THE EFFECTS OF REWARD SYSTEM ON EMPLOYEE PERFORMANCE IN NATIONAL WATER CONSERVATION & PIPELINE CORPORATION, NAIROBI

BY

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REG. No. D53/OL/5235/03

A Research Project Submitted to the Department of Business Administration, School of Business in Partial Fulfillment of Requirements for the Degree of Master of Business Administration (Human Resources Management) of Kenyatta University.

NOVEMBER, 2011
DECLARATION

This project is my original work and has not been presented for a degree award in any other University:

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Mr. Shadrack K. Bett
The main objective of this study was to determine the effects of reward system on employee performance in National Water Conservation and Pipeline Corporation. In line with this, the study sought to achieve the following specific objectives: To establish the impact of extrinsic rewards on employee performance, to determine the influence of intrinsic rewards on employee performance and to examine the effects of monetary rewards on employee performance. In order to collect data necessary for the realization of the research objectives, a descriptive study design was adopted. The target population consisted of 206 employees. However, due to some limitations especially associated with time and cost, a sample size of 103 elements representing 50 per cent of the sample frame was used. Data collection was done using a standard self-administered questionnaire which was distributed to the respondents.

The data was analyzed using the Statistical Program for Social Scientists (SPSS) to obtain descriptive statistics in terms of the mean, mode, median and frequencies. Data presentation was in form of frequency tables, mean, charts, and graphs. The study findings on the existence of a reward system in NWC&PC indicated that indeed there exists a reward system in the organization, although not a comprehensive one. This is because only 56 per cent of the respondents supported this opinion. At the same time salary and wages, annual performance bonuses as well as monthly target based incentive schemes were all ranked highly as proof of the existence of a reward system in the organization. The findings on the relationship between reward system and the organization performance showed that indeed there exists a relationship between the two as confirmed by a majority of respondents, who shared similar opinion. It was further revealed that the majority of the respondents were of the opinion that the reward system impacts on the overall performance of the organization.

In light of these findings, the study concluded that Employees at NWC&PC value monetary rewards, such as salary and wages, annual company performance bonuses and monthly target based incentive schemes as important for good performance. At the same time they regard the following as valuable non-monetary rewards for good performance: informal praise from superior (thank you); formal praise from superior (certificate); symbolic gifts (caps, t-shirts); mention in monthly magazine. It can be concluded that non-monetary rewards play as important a role in reward schemes as monetary rewards. Remuneration packages should integrate monetary rewards to satisfy the basic needs of employees. These basic needs include food, clothing shelter, transport, and medical cover. It is imperative that the basic needs are first satisfied with monetary rewards. The study further recommends that the needs of employees, should be seriously considered when designing and implementing a reward system to motivate staff to perform at their best. From the conclusions of this study it is clear that non-monetary rewards should be included in reward schemes. Secondly the study recommends that it is important for NWC&PC to involve the employees when determining the performance standards.
DEDICATION

To my children Sheldon, Sandra and Leone as a source of inspiration for their future academic endeavors.
ACKNOWLEDGEMENT

I wish to express my sincere gratitude to all those who contributed in one way or another to the successful completion of this project. In particular I wish to thank my supervisors; Mrs. Esther Gitonga and Mr. Philip Wambua, for their discerning guidance and support that has enriched the results of this study.

In addition to meeting the overall and the specific objectives, this project has greatly enriched me both socially and academically and also made me learn that a strong drive for consistent quality and excellence should be an everyday way of life rather than a once-in-a while encounter. It’s my endeavor to submit this report to NWC&PC management for perusal and hopefully enactment of the findings and conclusions arrived at.

Profound thanks and appreciation goes to my college mates for their invaluable contribution to this research and the staff and Management of National Water Conservation and Pipeline Corporation who greatly facilitated the successful completion of this project. I also wish to thank and sincerely appreciate my friends and my family members for their encouragement, assistance and professional guidance both directly and indirectly at all stages of the project. I wish them all the best in their endeavors.
LIST OF ABBREVIATIONS

RRA-Rwanda Revenue Authority

NWC&PC-National Water Conservation and Pipeline Corporation

GDP-Gross Domestic Product

UNDP-United Nations Development Programme

WBA-World Bank

PSM-Public Sector Management

MDGs-Millennium Development Goals
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CHAPTER ONE

INTRODUCTION

1.0: Overview
This chapter constitutes the background of the study, statement of the problem, objectives of
the study, research questions, significance and the scope of the study respectively.

1.1: Background of the Study
The success of any organization can be well determined with regards to how it makes
effective use of its resources so as to achieve the desired results. Human beings unlike any
other resource pertinent to the organization, have different needs. This means therefore that
the management of any organization has a task of recognizing such needs and satisfying
them as well as developing the human resource management systems. He further avows that
if the organization wants to remain competitive, it is imperative to continually improve the
performance of these employees. This can only be achieved by ensuring that the employees
are highly motivated and the best way to do so is by the use of related rewards. This will
benefit the company since it will not only increase the labor productivity and reduce the
labor cost per unit, but also attracts and retains the caliber of employees needed at all levels.
This is indeed the reason why there is the potential benefit in researching the effectiveness
of the reward systems on employee performance (Armstrong, 2005).

Armstrong (2010) defines reward management as the formulation and implementation of
strategies and policies that aim to reward people fairly, equitably and consistently in
accordance with their value to the organization. It deals with the design, implementation,
and maintenance of reward practices that are geared towards improvement of organizational,
team and individual performance. According to Armstrong (2005), designing and
implementing an effective compensation system is critical to human resources and
development activity in managing people. While it may be difficult to say exactly how much
a reward system can influence an organization, the creative use of reward plan can work to
maximize human resource productivity and contribute significantly to the achievement of
human resource and organizational objectives. Employee reward systems refer to programs which are set up by a company in order to reward performance and motivate employees on individual and/or group levels. These rewards are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company. While previously considered the domain of private companies, public institutions have also begun employing them as a tool to lure top employees in a competitive job market as well as to increase employee performance.

According to Bartiley, et al, (2008), designing and implementing an effective reward system is a critical human resources activity which influences the attainment of performance targets and effectiveness of an organization to deliver on its mission and mandate. A reward system is a very important tool in managing the human capital and failure to reward the staff for their collective and individual efforts often leads to dissatisfaction manifested in various forms for example industrial strikes, go slows or the so called wild cat strikes and Grievances against the employer. This affects productivity and leads to loses in terms of lost man hours, high staff turnover and loss of profits or revenue. National Water and Pipeline Corporation is at the helm of conceptualizing effective reward strategy in place and the ramifications of that cannot be overstated. Hardworking staff or those who put in extra efforts in their work are not rewarded for their efforts and the level of dissatisfaction is phenomenal.

According to Armstrong (2010) most employees regard pay and other monetary rewards such as allowances as significant motivating factors. However, non-monetary factors such as job security, career prospects, and working conditions, are also very relevant. Improved monetary rewards are regarded as the most important motivational factor by staff across all types of organizations in most countries. This is not surprising because the public services here have experienced significant drops in pay over the last thirty years - despite some recent improvements. It needs to be conceptualized that indeed a systemic reality exists in the developing countries. This is with regards to the fact that public service incentives are weak. This is because in most developing countries for instance the wages are too low and
pay scales that at best are barely sufficient to live on. This makes public organizations less competitive as compared with the private sector. According to Armstrong (2005), reward systems therefore have arguably been at the centre stage as far as the performance of these organizations is concerned. It is against this background that this study sought to find out the relative effect of reward systems on employee performance in state corporations.

The Rwanda Revenue Authority (RRA), being a public organization, just like the National Water Conservation and Pipeline Corporation, had an experience which can give a proper insight into the role that non-material incentives can play in mobilizing capacity and performance. In RRA it was established that indeed pay has been and will remain an important driver of performance, experience demonstrates how important other motivators have been at both the organizational and individual level. Established in 1997, the RRA as a semi-autonomous agency administers the collection of taxes and customs and excise duties on behalf of the government. In a period of six years, the organization was transformed from a defunct government department into a performing and respected organization. Revenue was increased from 9 – 13 per cent of GDP while the costs of collection had also decreased. Corruption levels were reduced significantly while the general standing and legitimacy of the organization among the taxpaying public had improved (World Bank, 2004).

This improved performance was attributed greatly to the influence of various non-material incentives that played a part in the transformation of the agency, and performance orientation. As most of these incentives formed part of the internal reward system some external to the organization, others were carefully nurtured by the management team. This therefore sets precedence to the study as it seeks to establish the effect of reward systems on the performance of NWCPC. While there are no quick solutions to reforming the public service, there is a general need for harmonized approaches, preferably led by national agents, and optimally integrated in the national budget. Tanzania now for several years has gained experience with a scheme of ‘Selected Accelerated Salary Enhancement’. The scheme has faced a number of challenges, including a strong egalitarian culture, implementation problems on government side and reluctance by donors to support the
scheme. Yet the scheme combines characteristics of a solid and workable transition arrangement that offers valuable lessons to other countries (World Bank, 2004).

The findings by World Bank (2004), also clearly indicate that a “total reward” approach is needed to enhance staff motivation (one of the key elements in increasing organizational performance). This is so as ascertained by Mukherjee (Undated), in the formulation of his approach for the World Bank, he emphasizes both the contractual monetary reward obligations of the employer, and the more intangible non-contractual rewards such as job security, prestige, training among others. This means therefore that human relations approach to management especially with dire emphasis on how management can motivate staff on a day-to-day basis is equally important.

1.1.1: National Water Conservation and Pipeline Corporation

This study focused on National Water Conservation and Pipeline Corporation which was established 24th June, 1988, through a legal notice number 270 CAP 446 of the Laws of Kenya. The corporation however became operational on 1st July, 1989. The corporation has its headquarters in Nairobi and is a State Corporation under the Ministry of Water & Irrigation. It was created to meet specific objectives which have since changed as well as the core mandate following the privatization of the water sector vide Water Act, 2002 of the Laws of Kenya (Republic of Kenya, 2010).

National Water Conservation and Pipeline Corporation is faced with challenges that emanate from market dynamics for instance the emergency of the global economy, advances in technology, increased societal demands and the need to provide more resources with fewer available funds from the exchequer. According to Kernaghan and Siegel (1999) decentralization of state enterprises for instance is an idea that has been championed by donor agencies who believe that this would bring governance closer to the people as well as generate a range of positive income.
On the other hand, Bartley, et al. (2008) speculates that although both developed and developing countries have been embarking on public sector management reforms since 1980s, the role and institutional character of the state has been questioned. The public sector has been under intense pressure to adopt private sector orientations by giving more prominence to markets and competition. Alternatively, based on issues of efficiency, representation, participation and accountability, governments have sought to create a market-friendly, liberalized, lean, decentralized, customer-oriented, managerial and democratic State. Efforts have, therefore, been made to increase efficiency through decentralization and privatization of state owned enterprises and accountability measures.

1.2: Statement of the Problem

Bouckaert (1999) argues that the performance of public agencies can be enhanced only if more managerial autonomy is devolved to them by central government, and if they are forced by result control, financial incentives and competition to use that autonomy in order to increase their performance. Bartley, et al, (2008) further affirms that most public organizations seem to lack comprehensive reward systems. Unknown to them is that monetary and non-monetary rewards often form a large part of total reward systems and have a major role to play as far as employees’ job performance is concerned. According to Obongo (2008), most public organizations in Kenya however are yet to match the pace of their counterparts in the private sector. The question therefore is what could be the reason behind the low performance levels in these organizations? Taljaard (2002), also avows that for an organization to stay competitive and ensure that the company has a long-term future, it is important to improve performance on an ongoing basis. These performances will only improve with the buy-in of the employees into higher levels of performance motivated by related rewards. The company will benefit because its labor productivity will increase, thus making it more competitive. This can only be made possible by rewarding good work.

Although Pratheepkanth (2011), demonstrated there is a relationship between the reward system of an organization and employee motivation, what is not clear from this study is if
motivation can impact on employees' job performance. Lack of motivation can impact negatively on job performance and this has led to the need to evaluate the effects of reward systems on employee performance. Furthermore the study by Taljaard (2002), indicated that there is a relationship between non-monetary reward system and employee motivation. In his opinion Taljaard (2002), argued that motivation is one major aspect that can influence an individual’s performance in the organization. What is not clear however is whether these findings apply not only to employee motivation but also to employee performance? The purpose of this study therefore was to analyse the effects of reward systems on employee performance of National Water Conservation & Pipeline Corporation.

1.3: Research Objectives

1.3.1: General Objective

The study’s main objective was to determine the effects of reward systems on employee performance in National Water Conservation and Pipeline Corporation.

1.3.2: Specific Objectives

a) To establish the impact of extrinsic rewards on employee performance
b) To determine the influence of intrinsic rewards on employee performance
c) To examine the effects of monetary rewards on employee performance.

1.4: Research Questions

a) What is the impact of extrinsic rewards on employee performance?
b) What is the influence of intrinsic rewards on employee performance?
c) What are the effects of monetary rewards on employee performance?

1.5: Significance of the Study

This study will be of great importance to various key stakeholders, including the government of Kenya, state corporations, and government officers, users of government services, the general public and researchers interested in reward systems. Specifically, the study will assist the government in the process of developing points of view, concepts and approaches to determine what needs to be done and how to go about the successful
implementation of the rewards systems. On the other hand, state corporations will be able to obtain current information regarding reward systems that may build in their process of enhancing performance of employees. Employees of the affected institution will also benefit by obtaining information on what reward systems is all about. In terms of the general public, the study will provide more information regarding reward systems to enhance their understanding of the same as well as to influence on the employee performance. Also, researchers will equally benefit since they will be able to obtain current literature on reward systems in general and especially on employee performance on government institutions.

1.6: Scope of the Study

The study was carried out at National water Conservation & Pipeline Corporation headquarters, in Nairobi County because of convenience in terms of accessibility to focus groups, time and resource availability. The focus group were employees of the Corporation at the headquarters where all employees are stationed.
CHAPTER TWO

LITERATURE REVIEW

2.1: Introduction
In this chapter reviews of literature relevant to the variables are depicted in the conceptual framework at the end of this chapter in order to explain the relationships between the variables in the study and employee performance in the public sector with emphasis on state owned corporations. Literature on reward systems and its influence on enhancing individual effort as well as commitment to the organization in relation to employee performance was reviewed to find out what other researchers found out on these variables and any knowledge gaps relating to the same will be established. First a review of theoretical literature is provided before a review of empirical literature. The chapter concludes by presenting a summary of empirical studies on the area of reward system implementation showing clearly knowledge gaps on the topic under consideration.

2.2: Overview of Reward Systems
Organizational rewards can take different forms. This is because such reward systems are in abundance. According to Kreitner et al. (1999) organization rewards to employees can vary from subsidized lunches to stock options, from boxes of chocolates to golf club membership. Although there are many reward systems, the most basic form of rewards is generally pay and benefits, but there are less obvious social and psychic rewards. Social rewards can range from a simple praise to recognition from others both inside and outside the organization. Kreitner et al (1999), further argues the reward system can be divided into intrinsic, monetary and extrinsic rewards. There are a number of different types of reward programs aimed at both individual and team performance.

According to Kreitner, et. al. (1999) employee reward systems provide coverage of how people are rewarded in line with their value to an organization. As already outlined above, it entails both financial and non-financial rewards and embraces the strategies, policies,
structures and processes used to develop and maintain reward systems. In this regard therefore it showcases various ways in which people are valued and how they can make a considerable impact on the effectiveness of the organization and is at the heart of the employment relationship.

The main aim of employee reward policies and practices goes a long way in helping to attract, retain and motivate high-quality people. According to Armstrong, (2010), if an organization does not get it right as far as the objectives of a reward system are concerned, then it is obvious that such an incidence can have a significant negative effect on the motivation, commitment and morale of employees. This is mainly because the personnel and development professionals who are always involved frequently in reward issues, will have a rough time trying to put pieces together, whether they are generalists or specialize in people resourcing, learning and development or employee relations. Armstrong, (2010) avows that an integrated approach to human resource management means that all these aspects have to be considered together so that a mutually reinforcing and interrelated set of personnel policies and practices can be developed.

2.3: Types of Rewards

2.3.1: Intrinsic Rewards

Hellriegel et al. (1999) described intrinsic rewards as being personally satisfying outcomes, which include feelings of achievement as well as personal growth. Kreitner et al. (1999) argues that psychic rewards are also intrinsic rewards because they are self-granted. In this regard therefore it is imperative for the human resource department to conceptualize psychic rewards as they form part of the intrinsic reward system. This also encompasses non-materialistic motivation, especially moral motivation; to serve in the interest of the community is particularly strong. A specific term coined by analysts, “Public service motivation” (PSM), reflects that the public service attracts a certain kind of person that more readily identifies with the mission of the organization. Also at the local level, non-materialistic social and intrinsic motivation can play a major role that needs to be explored. According to Hongoro (2002), it is understandable that many people may be reluctant to be
posted far away from home. Those used to urban life will find it particularly difficult to move to a remote area. In Thailand the challenge has been turned around into an asset by recruiting trainees from the very areas they were supposed to serve.

According to Hongoro (2002), this approach was found successful. It also has the additional advantage that workers will be inserted into societies with a moral obligation to do a good job. It is akin to localizing informal accountability relations. A cautionary note, however, is that local environments can be fragmented and tying service providers to their kin can work at the expense of others. Where it is possible to monitor actual performance, contract-type arrangements and the use of competition in the bidding process have proven useful. Intrinsic and moral motivation to serve the poor can cut across such divides, which is particularly important where monitoring is difficult. A study of faith-based health care providers in Uganda estimates that they work for 28 per cent less than government and private for profit staff, and yet provide a significantly higher quality of care than the public sector (WDR 2004).

2.3.2: Extrinsic Rewards

Hellriegel et al. (1999) describes extrinsic reward as being outcomes supplied by the organization, which includes among others salary, status, job security and fringe benefits. One can compare these rewards to the job context items. Modest pay and the absence of strong material incentives in the non-profit sector seems to have a screening role and public organizations attracting members with high levels of public service motivation who identify very closely with the goals of the organization. Caution is also in place because of the crowding out risk. “Why should one make a voluntary effort if others are paid for it?” Higher materialistic incentives can reduce non-materialistic motivation, in particular in environments where the latter is high or where such measures are perceived as controlling. The result may ultimately be a negative one, i.e. overall reduced motivation. Bonus programs have been used in American business from time to time. This is because such programs usually reward individual accomplishment and are best suited for sales
organizations. In such organizations they can be useful in encouraging salespersons to generate additional business or higher profits. In some instances such bonuses can be useful in helping recognize group accomplishments. Indeed, it has become common to a number of businesses who have preferred to switch from individual bonus programs to one which reward contributions to corporate performance at group, departmental, or company-wide levels. According to Armstrong (2010), small businesses interested in long-term benefits should probably consider another type of reward. This is mainly because bonuses are generally short-term motivators. As such, rewarding an employee's performance for the previous year, say critics, they encourage a short-term perspective rather than future-oriented accomplishments.

According to Armstrong and Murlis, (2005) stock options have become an increasingly popular method of rewarding middle management and other employees in recent years. This is because stock-option programs give employees the right to buy a specified number of a company's shares at a fixed price for a specified period of time. Employees in such organizations by these shares and have to ensure that they are authorized by a company's board of directors and approved by its shareholders. A percentage of the company's shares outstanding determine the number of options a company can award to employees.

2.3.3: Monetary rewards

Newstrom and Davis (1997) states that, money as always, has been important to employees for the following reasons. Armstrong and Murlis (2005) commented on financial rewards, as being necessary and thus the need to be considered. The elements of total reward systems can clearly be seen by the model put forward by Armstrong (2010), which shows the different category of reward encompassed into one total reward system. Profit sharing can best explain the monetary rewards which an organization can give to its employees. The idea behind profit-sharing is to reward employees for their contributions to a company's achieved profit goal. Profit sharing encourages employees to stay put because it is usually structured to reward employees who stay with the company.
2.4: Trends of Reward Systems in Kenya State Corporations

African public services must transform if they are to support countries in meeting targets set under MDGs. The heads of public services meeting in London (June 2004) asserted that public services must balance the complex roles between regulatory and direct service delivery. Capacity Gaps, Needs and Challenges in Public Sector Management (PSM). Smith (1999) identified investment in educational infrastructure as critical for Africa’s growth strategies: African governments needed to increase the skill pool and literacy and increase the capacity of technology absorption in order to develop their economies. Gichuki (1999) underscored the need for significant training budgets commitments in order to enable staff achieve strategic objectives.
Kenya’s strategy paper (2001) on performance improvement in the public service recognized that public servants are the most critical resource for the attainment of improved performance. The government through training and capacity building would have in its employment a motivated workforce who would be able to perform. In order for this to happen the government of Kenya has developed the recruitment and training policy which details the systematic process of identification, implementation, and evaluation of training activities in order to equitably and efficiently benefit those targeted for training and the recipient public service. In the policy document, the government underscores the need for continued capacity building in the public service. In addition, the government commits itself to redirect budgetary resources towards improved staff performance Republic of Kenya (2001).

2.5: Reward Systems and Motivation

According to Armstrong and Murlis (2005) rewards and more specifically non-monetary rewards normally drive a person. The two argue that indeed the objectives of reward systems include among others the attraction, motivation and retention of employees at all levels in an organization. This is also echoed by Ajila (1997) who argues that an individual who is highly motivated will be very much committed to his work. He further notes that for an individual to put individual effort to an organization he or she must perceive a possibility of getting some sought of satisfaction through some reward. The model of motivation in figure 2.2 shows clearly how individuals are motivated.

Figure 2.2: Motivation model.

![Diagram of Motivation Model]

Source: Armstrong (2006)
According to Hartle (1995) rewards play an important role in the performance of the individual. In this regard therefore, it is important for the human resource to ensure that there are reward systems in place as this is bound to raise concerns as far as the level of output is concerned. A lot of effort needs to be expended to ensure that there is development of workers with regards to their interests so as to enable them give their best to the tasks given to them.

Schermerhorn et al. (2003) says that individual motivation refers to the individual forces that account for direction, level and persistence of a person’s effort expended at work where direction means an individual’s choice when presented with a number of possible alternatives. The authors say that the amount of effort one puts forth in doing something could be little or a lot and that persistence is the length of time one sticks to a given choice.

Studies done by Ismail and Arokiasamy (2007) establish that an individual’s motivation is a key determinant of his or her career advancement. The statement is based on the McClelland’s Motivation Theory which states that individuals with high achievement motivation have a tendency to attempt tasks which seem moderately difficult, persist in the face of difficulties and show evidence of good performance and achievement over time (Robbins, 2001). According to Wood, (2006) individuals who advance in their careers have high levels of motivation and achievement needs.

Dessler (2008) observes that employee interests are important for career planning because one is most likely to perform better in a job that he or she is interested in. The author adds that interests are important for career planning because they determine the preferred occupation of the person. In this connection, Robbins and DeCenzo (2007) state that an employee ought to think about previous jobs held and the satisfaction that he or she derived them when making career decisions.
2.6: Reward Systems on Individual Effort and Development

Armstrong (2006) states that reward management processes although mainly concerned with the design, implementation and maintenance of reward systems is also structured in a manner that enables it to improve organizational, team and individual performance. Doyle (1999) refers to sales people when he ascertains that indeed individuals lose their drive and therefore become depressed as time goes by if they are not well rewarded. On the contrary, individuals will put more effort if they are rewarded accordingly. This is because lack of reward systems brings about dissatisfaction and failure mode. Although money is part of the reward systems Armstrong (2010) says that money is not necessarily the only reward. He argues that a reward will have a positive effect on the individual effort, if the said individual values the reward as a person and perceives it as being appropriate to the effort he or she has expended in the activities that have directly or indirectly led to the reward.

In a study by Baron (2006), it was noted that outstanding work by individuals in an organization need to be recognized from the evaluation reports and the top performers rewarded in various ways ranging from recognition to award of medals and other material endowments. While evaluation of performance takes place every day, individual performance is summarized at least annually during the performance review discussion and documented in the performance development summary. It was also observed that this offers a place to plan training and development activities that are consistent with improving performance and supporting career development plans. In an effective franchising, Dessler (2003) observed that employee developmental needs ought to be evaluated and addressed. Specifically, Dessler (2003) noted that developing entails increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods.
2.7: Factors Affecting Organization Reward Systems

2.7.1: Performance Measurements

A Study by Schiemann & Associates (1996) concluded that measurement-managed companies especially those that measure employee performance outperform those that downplay measurement. The study found that key findings on the challenges facing performance management relate to inability to agree on strategy, poor communication as well as inability to focus on alignment of efforts and the organization culture. Sumlin et al., (2002), in a study of Change Management Practice, noted that Organizations frequently identify one or more of seven elements as the most “challenging” when implementing performance management systems. These are not insurmountable obstacles, but elements that require the greatest attention and work. If not addressed, they can cause the performance management system to fail. The challenges include measuring/evaluating dimensions, keeping leaders focused, linking job descriptions to performance management, implementing performance management for staff, linking compensation to performance management, matrix management, and keeping the system alive. He further noted that the best way to keep these challenges from undermining a performance management implementation is to meet them head-on.

2.7.2: External Environment

Bouckaert et al (1999) defines external environment as any outside condition or situation that influences the reward system of the organization, including marketplaces, world financial conditions and political or governmental circumstances. Emery and Trist (1965) speculate that external environment of an organization has an impact on the internal organization. They characterize the external environment as being dynamic and therefore the organization is required to effectively respond to demands of these outside conditions for its own survival. Empirical studies on the impact of external environment on organizational behavior have been carried out by many researchers. For instance, Drory (1993) in his studies on the impact of external environment on the culture of different types of organizations posts that companies operating in dynamic external environments place higher
value on setting aggressive organizational goals, freedom to act, innovation and risk taking than companies operating in stable environment. He compared utility companies which operated in a more stable external environment, to high technology manufacturing companies, which operated in a dynamic external environment.

2.7.3: Leadership

Kyarimpa (1996) advises that effective leadership is important to the performance of an organization. This is important, especially in developing nations where majority of the organizations lack effective leadership. Effectively, in such organizations emphasis is placed on shorter-term frames, strong focus on command, control and predictability, with little emphasis being placed on employee empowerment and motivation. Mintzberg (1990), recognizes that management and leadership are two different things which are both required for better performance of the organization. He emphasizes that people are tired of managers who are not leaders and vice versa.

Contemporary management thinking suggests that managers do things right, while leaders do the right things. He contended that managers combine human and other resources to achieve goals, while leaders solve problems creatively. Managers interact on a task basis, while leaders relate on an intuitive and empathetic basis. Effectively, to achieve results under the performance contracting, the business needs both managers and leaders. Shirley and Lixin (1997) posit that when privatization is not feasible or palatable some developing countries seek to improve the performance of state enterprises by negotiating performance contracts with their managers. In their study, they concluded that since a well-designed and enforced reward system could be as politically costly as a well-designed privatization, reward systems were not likely to be successful in countries that lacked political will to privatize.
2.7.4: Organization Structure

Heckscher and Donnellon (1994) argue that an effective organizational structure facilitates working relationships between various entities in the organization. This allows an organization to retain a set order and control over its processes, cope with changes in working conditions, and foster flexibility and creativity. The structure of an organization determines the ease with which reward system targets are cascaded down from the strategic level to the operational level. In flat organizational structures, decision-making and delegation is faster than in silo structures. Control and supervision is also more effective in flat structures. It is therefore easier for targets to be cascaded downwards and for the expected results to be achieved in flat structures than it is in silo structures (Bryson, 2005). According to Bryson (2005), delegation of work is not easy and decision making is not as fast as in private sector. This in essence adversely affects performance of individuals and to some extent the performance of the organization in general.

2.7.5: Effective Human Resource Plan

Greiling (2006) and many other protagonists of human resources management, contend that human resources policies and practices are essential towards the organizational performance. They identify three distinct approaches including the Universalists or the best practice approach and believe that human resources policies and practices will always result in high performance. On the other hand, the contingency or fit approach suggests that different human resource policies and practices will be needed to produce high performance in different firms depending on their business strategy and environment. Finally the resource based view of the firm suggests that neither of these approaches is sufficient, but that every organization and its employees should be considered as unique and that the set of human resource practices and policies that will result in high performance will also be unique in the firm. Consequently in order to achieve the intended objectives of reward systems, it is imperative to develop employees so that they may effectively implement strategic plan.
On the other hand, James (1996) reiterates that when an organization attempts to develop smart production processes, people become strategic resources, especially in instances where the speed of organizational learning captures a significant advantage in meeting threats, capturing markets, and providing services to the public. Houchin and MacLean (2005) add that people are strategic to production processes when they are used to develop mechanized production systems, such as are found in applications of artificial intelligence to public service provision. The strategic importance of human resources has resulted from massive changes in goods and services production systems. In earlier industrial systems, people were operationally significant with respect to the final products. In essence, both the resource itself and the practices which manage that resource have become pivotal to the success of many public sectors (Jenner, 1998).

2.7.6: Management Style and Skills

According to Keene (2000), the way in which key managers behave in achieving organizational goals is considered to be the style variable; this variable is thought to encompass the cultural style of the organization and refers to the significant meanings or guiding concepts that organizational members share. Thus, human capital definitions include the human capacity for generating more knowledge and capacity which is accomplished through the research and development (R & D) process by which old knowledge is constantly being supplanted by new knowledge and new capacities. In this process, the new capital becomes the exclusive property of the individual possessing it. Dagett (2007) argues that business does not necessarily know what or how learning institutions should be teaching tomorrow’s workers, but it does know that it is not getting what it needs in terms of entry-level worker skills. The economy is now driven by information technology which requires highly skilled public officers. Global economic competition places a premium on creativity, critical thinking, interpersonal skills and communication skills. In many African countries there is a gap in this area which calls for governments’ efforts to invest in training and coaching to bridge the gap.
2.8: Performance Management

Armstrong (2006) observed that performance management entails four basic activities namely: plan, act, monitor and review. Whereas plan constitutes what to do and how to do it, he reiterated that in order to carry out the work needed to implement the plan monitoring becomes necessary. Monitoring entails conducting continuous checks on what is being done and measure outcomes in order to assess progress in implementing the plan. On the other hand, review consider what has been achieved and, in the light of this, establish what more needs to be done and any corrective action required if performance is not in line with the plan.

According to Human Resource Council of the ACT (Republic of Kenya, 2005), performance management processes tend to be fairly standard. First, the processes should address agency objectives, however, the amount of detail provided depends on the level of guidance required to support the needs of business units. Performance management process typically involves four main stages. This include first work plan management – Based upon business plans and other corporate documents the work, key deliverables and areas of responsibility to which staff members will contribute are determined. A staff member and manager agree on the work and responsibilities of the staff member’s position.

Bouckaert (1997) argues that the performance of public agencies can be enhanced only if more managerial autonomy is devolved to them by central government, and if they are forced by result control, financial incentives and competition to use that autonomy in order to increase their performance. This argument is supported by Kenee (2000) when he conjectures that there is a paradigm shift in the way governments control their public enterprises that are involved in policy implementation and service delivery. Control on inputs by the government is reduced and has been substituted by control by results in the form of performance contracting, control by means of financial incentives, and control by the introduction of competition.
2.9: Conceptual Framework

So far both theoretical and empirical literature has been reviewed in this study. Whereas in the case of the theoretical literature, various models relating to the reward system and performance have been reviewed, studies that exist regarding reward systems and employee performance have been reviewed for empirical literature. This can be summarized in the Doyle’s model in figure 2.3 below. As clearly seen in the figure, motivation plays an important role in the performance of employees. This is influenced by employee satisfaction as well as individual efforts. This therefore forms the basis of the conceptual framework.

Figure 2.3: Motivating the sales force

![Motivation Diagram]

Source: Doyle (1999)

On the basis of the literature reviewed, various variables have been found to impact on employee performance. The study gave consideration to the variables that impact on the
performance of employees although on very restrictive basis. They were restricted to extrinsic, intrinsic, and monetary rewards respectively. These were considered through their influence in enhancing individual efforts and development as well as employee retention and commitment to the organization which finally impacts on the employee performance. A conceptual framework of the effects of reward systems on employee performance is shown in figure 2.4 below:

Figure 2.4: Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Extrinsic Rewards</strong></td>
</tr>
<tr>
<td>• Bonus</td>
</tr>
<tr>
<td>• Commission</td>
</tr>
<tr>
<td>• Status</td>
</tr>
<tr>
<td>• Promotion</td>
</tr>
<tr>
<td><strong>Intrinsic Rewards</strong></td>
</tr>
<tr>
<td>• Responsibility</td>
</tr>
<tr>
<td>• Meaning full work</td>
</tr>
<tr>
<td>• Work Kind Condition</td>
</tr>
<tr>
<td>• Opportunities to Completion</td>
</tr>
<tr>
<td><strong>Monetary Rewards</strong></td>
</tr>
<tr>
<td>• Wages &amp; salary</td>
</tr>
<tr>
<td>• Base Pay</td>
</tr>
<tr>
<td>• Contingency Pay</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intervening Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Political Factors</td>
</tr>
<tr>
<td>• Economic Factors</td>
</tr>
<tr>
<td>• Physical Factors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Reward System</td>
</tr>
<tr>
<td>Employee Performance</td>
</tr>
</tbody>
</table>

Source: Researcher, (2011)
On the basis of the conceptual framework, the study therefore used the variables to assess the effect of reward systems on employee performance in state corporations. This is because an overview of the empirical literature on past studies has shown that rewards now cause job motivation and satisfaction, which leads to performance. This however influenced by intervening factors such as political, economic, and physical factors. It means therefore that the model is applicable to this study.

2.10: Chapter Summary
This chapter reviewed literature based on the three research questions of this study, as well as analysis of views of scholars on the reward systems. The chapter also offers an overview of reward systems as well as the various types of rewards. Literature on reward systems and its effects on employee performance was reviewed to find out what other researchers found out on these variables and any knowledge gaps relating to the same was established.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1: Introduction
This chapter sets out the methodology and procedures used in the collection and analysis of data in the study. It describes the research design, the population of the study, the sample and the definition of the sample size and sampling procedures. The chapter further describes the research instrument, data collection methods and the data analysis techniques used.

3.2: Research Design
This study employed a descriptive research which is defined by Sloman (2010) as involving direct observation of behavior and environmental events in naturalistic contexts. In concurrence also are Burns and Bush (2010) who avow that a descriptive research design is a set of methods and procedures that describe variables. Similar views are expressed by Cooper and Schindler (2001) who posit that a descriptive study investigates variables by answering who, what, where, when and how questions. The design was appropriate, as it allowed the description, interpretation of existing relationships and comparison of variables under study. This design was adopted since it facilitated the collection of original data necessary to realize the research objectives. The design was also appropriate in collecting useful data that could be quantified and reported as a representation of the real situation or characteristic in the study population.

3.3: Target Population
Cooper and Schindler (2008) define a population as the total of the elements (an element is the subject on which measurement is being taken) upon which inferences can be made. This in itself is a good description but is slightly varied by Mugenda and Mugenda (2003) who define a population as the entire group of individuals, events, or objects having in common observable characteristics. The study focused on a target population of 206 consisting of all the employees of National Water Conservation and Pipeline Corporation at the Corporation’s Headquarters located in Nairobi, Kenya. The Data on target population was
provided by the Human resources department and covered employees deployed at different levels in the organization’s structure working in various business units of the corporation who play different roles related to the functional areas of the different business divisions. Characteristics such as gender, position, and education/professional qualifications or income level were considered as they impact on the kind of study conducted. This was the accessible and finite population during the study period as it constituted the current employees of NWC&PC. Despite the fact that there are various departments in NWC&PC, this did not affect the composition of the sample as the type of responsibility and work role an employee is involved in does not change the impact of reward system on employees’ performance. The choice of the sample was based on the fact that the population was heterogeneous, since the managing director and the general managers who form the top management are on contractual terms of employment unlike the other staff members who are on permanent and pensionable terms of service. This aspect on variations in the composition of the workforce determined the responses to various issues in the study.

3.4: Sampling Technique and Sample Size

A stratified random sampling (probability sample) technique was employed to select the sample population for this study. This is the process by which the sample is constrained to include elements from each of the segments. In this case the various departments were used as the strata for selecting the sample size from the population of study. The Corporation payroll was used as a sampling frame since it contained details of staff such as names, designations, departments, personal numbers and job grades This method was chosen because it increases the sample’s statistical efficiency; provides adequate data for analyzing the various subpopulations and enables different research methods and procedures to be used in different strata (Cooper and Schindler, 2001). The study worked with the sample population of 103 employees of NWC&PC in Nairobi and this was a representative sample of the entire population. The respondents were stratified according to their job designations in the organization and then randomly selected in order to ensure that each respondent had an equal chance of being chosen.
Tull and Hawkins (2008) defines a sample size as the set of elements from which data is collected. The sample size enables the researcher to have adequate time and resources in piloting and designing the means of collecting data. Cooper and Schindler (2008) avow that how large a sample should be is a function of the variation in the population parameters under study and the estimating precision needed by the researcher. The sample size ensures that the information is detailed and comprehensive. However, due to some limitations especially associated with time and cost, a sample size of 103 elements representing 50 percent of the total population was used as shown in table 3.1 below:

Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Department</th>
<th>Population</th>
<th>Percentage</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction &amp; Electro Mechanical</td>
<td>97</td>
<td>50%</td>
<td>49</td>
</tr>
<tr>
<td>Corporate &amp; Legal</td>
<td>6</td>
<td>50%</td>
<td>3</td>
</tr>
<tr>
<td>Finance</td>
<td>29</td>
<td>50%</td>
<td>14</td>
</tr>
<tr>
<td>Human Resource &amp; Administration</td>
<td>50</td>
<td>50%</td>
<td>25</td>
</tr>
<tr>
<td>Planning &amp; Design</td>
<td>19</td>
<td>50%</td>
<td>9</td>
</tr>
<tr>
<td>Managing Director &amp; General Managers</td>
<td>5</td>
<td>50%</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>206</td>
<td></td>
<td>103</td>
</tr>
</tbody>
</table>

Source: Researcher, (2011)

3.5: Data Collection Methods

The study relied on primary data which was collected using a self administered questionnaire and interview schedule for key informers in top management. Both
instruments of data collection contained both open ended and closed ended questions. While closed ended questions were considered due to their ease in analysis, open ended questions were necessary in facilitating probing in order to obtain additional information. There are various reasons for the choice of questionnaires as primary data collection instrument; they are not only versatile but also the most popular instruments and a relatively inexpensive way of getting information. This study also utilized secondary data from government documents, annual reports, books, journals, Ministry of Water publications and internet, many of which were used in the literature review section.

3.6: Data Analysis Methods

The data collected was organized, tabulated and analyzed using descriptive statistics in terms of percentages, mean, median and mode and presented in form of charts and graphs to elicit the findings in light of the research questions. The percentages were used to signify the variation between the various reward systems and their presence in the organization. The mean was used to show the magnitude of contributing factors as well as differentiate between the impacts of different reward systems.

Inferential analysis was used to draw conclusions about the population and to draw conclusions concerning the relationships and the differences that were found in the research result. The statistical package for social scientists (SPSS) computer programme version 18 for windows was used to assist in data analysis. Under this technique, the data collected was first checked for completeness, coded, and then analyzed to obtain descriptive statistics. This involved use of measure of central tendency, such as the mean, median and mode to describe how close a measure/score or variable is close to a central measure and the data was presented through the frequency bar charts, and histograms. Thus analysis of data was important in explaining the variables of study.
CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1: Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents at National Water Conservation and Pipeline Corporation in Kenya. The initial section explains the response rate as well as the background information with respect to the respondents' information. This was to enable the researcher to understand the nature and type of the employees in the Corporation, while the second will be on the reward systems and the third section covers the relationship between the reward system and organizational performance. The fourth section covers the impact of reward system on organization performance. The target population was two hundred and six employees of NWC&PC Kenya.

4.1.1: Response Rate

As indicated above, the chapter first provides the overall response rate before providing analysis based on the research objectives. Figure 4.1 presents the overall response rate.

Figure 4.1: Response Rate

[Bar chart showing response rate]

Source: Survey Data, 2011
As seen in the figure above, 100 (a hundred) questionnaires were returned while 3 (three) were not returned. This was 97 percent response rate as seen by the number of questionnaires returned. This can be attributed to the lack of sensitivity of the information sought from the respondents and partly due to the fact that all the employees under study were present during the study period.

4.2: Background Information

This section offers the background information with regards to the respondents’ gender, level of education as well as the experience in the organization. This was put into consideration because of the meaningful contribution it offers to the study as the variables help to provide the logic behind the responses issued by the respective respondents.

4.2.1: Gender of the Respondents

Table 4.1 below, provides a summary of the gender of the respondents as a result of the responses given by the respondents.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Male</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

As clearly indicated in the table, the male respondents were the majority whereas the female respondents were the minority. The findings show that 65 percent were male while 35 percent were female. This is a clear indication of minimal gender consideration in the organization of study.
4.2.2: Age

The study sought to establish the age of the respective respondents in the organizations of study. Table 4.2 below, provides a summary of the age of the respondents.

Table 4.2: Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>31-40</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>41-50</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>51-60</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Above 60</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

According to the study most of the respondents were between 20-40 years. Specifically 30% were 20-30 years old, while 47% were 31-40 years old respectively. Consequently 26% percent of the respondents were 41-50 years old, while the remaining 2% of the respondents were 51-60 years old.

4.2.3: Position in the Organization

In order to establish the effects of reward systems on employee performance, the study sought responses from employees at different levels in the organization. Table 4.3 below, provides a summary of the study findings with regards to the respondents' position in the organization.
### Table 4.3: Position in the Organization

<table>
<thead>
<tr>
<th>Position in the Organization</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Lower Management</td>
<td>25</td>
</tr>
<tr>
<td>Middle Level Management</td>
<td>25</td>
</tr>
<tr>
<td>Supervisor</td>
<td>12</td>
</tr>
<tr>
<td>Divisional Head</td>
<td>28</td>
</tr>
<tr>
<td>Top Management</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

Whereas 5% of the respondents were in top management 25% of the respondents were lower managers and middle level managers respectively. 12% of the respondents were supervisors while 28% of the respondents were divisional heads. The remaining 5% were in the remaining categories.

#### 4.2.4: Monthly Income

The study sought to establish the monthly income of various employees in NWC&PC. Table 4.4, provides the distribution of the respondents’ monthly income:
Table 4.4: Monthly Income

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Under 20,000</td>
<td>20</td>
</tr>
<tr>
<td>20,000-40,000</td>
<td>31</td>
</tr>
<tr>
<td>40,000-60,000</td>
<td>16</td>
</tr>
<tr>
<td>60,000-80,000</td>
<td>23</td>
</tr>
<tr>
<td>Above 80,000</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

While 20% of the respondents earned less than 20,000 Kenyan shillings, 31% of the respondents earned between 20,000 and 40,000. Consequently 16 % of the respondents earned between 40,000 and 60,000 whereas 23% of the respondents earned between 60,000 and 80,000. The remaining 10% of the respondents earned above 80,000.

4.2.5: Fringe Benefits

The different fringe benefits offered by the company are illustrated in table 4.5 below:

Table 4.5: Fringe Benefits

<table>
<thead>
<tr>
<th>Fringe Benefits</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Medical Scheme</td>
<td>100</td>
</tr>
<tr>
<td>Pension Scheme</td>
<td>100</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011
All the respondents receive the following fringe benefits in addition to their salary: Medical Scheme and Pension Scheme. Only 5% of the respondents receive other fringe benefits for instance airtime facility. These are mostly in senior and top management.

4.3: Reward Systems
This section was included in the questionnaire to determine whether rewards have a positive impact on motivation of employees and performance. This section is further divided into monetary and non-monetary rewards to establish whether both play a role in motivating employees to improve performance.

<table>
<thead>
<tr>
<th>The following is a valuable monetary reward for good performance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>60</td>
<td>30</td>
<td>0</td>
<td>8.3</td>
<td>1.7</td>
<td>4.38</td>
</tr>
<tr>
<td>Annual company performance bonus</td>
<td>66.7</td>
<td>21.7</td>
<td>5.0</td>
<td>3.3</td>
<td>3.3</td>
<td>4.45</td>
</tr>
<tr>
<td>Monthly target based incentive schemes</td>
<td>51.7</td>
<td>31.7</td>
<td>11.7</td>
<td>3.3</td>
<td>1.7</td>
<td>4.45</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

The results of all three statements in Table 4.6, show that the majority of respondents feel that money plays an important role as a reward that improves performance. The overall view, although still positive, indicates a lesser degree of positive response to the fact that salary and wages, annual performance bonuses and monthly target based incentive schemes are regarded as having a positive impact on performance (60 %). The results of further monetary reward statements are illustrated in table 4.7:
Table 4.7: Money Reward Statements

<table>
<thead>
<tr>
<th>Monetary rewards statements</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary rewards are the only ones that motivate</td>
<td>15.0</td>
<td>23.3</td>
<td>16.7</td>
<td>30.0</td>
<td>11.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Monetary rewards are short-term motivators</td>
<td>28.3</td>
<td>36.7</td>
<td>10.0</td>
<td>0</td>
<td>14</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*Source: Survey Data, 2011*

The results of the study show that, monetary rewards are the only rewards that motivate employees, are rated low by the respondents specifically 38.3 percent respondents were in agreement with the statement. The results also stressed that monetary rewards can only be regarded as a short term motivator. Figure 4.2 below, shows the respondents view in regard to how non-monetary rewards are necessary to improve job performance.

Figure 4.2: Non-monetary rewards are necessary to improve job performance

*Source: Survey Data, 2011*
The findings clearly show that 52% of the respondents strongly agree, 32% of the respondents agree, 6% of the respondents strongly disagree and 4% of the respondents disagree while 6% of the respondents were uncertain in regard to how non-monetary rewards are necessary to improve job performance. Table 4.8 below, illustrates the results of how respondents rated the non-monetary rewards that would increase good performance.

Table 4.8: Non-Monetary rewards for good performance

<table>
<thead>
<tr>
<th>Non-Monetary rewards for good performance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal praise from your superior (thank you)</td>
<td>31.7</td>
<td>35.0</td>
<td>13.3</td>
<td>13.3</td>
<td>3.3</td>
<td>3.68</td>
</tr>
<tr>
<td>Formal praise from your superior (certificate)</td>
<td>36.7</td>
<td>26.7</td>
<td>16.7</td>
<td>13.3</td>
<td>1.7</td>
<td>3.60</td>
</tr>
<tr>
<td>Symbolic gifts (caps, badges, t-shirts)</td>
<td>25.0</td>
<td>35.0</td>
<td>25.0</td>
<td>10.0</td>
<td>0</td>
<td>3.61</td>
</tr>
<tr>
<td>Mention in monthly magazine</td>
<td>23.3</td>
<td>35.0</td>
<td>26.7</td>
<td>5.0</td>
<td>1.7</td>
<td>3.61</td>
</tr>
<tr>
<td>Employee of the month trophy (nominated by management)</td>
<td>30.0</td>
<td>35.0</td>
<td>23.3</td>
<td>10.0</td>
<td>1.7</td>
<td>3.51</td>
</tr>
<tr>
<td>Employee of the month trophy (nominated by fellow employees)</td>
<td>30.0</td>
<td>33.3</td>
<td>26.7</td>
<td>6.7</td>
<td>1.7</td>
<td>3.50</td>
</tr>
<tr>
<td>Obtaining canteen vouchers by accumulating points for meeting performance standards</td>
<td>18.3</td>
<td>23.3</td>
<td>31.7</td>
<td>13.3</td>
<td>6.7</td>
<td>4.08</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

Table 4.8 above, illustrates that the overall rating of the impact of the following non-monetary rewards on performance varied between neutral and important. From the findings
we can infer that the following are non-monetary rewards which motivate employees to perform better and increase productivity and therefore overall organizational performance:

- informal praise from your superior;
- symbolic gifts;
- mention in monthly magazine;
- employee of the month trophy (nominated by management);
- employee of the month trophy (nominated by fellow employees) and
- Achieving specific point levels to qualify for tickets for sporting or entertainment event.

4.4: Relationship between Reward System and Organizational Performance

One of the objectives was to determine the relationship between reward system and organizational performance. Table 4.9 below, provides the respondents statements related to job performance.

Table 4.9: Statements related to job performance

<table>
<thead>
<tr>
<th>Statements related to job performance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance standards in my organization are clear and easily understandable.</td>
<td>61.3</td>
<td>29.7</td>
<td>8.3</td>
<td>0.7</td>
<td>0</td>
<td>3.5</td>
</tr>
<tr>
<td>I am part of setting my own performance standards.</td>
<td>59.0</td>
<td>11.0</td>
<td>25.0</td>
<td>2.0</td>
<td>3.0</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

According to the respondents 91% of them agreed while 0.7% disagreed on the clarity of performance standards in the organization. Consequently 70% agreed while 5% disagreed on being part of setting their own performance standards. In Table 4.10 below, the results of how needs relate to job performance is illustrated.
Table 4.10: Needs related to job performance

<table>
<thead>
<tr>
<th>Needs related to job performance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Self Esteem</td>
<td>60.0</td>
<td>20.0</td>
<td>8.3</td>
<td>11.7</td>
<td>0</td>
<td>4.67</td>
</tr>
<tr>
<td>Status</td>
<td>59.0</td>
<td>11.0</td>
<td>25.0</td>
<td>2.0</td>
<td>3.0</td>
<td>4.57</td>
</tr>
<tr>
<td>Personal Growth</td>
<td>45.0</td>
<td>34.0</td>
<td>11.0</td>
<td>4.0</td>
<td>6.0</td>
<td>4.88</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

4.4.1: Clarity of Goals and Objectives

The study also sought to examine the aspect of clarity of the goals and objectives of NWC&PC to all employees. The results are presented in figure 4.3 below:

Figure 4.3: Organization goals and objectives are clear to all employees

Source: Survey Data, 2011

As seen in the figure, 35% of the respondents strongly agree while 28% of the respondents agree, 14% of the respondents strongly disagree and 10% of the respondents disagree while 13% of the respondents were uncertain about the clarity of the company goals and objectives to all employees.
4.4.2: Organization Vision as an Oversight to Employees Actions

Figure 4.4 below, presents a summary of the views issued by the respondents with respect to the element of the company’s vision and whether it provides an oversight to employees actions or not.

**Figure 4.4: Organization vision provides an oversight to employee’s actions**

The results of the study as seen in the figure, shows that 44% of the respondents strongly agree 16% of the respondents agree, 10% of the respondents strongly disagree and 14% of the respondents disagree while 16% of the respondents are uncertain on the issue as to whether the company vision provides an oversight to employee’s actions.

4.4.3: Relationship between Reward System and Organizational Performance

In order to test the existence of the relationship between reward system and organizational performance, the study sought to know the respondents views. The results of the findings are clearly presented in figure 4.5.
The results of the findings show that the majority of the respondents believe that there is a relationship between reward system and organizational performance. Specifically, 88% of the respondents responded ‘Yes’ while only 12% of the respondents said ‘No’. The findings indicate that indeed the majority of the respondents agree that there is a relationship between reward system and organizational performance.

4.5: Impact of Reward Systems on Organization’s Performance

As an objective of the study, the impact of reward systems on organizations’ performance, the respondents were asked to share their views with regards to the various factors which motivate them to perform at their best. Table 4.11, provides a summary of the study findings with regards to these statements.
Table 4.11: What Motivates NWC&P Employees to Perform at their Best

<table>
<thead>
<tr>
<th>What Motivates NWC&amp;P Employees to Perform at their Best</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>The need to achieve goals and targets</td>
<td>70.1</td>
<td>20.9</td>
<td>5.0</td>
<td>2.0</td>
<td>2.0</td>
<td>3.68</td>
</tr>
<tr>
<td>The need to be accepted by my teammates.</td>
<td>60.1</td>
<td>11.9</td>
<td>20.0</td>
<td>8.0</td>
<td>0</td>
<td>3.60</td>
</tr>
<tr>
<td>The existence of training and development opportunities.</td>
<td>55.0</td>
<td>35.0</td>
<td>5.0</td>
<td>5.0</td>
<td>0</td>
<td>3.61</td>
</tr>
<tr>
<td>Potential promotional opportunities</td>
<td>72.0</td>
<td>15.0</td>
<td>3.0</td>
<td>5.0</td>
<td>5.0</td>
<td>3.61</td>
</tr>
<tr>
<td>An environment where jobs are provided for my dependants.</td>
<td>69.0</td>
<td>24.0</td>
<td>7.0</td>
<td>0</td>
<td>0</td>
<td>3.51</td>
</tr>
<tr>
<td>Job security</td>
<td>74.0</td>
<td>23.0</td>
<td>3.0</td>
<td>0</td>
<td>0</td>
<td>3.50</td>
</tr>
<tr>
<td>Opportunities to use my own initiative</td>
<td>67.0</td>
<td>23.3</td>
<td>1.7</td>
<td>1.3</td>
<td>7.0</td>
<td>4.08</td>
</tr>
<tr>
<td>Increasing responsibility</td>
<td>55.0</td>
<td>40.0</td>
<td>5.0</td>
<td>0</td>
<td>0</td>
<td>3.91</td>
</tr>
<tr>
<td>Broadening the functions of the job</td>
<td>45.0</td>
<td>32.0</td>
<td>10.0</td>
<td>13.0</td>
<td>0</td>
<td>4.67</td>
</tr>
<tr>
<td>The feeling of accomplishment I get from my job</td>
<td>81.0</td>
<td>10.0</td>
<td>6.0</td>
<td>2.0</td>
<td>1.0</td>
<td>3.91</td>
</tr>
<tr>
<td>The opportunity to assist my team members</td>
<td>73.0</td>
<td>20.0</td>
<td>7.0</td>
<td>0</td>
<td>0</td>
<td>4.52</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

In most of the responses to the above statements, the mean is between four and five. Although the majority of respondents regarded increasing responsibility as either important or very important, the overall rating was that it is important (the mean being 3.91).
Respondents rated providing jobs for dependants as neutral, therefore neither important nor unimportant. Similarly, the results showed that the employees view the need to achieve goals and targets, as well as the need to be accepted by my teammates. In the same regard, respondents believed that the existence of training and development opportunities as well as the potential promotional opportunities and job securities as motivation factors to their improved performance. The aspect of job security and the feeling of accomplishment employees get from the job not forgetting the opportunity to assist team members also emerged to be the motivational factors influencing them to perform better. All these findings recorded a mean of more than 3.5 which is a clear indication of how highly rated they were. These findings clearly show that there are several intrinsic factors which influence individual performance other than monetary rewards.

4.5.1: Employees' Performance is influenced by the Reward System

The study also sought to establish if indeed employee performance is influenced by the reward system. Figure 4.6 below, provides a summary of the respondents' view in this regard:

**Figure 4.6: Employees' performance is influenced by the reward system**

![Bar chart showing the percentage of respondents' views on the influence of the reward system on performance.](source: Survey Data, 2011)
The findings clearly show that 52 respondents (52%) strongly agree, 32 respondents (32%) agree, 6 respondents (6%) strongly disagree and 4 respondents (4%) disagree while 6 respondents (6%) are uncertain on the impact of the reward system on employee performance. The results of the study clearly indicate that indeed the reward system plays a role in the performance of the employees.

4.5.2: Performance Related Rewards

Table 4.12 below, provides a summary of the study findings with regards to how employees at NWC&PC view performance related rewards:

<table>
<thead>
<tr>
<th>Performance Related Rewards</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focusing on the real needs of the employees</td>
<td>65.5</td>
<td>35.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4.68</td>
</tr>
<tr>
<td>Complimentary of the good work performed</td>
<td>76.7</td>
<td>4.3</td>
<td>6.7</td>
<td>13.3</td>
<td>0</td>
<td>4.60</td>
</tr>
<tr>
<td>Determined by myself</td>
<td>35.0</td>
<td>35.0</td>
<td>15.0</td>
<td>15.0</td>
<td>0</td>
<td>3.21</td>
</tr>
<tr>
<td>Determined by my superiors</td>
<td>33.3</td>
<td>35.0</td>
<td>26.7</td>
<td>6.3</td>
<td>0</td>
<td>3.19</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

As can be seen from Table 4.12, the majority of respondents rated “rewards should focus on the real needs of employees” and “rewards should be complimentary of the good work performed”, as either very important or as important. The overall view of all respondents showed a sharing of this feeling. The overall view of respondents on “rewards are either determined by self or by superiors”, showed a neutral rating.
4.5.3: Impact of Reward System on Organizational Performance

Finally the study sought to establish whether a reward system impacts on organizational performance. Figure 4.7, provides a summary of the study findings in this regard:

Figure 4.7: Impact of a reward system on organization performance

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>36</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2011

The results of the study findings indicate that 50% of the respondents strongly agree, 36% of the respondents agree, 2% of the respondents strongly disagree and 6% of the respondents disagree while 6% of the respondents are uncertain on the impact of the reward system on the organization’s performance.

4.6: Chapter Summary

In this chapter, the study provides the findings with respect to the information given out by the respondents. The first section provides the findings based on the respondent’s background. This was followed by the findings on the existence of a reward system in the organization of study. The section that follows presents the study findings on the relationship between reward system and employee performance and finally the ways in which a reward system impacts on organization performance. The next chapter provides the conclusion, summary as well as the discussions and the recommendations.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1: Introduction
This section covers the summary of findings and the discussion of the main findings, drawing conclusions and making recommendations.

5.1: Summary of Findings
The main objective of this study was to determine the effects of reward system on employee performance in National Water Conservation and Pipeline Corporation. In line with this, the study sought to achieve the following specific objectives: To establish the impact of extrinsic rewards on employee performance, to determine the influence of intrinsic rewards on employee performance, and to examine the effects of monetary rewards on employee performance.

In order to collect data necessary for the realization of the research objectives, a descriptive study design was adopted. The target population consisted of 206 employees who included lower cadre employees' supervisors/Divisional heads and top management of the Corporation. In order to identify the sample elements, stratified sampling was adopted. However, due to some limitations especially associated with time and cost, a sample size of 103 elements representing 50% of the sample frame was used. Data collection was done using a standard self-administered questionnaire which was distributed to the respondents. Once the data was collected from the respondents it was first checked for completeness and accuracy then coded before being analyzed using the Statistical Program for Social Scientists (SPSS) to obtain descriptive statistics. The analysis was by way of descriptive statistics in terms of the mean, mode, median and frequencies. Data presentation was in form of frequency tables, mean, charts, and graphs.

The findings revealed that the majority of the respondents were male. Also the majority of the respondents were young (within the age group of 20 to 29 years old). The results
further showed that majority of the respondents represented the monthly income group of between 20,000 and 80,000 Kenya shillings and majority of them received similar fringe benefits. The biographical data can be summarized by stating that the majority of the respondents were of similar age, within the same income bracket and in the same life cycle phase. It is recommended that management should take into consideration the biographical data of employees when designing a non-monetary reward structure to improve performance. The reason being that different races, cultures, life cycle groups and genders have different needs and therefore will respond differently to the same rewards offered. In such a case if all employees are in similar age group it means they will retire at the same time and this will jeopardize operations in the organization due to shortage of manpower to undertake various activities as the organization seeks for immediate replacements. The organization should put a succession plan in place to build capacity for various positions in case of retirements or employee exits occasioned by any other factors other than retirement on attainment of mandatory retirement age.

The findings of the study on the existence of a reward system at NWC&P indicated that indeed there exists a reward system in the organization although not a comprehensive one. This is because only 56% of the respondents supported this opinion. At the same time change salary and wages, annual performance bonuses as well as monthly target based incentive schemes were all ranked highly by the respondents in view of them being proof of the existence of a reward system in the organization.

The findings on the relationship between reward system and the organization performance showed that indeed there exists a relationship between the two. The results of the study showed that majority of the respondents were of this opinion. It was also revealed from the study that the majority of the respondents were of the opinion that the reward system impacts on the performance of the organization. Although there are other indicators of organizational performance, the research only considered two indicators, thus it drew its conclusions based on the employee performance, as well as the financial performance of the organization, thus the overall organization performance.
5.2: Discussion of the Findings

From the findings of the biographical data it was found that the remuneration packages received by the respondents were sufficient to cover their basic needs. The majority of the respondents rated most statements in the questionnaire as important or very important.

The study findings showed that the respondents value monetary rewards such as salary and wages, annual company performance bonuses and monthly target based incentive schemes as important for good performance. Although money is valuable to them, they do not believe that it is the only reward that motivates them and that money is a short-term motivator. Armstrong and Murlis (2005) commented on financial rewards, as being necessary and thus the need to be considered. Profit sharing can best explain the monetary rewards which an organization can give to its employees. It is apparent from the findings of this study that non-financial rewards impact on individual performance in an organization.

The majority of respondents were of the opinion that non-monetary rewards are necessary to improve job performance. Non-monetary rewards will impact positively on job performance if the real needs of employees are satisfied and they receive praise for their good performance. One can reiterate that when designing a reward system, both employees and management, must have input in the reward system design and agree to the final system before it is implemented. It is clear that non-monetary rewards should be included in reward schemes. The findings reiterates the sentiments by Armstrong and Murlis (2005) who avow that rewards and more specifically non-monetary rewards normally drive a person. The two argue that indeed the objectives of reward systems include among others the attraction, motivation and retention of employees at all levels in an organization. This is also echoed by Ajila (1997) who argues that an individual who is highly motivated will be very much committed to his work. He further notes that for an individual to put individual effort to an organization he or she must perceive a possibility of getting some sought of satisfaction through some reward.
Respondents regarded the following as valuable non-monetary rewards for good performance: informal praise from superior (thank you); formal praise from superior (certificate); symbolic gifts (caps, t-shirts); mention in monthly magazine and employee of the month or year trophy. Armstrong says that non-monetary rewards can be focused on the needs most people have and they include achievement, recognition, responsibility, influence and personal growth. Modest pay and the absence of strong material incentives in the non-profit sector seems to have an important role and public organizations attracting members with high levels of motivation who identify very closely with the goals of the organization. The study findings are in line with Armstrong (2010) sentiments when he says that money is not necessarily the only reward. He argues that a reward will have a positive effect on the individual effort, if the said individual values the reward as a person and perceives it as being appropriate to the effort he or she has expended in the activities that have directly or indirectly led to the reward. NWC&PC must therefore introduce training programs to assist employees to accelerate their career paths and growth opportunities within the company. Employees who successfully complete their training could be rewarded with certificates, with the best student being awarded a trophy and mentioned in the company newspaper. These rewards can contribute to satisfying the employees’ self actualization and esteem needs. Introducing non-monetary rewards when a team achieves team goals and objectives could satisfy affiliation needs.

The study findings reveal that employees of NWC&PC take part in setting their own performance standards and they get continuous feedback and regular recognition. This coincides with the provisions in the literature study that performance standards should be clear and reward schemes easily understandable for them to have a positive impact on job performance. According to the results of the empirical study, it is clear that self-esteem, status, personal growth and affiliation needs are important employee needs that, when met, can improve job performance. These findings are similar to those by Baron (2006), who noted that outstanding work by individuals in an organization need to be recognized from the evaluation reports and the top performers rewarded in various ways ranging from recognition to award of medals and other material endowments. While
evaluation of performance takes place every day, individual performance is summarized at least annually during the performance review discussion and documented in the performance development summary. It was also observed that this offers a place to plan training and development activities that are consistent with improving performance and supporting career development plans. In the same regard Dessler (2003) observed that employee developmental needs ought to be evaluated and addressed. Specifically, Dessler (2003) noted that developing entails increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods.

5.3: Conclusions
The following are the major conclusions based on the findings and discussions.

5.3.1: Impact of Extrinsic Rewards on Employee Performance
The findings on the impact of extrinsic rewards on employee performance indeed bring about a conclusion that employees at NWC&PC value extrinsic rewards such, promotion on merit, annual company performance bonuses and monthly target based incentive schemes, employee of the year awards, and certificate of recognition as important for good performance. Similarly management should take into consideration the biographical data of employees when designing a non-monetary reward structure to improve performance. The reason being that different races, cultures, life cycle groups and genders have different needs and therefore will respond differently to the same rewards offered.

5.3.2: Influence of Intrinsic Rewards on Employee Performance
The findings on the influence of extrinsic rewards on employee performance indeed bring about a conclusion that employees regard the following as valuable intrinsic rewards for good performance: informal praise from superior (thank you); formal praise from superior (certificate); symbolic gifts (caps, t-shirts); mention in monthly magazine and generally to prove their worth to the organization. It can be concluded that the basic needs are first satisfied with monetary rewards, consequently non-monetary rewards play as important
a role in reward schemes as monetary rewards and their importance in the organization is immeasurable.

5.3.3: The effects of Monetary Rewards on Employee Performance
The findings on the impact of extrinsic rewards on employee performance indeed bring about a conclusion that employees believe monetary rewards such as salary and wages, are very essential to their performance. Employees further believe that Remuneration packages should integrate monetary rewards to satisfy the basic needs of employees, and should be in line with the market rates. The employees believe their labor should be fully compensated for by good remuneration.

5.4: Recommendations
From the above discussion of the findings and conclusions, the following recommendations were made.

5.4.1: The Impact of Extrinsic Rewards on Employee
First of all it can be recommended that the needs of employees, should be seriously considered when designing and implementing a reward system to motivate staff to perform at their best. The first step would be to determine in which phase of the life cycle the majority of the employees are. Once this has been established, the hierarchy of needs in terms of importance within this life cycle phase must be determined. From the conclusions of this study it is clear that extrinsic rewards should be included in reward schemes.

5.4.2: Influence of Intrinsic Rewards on Employee Performance
The study recommends that NWC&PC should conceptualize the use of informal praise by superiors, symbolic gifts, mention in monthly magazine, and employee of the month awards in order to motivate employees to perform better. Secondly the study recommends that it is important for NWC&PC to involve the employees when determining the performance standards. When the performance standards have been established, employees need to be trained to ensure that all employees understand the performance standards. The
second step should be to ensure that feedback and recognition regarding employees' performances take place on a regular basis. The feedback should be in the form of face-to-face discussions to enable the employee to mention any limitations that impacted on his performance. During the course of these sessions the performance standards should be reviewed to set new standards in the event of problems being experienced and to ensure continuous improvement.

5.4.3: Effects of Monetary Rewards on Employee Performance

The study recommends that NWC&PC should continue using monetary rewards to motivate employees, as this will satisfy their needs since it is necessary for basic physiological needs such as food, clothing and shelter, which must be satisfied before other needs can be satisfied with a non-monetary reward scheme. Physiological needs generally require monetary rewards.

5.5: Recommendations for Further Studies

Based on the research findings it is recommended that additional studies be conducted on the relationship between reward systems and organization performance in NWC&PC. First of all the study recommends further studies on the aspect of employees having similar ages and being within the same income bracket and in the same cycle phase. Secondly the study recommends further studies on a comprehensive reward system for NWC&PC since at the moment the reward system in the organization is not comprehensive.
REFERENCES


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### APPENDICES

#### Appendix I: Time Schedule

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>TIME FRAME</th>
<th>Start</th>
<th>End</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal Development</td>
<td></td>
<td>June, 2011</td>
<td>July 2011</td>
<td>4 weeks</td>
</tr>
<tr>
<td>Pilot testing of questionnaire</td>
<td></td>
<td>July 2011</td>
<td>August, 2011</td>
<td>2 Weeks</td>
</tr>
<tr>
<td>Data collection</td>
<td></td>
<td>September 2011</td>
<td>October, 2011</td>
<td>3 weeks</td>
</tr>
<tr>
<td>Data analysis, results and findings</td>
<td></td>
<td>October, 2011</td>
<td>November, 2011</td>
<td>2 Weeks</td>
</tr>
<tr>
<td>Conclusion and recommendations</td>
<td></td>
<td>November, 2011</td>
<td>November, 2011</td>
<td>1 week</td>
</tr>
<tr>
<td>Editing and Presentation of final report</td>
<td></td>
<td>November 2011</td>
<td>November, 2011</td>
<td>2 weeks</td>
</tr>
</tbody>
</table>
# Appendix II: Implementation Budget

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>COST (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposal development</strong></td>
<td></td>
</tr>
<tr>
<td>Typing and Printing</td>
<td>4,000.00</td>
</tr>
<tr>
<td>Photocopying</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Cost of Stationery</td>
<td>7,000.00</td>
</tr>
<tr>
<td>Cost of Computer time in Proposal</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Incidentals</td>
<td>3,000.00</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>30,000.00</strong></td>
</tr>
<tr>
<td><strong>Data Collection/Field Work</strong></td>
<td></td>
</tr>
<tr>
<td>Research Assistants(labor)</td>
<td>20,000</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>12,000</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>22,000</strong></td>
</tr>
<tr>
<td><strong>Data Analysis and Reporting</strong></td>
<td></td>
</tr>
<tr>
<td>Typing, Printing &amp; photocopying</td>
<td>25,000</td>
</tr>
<tr>
<td>Compiling and Binding</td>
<td>10,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6,000</td>
</tr>
<tr>
<td>Contingencies</td>
<td>8,000</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>49,000</strong></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>111,000</strong></td>
</tr>
</tbody>
</table>
Appendix III  QUESTIONNAIRE

Introduction
This is an academic research on the effects of Reward Systems on employee performance in National Water Conservation & Pipeline Corporation submitted to the Department of Business Administration, school of Business in partial fulfilment of requirements for the Degree of Master in Business Administration (Human Resources Management), of Kenyatta University. Please note that information provided will be treated with utmost Confidentiality.

Section 1: General Information
Tick the appropriate response from the alternatives provided.

1. Name ----------------------------------------- (optional). Gender: □ M  □ F

   ii) Age (yrs) :
           20-30  31-40  41-50  51-60  Above 60

2. Designation......................................

3. Level/Position in the Organization:
   □ Lower Management   □ Middle Level Management   □ Supervisor
   □ Divisional Head    □ Top Management         □ Other (Specify)......

4. Years of Work Experience?
   □ 0-5 years
   □ 5-10 years
   □ 10-15 years
   □ 15-20 years
   □ More than 20 years

5. Department/Division:
   □ Construction & Electro-Mech   □ Planning & Design   □ Finance
☐ Human Resources & Admin.  ☐ Corporate & Legal Services  ☐ Others (specify)..............

6. Monthly Income (Kshs.):

☐ Under 20,000
☐ 20,001 – 40,000
☐ 40,001 – 60,000
☐ 60,001 – 80,000
☐ Above 80,000

7. Fringe benefits

☐ Medical Scheme
☐ Pension Scheme
☐ Transport
☐ Other

If other, specify

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
## Section 2: Reward System

Using a scale of 1-5 tick the appropriate answer from the alternatives, 1- Strongly Disagree 2- Dissagree 3- Uncertain 4- Agree 5- Strongly Agree

8. The following is a valuable monetary reward for good performance

- Salary and wages. (1) (2) (3) (4) (5)
- Annual company performance bonus. (1) (2) (3) (4) (5)
- Monthly target based incentive schemes. (1) (2) (3) (4) (5)

9. Do you agree with the following statements regarding Monetary rewards?

- Monetary rewards are the only rewards that motivate (1) (2) (3) (4) (5)
- Monetary rewards are short-term motivators (1) (2) (3) (4) (5)

10. Do you agree with the following statement regarding non-monetary rewards?

- Non-monetary rewards are necessary to improve job performance (1) (2) (3) (4) (5)

11. The following is a valuable non-monetary reward for good Performance

- Informal praise from your superior (thank you) (1) (2) (3) (4) (5)
- Formal praise from your superior (certificate) (1) (2) (3) (4) (5)
- Symbolic gifts (caps, badges, t-shirts) (1) (2) (3) (4) (5)
- Mention in monthly magazine (1) (2) (3) (4) (5)
- Employee of the month trophy (nominated by management) (1) (2) (3) (4) (5)
- Employee of the month trophy (nominated by fellow employees) (1) (2) (3) (4) (5)
- Obtaining canteen vouchers by accumulating points for meeting performance standards. (1) (2) (3) (4) (5)
### Section 3: Relationship between Reward System & Organisational Performance

Using a scale of 1-5 tick the appropriate answer from the alternatives, 1- Strongly Disagree 2-Dissagree 3-Uncertain 4-Agree 5- Strongly Agree

<table>
<thead>
<tr>
<th>Question</th>
<th>Rating Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Performance standards in my organization are clear and easily understandable</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>13. I am part of setting my own performance standards</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>14. I will improve my performance when the following needs are fulfilled:</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>- Self-esteem</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>- Status</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>- Personal growth</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>15. NWC&amp;PC’s goals and objectives are clear to all employees</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>16. NWC&amp;PC’s vision provides an oversight to employees actions</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
<tr>
<td>17. Is there a relationship between Reward System and Organizational Performance</td>
<td>(1) (2) (3) (4) (5)</td>
</tr>
</tbody>
</table>

18. In your opinion do you think NWC&PC mission, is performance oriented?

[ ] Yes  [ ] No
Section 4: Impact of Reward System on Organization’s Performance

Using a scale of 1-5 tick the appropriate answer from the alternatives, 1- Strongly Disagree
2-Dissagree 3-Uncertain 4-Agree 5- Strongly Agree

<table>
<thead>
<tr>
<th>19. The following motivates me to perform at my best</th>
<th>1 (1)</th>
<th>2 (2)</th>
<th>3 (3)</th>
<th>4 (4)</th>
<th>5 (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The need to achieve goals and targets</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>The need to be accepted by my teammates.</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>The existence of training and development opportunities.</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Potential promotional opportunities</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>An environment where jobs are provided for my dependants.</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Job security</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Opportunities to use my own initiative</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Increasing responsibility</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Broadening the functions of the job</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>The feeling of accomplishment I get from my job</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>The opportunity to assist my team members</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>20. Employees performance is influenced by the Reward System</th>
<th>1 (1)</th>
<th>2 (2)</th>
<th>3 (3)</th>
<th>4 (4)</th>
<th>5 (5)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>21. I will improve my performance when rewards are:</th>
<th>1 (1)</th>
<th>2 (2)</th>
<th>3 (3)</th>
<th>4 (4)</th>
<th>5 (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focusing on the real needs of the employees</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Complimentary of the good work performed</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Determined by myself</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Determined by my superiors</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>22. Does the Reward System at NWC&amp;PC Impact on Organization’s Performance?</th>
<th>1 (1)</th>
<th>2 (2)</th>
<th>3 (3)</th>
<th>4 (4)</th>
<th>5 (5)</th>
</tr>
</thead>
</table>

Thank you for your participation