

Analysis of employees' perceptions of performance contracting in the ministry lands, Kenya

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Abstract : *Performance contract (PC) is a negotiated agreement, arrived at after a meeting of minds, between a government and a respective ministry, department, agency or a public officer, clearly specifying short-term implementation goals, obligations and responsibilities between the two parties (GOK, 2004a) . It is an integral part of both bureaucratic law and management renewal in the public services, useful in identifying priorities and required inputs, for improved service delivery. The study was an endeavor to establish the employees' perception of the relevance of PC as a tool for improving service delivery, its impact in the ministry of lands and the challenges it encounters. It was guided by the agency theory. Data was collected from 91 respondents who were employees in the department of land adjudication and settlement at its Nairobi headquarters, 16 respondents from Thika and 13 from Machakos districts respectively. Secondary data was sourced from existing literature after which descriptive statistics was proffered. The study established that employees think positively of PC as useful in advancing effective governance but face the challenge of inadequate resources and lack of ownership. The study recommends changes in the fiscal allocation regulations by providing for increased budgetary provisions for PC implementation programs and increased rewards based on performance in order to improve both quantity and quality of output.*

Keywords: *Performance Contracts; Agency Theory; Employee; Perceptions.*

JEL: *R38; R52; R58.*

Introduction

Although Performance Contracting (PC) is technically a legal process, it is a branch of management science often referred to as Management Control Systems (MCS). It is a freely negotiated agreement between Government, and its agency or between an administrative agency and employee (GOK, 2004a). It is a contract between two parties that specify their obligations towards each other. According to Trivedi, (2004), the use of Performance Contracts (PCs) has been acclaimed as an

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effective and promising means of improving the performance of administrative agencies. Trivedi also defines PC as an agreement between a government and a public authority or officer which establishes general goals for the agency, set targets for measuring performance and provides incentives for achieving targets. It is on that note that the employees' perceptions of PC become crucial in their effectiveness as part of the complex adaptive system. Performance Contracts (PCs) concentrate on outcomes rather than the processes. They should also include a variety of incentives based mechanisms (Balogun, 2003).

The principal feature of performance management is that it connects the objectives of the organization to targets for individual employee. Employees are appraised against quantifiable targets as opposed to subjective criteria. It is a move away from process based management to result based management. This system of management has brought a sense of purpose, instilled a sense of accountability, transparency and conscience in the conduct of public sector employees (Bale M. & Dale, 1998). Whereas in an employment contract, an employee has specified tasks and responsibilities, the PC lists key result areas, the level of performance expected towards achievement of agreed targets and how performance will be measured, epitomizing the saying that *what gets done, gets measured and what gets measured, gets done* (Opiyo, 2006).

A Performance Contract is also founded on the understanding that an employee perception is crucial in an organizational success or the success of any of the organizational objectives or undertaking. Employee perceptions matter as Adams (1965) asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (See also Carrell, M.R., & Dittrich, J.E.,1978: Huseman, R.C., Hatfield, J.D. & Miles, E.W.,1987: Messick, D. & Cook, K.,1983: Spector, P.E.,2008: Walster, E., Walster G.W. & Bersheid, E. (1978).

A PC in Kenya is a hybrid system that has borrowed from international best practices and the Balance Score Card (BSC). The system has been drawn particularly from South Korea, India, China, USA, United Kingdom, Malaysia and Morocco but favorably contextualized. The BSC refer to a planned report, founded on proven design processes and automation tools, used by managers to keep track of the execution of activities by staff under them and to monitor and evaluate the outcomes arising of these actions (Kaplan and Norton, 1992). The approach provides a logical connection between the vision, mission and strategic objectives with the desired results in terms of customer and stakeholder needs, financial/budget, internal processes and capacity building. It also links strategic objectives to long term targets and annual budgets (Ibid).

One of the initiatives that the Kenya government used to respond to the challenges of public service delivery was the introduction of economic and managerial reforms. These reforms were guided by the Economic Recovery Policy Direction (DPM, 2009). In the Economic Recovery Strategy for Wealth and

Employment Creation (ERS) 2003-2007 policy document, the government accorded high priority to economic recovery and improvement of the performance of public service to deliver results to the people. To achieve this objective the government adopted (PC) in public service as a strategy for improving service delivery to Kenyans. PC is therefore one of the elements of the broader public sector reforms aimed at improving efficiency and effectiveness while reducing total cost of government business (Kobia & Mohamed, 2006).

Before the introduction of PCs in 2003, the government ministries implemented annual appraisals (GOK, 2002). The appraisal forms were filled by the employee and the immediate supervisor did the evaluation. The appraisals were however not accompanied by set targets for the employee for self assessment. Neither were the strategic objectives nor the service charters were part of the appraisal system (GOK, 2003). Due to lack of proper follow up guidelines and clarity of the system, the Ministry of Lands in particular experienced problems such as under collection of revenue, large number of poor landless Kenyans and multiple registrations of title deeds (GOK, 2004).

1. Problem analysis

While the public has in the past generally complained of widespread mediocrity in service delivery from government ministries, public officers have equally complained of disproportionate poor pay, lack of clarity of objectives, and inadequate support from the employer, leading to low morale and dissatisfaction. In the Ministry of Lands, members of the public have complained of delays in processing land transfer documents. For instance, settlers who were allocated pieces of land were expected to pay a certain fee, and in return receive discharge of charges that facilitates issuance of title deeds. At times, the processing of documents took over seven years even after clearing the expected payment, due to work backlog. Land disputes that occur during the land adjudication process, also slow down finalization of land adjudication sections which at times took more than ten years and, further delay the issuance of title deeds. This is further exacerbated by malpractices in the ministry of lands that include engagement of brokers, nepotism and corruption among others.

The study attempted to establish the perceptions of employees on the relevance of PCs as a managerial tool for improved service delivery in the Ministry of Lands, Department of Land Adjudication and Settlement. It also examined employee perceptions of the impact of PCs on public service delivery. Lastly, the study looked at employee perceptions of the challenges experienced during the implementation of PCs

2. Selected theoretical assertions

The research was guided by the agency theory which originated from the work of Berle and Colt (1932). Largely borrowed from economics, it has been mostly exemplified in conflicts, shareholder manager and shareholder bondholder. It has been about developing an arrangement where the principal determines the work which the agent undertakes (Eisenhardt, 1989). The theory avers that under conditions of incomplete information and uncertainty, two problems arise, thus, adverse selection and moral hazard. Firstly, the principal can seldom ascertain if the agent accurately represents his ability to do the work. Secondly, the principal cannot be sure whether the agent has put maximum effort (Eisenhardt, 1989). Fixed wage may be an incentive for the agent to shirk as the wage remains the same irrespective of his efforts or the quality of work. According to Alchian and Demsetz, (1972) when agents have incentive to shirk, it is more efficient to replace fixed wages with compensation based on residual claims on the profits of the firm (Jensen, 1976). Provision of ownership rights reduces the incentive for agents' adverse selection and moral hazard since it makes their compensation dependent on their performance.

The theory advocates that there should be monitoring systems to measure and evaluate the performance of the agent and intervening environmental conditions. These are bonding arrangements by which the agent can provide guarantees for working in accordance with the principals interests or by which "contractual limitations on the managers' decision making power" are set. Further systems of financial incentives that link reward to the performance of the agent, resulting in risk-turn-over from the principal to the agent is also exemplified (Verhoest, 2005). It is envisaged this theory captures the nature of relations between employers and employees and how performance can be managed to improve service delivery in the public sector areas such as the Ministry of Lands and particularly in the processing of land transfer documents and finalization of Land Adjudication sections.

3. Research methods

The study used both qualitative and quantitative method of data collection. For secondary data, the research utilized books and annual reports on land transfer documents processed from the year 2002 to 2010 and those on the land adjudication sections completed within the same period. Primary data was derived from closed ended questions. Respondents were expected asked to give their views on the relevance, impact, and challenges of PCs in the department of Land Adjudication and Settlement in the Ministry of Lands. The methodology used enabled the researchers to obtain the independent perceptions of respondents on the questions raised. The population of the study consisted of employees who worked in the Department of Land Adjudication and Settlement in the Headquarters in Nairobi and also in Machakos and Thika districts. The Departments had a total population of 91 employees at the office in Nairobi (Headquarters), 14 in Machakos

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and 13 in Thika districts. This gave a total target of 118 respondents. Thika and Machakos were purposively selected because of their proximity to Nairobi. The summarized categories of the target population are shown in the table 1.

Table 1. Target Population

Designation	Target Population
Clerical Officers	11
Land Adjudication and Settlement Assistants	39
Support Staff	5
Land Adjudication Officers	14
Secretaries	10
Accountants	16
Settlement Officers	11
Senior Land Registrars	2
Record Management Officers	4
Administrator	2
Information Communication Technologists	4
Total	118

(Source: Authors, 2011)

4. Data presentation and analysis

This section presents the respondents characteristics and the nature of data collected. Attempts have been made to interpret the data and deduce the overall findings. The study administered 118 questionnaires to employees who worked in Nairobi (Headquarters of the Ministry), Machakos and Thika Districts. Although 118 questionnaires were administered 98 were filled and returned, giving an overall response rate of 83 percent as shown in table 2.

Table 2. Respondents by designation

Designation	Sample Population	Responses	percentage of respondents (percent)
Clerical Officers	12	09	75
Land Adjudication Assistants	38	34	89
Support Staff Supervisor	04	03	75
Land Adjudication Officers	14	11	79
Secretaries	11	09	81
Accountants	16	13	82
Settlement Officers	11	08	73
Senior Land Registrars	02	02	100
Record Management Officers	05	04	80
Administrator	01	01	100
ICTO	04	04	100
Total	118	98	83

(Source: Authors, 2011)

Response rate by station is shown in table 3.

Table 3. Response rate of three Stations

Station	Number of responses	Target Population	Response rate (%)
Nairobi	73	91	80
Thika	13	13	100
Machakos	12	14	85
Total	98	118	83

(Source: Authors (2011))

Respondents Demographic Data

The demography of respondents showed that 54 percent of respondents were female while 46 percent were male as indicated in table 4.

Table 4. Respondents Gender

Gender	Frequency	Percentage
Female	53	54
Male	45	46
Total	98	100

(Source: Authors, 2011)

Respondents' Age

The age bracket of the respondent ranged from 21 to 60 years. Majority of the respondents were in the range of 41-50 years and this comprised 61 percent. Only three percent of the respondents were in the range of 21-30 years while 22 percent were in the range of 51-60 years. This is a clear indication that most of the respondents were in middle age. The percentage of respondents among young employees was low as compared to other categories as shown in table 5.

Table 5. Classification by Age

Age Bracket	Frequency	Percentage (%)
21 - 30 years	3	3
31 - 40 years	14	14
41 - 50 years	60	61
51 - 60 years	21	22
Total	98	100

(Source: Authors,2011)

Having examined, the characteristics of respondents, the next section analyses related secondary and primary data.

4.1 Analysis of annual reports and primary data

Table 6 presents an analysis of annual reports on completed land adjudication sections and discharge of charges. Reports indicate that only 13 sections of land adjudication sections were completed in 2002 while 11 adjudication sections were completed in 2003. This was a very small number in comparison with the number of staff that was working on them. From the year 2005 to 2010, and with the introduction of PCs, there was an increase of the land adjudication which was completed considering that the number of employees had not changed significantly. This suggests that PCs, among other factors have had a positive impact on completion of land adjudication sections.

**Table 6. Land adjudication sections and discharge
of charge documents processed**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of adjudication sections completed	13	11	19	16	33	28	30	30	30
Number of Discharge of Charge documents processed	1200	1320	1180	1520	1720	1800	2200	1820	1260
Number of Staff	142	140	132	128	154	159	143	146	148

(Source: Authors, 2011)

Reports indicate that there was little improvement in the first two years (2001 and 2003) in the number of discharge of charges documents processed. There was a further improvement between the years 2005 and 2009. In both periods, there was no significant change in the number of staff. Findings further show that there has been very minimal improvement in the processing of discharge of charges (the number of land transfer documents processed). With an almost a constant number of staff, there was a decline in the number of discharge of charges produced in 2010. This begs the question: what could have happened in 2010 after an improvement for seven years. Could it be that the PCs systems were problems that affected PCs? Could the post election violence of 2008 be one of these problems that affected the operations of the Ministry of Lands hence making the discharge of charges to drop from the level achieved in 2010 to the level attained in 2002? Could it be the changes in policy that were associated with the new government regimes after the 2002 and 2007 elections that affected the processing of land transfer documents. Despite the possibility of the presence of these influences, this paper attempted to examine if employees perceptions also affected

the implementation of PCs. Table 7 looks at the employees' responses to questions on their perceptions.

Table 7. Employees Perceptions of Performance Contracts

	Total Respondents	Yes	Percentage	No	Percentage
Have you signed a performance contract?	98	94	96	4	4
Did you understand all details entailed in your performance contract before you signed?	98	91	93	7	7
Are you comfortable with the terms of your performance contract?	98	60	61	38	39

(Source: Authors, 2011)

Table 7 shows that while 96 percent of employees had signed PCs, 4 percent had not. This suggests that PC was embraced in Ministry of Lands. Majority of them, comprising 93 percent, reported that they signed the PC forms after they had read all the details in the form while only 7 percent had signed before understanding the details in the forms. According to Opiyo (2006), a PC lists key result areas, the level of performance expected towards achievement of agreed targets and how performance will be measured. If 94 percent of the employees read the content of PC before signing, it is a clear indication that PCs in the Ministry was taken positively and hence there was a likelihood of providing quality service as the agreed targets were laid down in the PC. When respondents were asked whether they were comfortable with the terms of their PCs, 61 percent responded in the affirmative while 39 percent said that they were not. This suggests that PCs were yet to be fully part of the culture of the Ministry of Lands and Settlement. Table 8 illustrates the perceptions of respondents on PCs as a system of rewards.

**Table 8. Perceptions of performance contracts
as a system for awarding rewards**

Do you think performance contract reward system is a fair method?	Frequency	Percentage
Yes	51	52
No	47	48

(Source: Authors, 2011)

When respondents were asked to give their perceptions of whether or not PC was a fair method for awarding rewards, 52 percent thought that rewards based on performance contracts were fair while 48 percent thought otherwise. The large

response of the former group indicates that respondents were contented with performance based reward system. However, a significant percentage of 48 percent were not contented. This latter group was not contented, perhaps because of other factors affecting PCs rather the PCs themselves. According to Okunishi, (2001) experience showed that performance based reward system succeeds only when adequate funding is provided and employees are rewarded according to performance. This makes employees appreciate that superior performance is rewarded while inferior performance is denigrated. In the Ministry of Lands, the 48 percent of employees who were not contented with PCs may have been those who contributed to low performance in the number of documents processed by the Ministry in 2010. Whether this is the only explanation or a combination of other factors is an area for further research. This also begs the question: are PCs useful? To answer this question, respondents were asked their perceptions about the relevance of PCs

4.2. Relevance of Performance Contracts

Respondents were asked questions related to the relevance of PC and were expected to indicate the extent to which they agreed with given statements. They were asked, for example, do PCs help in the improvement of efficiency and effectiveness in the Department of Land Adjudication and Settlement? Majority of respondents who comprised 71 percent agreed that PCs helped in the improvement of efficiency and effectiveness, while 19 percent disagreed. The RBM Guide (2005) indicates that the genesis of PCs was the perception that the performance in the public sector had been consistently falling below expectations and the introduction of PC was part of the broader public sector reforms aimed at improving efficiency and effectiveness in the management of public service. A significant percentage of 82 percent of respondents thought that PCs were very powerful tools for improving productivity while 9 percent neither agreed nor disagreed, and another 9 percent disagreed. The small number of respondents that disagreed could be the same that had previously said that they had not signed PCs or were part of those who had not read the details of PCs before signing. The larger percentage that agreed that PC are powerful tools for improving productivity is in agreement with existing literature that indicates that poor management, excessive controls in organizations and political interference have inhibited performance in government organization, and hence it was envisaged the PC would be an effective tool for managing productivity. Performance Contracts allow tasks and objectives to be well defined; performed systematically, purposefully and with reasonable probability of achievement (DPM, 2004). The respondents were asked whether or not targets were realistic when set through consultation between an employee and immediate supervisor. Out of the 98 sampled respondents, 58 percent agreed while 30 percent disagreed. This is consistent with studies carried by Kobia and Mohammed (2006) who posit that PCs need to be institutionalized to create a sense

of ownership. Public enterprises managers and citizens who are involved should be released to manage the process rather than external parties. This would eventually lead to improved service delivery.

The 30 percent that disagreed shows that there are disagreements, even if those disagreements are undefined, in the setting of targets under PCs. This suggests that PCs structures and processes should undergo continuous analysis and deliberate advancement so as to create positive perceptions among employees. When respondents were further asked whether there were regular and continuous feedback and reviews under PCs, 51 percent were in agreement.

This is an indication that the Ministry of Lands and especially the Department of Land Adjudication and Settlement there was still a great need for improvement in the way PCs are implemented. This finding agrees with that of Milkovich and Ramirez (1997) who asserts that every organization should develop its own conceptual framework within which appropriate processes could be developed and operated.

The framework would guide managers on performance management activities such as continuous management of performance throughout the year, formal performance review, performance rating, and feedback. When the respondents were asked whether PCs helped in evaluation of individual performance, 73 percent agreed while 11 percent disagreed. This suggests that those who disagreed are most likely to be those employees who indicated that they had not signed the performance contract forms and those who had not read the details in PCs.

The majority (73 percent) however, were those who embraced the concept of PC and hence helped in the evaluation of individual performance. As Mc Nerney, (1996) asserts, PCs were introduced with an intention of evaluating each individual employee's performance and also average group performance either departmentally, sectional or ultimately the entire organization. Since PCs have been implemented in the Public sector because of their perceived relevance, there is need to assess their impact. For this reason, respondents were asked to provide information in relation to the impact of PCs in the department of Land Adjudication.

4.3. Impact of Performance Contracts

Respondents were expected to state the extent to which they agreed with specific statements provided in relations with the impact of PCs. Out of the sampled 98 respondents, 83 percent agreed that PCs have improved service delivery while 9 percent neither agreed nor disagreed and another 9 percent disagreed. This is a clear indication that majority of the respondents have found PCs to be useful in the improvement of service delivery. In a study of PCs in Kenya, Kobia and Mohammed (2006) noted that PCs have brought radical improvement particularly in the public sector, remarkable improvement in profit

generations for commercial state corporations, significant improvement in the delivery of services and operations by such Ministries as Immigrations and Registrations of Persons, significant improvement in operations by City Council of Nairobi and many others. They further posit that there has been considerable progress and improvement in the administration of PCs where their evolution and evaluation system were crafted to adapt to emerging indicators and to reflect some national concerns like corruption and ineptitude. In this research, a significant number of respondents, 70 percent, agreed totally or agreed to a large extent that there was transparency in operation and accountability in the Department of Land Adjudication and Settlement.

The reason why levels of transparency and accountability have greatly improved could be due to the written agreements and *ex post* performance assessment which has led to increased transparency throughout the public service in terms of information about what departments do and how much their activities cost. This further agrees with an OECD (1999) report which reported that the adoption by departments of comprehensive performance management systems for assessing performance of their staff has served to clarify roles and responsibilities. Findings by GOK (2009) also indicate that refocusing of Ministries, departments and agencies have led to improvements in the levels of transparency and accountability where obligations of all publicly signed PCs are in most cases uploaded on the agencies website for stakeholders reference.

Further findings indicated that the introduction of public service charters, which is a measure of performance, has greatly strengthened transparency, accountability and public involvement in the delivery of public services. This includes public dialogue, mechanisms for complaints among others. According to the Ministry of Lands Service Delivery Charter (GOK, 2010) the provision of services that meets set standards and constantly reflects customer's preferences is best achieved through a service charter. The charter seems to have promoted transparency and accountability in the Ministry. One of the objectives of the study was to find out the extent to which PCs encouraged technological enhancement.

Responses to this objectives showed that a majority of respondents (62%) agreed that PCs have encouraged technological enhancement while 19 percent neither agreed nor disagreed. A small percentage (19 percent) disagreed. This is an indication that technology in the Ministry of Land has been embraced since the introduction of PCs. This has been achieved through introduction of Land Information Management System. (LIMS). When respondents were asked about the extent to which they agreed that PC encompassed the needs of the stakeholders including customers, government and public, majority of them (67%) agreed while only 14 percent disagreed. Only 19 percent neither agreed nor disagreed. This indicates that PCs have significant benefits to many. Some of the benefits include: reduction or elimination of exchequer funding for government agencies which were supposed to generate revenue or make profit. This was expected to compel the agencies to give a return to the stakeholders by paying dividends or surplus and in

the process would ensure improved service delivery to the public (Opiyo, 2006). Thus Armstrong, (2001) believed that performance management which is part of PCs is concerned with performance improvement, employee development, satisfying needs and expectations of stakeholders and communication and involvement. Respondents were subsequently asked to indicate the extent to which there has been improvement between planning and implementation of PCs. Majority of the respondents (59%) agreed while 19 percent disagreed. The higher percentage of those respondents holding affirmative views is in agreement again with Kobia and Mohamed (2006) who assert that the introduction of PCs have led to improvement in the planning and implementation, hence reducing confusion resulting from multiplicity of objectives. Despite this, this study and earlier research reports that PCs contracts have had various challenges. Challenges facing Performance Contracts Besides, studies by Mallon (1994) indicate that there is need for governments to explicitly state their objectives, prioritize them and translate them to performance improvement targets. This poses the need for governments to have a hard budget in place in order to minimize or eliminate *ad hoc* subsidies and financial bailouts of agencies. Governments honour their commitment to the PCs by prompt payment of bills. Inadequate funding could lead to a slow process in the implementation of PC. When respondents were asked questions on the enthusiasm of employees in embracing PCs, 48 percent agreed that they were enthusiastic while 23 percent disagreed and another 29 percent were not decided, This finding suggests that while one half of the respondents embraced PCs another half were less enthusiastic. This is one of the challenges facing PCs Studies by Trivedi, (2004) indicate that the success of PCs depends on the sharing of common goals with high degree of dependency of employees. Respondents further identified lack of ownership as a problem bedeviling PCs. Out of the 98 respondents, 48 percent indicated that there was inadequacy in the level of ownership of the process of PCs while 29 percent neither agreed nor disagreed. Another 23 disagreed. The percentage that agrees on adequate ownership of PC process again is just about a half. Lack of ownership of PCs is likely to pose a big challenge during implementation. A major factor that can facilitate the achievement of the set targets is complete ownership of the entire process by the employees. In the public sector, there is ambiguous nature of ownership where public sector belongs to all and where something belongs to everybody, it ends up belonging to nobody. (Mallon, 1994; Byrd 1991). Despite the challenges, 50 percent of the respondents reported that a positive aspect of PCs is that it has led to a significant reduction of promotions based on nepotism, tribalism and gender biasness. Only 32 percent of the respondents were of a contrary view while 17 percent were undecided. The World Bank (1995) argues that where appointment of managers is based on the patronage rather than merit, it may be difficult to penalize poor performance which is tolerated rather than sanctioned. According to Mallon, (1994) skilled personnel are required for effective monitoring. Qualified managerial experts are also required to be independent. This can only be possible if

employees are hired and promoted based on merit. Respondents were further asked to indicate the extent to which they agreed with the statement that PCs enables employees to meet the organization's targets. Out of 98 respondents 83 percent agreed while 6 percent disagreed. Only 11 percent were neither agreed nor disagreed. This shows a strong indication that PCs are important in ensuring that organization's targets are met. The small number that disagreed with this could be the same respondents who had not signed the PCs forms and/or those who had not read the details in the PCs forms.

5. Conclusions

The study noted that the relevance of PCs particularly in the Department of Land Adjudication and Settlement in the Ministry of Lands, Kenya has been embraced by employees as evidenced by positive responses. The employees primarily concurred that PCs were potent tools for not only improving productivity but also in enhancing effectiveness. Nonetheless, much more needs to be done in order to enhance the implementation of PCs so that all employees and clients can achieve all the benefits of PCs.

In as much as the study was restricted to employee perceptions of the PCs without examining client perceptions, it can still be concluded that there has been an improvement in service delivery as the employees are also the consumers of the same services.

Conclusions drawn from the findings indicate that 91 percent of respondents asserted that lack of adequate working resources, including digital support, hindered achievement of desired targets. This is exacerbated by a lack of ownership of the PCs processes. It is suggested this challenge can be addressed through training and rewards awarded based on the achievement of PCs targets. Although a significant number of respondents agreed that PCs have reduced chances of promotions based on nepotism, tribalism and gender biases, there is need to address other contributing factors.

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