement
BE:	Branch Engineer
BM:	Branch Manager
FY:	Financial Year
Hrs:	Hours

## **ABSTRACT**

The study examined the effectiveness of performance contracting on service delivery in National Water and Sewerage Corporation in Uganda taking a case study of Kampala Water. The study objectives included; assessing the extent to which leadership affects service delivery in NWSC, to assess the effectiveness of target setting on service delivery improvement in NWSC and assessing the effectiveness of Incentives on service delivery improvement in NWSC. The study used a cross sectional – case study design with qualitative and quantitative approaches. The sample size for the study was one hundred seventy seven respondents. Data was collected using interview guides and questionnaires. Findings indicated that; there is a positive relationship between leadership and service delivery; statistically it was proved that there existed a relationship between target setting and service delivery and also incentives indicated a positive relationship. The study concluded that Leadership affects service delivery most, followed by target setting and then incentives. The study recommends that management should ensure effective leadership which is able to recognize significant gaps that can cause adverse effects on performance. On top of leadership which is able to recognize that teams need to be fostered, developed and assessed. For target setting, management should Involve and listen to the ideas of the lower cadre staff, though not promise to change everything and make the changes that will further increase the effectiveness of the Organization to always follow up and measure change in its effectiveness overtime. Lastly for incentives, goals or reference standards set out for employees must be attainable, otherwise rather than motivating staff, the incentive scheme will have a detrimental effect on their motivation and performance.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Introduction:**

Performance contracting is aimed at improving service delivery in the public sector and these efforts have been applied elsewhere including Malaysia, Singapore, United States of America (USA), among others, with generally mixed results (Kogei, et al, 2013).The study sought to examine the relationship between Performance contracting (PC) and service delivery in National Water and Sewerage Corporation (NWSC). Performance contracting in this study was conceived as the independent variable while service delivery as the dependent variable. Performance contracting in the study was limited to three parameters namely; leadership, target setting and incentives while service delivery focused on water supply reliability, suppressed / inactive accounts and response time.

This chapter covered the background of the study, statement of the problem, purpose of the study, objectives of the study, the research questions, the hypotheses, the scope of the study, the significance, justification and operational definition of terms and concepts.

### **1.2 Background to the Study:**

#### **1.2.1 Historical Background:**

Performance contracting is seen as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves. Performance contracting originated in France in the late 1960s (Kogei et al, 2013) and has been used in about 30 developing countries in the last fifteen years. Performance contracting has been acclaimed as an effective and promising means of improving performance of public enterprises as well as government departments all over the world. Its success in such diverse countries as France,

Pakistan, South Korea, Malaysia and India has sparked a great deal of interest in this policy around the world. A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public enterprises in their countries (Kogei et al, 2013).

Gakere (2013) noted that in Asia, the performance contracting concept has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka, Latin America, Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Others include Malaysia, United Kingdom, U.S.A, and Canada. In Belgium, performance contracting in the public sector dates back to the breaking of the traditional monolithic government in the 1830s and stipulated the compulsory public utility service being provided by the agency and the government's conditions (Bouckaert, Verhoest&Cortek1999). Although the paradigm of performance contracting in Belgium dates back in the 1800s, its science originated from France in the 1960s according to research done by Bouckaert et al (1999) and subsequently embraced by Pakistan and Korea and India. In the United Kingdom (UK), performance contracting in public sector was introduced in 1998 as Public Service Agreement (PSA) system and outlined a set of performance targets which all government agencies were to report on (Metawie and Gilman, 2005). Grapinet (1999) noted that in Finland, major public service reforms were introduced during 1987-1997 according to study on Public Sector Performance Contracting, with the aim of making public agencies more responsible and accountable. In Denmark, according to May (2005), performance contract played a major role in improving efficiency and increasing policy control and in United States of America (USA) according to Government Performance and Results Act of 1993, performance contract aimed at making federal departments more productive and therefore boosts citizens' confidence in their government.

In East Africa, performance contracting has been implemented in Kenya, Rwanda and Uganda, among others. In 2001, Government of Uganda (GoU) on recommendation of the World Bank took a decision to grant NWSC autonomous status by signing performance contracts requiring management of NWSC to enhance performance. Consequently the terms in the performance contract with NWSC were decentralized to the operating units referred to as Areas / Branches by way of Internally Delegated Area Management Contracts (IDMACs) (Mwoga, 2003).

## **1.2.2 Theoretical Background**

There are benefits of increasing theory awareness in performance contracting which have the potential to positively impact the processes of managing performance contracts.

This study was guided by expectancy and goal setting theories.

### **1.2.2.1 Expectancy Theory:**

Expectancy theory, a very popular theory of work motivation, was developed by Victor Vroom (1964). Vroom realized that an employee's performance is based on individual's factors such as personality, skills, knowledge, experience and abilities. He stated that effort, performance and motivation are linked in a person's motivation. The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that: there is a positive correlation between efforts and performance, favorable performance will result in a desirable reward, the reward will satisfy an important need and the desire to satisfy the need is strong enough to make the effort worthwhile.

### **1.2.2.2 Goal Setting Theory**

Locke and Latham (2002) provide a well-developed goal-setting theory of motivation. The theory emphasizes the important relationship between goals and performance. Research supports predictions that the most effective performance seems to result when goals are specific and



challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance. The motivational impact of goals may be affected by moderators such as ability and self-efficacy and he clearly points out that deadlines improve the effectiveness of goals.

Locke & Latham (2002), further noted that goals have a pervasive influence on employee behavior and performance in organizations and management practice, nearly every modern organization has some form of goal setting in operation. Programs such as management by objectives (MBO), high-performance work practices (HPWPs), management information systems (MIS), benchmarking, stretch targets, as well as systems thinking and strategic planning, include the development of specific goals.

### **1.2.3 Conceptual Background**

In this study, the researcher investigated the relationship between performance contracting and service delivery in NWSC. Performance contracting was examined through leadership, target setting and incentives.

Performance Contracting is a branch of management science referred to as Management Control Systems and is a contractual agreement to execute a service according to agreed-upon terms, within an established time period, and with a stipulated use of resources and performance standards. Performance contracting is one element of broader public sector reforms aimed at improving efficiency and effectiveness, while introducing total costs, Domberger (1998) cited in Mwoga (2003). Performance contracting involves initiatives managers undertake to guide and motivate high performance. Such initiatives have traditionally focused on providing good leadership, target setting and incentives among others as well as taking remedial actions to address performance deficiencies, (London, 2003). Kumar, (1994) defines performance

contracting as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent. OECD, (1999) cited in Mwoga (2003) defines performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution. Shirley and Xu (1997) define performance contracts (PCs) as written agreements between managers of state owned enterprises (SOEs), who promise to achieve specified targets in a given time frame, and government which (usually) promises to award achievement with a bonus or other incentive. Similarly, Mookerjee (1997), cited in Shirley and Xu (1997) defines PCs as a variant of pay-for-performance or incentive contracts, which have been often used to motivate private managers, and suggested as a way to improve central government agencies. All PCs are negotiated, written agreements between governments and the managers of state enterprises that specify targets that management pledges to achieve in a given time frame and define how performance will be measured at the end of the specified period.

The research used the term of performance contracting as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clear definitions of objectives and supporting innovative management, monitoring and control methods and at the same time parting some managerial and operational autonomy to public service managers. It is therefore a management tool for ensuring

accountability for results by public officials, because it measures the extent to which they achieve targeted results, (Greer et al., 1999).

A service on the other side is defined as a product or activity that meets the needs of a user or can be applied by a user. To be effective, services should possess these attributes; available and timely, dependable and reliable, usable, useful, credible, authentic, responsive and flexible, sustainable and expandable. Service delivery is a continuous, cyclic process for developing and delivering user focused services. In service delivery, the researcher will aim at determining whether perceived service delivery meets, exceeds or fails to meet customer expectations, Cronin & Taylor, (1992).

#### **1.2.4 Contextual Background**

National water & Sewerage Corporation started as Kampala Water Board in 1970s. It was actually only in Kampala until 1972 when a decree; NWSC Act sec 5 (1) was passed for all towns to be incorporated into one Institution, called National Water and Sewerage Corporation (NWSC) as a public Utility Company whose mandate is to provide safe and clean water and sewerage services on a sound commercial and viable basis. To-date NWSC operations have expanded from three towns in 1972 to the current sixty six towns in Uganda (*Daily Monitor June 11, 2014*). NWSC has established a number of management reforms since 1998, aimed at improving customer service delivery. These include: 100 days programme, Stretch out programme, One Minute Management, APCs, IDAMCs all under Performance Contracting. The purpose of a Performance Contract (PC) in NWSC was to further increase efficiency by consolidating and enhancing the financial and commercial sustainability of the operations of National Water and Sewerage Corporation (NWSC) and to prepare the Corporation for the transition towards a higher level private sector participation mode, IDAMC (2003).

Kampala Water (KW) is the largest of NWSC's operational towns, with its supply area covering the capital city and extending to the neighboring districts of Wakiso and Mukono. However, the utility's call Centre reports indicate that a good number of places in KW don't get water on a regular basis, with some areas taking a number of days without water supply. These areas have since come to be termed as "dry zones" by the utility operations staff. This is contrary to the millennium development goal no.7C (Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation). This has led customers in such places like Kyengera, parts of Kanyanya, Salaama, Gayaza and Kamamboga among others, to view the corporation as a non-performer. As a consequence, some customers have decided to dig bore-holes as alternative water sources. The prevalence of "dry zones" can be evidenced from the No Water (NW) cases reported to the *NWSC call Centre database* which indicated that 10,802 cases of No Water were reported in 2011 for KW, 11,888 cases in 2012 and 12,207 in 2013 which confirms an increasing trend.

In addition, NWSC-KW has not expanded its network to a number of areas within its operational jurisdiction. This means that in areas where there is no water network, people have to ferry water either from far off existing NWSC connections or from unsafe water sources like wells and open drains e.g. Nsagi, Nakwero, Manyangwa, Busukuma, Kitagombwa, kitogobwa among others. Customer service delivery being an immediate output of inputs is expected to lead to improved performance and enhanced access to services. Such services should meet a minimum standard. Feedback from customers and information from the call Centre revealed that many employees drop calls and do not even call back the clients. Some key staff; BEs, COs, among others, have also been noted as ones who do not respond to calls promptly, escalating the number of unresolved complaints. It is not clear whether there exists a relationship between performance

contracting and service delivery, and whether the gaps identified in service delivery in NWSC could be attributed to performance contracting; a concern for this proposed study.

### **1.3 Statement of the Problem**

Kogei et al, (2013), notes that performance contracting constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is these results which define what can be constituted as good performance and thus effective service delivery for any organization.

Effectiveness of performance in the Uganda civil service has been noted to be a big challenge and below expectations, leading to strained national budget without equivalent results. In an attempt to improve water and sewerage service delivery, the Government of Uganda has entered into renewable performance contracts with NWSC Management. In response, NWSC management has also come up with reforms aimed at specifying a standard for evaluating performance of its Areas/Branches under performance contracting. Among other factors, these performance contracts stipulate standards on the response time to customer complaints, the number of inactive (suppressed) accounts as well as supply reliability within the supply area.

Despite all the above initiatives, customer service delivery in NWSC has not improved as expected. Suppressed accounts continue to grow; many inactive water connections are still observed and increasing. For instance the NWSC financial reports for FY 2011, 2012 and 2013 indicate that there were 20227, 20929 and 21104 inactive accounts respectively. This is against a set target of 17000 accounts annually.

The Corporation is viewed by the public to be deteriorating in performance as evidenced by the rationing of water in greater Kampala, followed by a severe water crisis in Mbarara Area which is one of the big towns in the country (*The Daily Monitor, Monday January 30, 2012*).

A further look at the utility call Centre database shows that the response time to customer issues (complaints, requests and compliments) is very low. NWSC call Centre database report for 2013 shows that the overall average response time to customer issues was at 113hrs against a target of 8 hours stipulated in the KW NWSC 2013/2014 area IDAMC contracts.

It is not clear why for such a long period with several performance contracts executed, performance has not improved more so in terms of customer service delivery. It is against this background that this study aims at analyzing the available data, systems and methods in order to understand the challenges to performance improvement despite the current ongoing performance contracting.

#### **1.4 Purpose of the study**

The purpose of this study was to assess the extent to which performance contracting affects service delivery in National Water and Sewerage Corporation (NWSC), Case study Kampala Water.

#### **1.5 Objectives of the study**

The following objectives guided the study:

- (i) To assess the extent to which leadership affects service delivery in NWSC.
- (ii) To assess the effect of target setting on service delivery improvement in NWSC
- (iii) To assess the effect of incentives on service delivery improvement in NWSC.

#### **1.6 Research Questions:**

The following research questions guided the study

- (i) To what extent has leadership affected service delivery in NWSC over the last 10 years?
- (ii) How has target setting affected service delivery in NWSC?

(iii) What is the effect of performance incentives on service delivery in NWSC?

### 1.7 Hypotheses of the study

In order to answer the research questions three hypotheses guided the study

- (i) Leadership significantly and positively affects service delivery in NWSC
- (ii) There is a positive relationship between target setting and service delivery in NWSC
- (iii) Performance incentives positively influence service delivery in NWSC.

### 1.8 Conceptual Frame work

The following variables were emphasized in the study:

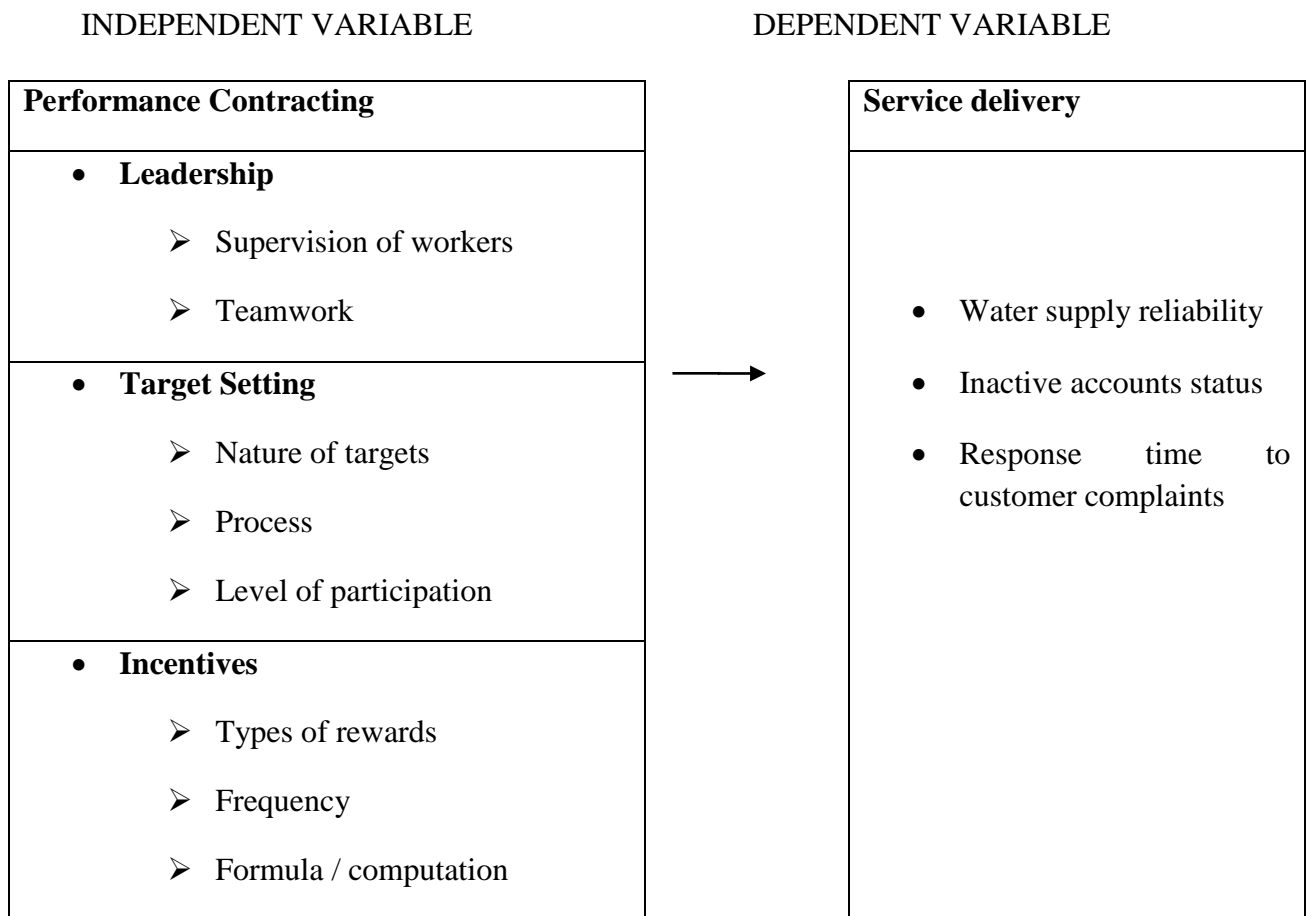


Fig. 1 Source: Adopted and modified from NWSC Corporate reports (2003 – 2007).

The conceptual framework demonstrates the relationship between Performance contracting and service delivery in NWSC. The framework shows that if there are inadequacies in leadership, in terms of worker supervision and teamwork, there is likely to be an effect on service delivery. Further, the framework also highlights that target setting can affect service delivery in the sense that if the targets set are too high and unrealistic or vague and ambiguous, this can result into inefficiency in service delivery. Lastly, the conceptual framework also shows that incentives given to the employees have a positive or negative relationship with service delivery in NWSC.

### **1.9 Significance of the study**

The study will be useful to policy makers by guiding them in developing effective and accurate Performance contracts. It will also be utilized by the Senior Management of NWSC in formulating sub-performance contracts with their operational managers as well as establishing the leading cause for the persistent failure in achieving the desired quality of service delivery.

### **1.10 Justification of the study**

Despite several performance improvement strategies undertaken by the GOU and NWSC management, it would appear that there has not been significant improvement, yet this is one of the main objectives of performance contracting in NWSC. At present management of NWSC is proposing to introduce performance salary based contracts as a remedy to the problems affecting the water agency (*The monitor of 28th August 2013*).

In light of the above, the researcher felt it wise to extensively examine the relationship between performance contracting and service delivery in NWSC.



## **1.11 Scope of the study**

### **1.11.1 Geographical Scope**

The study was conducted at NWSC; Kampala water which is found in Kampala Capital Authority. Kampala Water constitutes 75% of the total business volume of NWSC. Kampala Water comprises of branches under three clusters which are selected based on the number of accounts and billings; Cluster A comprises of the following branches; City Centre, Kansanga, Bwaise, Ntinda, Kitintale and Nakulabye. Cluster B comprises of Kireka, Bunga, Salaama, Kanyanya, Kyaliwajjala, Mukono and Najjanankumbi while cluster C; comprises of Nansana, Gayaza, Kyengera and Wakiso. All these offices are located in their respective suburbs. The researcher selected 9 branches; 3 from each cluster bearing in mind characteristics of these branches. Branches from cluster B and C were randomly selected because they have the same characteristics while selection of the 3 branches from cluster C was based on water supply reliability. For objectivity purposes, Kanyanya branch was left out because this is where the researcher manages.

### **1.11.2 Content Scope**

The study looked at Performance contracting as the independent variable in relation to service delivery as the dependent variable. Under independent variable the study was restricted to only leadership, target setting and incentives while dependent variable focused on only Water supply reliability, inactive accounts and response time to customer complaints.

### **1.11.3 Time Scope**

The study covered the period 2011- 2013 because this is the time when performance contracting was expected to be at maximum operation since it has been in place for over a decade and benefits of learning curve should be at maximum.

### **1.12 Operational Definitions:**

**Team:** A team is a group of people linked to a common objective

**Teamwork:** Teamwork involves each and every member of the team being accountable for that team

**Performance:** Performance is the accomplishment of a given task measured against a pre-set standard

**Incentives:** This is money paid to an individual or group, relating to how well the individual or group performs, usually when evaluating employee performance.

**Customer:** A customer is a recipient of a good or service obtained from a seller, vendor or service provider.

**Autonomy:** Autonomy is the capacity of the entity to control itself rather than by others and to make un-coerced decision.

**Access:** involves approach, ability and ease of contact. It means the service is easily accessible by telephone, waiting time to receive service is not extensive, hours of operation are convenient and location of service facility is convenient

**Communication:** means keeping customers informed in language they understand.

**Customer's expectation:** can be defined as customer's partial beliefs about a product, McKinney (2002).

**Performance Contracting:** A range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results (Greer et al., 1999).

**Performance improvement:** is the concept of organizational change in which the managers and governing body of an organization put into place and manage a program which measures the

current level of performance of the organization and then generates and implements ideas for modifying organizational behavior and infrastructure to achieve higher output.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviewed relevant literature of the study which involved theoretical review, Conceptual framework; thematic review of previous scholars based on the objectives of the study and summary of literature review on performance contracting and service delivery.

### **2.2 Theoretical Review**

The study was underpinned by the expectancy and goal setting theories.

#### **2.2.1 Expectancy theory:**

The study was guided by expectancy theory of Victor Vroom (1964). Expectancy theory provides a framework for thinking about how people make choices based upon expectations. Focusing on expectations allows the theory to account for differences in choices between people despite the actual amount of effort necessary to achieve rewards and the actual value of rewards. This makes intuitive sense: if someone believes his effort will have no chance of resulting in a certain reward, that a certain performance level will not lead to a reward or that a reward will have no value, he will have no motivation to work towards the reward.

Expectancy theory therefore implies that individuals will only put effort towards something for a reward. This implication seems to conflict with altruism which describes actions done purely to benefit others without regard for personal rewards (Edward, 1973). The theory relates to the study in the sense that crucially, Vroom's expectancy theory works on perceptions –so even if an employer thinks they have provided everything appropriate for motivation, and even if this

works with most people in that organization, it doesn't mean that someone won't perceive that it doesn't work for them, consequently affecting service delivery.

### **2.2.2 Goal Setting Theory**

The prime axiom of goal setting theory is that specific, difficult goals lead to higher performance than when people strive to simply do their best, (Locke, 1996; Lock & Latham, 1990). The performance benefits of challenging, specific goals have been demonstrated in hundreds of laboratories and field studies, (Locke & Latham, 1990, 2002). Such goals positively affect the performance of individuals, (Baum &Lock, 2004), groups (O'Leary-Kelly, Martocchio, &Frink, 1994), organizational units (Rogers &Hunter, 1991) as well as entire organization (Baum, Locke &Smith, 2001). By providing direction and a standard against which progress can be monitored, challenging goals can enable people to guide and refine their performance.

It is well documented in the scholarly (Locke &Latham, 2002) and practitioner (Latham, 2004) literature that specific goals can boost motivation and performance by leading employees to focus their attention on specific objectives (Locke &Bryan, 1969), increase their efforts to achieve those objectives (Bandura & Cervone, 1983), persist in the face of setbacks (Latham & Lock, 1995) and develop new strategies to better deal with complex challenges to goal achievement, (Wood & Lock, 1990). Through such motivational processes, challenging goals often lead to valuable rewards such as recognition and promotions increase in income from one's work, (Latahm & Locke, 2006).

Goals should be challenging, but attainable, Locke and Latham, (2004) found a positive linear function in that the most difficult goals produced the highest levels of effort and performance and that performance decreased once the limits of ability were reached or when commitment to a highly difficult goal lapsed.

While goal setting theory is generally analyzed at individual level, its principles are considered relevant at organizational level, too. Locke (2004) argues that goal setting is effective for task where people have control over their performance. This theory is of relevance to the study because KW sets targets for all branches in a given period of time but there is need to establish the extent to which target setting has affected service delivery.

### **2.3 Performance contracting and service delivery**

According to Kogei et al, (2013), Performance contracting constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers (Kogei et al, 2013). Martin (2003) further adds that Performance-based contracting is one that focuses on the outputs, quality, and outcomes of the service provision and may tie at least a portion of a contractor's payment as well as any contract extension or renewal to their achievement.

#### **2.3.1 Leadership and service delivery**

The role that leadership needs to play is vital for the success of any organization. Brookes, (2007).According to Northouse (2007), leadership is the process whereby an individual influences a group of individuals to achieve a common goal. This definition therefore clarifies the importance of the role that leadership plays in the success of any organization. Organizations require a higher level of leadership than ever before to survive and prosper (Maccoby, 2009).

In team leadership, a leader has to be slow to anger and have patience regarding work of employees. An angry and aggressive leader can in no way become a good leader. Fiedler and Garcia 1987; Fiedler et al (1994), emphasize that a good leader must draw a distinction between

stress related to the leader's superior, and stress related to subordinates or the situation itself. The leader has to constantly monitor the performance of his/her department to ensure that service delivery is at the optimum level. According to Nel et al (2005), preceding intervention in performance management process includes performance appraisal and then a change in the employee's conditions of employment that has been measured in that performance appraisal. Leadership is commonly seen as an important variable affecting organizational performance. This study will seek to verify whether the challenges identified in service delivery in NWSC could be emanating from concerns related to leadership. Under leadership, the study will concentrate on supervision and teamwork.

### **2.3.2 Supervision of workers and service delivery**

Supervision is the process of directing and supporting staff so that they may effectively perform their duties (Bradley et al, 2000). Supervision may include periodic events, such as site visits or performance reviews, but it goes beyond such episodes to refer to the ongoing relationship between providers and superiors on top of ensuring that communication is paramount to ensure smooth flow of information. Supervisors are supposed to provide management with information about the quality of services being provided and identify constraints to improving quality on top of helping to translate institutional goals into services that clients want and need, (Ben, 1996).

The process of supervision encompasses setting clear performance expectations, including professional standards against which performance and results can be measured; assessing skills and measuring performance against standards; eliciting customer feedback to assess where there are gaps between expectations and results; and monitoring outcomes, among others.

### **2.3.3 Teamwork and service delivery**

One of the benefits of strong teamwork in a workplace is that team leaders and members become proficient at dividing up tasks so they are done by the most qualified. Without strong teamwork, it can be difficult for managers and executives to determine which staff members can best accomplish. Work groups and teams develop systems that allow them to complete tasks efficiently and quickly when a task is handed to a well-trained and efficient team, the team's work pace assures that task will be completed quickly and accurately, (Bogdanski, 1985).

Teams in a work place often meet to discuss how to solve company issues. When a team works well together, it allows staff members to feel more comfortable in offering suggestions. Team members become accustomed to processing brainstorming information, and company benefits from the variety of suggestions that come from effective teams, (George, 1985).

### **2.4. Target Setting and service delivery**

Hale (2004) noted that from a performance improvement perspective, employees deserve clear direction from management. Employees should have a clear understanding of what the organization is trying to accomplish and what role they play in making it happen (Pfeffer, 1998). The first principle of performance is to focus on results and avoid the risk of losing sight of the outcomes that are required to meet the organization's goals.

Employees' focus is about making sure goals, objectives, activities, deliverables, and measures are aligned and are congruent. Once people know the goals, they should know what is expected of them and the direction the organization is heading, they will require tools that help them perform the job. Finally, they should get a clue or signals to help them stay on course through feedback (Gakure et al, 2013). Under target setting, the study will focus on nature of targets, process of target setting and level of participation.



#### **2.4.1. Nature of target setting and service delivery**

Performance targets are a powerful management tool that can help an organization to deliver the kind of strategic changes that many growing businesses need to make. The top-level objectives of the strategic plan can be implemented through departmental goals, and setting targets based on key performance indicators (KPIs). Once the organization has identified the targets based on KPIs that are believed to deliver the strategic growth being aimed for, then it is vital for management to assign clear responsibility for delivering each of them. In order to improve performance contracts, there is a need to set targets that stretch the contractor and which make it easier and more effective to monitor and evaluate the contracts, this implies targets must be SMART (Specific, Measureable, Agreed, Realistic, and Time bound) and output focused, Jude (2003). Output focused targets give the contractor more freedom on the modalities and strategies of executing and also enhance the contractor's creativity and innovation. However, if the bar is set too high then there is a risk of deflating and discouraging them instead. It should be noted that the use of performance management practices may not improve performance in situations where ambiguity of goals is high, (US office of Personnel Management, 2011; Verbeeten, 2007). For challenging goals to lead to high performance, they need to be accompanied by adequate feedback. People need summary feedback that reveals progress in relation to their goals to enable organization to adjust accordingly and improve on service delivery, (Latham, 2003).

#### **2.4.2. Process of target setting and service delivery**

By identifying key areas that drive business performance and finding a way to measure them, then a natural next step is to start setting performance targets to give everyone in the business a clear sense of what they should be aiming for. Strategic visions can be difficult to communicate,

but by breaking your top level objectives down to smaller concrete targets makes it easier to manage the process of delivering them.

The organization should look back at the performance data for recent years to get a sense of what kind of performance boosts has been seen before - this will give you a sense of what is feasible.

Realistic - setting realistic targets means being fair on the people who will have to reach them.

Consider performance improvements in areas that staff can actually influence. Time-bound - people's progress towards a goal will be more rapid if they have a clear sense of the deadlines against which their progress will be assessed, Jude (2003).

### **2.4.3. Level of Participation and service delivery**

Goals need to be accepted. Simply assigning goals to organization members may not result in their commitment to those goals, especially if the goal will be difficult to accomplish. A powerful method of obtaining acceptance is to allow organization members to participate in the goal-setting process. In other words, participation in the goal-setting process tends to enhance goal commitment. Participation helps organization members better understand the goals, ensure that the goals are not unreasonable, and helps them achieve the goal. The factor of self-efficacy mentioned above also may come into play regarding imposed goals. Some individuals may reject imposed goals, but if they have self-efficacy, they may still maintain high personal goals to accomplish the imposed goals (Bandura, 1997).

The goal-performance relationship is strongest when people are committed to their goal. Goals are less likely to be achieved where there may be lack of decision rights that is, lack of authority and responsibility for making particular decisions (Kaplan and Atkinson, 1998, Verbeeten, 2007).

Participation encourages organization members to work in groups, teams, or committees. Having employees work as teams with a specific team goal, rather than as individuals with only individual goals, increases productivity. A related consideration is that when a team member perceives that other team members share his or her personal goals, the individual will be more satisfied and productive. A recent study of project teams indicated that a perceived fit between individual and group performance goals resulted in greater individual satisfaction and contribution to the team (Kristof-Brown & Stevens, 2001).

## **2.5 Incentives and Service delivery**

Incentive systems are fundamental to developing capacities and to translating developed capacities into better performance. Springer (2009), found that although there are many challenges to overcome when implementing incentive pay in the public sector, performance incentives are expected to reward effective workers for the additional effort they put in to being effective, to encourage less effective workers to seek out more effective instructional strategies, incentive pay is popular under the IDAMC framework in NWSC.

Staff incentive schemes have been in use in a variety of industries for a considerable period of time. Examples include the sales compensation plans used by computer and software firms such as IBM. Procter and Gamble, now one of the largest consumer goods companies in the world, introduced a profit sharing plan for staff in 1887. But for every good staff incentive scheme, there is also an example of one that failed. For instance, Sears Auto Centers (a division of Sears, Roebuck & Company) was forced to change its incentive compensation program in 1992, after it led to an upsurge of customer complaints. Employee compensation had been based on the repairs that customers authorized. The staff became quite skillful at “detecting” new problems, and many unnecessary repairs were carried out as a result. It was also not that incentives are not the

answer to all personnel challenges though they can do much to increase worker performance. Carmichael (2000) as cited in Jude (2003) incentives are devised such that the contractor benefits from the client achieving its goals. It was also supported by Eggers (1997) from available evidence that contracts are more likely to achieve results if they incorporate performance incentives. He cites a World Bank study, which shows that the most successful performance contracts all included success fees based on composite performance measures.

### **2.5.1. Types of awards and service delivery**

Employee Award Recognition program greatly increase productivity, boost morale, foster loyalty, and increase worker pride in the workplace which translates into higher profits and greater customer satisfaction, (UNDP, 2006). Employees respond to receiving recognition even more than financial rewards and pay increases. Since any increase in wages or salaries has hidden costs like higher taxes that can be a drag on the bottom line, relatively inexpensive awards like certificates, plaques, trophy, medal, taking care of the family, giving free vacation, saying thank you, keeping employees, health, having fun at the office, reloadable gift cards, tuition reimbursement, appreciation week, immediate vacation time, profit sharing plan, offsite employee activities, the monthly hero among others can be provided. Employees that know they are appreciated are more loyal, which means lower turnover, higher employee retention, and less time and expense hiring and training new employees. Employees recognized by their companies are more pleasant and happy in the workplace, which spills over into customer satisfaction, Isaac (2005). Freeman and Gelber (2006) suggest that higher payoffs lead to greater effort, but also multiple prizes can be more effective than a single large prize. Design of staff incentive schemes typically requires the committed participation of senior managers and sometimes of the board of directors. In order to assure that the incentive scheme is perceived as fair and leads towards the

expected results, representatives of all functional levels of staff should participate in its design. This also helps to define the performance indicators adequately. Committed participation of other functional groups is essential. Furthermore, the staff incentives team should have a thorough knowledge of operational interdependencies between different functional groups of staff. Staff with extensive experience in operations will be able to predict expected increments in staff productivity as well as potential side effects of a planned (redesigned) incentive scheme. Operations staff should also identify the need for different incentive schemes for different local operational circumstances.

### **2.5.2 Process of incentives and service delivery**

Gary (2000) pointed out that Staff incentives need to be incorporated in a wider HR policy. Before planning an incentive scheme, it is important to assess the potential effects and side-effects of various types of staff incentive schemes on the motivation of the employees. It is crucial to review the remuneration and incentives structure both, of the own institution and competitors, including: existing performance based and non-performance based incentives, the basic salaries, allowances and benefits (e.g. health insurance, pension fund). In addition, designers must be clear about legal aspects of monetary incentives (e.g. taxes, possible reactions of the labour union). If monetary staff incentives are designed from scratch, HR staff could explore the possibility of freezing the base salaries for a couple of years to finance a powerful bonus system. HR staff are also capable to predict whether or not the implementation of a performance based monetary incentive scheme will have effects on the attractiveness of the institution on certain segments of the labour market (e.g. a well-designed staff incentive scheme with a significant variable portion in the remuneration is likely to attract those who are willing and capable to work hard; If the variable portion was too high, risks seekers may be employed).

If monetary staff incentives are designed from scratch, HR staff could explore the possibility of freezing the base salaries for a couple of years to finance a powerful bonus system, Gary (2000). Employee recognition program should be designed whether annual or semi-annual to assess performance. Since the inception of performance contracting in NWSC, a number of biannual and quarterly evaluations to assess performance has been carried out. IDAMC III (2013). In addition, it is essential that the incentive scheme be perceived as being fair, and thus the goals set out by the scheme must be attainable, and better performing staff members must indeed be rewarded. Employees are not only interested in the outcome of the “salary distribution”, but also in the process itself. They might ask: What is the process that was used in order to decide who gets how much? Staff members wish to understand the mechanism that was used to determine their individual salaries, and this mechanism should be acceptable to them. E.g., staffs frequently do not accept supervisors’, subordinates’ or peers’ performance assessments as a basis for bonus rewards.

### **2.5.3 Formula / Computation of incentives and service delivery**

Harrington and Lomax (2000) quote Lord Kevin as follows, “When you can measure what you are speaking about and express it in numbers, you know something about it, and when you cannot measure it, when you cannot express it numbers, your knowledge is of meager and unsatisfactory kind. It may be the beginning of knowledge but you have scarcely in thoughts advanced to the stage of a science”. Indeed it can be deduced that what cannot get measured cannot get improved.

The measurement of performance must be done through appropriate indicators. Harrington and Lomax (2000) argue that inaccurate measurement systems often cause valuable and scarce

resources to be directed at non-existent problems, and that inadequate measurement systems will cause important improvement opportunities to be overlooked.

Well-designed staff incentive schemes have positive and powerful effects on the productivity, efficiency and quality of operations. Conversely poorly developed schemes can have serious detrimental effects. Incentive schemes must be transparent so that staff members affected should be able to easily understand the mechanics of the calculation. Thus the system should not be overly complex and should contain as many objective factors and as few subjective variables as possible, Jude (2003). Furthermore, the “rules of the game” should be made known to everyone and should not be changed arbitrarily.

#### **2.5.4 Service delivery**

Service delivery and better customer care attract important support, Ranson (1994). Holmes and Shand (1995) point out, establishing a service delivery orientation has become a wide spread reform target, and an emphasis on customer or user support in the public sector is now part of an overall focus on performance and achieving a more responsive public sector.

The UN General Assembly declared access to clean water and sanitation to be a human right. The Marseille Ministerial Declaration, adopted at the 6<sup>th</sup> World Water Forum in New York, September 2000 called for accelerating the implementation of human rights obligations relating to access to safe drinking water and sanitation. Meanwhile, the world is likely to miss the MDG sanitation target by almost 1 billion people. About 80% of diseases in the developing world are water related; most are due to poor management of human excreta. At least 1.8 million children under five years die every year due to unsafe water, inadequate sanitation, and lack of hygiene. Diarrheal disease in children under 15 has a greater impact than HIV, malaria, and tuberculosis combined, (MDG reports, 2012).

The government of Uganda therefore set a number of performance indicators to NWSC to assess how well management has performed in achievement of the millennium goal. Such indicators include widening the customer base, increasing water sales volumes, improving water supply reliability among others.

## **2.6 Summary of Literature Review**

Every business activity's fundamental goal is to increase the organizational value. The purpose of the literature review was to establish the scholarly views on the concept of Performance Contracting and service delivery as shown in figure 1. From the literature reviewed, the fundamental goal of performance contracting is to improve performance. The literature however does not clearly show the linkage between setting specific and challenging goals with service delivery. While literature shows that incentives have an effect on service delivery, it does not spell out other contextual factors where such results can be influenced. On the issue of motivation as laid out through the expectancy and goal setting theories, it is not clear as to what exact factors can be considered to motivate staff, in order to bring about the desired results in service delivery.



## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter presents the methodology which the researcher followed to carry out the study, in order to generate the right data, determine how the generated data is analyzed and interpreted to come up with the right outcomes of the study. The researcher put emphasis on the Research Design, Sampling Process, Methods and Instruments of data collection, data analysis and presentation techniques.

### **3.2 Research Design**

The study adopted a cross-sectional survey design using both quantitative and qualitative approaches to look at the way Performance contracting and in particular leadership, target setting and incentives affect service delivery of NWSC (case study Kampala Water). Serakan (2003) states that, triangulation tests consistency of findings obtained through different instruments used. The purpose of cross-sectional study was to gain a better understanding of the relationship between Performance contracting and service delivery. According to Mugenda & Mugenda (1999), a cross-sectional research design involves subjects being assessed at a single time. The two approaches supplemented each other because qualitative methods provided an in depth explanation about leadership, target setting and incentives; while quantitative methods which was used through questionnaires provided raw data required by the study objectives and testing of the hypotheses. The cross-sectional survey design was the best option for the study because respondents were heterogeneous, the study took a short period of time and data was to be collected at one point at a time in numeric form.

### **3.3 Study Population**

The study was carried out in Kampala Water. A total of 9 branches were selected from the 19 branches of which 3 were randomly picked from each performance cluster. A population of 196 respondents was considered, the respondents included Branch Managers, Branch Engineers, Finance and Administration Officers, Commercial Officers, Territorial Leaders, Marketing Assistants, Stores Assistants, and Plumbers.

### **3.4 Sample Size and Selection**

The study used random sampling in the selection of the 9 branches of the performance clusters that were developed by Kampala water based on billings and number of accounts; (Cluster A, B and C branches). Respondents within a branch were then chosen again through census and Simple random sampling. The respondents were considered because they are involved in the operational activities of KW and therefore affected by leadership, target setting and incentives in the performance of their duties which in turn affect service delivery of the Corporation.

Ideally the researcher wanted to study the entire population but it wasn't easy to collect data from the entire staff of NWSC due to various constraints especially time and financial and thus a sample of 177 was used out of a population of 196.

**Table1: Showing a sample size and selection methods:**

<b>Category</b>	<b>Target population</b>	<b>Sample size</b>	<b>Sampling technique</b>
Branch Managers	3	3	Census
Branch Engineers/ Technical supervisors	3	3	Census
Commercial Officers	15	14	Simple random sampling
Billing Officers	9	9	Simple random sampling
Territorial Leaders	28	26	Simple random sampling
Marketing Assistants	60	52	Simple random sampling
Plumbers	60	52	Simple random sampling
Inventory Assistants	9	9	Simple random sampling
Surveyors	9	9	Simple random sampling
<b>Totals</b>	<b>196</b>	<b>177</b>	

*Source: NWSC Staff list.*

It should be noted there are other staff at the branches like drivers and Office Attendants, who were not included in the study because they don't have set targets.

### **3.5 Sampling Techniques and Procedure**

The study adopted two different sampling techniques. In the study key informants were Branch Managers and Branch Engineers, they were expected to provide specialized information based on the kind of knowledge and expertise they possess by virtue of their positions, Mugenda & Mugenda, (2003). The Study used Simple Random Sampling to select the rest of the respondents who included Billing Officers, Technical Supervisors, Finance and Administration Officers, Commercial Officers, Marketing Assistants, Territorial Leaders, and Plumbers. This method was preferred because it gave each member in each branch and clusters an equal and independent chance of selection, thereby reducing bias.

### **3.6 Data Collection Method**

The data collection method that the researcher employed to collect data included Questionnaires and interview guide. Data collection methods were triangulated to ensure that the results from one method collaborated to provide insight into the different levels of analysis.

#### **3.6.1 Questionnaire Survey**

The questionnaire survey method was used because it has an advantage of covering a large number of respondents and it's less expensive. With it, data was collected in a short time. It is also preferred because the researcher was dealing mostly with a literate population.

#### **3.6.2 Interview Method**

This is a method of data collection where the investigator gathers data through direct verbal interaction with respondents, Amin, (2005). Interview schedules were used to complement the information gained from quantitative source, Amin, (2005). Further still, interviews were used to enrich data gathered by the questionnaires because it attracts in-depth responses following the information based on emotion, feelings and experiences in the teaching profession Gina, (2001).

### **3.7 Data Collection Instruments**

Data collection instruments that were used include the following;

#### **3.7.1 Self - Administered Questionnaire**

A uniform of self-administered questionnaire encompassing background information, performance contracting and service delivery was used scored on five point Linkert scale ranging from 1=strongly disagree, 2=disagree, 3=not sure,4=agree, and 5=strongly agree was used.

#### **3.7.2 Interview schedule**

The interview schedule consisted of a set of questions that were posed to Branch Manager and Branch Engineers (See appendix 2) of which the interviewee's responses were recorded.

### **3.8 Data Quality Control**

#### **3.8.1 Validity**

Drafts of questionnaires were discussed with the supervisor. In order to ensure accuracy and meaningfulness of inferences, the instruments of the study were first assessed to ascertain their effectiveness in collecting accurate data. Thereafter, content validity was employed to ascertain the extent to which the content of instrument corresponds to the concept it was designed to measure, Amin, (2005). This was determined by expert judgment of the two researcher supervisors where each selected item seen to be relevant summed up and the total was divided by the total number of all items of the instrument.

For the instruments to be considered valid, Basheka (2010) said that Content Validity Index (CVI) must be within the accepted statistical range of 0.5 to 1.

$$\text{CVI} = \frac{\text{No. of items rated valid by all judges}}{\text{Total no. of items in the instrument}}$$

$$= \frac{39}{40} = 0.975$$

**Table2: Content Validity Index (CVI) for the instruments**

<i>Variable</i>	<i>Original no of items</i>	<i>No. items retained</i>	<i>CVI</i>
Leadership	13	13	1.000
Target setting	8	8	1.000
Incentives	8	8	1.00
Service delivery	11	10	0.909
<b>Entire data collection tool</b>	<b>40</b>	<b>39</b>	<b>0.975</b>

*Source: Primary Data*

Table 2 shows the Content Validity Index (CVI) for each instrument, the number of items rated valid was divided by the total number of items in the instrument. Since the computed CVI of 0.975 is within the accepted statistical range the instrument was considered valid.

### **3.8.2 Reliability**

Reliability is the extent to which a research instrument yields consistent results across the various items when it is administered again at a different point in time (Sekaran, 2003). To establish reliability, the instruments were pilot-tested twice on the same subjects at a time interval of four weeks. According to Amin (2005), pre-test reliability can be used to measure the extent to which the instrument can produce consistent scores when the same group of individuals is repeatedly measured under same conditions. The results from the pre-test were used to modify the items in the instruments.

To ensure reliability of quantitative data, the Cronbach's Alpha Reliability Coefficient for Likert-Type Scales test was performed. In statistics, Cronbach's alpha is a coefficient of

reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. According to Sekaran (2003) some professionals as a rule of thumb, require a reliability of 0.70 or higher (obtained on a substantial sample) before they use an instrument. Upon performing the test, the results should be 0.7 and above to be considered reliable. Below are the values of Cronbach's alpha for each variable and for the entire instrument.

The  $\alpha$  range of 0.7 and above indicates reliability of research instruments as asserted by Amin (2005).

**Table 3 Reliability Analysis (Alpha Cronbach's coefficients computed using SPSS)**

<i>Variable</i>	<i>+++Alpha coefficient</i>	<i>Cronbach's</i>	<i>No. items retained</i>
Leadership	0.702		13
Target setting	0.739		8
Incentives	0.850		8
Service delivery	0.876		10
<b>Entire data collection tool</b>	<b>0.853</b>		<b>39</b>

*Source: Primary Data*

Table 3 shows a Cronbach alpha of 0.702 for Leadership, 0.739 for Target Setting, 0.850 for Incentives, 0.876 for Service Delivery, and 0.853 for all the variables under study. The tool therefore passed the test of reliability for each of the variables and for all the variables since they were all greater than 0.7, given that the level of Cronbach that is adequate is any value equal to or greater than 0.7 (Amin, 2005). The instruments were therefore suitable for data collection

### **3.9 Ethical considerations**

Permission to do the study was sought from Uganda Management Institute. The researcher also sought for the respondents consent to use their information in the study. Strict confidentiality was observed. The names of the study participants were not recorded on the questionnaires and interview guides. The filled questionnaires were kept safely under lock and key to enhance confidentiality. This is all in agreement with Sekaran, (2003) who points out that confidentiality of respondents should not be interfered with during research.

### **3.10 Procedure of data collection**

Upon approval of the proposal from Uganda Management Institute, the researcher was given a letter of introduction to NWSC; Kampala Water to enable her carry out the study. Necessary resources were mobilized, after which actual data collection took place. Data was analyzed and interpreted and thereafter a report produced and presented for approval.

### **3.11 Data Analysis**

This entails the quantitative and qualitative analysis as described below;

#### **3.11.1 Quantitative Data**

According to Mugenda & Mugenda (2003), data analysis is the process of bringing order, structure and meaning to the mass of information collected. The researcher was assisted by the statistical package for social Sciences (SPSS) in coming up with the statistical analysis for this study because it is one of the most widely available and powerful statistical software packages that cover a broad range of statistical procedures. The researcher summarized data using frequencies, means and standard deviations. Correlations and multiple regression analyses were used to determine whether there are significant relationships between variables.



### **3.11.2 Qualitative Data**

The researcher was interested in analyzing information in a systematic way; this helped the researcher to come up with useful conclusions and recommendations, Mugenda & Mugenda (1999). Thematic approach was used to analyze qualitative data where themes, categories, and patterns were identified. The researcher then evaluated and analyzed the data to determine the adequacy of the information and the credibility, usefulness, consistency, and validation of the hypotheses. This was done by answering research questions, Mugenda & Mugenda, (1999).

### **3.12 Measurements of Variables**

Measurement of variables was done to show how each category questions in the instruments had been handled to come up with necessary information. The five (5) rating scale of likert was used to measure the relationship between Performance contracting and service delivery. Respondents were asked the degree of agreement with the statements in the questionnaires that had been classified from strongly disagree to strongly agree).

## **CHAPTER FOUR: PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS**

### **4.1 Introduction.**

This chapter presents the analysis and interpretation of the study findings arising from the data collected from the respondents using questionnaires and interview guides. The first section presents the response rate and demographic characteristics followed by a presentation and analysis of the study findings in relation to specific objectives. The empirical findings are presented using descriptive statistics of frequencies, means and standard deviations, while inferential statistics used correlation coefficients and multi-linear regression analysis in relation to the specific objectives. The main purpose of the study was to assess the effectiveness of performance contracting on service delivery in National Water and Sewerage Corporation (NWSC). The study purpose was broken down into three specific objectives as follows: To assess the extent to which leadership affects service delivery in NWSC; to assess the effectiveness of target setting on service delivery improvement in NWSC; to assess the effectiveness of Incentives on service delivery improvement in NWSC.

### **4.2 Response Rate**

The study targeted a total of 196 respondents and a sample of 177 respondents but not all the targeted respondents responded only 120 respondents responded and returned their questionnaires. All the intended respondents (6) for interviews were met.

**Table 4: Response rate**

Category	Sample size	Actual size	Percent
Branch Managers	3	3	100.0
Branch Engineers/ Technical supervisors	3	3	100.0
Commercial Officers	14	9	64.3
Billing Officers	9	6	66.7
Territorial Leaders	26	18	69.2
Marketing Assistants	52	34	65.4
Plumbers	52	41	78.8
Inventory Assistants	9	6	66.7
Surveyors	9	6	66.7
<b>Totals</b>	<b>177</b>	<b>126</b>	<b>67.8</b>

*Source: Primary data from field study*

Table 4 shows an intended response rate of 71.1% but not all responded. 67.8% response rate was realized and according to Mugenda & Mugenda (2003) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The fact that 67.8% is above the rated 60% of Mugenda & Mugenda this shows that data was collected from a reasonable number of respondents; hence the collected data and findings from it can be relied on.

#### **4.3 Demographic Information of Respondents**

The quantified demographics of respondents included; Age of the respondents, Level of Education and years in service in NWSC of the respondents in the study. This information was

presumed very vital to the study because these characteristics could influence one's decision to either perform or not in the study.

#### **4.3.1 Age of the Respondents**

Respondents were requested to indicate the age bracket in which they fell as per table 7.

**Table 5. Age of the Respondents**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>
18 - 30 years	52	43.3
31 - 40 years	34	22.3
41- 50 years	34	28.3
Total	120	100.0

*Source: Primary Data*

Findings as reflected in table 5 revealed that majority of the respondents 71.6% (n=86) were 40 years and below while 28.3% (n=34) were 41 years and above. This age distribution enabled the researcher to have fairly balanced opinions on performance contracting over different age brackets. A balanced age staff composition facilitates sharing and transferring of knowledge between the older and younger staff, which sustainably improves performance.

#### **4.3.2 Education Level of the Respondents**

The researcher requested the respondents to reveal their Education levels. This was intended to find out whether a fair sample was selected from the population to capture the level of education of the study.

**Table 6 Education Level of the Respondents**

<b>Education</b>	<b>Frequency</b>	<b>Percent</b>
Masters	8	6.6
Postgraduate	8	6.6
Bachelor's Degrees	72	60
Diploma	4	3.3
Certificate	30	25
<b>Total</b>	<b>120</b>	<b>100</b>

*Source: Primary data from the field*

Table 6 shows that majority of the respondents (73.2%) had obtained a bachelor's degree and above, followed by Certificate holders (25%) and the least obtained Diploma (3.3%). Although there were differences in education levels, it can be concluded that a sample was fairly selected since all education levels were captured in the sample.

#### **4.3.3 Respondent's years in Service**

The respondents were requested to reveal their years in service in NWSC. This was intended to find out whether a sample was fairly selected in terms of services from the intended population.

The responses are presented in table 7 below.

**Table 7 Respondent’s years in services.**

<b>Period</b>	<b>Frequency</b>	<b>Percent</b>
Below one year	38	31.7
0 - 5 years	55	45.8
6 - 10 years	25	20.8
11 years and above	2	1.7
Total	120	100.0

*Source: Primary data from field study)*

Table 7 shows that majority of the respondents (45.8%) have worked for NWSC between 0 and 5 years, followed by those who have worked between 6-10 years (20.8%) and the least had worked for 10 years (1.7%) and above. Since all the years categories in services were captured in the sample it can be concluded that a sample was fairly selected from the population for the findings to be relied upon.

#### **4.4 Empirical Findings**

The findings are presented objective by objective using descriptive statistics and inferential statistics. All the variables were measured on a five point Likert scale ranging from 1-Strongly Disagree (SD), 2 – Disagree (D), 3 – Not Sure (NS), 4 – Agree (A) and 5 - Strongly Agree (SA). In this study Strongly Agree and Agree were taken to mean Agree and Strongly Disagree and Disagree were taken to mean Disagree. Mean and Standard Deviation were also used in the analysis. A mean of greater than 3 means respondents agreed with the statements put to them. A mean of 3 means respondents were undecided and a mean of less than 3 means respondents disagreed with the statements put to them. Standard deviation of close to (1) means agreement and standard deviation of close to (0) means disagreement.

#### **4.4.1 Findings on service delivery in NWSC**

The study wanted to find out the relationship between performance contracting and service delivery in NWSC. The intention was to discover how the beneficiary/ respondents perceive the way services are offered to them by NWSC.

Service delivery in NWSC was measured by use of questionnaires; respondents were required to show their level of agreement or disagreement as shown in table 8

**Table 8: Views of respondents on service delivery in NWSC**

Statements measuring service delivery	SA(%)	A(%)	NS(%)	D(%)	SD(%)	Mean	S.D.
NWSC water supply is reliable	0.0	0.0	0.0	62.5	37.5	1.63	0.486
NWSC water supply is regular	0.0	0.0	0.0	66.7	33.3	1.67	0.473
NWSC regularly reminds customers of their arrears	79.2	7.5	8.3	5.0	0.0	4.61	0.843
NWSC staff clearly explains to the customers before supply is disconnected	0.0	0.0	10.0	50.0	40.0	1.55	0.495
NWSC disconnects water supplies after a fair period of warning	0.0	0.0	5.0	61.7	33.3	1.72	0.500
NWSC responds in time whenever a complaint is logged in	25.0	44.2	29.2	1.7	0.0	3.93	0.78
NWSC involves customers in their programmes	0.0	0.0	3.3	71.7	25.0	1.77	0.530
Revenue collection targets are regularly achieved	8.3	18.3	3.3	45.0	25.0	1.78	0.488
Customer care at the branch is good	54.2	34.2	11.7	0.0	0.0	4.43	0.694
Performance at the branch has been improving overtime	48.3	45.0	5.0	1.7	0.0	4.40	0.67

*Source: Primary data from field study*

Table 8 shows that majority of the respondents expressed dissatisfaction on some of the statements put to them. This is shown by the mean less than (3) and Standard Deviation close to (0), 100% disagreed that NWSC water supply is reliable, 100% disagreed that NWSC water supply is regular, 90% disagreed that NWSC staff clearly explains to the customers before



supply is disconnected, 95% disagreed that NWSC disconnects water supplies after a fair period of warning, 96.7% disagreed that NWSC involves customers in their programmes and 88.4% disagreed that revenue collection targets are regularly achieved. It was revealed from the findings that NWSC hasn't embraced Stakeholder management to enable its stakeholders understand and appreciate its programmes to easy implementation. It was also found out that targets for revenue collection are high and thus achieving them has forced staff to disconnect customers with meager balances and thus affecting customer care.

“It was further noted by one of the respondents that because of competition among branches and territories, especially on the parameter of revenue collection, some staff end up disconnecting customers without giving attention to the customers' explanations. He further noted that disconnections are given more attention compared to reconnections after the customers have cleared their bills which is not a good indicator of service delivery”.

It was more revealed from the study findings that not all customers in KW enjoy NWSC services reliably and regularly with the highest disagreement of 100%. This was still confirmed through an interview with one of the respondents who said, “The truth on ground is that demand for water supply is higher than supply and this makes it hard for NWSC to satisfy all customers because they don't get water regularly and at times when it comes it is too little to be shared by all. This irritates some customers and they have ended up blaming NWSC, which affects service delivery. Some areas in KW are termed as dry zones meaning that water supply cannot reach such areas because of the pressure levels. ”

However, some of the respondents agreed with some of the statements put to them. This is shown by the mean greater than (3) and Standard deviation of close to (1). 86.7% agreed that

NWSC regularly reminds its customers of their arrears, 69.2% also agreed that NWSC responds in time whenever a complaint is logged in, 88.4% Customers Care at the branch is good and 93.3% agreed that Performance at the branch has been improving overtime. Findings revealed that Performance contracting is increasingly becoming a key driver to improved service delivery. Findings from the study also revealed that NWSC has put in place measures of ensuring that enough information is passed to a customer before water supply is disconnected through SMS's, use of mega phones in the field, use of Local Council meetings among others geared towards improved service delivery.

“One of the respondents had this to say, “Customers’ demands and feedback are by far the best way of gauging the efficacy of services offered by utility enterprises. A customer is the real reason why any service utility must exist and thus improved service delivery is the only solution for the success of any organization and that why NWSC has put a lot of emphasis on giving feedback to customers”..

#### **4.4.2 Leadership on service delivery in NWSC**

In order to understand the attitudes and perceptions of the respondents on leadership, so as to assess the extent to which performance contracting affects service delivery in NWSC, Respondents were asked to reveal their attitudes towards Leadership in relation to service delivery in NWSC. This was intended to find out whether Leadership and Service delivery were related. The elicited responses were answered in table 9.

#### **Table 9 Respondents’ views on leadership in NWSC.**

<b>Statements measuring Leadership</b>	<b>SA(%)</b>	<b>A(%)</b>	<b>NS(%)</b>	<b>D(%)</b>	<b>SD(%)</b>	<b>Mean</b>	<b>S.D.</b>
The organization sets clear performance expectations	77.5	16.7	5.8	0.0	0.0	4.72	0.57
Supervisor regularly monitors performance against set targets	60.8	27.5	0.0	11.7	0.0	4.37	0.97
Supervisor promotes teamwork at the workplace	42.5	35.8	21.7	0.0	0.0	4.21	0.78
Decision making is by consensus	0.0	5.0	1.7	51.7	41.7	1.70	0.74
Supervisor makes regular field visits	65.8	30.8	1.7	1.7	0.0	4.61	0.61
Supervisors provide updates of their field visit observations	0.0	0.0	0.0	66.7	33.3	1.67	0.47
Supervisor monitors performance outcomes regularly	55.8	30.0	11.7	2.5	0.0	4.39	0.79
Branch staff work as a team in attaining set targets	52.5	18.3	26.7	2.5	0.0	4.21	0.92
Each staff member at the branch is informed of his/her role in attaining the set targets	60.8	28.3	10.8	0.0	0.0	4.50	0.68
Branch members regularly meet to discuss how to solve issues affecting performance of the branch	54.2	34.2	11.7	0.0	0.0	4.43	0.69
I feel more comfortable in offering suggestions during branch meeting	0.0	2.5	0.0	78.3	19.2	1.86	0.52
Supervision reports are discussed by branch staff	30.8	59.2	10.0	0.0	0.0	4.21	0.61
Managers at KW are good team leaders	33.3	51.7	0.0	15.0	0.0	4.03	0.97

*Source: Primary data from field study*

Table 9 shows that majority of the respondents agreed with most of the statements put to them. This is shown by the mean greater than (3) and Standard deviation of close to (1).

94.2% agreed that the Organization sets clear performance expectations, 100% agreed that supervisors regularly monitors performance against set targets, 78.3% agreed that their supervisors promotes teamwork at the workplace, 96.6% agreed that their supervisor makes regular field visits and 85.8% agreed that supervisors monitor performance outcomes regularly.

An additional 70.8% of respondents agreed that Branch staff work as a team in attaining set targets, 89.1% agreed that each staff member at the branch is informed of his/her role in attaining the set targets, 88.4% agreed that Branch members regularly meet to discuss how to solve issues affecting performance of the branch, while 90.0% agreed that supervision reports are discussed by branch staff and 68.8% agreed that Managers at KW are good team leaders. Findings revealed that clear performance expectations guides staff on how to improve service delivery during performance contracting. Findings still showed that achievements of these set targets makes supervisors to always monitor performance trends. Teamwork and Vigilance in field visits by supervisors was also noted through field visits aiming at improving service delivery.

It was clearly revealed in the study that Branch Leaders regularly meet to discuss reports affecting Branch performance which is an indicator of good Leadership. More to that majority of the respondents agreed that Managers at the Branches are good team leaders; this enables staff to be focused in working towards improving service delivery.

The above quantitative findings are in line with the qualitative findings of one of the respondents who said that; “Leadership in NWSC has kept on improving and of recent it received two

International Awards in recognition of outstanding leadership and performance among water Utilities in the World. The two awards namely “The Water Leaders Award” awarded in recognition of outstanding leadership and “African Water Utility of the Year Award 2013/14” awarded in recognition of the Corporations remarkable operational achievements and fostering of co-operation amongst utilities was received by NWSC Management and the Board at different international fora”.

However, the analysis shows that though to a greater extent a lot has been done to improve Leadership in NWSC some respondents expressed dissatisfaction on a few statements put to them. This is shown by the mean less than (3) and Standard Deviation close to (0). 93.4%disagreed that Decision making is by consensus, 85.8% disagreed that Supervisors provide updates of their field visit observations and 63.3% disagreeing that they feel more comfortable in offering suggestions during branch meeting. Findings revealed that though communication is freely passed on to staff, less or none of the staffs’ ideas is implemented. It was further noted during the study that supervisors provide less or none of their field findings to their staff which makes it hard to prove whether these supervisors really go to the field or end up doing their personal activities during working hours. Lastly, study findings revealed that not all staff are comfortable offering suggestions during branch meetings. This may be due to the fact that less or none of their ideas is implemented at the end of the day or else they fear speaking out their minds and this to some extent affects service delivery.

#### **4.3.2.1 Hypothesis Testing**

The researcher went ahead to statistically assess the extent to which leadership affects service delivery in NWSC. The researcher was guided by the following hypotheses:

“Alternative Hypothesis: Leadership has a significant positive effect on service delivery in NWSC.”

“Null Hypothesis: Leadership does not have a significant positive effect on service delivery in NWSC.”

The hypothesis was tested at a 95% level of significance (two-tailed) using Pearson’s product-moment correlation coefficient, which measured the degree and direction between leadership and service delivery in NWSC. The results are presented in table10.

**Table 10: Correlation matrix for leadership and service delivery in NWSC**

**Correlations**

		Leadership	Service Delivery
Leadership	Pearson Correlation	1	.613*
	Sig. (2-tailed)		.000
	N	120	120
Service Delivery	Pearson Correlation	.613*	1
	Sig. (2-tailed)	.000	
	N	120	120

\*. Correlation is significant at the 0.05 level (2-tailed).

*Source: Primary data from the field.*

Table 10 shows that there is a positive relationship between Leadership and Service Delivery, (r=0.613, p<0.05). The relationship is statistically significant at 95% confidence level. However, the analysis does not mention the extent of the relationship. In order to find out the extent of relationship, coefficient of determination was computed using regression analysis. The results are presented in table 11.

**Table 11: Model Summary**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613	.376	.371	.17301

Table 11 shows that the coefficient of determination (Adjusted R Square) is 0.371.

This implies that leadership accounts for 37.1% of the variance in service delivery in NWSC which means that a unit change of 37.1% in performance contracting (Leadership) affects service delivery.

To further assess the overall significance of the model, analysis of variables (ANOVA) was computed and the results are presented in table12.

**Table 12: Analysis of Variables (ANOVA)**

**ANOVA<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	15.011	1	15.011	108.029	.000 <sup>a</sup>
Residual	16.397	118	.139		
Total	31.408	119			

a. Predictors: (Constant), Leadership

b. Dependent Variable: Service Delivery

Table 12 shows analysis of Variables (ANOVA) intended to show whether a model is significant, the decision rule is that the calculated *p*-value (level of significance) must be less than or equal to 0.05. Since the calculated *p*-value of 0.000 is less than 0.05, the model was found to be statistically significant (F=108.029, df = 1, *p*<0.05 (=0.000)). This means that

leadership has a significant effect on service delivery. Therefore the alternative hypothesis that stated that: Leadership has a significant positive effect on service delivery in NWSC.

#### **4.4 Target setting on service delivery improvement in NWSC;**

In order to understand the attitudes and perceptions of the respondents on the relationship between target setting and service delivery a number of questions were put to the respondents to reveal their feelings towards target setting in relation to service delivery. Table 13 shows respondents responses.

**Table 13 Views of respondent’s on target setting**

<b>Statements measuring target setting</b>	<b>SA(%)</b>	<b>A(%)</b>	<b>NS(%)</b>	<b>D(%)</b>	<b>SD(%)</b>	<b>Mean</b>	<b>S.D.</b>



Key performance indicators (KPI's) are clearly known by all KW staff	42.5	35.8	21.7	0.0	0.0	4.21	0.77
I have clear understanding of the set performance targets for the branch	77.5	16.7	5.8	0.0	0.0	4.72	0.57
Staff members in branches participate in the setting of the SMART targets	15.0	14.2	1.7	39.2	30.0	2.45	0.492
Branches have an input in their targets from KW	0.0	14.2	1.7	52.5	0.0	1.98	0.435
Targets for groups (Territories) are made known to all group members	30.8	59.2	10.0	0.0	0.0	4.21	0.62
I am aware of the targets of my group (territory)	55.8	30.0	11.7	2.5	0	4.39	0.79
Branch performance targets are specific, measurable, achievable, realistic and time bound (SMART)	0.0	0.0	1.7	59.2	39.2	1.63	0.446
Targets at KW are ambitiously set	77.5	16.7	5.8	0.0	0.0	4.72	0.57

*Source: Primary data from field study*

Table 13 shows that majority of the respondents agreed with most of the statements put to them. This is shown by the mean greater than (3) and Standard deviation of close to (1). 78.3% agreed that key performance indicators (KPI's) are clearly known by all KW staff, 94.2% agreed that they have clear understanding of the set performance targets for the branch, 90.0% agreed that targets for groups (territories) are made known to all group members, 85.8% agreed that they were aware of the targets of their group (territory) and 98.3% agreed that targets at KW are ambitiously set. It was revealed from the findings that there is good communication in NWSC because almost all staff are made known of target setting and actual targets given to them in their respective branches / territories. Findings further revealed that NWSC is always focused in

achieving their objectives because key performance indicators are made known to almost all staff.

However, some of respondents expressed dissatisfaction on some of the statements put to them. This is shown by the mean less than (3) and Standard Deviation close to (0).

66.7% disagreed that branches have an input in their targets from KW, 98.4% Branch performance targets are specific, measurable, achievable, realistic and time bound (SMART), 88.4% disagreed that staff members in branches participate in setting of the SMART targets. Findings revealed that information is just passed on to the lower cadres without their input. This implies that lower cadres who are the staff on ground just implements what is given to them by their supervisors without putting in a lot of reasoning and thus affecting service delivery. This may be the reason as to why may be a good percentage agreed that targets are not SMART because enough information is not shared when setting these targets and thus management end up setting ambitious targets. NWSC has to work towards ensuring that staff's ideas at all levels are considered in decision making of target setting to enable them appreciate the setup of performance targets.

#### **4.4.1 Hypothesis Testing**

The researcher went ahead to statistically assess the effectiveness of target setting on service delivery improvement in NWSC. The researcher was guided by the following hypotheses:

Alternative Hypothesis: Target setting has a significant positive effect on service delivery in NWSC.

Null Hypothesis: Target setting does not have a significant positive effect on service delivery in NWSC

The hypothesis was tested at a 95% level of significance (two-tailed) using Pearson’s product-moment correlation coefficient, which measured the degree and direction between target setting and service delivery in NWSC. The results are shown in the table 14.

**Table 14: Correlation matrix for target setting and service delivery in NWSC**

Correlations		Target Setting	Service Delivery
Target Setting	Pearson Correlation	1	.646*
	Sig. (2-tailed)		.000
	N	120	120
Service Delivery	Pearson Correlation	.646*	1
	Sig. (2-tailed)	.000	
	N	120	120

\*. Correlation is significant at the 0.05 level (2-tailed).

*Source: Primary data from the field.*

Table 14 shows that there is a moderate positive relationship between Target Setting and Service Delivery ( $r=0.646$ ,  $p<0.05$ ). The relationship is statistically significant at 95% confidence level. However, the analysis does not point out the extent of the relationship. In order to find out the degree of relationship, coefficient of determination was computed using regression analysis. The results are presented in table 15.

**Table 15: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646	.417	.412	.16717

Table 15 shows that the coefficient of determination (Adjusted R Square) is 0.417.

This implies that target setting accounts for 41.7% of the variance in service delivery in NWSC which means that a unit change of 41.7% in target setting under performance contracting affects service delivery. However, for the researcher to assess the overall significance of the model, analysis of variables (ANOVA) was computed as per table 16.

**Table 16: Analysis of Variables (ANOVA)**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.361	1	2.361	84.498	.000 <sup>a</sup>
	Residual	3.297	118	.028		
	Total	5.659	119			

a. Predictors: (Constant), Target Setting

b. Dependent Variable: Service Delivery

In determining whether a model is significant, the decision rule is that the calculated *p*-value (level of significance) must be less than or equal to 0.05. Since the calculated *p*-value of 0.000 is less than 0.05, the model was found to statistically significant (F=84.498, df = 1,  $p < 0.05$  (=0.000)). This means that target setting has a significant effect on service delivery. Therefore the alternative hypothesis that stated that: target setting has a significant positive effect on service delivery in NWSC was accepted.

#### **4.5 Incentives on service delivery improvement in NWSC;**

In order to comprehend the attitudes and perceptions of the respondents on incentives, so as to assess its effectiveness on service delivery in NWSC, the researcher put a number question to the respondents to show their level of agreement or disagreement. The elicited responses were answered in table 17.

**Table 17 Respondents' views on incentives and service delivery in NWSC.**

<b>Statements measuring incentive</b>	<b>SA(%)</b>	<b>A(%)</b>	<b>NS(%)</b>	<b>D(%)</b>	<b>SD(%)</b>	<b>Mean</b>	<b>S.D.</b>
Branches are rewarded by management for achieving their targets	36.7	55.0	6.7	1.7	0.0	<b>4.25</b>	<b>0.73</b>
The way the bonus is awarded to the branch staff is fair and transparent	0.0	0.0	1.7	65.0	33.3	<b>1.68</b>	<b>0.402</b>
Staff are promoted for consistently achieving their targets.	0.0	18.3	0.0	56.7	25.0	<b>2.12</b>	<b>0.478</b>
Staff who achieve their annual targets are awarded salary increments	0.0	0.0	0.0	59.2	40.8	<b>1.59</b>	<b>0.424</b>
The bonus paid to branches is adequate	0.0	0.0	0.0	55.8	44.2	<b>1.56</b>	<b>0.459</b>
We have a say in the way bonus is apportioned at the branch	26.7	31.7	20.0	1.7	0.0	<b>3.63</b>	<b>0.788</b>
KW use a clear formula in computing bonus for the branches	0.0	0.0	0.0	65.0	35.0	<b>1.65</b>	<b>0.479</b>
Incentive scheme is transparent and staff easily understand the mechanics of the calculations	0.0	0.0	0.0	55.0	45.0	<b>1.55</b>	<b>0.475</b>

*Source: Primary data from field study*

Table 17 shows that majority of the respondents disagreed with most of the statements put to them. This is shown by a mean less than (3) and standard deviation close to (1). 69.2% disagreed that the way bonus is awarded to the branch staff is fair and transparent, 81.7% disagreed that staff are promoted for consistently achieving their targets, 100% disagreed that staff who achieve their annual targets are awarded salary increments, 100% disagreed that the bonus paid to branches is adequate, 100% disagreed that KW use a clear formula in computing bonus for the branches and 95% disagreed that incentive scheme is transparent and staff easily understand the

mechanics of the calculations. Findings revealed that supervisors don't take the initiative to explain to staff of how much has been achieved and out of which parameters. It was further revealed that the formula for computing incentives is very complicated which makes it hard for staff to appreciate the outcomes of their extra effort. Results still revealed that for incentives don't yield long term impact like promotion, salary increment among others. In addition, it is essential that the incentive scheme be perceived as being fair, and thus the goals set out by the scheme must be attainable, and better performing staff members must indeed be rewarded. Staff members wish to understand the mechanism that was used to determine the incentives.

The above quantitative responses were however, disagreed by one of the respondent who had this to say, "Staffs are never appreciative, management has put in a lot to motivate them but they keep on complaining".

Although majority disagreed, a portion of the respondents agreed with some of the statements put to them and this is shown by a mean greater than (3) and standard deviation close to (1). 91.7% agreed that branches are rewarded by management for achieving their targets and 68.4% agreed that they have a say in the way bonus is apportioned at the branch. Findings revealed that incentives give staff morale to put in extra effort to achieve set targets in order to get rewards and thus improved service delivery. Findings further revealed that extra pay for extra effort put in by staff has created a lot of competition which makes staff proactive in their operations and this leads to improved service delivery.

#### **4.5.1 Hypothesis Testing**

The researcher went ahead to statistically assess the effectiveness of incentives on service delivery improvement in NWSC. The following hypothesis guided researcher.

Alternative Hypothesis: Incentives have a significant positive effect on service delivery in NWSC.

Null Hypothesis: Incentives do not have a significant positive effect on service delivery in NWSC.

The hypothesis was tested at a 95% level of significance (two-tailed) using Pearson’s product-moment correlation coefficient, which measured the degree and direction between incentives and service delivery in NWSC. The results are presented in the table 18.

**Table 18: Correlation matrix for incentives and service delivery in NWSC**

**Correlations**

Variables		Incentives	Service Delivery
Incentives	Pearson Correlation	1	.451*
	Sig. (2-tailed)		.000
	N	120	120
Service Delivery	Pearson Correlation	.451*	1
	Sig. (2-tailed)	.000	
	N	120	120

\*. Correlation is significant at the 0.05 level (2-tailed).

*Source: Primary data from the field.*

Table 18 shows that there is a moderate positive relationship between incentives and Service Delivery, ( $r=0.451$ ,  $p<0.05$ ). The relationship is statistically significant at 95% confidence level. Regression analysis was further used to establish the extent to which incentives affect service delivery in NWSC. The Coefficient of determination was used and the results are presented in the table 19.

**Table 19: Model Summary**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451	.203	.197	.19544

Table 19 shows that the coefficient of determination (Adjusted R Square) is 0.197. This implies that incentives accounts for 19.7% of the variance in service delivery in NWSC which means that a unit change of 19.7% in target setting under performance contracting affects service delivery. To assess the overall significance of the model, analysis of variables (ANOVA) was done and the results presented in the table 20.

**Table 20: Analysis of Variables (ANOVA)<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.151	1	1.151	30.143	.000 <sup>a</sup>
Residual	4.507	118	.038		
Total	5.659	119			

a. Predictors: (Constant), Incentives

b. Dependent Variable: Service Delivery

In determining whether a model is significant, the decision rule is that the calculated *p*-value (level of significance) must be less than or equal to 0.05. Since the calculated *p*-value of 0.000 is less than 0.05, the model was found to be statistically significant (F=30.143, df = 1, *p*<0.05 (=0.000)). This means that incentives have a significant effect on service delivery.

In conclusion therefore, all the research findings indicated that incentives have a significant positive effect on service delivery in NWSC. Therefore the alternative hypothesis that stated that: Incentives have a significant positive effect on service delivery in NWSC was accepted.

**4.6 Extent to which each of the independent variables affect the dependent variable**



The researcher after establishing that leadership, target setting and incentives positively affect service delivery, proceeded to assess which variable had more effect on the dependent variable.

This was done by use of standardized Beta coefficients in multi-linear regression analysis.

**Table 21: Standardized coefficients for the independent variables**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.718	.203		3.538	.001
Leadership	.267	.083	.337	3.229	.002
Target Setting	.209	.085	.282	2.463	.015
Incentives	.137	.047	.223	2.908	.004

a. Dependent Variable: Service Delivery

The decision rule for multi linear regression is that the t value must not be close to 0 and the p-value must be less than or equal to 0.05.

Table 21 shows that the p-values for leadership, target setting and incentives are each less than 0.05 (0.000, 0.001 and 0.007) and their t values (3.229, 2.463, 2.908) are not close to zero (0).

This shows that leadership, target setting and incentives each have a significant effect on service delivery in NWSC. However leadership (t= 3.229, Beta = .337, p=0.002) has more effect, followed by target setting (t=2.463, Beta = .282, p=0.015) and incentives (t=2.908, Beta =.223, p=0.004).

## **CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The chapter presents the summary, discussions of findings, conclusions from the findings as analyzed and recommendations. Key findings will be discussed especially how Leadership, target setting and incentives affect service delivery.

### **5.2 Summary of the findings**

#### **5.2.1 Leadership and service delivery in NWSC**

Objective one of the study aimed at establishing the relationship between Leadership and Service delivery in NWSC. Results from the previous chapters reveal that a positive (.613\*) significant relationship existed between Leadership and Service delivery with a 37.1% effect or variation on service delivery. Majority of the respondents (94.2%) agreed that NWSC sets clear performance expectations and 88.3% of the respondents agreed that supervisors regularly monitor performance against set targets. On the other hand 78.3% agreed that supervisors promote teamwork at the workplace. Surprisingly 100% of the respondents disagreed that supervisors provide updates of their field visit observations and 97.5% of the respondents don't feel comfortable offering suggestions during branch meetings on top of 93.4% of the respondents disagreeing that decision making is not by consensus although 85% of the respondents agreed that Managers at KW are good team Leaders.

### **5.2.2 Target setting and service delivery in NWSC**

The second objective of the study aimed at establishing the relationship between Target Setting and Service delivery in NWSC. Results from the previous chapter reveal that a positive (.646\*) statistically significant relationship existed between Target Setting and Service delivery with a (41.2%) effect or variation on service delivery. 78.3% of the respondents agreed that Key Performance Indicators (KPI's) are clearly known by all KW staff and 94.2% of the respondents have clear understanding of the set performance targets for the branches, 90% of the respondents agreed that targets for groups (territories) are made known to all group members and 85.8% are aware of the targets of their groups. Shockingly, 98.4% of the respondents agreed that branch performance targets are SMART and this may be the reason as to why 98.4% of the respondents agreed that targets at KW are ambitiously set because 69.2% of the respondents still disagreed that staff members in branches participate in the setting of the SMART targets.

### **5.2.3 Incentives and service delivery in NWSC**

Thirdly, the last objective of the study aimed at establishing the relationship between Incentives and Service delivery in NWSC. Results revealed that a moderate positive (.451\*) relationship existed between Incentives and Service delivery with a 19.7% effect or variation on service delivery. 91.7% of the respondents agreed that branches are rewarded by management for achieving their targets. Surprisingly, majority of the respondents disagreed to the statements put to them on the relationship between incentives and service delivery in NWSC. For instance 98.3% disagreed that the way the bonus is awarded to the branch staff is fair and transparent and 81.7% of the respondents disagreed that staff are promoted for consistently achieving their performance targets. Shockingly, 100% of the staff disagreed that KW use a clear formula in

computing bonus for the branches. More still, 100% of the respondents disagreed that the bonus paid to branches is adequate though 50% of the respondents were not sure whether they have a say in the way bonus is apportioned at the branches.

### **5.3 Discussion of the findings**

#### **5.3.1 Leadership and Service delivery in NWSC**

The study found out that leadership is core to service delivery. It was revealed that a positive relationship exists between leadership and service delivery and thus improvement in leadership positively affects service delivery. Similarly, a decline in Leadership negatively affects service delivery. It was found out that performance improvement is achievable with good leadership. The study revealed that NWSC sets clear performance expectations which have enabled staff to be focused and this was proved right from the findings when respondents agreed that supervisors regularly monitor performance targets against set targets. This could be attributed to management policies of setting targets for branches either quarterly or yearly.

Additionally, the above findings were supplemented by majority of the respondents who agreed that Branch Managers in NWSC are good team leaders. It was further noted that Supervisors in NWSC promote teamwork and this may be one of the reasons as to why NWSC has been awarded for its outstanding leadership as stated by one of the respondents. This revelation means that KW leadership in branches has distinguished itself as being capable of making a distinction between good and evil, acting in a correct and adequate manner, proper behavior, avoiding deviances and acting professionally. On the other hand, it implies that good leadership is an important aspect for the survival of an organization, as it influences the relations with other stakeholders thus ensuring the success of a business. More still, these facts were supplemented by one of the respondents who said that, “Good leadership can boost service delivery, but laxity

in supervision and teamwork in any set up can hinder the expected outcomes”. This is in agreement with Brookes, (2007) who noted that leadership affects the success of any organization and this was corroborated by Maccoby (2009) who pointed out that organizations require a higher level of leadership to survive and prosper. This was still supported by Fiedler et al (1994) who said that a leader must draw a distinction between stress related to the leader’s supervisor, and stress related to subordinates or the situation itself and that good leaders must be slow to anger and have patience regarding work of employees.

Shockingly, 100% of the respondents disagreed that supervisors provide updates of their field visit observations. NWSC has to sensitize Branch Management to be answerable for branch operations geared at performance improvement and ensuring that supervisors always update their subordinates of the field findings otherwise some supervisors end up running personal errands during working hours. Such characters end up demotivating other hard working staff and in the long run affecting performance and service delivery. Surprisingly still, 85% disagreed that decision making is by consensus and this may be the reason as to why majority of the respondents (93.4%) didn’t feel free to offer suggestions during meetings. NWSC has to work towards ensuring that staff opinions are considered during decision making because this will enable staff to always communicate in meetings freely and thus owning decisions which are made by management.

### **5.3.2 Target setting and Service delivery in NWSC**

The study noted that target setting has a significant positive relationship with service delivery which is in line with Verbeeten et al, (2007) who used multi linear regression and found out that target setting was sensitive to service delivery. Target setting has enabled staff to be focused

during their operations and this has made NWSC improve its performance. It's vital to set targets because they keep organization's performance at its best. This is in line with Gakure et al (2003) who said that performance targets are powerful management tools that can help an organization to deliver the kind of strategic changes that many growing business need to make. It was further revealed from the study that targets must be Specific, Measureable, Achievable, Realistic and Time bound (SMART) otherwise ambitious targets end up de motivating implementers because attaining them becomes a challenge or just a nightmare. This was also stated by Jude (2003) who said that targets must be feasible, fair to the people who will have to reach them, otherwise if the bar is set too high then there is a risk of deflating and discouraging staff. However, it was shocking from the findings that a number of respondents disagreed that staff members participate in the setting of targets and thus little is known of how targets are set. This leaves them out of the game and thus making them not to own these targets. This is contrary to some scholars like Jude (2003) who made it clear that the "rules of the game" should be made known to everyone and should not be changed arbitrarily. Targets need to be accepted by all the stakeholders in order to yield the intended results. More still, Bandura (1997) further explained that some individuals may reject imposed targets, but if they have self-efficacy, they may still maintain high personal targets to accomplish the imposed targets which are in line with the study findings. It is always vital to set targets together and celebrate victories as a team. In order to increase motivation, employees need to be allowed to participate in the target-setting process.

### **5.3.3 Incentives on service delivery in NWSC**

The study revealed that incentives have a moderate positive relationship with service delivery and that improvement in incentives positively affects service delivery. Similarly, a decline in incentives negatively affects service delivery. It was noted from the study that 91.7% of the

respondents agreed that Branches are rewarded by management for achieving their targets and this makes branches compete amongst themselves to win the awards given out monthly / quarterly. This has enabled branch staff to be proactive in their respective territories which has improved performance trends. This is in line with some scholars like Isaac (2005) who said that employees recognized by their companies are more pleasant and happy in the workplace, which spills over into customer satisfaction. This was still supported by Eggers (1997) who stated that contracts are more likely to achieve results if they incorporate performance incentives. Incentives play a very big role in motivating NWSC staff which is in line with the Expectancy theory of Vroom (1964) who stated that effort; performance and motivation are linked in a person's motivation and well-designed staff incentive schemes can have positive and powerful effects on the productivity, efficiency and quality of any organization. Conversely poorly developed schemes can have serious detrimental effects. More still, 58.4% of the respondents agreed that staff have a say in the way incentives are apportioned at the branch. This is a good reflection of fairness to the participants of the branch and this boosts them to put in extra effort towards improving performance which in the end improves service delivery. Shockingly, a good number of the respondents were in disagreement with most of the statements put to them concerning incentives and service delivery. 81.7% of the respondents disagreed that staff are promoted for consistently achieving their targets. It was revealed from the study that promotion was not based on target achievement but mostly on annual performance appraisals though rare cases revealed that some staff were promoted based on target achievements. 100% of the respondents disagreed that KW use a clear formula in computing incentives for the branches and this may be the reason as to why 100% of the respondents disagreed that incentive scheme is transparent and staff easily understand the mechanics of the calculations.

It is important that the “rules of the game” be known to everyone affected by the scheme. The rules of the game are constituted by such things as performance measurements, minimum requirements, and any formulae used for calculating individual payouts. They should be communicated clearly and either posted on the notice board or in the computer system. In addition, the scheme should not be changed too frequently to avoid being unpredictable to the organization. Scholars have emphasized that Staff incentive schemes should be kept simple enough that they can be understood by all who are affected by them. If a scheme resembles a “black box”, where it is impossible to determine the mechanics or algorithm of arriving at individual payouts, employees will neither accept nor embrace the scheme. As much as possible, incentive schemes should be based on measurable, “objective”, variables rather than subjective performance indicators as goal may sometimes be difficult to accomplish, but the use of subjective variables automatically minimizes the complications. Thus the system should not be overly complex and should contain as many objective factors and as few subjective variables as possible. Furthermore, the “rules of the game” should be made known to everyone and should not be changed arbitrarily. In addition, it is essential that the incentive scheme be perceived as being fair, and thus the goals set out by the scheme must be attainable, and better performing staff members must indeed be rewarded with higher salaries. Finally, everyone must be able to achieve a higher incentive by working better and harder. In addition to the above, measurement of performance must be done through appropriate indicators. Harrington and Lomax (2000) argue that inaccurate measurement systems often cause valuable and scarce resources to be directed at non-existent problems. However, it was noted by Jude (2003) that incentives are not the answer to all personnel challenges; they may do less to increase worker’s performance which in the end may result to no improved service delivery. Though it should be noted from the



information gathered that incentives have a significant positive effect on service delivery in NWSC.

## **5.4 Conclusions**

### **5.4.1 Leadership and service delivery in NWSC**

Based on the findings of the study carried out by correlation it was found out that leadership significantly affects service delivery in NWSC. This therefore implies that if leadership is improved, service delivery in NWSC will consequently improve. Therefore there is need to maintain high quality leadership or even improve on it in order to enhance good service delivery in NWSC.

### **5.4.2 Target setting on service delivery in NWSC**

Management should put in place a mechanism to utilize feedback and ideas generated by the hands-on staff in target setting as it significantly affects service delivery. NWSC has to ensure transparency, accountability and involvement of all staff in target setting is done in order to improve service delivery.

### **5.4.3 Incentives on service delivery improvement in NWSC**

Finally, the study concluded that Incentives significantly affect service delivery in NWSC. Therefore it is important to communicate to all staff clear and simple formula in computing incentives for the branches and reward hard working staff for their extra effort because this boosts them and also encourages laggards to work hard to get such awards.

## **5.5 Recommendations**

The study made the following recommendations in relation to findings and conclusions

### **5.5.1 Leadership on service delivery in NWSC**

There is need to improve on supervisory documentation and sharing of field visits feedback that can lead to improved service delivery.

There should be more staff involvement in decision making through meetings and creating a fair environment for them to participate freely.

Supervisors need to emphasize the goals and values of NWSC and perceive the importance of integrating them with those of individual workers.

Supervisors should encourage open communication, staff participation in decision making, and availing of opportunities for advancement; providing of an attractive benefit package commensurate with performance. This will enable the staff to think of Corporation's goals in personal terms which will lead to high performance of staff.

There is need to enhance capacity building through trainings or workshops.

### **5.5.2 Target setting on service delivery improvement in NWSC**

NWSC should continue setting targets because there is absolutely no downside to doing so and it's important to show employees that a particular target makes a contribution to the organization's success and the Organization's interest and support should be clearly portrayed to the staff.

When setting target it's vital to ensures that everyone understands what the prize is and what they are working towards because it provides greater rationale for the decisions

made and also eliminates a lot of the uncertainty that goes with not understanding the targets of the Organization.

Supervisors need to recognize staff achievements, praise them for the job well done, give them awards or certificates of merit, public applause, guiding them through support supervision, listening to workers' concerns and acknowledging their contributions

### **5.5.3 Incentives on service delivery improvement in NWSC**

The goals or reference standards set out for employees must be attainable and staff promoted for consistently achieving the set targets. Otherwise, rather than motivating staff, the incentive scheme may have a detrimental effect on their motivation and performance. Staff members who perform better than others should receive higher compensation. The scheme and formula computation should be clear, transparent and understood by all the staff in the organization.

### **5.6 Limitations of the study**

The study concentrated on a few dimensions and a few performance indicators yet the concept of performance contracting is wide which require further research.

### **5.7 Contributions of the study**

It will help the organization to tackle the missing link in terms of staff involvement in decision making and sharing of feedback with subordinates.

It will help the organization to find strategies of how to follow up on what is being done by Branch supervisors.

It will guide management on the crucial factors to consider when setting performance targets under performance contracting and how best to reward hard working staff through incentives.

**The following are the specific contributions of the study**

### **5.8 Further Research should be done on**

A study may be carried out on the effect of motivation in relation to performance improvement under performance contracting in NWSC.

The significance of other factors like regulatory framework, management capacity, staffing on performance improvement towards service delivery under performance contracting should be investigated upon.

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## **APPENDIX 1: QUESTIONNAIRE**

**Dear Respondent,**

You have been selected to participate and give your views on the research topic “*The effectiveness of performance contracting on service delivery in National Water and Sewerage Corporation*”, (a case study of Kampala Water). This is purely an academic research in partial fulfillment of the Masters degree in Public Administration and Management of Uganda Management Institute.

Please kindly spare some of your valuable time and respond to the following questions. Your information will be treated with all the confidentiality and will be used for purposes of this study only.

Your responses and answers will be of great value to this study.

Thank you.

**Margaret Sanyu Luwalira**

**Researcher**

### **SECTION A: BACKGROUND INFORMATION**

Please tick or circle the answers to the questions below.

#### 1. AGE

- a) 18-30 Years
- b) 31 – 40 Years
- c) 41 – 50 Years

#### 2. LEVEL OF EDUCATION

- a) Masters



- b) Post graduate
- c) Bachelor degrees
- d) Diploma
- e) Certificate

3. YEARS OF SERVICES IN NWSC

- a) Below 1 year
- b) 1 – 5 Years
- c) 6 – 10 Years
- d) 11 Years and above.

**SECTION B:**

Please indicate the extent to which you agree with the statements by circling the number that best represents your opinion. Please use the following Scale

<b>Strongly Agree (SA)</b>	<b>Agree (A)</b>	<b>Not sure (NS)</b>	<b>Disagree (D)</b>	<b>Strongly Disagree (SD)</b>
<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

**1. Leadership and service delivery**

	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>
Supervisors set clear performance expectations					
Supervisor regularly monitors performance against set targets					
Supervisor promotes teamwork at the workplace					

Decision making is by consensus					
Supervisor make regular field visits					
Supervisors provide updates of their field visit observations					
Supervisors monitor performance outcomes regularly					
Branch staff work as a team in attaining set targets					
Each staff member at the branch is informed of his/her role in attaining the set targets					
Branch members regularly meet to discuss how solve issues affecting performance of the branch					
I feel more comfortable in offering suggestions during branch meeting					
Supervision reports are discussed by branch staff					
Managers at KW are good team leaders					

## 2. Target setting and service delivery

Key performance indicators (KPI's) are clearly known by all KW staff	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>
I have clear understanding of the set performance targets for the branch					
Staff members in branches participate in the setting of the SMART targets					

Branches have an input in their targets from KW					
Targets for groups (Territories) are made known to all group members					
I am aware of the targets of my group (territory)					
Branch performance targets are specific, measurable, achievable, realistic and time bound (SMART)					
Targets at KW are ambitiously set					

### 3. Incentives and service delivery

	SA	A	NS	D	SD
Branches are rewarded by management for achieving their targets					
The way the bonus is awarded to the branch staff is fair and transparent					
Staff are promoted for consistently achieving their targets					
Staff who achieve their annual targets are awarded salary increments					
The bonus paid to branches is adequate					
We have a say in the way bonus is apportioned at the branch					
KW use a clear formula in computing bonus for the branches					
Incentive scheme is transparent and staff easily understand the mechanics of the calculations					

#### 4. Service delivery

	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>
NWSC water supply is reliable					
NWSC water supply is regular					
NWSC regularly reminds me of my arrears					
NWSC staff clearly explains to the customers before supply is disconnected					
NWSC disconnects water supplies after a fair period of warning					
NWSC responds in time whenever a complaint is logged in					
NWSC involves us in their programmes					
Revenue collection meets set targets					
Customer care at the branch is good					
The performance of the branch has been improving overtime					

## **Appendix 2 Interview guide:**

**Dear Colleague,**

You are kindly requested to take part in an important research study being carried out by Margaret Sanyu Luwalira a prospective candidate for the award of Masters of Management Science of Uganda Management Institute; Kampala.

You are among the participant selected to participate in this study. The information that you will give is purely for academic purposes and will help the researcher in her study on the “*Effectiveness of performance contracting on service delivery in National Water and Sewerage Corporation*”. All Information provided will be treated with utmost **CONFIDENTIALITY**.

- What is your age bracket
- Your highest level of Education
- Your Length of service with NWSC

### **1. Service Delivery**

- How has performance contracting helped NWSC to improve on its services
- What has been put in place to ensure that service delivery in NWSC is improved
- What initiatives has NWSC taken to get feedback for its services from the clients

### **2. Leadership**

- Do you think the way supervisors communicate to employees affects performance
- Do you think by not respecting employees opinion has an effect on performance.
- What is your opinion on availing feedback to employees in NWSC?
- Kindly give your opinion on offering support to employees in NWSC regarding issues to do with their work.

- Do you believe that by not meeting with employees regularly can affect the performance of the branch
- What is your comment on employees openness and initiatives in branch meetings
- In your view, do you think that the employees at NWSC are happy with their supervisors?
- What do you like most about the leadership of your branch
- What much has the branch leadership done to improve service delivery
- Do you think branch leadership has led to greater achievements of NWSC
- What are the strength and weaknesses of the team at your branch

### **3. Target setting**

- How are targets in Branches set?
- How often do you meet your performance targets?
- Do you think set targets lead to performance improvement
- What challenges do you meet in achieving your performance targets?

### **4. Incentives**

- What do you like about the incentives given for extra effort?
- Are you aware of the formula used for computing bonus?
- Are you satisfied with the incentives given to staff
- Do you think staff are satisfied with the incentives given to them
- What do you admire about the current incentive framework in NWSC?
- In your view, do you think that the employees at NWSC are happy with incentives given to them after hitting their targets

### Appendix iii: Proposed Budget estimate for the study

Item	Description	Estimated Cost (UGX)
Stationery	10 reams of printing papers, 4 code books, 5 pencils and 7 pens, required in preparation, printing and photocopying data collection tools i.e. questionnaires, printing data sets and reports	700,000
Field Research Assistants	4 field research assistants required in data collection, coding and entry	600,000
Secretarial services	1 typist to draft data sets and reports	300,000
Binding materials	Binding copies of draft	80,000
Transport	Movements during data collection	600,000
Miscellaneous	To cater for emergencies	500,000
<b>Total</b>		<b>2,700,000/=</b>

Source: Self designed

**Appendix iv Krejcie and Morgan table (1970)**

Table for Determining Sample Size for a Given Population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size  
 "S" is sample size.

Source: Krejcie & Morgan, 1970