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ABSTRACT

Reward systems are categorized in various forms as pay or salary, recognition and appreciation, empowerment and autonomy, and fringe benefits. Rewards need to be competitive enough in relation to compensating workers for their labour. By integrating the theories of motivation, this study assessed the effect of reward systems on employee satisfaction at the Kenya Forestry Research Institute (KEFRI). This research was based on the assumption that application of reward systems influences the behaviour and attitude of employees at Research Institutions in general and for this case KEFRI. One of the major problems facing research institutions in Kenya is the inadequate or lack of application of the reward systems, which leads to employee dissatisfaction. Labour productivity is greatly enhanced through appropriate application of reward systems. This situation provides the basis to assess the existing reward systems employed at KEFRI as a means of improving employee satisfaction and hence labours productivity. The study targeted a population of 554 employees drawn from three of KEFRI's three Research Centres namely: KEFRI Headquarters, Muguga and Karura Regional Research Centres. The study sample was 111 employees across all cadres. A fully structured self-administered questionnaire and an interview guide were the standard data collection instruments for the respondents. The data was analyzed using descriptive and inferential statistics. In particular, frequencies, tabulation and chi-square were used as descriptive statistics. The study revealed that 84% of the respondents were aware of the existing types of reward systems while 16% were not aware, a factor mainly attributed to failure to read the KEFRI human resource manual, attend staff meetings and ignorance on the fact that awards seem to have improved significantly in the current year as compared with the last three years. It also revealed that through rewarding employees equitably, the organization's performance had been enhanced and employee commitment to the organization was more assured. The study also revealed that the application of reward systems influenced the level of satisfaction of employees at KEFRI.

Key Words: Reward Systems, Employee Satisfaction, Kenya Forestry Research Institute

Background to the study

Human capital is regarded as a prime asset of any organization and it plays a significant role in ensuring sustenance of organizations. It pays greatly to invest in this important asset. Armstrong (2008) reaffirms that every organization needs to obtain and retain skilled, committed and well-motivated workforce using different incentive-based approaches, which may include reward systems. According to Armstrong (2006), there are two classifications of rewards; intrinsic and extrinsic, with the former taking the non-financial form while the later takes the financial form. Armstrong (2006) further states that, the range of intrinsic rewards spans from recognition to capacity development. Within the realm of specific intrinsic rewards are empowerment and autonomy, recognition of achievement, scope to use and develop new skills, training, career development opportunities, scholarship awards, time-off to study and high quality leadership. On the other hand, extrinsic rewards come in form of basic pay, employee benefit and contingent pay. Other forms of enhancing performance include tasks that motivate intrinsically and stand chances of or inherently satisfying the workforce. It is also evident that such tasks tend to be interesting and enjoyable.

Armstrong (2006) defines reward systems as elements of reward management, which provide guidelines on approaches to managing rewards, both financial and non-financial. These systems play a role in evaluating the relative size of jobs and assessment of individual performances and procedures operated in order to maintain the reward system and to ensure that it operates efficiently, flexibly and provide or guarantees value for money. There is evidence that KEFRI

values its human resource capital as part of institutional development as demonstrated by the well-developed procedures, guidelines, policies and practices in human resources management. These procedures and guidelines applied by KEFRI set the basic framework required to operationalize and implement the reward system. This is in line with Armstrong (2010) who defines reward systems as consisting of policies, procedures, processes and practices applied by business entities or otherwise. Relevant policies provide guidelines on approaches to manage rewards while practices operationalize or provide for financial and non-financial rewards. In addition, processes in this context are concerned with performance management while procedures are set in order to sustain the reward system.

The specific policies and practices in KEFRI currently in place are: schemes of service that provide guidance on the positioning of different cadres and qualifications required, salary structure for the different staff as per their job group, KEFRI Human Resource Manual which guides the human capital or Human Resource (HR) on the recruitment and appointment procedures, promotions, transfers and re-designation, salary scales, rules of conduct, staff training and development and employee performance evaluation and appraisal for promotion purposes. One may argue that KEFRI has established these comprehensive procedures to ensure fairness in staff performance management, improve performance of staff over the years as well as retaining the competent staff. In addition, this approach may motivate staff. This is an important procedure for enhancing labour productivity and hence returns to investment in research.

However, having these elaborate procedures in place may not necessarily imply that the workforce is fully satisfied. The effectiveness of incentive approaches depends on various factors, which include, the level of incentives provided, the expectations of the staff, staff perceptions, and the manner of application of such rewards. As Armstrong (2010) argues, reward systems consist of interrelated policies, practices, process, and procedures that combine to ensure that reward management is carried out effectively to the benefit of the organization and the entire workforce across the gender dimensions – the youth, the women, the men and any other groupings that may be considered as disadvantaged. It is therefore the permutation of these factors that determine the overall effect and influence of the reward systems on employees' performance as well as the perception of the organization on the value of the extra resources utilized in the pursuit to meet the organizational goals.

According to Porter, Bigley and Steers (2003), rewards should be based on performance and contributions to the organization's success so as to boost the morale of employees and provide an avenue for excellence. There is a clear understanding that application of reward systems has various benefits such as building a career around life goals and for one to achieve such benefits it is important to have a plan and time frame. It is also important to set one's own targets and strive hard to achieve them, based on what one wants to accomplish by having a mentor or a coach to carry out an assessment on a particular individual or get self-discovery books (Armstrong, 2006).

For the purpose of sustaining any reward system, Moorhead and Griffin (2010), suggest that, organizations need to consider their respective abilities to pay employees at certain

levels, economic and labour market conditions and the impact of the pay system on organizational financial performance. Organizations should therefore consider the relationship between performance and rewards as well as the issues of reward systems' flexibility, employee participation on the reward systems, pay secrecy and expatriate compensation.

Noe, Hollenbeck, Gerhart and Wright (2009) argue that reward systems contribute to high performance because they encourage people to strive for objectives that support the organization's overall goals. Reward systems include the performance measures by which employees are judged, methods of performance measured and other rewards linked to success. Human resource management plays an important role in developing and administering such reward systems. Therefore, it is important to involve the employees in organizational decision-making positions to understand employee behaviour and how to manage them for the performance of the organization.

According to Porter and Lawler (2003), one of the most important aspects of intrinsic rewards is job satisfaction. If an employee is not satisfied from what she/he does, her/his performance gets affected thus damaging the performance of the whole team and in turn, the organization. The influence or relationship applies not only at individual level but also even for some segments of employees in a collective manner.

According to Bloisi (2007), monetary reward is enough to attract the right people to the organization. However, it is perceived as an important instrument, which promotes equity among employees as well as an avenue for retaining the most competent and committed ones. Rewards ensure that organizations

maintain competitive advantage and increase productivity and profitability.

There are a number of pre-conditions that are necessary in creating acceptability of reward systems in most organizations. Firstly, both the employer and the employees should first and foremost perceive the establishment and application of the reward systems positively. Secondly, reward systems should be developed through a team spirit and in consultative and participatory manner. Thirdly, every employee's views should be considered irrespective of the position in the organization, as a way of promoting a sense of ownership of the reward system. Since reward systems are for the benefit of both employees and employers, this study tended to focus also on the positive ways of enhancing employee satisfaction and productivity. The managers are responsible for linking the organizations production to employee reward systems to enable workers appreciate their work and be responsible. Thus, on this understanding, the study included the KEFRI management level.

According to Porter and Lawler (2003), effective reward systems are normally designed to fit well with the other design features of the organization as well as with its business strategy so as to contribute to the organization's mandate and core values. The ultimate goal is to develop an integrated human resource management strategy that considers encouragement of the staff as the corner stone of the entire reward system. This approach is most likely to attract the kind of people that can support an organization's business strategy and further encourage the staff to be more devoted to realizing the organization's mission. Reward system is therefore important for an organization's

growth, job analysis, employee satisfaction and retention.

Reward systems can enhance productivity and provide a basis for reflecting on self-assessment and performance. It is important for employees to create action planners and manage their own career – this is an opportunity that is enshrined in effective reward systems. This will help employees to be focused with their work and meet their target and have high productivity. This implies that reward systems work better on situations where employees are self-disciplined and have minimal supervision. This encourages a self-regulating approach during the discharge of respective employee duties (Porter & Lawler, 2003).

There is also the aspect of job satisfaction, enrichment and job analysis. According to Porter et al (2003), high reward level leads to high satisfaction, which leads to lower employee turnover. Individuals who are currently satisfied with their jobs expect to remain so and thus have a greater propensity to remain working in the same organization. Nevertheless, not all turnovers are harmful to the organization's effectiveness. Organizations may benefit from losing poor performers and hence create an opportunity to employ more qualified staff that will be assets to the organization. Employee turnover and replacement of employees also allows evolution of new ideas and innovations on several institutional aspects.

According to Armstrong (2007), it is important to reward employees after acquiring additional skills and knowledge to motivate them through promotions of job enrichment because it leads to improved performance and high productivity. Porter et al. (2003) states that reward strategies can be linked with organizational strategies as vertical alignment

fit between the reward strategy and the business strategy and horizontal alignment fit between reward strategy and HR strategies and policies.

Armstrong (2007) further states that reward systems help to improve the quality of work, culture, values and management. It is generally recommended that no reward initiative should be under taken if it does not add value to the organization as a whole. Reward systems in most cases use vertical alignment. This means that business and reward strategies are in line with each other and reward strategy is defined in a way, which clearly explains how they will contribute to the achievement of the business plan. However, there are also some problems in achieving vertical alignment since (Armstrong, 2006) argues that it is possible to establish the strategic goals of organization but it may be more difficult to identify reward strategies that are specifically related to them or it could be that business strategies are not clearly defined.

More specifically over the years, the Kenya Government has embraced science, research and technology generation as important drivers of economic development and more so in achieving vision 2030 and other past targets. It is therefore in this context that the Government, through a series of Acts of Parliament, established research institutions in agriculture (Kenya Agricultural Research Institute – KARI, Tea Research Foundation of Kenya - TRFK, Kenya Coffee Research Foundation – KCRF and Kenya Sugar Research Foundation - KESREF), industrialization (Kenya Industrial Research and Development Institute – KIRDI), medical sciences (Kenya Medical Research Institute – KEMRI and School of Health Sciences, University of Nairobi), fisheries and marine eco-systems (Kenya Marine and Fisheries Research Institute –

KEMFRI), policy analysis (Kenya Institute of Public Policy Research and Analysis - KIPPRA) and forestry with Kenya Forestry Research Institute (KEFRI) being the lead organization in undertaking scientific research, technology generation and innovations in this sector.

Purpose of the Study

The purpose of the study was to assess the effect of reward systems on employee satisfaction in order to design or propose a more competitive reward system. The reward systems developed would motivate employees and thus attract qualified and highly skilled staff for high productivity.

Objectives of the Study

To address the aforementioned purpose, this research focused on the following three objectives

- To identify the existing types of reward systems in KEFRI.
- To determine the effects of reward systems on employee satisfaction at KEFRI.
- To identify the limitations of KEFRI reward systems on employee satisfaction.

LITERATURE REVIEW

This chapter reviewed the theoretical framework and empirical review on rewards systems from different sources of literature. The literature review section therefore presented the relevant reviewed writing investigating the effects of reward systems on employee satisfaction in a Kenyan research institution context with special reference to KEFRI.

This summarized literature review helped to analyze and clarify some important issues that have been observed by other scholars in relation to this subject.

Prior research on reward systems had been confined to non-African countries, notably the United States (U.S.) firms and a number of key questions still remain unanswered (Boyd & Salamin, 2001). In the United Kingdom (U.K.), companies operate individual performance related pay schemes and a large growth in the incidence of skill and team-based pay (Conyon, Peck & Read, 2001). In a survey research conducted in China, remuneration determinants had been analyzed and the research results showed that the wage levels of employees were generally growing, but many problems remained in the primary distribution of these rewards (Fang-zhi, 2009). In effect, there is no evident on adequate research that has been conducted on how the influence of reward system affects levels of satisfaction and hence performance within a research institution context and more particularly in Africa.

Porter and Lawler (2003) reported that, it is important to assess the quality and quantity of performance as compared with the rewards granted to the employees with one key question, are employees recognized, appreciated, satisfied, motivated, awarded bonuses, merits, given fringe benefits or look forward to meeting their targets? Without a potent incentive mechanism as above, it can be demoralizing for employees. Subsequently, this study investigates on ways to recognize employees, appreciate them so as to motivate them and award employees who have met their targets.

Reward systems are a wholesome motivator to employees and thus individuals need to be motivated so as to perform better. It also adopts a strategic approach that is aligned to the business and human resource strategies and is congruent with the culture of the organization. The policies and processes are

reviewed, evaluated and modified in accordance with the changing needs of the business. It is also noted that employees are valued according to their contribution, skill and competence (Porter & Lawler, 2003). The level of employee satisfaction is a well-known predictor of voluntary turnover, and it is important to discover the types of rewards that are most dissatisfying to employees and therefore become the reason for employees to leave organizations. This may be achieved by conducting periodic job surveys (Herbert & Timothy, 2009).

Definition of Reward Systems

According to Porter and Lawler (2003), reward systems are the cornerstone of organization performance, and experience has shown that they can be quite difficult to design and implement in ways that both employer and employees view as mutually beneficial and satisfactory. Nevertheless, Kirimi and Minja (2011) argue that human resources specialists should establish reward systems that recognize those that positively impact the process of change. The wins should be celebrated and those responsible should be recognized. Therefore reward systems encourage organizations to recognize their employees so as to motivate them both intrinsically and extrinsically the same way Porter, Kirimi and Minja have suggested. It is important to recognize and appreciate employees so as to increase organization's performance and this implies that those employees who perform best get a higher pay and incentives as compared to those whose performance is less. However, there are situations that may call for the application of rewards to motivate the less performers.

However, according to Porter et al. (2003), organizations should come up with reward

systems that satisfy the better performers and encourage them to stay with the organization. It should attract the achievement-oriented individuals because such employees tend to prefer environments where performance is rewarded.

Theoretical Framework

According to Krishnaswamy (2009), a theory is a set of asserted universal propositions communicated in a set of universal sentences, which are derived, by observation and empirical evidence. Kandula (2006) viewed motivational theories as the foundation for design, implementation and renewal of the reward-based performance management strategy.

This study drew and relied on motivational theories such as Maslow's Hierarchy of needs Theory, Equity Theory, Goal-setting Theory, Expectancy Theory and Efficiency Wage Theory. Beardwell and Claydon (2007) argue that the first level of Maslow's Hierarchy of needs theory is the basic human needs, which include: food, water and comfort. It is therefore paramount that organizations provide financial rewards to their employees to meet these basic but fundamental needs. The second level of the theory addresses itself to the safety needs where the desires for security and stability are key. In this sense therefore, organizations help to satisfy employee's safety needs through a package of benefits and thus motives employees. In the third level, employees need a friendship stimulating environment and one that creates a sense of belonging. It is at this point that appropriate support from organizations' management to employees that a sense of safety among the employees is created and maintained or managed as a way of promoting productivity both at individual and organizational levels.

The fourth level focuses on self-respect and respect from and for others. In this sense, organizations ought to ensure that employees secure self-respect as well as respect from others. Lastly, the fifth level is the self-actualization needs whereby the supervisor may help fulfill an employee's self-actualization needs by assigning tasks that challenge employees' minds while drawing on their aptitude and training. These five levels, through the application of reward systems may be achieved and sustained in a manner that would promote the productivity of various organizations in general and in particular research institutions (Beardwell & Claydon, 2007).

The Maslow's theory helps employers to develop employee motivational strategies, which should be founded on finding out what motivates employees most. It shows how individuals are motivated in the workplace as a sense of achievement and an opportunity for personal growth and the hygiene factors such as money, working conditions, job security, quality of supervision and interpersonal relationships at work (Beardwell & Claydon, 2007).

There are other various and additional theories that are the basis for emphasis for effective reward management systems in the organizations. Such theories are equity theory, expectancy theory, goal-setting theory and the efficiency-wage theory. The performance-related rewards have motivational influence on employees.

Equity theory is one of the major inputs into job performance and satisfaction and focuses on the degree of equity or inequity that people perceive in their work situation, (Luthans, 2008). In a broader social exchange view, Luthans (2008) argued the more incentives that an organization provides to employees,

the more employees reciprocates by becoming more effectively committed to the organization and by performing at higher levels. According to Mondy (2008), equity theory is one of the motivational theories that people use to assess their performance and attitudes by comparing both their contribution to work and the benefits they derive from it. In other words, the contributions and benefits of comparing motivational theories helps the organization select what suits them best. In contrast, when they feel unfairly treated compared to fellow colleagues in a similar position, they are prone to feelings of dissatisfaction and demotivation. In this case an employee evaluates job output and inputs with another similar position.

Further, Kandula (2006) reported in the goal setting theory employees are encouraged to participate in goal setting, determination of performance standards and defining performance evaluation methods themselves become motivational sources for higher performance. In a goal-setting activity, involvement itself becomes a bigger reward than monetary compensation.

The expectancy theory lays the foundation upon which individuals engage in behaviors are likely to lead to valued outcomes, as long as they perceive that they can successfully produce such behaviors. Thus, provided a financial incentive is perceived as valuable and increased performance is expected to lead to outcomes are believed to result in financial rewards, such rewards should enhance performance through increased extrinsic motivation and effort (Porter et al., 2003).

According to Efficiency theory, Armstrong (2006) argued that firms will pay more than the market rate because they believe high levels of pay will contribute to increases in productivity by motivating superior performance, attracting better candidates, reducing labor turnover and

persuading workers that they are being treated fairly. In the same way a well-administered system of wage and salary payment will not only reduce the incidence of disruptive laxity and low morale, but will also go a long way in achieving the set goals of the organization. Armstrong (2008) observed, reward system as an integral part of the human resource management approach to managing people since it is strategic in the sense that it addresses longer term issues relating to how people should be valued for what they do and what they achieve.

The research study relied mainly on Maslow's theory while reference was drawn for the rest i.e. efficiency wage theory, the expectancy theory and the equity theory. The employees are perceived to perform more effectively and efficiently if at all the organization takes into consideration their request and needs. Employees in the organization tend to improve in their performance upon the increment of the salary and the award of the incentives and the rewards to the employees.

Empirical Review of Reward Systems

This section reviews a series of facets that constitute rewards systems as well as the likely outcome of such schemes when applied by organizations. Such facets include employee satisfaction, recognition and appreciation, financial benefits and promotions.

Employee Satisfaction

Employee satisfaction is one of the most important attributes that organizations desire for their staff (Oshagbemi, 2003). Generally, employee satisfaction is closely linked to performance, organizational productivity and other aspects, including labour turnover. Eyupoglu and Saner (2009) studied the satisfaction levels of academies in North

Cyprus and investigated whether rank is a predictor of their job satisfaction. Their results demonstrated that overall, the employee's rank contributed moderately to the level of job satisfaction. Four other job facets i.e. advancement, compensation, co-workers and variety were found to be correlated with job satisfaction among the twenty which were investigated.

Empowerment and Autonomy

Empowerment has been described as a venue to enable employees make decisions (Bowen and Lawler, 2002) and as a personal experience where individuals take responsibility for their own actions. Individuals in high-power distance societies have allowed inequalities of power and wealth to grow. The members of the high-power distance are mainly from the elite group. In contrast, individuals in low-power distance societies de-emphasize the differences between a citizen's power and wealth. In past studies Eylon and Au (1999); Robert, Probst, Martocchio, Drasgow, and Lawler (2000), have demonstrated and concluded that individuals from high-power distance cultures perform significantly better in the disempowered situation with respect to productivity than in the empowered situation. For the case of KEFRI, the high-power distance societies are the management team who are involved in decision-making process

Singh (2003) found that customer-contact employees experienced less role ambiguity when their discretionary powers increased. Empowerment led to quicker resolution of customer problems because employees did not waste time referring customer complaints to managers.

Recognition and Appreciation

Bourcier and Palobart (1997) highlight the importance of employee recognition as a

source of motivation and satisfaction. When employees believe they have a well-defined place within the organization and their contribution is fully appreciated, they are more apt to dedicate themselves to their work and feel motivated to do their best. Motivation drives action, in some sense, and determines work behaviors. Recognition also fosters a feeling of competency and gives employees a certain sense of satisfaction. By contributing to employee satisfaction and motivation, recognition has a positive impact on company productivity and performance.

Financial Benefits

There are a growing number of managers within the private sector who now argue that, if employee performance results in enhanced organizational performance, then employees should hold a share in the overall organizational benefits received or achieved. In other words, they feel that workers should be appropriately and equitably rewarded for their effort (Ghosh, 2005). It has been observed when employees perceive that the only ones benefiting from their diligent efforts are the management team, shareholders, or other parties, they become discouraged that in turn affects productivity negatively.

To avoid this, some managers have introduced reward packages in which employees receive enhanced pay based on individual and/or group performance (Mathias & Jackson, 2004). However, the method of compensation does not appear to have an effect on employee satisfaction. For example, receiving incentive pay versus not receiving incentive pay appears to have little to do with satisfaction. Although the method of compensation does not matter, the amount of compensation does. The more financial compensation employees receive, the more likely they are to be satisfied.

Promotions

Internal promotion is generally seen as a critical way to retain key members of the workforce (Srivastava et al., 2008). Promotions may be based on specific agreed performance targets. This ensures that any promotion within an organization is objectively and transparently derived so to avoid discouraging other employees who may feel discouraged. Having recruited, developed and trained the 'right sort of people', it is unlikely that managers want to see these workers leave the organization before the cost of developing such staff is fully recouped. Firms can use promotions as a reward for highly productive workers, creating an incentive for workers to exert greater effort. Promotions will only be an effective mechanism for eliciting greater effort if workers place significant value on the promotion itself.

Conceptual Framework

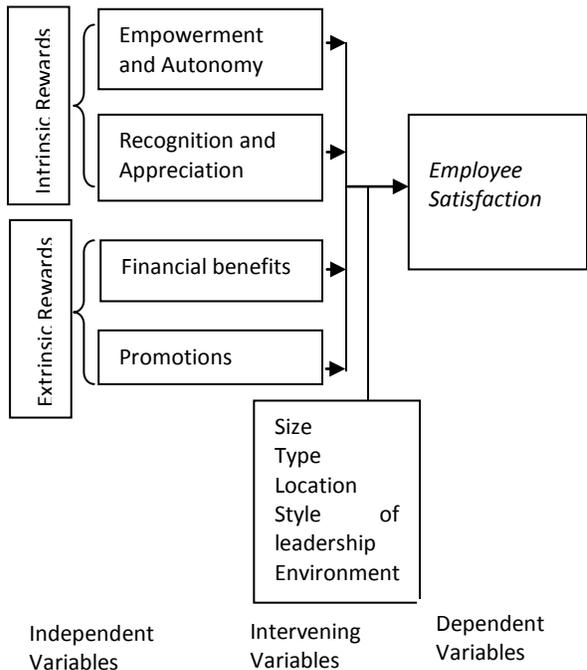


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

This chapter outlines the methodologies that were used in the research study. To get an in-depth understanding on the research focus, both qualitative and quantitative methods were used. For the purpose of this study, quantitative data was collected from the employees of KEFRI. The descriptive research design was preferred in this study because it allowed analyses of different variables at the same time and it enabled the researcher to describe the factors, which affected the development and use of reward systems by KEFRI. The population of the research study consisted of 945 employees (Human Resource Manual). These were employees from the KEFRI's six Regional Research Centres namely Muguga, Karura, Gede, Londiani, Kitui, Maseno and KEFRI Headquarters. The researcher used both the questionnaire and the interview schedule to collect the required data and information. This was based on identifying all the employees working in the KEFRI in the various departments. All employees from senior management to the support staff were targeted in the process of answering questions. The researcher used stratified sampling whereby the population was divided into five strata namely; senior management, scientists, administrative staff, human resource staff, and subordinate staff. The researcher sampled from each stratum, using simple random sampling to arrive at a specific respondent selection of individual respondents. The study applied simple random sampling techniques by selecting 20% of the 554 target population of KEFRI which was 111 employees. Data for this study was collected using questionnaires and interview schedules, which were structured, based on the research objectives. The questionnaires contained mostly closed ended

questions and a few open-ended questions. The researcher got permission from the management of KEFRI and a letter from Daystar University department of the postgraduate department as a confirmation of the purpose of the research. The researcher pre-tested the questionnaires on selected employees of KEFRI in order to improve on clarity, validity and correct interpret of the questions. Data editing was done to ensure that the data was free from inconsistencies and any incompleteness. After cleaning, the data was coded by developing a codebook and verifying the coded data. The data was entered in Predictive Analytical Software (PASW). The researcher recognized that the issue under study was sensitive because it involved the relationship between an employee and the employer. Therefore, there was need to protect the identity of the respondents as much as possible. This means that the questionnaires did not require the respondent's names or details that may reveal their identity.

DATA PRESENTATIONS, ANALYSIS AND INTERPRETATION

This chapter presents the empirical data collected using questionnaires, analyses and interpretation of the findings on the types of reward systems applied by KEFRI, effects of the reward systems on employee satisfaction, and shortcomings of KEFRI reward systems. Eighty questionnaires out of 111 were completed and returned giving a response rate of 72%, which is generally accepted in research and hence reasonable enough to use for analyses, drawing conclusions and making recommendations. Based on the gender composition, the male employees formed 59% and female formed 41% of the respondents. Of the respondents 61% were between 41 to 50

years. This indicated that the proportion of employee interviewed at KEFRI were relatively advanced in age and better placed in providing information on reward systems. The survey results showed that the highest academic qualifications of most employees were diploma 33% (26) and degree 37% (30) holders resulting to cumulative proportion of 70% with the rest of staff being certificate holders and below. This indicated that the sample selected in this study was more likely to have deeper understanding and knowledge of the reward systems at KEFRI. The proportion of respondents from research and development department was 45% (36) as compared to 55% (44) from the finance and administration. This indicated a fair representation of employees working in these two departments of KEFRI. The results also showed that 80% (64) of the respondents had worked at KEFRI for more than 15 years. This provides a basis for an assumption that majority of staff have a long enough experience to provide reliable data and information on the reward system. Eighty four percent of the respondents were aware of reward systems applied at KEFRI and the associate rewards. This showed that the reward systems at KEFRI were well popularized among the employees. However, the sixteen percent that were not aware may be attributed to failure to read the human resource manuals, poor attendance of staff meetings among others and also inadequate understanding on what a reward system entails. The level of awareness of KEFRI reward systems was not significantly different ($p>0.05$) and association with department. These implied employees in the two departments were aware of various reward systems offered by KEFRI. Similarly, there were no significant differences and association ($p>0.05$) among the years of working experience and the level of awareness

of KEFRI reward systems. This implied that employees from both research and administration departments with limited and long work experience were mainly aware of the kind of rewards provided by KEFRI management. Out of those who were aware of the reward systems, 39% identified capacity enhancement of employees as the most practiced rewards in the category of empowerment and autonomy. This was followed by delegation of duty. Unpaid leave and involvement of decision making were the least practiced by KEFRI management. Similarly, there were no significant association and differences ($p>0.05$) among the years of experience and reward systems on the category of empowerment and autonomy. This implied that employees with different years of work experience equally identified types of reward systems practiced by KEFRI. Less than 15% of each of the financial rewards was practiced by KEFRI management. Honoraria, special duty and acting and bicycle allowances were the least financial rewards practiced by KEFRI. The main promotional reward practiced by KEFRI was incremental credit (60%) followed by upward mobility. The better job prospects were the least identified reward on promotions, implying that employees were not effectively on vertical growth in their careers. This is likely to reduce their job morale and overall performance. This implies that promotions be done in timely manner as per the stipulations of the personnel manual. Cases where there are delays, the employee should be given a feedback on the status of his/her promotions within the time he/she due for promotions. Porter et al. (2003), affirms that financial incentive is perceived as valuable and increased performance is expected to lead to outcomes are believed to result in financial rewards; such rewards should enhance

performance through increased extrinsic motivation and effort.

There were no significant differences and associations ($p>0.05$) among types of rewards employees received between 2010/2011 and 2008/2009 financial years. This implied that the rewards were evenly distributed across the specified financial years. An honorarium was the least received reward in 2009/2010 financial year whereas awards were among the rewards with high proportion during 2010/2011 financial year even though the numbers of employees in these categories were small. On the contrast, annual increment, incremental credits, capacity building and nomination to committees were among the most frequent rewards received across the years. Rewards seem to have increased in the 2010/11 financial year. This was attributed by the introduction of commuter allowance, promotions, annual increment, airtime allowance, awards, nomination to committees and these increased the employee satisfaction rate. Kiriimi and Minja (2011) similarly assert that human resource specialists recognize those that positively impact the process of change and the wins are celebrated.

Overall, the mean score on fair provision of rewards at KEFRI was 2.69 out of five point scales. This implied that employees moderately agreed that reward systems were fairly awarded. On the five point likert scale, this may indicate that some rewards were not fairly awarded. This implies that employees felt that rewards were not fairly awarded and lacked transparency and openness in promotions. It would be better if employees are communicated to and given feedback on their promotion status. For those who have been promoted, it would be better if the results are posted either on the website, notice boards or recognize them during Director's forum for

transparency purposes. This would improve employee satisfaction and enhance productivity.

Similarly, the results on whether KEFRI reward systems had achieved the objective of the institute was 41%. This implied the respondents moderately agreed that the practice of rewards systems was more likely to enable the institute attain her objectives (Figure 4.7). This is interpreted to mean that employees are moderately satisfied with the application of the reward systems thus the need to improve them. The organization would evaluate and modify in accordance with the changing needs of the business since employees are valued according to their contribution, skill and competence (Porter & Lawler, 2003).

Reward Systems and Employee Satisfaction

The results showed overall, employees moderately agreed that various reward systems have helped in improvement of job productivity, which implies that the Institute was more likely to achieve the targets especially the ones set during performance contracting. Similarly, enhanced innovation will improve the technical output of the staff, a desirable aspect especially in realization of Vision 2030. Widened network, enabled the Institute achieve its targets and enhanced self-esteem. In contrast, employees disagreed that rewards have motivated them to acquire new projects. This was similar to equity and fairness of rewards in enhancement of employees' satisfaction. This is justified by Mondy (2008) who attributes equity theory as one of the motivational theories that people use to assess their performance and compare both their contribution to work and the benefits they derive from it.

Overall, reward systems were rated that employees moderately agreed that rewards enhanced self esteem of employees (60%) followed by improvement of job productivity and innovation. The least (48%) was equity and fairness of rewards to enhance employee satisfaction. This implied that the overall satisfaction level on rewards was consistent with cumulative of 59% where respondents agreed and indicated sometimes that reward system enhanced employee satisfaction. Of those said yes, (67%) were satisfied on job performance, they felt recognized and rewarded. Thirty three percent felt they were not satisfied and there was a failure to translate rewards into monetary gains. This showed overall, implementation of rewards positively affected employee job satisfaction. Consequently, (55%) agreed that reward systems enhanced employee satisfaction and indicated implementation of reward systems affected their job performance by raising their morale especially when there were salary increases. (20%) agreed that rewards have enabled them get in touch with officers.

The results further showed significant differences and associations ($p < 0.05$) among measurement variables on the effect of reward systems in an organization aimed at improving employee satisfaction. In particular, respondents agreed that reward systems have an effect on meeting productivity levels (74%), positively motivates employees to achieve goals (76%), encourages employees in gaining new skills (76%), supports organization's mission and vision as well as promotes employees satisfaction (74%). On the contrary, respondents moderately agreed reward systems encourages multi-tasking, responds to a problem appropriately, prepares employees for succession planning, clearly communicates goals to all members among others. Overall,

variables of analysis on the effect of reward systems in an organization with an aim of improving employee satisfaction was between moderately agreed and agreed. This implied that employees agreed the positive effect rewards have towards their satisfaction.

Over 60% of the respondents agreed there were problems among various categories of reward systems. Of the highest proportion (82%) among categories of reward system employees viewed as having problems was promotion followed by recognition and appreciation.

The key problems identified across categories of reward systems were; partiality (23%), delayed promotions (15%), lack of upward mobility (9%), nepotism (6%), no appreciation (9%) among the junior cadres, wide financial gaps demoralizing others among others. This suggests that there were problems on the procedure sought for empowerment and autonomy, recognition and appreciation, financial benefits and promotions which need to be revised in order to retain the spirit of staff motivation policy, inclusive for all. This corresponds to Porter and Lawler (2003) who argue that it is important to assess quality and quantity of performance as compared with the rewards granted to the employees. Employers should ask themselves whether employees are recognized, appreciated, satisfied, motivated, awarded bonuses or given fringe benefits so as to meet their targets. The key suggestions provided on how to overcome such problems included; rewards be on equal basis without overlooking junior cadres (17%), Instill proper mechanism to assist human resource department that lack the capacity (13%), human resources to activate timely promotions when due (19%), adherence to the new scheme of service (11%), cadres to have their junior representatives in committee meetings

among others. This implies that employers need to appropriately and equitably reward the efforts of their employees (Ghosh, 2005). Employees should be shareholders in their organizations and reap the benefits received and achieved.

The list of problems and suggested solutions were in tandem with employees' feeling on whether to maintain the reward systems, in particular 75% did not agree as compared to 25% who agreed. This indicated that a need to review the reward systems practiced by KEFRI in order to increase the satisfaction of employees. Various reasons were provided on why there is no justification to maintain the reward system. The main ones included; the reward system requires a proper committee that will gear the organization into free and fair rewarding, make it more efficient by recognizing achievement after training and also gained experience, the current system favours individuals and therefore retrogressive among others. Luthans (2008) argued the more incentives that an organization provides to employees, the more employees reciprocates by becoming more effectively committed to the organization and by performing at higher levels.

Reasons why KEFRI Should Maintain the Reward Systems

In order to improve the current reward system, various options were suggested, namely; KEFRI management avoid rewarding committee in total but focus on individuals involved, sensitize the staff on how participate in the reward systems, committee to look for ways and means of ensuring transparency in the reward systems among others (Table 4.18). Porter et al. (2003), affirms that organizations should come up with reward systems that satisfy the better performers and encourage

them to stay with the organization. Reward systems attract the achievement-oriented individuals because such employees tend to prefer environments where performance is rewarded.

Suggestion on How to Improve Employee Satisfaction

The key suggestions provided were; all staff should be trained equally and fairly (31%), rewards based on the merit and education excellence that is not subject to bias (14%), better pay through better annual increment that cut across all cadre (10%) among others. KEFRI management needs to adjust the salaries as per new scheme of service and implement the consultant recommendations. All staff should be trained equally and fairly after every three years for knowledge management. Promotions should be done in timely manner as per the stipulations of the human resource manual. Cases where there were delays, the employee should be given a feedback on the status of his/her promotions within the time he/she due for promotions. Reshuffle staff so that employees could have a feel of how other stations operate. The theory of equitable payment proposes employees have an intuitive knowledge about their knowledge, skills and capacity to work, and compare them with their compensation to establish fairness (Kandula, 2006). According to this theory, when people feel fairly treated, they are most likely to perform better.

Unstructured interviews were conducted with KEFRI top management with an aim to get information on reward systems and its effect on employee satisfaction. The information gathered from the interview from the KEFRI Management was analyzed qualitatively using content analysis method. The deputy directors

and national programme coordinators were interviewed and gave their comments.

On the existing types of rewards, the participants said that there existed the monetary and non-monetary rewards in the organization. The study found that the management of KEFRI gave a fair rating of the reward management system, citing that there was room for improvement. For the rationale of improving the satisfaction level of the employees, the management felt that the following areas required to be enhanced: allowances payable to the workforce, promotions of staff should not be delayed, and more suitable training programmes granted to staff without biasness.

The study also revealed that the management lacked instruments for determination of a clear measure of employee's performance and competency in evaluating implementation of the reward systems. The findings further showed that the effect of reward system on employee satisfaction at KEFRI was evident in how operations were carried out and the results from the employees. Staff felt that management should compare with other research institutions and come up with modalities of improving the rewarding system. One of the ways is to organize interactive meetings with staff so as to identify reasons as to why staff are demotivated and discussed on how to improve on employee satisfaction. Staff appraisal be more interactive to enable staff speak out their mind on the challenges they face and discuss the way forward on how to improve productivity.

Generally, this is shown on the employee's commitment to achieving the organizations goals, as the management attributed performance and morale to the reward management system at KEFRI. An improvement on the rewarding system will

enhance self-esteem and KEFRI may consider incorporating a decentralized decision-making on reward systems so as to effect upholding the employee morale and performance. This would go a long way in encouraging teamwork, multi-tasking between numerous tasks, and preparing the staff for succession planning. This study employed descriptive statistics to analyze the data obtained. Descriptive statistics involved the collection, organization and analysis of all data relating to some population or sample under study.

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

In this chapter the researcher discussed the overall findings in line with the conceptual framework. The chapter presents summary of the findings as presented in chapter four and uses these summaries to discuss the results, draw conclusions and make recommendations.

Discussions

In objective one, it was evident that KEFRI employees were aware of the various reward systems practiced by the Institute. This may suggest that various mechanisms of information sharing, access to human resource documents, participation in staff meetings and feedback from management among other channels of communication were yielding clarity of reward systems at KEFRI. This will have a positive effect on job performance because employees will be working towards achieving any of the rewards. There are different types of rewards practiced at KEFRI were financial, empowerment and autonomy, recognition and appreciation, financial and promotions. One fundamental issue on reward is that all employees at KEFRI received basic pay, commuter allowance, medical allowance, leave allowance and house allowance which

were categorized as financials. Other rewards that employees did receive were hardship allowance, risk allowance, acting allowance, special duty allowance and extraneous allowance, which was categorized in the recognition and appreciation category. These are rewards paid to the Head of Departments who played a vital role in the management of the institute. Bicycle allowance and transfer allowance were the least received since the institute provides transport for staff on transfer and thus has replaced these two allowances. The findings from the second objective on the effects of reward systems on employee satisfaction showed that employees met their productivity standards and were encouraged in gaining new skills and responded well to a problem in an appropriate time. It also indicated that performance improved with an increase in knowledge and skill, as well as experience and a committed workforce. Through rewarding employees equitably, the organization's performance is enhanced. Employee commitment to the organization was more assured. The results indicated that annual increment was the most well practiced reward in KEFRI compared to upward mobility and better job prospects. Seventy percent (70%) of staff were given annual increment than being promoted to higher levels. Most of the employees at KEFRI received capacity enhancement, nomination to a committee, annual increment and study leave with pay. However, twenty percent (20%) received rewards on responsibility allowance, entertainment allowance, extraneous allowance and airtime allowance in the past three years. The findings indicate that employees felt that the rewards were not fairly awarded. The reasons being that the hard working employees were rewarded same as the non-performing staff. It was suggested that

a proper reward system should be put in place to identify the hard working staff and reward them for their efforts.

As per the third objective, the researcher identified the shortcomings of the reward systems and observed that KEFRI had moderately achieved its objectives with the current reward system because the percentage of those who agreed was less than the percentage of those who disagreed. It was a clear indication that the reward systems of KEFRI need to be improved so as to achieve the organizations objectives. Fifty nine percent (59%) of the staff were satisfied with the reward systems and thus has enhanced their satisfaction level and self-esteem was high. This includes the employees who recognized the reward to be of satisfaction at times. It has helped improve job productivity and widened networking with other Institutions and enhanced innovation. Employees believe that if rewards systems are implemented, it will raise their morale more especially if the salary is increased. KEFRI's reward systems has encouraged employees gain skills and they are positively motivated so as to achieve their goals and this has helped the organization achieve its vision and mission, encouraged participation in meetings and encourages minimal supervision. Further findings implied that promotions were delayed and unfairly distributed and thus staff evaluation needed to be done annually and results communicated to staff without delay and should be fairly distributed. Armstrong (2006) states that firms will pay more than the market rate because they believe that high levels of pay will contribute to increases in productivity by motivating superior performance, attracting better candidates, reducing labour turnover and persuading workers that they are being treated fairly. Staff felt that they were not

recognised and appreciated by their supervisors and that demotivated them. While staff suggested that the human resource should activate timely promotions when due and adhere to the new scheme of service and should instill proper mechanism to assist the human resource since they lack capacity. Promotions should be fair across the board not to leave out the junior staff and the junior staff to have representatives in the committee meetings. The study revealed that the management of KEFRI felt that the reward system at KEFRI needed improvement in such terms as decentralization of decision making to hasten processes that enhanced staff morale and hence productivity. This should be done while supporting the organization's mission and vision which are geared towards achievement of the organization's goals. As earlier indicated, for the case of KEFRI, the high-power distance societies are the management team who are involved in decision making process. In the context of a research institution, recognition and appreciation is likely to foster the realization of the results as per the inspiration of the Institution. This implies better forestry-related technology generation and innovation, better dissemination of research findings, better publications and better capacity enhancement on the parts of scientific staff. Similarly, this implies better delivery of administrative and human resource services.

Conclusion

The study has demonstrated the need to reward staff effectively and the results of this study ensured that the research objectives were answered. On the first objective on identifying the existing types of reward systems in KEFRI the study found out that both monetary and non-monetary types of rewards

existed at KEFRI. The monetary types of rewards were financials and allowances in money form and for the non-monetary there were rewards such as recognition and appreciation and empowerment and autonomy. This goes a long way in motivating employees and hence increasing productivity. The equality of applicability of these rewards to the employees is however questionable. The second objective was to determine the effects of reward systems on employee satisfaction at KEFRI. Upon evaluating the effects of reward system on employee satisfaction in KEFRI, it was revealed that employees were moderately satisfied with the implementation of the current reward system and needed some improvement. This would help motivate staff and eventually enhance employee satisfaction, and to address the third objective, to identify the limitations of KEFRI reward systems in employee satisfaction. The study concluded that the reward systems was categorised as moderate since it did not satisfy each and every employee equally as few employees received entertainment and responsibility allowances. These allowances are payable to senior staff in managerial level and subsistence allowance for scientists attending courses/training outside Kenya. Delayed promotion, few better job prospects were experienced and there was moderate rating on the way rewards were awarded and staff were not in agreement that the reward system has helped KEFRI achieve its objectives. This means that the employees' morale was not at its best.

The evaluation of the effects of good reward system on employee satisfaction at KEFRI showed that knowledge, skill, and working experience gained in the work place increased employee satisfaction. In addition promotion, training opportunities and salary increment

were rewards given to the employees of KEFRI brought about higher performance. The reward systems employed in KEFRI, had a direct relationship with employee morale and performance in Research Institutions in Kenya as depicted in the findings of the study. Responses concerning morale and performance based on the reward system scored highly significantly where they were present and quite low where they were absent. Employees felt that inputs were fairly rewarded by outputs, and then generally the employees are happier in their work and more motivated to continue inputting at the same level. In the same way, if the employees felt that their ratio of inputs to outputs was less beneficial than the ratio enjoyed by referent others, then they became demotivated in relation to their job and employer. In conclusion, the reward system at KEFRI met productivity standards, required minimal supervision, and consistency of pay with responsibility, and supported business mission and vision, which were more on the organization goals achievement. The reward system had little effect on encouraging multi-tasking between several tasks, making a positive contribution to meetings, preparing employee for succession planning, positively motivating employee to achieve goals, incorporation of employee's ideas, encouraging employees in gaining new skill, and clearly communicating goal to all members. Compensation systems are an essential tool to link corporate goals such as customer orientation with individual and organizational performance (Tuzovic & Bruhn, 2005).

Recommendations

The following recommendations were based on synthesized results and discussions about

the effects of reward systems on employee satisfaction.

- Human resources implement the reward systems by applying the policies and procedures as stated in the human resource manual. This is important as the study found out that the equality of applicability of these rewards to the employees is however affecting job performance.
- Promotions be awarded fairly and within the same financial year that employees are evaluated to avoid delay in granting promotions. This shall enhance employee morale as 82% percentage indicated that delaying of rewards is an impediment to a successful reward system.
- KEFRI to ensure that the Human Resource Manual is reviewed and followed to the letter and employees are sensitised on the different reward systems that management practices to enhance employee satisfaction.

- Schemes of service with competitive pay be implemented so as to increase employee satisfaction and increase production. The 80% of employees who have worked for many years have stagnated in the same job group and thus do not earn the annual incremental credit, which has triggered low morale and productivity.

Possible Areas for Further Research

This study focused on the effects of reward systems in KEFRI that enhance employee satisfaction. Further research could be done on comparative analysis with other research institutions on employee satisfaction since this study was only based in KEFRI. It is important to understand what the other research institutions are doing to motivate their employees and apply it in all research institutions.

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