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Performance contracting and social capital (re)formation: A case study of Nairobi City Council in Kenya

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ABSTRACT

This paper reports on a qualitative case study of Nairobi City Council (NCC) to, firstly, illuminate how social capital is constructed in discourses surrounding the introduction of performance contracting into the Kenyan public sector and secondly, examine how the introduction of performance contracting into the Kenyan public sector may have affected social capital formation within this authority. The data were collected via an extensive review of official government documents as well as qualitative interviews over a six-month period. The analysis reveals that there is perceived notable change in the social structure and working norms and values among employees following the implementation of performance contracting. This perceived change is however being frustrated by inadequate resources and entrenched attitudes and networks of patronage and corruption, especially at the top levels of government. The study illuminates how regulatory discourse, structural changes and incentive and coercive mechanisms combine in an effort to change social capital at the micro level of government agencies but how these efforts are thwarted by strongly embedded institutions. We conclude that performance contracts, on their own, are unlikely to transform the Kenyan public sector in the manner envisaged without political will and significant change in the wider socio-political environment.

1. Introduction

Many developing countries, including Kenya, Morocco, Korea, Senegal, India, Ghana (Ghosh, 1997), China (Shirley & Xu, 2001) and Bolivia (Mallon, 1994) have embraced performance-based management, budgeting, and reporting systems – a prominent one of which is performance contracting – ostensibly to become more efficient and effective. Though there are many variants of performance contracting systems, by and large, they involve setting clear objectives and targets for government entities and employees to which they contractually commit and then holding them to account for achievement against these objectives and targets. These systems which are symptomatic of New Public Management (Hood, 1995) mark a shift from inputs and process forms of control to outputs and results. These results-based management systems are informed by the agency theory view that in the public sector, there are multiple principals and agents with conflicting objectives and that bureaucratic rules and regulations tend to be diverse and ambiguous causing poor performance (Tangri, 1999).

Performance contracting in Kenya was ostensibly introduced in the context of political transformations in Kenya in the early 2000s, when the 24-year-old regime of President Daniel Arap Moi, widely considered corrupt, inept and oppressive,

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came to an end. The stated purpose was to improve public sector performance, resuscitate the economy and create wealth. It was also presented as part of a far reaching programme to transform public sector norms and values particularly and governance of the country generally. In the process it was intended to eradicate corruption, improve service delivery and make government more transparent and accountable (Government of Kenya, 2003).

The newly elected government in 2002 thus directed all government ministries, departments and agencies (MDAs) to develop strategic plans and service charters, and sign performance contracts. The contracts specified the areas (or dimensions) where performance was to be assessed, the targets to be achieved on each dimension and by each of these government entities, and their responsibilities in achieving them. The contracts, which also specified the responsibility of the government, were to be cascaded down to lower levels of each MDA and further down to each employee, tying each to the MDA's performance contract (Government of Kenya, 2003). These targets included MDA specific targets and nationally assigned targets[1] and were to be used to assess the performance of every government entity and employee at the end of every year. The adoption of performance contracts in the Kenyan public sector was expected to herald a revolution in ethics and working practices. The then Minister of State for Provincial Administration and National Security stated at a workshop on performance contracting that the government's vision for the future:

> . . . (was) to have a service that is more focused, efficient and increasingly responsive to the needs of those it serves, while upholding the highest standards of integrity. We want to have a public service culture that recognizes and rewards good performance and equally sanctions poor performance" (Government of Kenya, 2004b, p. 10).

In spite of the massive expectations which have been placed on performance contracting in the public sector, most of the research on performance contracting in developing countries has been conducted by the World Bank, which is a key exponent of performance contracting (e.g. Trivedi, 2004a; Shirley & Xu, 2001). This research has mostly utilised broad-brush country surveys without detailed insights into the experiences of specific countries and their public agencies (except Mallon, 1994; Mallon, 1994)[2]. Many of the studies, including those conducted on Kenya are mostly descriptive (e.g. Obon'go, 2009; Marwa & Zairi, 2009), or prescriptions of how performance contracting should be implemented (e.g. Trivedi, 2004b). While both Mallon (1994) and Shirley (1996) have attributed important changes in the conduct of State and State Owned Enterprises (SOE) managers to the success of performance contracting, we are not aware of any study, which has looked at this issue in great depth within a specific context.

The issue of ethics, norms and attitudes that the Minister alludes to above are at the heart of social capital theorising (Leana & Van Puren, 1999), which is increasingly being employed as a framework for making sense of developments in the not-for profit sector. Social capital has been defined in many ways but, in this discussion, we view it as the resources availed to, and benefits derived from networks of social relations (Foley & Edwards, 1999; Nahapiet & Ghoshal, 1998). These networks are characterised by certain norms and values which motivate their members to share their resources. There are concerns that widespread introduction of NPM (Hood, 1995) into the public sector could perversely affect public sector social capital (e.g. Gregory, 1999). Positively, it could improve work ethics, enhance collaboration and improve performance. Negatively, it could erode state capacity to collaborate with other state agencies and groups (Wallis & Dollery, 2001); being fundamentally market-based instruments they could promote individualism at the expense of the collective and thus undermine social coherence of the public sector as well as its core ethos (e.g. Gregory, 1999); following the adage that what gets measured gets managed (Trivedi, 1994), it could focus attention on only what is measurable. Writing on the New Zealand experience, Schick (1996) warns that the use of contracting in the public sector might not be appropriate especially in countries with weak institutional and administrative capacity, for example Kenya (Cohen, 1993) and Ghana (Uddin & Tsamenyi, 2005). The focus on social capital is important because it affects government capacity to discharge its responsibilities (Boix & Posner, 1998; Woolcock, 1998) which include building local democracy (Nyamori, Lawrence, & Perera, 2012).

The apprehension that NPM might adversely affect public sector social capital is not misplaced. Experiences in other countries that have employed contracting approaches suggest that social capital is likely to be adversely affected with the erosion of ethics, professionalism and collaboration (Wallis & Dollery, 2001). There is evidence that NPM inspired reforms whereby NGOs are contracted to provide public goods and services can change an organisation's values and norms (e.g. Butcher & Freyens, 2011; Considine, 2003; Rogers, 2007; Chenhall, Hall & Smith, 2010; Awio, Northcott, & Lawrence, 2010). Notably however, little research has been conducted into how NPM may have affected the social capital of public sector organisations, with the exception of Gregory (1999),Wallis and Dollery (2001), and Nyamori et al. (2012). Furthermore, little, if any studies are located outside the sphere of developed economies, leaving the effect of NPM on social capital in developing countries' public sectors largely unexplored. The studies also fail to appropriately theorise the mechanisms through which hierarchy – in this case government action, such as the introduction of performance contracting – might affect social capital (cf. Adler & Kwon, 2002).

This paper seeks to achieve two aims. Firstly, it seeks to illuminate how social capital is constructed in discourses surrounding the introduction of performance contracting into the Kenyan public sector. Secondly, it examines how the

[1] The national targets were drawn from Vision 2030, the Millenium Development Goals and the Economic Recovery Strategy for Wealth and Employment Creation (ERSWC) 2003–2007.

[2] Mallon (1994) analysed the performance of SOEs in Bolivia following the implementation of performance contracting, but his analysis is a broad brush analysis of changes in performance in the five Bolivian SOEs and does not delve deep enough into the changes within the five Bolivian enterprises.

introduction of performance contracting into the Kenyan public sector may have affected social capital formation within a Kenyan local authority. But underlying this study is a question of whether New Public Management (NPM), of which performance contracts are a part, is the appropriate approach to achieve the required reforms, particularly considering that its record in Western countries' public sectors is contestable (see for example Lapsley, 2009).

We employ the concept of social capital as a skeletal framework (Laughlin, 1995) to explore how performance contracting is perceived to have affected the structure of relations, norms of trust, ethics, collaboration and cooperation at work and the benefits and risks associated with these changed network of relations at NCC. This is complemented by discourse analysis (e.g. Phillips, Lawrence, & Hardy, 2004; Green, 2004) to understand the process through which performance contracts were expected to influence social capital. Specifically, we sought to understand how social capital is constructed in discourses associated with performance contracting in the Kenyan public sector. Through analysis of interview data from NCC employees, we interpret how performance contracts might have affected each of the three dimensions associated with social capital (Nahapiet & Ghoshal, 1998).

Kenya was chosen not only for pragmatic reasons but also because it is among a minority of countries that have introduced performance contracts across the entire public sector leading Trivedi (undated) to state that "...no other country in the world has implemented a more theoretically sound and useful version of performance contracts than the vision implemented in Kenya" (p. 5). The focus on a single country is also likely to provide a contextually in-depth understanding of change and its effects because as argued by Olson, Humphrey, and Guthrie (2001), there is no uniform package of NPM reforms. Theoretically, the context also provides an opportunity to extend our understanding of how social capital is formed (or reformed), which researchers argue is so far unclear (e.g. Bolino, Turnley, & Bloodgood, 2002).

This paper is organized into seven sections as follows. The second section describes the nature of performance contracts implemented in the Kenyan public sector. The third section outlines social capital theory and discourse analysis, which inform the analysis. Section four describes the study methodology while section five analyses the discourses associated with performance contracting in the Kenyan public sector generally and NCC in particular. The sixth section examines how social capital is perceived to have changed at NCC. The paper ends with an assessment and conclusion in section seven.

2. Context of performance contracting in Kenya

Different countries, including Kenya, have introduced different forms of performance contracting in their public sectors (Heinrich, 2002; Roberts, 1997; Schick, 1996) as part of the New Public Management revolution (Hood, 1995). Though performance contracting is presented as a great transformative innovation by Kenya governments elected in the post-Moi era, it is not a new idea in the Kenyan public service. On the contrary, performance contracts were first implemented in Kenyan SOEs in the late 1970s (Wamalwa & Balogun, 1992), as part of the International Monetary Fund (IMF) and World Bank driven Structural Adjustment Programmes (SAPs). These performance contracts were however different in that the government engaged private companies to turn the SOEs around. Some of the earlier state corporations in which these reforms were initiated included the Nzoia Sugar Company, Mumias Sugar Company, Kenya Railways and National Cereals and Produce Board. These attempted reforms did not, however, achieve the desired results partly because of lack of political will (Cohen, 1993) and were largely abandoned (World Bank, 1995).

The continuing deterioration of the Kenyan economy and continued pressure from lending agencies under the SAPs led to the introduction of the Kenya Civil Service Reform Programme (CSRP) in 1993, with improving public service efficiency and boosting economic productivity as the core objective (Government of Kenya, 1997). Among other initiatives the CSRP sought to create a shift from rule based appraisal towards a greater use of performance appraisal techniques as a basis for evaluating individuals with a focus on results and enforcement of target setting within ministry operations. The reform also sought to change the system of pay and benefits of employees with the introduction of rewards for individual excellence. This initiative, though not mentioning performance contracts, contained many of the elements of the present innovation.

The CSRP program was however, not fully implemented as the Government changed the approach and instead introduced performance catalysts in the form of "Dream Teams", i.e., teams of highly paid senior civil servants, mainly sourced from the private sector, with the expectation that they would inject new management practices and engineer the transformation of governance. The assumption was that, coming from the private sector they were unlikely to be caught-up in the prevailing quagmire of ineptitude, nepotism and corruption. This initiative also included 'pay for performance' for a certain cadre of civil servants. However, like the previous ones, these initiatives did not achieve the expected improvements in performance. Thus, when a new government was elected in 2002, reform of the public sector was again top on the agenda.

The new 2002 Kenyan Government produced a policy paper named Economic Recovery Strategy for Wealth and Employment Creation (2003–2007) (Government of Kenya, 2003), which reiterated that poor governance was the cause of failure in previous reform efforts. This policy paper, just like previous reviews, concluded that the excessively large size of the public sector absorbed unnecessarily large amounts of national resources and was therefore wasteful and inefficient. The paper envisaged "developing, introducing and institutionalizing performance based management practices in the public service" (p. 11) and recommended a programme of performance contracts for chief executives of state corporations and permanent secretaries of government ministries.

A specialised state agency – the Performance Contracts Secretariat (PCS) – was created and located within the office of the Prime Minister (PM)[3] to develop and manage performance contracts in the civil service (Government of Kenya, 2004c). In addition to specifying the obligations of each public agency, the contracts also specify criteria and targets, and indicate the areas where the government is placing priority by attaching weights (in percentages) to each objective. They also specify the level of performance expected for each criterion. To this end the Kenyan system has five specified performance levels, namely, excellent (1), very Good (2), good (3), fair (4), poor (5). In this way the system seeks to hold the state, its agencies and individual civil servants accountable against a specific agreement.

The contract setting process goes through a number of stages. The first stage is vetting during which an ad hoc committee of experts goes through the performance contract of an agency to ensure it is been done according to set criteria. The second stage involves the signing of the completed contract between the head of the state agency – the permanent secretaries of the government departments – and the Secretary to the Cabinet. The third step is implementation at the level of each individual public sector MDA. The entities are required to cascade the contracts lower down the organizational hierarchy (Government of Kenya, 2004a) and to produce quarterly and annual performance reports in prescribed formats, which form the basis for the final stage—evaluation.

Performance of public agencies is evaluated against their contracted targets by the PCS's team of experts, many of whom are external consultants who include retired civil servants and academics. The measure of performance of each entity is assigned to one of the five levels of performance specified above and a raw weighted score of each criterion is computed. These raw scores are summed up to produce a composite score, which is used to rank the performance of each agency against all the other agencies. The top three ranked agencies are feted and awarded recognition trophies at a national ceremony often presided over by the President. A concomitant requirement of performance contracts is that public agencies develop a strategic plan and a service delivery charter and seek ISO certification. The service delivery charter specifies the quality and quantity of service to be provided by the agency and the cost and standard of service, and provides an avenue for public complaints as well as feedback on satisfaction with the quality of service received. The public is also expected to " . . . demand for the assurance and comfort that ALL holders of public office are on performance contract" and provide feedback through customer surveys (Government of Kenya, 2009). The feedback from the public along with the technical evaluation and the recognition and reward system is expected to exert significant pressure to change the behaviour of public sector employees. In the next section, we outline the theoretical framework for making sense of the expected changes to social capital in the Kenyan public sector.

3. Theoretical framework

There is no universal understanding of what constitutes social capital. While some define social capital as "goodwill" or "benefits and risks" emanating from the sources of social capital (namely, motivation, opportunity and ability) (Adler & Kwon, 2002), we define it as consisting of the network and the contents or attributes of this network, which actors can draw on for their benefit (see Putnam, 1995; Bourdieu, 1983; Nahapiet & Ghoshal, 1998). Social capital has the potential to benefit organisations (Moran, 2005) e.g. in the creation of intellectual capital (Nahapiet & Ghoshal, 1998) and society at large (e.g. democracy (Putnam, 1995, 2000)). The essence of social capital is that social relations provide members with resources that they could not access otherwise. We focus on not just the network, but also the attributes of this network. We therefore draw on Nahapiet and Ghoshal (1998) who view social capital as consisting of three interrelated dimensions, namely, the cognitive, relational and structural dimensions. These dimensions interact in various ways to affect access, motivation, anticipation of value, and capability combination both of which portend benefits for the members.

The cognitive dimension refers to the shared values, meanings, codes, representations, interpretations and norms that enable a common understanding of goals and the means to achieve them (Nahapiet & Ghoshal, 1998; Tsai & Ghohsal, 1998; Newton, 1997). This shared world view potentially confers benefits on the organisation by energising individuals and groups towards pursuing organizational goals (Tsai & Ghoshal, 1998) and sharing of knowledge and experience (Nahapiet & Ghoshal, 1998). The other two dimensions, the structural and relational (which Granovetter (1973) described as structural and relational embeddedness) both relate to the network. The structural dimension describes how social networks look like and how people are linked. Putnam (1993) has made a distinction between two kinds of links, strong interpersonal ties or bonding social capital or closure (e.g. between family members) and bridging or weak social capital (see also Woolcock, 1998). Weak ties are not based on personal interaction with or knowledge of the actor but transcends the more cohesive groups or subgroups of a network (Granovetter, 1973). Existence of a network provides an opportunity for members to interact, act together and leverage the resources of the network. Each of these types of structures have their benefits and their drawbacks and Nahapiet and Ghoshal (1998) are careful to emphasise the interrelationships among them. Bonding social capital is able to engender stronger norms while weak ties may not (Nahapiet & Ghoshal, 1998).

The relational dimension on the other hand refers to the quality of the interaction between actors in the network. The dimension includes trust, which enables individuals to work together and to share information and other resources, and associability, which refers to a situation where individuals subordinate their individual goals to common goals or collective action (Leana & Van Burren, 1999). The quality of the network provides motivation for members to share resources. Thus,

[3] This office has been eliminated since 2012 and the responsibility for performance contracting shifted to the office of the Deputy President (DP).

members might be motivated to share by instrumental reasons or norms of generalised reciprocity (Nahapiet & Ghoshal, 1998). These networks and their contents are associated with benefits and risks (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998).

There are two problems with social capital theorising: firstly, it is not clear how it is formed and two, it seems to emphasise a singular view of organisations and society, giving little room for difference. Regarding formation, we attend to how social capital is formed through analysis of how a government programme such as performance contracting may affect social capital formation in one of its authorities. Government action (or inaction) can influence social relations at a number of levels[4], so we have decided to focus our analysis on the effect of government action on employees within the organisation. Adler and Kwon (2002) argue that hierarchy can specify "work and decision flows" which can in turn affect the opportunities for interaction and exchange among members of the network. Hierarchy also has potential to affect "incentives and norms- and abilities" (p. 27) and thus motivation of actors to share resources within the network. In this regard, hierarchy can affect social capital through its coercive and enabling mechanisms (Adler & Borys, 1996) or coercive and cooperative ones (Taylor, 1996). In the context of this paper, performance contracting is imbued with coercive and seductive or enabling mechanisms that either compel or woo actors to change their conduct. In this case, all employees down the hierarchy, including heads of departments were, for example, obligated to work towards achieving the targets assigned to their individual units. Furthermore different agencies were expected to develop incentive plans to reward employees for good performance and penalties to punish non-performance: this practice acted as both a coercive and enabling or seductive force. Woolcock and Narayan (1998) on the other hand argue that governments have the potential to affect the formation of social capital by ensuring that it has institutional integrity and synergy with external stakeholders. In spite of these efforts, Adler and Kwon (2002) maintain that we do not know enough about how hierarchy affects social capital.

We contribute to understanding how hierarchy contributes to social capital formation by conceptualising social capital as an institution (e.g. Dimaggio & Powell, 1983). This approach is appropriate in this case because in Kenya networks and values of corruption, inefficiency and impunity had become accepted as a normal part of public service transactions. This conceptualisation then enables us to draw on theories of discourse to understand how particular institutions can change (Phillips et al., 2004). Discourse in this context means semiotic acts, which construct objects by defining what is acceptable or possible and what is not (Phillips et al., 2004). The process through which the legitimacy of entrenched practices can be challenged and rejected is a key concern of institutional theories (e.g. Oliver, 1992; Greenwood, Suddaby, & Hinings, 2002). We specifically find Phillips et al. (2004) instructive in understanding how discourse constitutes institutions through the production of text. Texts enable thoughts and actions to be transmitted from one setting to another. These texts in turn "produce the social categories and norms that shape the understanding and behaviours of actors" (p. 638). Discourse is thus a symbol that gives meaning and in so doing constitutes social reality (Livesey, 2002). Discourse enables certain ways of thinking and acting acceptable while making others unacceptable or possible (Phillips et al., 2004). In the context of this paper, discourse defines what is or is not social capital. Discourse problematizes prevailing institutions thus making them amenable to reform or change. It also offers actors alternative states of being as better options for achieving their goals.

Discourse can be deployed rhetorically to enable actors to embrace new practices, not because they are more effective but because they are persuaded that these are more effective (Green, 2004). The persuasive force of discourse is directed at different facets of our being. Persuasion based on pathos appeals to our emotions (e.g. Boedker & Chua, 2013). Persuasion can also be directed at our logos, namely, our methodical calculation of means and ends or formal rationality (Townley, 2002). That based on ethos appeals to ethics and socially accepted norms and practices. This dimension is akin to Weber's substantive rationality, which also relates to values and ethics, i.e., this is the right thing to do (Townley, 2002). Discourse analysis also enables us to consider the agents of change, namely, institutional entrepreneurs (Green, 2004) or cultural actors (Dobin, 2009) and how they wield this discourse in an attempt to change social capital. This form of analysis also enables us to tease out how difference is suppressed through privileging of some discourses and not others.

Regarding singularity of views, discourse provides a critical challenge to the view that social capital entails a singular view of organisations and society. While discourse can be wielded in an attempt to construct certain norms and values, it is appropriate to ask whose norms and values are being promoted. Here, we are suggesting that not all forms of social capital necessarily serve the public interest (e.g. Portes, 1998; Portes & Landolt, 2000; Portes & Sensenbrenner, 1993; Prell, 2009). Fairclough (2010) has for example illustrated how deployment of NPM serves to promote a neo-liberal ideology that privileges private over public interest. Discourse in the context of this case study is used to reduce a complex political economic history to a technical-rational issue of performance that can be managed. The roots of Kenya's performance crisis are reduced to a mere agent-principal explanation for example. While a deeper exploration of this question is beyond the remit of this paper, we retain the curiosity as to why NPM in the form of performance contracting would be an appropriate approach to addressing issues with such a deep and complex history.

We need to point out that mobilisation of discourses and introduction of new technologies does not guarantee change (or even desired change) in prevailing practices, in our case social capital (Covaleski, Dirsmith and Weisel, 2013). Discourse for example creates conditions for its own resistance: actors are able to draw on this very discourse to challenge new technologies or ones they do not agree with. Livesey (2002) argues that language is characterised by "ambiguities and

[4] See Portes (1998) for a discussion of the different units of analysis of social capital.

paradoxes" which "open *opportunity* for resistance and change" (p. 121). Oliver (1992) argues that de-institutionalisation forces are confronted by forces of inertia and entropy with the former seeking to retain the status quo[5] with discourse deployed to achieve this aim.

4. Methodology and Nairobi City Council: the case study

4.1. Methodology

This study adopts an interpretivist methodology to examine performance contracting in one city council in Kenya. The study, in the first instance, involved analysis of secondary official government documents including policy papers, legislation, public commentaries, the ICC Strategic Plan, copies of actual contracts, and the annual performance contract reports of the NCC. The aim of this analysis was to understand how change was conceptualised. The Strategic Plan was especially useful because it was the first ever developed for NCC and chronicled the efforts to transform the NCC in line with the national discourse of performance.

The study also involved formal qualitative interviews with employees from the case study, covering different organisational levels and sections. The overall object was two-fold. Firstly it was to understand the current nature of work in the civil service, the prevailing system of norms and values at the workplace, and their implication for individual and institutional performance. Secondly it was to understand the employees' experiences with performance contracting and to elicit their views on how it had changed the work ethos in the public service.

The interviewees were selected from eight of the fourteen departments at NCC with responsibility for different functions ranging from finance to social services such as health and education. They were distributed as follows: city treasury (2), human resources (2), special programmes (2), procurement (2), environment (1), investigations and ICT (1), planning (1), health (2). The other interviewees included a divisional manager and a consultant with the NCC. Although we set out to interview a senior manager and middle level manager in each department, we only managed to interview five assistant directors, one divisional manager, four chief administration officers, one principal officer, one divisional revenue officer, one accountant II, one consultant, and one administration officer II. We selected employees with at least five years length of service and who would have experienced the implementation of performance contracts. All the interviewees had at least five years of service while the majority had more than eight years, with five recording more than twenty years.

The interviews lasted one hour on average and were held within the organisation's premises. They were captured in the form of short notes, which were typed and expanded soon after to ensure that the content was properly captured and preserved. A discourse analysis approach was utilised to identify the social capital concepts in the promotion of performance contracting and how these concepts were constructed. This analysis also helped to identify the specific mechanisms employed at NCC to effect performance contracting. Social capital theory was then employed to thematically code and analyse the interview data. The themes used include workplace interactions, interdependence, relations, shared trust, shared goals, shared information, values and commitment, all of which relate to social capital. The analysis therefore followed a thematic interpretation, validation and cross validation approach in order to arrive at a coherent understanding of the context, application and implications of performance contracts in this particular organisation and across departments.

This study is somewhat limited because it is based on a limited sample of interviewees from eight of the fourteen departments at NCC and is based on reforms that have been implemented only recently. The aim of the study is however, not to seek generalizable results, but to get an in depth exploratory understanding of how performance contracting is perceived to have affected social capital at NCC. Furthermore, the study sought to obtain deep insights by interviewing employees at different levels of seniority and who had experienced the change and triangulated these data with internal documents and official policy documents.

4.2. Nairobi City Council: the case study

NCC is one of the largest of the 175 city councils in Kenya[6]. It covers a total administrative area of 680 square kilometres and accommodated a population of 3.8 million by 2006. It was established through an Act of Parliament (Government of

[5] The other point worth making is that perceived change in behaviour is not necessarily caused by performance contracting: actors live within a social environment in which a host of developments could influence their behaviour. We are therefore not attributing causality to performance contracts but instead focussing on actors' perception.

[6] Following the enactment of a new Constitution of Kenya 2010, which adopts a county system of government, the organisation of what used to be known as city/town councils has altered significantly. NCC is now referred to as Nairobi County. However, their core responsibilities and internal structures remain largely unchanged. Nairobi County is therefore the creation of the new constitution and is regulated by two key pieces of legislation, namely, the Cities and Urban Areas Act and the Devolved Governments Act. It is headed by a Governor and Deputy Governor and is organised into three main arms. The executive arm is headed by the governor and the deputy and is responsible for policy formulation. The legislative arm, which comprises the county assembly, is responsible for the formulation of laws that regulate the conduct of county activities and oversight. The Public Service Board is responsible for the Human Resource management, including recruitment and management of staff. The responsibilities of Nairobi County are broadly organised into fourteen portfolios: physical planning, public health, social services and housing, primary education infrastructure, inspectorate services, public works, environment management, agriculture, livestock development and fisheries, trade, industrialization, corporate development, tourism and wildlife, public service management. These portfolios are further structured to focus on specific tasks, which are allocated to different teams of staff.

Kenya, 1977), which defined the responsibilities of city councils, including garbage collection, city security, traffic lights, managing city parking, providing and managing market venues, maintaining recreational parks, providing business licensing, managing city cemeteries and public health, and local governance. The NCC also provided " . . . an important channel of enhancing citizen participation for improved economic governance and accountability" (NCC Strategic Plan, p. 6). The NCC was expected to fund these responsibilities through imposing user fees and taxes, central government fund transfers e.g. the Local Authority Fund Transfer (LATF) and the Road Maintenance Levy Fund (RMLF). Further sources of revenue include rental income from its many properties, parking fees from its car parks and market stall fees from traders.

The Council consists of two administrative arms: a political arm and an executive or management arm. Politically, it is divided into 100 wards, each represented by an elected councillor, 26 of who are nominated by political parties based on their proportional representation. The political head of the NCC is the Mayor, who is elected by the councillors from their number. The council is governed by a committee system with each committee chaired by a councillor elected by the members. The political arm is presumed to formulate policy and exercise oversight over the executive arm. The executive head of the NCC is the Town Clerk who is appointed by the Minister of Local Government. The Town Clerk is assisted by an Assistant Town Clerk. The NCC is organized into 14 functional departments each headed by a director who reports to the Town Clerk. NCC, like other local authorities in Kenya, enjoys only limited autonomy, being mostly controlled by the ministry of Local Government.

The Mayor and the Town Clerk of the NCC signed the first contract with the Permanent Secretary of the Ministry of Local Government in June 2006. The contract was countersigned by the Minister of Local Government. NCC created a section called the Reform Secretariat domiciled in the department of Special Programmes to spearhead performance contracting. This department was headed by a chief administration officer who reported to the Assistant Town clerk. The contract specified the vision and mission, and objectives of NCC as well its commitments and obligations. The commitments and obligations of the Government were also spelt out.

The contract required NCC to achieve specified targets on finance and stewardship, service delivery, operations (including governance, employment and sustainable livelihoods, access to physical and social infrastructure, environmental sustainability, safety within local authority jurisdiction, and project implementation), dynamic/qualitative criteria (including gender and disability mainstreaming) and eradication of corruption. It further specified the criteria, weights and performance over time on these criteria. Each dimension on the performance contract was assigned a weight, namely, 20, 25, 15, 25, 10, 5, respectively, totalling 100. The outputs under each dimension were also assigned weights, which totalled the weight on each dimension. Current and previous year results for each output under each category were provided, enabling comparison with prior years. Each output category was to be evaluated on a five point scale: excellent (1–1.49); very good (1.5–2.49); good (2.5–3.49); fair (3.5–3.59); and poor (3.6–5.0). These targets were then cascaded to individual departments with the relevant function. The Department of Environment was for example assigned targets to do with environmental sustainability, but also macro level targets to do with combating corruption, revenue generation and HIV prevention. The Director of the department then shared these targets among the employees of the department. The Assistant Director of this department was for example assigned the target of keeping the CBD clean. We analyse in the following section the discourses constituting performance contracting in the NCC and interpret their potential effect on social capital.

5. (Re) Construction of social capital in discourses of performance contracting

(Re)construction as used here is suggesting that a negative social capital characterised by networks and values of corruption, inefficiency and impunity had somewhat become accepted as a normal part of public service transactions. This situation has a long history. Our concern here is how discourses associated with the introduction of performance contracting sought to change this negative social capital. We find that discourses associated with performance contracting were deployed both at the national government level and at the organisational level of NCC. At the centre of these discourses was a push by the government for drastic reform of the public service to eradicate corruption, improve service delivery and make government more transparent and accountable (Government of Kenya, 2003). The president, for example, declared in a public address to the nation that "corruption shall no longer be a way of life" (Government of Kenya, 2004d). The president's statement appealed to the pathos of the nation by promising a new beginning free of corruption. The then Minister of State for Provincial Administration and National Security's statement which was reproduced in the introduction appealed to the ethos by outlining the norms and values to guide the public sector. He asserted that the government would focus on reform of both governance and performance to achieve these ethos.

This discourse was subsequently embedded in two key texts, namely, the "Economic Recovery Strategy for Wealth and Employment Creation (ERSWC) 2003–2007" and Vision 2030. The ERSWC appealed to the logos by linking poor performance of the public sector with the existence of multiple and often conflicting principles and goals, a failure to tie resource expenditure to tangible outcomes and lack of clear chains of individual responsibility for poor outcomes (Government of Kenya, 2003). The ERSWC codified the ethos for the government as zero tolerance on corruption, effective facilitation of private sector investment and wealth, re-definition of the role of government as a socio-economic facilitator and enabler, enhancing efficient access to public services, effective rule of law, effectiveness and accountability in public sector performance and workplace empowerment and motivation for public servants. These priorities would later form part of the targets to be included in the performance contracts of each MDA. This discourse as indicated earlier reduced Kenya's performance crisis to a principal-agent problem hence signalling towards reduced government and increased market mechanisms as solutions to this crisis.

These priorities were in turn translated into Vision 2030, a long term strategic plan whose stated aim is to transform Kenya into an industrialising country with middle-income that provides a high quality of life to all its citizens by 2030. Vision 2030 required all MDAs to prepare strategic plans and align them with this broader vision. Performance management – with performance contracting central to it – was therefore presented as critical to achieving Vision 2030. The NCC's Strategic Plan was therefore developed in this light and put performance at the centre of reforming NCC. The Mayor argued that "The preparation of the Strategic Plan (was) the first step towards embedding a culture of performance and accountability to the residents, business community and the public". From a social capital perspective, government rhetoric which was translated to Vision 2030 and government plans sought to construct the norms and values – the cognitive social capital – to guide reform of the public sector. The Strategic Plan sought to translate national performance norms and values into those of the NCC. In this discourse, reform at the various organs, such as the NCC, was considered an important part of achieving the national performance ambitions. To perform this function, it needed to rationalise its functions because, according to the Strategic Plan, its " . . . programmes and projects [so far had been] conceptualised and implemented on an ad hoc manner leading to unsatisfactory results . . . ".

The Strategic Plan identified various actors who were to play an important role in this process of reform, namely, consultants (who provided expertise), the Department for International Development (DFID) (who provided finance) and the employees who were to execute the plan. This is interpreted as an early effort to construct a network to transform the NCC in line with both local and national aspirations.

The NCC conducted stakeholder surveys in order to mobilise these stakeholders into a network. The surveys sought to gather stakeholder assessment of the factors affecting its performance. The Town Clerk explained that the Strategic Plan building process involved " . . . considerable effort, analysis and honest introspection . . . to identify the factors that cause the council to perform poorly". From the internal survey, the NCC learnt that it " . . . has resigned itself to poor performance, self-interests, patronage and corruption". The Town Clerk asserted that the councils had as a result "virtually lost all credibility with stakeholders and the government . . . " (p. 6). The strategic plan surmised that NCC had become the epitome of what ailed the country's governance:

> "In this respect, NCC is seen to continue to have the dubious distinction of being the Capital of a declining social and economic landscape of the country as a whole. Whatever ails Kenya, be it poor leadership, corruption, poor service delivery, uncoordinated development, tribalism, crime and other forms of disrespect for the rule of law, poverty or political hooliganism and bickering, NCC is seen to be the capital!"

Presenting the NCC as the epitome of what ailed the country appealed to the pathos by dramatizing its problems thus making it amenable for reform. NCC was thus presented as facing a crisis of values and norms of public service, with their recovery promising its' "restoration". These norms and values included the attitudes of internal and external stakeholders which were "...hampering its efforts to deliver quality services and good governance".

The findings from the survey enabled the NCC to seek to change these norms and values by codifying the five values that were to guide the conduct of all NCC stakeholders, namely, integrity, responsibility and accountability, professionalism, inclusiveness and client/stakeholder focus:

> Everybody within the council will hold each other accountable to these values. In addition, external stakeholders will share these values to ensure that they also hold the council people accountable to the values in their dealings with them. External stakeholders will need to support the Council to entrench these values by not seeking any favours that contravene the values (The Mayor).

From a social capital perspective, defining values that applied to all stakeholders sought to repair relations with key stakeholders thus creating structural social capital around certain norms and values—cognitive social capital. Since this network was to include both internal and external stakeholders, it can be interpreted as seeking to construct both bonding and bridging social capital. Surveying both internal and external stakeholders seems aimed at building identification with NCC by apportioning blame and responsibility for reform of NCC. This new social capital was expected to provide access to resources, discourage corruption and improve service delivery.

The Strategic Plan was also presented as a mechanism through which NCC actors were expected to commit to the change. The Director Human Resources Development saw it as a learning process which " . . . not only contributed to better understanding of the strategic planning process, but also to ownership and commitment to the plan by the team to implement the interventions set out". The Mayor acknowledged the importance of staff " . . . recognizing the need for internal transformation within the Council to enhance efficiency, effectiveness and integrity for service delivery". This laudatory discourse may be interpreted as an appeal to pathos with the aim of seeking employees continued commitment to the performance reform process. From a social capital perspective, the process sought to bring together various stakeholders (structural social capital) to their shared understanding of the problems facing the NCC (cognitive social capital) (Leana & Van Buren, 1999).

The Strategic Plan did not however specify how such ambitions would be effected on stakeholders over whom it had little control. But for employees, mechanisms for monitoring and controlling employee performance were defined in the form of "a blue print against which work plans will be prepared, departmental performance evaluated and individual performance appraised", according to the Director of Human Resources. To this end, the challenges facing the Council were constituted as Key Result Areas (KRAs), each of which was assigned strategic objectives, which were in turn assigned defined performance targets, resource requirements, timeframes and responsibilities for delivery. The KRAs included developing (a rational) legal framework, implementing change management, capacity building and responsive systems and achieving resource rationalisation and improved financial management. The other KRAs were building image and partnerships with stakeholders, decentralising service delivery, managing the City's development and introducing a Results-Based Management (RBM) for improved service delivery. The last KRA specifically required the implementation of performance contracting as one of the key objectives of reform. The Town Clerk stated that to achieve the key results in the strategic plan:

> " . . . requires an unprecedented focus on results in our planning process, in regular monitoring and in the appraisal of staff performance to ensure that everybody is working to deliver what we have set out to achieve. In particular, the values the council has agreed should be the basis for transforming the council in the new vision which will ultimately (achieve) a much improved quality of life and beautiful city".

Monitoring of performance against the Strategic Plan was to be "synchronised with performance contract reporting and the National Integrated Monitoring and Evaluation System (NIMES)" for reporting to the national level. The integration of these systems of reporting sought to complete a web of visibility (Foucault, 1977) between individual work and the national agenda of rebuilding the country. The first performance contract specified that NCC prepares its employees " . . . for the desired changes in working styles, attitudes and work ethics" (NCC Performance Contract 2011–2012[7], p. iv).

Specific mechanisms were introduced to maintain the link between organisational goals and national objectives, including annual vetting and signing of contracts, evaluation against targets, ranking against targets and possibly reward or punishment for performance. Employees were provided short training courses at Government Training Institutes (GTIs). Employee ranking lists, viewed by one member of the research team, were pinned on the walls of the NCC building for public display. Performance contracting was also accompanied by the Rapid Results Initiative (RRI) a support mechanism normally initiated to support an employee to achieve challenging targets. Thus, besides the discourses discussed above, specific daily mechanisms emphasised working towards performance contracting norms and targets. We next analyse the effect of performance contracting at NCC using the three social capital dimensions as an organising framework.

6. Assessment: perceptions of social capital reformation at Nairobi City Council

This section analyses perceived changes to social capital at NCC following the introduction of performance contracts. The analysis is conducted under three headings, namely, the cognitive, the structural and the relational, which as previously explained, are three dimensions of social capital (e.g. Leana & Van Burren, 1999; Nahapiet & Ghoshal, 1998). We would like to reiterate that these dimensions are interlinked (Nahapiet & Ghoshal, 1998) so aspects of one dimension would be found in the other.

6.1. Cognitive dimension

The cognitive dimension refers to those aspects of social relations which provide shared understandings, representations and interpretations (Cicourel, 1973 cited in Nahapiet & Ghoshal, 1998). Employee accounts indicate that changes to cognitive social capital had manifested themselves in a number of important ways. Firstly, employees were generally more individually and collectively responsible, committed and accountable following performance contracting:

> Before, it was business as usual, we used to come to work or not, no one was holding us accountable, it was like freelance. With the PC, you cannot afford not to be in the office, someone will detect that you are not there. You have targets to achieve, quarterly reports to make, you know what you have not done, it keeps you running. I have never seen anything working so well. Someone will say you failed me, reverse the mentorship (Chief Administration Officer (C)).

This suggests that performance contracting was transforming NCC into a coherent working unit where employees rely on each other and feel responsible for each other's effectiveness. Furthermore, in such a unit, employees monitor each other—a practice that gradually evolves into a system of self-regulation, consistent with social capital theorising (Adler & Kwon, 2002). The quote reveals that accountability is no longer viewed from a singular hierarchical perspective but as a horizontal one as well where colleagues demand accountability from each other. Performance contracts are also viewed as inculcating a personal form of accountability, based around a rational assessment of one's targets and one's position on achieving those targets. The quote uses the term "running" suggesting that the lethargy previously characterising approach to work and manifested in the form of absences from work is increasingly unacceptable. The expression could also suggest the emergence of a negative trend, where employees are frantically seeking to achieve targets with little respite. The change is however viewed as generally positive albeit dramatic as suggested by the statement "I have never seen anything working so well".

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[7] We were unable to obtain copies of earlier contracts but staff assured us that they were basically the same expect for changes of weights and targets.

One illustration of growing accountability involving self and the collective relates to the "*hanging coat*" phenomenon of yesteryears. The *hanging coat* signified those civil servants who hung a coat over their desks as evidence that they were somewhere in the place of employment working when in fact they were somewhere else running their own businesses. Fig. 1 is a recent lampooning of this phenomenon in the Kenyan press.

Over the years the hanging coat came to epitomize the attitudes of a typical civil servant towards work and gained a place in Kenyan folklore as signifying entrenched corruption, and abuse of office and public resources:

> Accountability has improved, you can tell who is doing what, where, you can count what 11,000 employees are doing. Before, people used to leave their coats hanging on the chair in the office, but now it is you, at the end of the year, what have you done? There is a full time monitoring team to check whether you are on track (Chief Administration Officer (C)).

Just like the earlier sentiments by the Chief Administration Officer (C) this quote reveals that increasingly employees monitor each other, compelling the whole unit to perform its duties. Thus performance contracts seem to have created motivation which is likely to create social capital (Adler & Kwon, 2002). The quote also reveals that performance contracts have conferred greater autonomy on employees to pursue their targets, but also be held to account on the basis of these targets. The quote also suggests that a new accountability regime has arrived which is continuous but punctuated by end-of-year evaluation. This system is also focussed not just on the individual but also the totality of the employees of NCC.

Relatedly, employees were more aware of what was expected of them because work was becoming more clearly defined and thus much easier to accomplish:

> There has been lots of change, we used to have no focus, no structured way of doing things, you work on what comes, you don't know what you are supposed to do. We were just employees, no programme, but now, even the cleaner knows what they are supposed to do (Chief Administration Officer (C)).

There is a suggestion here that employees' sense of self-worth and focus has improved because of enhanced role clarity. The Chief Administration Officer (C)'s observation of a clearer working framework was widely shared among the majority of the employees interviewed.

These more rational work structures seem to have been accompanied by a more positive image of the NCC by its employees'. Hitherto, the council, like many other government agencies, had come to be seen as symbolic of corruption, nepotism and inefficiency. Interviewees claimed that many employees, particularly those who wished to maintain integrity, never wanted to publicly associate themselves with the NCC. For these employees their employment had become a necessary evil, which they loathed but had to nevertheless keep. However, as revealed by the Assistant Director (A), the council's improving public image was engendering pride in the employees and a desire to be identified with the NCC:

> There were times many were reluctant to say they were employees of NCC, I always tell forums that when you see a clean city, that is me. I identify with the NCC, our parks are cleaner, safer, I don't hide.

The introduction of performance contracts has also been associated with improved performance, especially in the physical environment of the city and with it a greater desire for employees to be associated with the city. This changed work environment seems to have energised employees as observed by the Chief Administration Officer (W). He observed that this is a remarkable change based on his previous experience when "the culture was lax...". He argued that "...with performance contracting people want to work, especially those who will be evaluated".

Figure 1. The problem of ghost workers in Kenya.

Source: Daily Nation 4th September 2014

These improvements have, apparently, also been reflected in council employees' attitudes and responsiveness towards the public and their requirement for service, which is interpreted as creating bridging social capital. Increasingly the public are both seen as the employers and customers who must be served with respect. A Principal Administration Officer (S) explained thus:

> In the old culture, people did not understand PR, now the PC has forced us to change. It does not matter whether you are in the customer care desk. At the customer care desk, people get information. We are not very well equipped but we are trying to ensure they are satisfied with our services.

The entrenchment of a culture of impunity meant that public servants never saw themselves as employees of the public, paid out of public funds to provide services to the public. The above quote suggests commitment to providing services to the public even amidst a resource crunch.

These positive narratives are however comingled with alternative employees' narratives[8] which suggest that significant elements of the previous negative social capital still remain:

> There is no commitment at the top, change has to start here. The old mentality remains. There is a dearth of resources, supplies are delayed, even basic stationery is sometimes missing. People don't understand the cascading of PCs. There is lack of motivation, there are delays in payments because of delays in revenue collection; there is a problem of information flow, people don't know what is happening; There is political interference, NCC is a very political organisation, we have councillors with interests within and outside. It is not just NCC. If you don't calculate, you can end up serving the interest of someone, not the council (Assistant Director (B)).

This quote suggests that the shared interpretations and understandings previously discussed have not been dispersed throughout the NCC and in fact are limited to the lower cadres of the NCC. This situation suggests that the institutional and administrative capacity of NCC is too weak to achieve the reforms under which performance contracting was promoted. The concern expressed by the Assistant Director (B) is accentuated by the NCC consultant's concern about the prevalence of "*Utadoo*". This expression is a street-language expression which in English translates to "what are you gonna do about it?" and just like the "hanging coat" one, has come to epitomise impunity. *Utadoo* is normally used in a show of power by people, particularly (but not limited to) politicians and civil servants who consider themselves above the law:

> There is the whole issue of utadoo? You do find that performance contracting does not matter after all. Changes in NCC will require a radical shift, the whole architecture is upside down. Unfortunately, NCC is in the capital city, it affects all levels of government, there are national politics, there are sacred cows. Mr Gumo (a former Mayor) came breathing fire, but they said where will he go? NCC has a lot of potential but taxes are uncollected, resources are wasted.

The Consultant explained that this embedded culture had survived attempts by previous Mayors and Town Clerks to change it. This culture of impunity is mostly associated with corruption and misappropriation of public resources for personal enrichment, which the case data reveal is also far from being addressed effectively.

Cognitive social capital was also affected by resistance:

> Some people were not ready to know, you go to a sensitisation forum, but at the end of the day, nobody gets it, *hii kitu ni ngumu sana* (this thing is very difficult) (Chief Administration Officer (C)).

This quote suggests not only that employees did not understand performance contracting but might have used lack of understanding as a resistance strategy. Resistance was mainly attributed to fear that performance contracting could lead to lose of jobs:

> PCs were received negatively, there was lots of resistance, people felt that you will be sacked if you don't perform. After sensitisation, people came to accept, but there are still a few elements who are hesitant to accept what PC is doing (Chief Administration Officer (C)).

This fear seems to have subsided following sensitisation, but the above quote suggests that not everyone is convinced. This fear is not without basis in the context of NCC. Performance contracting theoretically rewards achievement of expected performance but is also expected to punish non-performance. This could be straightforward under normal conditions, but in the case of NCC there were many reasons why a good employee could be judged non-performing and an underperforming one favourably evaluated. This meant that performance contracts could be perceived as a threat by both those employees who for many years were not accustomed to applying themselves fully and appropriately to the job and those who did. But at the same time, NCC was considered to have too many employees and reducing the workforce was expected to be on the agenda in its push to become efficient and effective (NCC Strategic Plan, 2006).

This resistance was bolstered by the workers union's opposition to performance contracts, which perceived it as aiming at the casualization of the workforce leading to lose of job security:

> We used to have issues with the union, they did not understand the PC, they thought it was a *kibarua*, if you miss your target, you go home, they have not understood it even today, some are still resisting it. Those who understand, we share the challenges, but some who have not, we have to go down there and educate them (Accountant II (T)).

[8] These accounts are being provided by the same interviewees: these interviewees paint a picture of an improving NCC but caution that the gains so far made are being thwarted especially by those at the top of management.

Performance contracting was also being thwarted by perceptions that there was no material reward for employees who met or exceeded their targets. Furthermore, employees found the current incentive approach based on trophies, public recognition and ranking of best performing employees an inadequate motivator:

> Some people see the list, it makes no difference, there are those who take the list positively so that they can appear there. The issue of reward system is a set-back, people are not so excited, makes no difference. The list on the board is good, but there should be something more than that, those who do well, there should be a better reward (Assistant Director (B)).

She explained that, in the Kenyan context, people were likely to be motivated to work harder and uphold best practise in public service if there was a monetary reward for achievement of targets. This view, however, challenges the traditional ethos of the public sector, which was associated with sacrifice (see Gregory, 1999) and is an unfortunate – but not surprising – outcome of the expectations of performance contracting. We next analyse whether performance contracting is perceived to have changed the nature of social relations at NCC.

6.2. Structural dimension

The structural dimension refers to the existence of a network, its configuration and its appropriation (Nahapiet & Ghoshal, 1998). As discussed in Section 5, performance contracting had engendered a formal network based around identifying, assigning and vetting targets and evaluating government entities and employees against these targets.

The study found that employees were interacting a lot more as they realised that to achieve their targets they needed to cooperate with their fellow employees:

> People are competing. PC give us a road map, we draw targets, everyone has this document. As you carry out the targets, you are carrying out your normal job. It provides healthy competition; it enables a lot of interaction (Chief Administration Officer (C)).

The quote suggests that though performance contracts had engendered competition as expected in theory, this competition was not inimical to social capital. On the contrary, as suggested below, employees are increasingly engaged in "healthy" competition to achieve targets in providing quality service to the public.

This interaction was occurring both horizontally and hierarchically. The introduction of RRIs brought managers and employees together which enhanced interaction by eliminating hierarchical power distance, thus creating social capital across hierarchies:

> We have done it in RRI where a messenger can lead a team on PC. PC is a team thing. The evaluator will never see people under me (Assistant Director (B)).

The RRI provides an opportunity for interaction between employees at all levels potentially enabling learning through exchange of ideas and also inculcates common norms and values, thus engendering collective action (Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998). Furthermore, employees may come to see managers and other employees as sharing their values thus enhancing cooperative effort (ibid). These changes overall have created excitement among some employees as expressed in the following quote:

> People are not doing things as before, now people are involved e.g. before central government sends a document and says do it. Now there is more involvement, city askaris are coming up with teams to discuss issues, things are changing (Chief Administration Officer (N)).

The quote reveals that employees in the lowest level of the NCC hierarchy, here epitomized by "*city askaris*" (city guards) are getting together to discuss how they can solve issues in their dockets. Performance contracting seems to have engendered more democratic forms of governing where everyone is consulted and where power asymmetry is minimised.

Interaction with actors outside NCC has also been enhanced suggesting improvement in bridging social capital. There is enhanced interaction with city residents, especially business people. Though this engagement is motivated by the need to achieve individual targets, it nonetheless repairs relations between the NCC and its residents, which have been flayed by years of apathy and incompetency:

> We compete a lot to achieve targets, if I don't, what will DMA? We go on the ground, sit down with the traders, what can I do to assist you? Why are you not meeting our targets? Immediately we sit down with them, they start paying (Divisional Manager (DMA)).

The "paying" in the above quote refers to paying NCC rates. This interaction with the traders is interpreted as creating bridging social capital (Leonard, 2004) between the council and the residents. In this interaction, residents were, for example, able to share with council employees reasons as to why they could not pay their rates and this dialogue enabled them to come up with alternative payment arrangements. This approach increased NCC revenue collection, enabling employees to achieve their targets and improving NCC community relations.

Performance contracting has also been associated with increased interaction between NCC employees and agencies outside the NCC, enabling it to achieve tasks that it would not have, given its constrained budget:

> For example in the isolation wing, we created a network for sharing information and supporting each other. You have what we need. For access to the civil society registry automation, we got a coupon with ICT. We got personal computers from ICT through networking. They gave us the coupons to purchase data entry. But ultimately, it comes down to individual performance. We have not seen isolations, you can't move forward alone (Assistant Director (W)).

The views expressed by the Assistant Director (W) reveal that performance contracts had become associated with both bonding social capital, in the sense of getting employees to work together, and also bridging social capital, in the sense of getting them to develop relations with others outside the council (Leonard, 2004). While external engagement clearly provided resource advantages to NCC, it posed a new danger to NCC values:

> Our greatest limitation is resources therefore we tried to engage the private sector e.g. in garbage collection, they donated benches and display signage, deliver services at lower cost, partnerships to deliver services but ensure we do not compromise our values. Not all have worked well though (Assistant Director (A)).

The Assistant Director A's quote underscores the view in social capital theory that once in a network, one's values may change to accord with those of the network. This is the challenge NCC will have to contend with as it becomes more open and engaging with stakeholders outside the NCC and especially those with the resources it seeks. Specifically, because performance contracting seems to have been accompanied by the intention to convert government from provider to a facilitator of service provision as enunciated in the ERSWC (Government of Kenya, 2003), NCC may find itself confronted with the question as to what it means to be a public sector organisation.

While performance contracting has been associated with enhanced interaction – structural social capital – which has been associated with the creation of networks for sharing resources and solving day to day problems, old structures continue to exist in parallel. These old structures consist of former Mayors, local and national politicians and employees who owe their employment at NCC to this network:

> Changing NCC is difficult. There are serious syndicates, groups associated with former Mayors, e.g., X and Y, they are not driven to perform. Clerks come in, but they never break the syndicate. The issue of godfathers is a big one, you find a niece being the head of an aunt, how can that work? (Consultant).

This network protects member workers so that there are no consequences if they do not perform as expected under performance contracting. The extract also reveals the existence of another insidious phenomenon at NCC, namely, "godfathers". This is a situation where an employee owed allegiance to someone within or without NCC, who could protect the employee from any form of punishment or sanction for non-performance or wrong doing. The existence of this phenomenon suggests that performance on performance contracting could not matter because employees who had protection from powerful figures in the network may not be held accountable. Performance contracts are supposed to be rational objective mechanisms that measure one's performance irrespective of affiliation. If one could circumvent objective measurement of his or her performance using corrupt networks, then changing his or her conduct would be very difficult. The Chief Administration Officer (C), as did many other interviewees, thus described corruption as "a big challenge".

Performance contracting therefore seems to have faced, and perhaps continue to face, initial resistance because it aims to bring change to the status quo, which benefits the network. The NCC Consultant emphasised the difficulty associated with attempts to break existing networks that have long strangled the NCC:

> Even now, no, but the image is changing, though corruption is still there. The reason is that the internal processes and procedures have given an opportunity for corruption; the politics of this place, the mayor, Councillors, they influence things and they are not questioned, someone does something wrong, but politicians interfere.

The Consultant, like many interviewees, acknowledged that change was taking place, but that the underlying structures undermine the envisaged change. The existence of these patronage networks continues to perpetrate values and norms that are inimical to the stated goals of performance contracting. This situation has created two parallel networks with competing values, one imbibing values of accountability and transparency and the other corruption and favouritism. The quote also illustrates that though performance contracting is becoming associated with the creation of social capital, the benefits of this development are being influenced by the existing structures. We next analyse employee perceptions of the quality of their social relations following introduction of performance contracting.

6.3. Relational dimension

The relational dimension is concerned with the quality of the interaction between people and consists of trust and associability (Nahapiet & Ghoshal, 1998). We found this dimension to be extremely intertwined with the structural and relational dimension making it difficult to disentangle. We nevertheless found that though employees were competing over limited resources and towards specific goals, this competition did not undermine cooperation and teamwork:

> The PC seeks to enhance interdepartmental relationships, the resources are limited, so we try to go out, but even out there, resources are limited therefore we may see tensions between departments, but we don't see a situation where people withhold information or that assistance is not forthcoming because they are also limited. The competition is healthy the way I see it (Assistant Director A).

This may suggest that trust and associability (Leana & Van Buren, 1999) have been some of the key outcomes of performance contracting at the NCC. Many interviewees observed that people increasingly recognise the importance of teamwork in achieving both individual and collective targets:

> It enables us to recognize that if one fails, it affects the other, we work towards achieving the same goal, we compete towards achieving these goals (Principal Administration Officer (C)).

This feeling of mutual interdependence thus disposes the employees to subordinate their individual interest to the collective and work more collaboratively. This realization has led employees to be more committed to their work as evidenced by greater effort:

> It depends on an era. My dad was hard working, later things changed, people did not want to work hard. With the PC, if you don't change, you may not meet your targets, you will not be part of the system, you might not network very well (Assistant Director (W)).

Assistant Director (H)'s story of his father illustrates the decline in the public service ethos in Kenya but also how this ethos is perceived to have been restored following the introduction of performance contracting. This interviewee reveals that a shared norm of hard work could be enabling employees to work together, but more tellingly, that employees hold each other accountable and apply sanctions to each other, where they do not meet their targets. The sanctions include exclusion i.e. "you will not be part of the system" suggesting that performance contracting is affecting employees' ability to build structural social capital.

The observations regarding increased cooperation and teamwork, just like in our discussion of the cognitive and structural dimensions above, do not, however, seem to apply everywhere. In some departments and sections, and indeed, in certain situations, competition seems to be adverse, as shown in the following extract:

> The competition is there, it makes people not have teamwork, you don't want to assist, makes it unhealthy. I have seen that in all the three departments where I have been. Some departments withhold information, in the name of seeking glory (Chief Administration Officer (W)).

The Chief Administration Officer (W) explained that such competition had eroded trust and the sharing of resources whereby employees sought to win by refusing to share resources with other employees, which is inimical to social capital:

> The trust has gone down, it is very queer behaviour. People pluck pages from files so that others cannot access them.

This view suggests that contrary to theory, regular interaction in a setting which rewards the individual does not necessarily spawn social capital. The adverse competition mentioned in the quote is exacerbated by a setting where senior managers are able to claim all credit for employee success, thus demotivating them from fully applying themselves towards exceeding set targets, as follows:

> The problem comes in within departments when delivering information. The council structure is such that the director shines when the assistant director has done all the work. Our structure is hierarchy based. We need to shift to a market structure. Under the hierarchy system, some departments withhold information, but we need to flatten the structure (Assistant Director (S)).

The quote suggests that under performance contracting, the beneficiaries of individual performance are those at the top. The structural problems here are however so deep that the Assistant Director (S) in frustration naïvely recommends that NCC needed to adopt a market structure in place of the "hierarchical" structure which she blamed for negative competition. This frustration should however, not be entirely unexpected. Wallis and Dollery (2001) and Schick (1996) had warned that weak institutional and administration capacity could not be remedied by top-down solutions because these very capacities are needed to implement these solutions effectively. We discuss and conclude the paper in the following section.

7. Discussion and conclusion

In this paper, we seek to achieve two aims. Firstly, we seek to illuminate how social capital is framed in discourses surrounding the introduction of performance contracting into the Kenyan public sector. Secondly, we assess how the introduction of performance contracting into the Kenyan public sector may have affected social capital formation within a Kenyan local authority. But underlying these questions is a curiosity regarding whether NPM will transform the Kenyan public sector in the way it is promoted. The paper thus responds to recent concerns that the introduction of NPM might have deleterious effects on the public sector (e.g. Gregory, 1999; Wallis & Dollery, 2001; Broadbent, Dietrich, & Laughlin, 1996) or be a cruel disappointment (Lapsley, 2009).

The paper makes a theoretical and empirical contribution. The paper contributes to answering the important theoretical question as to how social capital is formed and may be changed (e.g. Arregle, Hitt, Sirmon, & Very, 2007; Bolino et al., 2002; Adler & Kwon, 2002). Previous studies on social capital formation have focussed on family succession as the carrier of generational norms and values (e.g. Arregle et al., 2007) and employment practices including hiring and retention (Arregle et al., 2007; Leana & Van Buren, 1999). Bourdieu (1983) has focussed on the institutional production and reproduction of networks through practices such as gift giving, consecration etc. and the asymmetry that emanates from membership of such networks. We contribute to these literatures through analysis of how hierarchy appeals to different spheres of our being in an effort to construct and bring forth new social capital.

The paper demonstrates how discourse constructs the structural and cognitive dimensions of social capital. Regarding the cognitive dimension, the Kenyan Government mobilised discourses that problematized performance in the civil service and sought to cultivate a culture of efficiency, integrity and effectiveness. These discourses were not only mobilised rhetorically to appeal to national emotions but also to ethos regarding what is the moral of government and logos regarding how multiple principals and lack of clarity regarding goals were exacerbating underperformance (cf. Green, 2004). The performance contracts were encapsulated in government policy and aligned with the national Vision 2030, thus diffusing national priorities into individual MDAs and hence portending cognitive social capital at NCC. These discourses served as the lens through which NCC sought to understand and transform itself using the instruments of strategic planning and performance contracting. This mobilisation sought to motivate actors in the Kenyan public sector to embrace a new ethos thus portending formation of new cognitive social capital.

Regarding the structural dimension, Government discourse constructed structures to promote, implement and monitor performance contracting, to negotiate, set and vet targets and assess performance against these targets. These network structures provided an opportunity for repeated interaction at a number of levels: between the NCC, the Ministry of Local Government and the PCS; between the councillors and the Town Clerk of NCC; between the Town Clerk and section managers and between managers and employees. A key aspect of performance contracting was the RRI, which brought employees across hierarchy to achieve difficult targets. This repeated interaction created the opportunity for creation of relational social capital (Nahapiet & Ghoshal, 1998). The structures also provided opportunities where the rationalities informing the government reforms were reiterated providing potential for formation of cognitive social capital. There were also enhanced opportunities for bridging social capital as NCC employees developed a better appreciation of clients and provided better services to them. This again portends benefits both for the employees and the NCC.

Empirically, many employee accounts suggest that social relations at the organisation have greatly improved, which is associated with a change in people's attitude to work. For example, there is a lot more collaboration and sharing of resources among employees within and across departments, apparently following a realisation that to achieve individual goals, association is essential. This more cooperative work environment has also been associated with dispersed systems of accountability, where one is accountable to oneself for achieving individual targets, and to others for the effect of his/her performance. This situation has introduced employee monitoring: this kind of monitoring is likely to compel people to work towards the common objectives of the network – achieving the targets agreed – thus enhancing cognitive social capital. Overall, under performance contracting people are more positively engaged at work and committed to uphold the virtues of good public service and avoid the negative practices which have tainted the service. Social capital reformation at NCC though partial has been associated with organisational benefits: now, employees are willing to work better and harder, and have a more positive image of their employer. Employees who achieve or exceed their targets potentially benefit from rewards and recognition but are frustrated with the fact that the system does not currently materially reward performance.

Performance contracting has also been associated with heightened competition between employees (see also Gregory, 1999). Different employees had differing views about the effect of this competition. Two assistant directors and the Chief Administration Officer (C) viewed this heightened competition as productive. Some of the lower level employees however, felt that performance contracting had generated negative competition where individuals pursued individual targets to the point of sabotaging other employees. That performance contracting would generate competition is not surprising because it tends to emphasize achievement of individual targets. That there would be instances of sabotage might thus be explained by the fact that the recognition and reward system focussed on what the individual achieved, and not the group. This would especially be the case in a context such as NCC where the essential resources to achieve the set performance targets were not adequate. The positive view might be attributed to the fact that managers at NCC were pleased to see employees competing to achieve their targets given that before there was no commitment to work and apathy was prevalent. But it might also be reflective of what some employees complained about, namely, that senior managers were keen to see employees achieving their targets which they would then appropriate as their own success. Be that as it may, performance contracting was in some instances engendering a form of competition that potentially threatened trust and reciprocity, which are key attributes of relational social capital (Nahapiet & Ghoshal, 1998).

The central question of this study is, has social capital at NCC been reformed? We find that the answer to this question is not straight forward. The study found that narratives of optimism are comingled with cautionary ones. On the optimistic side, the study finds that performance contracting has been associated with changes to the social capitals of many cadres of employees at NCC, especially at the middle to lower levels[9]. There is greater identification with NCC, greater enthusiasm to serve the public and cooperate to achieve assigned targets. But this optimism is counterbalanced by more cautious warnings. These latter tales warn that old networks which comprise powerful individuals both within and without NCC – to whom some employees owed their loyalty – still exert significant influence at NCC. These networks ensure that underperforming individuals are never sanctioned hence negating the tenets of performance contracting. The other tale is that even among those who have embraced performance contracting, the lack of material rewards for individual performance is de-

[9] These are the only levels we interviewed, so we do not know what the upper levels of the organization would have said.

motivating them, again partly because the underperformers – many who are protected by these networks – are able to draw on this evidence to deride their efforts.

There is temptation to consider these two positions as irreconcilable and therefore to adopt one and not the other. We do not however think that this co-existence is contradictory. The co-existence of entropy with inertia is for example central to studies of institutional change (e.g., Oliver, 1991). We think that the new forms of governing based on measurement of work, which aims to make individual effort visible to power, appeals to certain cadres of employees, especially those without the protection being accorded by the pre-existing networks of corruption and impunity. These cadres of employees see performance contracting as finally providing objective evidence of their effort away from the corrupt performance evaluations of yore. This system however, threatens those employees who have traditionally thrived on the opaqueness accorded by networks of patronage and they have resisted this change. Many of our interviewees had been at NCC for many years and observed that these networks were difficult to dislodge, which somewhat explains their present pessimism. For example, the Consultant interviewee opined that "Mr Gumo (a former Mayor) came breathing fire, but they said where will he go?" These employees' cautionary tales seem to have been vindicated by recent developments at NCC where numerous cases of corruption and mismanagement have been reported in the daily press (Otieno, 2013a,b; Achuka, 2015).

We conclude that the social capital of certain cadres of employees has changed, but that the structures erected for the implementation of PCs ignored the need to tackle underlying systemic issues. The theoretical formulation of the reform agenda assumed that employees were the problem primarily because they did not work hard, were inefficient or corrupt. Yet, the analysis here suggests that employees' negative attitudes towards work were largely symptomatic of the negative effects of bonding social capital where membership of a network of corrupt individuals determined one's employment, performance and reward. Since these institutions permeate the highest levels of government and politics, the political will necessary for a radical transformation that would successfully engender new, more positive values is unlikely to be summoned (Tangri, 1999; Uddin & Tsamenyi, 2005). The NCC case confirms that in instances where there is weak institutional and administrative capacity, top down solutions based on the market failure hypothesis are unlikely to improve state effectiveness (see Wallis & Dollery, 2001).

This study as explained in the methods section is merely an exploratory study and is based on interviews with relatively few employees in the middle to lower cadres of the NCC. In spite of its apparent weaknesses, the study contributes to illuminating how social capital could be reformed through a combination of discourse, structural, coercive and incentive mechanisms operating both at the macro and micro level of the public sector. The study also reveals how prevailing structures based on negative social capital could continue to thwart such attempts. Future researchers might want to interview employees at all levels and the elected members as well in order to understand whether performance contracts had affected them differently.

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