

**EFFECTS OF PERFORMANCE CONTRACTING ON THE
ACHIEVEMENT OF STRATEGIC MANAGEMENT
OBJECTIVES: A CASE OF MOI TEACHING
AND REFERRAL HOSPITAL**

BY

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ABSTRACT

The ever changing business environment has triggered diverse reactions both in the service and product organization. This has led organizations adopt several strategies so as to remain afloat. One of the strategies that has been adopted is performance contracting. The main purpose of this study was to determine the effects of performance contracting on the achievement of strategic objectives at Moi Teaching and Referral Hospital. The objectives of this study were, to establish the reasons for having introduced performance contracting at MTRH, to determine employee perception of performance contracting at MTRH, to find out how performance contracting has influenced achievement of strategic objectives at MTRH, and to determine challenges of performance contracting facing MTRH in the achievement of strategic objectives. The study employed a survey design. The study targeted a total population of 810 employees of the organization. The researcher selected a sample size using 30% of the population which translates to 243 respondents using stratified and purposive sampling techniques. The researcher employed questionnaires to collect data from the respondents. The Statistical Package for the Social Sciences (SPSS) was used to capture and analyze data. Descriptive statistics were first generated and included frequency tables. The association between demographic and specific objectives on characteristics of the questionnaire were presented and analyzed through frequency tables and contingency tables. The study established that the major reasons for introducing performance contracting were dismal employee performance, requirement by the ministry of local government/government directive, and desire for employee commitment to their jobs. The employee's perceptions of performance contracting on strategic objectives at MTRH are improved service delivery, healthy working environment, and customers' satisfactions. Performance contracting has influenced achievement of strategic objectives at MTRH through improved efficiency in resource utilization; it has improved service delivery, and facilitated measurement and evaluation of performance. The challenges of performance contracting facing MTRH in the achievement of strategic objectives include; short-termism, misrepresentation or corruption of data and inflexible pursuit of defined objectives. The researcher recommended that the management should provide the required resources and ensure that reporting data is not manipulated to ensure that accountability is guaranteed. Further research should be carried out to determine the effects of performance contracts on employee performance.