TITLE: EFFECT OF REWARD SYSTEMS ON EMPLOYEE PERFORMANCE IN KENYA. A CASE STUDY OF FLIGHTS AND SAFARIS INTERNATIONAL

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L41/60032/2007

PROJECT SUBMITTED IN PARTIAL FULFILMENT REQUIREMENT FOR POSTGRADUATE DIPLOMA HUMAN RESOURCE MANAGEMENT OF UNIVERSITY OF NAIROBI.

2009

DECLARATION

My research project is my original work and it has not been submitted before for a degree in any university.

Gideon Robert Osir Date: 06/05/2009

Reg. No.: L41/60032/2007

This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

This project is dedicated to my fiancée Sarah for being so true, family for being so supportive in every possible and to my friend Victor for all his support.

ACKNOWLEDGEMENTS

My appreciation goes to my supervisor Dr. Robert M. Ayot who has been a source of intellectual impartation, great guidance and encouragement in my project and academic history.

The greatest thanks goes to God for his continued love, care and health to me throughout my studies and through the trying and tiring times in my research. Thanks to you eternally.

Many thanks goes to my class mates for their support and immense insight.

Finally, my undying gratitude goes to my family, Mr. And Mrs. Osir, Juliet Sabena Osir, Anthony Boaz Osir for their support be it financially, morally or psychological I am forever grateful and may God bless you abundantly.

Sarah Nyadzuwa my fiancée for all her love, care, encouragement and endurance, insight and bearing with me throughout my studies and for her support towards the successful completion of the research study. I love you dearly.

Victor Odindo and David Okoth for his views insights and support. Thank you and May God continue to bless you.

ABSTRACT

This research proposal seeks to address the effects or reward systems on employees performance at the work place. Rewards systems have been designed conventionally to motivate employees hence improve their performance. The problem, however arises when instead of being motivated to perform better, the employees performance tends to dwindle despite the reward systems. Actually many reward based systems do not function property. They have been referred to as bribery systems where the employer bribes the employee to solicit exceptional; performance from him. Clearly, this poses a problem to the entire work environment and thus affects the operations of the worker. Therefore, it is imperative to carry out studies and come up with the much needed answers which will be of help to the managers employees and the entire organizations. In this light, this proposal will seek to carry out studies to identify the types of reward system that are non-functional or have an adverse effect on employee performance. Solutions to these reward system related problems should arrived at in order to restore to our work places and have a satisfied and motivated work force thus ensuring high productivity.

Definition of significant terms

Motivation - this is a process in which people choose between alternative forms of behaviour in order to achieve personal goals.

Intrinsic motivation - this can be described as the process of motivation by the work it self in so far as it satisfies peoples needs or at least leads them to expect that their goals will be achieved. It is self generated.

Extrinsic motivation - this is what is done to people to motivate them.

Group incentives - a plan in which a production standard is set for a specific work group and its members are paid incentives if they exceed the production standard.

Contigent pay – this relates to financial rewards to the performance, competence, contribution or skills of individual employees.

Correlation- this is the measurement of the degree of relationship between two or more variables.

Regression- this the measurement of the relationship between a known variable and an unknown variable.

Compensation system- a compensation system is about how people are rewarded in an organization. It is concerned with financial and non-financial rewards.

Group based incentives- this is a plan in which a production standard is set for a specific group and its members are paid incentives if the group exceeds the production standard.

List of abbreviations

SPSS- statistical package for social scientists

PRP- performance related pay

R. intent – reward intention

R. basis – reward basis

St. duration – satisfaction duration

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Organizational growth depends fundamentally on performance of the employees. Employees' performance is largely dependent on how motivated such an employee is. In light of this various strategies have been geared towards motivation. Reward systems are a major component of motivation (Cole, 1988).

The word motivation comes from he Latin word ***"movere"*** which mean **'to move'**. Atkinson (1964) described motivation as the contemporary influence on the direction, vigor and persistence of action. The persistence denominators In this definition are primarily concerned with what energizes human behaviour, what such behaviour and how this behaviour is maintained.

Reward systems consist of policies that provide guidelines on approaches to managing rewards, policies that provide financial and non- financial rewards, processes concerned with evaluating the relative size of the job (job evaluation) and assessing individual performance (performance management), procedures operated in order to maintain the system and to ensure that it operates efficiency and flexibility and provide value for money.

Globally, motivation has received such considerable attention because most perspectives on this subject have assumed that it involves principal behavioural factors and is critical especially to the functioning of contemporary organizations. Managers and researchers have had great concern with this aspect of behavioural requirement in their organizations.

Successful start-up companies and mature high-technology firms have learned from experience that closely linking the fortunes of scientists and engineers to company performance is a powerful inducement to make them think like businesspeople rather than lab workers. Profit sharing leads to more variable compensation and requires the technical employee to share some of the firm's financial risks. As a result, scientists and engineers are forced to consider "bottom-line" commercial success as well as technical success. By focusing employees' attention on financial results, these plans pave the way for cooperation and integration of various units that might normally compete (Atkinson 1964).

Many successful firms use team-based incentives as powerful tools to enhance the performance of research and development groups. They provide these incentives to an entire team of scientists and engineers working on a common problem when they achieve important milestones: reaching a scientific breakthrough, receiving a large government grant, obtaining a new patent, or finding a way to lower the costs of manufacturing a given product.

These group-based incentives are remarkably instrumental in generating a tight and cohesive research and development team a prerequisite for success. These rewards can also improve research and development performance by focusing employees' attention on high-priority tasks, bringing "free riders" into line, and encouraging people from diverse backgrounds to iron out their differences and together for a shared goal and the common good (Wokutch, 1990).

An effective reward system should be designed to fit well with the other design features of the organization as well as with its business strategy. Thus there is no one best set of reward practices; indeed, it is impossible to design an effective reward system, without knowing how other features of the organization are arrayed. Decisions about the reward system should be made in an interactive fashion: shaped by the business strategy, tentative reward-system design choices would then be tested against how other features of the organization are being designed. The ultimate goal is to develop an integrated human-resource-management strategy that is consistent in the ways it encourages people to behave, attracts the kind of people that can support the business strategy, and encourages them to behave appropriately (Greiner, 1972). According to Steven Kerr, there is a lot of folly associated with these reward system. This is because mostly managers seek to reward one outcome while hoping for totally different outcome. There is a danger in such a system since it creates hypocrisy in employees creativity the need for micro-managing since these employees cannot perform exceptionally well when left on their own. In this regard, those outcomes that are unseen yet positive are not rewarded. For instance, tea, building cannot be seen yet it is a positive outcome at the workplace. This firms end up assuming rewards work. The rewarder is a bystander because the reward system does not positively reinforce desired behaviour; instead it acts as an obstacle to attain the desired behaviour.

Rewards are the enemy of exploration. (Herbert Meyer 1987). This is because rewards tend to ignore reasons. Problems on an individual performance, lack of collaboration, ad hierarchical organization all call for different unique approaches. Relying on incentives to solve such problems will not yield meaningful solutions. These reward systems discourage risk taking making creativity a casualty of incentive motivation. This is because people only do what they are told to do. Predictability and simplicity are desirable since the primary focus associated with incentives schemes is to get through a task expediently to reach the desired goals.

Other questionable facts about the motivational reward systems are their tendency to act as instruments of punishment in an ironic turn of events. The

same system intended to give morale to employees is now seen as a tool of oppression. Rewards and punishment are the sides of the same coin. (Deci and Ryan 1975). By making the bonus contingent on certain behaviour the managers manipulate their subordinates. The experience of being controlled is likely to assume a punitive quality over time.
Moreover reward systems can rupture relationships among employees (Monroe Haegele). This is seen when employees scramble for rewards, Incentive programs and performance appraisal system that accompanying their value the possibility of cooperation and without team work, there can be no quality in performance and production.

Most of the people who do exceptional work do so because they love what they do (Seci Edward). Receiving reward for a particular behaviour sends a certain message about what we have done and controls or attempts to control our future behaviour. The more we experience being controlled the more e tend to loose interest in what we are doing. Working with a bonus it makes us come to work and feel our work is not self directed rather the reward directs us. Thus reward system can undermine the employees' interest in their work.

People can be motivated by rewards and incentives which enable them to satisfy their needs or will provide them with goals to attain (as long as those goals are worth while and attainable). But the needs of the individual and the goals associated with them vary so widely that it is difficult if not impossible to predict precisely how a particular reward or incentive will affect an individual.

While incentive payment systems are common in the UK, there are millions of employees who don't receive this kind of reward and many employers only who use them use them in a limited way. It is thus perfectly possible and some would argue desirable to recruit and retain and motivate a work force by paying a simple fixed rate of pay for each job in the organization. The most fundamental question is therefore whether to use an incentive payment system at all. In the opinion of Sisson and Storey (2000). Many organizations in the UK have introduced schemes in recent years for 'ideological reasons' as a means of impressing stock market analysts, reinforcing, management control, or undermining established collective bargaining machinery. These they suggest are poor reasons which have generally met with little long term success.

Focusing on Africa, labour as resource makes up for the deficiency of capital, being that most countries in Africa are developing countries if not least developed countries. Therefore, being a labour intensive situation it is imperative that the human resource be properly managed and motivated to yield optimum economic efficiency. Most organizations in Kenya result to reward based motivation system, which have not been so successful motivation.

1.2 statement of the Problem

It is a general conception that reward systems will definitely lead to a motivated employee hence improved performance and consequently a better organization. This prompts employees to be on the look out for those activities upon which rewards are based and seek to do them or at least pretend to do them. Un-rewardable activities thus automatically become excluded. This may lead to failed up systems where the rewarder rewards the type of behaviour that intends to discourage and the desired behaviour in the long rum goes unrewarded.

This is mainly caused by four factors, that is rewarding short term performance at the expense of long tern performance, overemphasis on highly visible behaviours, hypocrisy and eye service by the rewarded and an emphasis an morality or equity rather than efficiency. Equally many organizations develop reward systems that are not designed with the following in mind: consistency with the way jobs are designed, the leadership of the supervisors and the type of career tracks available in the organization to mention just a few.

Rewarding some behavior and not others has clear implications for performance. Thus decisions about what needs to be rewarded need to be made carefully and with attention to the overall strategic plan of the business. Consideration needs to be given to such issues as short versus long term performance, risk taking versus risk aversion, division performance versus total corporate performance, maximization versus sales growth and so on.

The best designed reward system can often go awry in producing the intended results because poor implementation. Rewards succeed at securing only in securing one thing, that is a temporary compliance.

Incentives can only succeed in securing temporary compliance. Their use cannot change the underlying attitudes, which attempt to do so ultimately damages the long term health of an organization by undermining relationships and encouraging employees to focus on short term aims.

This raise the question "do incentives plans really work" and "why merit pay does not work". This paper therefore seeks to bridge the gap between the actual results of reward systems and the desired results of reward system.

1.3 Purpose of the study

The purpose of the study is to address the effect of the reward system on employee performance at the work place. This project will seek to carry out studies to identify the types of reward systems that are non-functional or have an adverse effect on employee performance.

1.4 Objectives of the study

In order to study the effects of the reward system on employee performance, the following objectives will be used:

1. To identify the type of reward systems that do not work.
2. To understand why such systems do not work.
3. To identify what can be done to make them work.
4. To establish how and whether rewards are related to performance.
5. To find out how well the systems in organizations relate to the management style characteristic to the organizations.

1.5 Hypothesis of the study

In order to study the effects of the reward system on employee performance, the following hypothesis will be tested:

1. Majority of fouled up reward systems are those that consider only the short term results at the expense of long term performance of the organization.
2. Such systems do not work because they force the rewarded to focus on being rewarded as individuals and neglect effectively and organizational goals.
3. Development of reward systems that develop the employee and the organization both in the long run and short run is imperative.
4. Rewards play a big part in motivating and boosting the morale of employees.
5. Reward system will depend on the size, objectives and style of the organization.

1.6 Basic assumptions

The basic assumptions of this study are that:

1. Majority of fouled up reward systems are those that consider only the short term results at the expense of long term performance of the organization.

2. Such systems do not work because they force the rewarded to focus on being rewarded as individuals and neglect effectively and organizational goals.
3. Development of reward systems that develop the employee and the organization both in the long run and short run is imperative, rewards play a big part in motivating and boosting the morale of employees.

1.7 Significance of the study

Employee performance eventually affects how the entire organization will perform. Motivation is a very important aspect of employees' performance. It is seems as the driving force behind exceptional employees performance. In the Kenyan setting, motivation is done through reward system.

However, despite the reward systems, there are seen to be some negative results of these systems which are expected to be motivating employees and leading to benefits. In this regard, it is important to conduct a research on whether the reward system acts as motivators or de-motivators for employers at the work place. Results of this research are bound to be of use to human resource managers in helping them formulate optimal employee motivation systems. In addition it will add to the wealth of existing literature in the area of reward systems and employee motivation which may facilitate further research.

1.8 Scope

This study will focus on reward systems employed by large organizations in Kenya. This is because small and medium size organizations in Kenya have a limited variety of reward systems compared to such large organizations such as Flights and safari International, AAR health services, Safaricom limited, Mumias sugar company limited, Kenya breweries limited and Barclays bank of Kenya limited.

The study will concentrate on both management and non-management employees of such companies for a wider variety and a more representative and comprehensive coverage.

1.9 Organization of the study

The research is organized into five chapters. Chapter one covers the background of the study, the research problem, the objectives, hypothesis testing, and the importance of the study. Chapter two covers the literature review system o n employee performance. Chapter three is the research design. The analysis and findings of the study are in chapter four, while chapter five covers summary, conclusions, limitations of the study, policy recommendations and suggestions for further research.

CHAPTER TWO

2.0 LITERATURE REVIEW

Deci and Ryan (1975) in their cognitive evaluation theory argue that individual level of effort on a task is exchanged largely by the nature of rewards available to accomplish a task. There are two processes by which rewards influence motivation. First, the nation of locus of causality which dictates that behaviour is intrinsically motivated. Thus an individual feels the completion of a task is dependent on his own control. Hence he will engage in activities for intrinsic rewards which are internal to an individual.

Ibid, Perception of locus of casualty is the second form where individuals respond to extrinsic factors and believe the completion of a task is dependent on such extrinsic stimuli. In this case, the mind of the individual will be set on such extrinsic rewards provided by the individual. It should be noted that the effect of intrinsic and extrinsic motivation are not additive. Thus when extrinsic rewards motivate behaviour, they do so at the expense of intrinsic motivation. Thus as a result, contingent pay systems are not compatible with participative management style.

March and Simon (1958) are of the opinion that rewards in and from organization can potentially motivate individuals to broad categories of behaviour. These categories are grouped into two, that is, participation in the organization and subsequent performance in the organization. Participation has to do with membership and attendance. Membership entails joining the organization. For this to happen In the first place, the individual has to be attracted to that organization. After becoming a member, such individual needs to stay in such organization. This calls for the design of a proper reward system that will encourage the individual to stay. The duration of the stay is also

important to ensure low turnover of labour in the organization. Duration of the stay will now depend on the implementation of the reward system.
Beckhard (1977) is of the view that, job performance has to do with whether the individual yields normal, minimum or extra results depending on the standards set by the organization. Normal role is yielding of expected performance. The extra role has to do with doing more than expected in terms of innovation. Most reward systems are set to encourage the normal role rather than the extra role, hence they fail to motivate employees to the innovation level.

Greiner (1972) and Gaibraith and Nathanson (1978) have pointed out that reward-system practices need to be congruent with the maturity of the organization and the market in which the business operates. For example, rapidly developing business need to stress skill development, attraction, high-potential individuals, and incentives tied to business growth, while declining businesses need to reward expense reduction and to have a formalized job-evaluation system that closely tracks the market.

Ibid, the reward system also needs to fit other features of the organization to ensure congruence in the total human-resource-management system. The reward system should be consistent with the way jobs are designed, the leadership style of the supervisors, and the types of career tracks available in the organization, to mention just a few examples. Unless this kind of fit exists, the organization will be riddled with conflicts, and the reward system practices may be cancelled out by practices in other areas. For example, even the best performance-appraisal system will be ineffective unless accompanied by interpersonally competent supervisory behaviour and jobs designed to allow for good performance measure.

Whyte and Goode (1951) said sequentially dependent employees rely on others for either their inputs, for the disposal of their outputs, or for both. It is for this kind of interdependence is that we have to give the most vivid descriptions of contingent pay dysfunctions. Since the problems resulting from the use of individually contingent pay for sequentially dependent employees have been well documented, this discussion focuses on pooled interdependence. Pooled interdependence is the collective dependence of employees on the continued success of the organization; Thompson argues that employees may not be directly independent with others for their task performance but are still jointly dependent with all other participants on their organization's ability to provide employment and other resources

Ouchi (1981) was of the opinion that, individually contingent compensation contracts distract employees' attention from this more abstract dependence relationship and interfere with members' commitment to their colleagues and employer. By treating them as labour contractors, employees are encouraged to work only on activities represented in their contracts. We are rewarding them for fulfilling the terms of a fixed contract. Thus employees are seen by the organization and come to view themselves as contractors," with a written "track record" provided by the compensation system that can be marketed to another employer.

Opcit, it can be speculated that it is this growing use of performance-based compensation contracts for professionals and managers, rather than massive changes in personal values, that has led to the popularly perceived shift among American managers and professionals from "organization men" (Whyte 1956) to "job-hopping professional managers" ("The Money – Chase" 1981). Therefore it should be no surprise to find that recent advocates of Japanese a 111 style concern with fostering employee loyalty advocate abandoning individually contingent pay in favour of organization-wide bonuses.

Williamson *(1975)* suggests that organizations are more efficient than marketplace contracting under conditions of future uncertainty, complex transactions, and dependence on individuals willing to exploit their advantage. Under these circumstances, employment contracts in organizational settings have certain advantages over labour market contracting that makes employment more efficient. Particularly relevant to the present discussion, Williamson argues that organizations are better able to encourage cooperation among opportunistic specialists (employees). Thus organizations are the more efficient forms under certain circumstances because they can more easily compensate individuals for cooperation.

To Nathanson (1978) rewarding some behaviour and not others has clear implications for performance. Thus decisions about what is to be rewarded need to be made carefully and with attention to the overall strategic plan of the business. Consideration needs to be given to such issues as short- versus long-term performance, risk taking versus risk aversion, division performance versus total corporate performance, (return on investment) maximization versus sales growth, and so on. Once key performance objectives have been defined for the strategic plan, the reward system needs to be designed to motivate the appropriate performance.

Decisions about such issues as the use of stock options (a long-term incentive), for example, should be made only after careful consideration of whether they will encourage the kind of behaviour that is desired. In large organizations, it is quite likely that the managers of different divisions should be rewarded for different kinds of performance. Growth of businesses call for different reward systems from those of 'cash cows," because the managers are expected to produce different results.

Porter and Hackman *(1975)* tackle the issue of allocation and implementation of reward systems. They note that the best designed reward system can often go awry in producing the intended results because of poor implementation. The major issue in implementation concerns the evaluation and appraisal of performance. The question is how one grades good performance, exceptional performance and excellent performance. This leads to a further new question of how and whether rewards are related to performance.

Reward undermine motivation. Edward Deci said that contigent financial rewards (incentives) may actually undermine the intrinsic motivation that often result in optimal performance. The argument is that financial incentives undermine the feeling that a person is doing a good job voluntarily.

Rewards can have unintended consequences. People tend to put their effort where they think they are being measured. So for instance, reward only productivity and you may end up with poor quality. While it might seem obvious at first glance that rewards are related to performance directly and that distribution of such rewards should be proportional to performance, accurate appraisal of performance is difficult. More over there is the possibility that rewarding a particular type of performance will focus attention on undesirable behaviour. In worse cases, rewarding a certain category of employees may have adverse effects on the other categories that went home unrewarded.

[l John Pearce (1985) explains why merit pay does not work. He says that compensation plans that base pay on an individuals recent performance are prominent in professional ranks, such plans have clear communication of performance expectations and give employees the opportunity to increase expectations and give employees the opportunity to increase incomes through their own efforts.

Lawler (1971), notes that in considering rewards, the satisfaction gained by an individual is governed by the difference between the amount of some valued outcome that a person receives and the amount of that outcome he feels he should receive is strongly influenced by what he perceives others are receiving.

A parallel can be drawn from an organizations policy about keeping accurate records about employee absence using the Bradford factor formula (Absence score= (spells of absence x spells of absence) x (duration of absence) where the formula acts as a basis for either punishing or rewarding an employee. Some managers tend to argue that the reports and reports kept were of little use because the employees they managed often worked long hours (beyond contract) and came in at weekends. Thus thy felt that to punish such employees who were committed to the company because they had reached certain absence levels was unreasonable and would be counter productive.

Most people have an objective for their payment arrangements, that their personal contribution is recognized. This seeking reassurance, but also a way in which people can mould career behaviour thinking to produce progress and satisfaction. It is doubtful if financial recognition has a significant and sustained impact on performance and motivation, but providing a range of other forms of recognition while the pay packet is transmitting a different message is certainly counter productive.

Thompson (2000) has focused on the way that incentives are perceived by employees as tools of management control which reduce their autonomy and discretion. This, it is argued, causes resentment and leads to dissatisfaction and industrial conflict.

Seldom do incentives arrangement cover all employees. Typically, groups of employees are working on a payment basis which permits their earnings to be geared to their output, while their performance depends on the before or after process of employees not so rewarded. The conventional way round the problem is to pay the 'others' bonuses linked to the incentive earned by those receiving it. The draw backs are obvious. The labour costs are increased by making additional payments to employees on a non - discriminating basis so that for example the store keeper who is a hindrance to output will still drive benefits from the benefits of others and the employee whose labour are not so directly controlled. Leading to resentment and dissatisfaction which generally means the overall intention or goal of the reward will not have been achieved.

Kohn (1993), argues that incentives can only succeed in securing temporary compliance. Their use cannot change the underlying attitudes, while attempts to do so ultimately damages the long term health of an organization by undermining relationships and encouraging employees to focus on short term aims.

Kohn, managers who insist that the job wont get done right without rewards have failed to offer a convincing argument for behaviour manipulation. Promising a reward on someone who appears unmotivated is a bit like offering salt to someone who is thirsty. 'Bribes in the work place simply don't work'.

Gomez-Meja and Balkin (1992), Cannel and Wood (1992), Pfeffer (1998) and Pureell (2000) argue as follows:

1. Employees paid performance related pay (PRP), especially where the incentives is substantial, tend to develop a narrow focus to their work. They concentrate on those aspects which they believe will initiate payment, while neglect other parts of their jobs.
2. PRP, because of its individual nature, tends to undermine team work. People own objectives at the expense of cooperating with colleagues.
3. PRP, because it involves managers rating employees, can lead to a situation in which majority of employees are de-motivated when they receive their ratings. This occurs when people perceive their own performance to be rather better than it is considered to be by their supervisors. The result is a negative effect on the motivation of staff who are exceptional, but loyal and valued. These are often the very people on whom an organization depends most.
4. PRP, system tends to discourage creative thinking, the challenging of established ways of doing things and questioning attitude among employees.

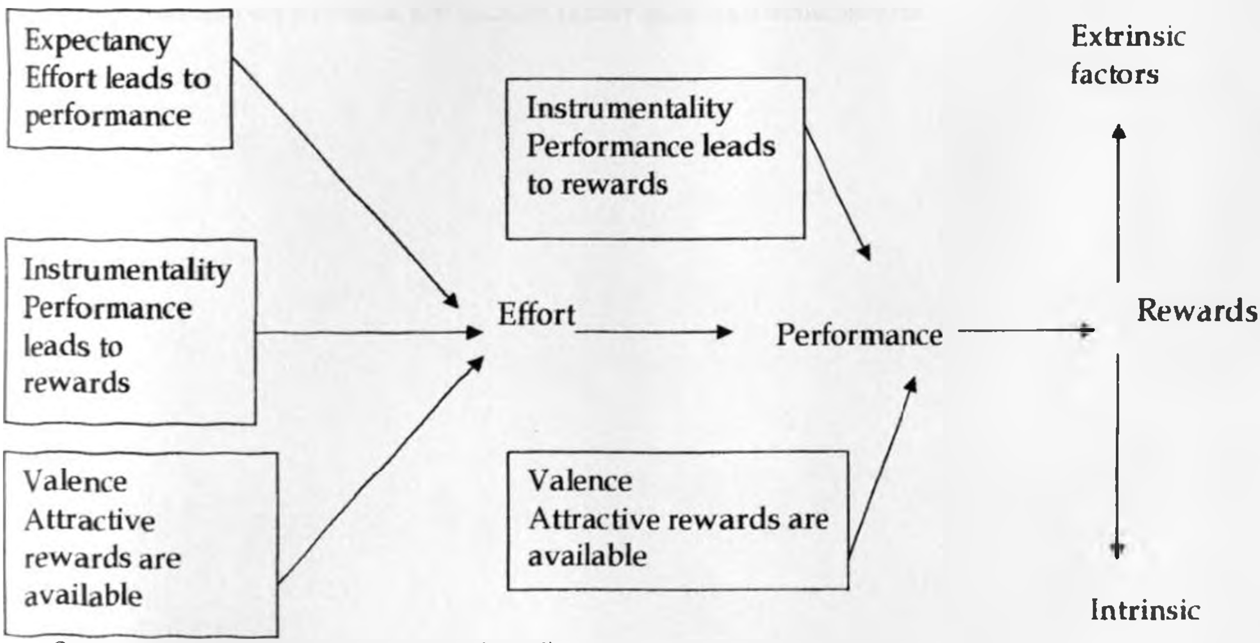
Failures of the "pay for performance system" are results of a flowed theoretical assumption behind individually contingent pay systems. These pay systems are already burdened by spiraling labour market demand, pay compression, demands for comparable worth and inflation. Advocating that all these demands be harnessed as a primary short term performance – contingent incentive is unrealistic. These plans are based on false assumption. They attempt to mimic the market place. Contracts under conditions of unclear complexity and dependence for which they are not appropriate are not proper. Paying people on recent performance therefore does not build on the relative advantage of organizational formation.

Kohn argues forcefully for the view that the failure of any given incentive program is due to a glitch in that program that depends on the inadequacy of the psychological assumption that ground all such plans. His central points are that rewards succeeded at securing only one thing that is a temporary compliance. This is mainly because rewards do not act as motivators secondly, rewards can potentially cause serious problems such as damaging comparative relationships among employees and discouraging risk taking.

His basic thesis is that rewards are like bribes and bribes at the work place simply do not work. This is because orientation exhibited by many workers rather creative focus on final considerations of the reward. If organizations use Skinnerian management or compensation systems, people are likely to become less interested in their work. Thus bribe s at work place don't actually work.

2.1 Theoretical framework

In this study we shall consider the expectancy – based model of motivation in organizations. This particular model shows how employee's perception and expectations will move him or her to perform in view of a reward that awaits such performance in the end.



Source: adopted from Cole G.A (1996)

According to the expectancy – model the individuals' behaviour is formed not on objective reality but on his subjective perception of the reality Vroom (1960).

Expectancy is the extent of the individual's perception that a particular act will produce a particular outcome. Instrumentality is the extent to which the individual perceives at effective performance will lead to desired rewards and valence is the strength of the belief that effective and attractive rewards are potentially available.

Valence is anticipation while value of the reward is the actual satisfaction obtained o n getting a reward. Expectancy, valence and instrumentality create the driving force which motivates the individual.

Effort is supplemented by an individual's characteristics and role perception which is an expectation of his roles changing in the organization. This model stresses the importance of individual perception of reality and implies Job satisfaction follow effective job performance rather than the other way round.

It emphasizes on intrinsic job factors rather than extrinsic factors.

CHAPTER THREE

3.0 METHODOLOGY OF THE STUDY

3.1 Research design

This research is a survey taken on a case study of the casual type. A case study of Flights and Safari International to find the cause of failure of reward systems intended to motivate employees, given that most reward systems actually do not work.

3.2 Target population

The population of interest in this study is comprised of the three branches of Flights and Safari international that are located in Nairobi, Mombasa, kisumu because they comprise of a larger majority of the staff that are employed by the company.

This is because; these are the people who can tell whether the reward system in comprise their organizations work towards motivating or de-motivating them.

3.3 Sample size

A sample size of 30 was randomly selected. This considered as a good representative of the population.

3.4 Model specification

The model to be used in this study is a correlation analysis and multiple regression models. This will enable the establishment of the relationship between reward systems and employee performance.

Model: $P = a_1R_1 + a_2R_2 + \text{----------} + a_nR_n + E$

Where:

P - Represents employee performance

a - Represents a measure of employee satisfaction and motivation

R_n - Represents individual rewards to employee

E - Represents the error margin

3.5 Data collection methods

This study will use primary data collected using questionnaire that contain both open ended and closed ended questions from the chosen employees of the case study firm.

Questionnaires were given to the staff of Flights and Safaris International.

Verification and supplementation was got from the films and published reports. Thus will include analysis of employee or labour turnover and reward systems in place by the Human resource department. Observation farms will be used by researcher. Thus both primary and secondary sources of data will be used to acquire sufficient information that is relevant to the research.

3.6 Data analysis and presentation of results

Completed questionnaires were edited for completeness and consistency across respondents and to locate omissions. They were then coded and keyed into the computer to facilitate statistical and with the help of the SPSS computer package. The data collected was analyzed using descriptive statistics such as frequency tables, percentages, means, standard deviation. To determine the extent to which reward systems affect employees performance, mean scores were used which were calculated from a five point linkert scale.

3.7 Operational definition of variables

According to our model of correlation analysis and regression;

P= a_1R_1 + a_1R_2 + ...+a_nR_n + E the variables involved are:

P – is the dependent variable showing the level of employee performance in the work place. It is dependent on some independent variables, that is:

P= R_1 +a_1R_1 + +a_nR_n +E

a - showing a measure of employee satisfaction for each employees

R - showing the value of the reward given to employees

E - showing the error margin. This is an allowance for inaccuracy in measuring employee satisfaction.

In the model, employee performance depends on rewards and satisfaction of employees. Rewards are based only on the type of scheme used to reward employees.

Correlating of variables will enable the establishment of the type of relationship that exists between these variables. This will aid the research in knowing what conclusions to make based on the results.

CHAPTER FOUR

4.1 Data analysis and presentation

In the data analysis of the effect of reward systems on employee performance in Kenya the objectives were used as a guide:-

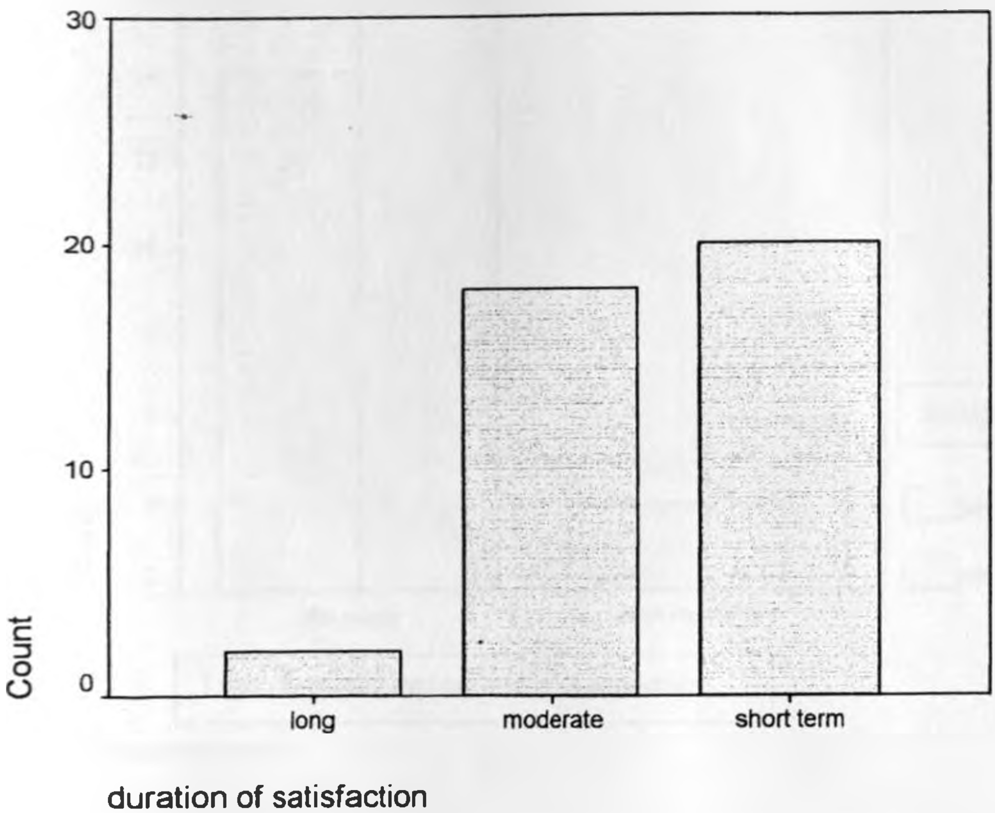
Table 1: Types of rewards and variables used in the study

Type of reward system in the organisation		Satisfaction from reward	Reward received	Intention of reward	Basis for reward	Consistency of reward	Duration of satisfaction
Monetary	Mean	1.5333	1.0000	1.4000	1.3667	2.1333	2.5000
	N	30	30	30	30	30	30
	Std. Deviation	.50742	.00000	.56324	.66868	.57135	.57235
Non-monetary	Mean	1.6000	1.9000	2.4000	1.7000	2.5000	2.3000
	N	10	10	10	10	10	10
	Std. Deviation	.51640	.31623	.69921	.82327	.84984	.67495
Total	Mean	1.5500	1.2250	1.6500	1.4500	2.2250	2.4500
	N	40	40	40	40	40	40
	Std. Deviation	.50383	.42290	.73554	.71432	.65974	.59700

Source: Research data 1

In identifying the reward system that do not work a relation can be drawn between the type of reward respondents chose and the satisfaction they received from the reward and draw as to which reward works. The respondents who chose monetary reward had a mean satisfaction from the reward of 1.53 and those who chose non – monetary reward had a mean satisfaction of 1.6. this indicates that most respondents neither nor got satisfied from the reward they received. The low standard deviation of 0.507 for the monetary rewards and 0.504 were in close agreement that neither reward system clearly works.

The table below equally supports the above data in table 1:-

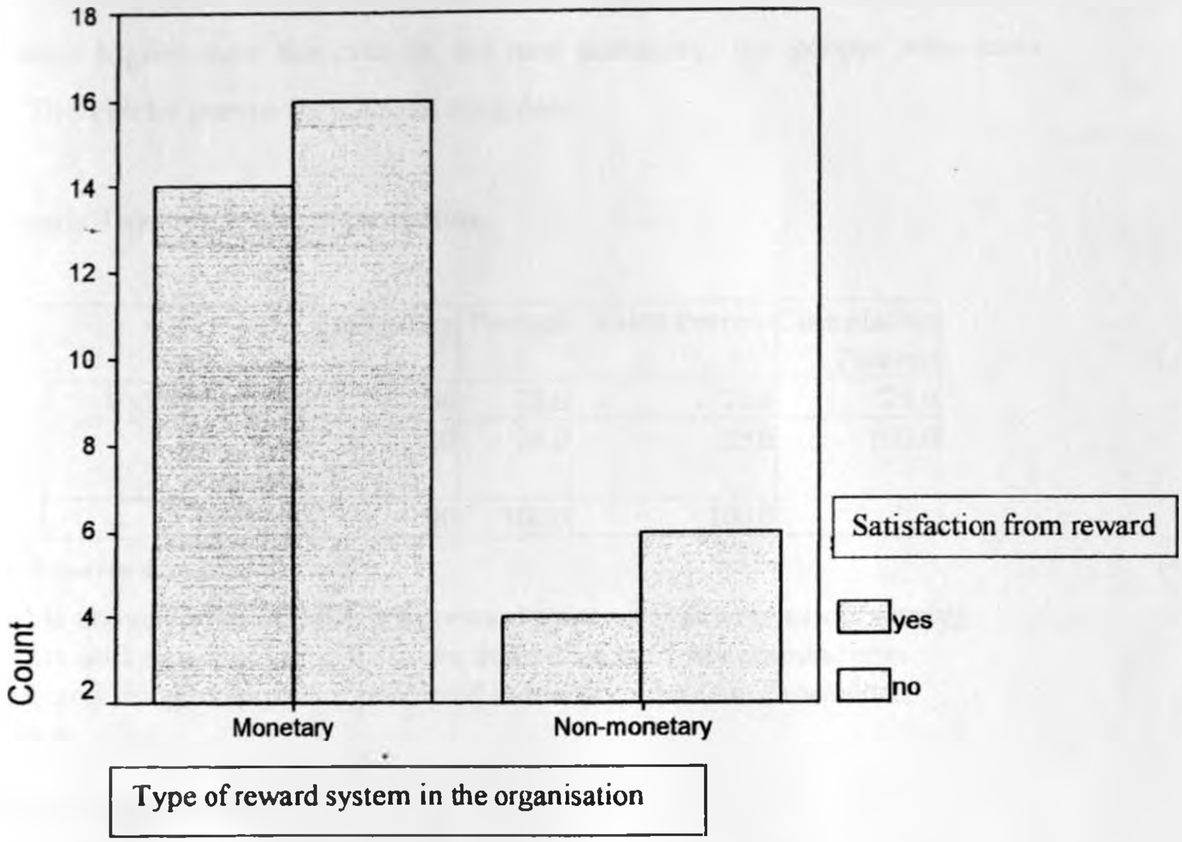


Source: Research data 2

Figure 1

The graph above shows the relationship between the number of employees and the duration of satisfaction they derived from the reward they received from the organization. It is indicative that the number of employees who were satisfied in the long run is far lower than those who felt the reward they received satisfied them in the medium term and short term. The employees who felt the reward lasted in the short term being more than the long term and medium term.

Interactive Graph



Source: Research data 3

Figure 2

The graph above shows an interaction between the number of employees who said that they were satisfied with their rewards be they monetary or non monetary.

In figure2: it shows that the number of employees who said they found monetary reward satisfying are 14 while those who said that the reward received (monetary) were not satisfactory 16. Thus showing many people find monetary unsatisfactory. The graph also shows that the number of employees who found the non monetary reward satisfying are 4 while those who said that the reward received (monetary) were not satisfactory 6. Thus showing many people find non monetary reward unsatisfactory. Conclusively it shows that to a large extent, that reward systems do not work by virtue of more people stating that they were dissatisfied with both reward systems that is 'NO'.

In figure 2 and 3: Even in monetary where the number of people who took the reward were higher than the case in the non monetary, the people who were satisfied. This can be proven by the following data:

Type of reward system in the organization

Table 2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Monetary	30	75.0	75.0	75.0
	Non-monetary	10	25.0	25.0	100.0
	Total	40	100.0	100.0	

Source: Research data 4

The table above shows the different reward systems that were under study, monetary and non-monetary. It shows that out of the forty respondents interviewed thirty respondent preferred monetary while ten chose non-monetary.

Satisfaction from reward

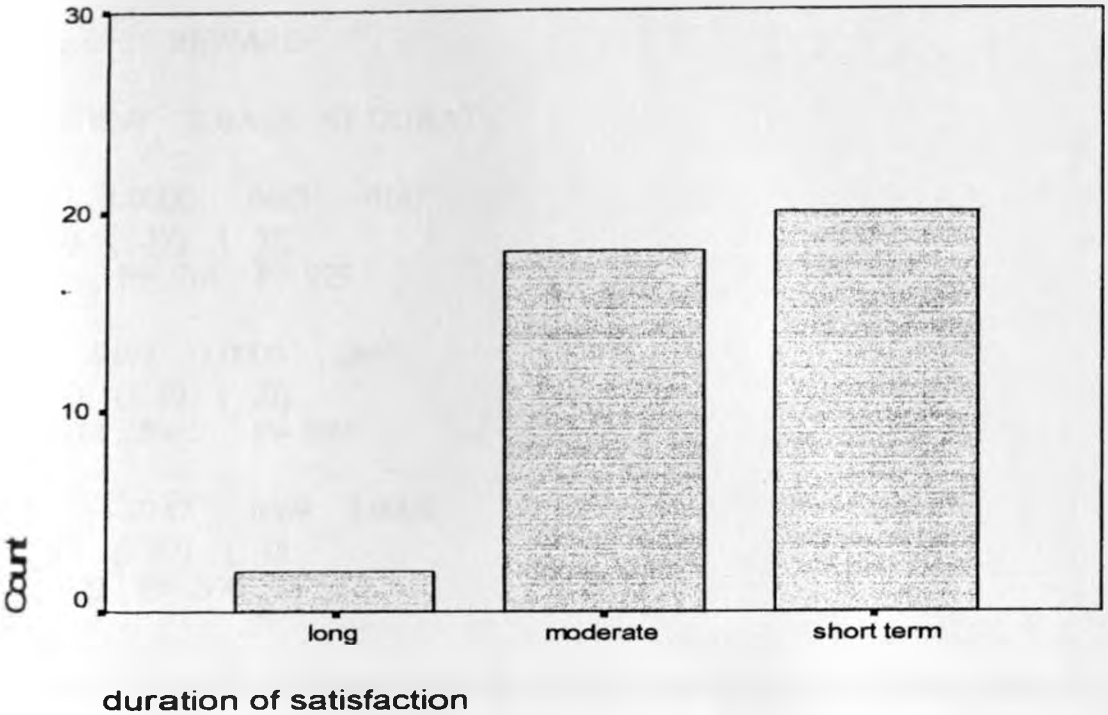
Table 3

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	18	45.0	45.0	45.0
	no	22	55.0	55.0	100.0
	Total	40	100.0	100.0	

Source: research data 5

The table above shows the satisfaction the respondents derived from the rewards they chose they being monetary and non-monetary. Out of all the respondents interviewed, those who said they were satisfied with monetary reward only eighteen found them to be satisfactory while twenty two out of all the respondents interviewed found monetary reward to be satisfactory.

Figure 2



Source: Research data 6

Even though both table 2 and 3, show that both monetary and non monetary system of rewards do not work. This statement cannot be taken in its entirety, this is due to the fact shown in figure 2 where we are shown that both monetary and no monetary systems are shown to work both in the short term and the medium term. But in the long term we find that both systems of reward do not work in the long term.

In understanding why reward systems don not work we will look at the satisfaction derived by the respondents from the reward and the duration the satisfaction lasted. Where by the duration of satisfaction will be grouped as follows: long term satisfaction, medium term satisfaction and short term satisfaction. The correlation between these two variables will give a clear indication of why the reward systems do not work. This is shown in table 4 below:-

--- PARTIAL CORRELATION COEFFICIENTS ---

Controlling for.. REWARD

	R.INTENT	R.BASIS	ST.DURAT
R.INTENT	1.0000	.0497	-.0147
	(0)	(37)	(37)
	P= .	P= .764	P= .929
R.BASIS	.0497	1.0000	.0869
	(37)	(0)	(37)
	P= .764	P= .	P= .599
ST.DURAT	-.0147	.0869	1.0000
	(37)	(37)	(0)
	P= .929	P= .599	P= .

From the above data which represents or shows the correlation between the intent of the reward, the basis of the reward and the satisfaction that is derived from the reward. It shows that respondents view of the intent of the reward system and the reward basis is (0.0497) which means that there is simply a low (no) correlation between the two variables, implying that the respondents did not see if there was a direct relationship between the intention of the reward that being to; increase performance, motivate, discourage behavior and to encourage behavior: the reward basis being; performance, qualification, random. For the cases of the correlation between reward intention and satisfaction duration it is seen that there is a negative high- low correlation meaning that as one increases the other decreases. From the data it can still be observed correlation between reward basis and satisfaction duration is (0.869) which still indicates a low positive correlation between the two variables if any.

The low correlation between the above variables above shows that the respondents did not see a clear relationship between them. This means that the management of the organization should strive to make the relationship or the basis for there rewarding there employees more clear so that they can perform better.

According to Nathanson (1978) rewarding some behaviour and not others has clear implications for performance. Thus decisions about what is to be rewarded need to be made carefully and with attention to the overall strategic plan of the business. Consideration needs to be given to such issues as short- versus long-term performance, risk taking versus risk aversion, division performance versus total corporate performance, (return on investment) maximization versus sales growth, and so on. Once key performance objectives have been defined for the strategic plan, the reward system needs to be designed to motivate the appropriate performance.

Porter and Hackman *(1975)* tackle the issue of allocation and implementation of reward systems. They note that the best designed reward system can often go awry in producing the intended results because of poor implementation. The major issue in implementation concerns the evaluation and appraisal of performance. The question is how one grades good performance, exceptional performance and excellent performance. This leads to a further new question of how and whether rewards are related to performance.

In order to be able to understand what can be done to make the reward system work we shall look at the overall means of the variable and the standard deviations that they all have in order to understand what makes them not work and what can be done to make them work. Table 4 below contains the means and standard deviations of the different variable that were used in the collection of data.

Table 4: shows means and standard deviations of variables to types of reward

Type of reward system in the organisation		Intention of reward	Basis for reward	Satisfaction from reward	Reward received	Consistency of reward	Duration of satisfaction	Feeling About work
Monetary	Mean	1.4000	1.3667	1.5333	1.0000	2.1333	2.5000	2.4667
	N	30	30	30	30	30	30	30
	Std. Deviation	.56324	.66868	.50742	.00000	.57135	.57235	.50742
-monetary	Mean	2.4000	1.7000	1.6000	1.9000	2.5000	2.3000	2.6000
	N	10	10	10	10	10	10	10
	Std. Deviation	.69921	.82327	.51640	.31623	.84984	.67495	.51640
Total	Mean	1.6500	1.4500	1.5500	1.2250	2.2250	2.4500	2.5000
	N	40	40	40	40	40	40	40
	Std. Deviation	.73554	.71432	.50383	.42290	.65974	.59700	.50637

Source: Research data 6

From the above variables, intention of the reward, basis for the reward and the satisfaction derived from the reward can be used to conclusively determine what can be done to make the.reward system work.

The respondents were of the opinion that the reward system adopted by the organization is wanting and did not understand it. The low mean in the variables being studied is a clear indication that the reward system needs to be remodeled and modified in order to get the best results from the employees in their performance and satisfaction. The low standard deviation shows that the reward system needs to be re-evaluated and modeled properly in order for it to work.

The findings are as follows:

1. The study shows that the employees were not all satisfied with the rewards offered by the organization and moreover they were not completely confident on how they were being appraised on the type of reward to be given and some found the reward not lasting in the long run,

they lasted more in the short run as the data collected and analysis from the study shows.

2. It is clear from the data collected in the study that neither of the reward systems clearly work towards completely motivating the employees as the data in chapter for clearly indicates.
3. The two reward systems in order to work have to combined in a systematic clear manner in order for them to work towards achieving the objectives they were set out to achieve in their application.
4. As for the length in which the reward the employees received lasted it is clear from the data that they considered the reward they received lasted more in the short run than in the short run in that they were happy if not satisfied in the short term than long run such they were not completely motivated to perform to their best throughout which should be the basis of any reward system in order for it to be said to be working properly. Thus implying they on managed to improve performance and output in the short run.
5. The study further shows that the employees saw no direct relationship between the intention of the reward that being; increase performance, discourage behavior and to encourage behavior and to encourage certain behavior: the reward basis being; performance, qualification and random. This means that management of the organization should strive to make the relationship or the basis for the rewarding of their employees more clear so that they can perform better.
6. The number of employees who thought the rewards were satisfactory and based on improving performance, encourage particular behavior in the organization were far and between indicating further the they didn't understand the basis of the reward and how it was determined.

CHAPTER FIVE

Summary, conclusion and recommendations

5.0 Introduction

This chapter represents summary, conclusion of the results obtained in line with the objectives of the study. The main purpose of the study were to identify the type of reward system that don't work, to understand why such systems don't work, what can be done to make them work. In summary the study shows that the reward systems employed by the organization don't generally work toward motivating employees to perform their work optimally and that the perception of the employees towards the system is not wholly and completely positive as they don't all understand the basis on which the rewards are based.

5.1 Summary and findings of the research

The study shows that the employees were not all satisfied with the rewards offered by the organization and moreover they were not completely confident on how they were being appraised on the type of reward to be given and some found the reward not lasting in the long run, they lasted more in the short run as the data collected and analysis from the study shows.

It is clear from the data collected in the study that neither of the reward systems clearly work towards completely motivating the employees as the data in chapter for clearly indicates. The two reward systems in order to work have to combined in a systematic clear manner in order for them to work towards achieving the objectives they were set out to achieve in their application. As for the length in which the reward the employees received lasted it is clear from the data that they considered the reward they received lasted more in the short run than in the short run in that they were happy if not satisfied in the short term than long run such they were not completely motivated to perform to their best throughout which should be the basis of any reward system in order for it to be said to be working properly. Thus implying they on managed to improve performance and output in the short run.

The study further shows that the employees saw no direct relationship between the intention of the reward that being; increase performance, discourage behavior and to encourage behavior and to encourage certain behavior: the reward basis being; performance, qualification and random. This means that management of the organization should strive to make the relationship or the basis for the rewarding of their employees more clear so that they can perform better.

The number of employees who thought the rewards were satisfactory and based on improving performance, encourage particular behavior in the organization were far and between indicating further the they didn't understand the basis of the reward and how it was determined.

The findings of the research study are outlined below as follows:

1. The employees were not all satisfied with the rewards offered by the organization and moreover they were not completely confident on how they were being appraised on the type of reward to be given and some found the reward not lasting in the long run, they lasted more in the short run as the data collected and analysis from the study shows.
2. The data collected in the study that neither of the reward systems clearly work towards completely motivating the employees as the data in chapter for clearly indicates.
3. As for the length in which the reward the employees received lasted it is clear from the data that they considered the reward they received lasted more in the short run than in the short run in that they were happy if not satisfied in the short term than long run such they were not completely motivated to perform to their best throughout which should be the basis of any reward system in order for it to be said to be working properly.

4. The employees saw no direct relationship between the intention of the reward that being; increase performance, discourage behavior and to encourage behavior and to encourage certain behavior: the reward basis being; performance, qualification and random.
5. The number of employees who thought the rewards were satisfactory and based on improving performance, encourage particular behavior in the organization were far and between indicating further the they didn't understand the basis of the reward and how it was determined.

5.2 Conclusion

Based on the results from the data analysis and findings of the research in chapter four, one can safely conclude the following:-

Organizations focus more on the short run impact of reward system on performance of employees at the expense of long run performance this can be seen by the fact that employees were satisfied in the short run implying that the employees focus on being rewarded and being satisfied because they are being rewarded for just what the have done such that they don't consider the organizational goals as a basis for them to work hard and perform.

The reward systems should be clear of there criteria for rewarding their employees such that they create a direct link between their performance and work and the reward they receive.

Reward systems should be geared towards motivating the employee towards performing.

Reward system on the whole do not work if they are not seen to be fair and clear in their application and targeted towards or focused on the employee and the organization. Such that the long term and short term objectives of the employee and the organization are achieved.

5.3 Recommendations

The following recommendations are worth making in order to enhance the working of a reward system in an organization:-

The reward system employed by an organization should be clear and easy for the employee to understand such that they don't see it as being unfair biased or without logic or purpose.

Reward systems adopted by organizations needs not only to focus on the short run effect of a reward system but rather on focus on both the short run effect of it on performance and motivation.

Organizations need to realize reward systems play an important role in the motivation of employees and thus offer rewards that are commensurate to the amount of effort and cork and contribution towards the employee and the organization as a whole.

5.4 Limitations

There were time and financial constraints in carrying out the research.

Many organizations are quite reluctant about allowing this kind of research to be done in their organizations as they consider it a sensitive area because their competitors may use the findings to poach their employees by offering better rewards to attract their employees.

5.5 Suggestions for further research

The study dealt with the effect of reward systems on employee performance. This study being exploratory in nature has provided insights into whether reward systems work towards improving performance of employees.

The results of the study having been a case study cannot be fully conclusive to all other organizations operating in the Kenyan economy, because of the different organization cultures that could be influencing the reward systems adopted by an organization. Further study on organizations in different sectors of the economy would shade light as to whether employees in other sectors have different perceptions.

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APPENDIXES A

RESEARCH QUESTIONNAIRE

This questionnaire is used to find out the effects of reward systems o employees performance at the work place. It will be given to all levels of employees.

PART A

All information given is completely private and confidential

(Tick where appropriate)

1. What type of reward systems exist in your organization?

   Monetary ☐ Non-monetary ☐

   Any other (indicate which one)

   ____

   ____

   ____

   ____

   ____

2. What type of reward have you received?

Monetary ☐ Non-monetary ☐

3. What type of reward works best?

Monetary ☐ Non monetary ☐

a) If monetary or non monetary state why

____

4. What was the intention of the reward?

Increase performance ☐ Motivate ☐

Discourage behavior ☐ Encourage behavior ☐

5. What is the basis for rewards and punishment in your organization?

Performance ☐ Qualifications ☐

Random reward ☐

6. How many times have you been rewarded?

Many ☐ Few ☐

Average ☐ Never ☐

7.

a. Was the reward satisfactory?

Yes ☐ No ☐

b. If yes, how long did the satisfaction last ?

Scale:

1 ☐ 2 ☐ 3 ☐

1 – Long 2 - Moderate 3 - Slight

c. If No, why did the reward not satisfy you?

____

8. Is competition at the work place healthy? Why?

____

9. What do you feel about your job?

I enjoy it ☐ I hate ☐ I am indifferent ☐

10. What is your comment on your organizations' reward system.

____