

**HUMAN RESOURCE AUDIT AND ITS INFLUENCE ON SERVICE DELIVERY IN
STATE CORPORATIONS IN KENYA**

Authors Names:

1. Gesare Damaris;

Tutorial Fellow, Department of Business Administration, Technical University of Mombasa, KENYA.

2. Elegwa Mukulu;

Associate Professor; College of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology, KENYA.

3. Kwasira Josphat;

Lecturer, Department of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology, KENYA.

Corresponding Author,

Gesare Damaris

Email: monari@tum.ac.ke

Tel: +254723980486

This paper will examine the influence of HR audit on service delivery in state corporations in Kenya.

ABSTRACT

The desire for excellent service delivery under the new public sector management mandate in Kenya and the importance of performance management in enabling organizations achieve a competitive advantage and maximize the potential for service delivery cannot be underestimated. The demand from the citizens for efficient services necessitates that state corporations in Kenya device performance measures that will enhance service delivery. Critique of existing literature on the use of performance management initiatives reveals that gaps exist on performance management initiatives and their influence on service delivery in State Corporations in Kenya. The study, therefore, was guided by HR audit as a performance management initiative and its influence on service delivery in State Corporations in Kenya. The study applied descriptive survey research design to gather data from the sampled respondents of the state corporations. Stratified random sampling was applied to select respondents from the State Corporations to participate in the study. Information was gathered by use of questionnaires which were subjected to pre-test to ensure both validity and reliability of the instruments. Data analysis was done using both descriptive and inferential statistics. The study found that HR audit has a positive influence on service delivery among state corporations in Kenya. The study recommended that state corporations in Kenya to adopt HR audits because they positively and significantly influence service delivery.

Keywords – Performance management, HR audit, Service delivery, State corporations.

1.0 BACKGROUND OF THE STUDY

Countries around the world have embarked on public organisational reforms to improve their performance and improve service delivery. The key reform in state corporations has been the introduction of performance management practices but only few countries have successfully implemented the same and got positive results Performance management initiatives were put in place to tackle issues and concerns that organisations have on performance (Sharif, 2002). The majority of countries are seeking to develop a culture in the public sector that is more performance oriented , one that gives much focus to efficiency, effectiveness, quality Customer care, an increased focus on results as well as more decentralised management (Petrie, 2002).

In the last two decades performance management in the public sector has shifted its focus to putting in place processes for measuring outputs and rewarding results (Heinrich, 2003). According to Noe, Hollenbeck, Gerhart and Wright (2010), performance management initiatives should be key elements seen as enabling means towards getting results from individual employees, teams and the organisation as a whole within a framework of setting targets and developing standards, goals and objectives which can be measured to establish the performance levels. It also serves as a way in which state corporations can gauge to establish whether they are delivering the appropriate services as stipulated by its mission and objectives in the appropriate quantity, cost , time and to the

appropriate people (Xavier, 2010). Service delivery is a deliberate obligatory decision by the elected or appointed officials to serve or deliver goods and services to the recipients.

Performance management initiatives are seen as very important elements in the management of public institutions of many developing countries where the productivity has been low and the workforce continue to work under vague job specifications and muddled lines of accountability. In many public sector organisations individual and organisational performance are seldom measured and staff are paid low salaries that do not relate to the quality of their work. Performance management initiatives are essentially about measuring, monitoring and enhancing the performance of staff, as a contributor to overall organisational performance (Martinez & Martineau, 2001).

As defined by Karen, Jiju and Susan (2009) a performance management initiative is a human resource intervention which seeks to improve quality and outcomes in organisations. It incorporates the approaches used to improve staff performance and improve service quality. Some of the most common performance management approaches include Quality Assurance, Quality Audits, total Quality Management, Quality circles, Benchmarking, and performance appraisal among others. These initiatives in turn share some tools to ensure quality such as use/customer satisfaction surveys, personal development plans among others (Aquinis, 2009). Many contemporary organizations are placing a greater emphasis on their performance management initiatives as a means of generating higher levels of job performance (Gruman & Saks, 2011). Performance management initiatives, along with other human resource management programs, directly impact key organizational outcomes such as financial performance, productivity, product or service quality, customer satisfaction, and employee job satisfaction. This prompts for adaptable performance management initiatives that are rooted to strategic goals that can guide these organizations to aim for favourable results in these success indicators (Pamela, 2012).

A state corporation is a legal entity created by a government to undertake activities on behalf of an owner government. Their legal status varies from being a part of government into stock companies with a state as a regular stockholder. The defining characteristics are that they have a distinct legal form and they are established to operate in commercial affairs (RoK, 2013). In Kenya, there are a wide range of State Corporations and related agencies and learning institutions. Some of them include: Kenya Ports Authority, Kenya Airports Authority, public universities, National Cereals and Produce Board, Kenya Posts and Telecommunications, Kenya Seed Agency among others (Njagi & Malel, 2012).

The role of State Corporations in the national development effort include promoting or accelerating economic growth and development, building the capability and technical capacity of the state in facilitating and/or promoting national development, important instruments in improving the delivery of public services, creation of good and widespread employment opportunities in various jurisdictions and judicious building of international partnerships (RoK, 2013).

1.1 Statement of the Problem

The need for efficient and effective service delivery has increased over the last decade and the successful implementation and use of performance management initiatives has become of paramount importance in enabling organisations to enhance performance and therefore service delivery. Performance contracting, as a performance management initiative, was introduced in state corporations as a strategy to tackle some of performance problems reported in different government establishments, some of which are, inadequate planning, poor management of projects, wastage of resources, inconsideration of public needs and poor service delivery (RoK, 2013).

Whereas service delivery will always happen with the expectation for responsiveness, responsibility and accountability placed upon public servants, the question of the effectiveness and efficiency with which these services are rendered and whether the clients get best value for their money arises. An exploratory survey on Kenyan service delivery and government interaction carried out by Crandal and Mutuku (2011) indicates that majority of the respondents have negative comments about service delivery by state corporations in Kenya. They cited that 45 % of the respondents had complaints in relation to efficient service delivery and customer care. This is especially concerning infrastructure development, water, electricity, and provision of health and education services. The study further indicates that the respondents on the whole had more negative experiences than positive experiences in relation to service delivery and customer care in Kenya. This indicates that there is room for improvement in Kenyan service delivery.

State corporations are expected to continuously find measures that can enable them to raise standards of services delivered to ensure client satisfaction. A number of studies relating to performance management in state corporations have been done, for instance Nzuve and Kaimuri (2013) investigated the factors affecting performance management in local authorities in Kenya. The study focused on how leadership, stakeholder involvement and organisational culture affect performance management but failed to link performance management initiatives to service delivery.

Wesonga, Tabitha and Muya (2012) did a study on the implementation of performance contracting in state corporations in Kenya where they evaluated how the implementation process can be managed through employee training and development. The failed to relate performance contracting to service delivery by state corporations. A study done by Gichovi (2013) on the effect of performance contracting on service delivery of state corporations in Kenya focused on the coffee board of Kenya. His study was mainly a case study and therefore this makes it important to develop this study further by looking at all state corporations in Kenya. He also failed to relate performance management initiatives to service delivery by state corporations. Despite the numerous studies on performance management, the aspect of service delivery in state corporations in Kenya, in relation to performance management initiatives, has been largely neglected. This study, therefore, is intended to bridge this knowledge gap and seeks to determine how HR audits influence service delivery with reference to State corporations in Kenya.

1.2 Objectives of the Study

The overall objective was to evaluate the influence of performance management initiatives on service delivery in state corporations in Kenya.

1.3 Study Hypothesis

To achieve the above objective the following hypothesis were developed;

Ho₁: HR audits have no significant influence on service delivery in state corporations in Kenya.

Ha₁: HR audits have a significant influence on service delivery in state corporations in Kenya.

2.0 Theoretical/ Empirical Review

The study was grounded on four major theories namely: principal-agent theory, game theory, expectancy theory and goal setting theory. A review of the theories will provide a clear link between determinants for use of performance management initiatives and service delivery in the public sector.

2.1 The Principal /Agent Theory

The simple model of the principal-agent theory therefore follows that public enterprises are agents while the central government is the principal, the people can also be the principals and central government is their agent. The heads of public institutions are principals and their subordinates are the agents. Democratic politics are structured by the multi relationship between the people and bureaucratic organisations because it is quite difficult to identify a single principal-agent model in the public and social sector (Carr & Brower, 1996; Pollitt & Bouckaert, 2000). In relation to HR audit as a variable in this study, the Principal-agent theory recognises that HR department as an agent through which various organisational policies and procedures are developed and governed which should be aligned to enabling the achievement of organisational objectives. HR audits are an important tool for agents, and as a performance evaluation tool is a useful means of controlling behaviour.

2.2 Game Theory

According to Scharpf (1997), game theory comprises three fundamental components, the first being a player who can be an individual or composite actor assumed to be capable of making purposeful choices among alternative courses of action. The second component comprises of strategies which are the courses of action or sequences of moves available to a player. A game exists if these courses of action are in fact interdependent, so that the outcome achieved will be affected by the choices of both players.

2.3 Expectancy Theory

According to Vroom (1964) the expectancy theory has three main motivational forces i.e. valence, instrumentality and expectancy. Valence means the value and therefore attractiveness of the outcomes. Expectancy is defined as a momentary belief concerning the likelihood that a particular act will be followed by a particular outcome. Expectancies can be described in terms of their strength. Maximal strength is indicated by subjective certainty that the act will be followed by the outcome, while minimal (or zero) strength is indicated by subjective certainty that the act will not be followed by the outcome. For example HR policies and strategies define the expectations of the HR department. They are also linked to the valued organisational outcomes and in this case service delivery. Therefore, the HR department should develop frameworks that define its actions towards specific organisational goals. This frameworks which may include policies, strategies, goals, targets or procedures serve as a reference points that can be used when evaluating the extent of performance of the HR department.

2.4 Empirical Review

The HR audit is a Human Resource effectiveness tool that is concerned with the examination of the HR policies, procedures and practices of the organisation (Khaef et al., 2010). It is in place to measure to effectiveness and efficiency of Human Resource management. It is an important tool in improving the performance of Human resource management in terms of compliance, service delivery, enabling innovation and development as well as the financial performance. It focuses on matters such as how well the HR department presents the purpose and supports the strategy of the organisation (Curtice, 2004). It also looks at how well the structures support the organisation and how well the staffing policies of the department support the realization of the organisations strategic intentions. The extent to which the established Human resource functions support the performance of the organisation is very important.

Through the HR audits areas of weakness and strength can be identified and this prompts for adjustments for improvements where necessary. One of the most important functions of an HR measurement system, according to Becker, Huselid and Ulrich (2001), is that it provides a means to identify the discrepancies between the organization's current and its ideal HR architecture. Such an assessment needs to focus on both cost and benefits (quality). HR audit should be able to address what Ulrich (1997) called the "two phases of reengineering" that needs to be mastered by the HR experts and these are improving processes and rethinking value creation.

A well executed HR audit should capture five different components namely: Functional audit, service audit, compliance audit, financial management audit and lastly a strategic audit which Each aims at evaluating the overall people management strategy with the aim of increasing the value of employees to the business (Bloom,et al., 2006). The strategic audit will examine whether the HR strategy, policies and processes are aligned with and support the achievement of the business's

mission and objectives. State corporations need to audit the performance management systems to understand their status.

Primary techniques such as interviews, surveys, questionnaires & critical incidents can be used to elicit views from employees or their perceptions of the existing performance related management (Eagle, 2003). Secondary tools such as policy papers and pertinent records or analysis of the decisions taken or studying the company's financials can be used to trace the history and the system of performance management (Bloom, et al., 2006).

Dasa (2011) has elaborated the need for and methodology of undertaking HR audit. HR audit is mainly concerned with people and HR philosophy of the organisation. The audit covers issues like employee staffing; training and development; compensation; communication; leadership; HR research; record maintenance; industrial relations; health and safety; compliance. The management has to take a decision on whether comprehensive audit is to be undertaken and required resources, money and personnel can be made available for undertaking such an assignment.

In line with this research, HR audits should be done with the aim of finding out the extent to which the present system is rational and establishing if the performance initiatives have coherence among them, are aligned with the objectives and are in compliance with the set policy and procedural guidelines. Most importantly an assessment of the overall performance of the HR department within state corporations as an enabling function towards achievement of the major organisational goals should also be periodically examined to provide insight into the level of performance of the function as well the strengths and weaknesses so that continuous improvement can be sought.

3.0 Research Methodology

The study adopted a descriptive survey research design. A research design is a logical thread which holds together all the crucial aspects of the research together so that they can derive meaning (Kothari, 2004). It is a process through which research questions are asked and answered (Mugenda & Mugenda, 2003). Descriptive surveys are done when the researcher intends to establish the relationship of events, processes or entities without interfering with the purpose of reporting the facts as they are. This design was chosen and considered appropriate for this study since it would be able to give room for exploratory and descriptive data.

The study adopted both quantitative and qualitative approach. Quantitative approach emphasizes data measurement and analysis in numerical form to give precise description. Quantitative approach places emphasis on methodology, procedure and statistical measures to test hypothesis and make predictions (Berg, 2004). Qualitative research approach helps in analysing information in a systematic way in order to come to some useful conclusions and recommendations on the social settings and the individuals who portray the characteristics (Cobertta, 2003).

3.1 Sampling and Sample Size

The study adopted stratified random sampling technique to select a sample of 118 corporations from a population of 170 State Corporation in Kenya. The five functional categories of state corporation as categorized by the Presidential Taskforce Report of 2013 were treated as strata after which simple random sampling was done proportionate to the number of corporations in each stratum. The goal of stratified random sampling was to achieve the desired representation from various sub-groups in the population. The selected state corporations formed 69% of the entire population this surpassed 30% of the population. Mugenda and Mugenda (2003), states that a sample of 30% is considered representative for a population less 500.

3.2 Measurement of variables

The dependent variable for this study which is service delivery was measured by the subjective and objective measures of existence of the service delivery charter. A likert scale (5-1) was used to collect views on the levels of service delivery relation to the SERVQUAL model of Parasuraman et al. (1988) which proposes five dimensions of perceived service quality: Tangibles; reliability; responsiveness; assurance & empathy as items reflecting both expectations and service performance. A five point likert scale (5-1) was used for each of the statements corresponding to the various parameters of HR audit. Multiple regression analysis was used to determine whether the independent variables predict the dependent variable in any way. Service delivery in state corporations in Kenya, as the dependent variable was regressed against the independent variable HR audit.

4.0 Findings

On whether HR audits are done regularly to determine the issues affecting service delivery and organizational performance, 63.9% agreed to the statement. A total of 40.2% of the respondents agreed to the statement that functional audit are done at the organizations to analyse the effective utilisation of human resources in enhancing service delivery a further 14.4% strongly agreed to this statement. On whether service audit are done in state corporations in Kenya enhance service delivery, 34% of the respondents agreed to the statement while 23.7 strongly agreed.

Moreover the respondents were required to indicate whether compliance audits are done to ensure that the HR practices are consistent with policy, on this a majority of respondents at 67% agreed to the statement. It is worthy to note that a simple majority of 33% strongly disagreed/ disagreed to the statement that strategic audit is done to establish whether the HR practices are in line with the mission of the organisation. Overall, from the results it is shown that the means of the statements used to measure HR audit range between 3.3 and 3.7. This shows that majority of the respondents were in agreement to the statements that were used to measure HR audit. Similarly, the standard

deviation of the items are in the range of 0.8 and 1.4. This indicates that the responses to the items were not deviating much from the mean.

4.1 Correlation Analysis Results

From the correlation analysis done to analyse the relationship between HR audit and other variables of, performance appraisal, feedback mechanisms, organisational climate and service delivery. Pearson correlation coefficient was used to determine if there is a significant relationship. From the results derived, a positive and significant correlation is evidenced between HR audit and other human resource management practices. For instance, the correlation between HR audit and performance appraisal proved significant. This is shown by the fact that it had a coefficient of 0.614 and a p- value of 0.000. This means that as HR audit increases performance appraisal also increases in the same direction.

The coefficient also showed a positive, strong and significant relationship between HR audit and feedback mechanisms. This is shown by the Pearson correlation coefficient of 0.489 and a p- value of 0.000. This means that there is a significant positive correlation between HR audit and feedback mechanisms. The coefficient also showed a positive, strong and significant relationship between HR audit and organisation climate because it had a Pearson correlation coefficient of 0.527 and a p- value of 0.000. This means that as HR audit increase, organisational climate also increase in the same direction. The correlation coefficient between HR audit and service delivery showed the existence of a positive and significant relationship. This is shown by the coefficient of 0.556 and a p- value of 0.000. This means that as HR audit increases it leads to an increase in performance in service delivery as well as performance in other human resource management practices reviewed in this study.

4.2 Regression Analysis Results

The coefficient of determination between HR audit and service delivery was 0.556 indicating positive relationship between audit practice and service delivery. The coefficient of determination R square of 0.31 indicated that 31% of service delivery could be explained by audit practice. The adjusted R-square of 30.2% indicated that HR audit practice in exclusion of the constant variable explained the change in service delivery by 30.2%, the remaining percentage could be explained by other factors excluded from the model.

4.3 Hypothesis Testing

The study hypothesized that HR audit have no significant influence on service delivery in state corporations in Kenya. The study findings indicated that there was a positive significant relationship between HR audit and service delivery among state corporations in Kenya with ($\beta=0.556$, $t= 6.491$ and p value 0.000). Therefore, improvements in HR audit will lead to an increase in service delivery. Since the t was 6.491, the null hypothesis that HR audit have no significant influence on service delivery among state corporations in Kenya was rejected and the alternative hypothesis

accepted. It was therefore concluded that HR audit have positive significant influence on service delivery among the state corporations in Kenya

5.0 Discussion

The study found that HR audit has a significant positive effect on service delivery among state corporations in Kenya ($r=0.556$, $t=6.491$, $p=0.000$). This emphasises the fact that a well functioning human resource department has an effect on the overall performance of the organisation. This implies that as the state corporations adopt better HR audit, service delivery will improve. HR audit has an effect on human resource practices in organisations making the, HR department an enabling function within organisations that leads to achievement of organisation objectives.

The effectiveness of HR practices such as recruitment and selection, performance management, reward and recognition/ compensation, training and development, employee relations and HR services can only be assessed through HR audit. This makes it possible for the HR department to gauge its performance in relation to their functions to ensure that they continuously improve. Improvement in the different HR functions will lead to improvement in the overall performance of the organisation, and therefore service delivery. In Kenya, the inspector of state corporations is responsible for advising the government in issues regarding state corporations. The same office has the mandate of reporting to the ministers in respect to the management practices in respect to state corporations in Kenya. It is notable that the inspector put more emphasis on financial management and financial audits as opposed to other areas of management such as human resource management practices. These findings support the argument by Khaef *et al.*, (2010) that HR audit leads to human resources effectiveness and hence service delivery. Further, Bloom *et al.*, (2006) recommended that through the HR audits, areas of weakness and strength could be identified and thus prompting for adjustments for improvements where necessary.

From the findings, therefore, state corporations need to adopt HR audits to understand how well the firms are doing in having appropriate HR policies and practices. Eagle (2003) indicated that the primary techniques such as interviews, surveys, questionnaires and critical incidents can be used to elicit views from employees or their perceptions of the existing performance related management. Further, Bloom, *et al.* (2006) indicated that secondary tools such as policy papers and pertinent records or analysis of the decisions taken or studying the company's financials can be used to trace the history and the system of performance management.

5.1 Conclusion

The study concludes that HR audit practices have significant positive effect on service delivery among state corporations in Kenya. This means that as the state corporations adopt better HR audit

practices, service delivery will improve. State corporations therefore need to adopt HR audits to understand how well the firms are doing in having appropriate HR policies and practices. HR audit practices ensures effectiveness and efficiency of Human Resource management and is an important tool in improving the performance of Human resource management in terms of compliance, service delivery, enabling innovation and development as well as the financial performance.

5.2 Recommendation

The study recommends that state corporations in Kenya to continuously adopt HR audit practices since they will lead to improved service delivery. State corporations therefore need to conduct HR audits to enable understanding of how well the firms are doing in having appropriate HR policies and practices. HR audit practices will ensure effectiveness and efficiency of Human resource management and is an important tool in improving the performance of Human resource management in terms of compliance, service delivery, enabling innovation and development as well as the financial performance.

5.3 Areas for Future Research

This study examined HR audit as a performance management initiative and its effect on service delivery among the state corporations in Kenya. The study concentrated on describing HR audit and how as a performance management initiative it can affect service delivery. The study did not examine the differences in performance among the state corporations to establish whether differences in service delivery among the firms were attributed to HR audit. A further study is therefore recommended to determine whether performance management initiatives adopted could explain the differences in performance among various state corporations.

The current study also focused on HR audit and service delivery on a sample drawn from all classes of state corporations. Further study is therefore recommended where a repeat study can be done not on all state corporations but on class basis. This will ensure that the findings can be compared among the various classes of state corporations and determine whether HR audits affects service delivery in equal magnitude.

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