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A Study of the Joint Effect of Performance Measurement, Political Stability and Global Competitiveness on Customer Satisfaction

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Abstract

The performance of governments in the delivery of services to the public—which constitutes the customers who are the tax payers, is affected and influenced by a multitude of factors, some controllable and others outside the control of governments. In addition, each of the diverse factors impacts uniquely on performance while others may have only tangential influence. According to Hansen (1989), there are two streams of research regarding the determinants of firm performance. One is based on the economic tradition and emphasizes external market factors that are largely outside the control of firm management, while the other builds on the behavioral and sociological paradigms focusing on organizational factors as they fit into the environment; the latter therefore focuses on factors internal to the firm. A combination of various factors working together however, has the potential to generate a blend of influences, which is a significant departure from the impact of any factor taken on its own. The ensuing study is set out to establish the joint effect of performance measurement, political stability and global competitiveness—critical internal and external factors that affect or influence the performance of governments—on public service delivery and its customer satisfaction derivative in Kenya. The study was based on the results of measurement and evaluation of the performance of 470 public agencies that operated on performance contracts between 2004 and 2011. Using regression analysis, it was found initially that each of the three factors had a uniquely significant effect on the relationship between public service delivery and customer satisfaction, with performance measurement showing a strong positive relationship ($R = 0.858$) with customer satisfaction. Performance measurement explained 73.6 percent ($R^2 = 0.736$) of customer satisfaction levels with the remaining 26.4 percent accounted for by other factors. Global competitiveness on the other hand, had a weak positive relationship with customer satisfac-

tion. The results showed that global competitiveness explained 0.7 percent ($\Delta R^2 = 0.007$) on the direct effect of performance measurement on customer satisfaction and had an average mean of 3.698 on a scale of 1 (very low) and 5 (very competitive). It turned out that there was no significant moderating effect of global competitiveness on the relationship between performance contracting, measurement and public service delivery in Kenya. The performance measurement variable had a t-value of 5.789 and was statistically significant while the effect of global competitiveness was positive although not statistically significant. Preliminary findings established initially that on its own, political stability had no significant relationship with or influence on customer satisfaction. It however had an effect on the relationship between performance contracting, measurement and public service delivery, where a unit change in political stability contributed negatively to customer satisfaction by a factor of 0.235, though not statistically significant. Correlation analysis established further that social chaos and turmoil, which result in political instability, negatively influenced the attractiveness of a country in the global arena. Overall, the results showed that performance measurement, political stability and global competitiveness were positively related to customer satisfaction. The joint effect of the three independent variables explained 78.5 percent ($R^2 = 0.785$) of customer satisfaction levels with the remaining 21.5 percent accounted for by other factors implemented in the public sector.

Subject Areas

Education, Sociology

Keywords

Performance Contracting, Performance Measurement, Performance Improvement, Competitive Advantage, Global Competitiveness, Service Delivery, Customer Satisfaction

1. Introduction

There has been general consensus among practitioners of government performance management, academicians and bureaucrats that excellence in public service delivery is impelled by improvement in organizational performance. One cannot for example, expect excellence in transport services if the transport infrastructure, roads and rail are not well developed, organized and maintained, just as much as health services cannot approach excellence if drugs procurement and administration, personnel recruitment and medical task assignment are not done right. Neither can security services be excellent if the security forces are not well trained and disciplined, all of which fall into the realm of operational efficiency. This logic resonates with the essence of this study, that excellence in service delivery is predicated on and influenced by improvement in operational performance, while the latter is predicated on measurement as a prerequisite, as

observed above. Performance measurement is a central mechanism in both assessment and evaluation, which provides the required data for identifying the most appropriate interventions to measurably improve performance (Guerra-López, 2008 [1], 2010 [2]). It can be safely concluded therefore that performance measurement is at the heart of managing and improvement in performance (Rummler, 2004 [3]), yet according to the research, it is often over-looked (Clark & Estes, 2000 [4]; Guerra-López & Leigh, 2009 [5]). In the quest to transform public service performance and consequently the delivery of services, many government dispensations have developed systems that involve employees in improving organizational effectiveness by focusing their energies and resources on achieving organizational missions and strategic goals. These are essentially performance management systems that take recognizance of the influence of external and internal factors critical to performance improvement. Performance management, grounded on strong performance measurement, drives business activity by providing feedback to employees, allocating resources, adopting a long-term perspective, continuously improving the organization, improving communication and motivating employees (Sinclair & Zairi, 1995 [6]). The study focused primarily on performance contracting and measurement, which are essentially factors of an internal nature, and political stability and global competitiveness, both constructs of an external bearing.

2. Literature Review

The study revolved around the key construct of performance contracting and its flagship tool of performance measurement as veritable implements in the management, improvement and measurement of performance and the consequent derivative of excellence in public service delivery. This is essentially a system that has been described as ideally grounded in theory, supported by research, and that is able to communicate complex relationships, while maintaining simplicity; and should be sensitive to transactional relationships across performance levels (that is, individual, group, organizational and external impact).

Moreover, these postulates are solidly grounded on key performance management theories, among them the following:

1) **Systems theory which** addresses with systemic disconnects that affect performance adversely such as failure to clearly specify expected outcomes of an organization, and not having a clearly defined performance improvement system.

2) **Theory of organizational performance management (OPM)** which relates to a set of techniques used to measure success in meeting goals in a business context and is used to evaluate specific processes and systems, the performance of departments or the performance of individual employees.

3) **Resource-Based Theory of Competitive Advantage** which addresses the assessment of the potential of the resources for value generation and ends up by defining a strategy that will allow the capturing of maximum of value in a sus-

tainable way and provides a basis for assessing whether or not program results are being achieved. As such they answer three questions: What is the program trying to achieve? How is the program progressing? Have desired results been achieved?

4) **Results-Based Accountability Systems** calls for institutions to take responsibility for initiating some action and the results of that action. It requires that organizations articulate how public monies will be spent on services and products that have an impact on people's lives, monitor how effectively and efficiently these programs work, and take action to improve program results.

5) **Total Quality Management** aims to solve problems based on external customer satisfaction. TQM defines quality in terms of customer satisfaction and proceeds to analyze processes and work roles in an organization to seek ways to improve quality. TQM is a strategic management approach that aims to improve business as a whole and add value to customers.

6) **Management by objectives (MBO)** an operations strategy and modern performance appraisal method where the employee and the supervisor come together to identify common goals, chart down specific objectives and fix targets for the attainment of such goals within the specified period. MBO objectives usually relate to corporate goals and vision and the scope of the targets designed to meet such objectives remain confined to day-to-day applications. Management by Objectives seeks to solve problems based on internal goals and targets.

Performance measurement is a central mechanism in both assessment and evaluation, which provides the required data for identifying the most appropriate interventions to measurably improve performance (Guerra-López, 2008 [1], 2010 [2]). The robustness of performance management, including its capacity to influence performance is therefore up-scaled by rooting it in a system that quantifies performance and provides evidence-based data, that is, a performance measurement system. Nutt (2007 [7]) opines that beyond implementing research findings to improve performance, there is a critical requirement to implement evidence-gathering practices into performance management and cites a variety of studies that indicate intelligence gathering is the most over-looked step of the decision making process. In a different study, Nutt, (2008 [8]) compared the success of organizational decisions among three groups, and found that those who made decisions based on the use of quantified performance data were significantly more successful than those that made decisions on the basis of personal hunches or feelings, or on the basis of consensus of opinions of others. This does not suggest that the two latter perspectives do not have their utility; rather, it suggests that they must be triangulated with independently verifiable performance data. It can be safely concluded therefore that performance measurement is at the heart of managing and improvement in performance (Rummler, 2004 [3]), yet according to the research, it is often over-looked (Clark & Estes, 2000 [4]; Guerra-López & Leigh, 2009 [5]).

According to Hansen, (1989), as referred in above references, there are two streams of research regarding the determinants of firm performance. One is

based on the economic tradition and emphasizes external market factors, while the other builds on the behavioral and sociological paradigms focusing on organizational factors as they fit into the environment; the latter therefore focuses on factors internal to the firm. Organizational researchers have developed a wide variety of performance models and suggested that managers can influence organizational performance by influencing the behavior of employees. This entails taking consideration of multiple factors, among them the formal and informal structures, planning, reward, control and information systems, their skills and personalities and relating these to the environment.

One research stream that has managed to capture these multidimensional aspects is that of organizational climate. The latter encompasses the perceived properties and characteristics found in the work environment that result from actions taken consciously or unconsciously by an organization and which affect behavior. It refers to a broad class of organizational and perceptual variables that reflect individual organizational interactions which affect the behavior of the individual and provides the conceptual link between analysis at the organizational level and at the employee level. This means that changes in organizational structures, systems and practices can alter climate measures and hence individual performance. Other studies have suggested that organizational climate was directly linked to performance and that there are strong linkages between managerial practices and dimensions of organizational climate and firm performance. These studies brought out three key classes of factors that influence performance. These are the following: Organizational factors—structure, systems, size, history; Environmental factors—political, sociological, economic, and technological; and People factors—skills, personalities, age.

The study selected key constructs from each of the three categories. That is; organizational factors—performance contracting and measurement system, environmental factors—political stability and global competitiveness and people factors—effective and efficient public service. As discussed later in this study the issue of political stability is critical to the performance of the public service and the country at large.

Alesina *et al.* (1992: 2) [9], observed that political stability is beneficial for much of the economic progress that a country may achieve. Further, investment and growth highly depend on it, recovery is faster under a stable political environment, and issues of employment, human capital development and business development can be dealt with much faster and effectively in an environment that does not suffer from risks of change, or even worse, risk of conflict, because of political instability. Writing in an IMF working paper, Aisen and Veiga (2011:1) [10], concluded that "… higher degrees of political instability are associated with lower growth rates of gross domestic product (GDP) per capita. Political instability usually leads to sub-optimal macroeconomic policies and a frequent switch between policies, creating volatility and thus high levels of uncertainty". The IMF working paper reaffirmed the findings of an older similar attempt, reported by Alesina *et al.* (1992) [9] which found that in countries with

high levels of political instability, economic growth is reported at very low levels. Malaysia is an empirical example of the positive impact of political stability on economic growth. The Centre for Public Policy Studies (CPPS, 2012) [11] report referred to earlier observes that despite perceptions that political stability in Malaysia has been predicated on corruption and manipulation of the electoral system, the country has continued to prosper steadily. According to Heufers, (2002) [12], Malaysia's system is flawed in many ways—there are no checks and balances in place, with the executive branch overshadowing and controlling the legislature and judiciary, and the democratic institutions and electoral systems are evidently weak. The government avers however that political stability is the advantage that Malaysia rides on, and that foreign direct investment comes to the country precisely because of this stability. This is backed by many theories and empirical studies, as mentioned in the first section of this paper, as well as by companies stating explicitly that political stability is the main reason that attracted them to Malaysia (Ndubai *et al.*, 2017, [13]).

The report contends however, that in Asia in particular, the so-called tiger economies either have political stability that is not as democratic as the ideal is, or, they are plagued by political instability leading to much volatility in the development of their country. FIDH, (2008 [14]) picks out freedom as an important aspect compromised by stability and gives as an example, Vietnam, a country that has a one-party political system and is controlled entirely by that ruling party, observing that the political stability has proved to be detrimental for the country. The economy is one of the most volatile in Asia, and what was once thought of as being a promising economy has recently proved to be in much distress and dangers. The country suffers from much inflation and is plagued by low wages, leaving workers unable to support themselves and their families. On top of that, the "politically stable" system enforces stringent barriers to personal freedoms, by not allowing workers to strike and penalizing them dramatically (FIDH, 2008 [14]). These draconian measures curtail the personal freedoms of the citizens, leaving both citizens and observers in doubt about the 'democratic' nature of the country's government. Similarly, other freedoms are also curtailed, such as freedom of the press, freedom of religion, access to the internet, and political dissent.

In Kenya, following positive political reforms subsequent to the post-election skirmishes of 2007/08, the country has attained a stable political equilibrium that has seen growth in real GDP rise from the measly 1.7% in 2008 to the 5.6 predicted for 2016!

Data on global competitiveness is compiled by the World Economic Forum (WEF) of the World Bank. The World Economic Forum in its Global Competitiveness Report, defines competitiveness in the context of a grouping of factors that drive productivity and competitiveness. These include institutions, infrastructure, the macro economy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication and innovation. The level of productivity, in turn, sets the level of prosperity that

can be reached by an economy.

The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to grow faster over time. The concept of competitiveness thus involves static and dynamic components. Although the productivity of a country determines its ability to sustain a high level of income, it is also one of the central determinants of its return on investment, which is one of the key factors explaining an economy's growth potential. The index organizes the pillars into three sub-indexes: efficiency enhancers, innovation and sophistication factors and is based on a 1 - 5 scale (the higher the average score, the higher the degree of competitiveness).

The Global Competitiveness Indices for Kenya for the years 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 were, respectively, 3.57, 3.61, 3.84, 3.67 and 3.65.

3. Research Methodology

The orientation of the study was positivistic and employed a cross-sectional design entailing identification of the research problem, review of previous and synthesizing of published literature, and specifying of hypotheses relating to the research questions. The study sought to explore the Joint Effect of Performance Measurement, Political Stability and Global Competitiveness on Customer Satisfaction in the delivery of public services in Kenya. The hypothesis that formed the basis of the study was that there is no significant joint effect of political stability and global competitiveness on the relationship between performance contracting and measurement and public service delivery in Kenya.

The study relied on secondary data drawn from the results of measurement and evaluation of the performance of public agencies on performance contract for the period 2007 to 2011, which was readily available. In 2010/11, which was the terminal year for data collection and analysis, the number of public agencies on performance contract was 470, made up of 46 ministries and accounting departments, 178 state corporations, 175 local authorities and 71 tertiary institutions. The focus of the study was the entire population of 470 public agencies. Further, the various categories of public agencies had, by 2010/11, been on performance contract for differing periods; these are 6 years for both ministries and state corporations, 5 years for local authorities and 4 years for tertiary institutions.

4. Data Analysis and Results

The study focused on the five years of 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11, during which period customer satisfaction in the majority of the categories of public agencies was measured. The distribution of the various categories of institutions is shown in Table 1.

The performance measurement and evaluation methodology in Kenya graded excellence on a composite-scoring scale ranging from 1 to 5 with 1 denoting

Table 1. Distribution of public agencies on performance contract in 2011.

Category of MDA	No.	Percent
Ministries and Accounting Departments	46	9.79
State Corporations	178	37.87
Local Authorities	175	37.23
Tertiary Institutions	71	15.11
Total	470	100.00

Source: Organization of government; office of the president (2006-2011).

the upper limit of "excellent" achievement and 5 representing the lowest limit of 'poor' achievement. The composite scores were inverted, in order to give a rising visual effect to positive achievement and a declining visual effect to poor achievement. Further, the composite scores in each of the four categories of public agencies were averaged for each year to contain the data within manageable parameters.

The data from the agencies was organized, summarized and collated in a manner that linked with the research question and subsequently analyzed using both descriptive statistics and inferential statistics. The analysis was carried out using the Statistical Package for Social Sciences (SPSS), version 21. Descriptive statistical analysis was carried out to summarize the data and to bring out variability, using the mean, the standard deviation and then computing the coefficient of variation (CV). Correlation coefficients were computed to establish the relationship between the study variables. The extent to which the dependent variable could be predicted from the independent variable, is seen by deriving the regression equation. Coefficient of determination was computed to reflect the goodness of fit of the model. Linear regression analysis was further used to examine the model's overall and individual statistical significance by using F-value and t-value, respectively. A model equation was derived for the hypothesis using variables that were significant. **Table 2** shows the descriptive and inferential statistics of the study's variables.

As indicated in the table, the public sector in Kenya had an average customer satisfaction index of 0.27779, implying that nearly 73 percent of customers were dissatisfied with the public sector service delivery. The value of CV 44.52%, also reflects that there was very high variability in the customers responses. Among other variables pitted against customer satisfaction, political stability was found to be the weakest with a mean of −1.31533 on a scale of −2.5 (very weak) and 2.5 (very strong) and had the lowest variability (CV = −8.13%) across the public sector made up of ministries, state corporations, local authorities and tertiary institutions. The coefficient of variation was computed to show the variability in the data of the study parameters. Customer satisfaction shows the greatest variability, followed by performance measurement. The global competitiveness shows the least variability, reflecting almost unanimous responses and there has been

Table 2. Descriptive/Inferential statistics of the study's variables.

Variable	T-value	Sig. (2-tailed)	Mean	Std. Deviation	CV%
Customer Satisfaction	8.699	0.000	0.27779	0.12368	44.52
Performance Measurement	37.720	0.000	2.65439	0.27255	10.27
Global Competitiveness	157.181	0.000	3.69800	0.09112	2.46
Political Stability	−47.656	0.000	−1.31533	0.10690	−8.13

fairly unanimous response that lack of political stability would adversely affect customers satisfaction.

Further, a correlation analysis of the study variables (**Table 3**) established that customer satisfaction and global competitiveness were negatively related with political stability (R = −0.134 and R = −0.468) although the relationship were not significant. This relationship shows that social chaos and turmoil, which result in political instability, will negatively impact the attractiveness of a country in the global arena.

The regression analysis further provided an estimate equation to predict the magnitude of the dependent variable (customer satisfaction) and give values for the predictor variables.

In addition, t-test and p-values were used to determine individual significance of the results of the analysis. Assessment of the overall robustness and significance of the regression models was done using the F-test and p-values. Pearson correlation coefficient, R^2, beta coefficients, and p values were computed.

The results of the analysis carried out to establish the joint effect of performance measurement, political stability and global competitiveness on customer satisfaction are shown in **Table 4**. The results show that performance measurement, political stability and global competitiveness were positively related to customer satisfaction. The joint effect of the three independent variables explained 78.5 percent (R^2 = 0.785) of customer satisfaction levels with the remaining 21.5 percent accounted for by other factors implemented in the public sector. The F-value for the model was 13.380 and the derived p-value was 0.001. Since the derived p-value was less than 0.05, with table value of 2.145 as compared to a calculated value of 6.213 the hypothesis was rejected hence performance measurement, political stability and global competitiveness had, jointly, a significant relationship with customer satisfaction. The performance measurement variable had a t-value of 6.213 and was statistically significant. Political stability and global competitiveness on the other hand were found to individually have negative effects on customer satisfaction. The negative effects were however not statistically significant.

A model equation of the joint effect relationship is described in Equation (4.4)

$$\text{Customer Satisfaction} = -1.01 + 0.401\text{Performance Improvement} - 0.271\text{Political Stability} - 0.036\text{Global Competitiveness} \quad (4.4)$$

Table 3. Correlation analysis of the study variables.

		Performance Measurement	Customer Satisfaction	Global Competitiveness	Political Stability
Performance Measurement	Pearson Correlation	1			
	Sig. (2-tailed)				
Customer Satisfaction	Pearson Correlation	0.858**	1		
	Sig. (2-tailed)	0.000			
Global Competitiveness	Pearson Correlation	0.086	0.159	1	
	Sig. (2-tailed)	0.760	0.571		
Political Stability	Pearson Correlation	0.099	−0.134	−0.468	1
	Sig. (2-tailed)	0.724	0.633	0.079	

**Correlation is significant at the 0.01 level (2-tailed).

Table 4. Joint effect of performance measurement, political stability, global competitiveness on customer satisfaction.

(a)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.886[a]	0.785	0.726	0.06471

a. Predictors: (Constant), global competitiveness, performance measurement, political stability

(b)

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.168	3	0.056	13.380	0.001[b]
	Residual	0.046	11	0.004		
	Total	0.214	14			

a. Dependent variable: Customer satisfaction; b. Predictors: (Constant), global competitiveness, performance measurement, political stability.

(c)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	−1.010	0.720		−1.404	0.188
	Performance Measurement	0.401	0.065	0.883	6.213	0.000
	Political Stability	−0.271	0.185	−0.235	−1.464	0.171
	Global Competitiveness	−0.036	0.217	−0.026	−0.165	0.872

a. Dependent variable: Customer satisfaction.

The equation demonstrates that a unit change in performance improvement, intervened and mediated respectively by political stability and global competitiveness, will result in customer satisfaction changing by a factor of 0.401. In the absence of performance measurement, political stability and global competitiveness customer, satisfaction will change by negative 1.01. In the study of the joint effect of political stability and global competitiveness on the relationship between performance contracting and measurement and public service delivery, it was found that for a unit percentage change in political stability, there would be a 0.271% decrease in customer satisfaction, while a unit percentage change in global competitiveness would result in a decrease of 0.036% in customer satisfaction, although both were individually not statistically significant.

5. Discussion of the Findings

The study brought out interesting inferences on the joint effect of performance contracting and measurement, political stability and global competitiveness on public service delivery in Kenya. The finding that measurement was highly correlated with both improvement in performance and customer satisfaction did not come as a huge surprise and vindicates both the observation by Osborne *et al.* (1992 [15]), that "what gets measured gets done" and the statement by Brown *et al.* (2001 [16]) that people make decisions and do their work at least partly based on how their performance is measured and evaluated. As a result, they tend to improve in performance aspects that will be measured and rewarded on, rather than in un-measured aspects, even if these do not necessarily support organizational goals and customer satisfaction. It also supports statements by Nathan, (2009 [17]), that the utility of performance management practices is predicated on sound performance measurement system, and the latter should be seen as a prerequisite for effective management and that performance management practices will continue to be questionable unless they are rooted in a performance measurement system. Moreover, there is a distinct linkage between organizational performance and excellence in public service delivery. It is also consistent with the findings of research by Martinez & Kennerley, (2005 [18]), that performance measurement and management systems deliver superior results and focus people's attention on what is important to an organization; propel business improvement; improve customer satisfaction; increase productivity; align operational performance with strategic objectives; align people behaviors towards continuous improvement; and improve company reputation.

The effects of political stability have been documented in both Kenya and the Kingdom of Lesotho. The fortunes of Kenya, as evidenced by growth in real GDP plummeted steeply following the 2007-2008 post-election skirmishes, which fomented widespread political instability, pitting communities against each other. Business activity in Lesotho was severely albeit gradually affected by political instability resulting from polarization in a loose coalition government Manchafalo, 2014 [19]. Political stability is closely intertwined with the quality of political governance with poor governance precipitating instability and vice ver-

sa. As had been the case in the Kingdom of Lesotho between 2012 and early 2015, the Republic of Kenya was under the governance of a loose coalition of parties that did not agree on many fronts, between 2008 and early 2013.

The most curious findings were that outside the relationship between performance contracting and measurement and public service delivery, political stability and global competitiveness on their own, did not have significant effect on customer satisfaction. That even within the relationship, only political stability had a significant relationship. This is somewhat surprising, considering the impact political instability had on economic growth and performance in Kenya in 2008, and considering further as observed earlier in the study, that improvement in organizational performance informs improvement in service delivery. It would be expected too, that improvement in global competitiveness would moderate the performance of an economy. This was not the case as brought out in the study.

Overall, the outcomes of the study should be of practical interest to governments desirous to improve public sector performance, practitioners in the field of performance contracting and measurement and public service delivery, academicians and the public as beneficiaries of public services.

6. Conclusion

The preliminary findings pointed out that customer satisfaction, performance measurement; political stability and global competitiveness are related but not perfectly. Based on the research findings, it can be concluded that performance measurement has a significant effect on customer satisfaction. Secondly, it can be concluded that political stability has an intervening effect on the relationship between performance measurement and customer satisfaction. Further, global competitiveness has a moderating effect on the relationship between performance measurement and customer satisfaction, although on their own, political stability and global competitiveness have no significant effect on customer satisfaction.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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