

**AN ASSESSMENT OF MOTIVATION FACTORS THAT
INFLUENCE EMPLOYEE PERFORMANCE IN THE KENYAN
INSURANCE INDUSTRY**

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**A research project report submitted in partial fulfillment for the award
of Masters of Business Administration (MBA) Degree (Human Resource
Management) from the School of Business of Kenyatta University**

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*An assesment of
motivation factors*



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DECLARATION

This research project report is my original work and has not been presented for any award in any other institution to the best of my knowledge.

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DEDICATION

This work is dedicated to my father Deacon Samuel K. Mukoma and my late mother Priscilla Kethi Kilavi for their spiritual, moral and material support throughout my schooling life. Their encouraging and inspiring words are such a fountain in my life.

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ABSTRACT

Employee performance is an essential requirement if an organization is to maintain its efforts towards the realization of pre-designed goals. The entire human resource needs to be redirected unto a common understanding on how to maximize the use available resources. This research study was particularly concerned with assessing salient factors that collectively or individually influenced employee performance. On the basis of this research's findings, players in the insurance industry would reliably access fundamental opinions towards the formulation of viable performance policies. In the quest of meeting the study's objectives, the researcher focused on a group of employees representatively selected from the forty four (44) registered and active Kenyan insurers. The respondents involved one human resource manager from each sampled unit, two supervisors and two subordinates who were randomly sampled. Generalizations were based on sample findings which the researcher consider valid.

Ultimately, it was found out that motivation of employees towards enhancing performance was highly dependent on compensational programmes, training and development and nature of work environments. Employees who had access to formal training programmes were highly motivated to work for their companies unlike those who had no access. Additionally, training and career development played a crucial role in modeling employee behaviour, which in turn caused influence on performance. Finally, the overall nature of work environment signified the extent to which management valued the contributions by the employees.

LIST OF ABBREVIATIONS

ACSI	American Customer Satisfaction Index
AKI	Association of Kenya Insurers
CPCU	Chartered Property Causality Underwriters
COMESA	Common Market for Eastern and Southern Africa
GDP	Gross Domestic Product
HR	Human Resource
PSV	Passenger Service Vehicle
QIC	Quality Insurance Congress
RIMS	Risk and Insurance Management Society
RVC	Rift Valley Corporation
SPSS	Statistical Package for Social Sciences
TQM	Total Quality Management
TSC	Teachers Service Commission

DEFINITION OF TERMS

Development: Learning activity which is directed towards development of an organization's future manpower requirements and growth needs of an individual and workplace.

Human resource: Mental and physical organizational input that originate from the people serving as employees.

Insurance: Arrangement by which one party (insurer) promises to pay another party (insured or policyholder) a sum of money if something happens which causes the insured to suffer a financial loss.

Employee Performance: Particular level of productivity of an organization's employees/human resource.

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CHAPTER ONE

1.0 INTRODUCTION

1.1.0 Chapter Overview

This section gives an introductory part for the entire research study. Specifically, it seeks to provide a critical understanding of the broadened meaning and features of the concept “employee performance”, the documented characteristics of the target population, Kenyan Insurance industry, and the study’s objectives particularly designed to fill the existing literature gaps.

1.1.1 Background to the Problem

In general terms, performance refers to the need for organizations to be efficient producers of outputs that are relevant to the needs of stakeholders - this is the principal measure of their effectiveness. In the public sector, it is closely linked to accountability: organizations are held accountable for a certain level of performance by their parent ministry or funding agency. However, it is an abstract concept which must be represented by concrete, measurable phenomena or events in order to be measured (Cascio, 2003).

Another dimension of defining performance is to see it as improvement in four potential areas. First, as the resource “input” requirements such as in reduced working capital, material, replacement or reorder time, and set-up requirements. Second, it is the “throughput” requirement, often viewed as process efficiency; which is measured in terms of time, waste, and resource utilization.

Third, “output” requirements, often viewed from a cost or price, quality, functionality and perspective. The fourth and final dimension involves “outcome” requirements, which determine if the process ends up making a difference. Moreover, improving performance is the concept of measuring the output of a particular process or procedure, then modifying this process or procedure in order to increase its efficiency and effectiveness (Cascio, 2003).

The concept of performance can be applied to either individual performance or organizational performance. In Organizational development, performance improvement is the concept of organizational change in which the managers or governing bodies of an organization put into place and manage a program which measures the current level of performance of the organization and then generates ideas for modifying organizational behavior and infrastructure which are put into place in order to achieve a better level of output. The primary goals of improvement are to improve organizational effectiveness and organizational efficiency in order to enhance the ability of the organization to deliver its goods and/or services and prosper in the marketplaces in which it competes. Another area of improvement which is sometimes targeted for improvement is organizational efficacy which involves the process of setting organizational goals and objectives (Cohan, 1998).

Performance at the operational or individual employee level usually involves processes such as statistical quality control. At the organizational level, it usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the viewpoint of customers (Dessler, 2004).

Individual performance could be measured through unbiased and objective-oriented performance appraisal. This involves a formal interaction between a subordinate and a supervisor usually on periodic interviews. The ultimate goal of this process is to establish if the employee has attained the required standards of performance in tandem with organizational criteria. On the other hand, organizational performance is determined by the level of its competitiveness in relation with the other players in the industry (Ibid).

1.1.2 Background to the Insurance Industry in Kenya

Like in other countries, the Kenya insurance industry provided protection against financial losses resulting from a variety of perils. By purchasing insurance policies, individuals and businesses received reimbursement for losses due to car accidents, theft of property, fire and storm damage, medical expenses and loss of income due to disability or death. The industry consisted mainly of insurance carriers (or insurers), insurance agencies and brokerages. Insurance carriers were large companies that provided insurance and assumed the risks covered by the policy. Agencies and brokerages sold insurance policies for the carriers (The Insurer, June 2006).

In a general perspective, the Kenyan insurance sub-sector was one of the leading employers with a higher degree of customer diversification that befitted the range of products designed for the market. By the time of study, there were over forty four (44) registered and active insurers in the economy, about 200 brokers and over 1000 agents. The overall industry was supervised and regulated by the Commissioner of Insurance, under the ministry of Finance. Additionally, firms subscribed to standards and requirements collectively set by the Association of Kenya Insurer – a legally constituted organization that sought to protect the interests of member firms and their clients (The Insurer, June 2006).

A potential contributor to the country's Gross Domestic Product (GDP) performance, the sub-sector was prone to new challenges resulting from environmental changes in mitigating risks they covered. Amid these challenges, human factors and corresponding performance played a crucial role in determining the firms' potential toward goal attainment (Ibid).

In this research study, the researcher sought to investigate critical motivational factors, which influenced employee performance within the sub-sector. Particularly, it was intended to assess variables in employee compensation, training and development, and nature of working environment that created influence to expected performance standards.

1.2 Problem Statement

While employees were by contract obliged to work towards achievement of the agreed performance standards, the management retained the key enabling role through systems such as development of potential, fair compensation, and policy design and formulation. Due to the intent of initiating and sustaining market competitive edge, it followed necessary that organizations continued to search for affordable and effective ways to better serve the target clientele. And in many cases, this meant influencing employee performance (The Insure, June 2006).

The insurance industry had consistently suffered the blunt of employee underperformance. It had witnessed key players – such as Lakestar, Stallion and United Insurance Companies (UIC) – plunge into insolvency despite the huge public investments; a case which later culminated to slim public confidence. In addition, the Kenya National Assurance Company (KNAC) was put under receivership and strategically hard to re-invent its operations due to dented reputation. Fraudulent claims and massive labour turnover were widely identified as the key reasons why the 45% PSV stake-holder United went under. This situation would have been avoided had employee-related variables been assessed and pushed to required status (Ibid).

To revive and maintain this service industry, which played an economically significant role of pooling other investments' resources against foreseeable risks, urgent need to enhancing individual employee contribution was prudent.

This research derived its base from such witnessed performance gaps, and was specifically designed to assess particular motivational factors that influenced the industry's performance goals.

1.3.0 Research Objectives

The study was limited towards meeting the following objectives, which were categorized into broad and specific terms:

1.3.1 Broad objective

To investigate the key motivational factors that influenced employee performance in the Kenyan insurance industry.

1.3.2 Specific objectives:

- 1) To find out how compensation programmes influenced employee performance of the insurance firms in Nairobi.
- 2) To determine the extent to which training and development influenced employee performance in the insurance industry within Nairobi.
- 3) To examine the relationship between working conditions and employee performance of insurance firms in Nairobi.

1.4 Research Questions

The study's overall intent was directed by the researcher's goals of seeking information to answer the following questions:

- 1) How do compensation programmes influence employee performance of insurance firms in Nairobi?
- 2) To what extent does training and development influence employee performance in the insurance firms within Nairobi?
- 3) What is the relationship between working conditions and employee performance in the insurances firms in Nairobi?

1.5 Significance of the Study

Employee performance strategy promotes the joint interest of people and their organizations. It recognizes that management and employees have a common concern in creating organizations that meet both business and individual needs. Thus, it was worthwhile, especially for managers to have sufficient knowledge in this area to ensure that operational programmes were not invalidated by incomplete employee integration into organizational philosophy and values. On this basis, this study sought to formulate a set of reliable recommendations out of the Kenyan context, which were of value to all stakeholders dealing either directly or indirectly with the human resource factor within the economy. It was expected that the findings would be of substantial impact to HR practioners, either planning entry into the industry or were already in operation while seeking competitive advantage.

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In addition, the findings would be presented in such a way that they provided a strong foundation to subsequent studies and monitoring of employee performance dynamics within the industry and its neighborhood.

1.6 Scope of the Study

The study's key intent was to establish key factors that influenced employee performance and the extent of satisfaction in the existing working conditions. Out of all forty four (44) registered and active insurance firms within Nairobi, the researcher particularly concentrated on collecting data from a total of 115 respondents obtained from twenty three (23) selected firms. This was done using proportional stratified random sampling technique on the basis of the existing three product clusters: life, general and composite insurers. The study informants involved one human resource manager, two supervisors and two subordinates from each sample unit. On this basis, the research presented generalizations out of which rational recommendations were drawn befitting the entire sub-sector.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Chapter Overview

In aiding the researcher to understand the research area more, related literature was thoroughly reviewed. This section provides a summary of theories and relevant past studies which had been conducted in the study area. Citations from various authors were extensively involved such that a clearer path to answering the research questions was established.

2.2.0 Past Studies on the Research Area

The phrase employee performance projects varied implications to different people and organizations. Some consider it industrial democracy or co-determination with enhanced employee participation in the decision-making process. For managers and administrators it denotes improvements in the psychological aspects of work to improve productivity. Unions and workers interpret it as more equitable sharing of profits, job security, and healthy and human working conditions. Additionally, others take a broader view of changing the entire organizational climate by humanizing work in individual organizations and changing the structural and managerial systems (Gupta, 2005).

The American society of training and development takes dimension that Employee Productivity is a process of work organization, which enables its members at all levels to actively participate in shaping the organization's environment, methods and outcome.

This value-based process is aimed towards meeting the twin goals of enhanced effectiveness of organization and improved quality of life at work for employees (Skrovan, 1980).

The concept of Employee Performance is based on the assumption that a job is more than just a job. It is the center of a person's life and a worker has a whole individual rather than half-human and half-machine personality. In recent years, there has been increasing concern for Employee Performance due to factors such as:

- (a) Increase in education levels and job aspirations of employees,
- (b) Association of workers,
- (c) Significance of human resource,
- (d) Wide spread industrial unrest, and
- (e) Growing knowledge in human behaviour (Gupta, 2005)

Employee Performance exercises a significant influence in productivity of employees and its ideal potentially leads to physically and psychologically healthier employee with positive feelings. Thus, there is a need for incorporating key elements in building a work system based on performance principle. These elements should reinforce each other and send consistent message to all workers. Without consistency, individual involvement and commitment and hence organizational performance will be injured (Buchanan, 1994).

A clearly expressed statement of how people are to be viewed by the organization and how they will be managed is a useful benchmark. There are at least five Employee Performance values in line with organizational philosophy and core values:

- a) People are an asset to be developed and a major stakeholder in the organization.
- b) People are unique, talented and flexible resources,
- c) People want to take pride in their work and be productive,
- d) People have a need for recognition, enhanced self- image, and influence on decision affecting their workplace,
- e) Management empowers workers to participate in decisions and contribute to personal and organizational growth (Hackett, 1982).

Other than a statement of organizational philosophy and values, the other key elements that influence employee performance include:

- a) Participative management style,
- b) Organizational structure,
- c) Job design,
- d) Communication and communication,
- e) Developmental performance appraisal,
- f) Reward system, and
- g) Occupational safety and health systems (Ibid).

The Performance-oriented organization gives high priority to the way work is structured and how jobs are designed. Job design principles employed should be consistent with the organization's structure and culture. Changes in job structure and job design, therefore, need to be approached cautiously and must involve the jobholders (Armstrong, 2003).

Performance is best understood as a goal, process and philosophy. As a goal, Employee Performance aims at improving organizational effectiveness through the creation of more challenging, satisfying and effective jobs and work environments.

As a process, it calls for effort to realize its goals through the active involvement of people throughout the organization. It is about organizational change usually from a 'control' to an 'involvement' organization. Moreover, as a philosophy, Employee Performance concept views people as assets capable of contributing skills, knowledge, experience and commitment rather than as costs that are merely extensions of the production process (Gratton and Hailey, 1999).

2.2.1 Employee Performance

In recent years, there has been much concern with the development and introduction of new ways of organizing work which facilitate flexibility and improved quality, and which encompass and accommodate new environmental changes. Creating a work environment in which employees perform above the standards is essential to facilitate increased profits for any profit-oriented organization, corporation or small businesses.

Principles of management that dictate how to maximize employee performance center around two major areas of focus: personal motivation and the infrastructure of the work environment (Buchanan, 1994).

Approaches to design of work systems can be seen as having progressed through three broad phases. In the first of these phases, from 1900 to 1950s, approaches to work design were dominated by the principles of scientific management, based upon task fragmentation and clear division between manual work on one hand and management responsibilities on the other. Under a system such as this, employee development requirements were virtually nonexistent, since jobs were broken down and simplified into a number of small tasks, which could be performed repetitively by unskilled labourers. Those who proved to be unreliable could be replaced and managers never depended on potentially scarce skills and knowledge to guarantee the continuity of production (Rainbird, 2000).

The second phase in work organization, broadly from 1950s to n1980s, saw the development of employee performance and productivity, which advanced a range of techniques as antidotes to scientific management that had resulted into bored and alienated workforce. On this basis, a number of experiments were performed on job design, driven by alternative views of motivation and which were concerned to ally employee satisfaction, competitiveness and profitability (Trist *et al*, 1963).

As management in Western industrialized countries became increasingly aware of the hidden costs of monotonous work and dissatisfied workers, researchers hinted that performance could be improved by job enlargement. Subsequent developments in the work design techniques by job enlargement and rotation were influenced by the humanistic psychology of Maslow (1943) and Herzberg (1968), both of whom emphasized that human beings have innate needs, organized in a loose hierarchy (Rainbird, 2000).

A third broad phase was discernible from 1980s, since when varieties of methods have been used to extend the concept of the autonomous group, primarily to address competitive pressures by increasing organizational flexibility and responsiveness. While the goals underpinning the employee performance movement in the 1960s and 1970s concerned the cost of labour turnover and absenteeism, arising from boredom and apathy, this has now changed into need for quality, flexibility and responsiveness in meeting customer requirements in an increasing competitive climate (Rainbird, 2000).

In this third phase, many organizations have introduced more comprehensive approaches such as integrating Total Quality Management (TQM) into organizational strategy. As a result, they have resorted into a wide range of methods that seek to realize departmental support in the quest of operational sustainability. On this basis, the concept of developing and sustaining quality performance through employee productivity becomes relevant, especially in today's fast-changing environment where the human factors stand to be the key determinant of organizational efficiency and effectiveness (Ibid).

The issues of performance have received much attention since the early 1990s. While the “performance revolution” started in the private sector, its effects were quickly felt in the public sector - influenced by ideas from the “new public management” school that sought to transfer concepts and processes from the private sector to the public sector, in order to make them more output oriented and accountable to stakeholders (Dessler, 2004).

The general elements of performance (efficiency, effectiveness, and relevance) are widely shared, but there is no simple or universally recognized definition of what performance is at the level of an individual organization. The performance of an organization is closely linked to the goals and objectives it wants to achieve. Specific performance elements need to be defined and agreed by the organization. Performance, in other words, is a “socially constructed reality” that exists in people’s minds. Because performance is a reflection of an organization’s goals and strategic objectives, performance measures have to be tailored to the conditions and needs of the organization. They also have to be acceptable within the organization and credible to outside stakeholders (Tyson, 2002).

2.2.2 Employee Education, Training and Development

In general, education involves 'mind preparation' and is carried out remote from the actual work area; training is the systematic development of the attitude, knowledge, skill pattern required by a person to perform a given task or job adequately; and development is 'the growth of the individual in terms of ability, understanding and awareness' (Dessler, 2004).

Career development is the ongoing acquisition or refinement of skills and knowledge, including job mastery and professional development, coupled with career planning activities. Job mastery skills are those that are necessary to successfully perform one's job. Professional development skills are the skills and knowledge that go beyond the scope of the employee's job description, although they may indirectly improve job performance (Flippo, 1984).

Since career development is an ongoing, dynamic process, employees may need encouragement and support in reviewing and re-assessing their goals and activities. Formal training and classes away from the job are effective in providing new information, but adult learners also need to practice new skills. Therefore, managers can contribute significantly to their staff members' career development by supporting career development activities within their departments (Flippo, 1984).

Within an organization seeking effectiveness and efficiency, employee education, training and career development are necessary in order to:

- a) Develop workers to undertake higher-grade tasks,
- b) Provide the conventional training of new and young,
- c) Raise efficiency and standards of performance,
- d) Meet legislative requirements (health and safety),
- e) Inform people (induction training and pre-retirement courses).

When approached in concert with the other processes of performance management, developing increases the capacity of employees to perform - through improved skills and competencies as well as more efficient work processes. It also addresses poor performance and seeks to improve good performance. An understanding of work and human behaviour based on experiential and empirical evidence point out that the human system is not static. It is being continuously influenced by the ever changing subsystems in the environment. This leads to the definition of Human Resource Management as a dynamic process which needs to be kept aligned with the changing realities in the environment (Pattanayak and Verma, 1998).

People are most important and valuable resources of any organization. Dynamic people can build dynamic and growth-oriented organizations. Effective employees can contribute to the effectiveness of the organization. Thus, the organization should continually ensure that the dynamism, effectiveness, competency and motivation of its people remain at a high level. Human Resource Development is the continuously required process towards ensuring this conversion. Particularly, it aims at identifying competency gaps of employees to perform present roles effectively and create conditions to help employees bridge these gaps through development. Additionally, it prepares people for performing roles which they may be required to perform in the future as they go up on the organizational hierarchy or as the organization takes up new tasks through diversification, expansion and modernization (Pattanayak and Verma, 1998).

2.2.3 Employee Compensation

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. It may achieve several purposes assisting in recruitment, job performance, and job satisfaction. Precisely, compensation is a tool used by management for a variety of purposes to further the existence of the company, which may be adjusted according to the business needs, goals, and available resources (Cascio, 2003).

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertise salary ranges, he/she does so in the context of other employers seeking to hire from the same applicant pool. Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt by the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expense of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels (Cascio, 2003).

Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, profit sharing and gain sharing. All these will be perceived by employees as fair if based on systematic components.

Various compensation systems have developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures. The most effective reward and compensation systems align with objective, outcome-based evaluations of employee performance. Each employee's performance measurement should reflect the organization's business strategies and financial goals. Compensation should also reflect the employee's performance level and his or her contributions to the organization's success (Cohan, 1998).

Conventional wisdom and traditional compensation practices often prevent organizations from achieving strategic goals. Organizations must align their compensation and reward systems with performance, for when they do, they will increase productivity and achieve sustainable growth (Cohan, 1998).

2.2.4 Working Conditions and Performance

Many managers and supervisors labor under the mistaken impression that the level of employee performance on the job is proportional to the size of the employee's pay package. Although this may be true in a minority of cases, numerous employee surveys have shown by and large this to be untrue. In fact, salary increases and bonuses for performance, in many instances, have a very limited short-term effect. The extra money soon comes to be regarded not as an incentive but as an "entitlement" (Dessler, 2004).

There are other factors that when combined provide a more powerful determinant of employee performance. When these other factors are missing or diluted, the employee does come to work only for a paycheck. In this case, the employee is present at work in body only, leaving their mind outside the gate (Ibid).

It is the quality of the employee's workplace environment or nature of work that most impacts on their levels of motivation and subsequent performance. How well they engage with the organization, especially with their immediate environment, influences to a great extent their error rate, level of innovation and collaboration with other employees, absenteeism and, ultimately, how long they stay in the job. Many studies have revealed that most employees leave their organization because of the relationship with their immediate supervisor or manager (Ibid).

A number of workplace factors, thus, need to be put in place such that employee efforts are effectively converged unto meaningful productivity. These factors include goal-setting, performance feedback, role congruity, defined processes, incentives, management support and resource availability (Ibid).

2.3 Insurance Industry in Kenya

Previous studies, notably those of Wells & Stafford (1995), the Quality Insurance Congress (QIC) and the Risk and Insurance Management Society (RIMS) and the Chartered Property Casualty Underwriters (CPCU) longitudinal studies, have confirmed widespread customer dissatisfaction in the insurance industry, stemming from poor service design and delivery.

Ignorance of customers' insurance needs (the inability to match customers perceptions with expectations), and inferior quality of services largely account for this. The American Customer Satisfaction Index (ACSI) shows that, between 1994 and 2002, the average customer satisfaction had gone down by 2.5 percent for life insurance and 6.1 percent for personal property insurance respectively. In Greece, 48 percent of consumers consider that the industry as a whole is characterized by lack of professionalism. Furthermore, 34 percent believe that insurers find various pretexts to avoid promised compensations. This is a legacy the industry has cultivated, sparking a host of controversies, denials and counter denials which unfortunately have not helped to bolster its image worldwide (Quoted by Insurer, December, 2006).

In the over forty years since independence, Kenya's insurance industry had flourished, and by 2006 had forty four (44) registered insurers, twenty three (23) transacting general insurance business, six (6) transacting life business, while fifteen (15) were composite insurers – transacting both life and general insurances. The industry leads within the East Africa Community (a trading block of Kenya, Uganda and Tanzania), and is a key player in the COMESA region. It employed over 10,000 people, underwrote well over €300m premiums, and paid over €120m per annum in claims.

The largest ten (10) insurers handled over 70 percent of the motor business with a similar number handling well over 90 percent of the property business in the market (Association of Kenya Insurers).

Most quality gaps that were prevalent in the Kenyan Insurance industry were largely originated by the workforce, primarily due to low capacity building against the ever changing business environment. The dimensions of employee reliability and empathy were the most deficient, and any genuine quality intervention strategy needed prioritize their improvement. The United Insurance, under receivership, collapsed mainly because of poor employee development, integration and maintenance that saw massive claim fraud and employee turnover, a situation that would have been contained if employee performance concept was prioritized (Insurer, December 2006).

2.4 Empirical Literature

In findings from the studies conducted in one leading automobile factory in Japan, employee performance was estimated to be far above other industry players. Over 67% employees met their daily targets and most often than not exceeded. Only 19% employees struggled to reach standards while a paltry 14% hardly attained their projected full potential. The lower 33% were constantly put in motivational programmes that involved attending external training and attitude change in the quest of boosting their performance levels. At far extreme of underperformance, employees were terminated and competence sought elsewhere (Whiteman and Sandry, 2001).

A study (Nairobi University Thesis) that investigated factors that influenced teachers' performance in Thika district, concluded that appropriate compensation, convenient work environment, flexible TSC policy and continual development greatly affected performance levels.

From those sampled, 87% felt de-motivated by how teachers were promoted, 82% said that their pay was not updated frequently to accommodate changing economic variable such as inflation, and 68% indicated that the free primary education policy- implemented in 2003 - never took into considerations changing the general work environment for the teachers (Muigai, 2004).

Finally, from investigations on employee motivation and policy issues in the Kenya Railway Corporation (KRC), evidence showed that workers underperformed mainly because the management did not involve them in designing work policies. This went to an extent of assigning workers duties either beyond their capacity or shy of their interests. Additionally, the working environment was not conducive to the workers as they were obliged to work for long hours and perform heavily manually (Odelo, 2002)

2.5 Critical Review of Major Issues

Over the past decades, innovative high-performance work systems have in many instances produced substantial improvements in the quality of working life and organizational effectiveness. The organization development literature is replete with analyses of these initiatives and a general acceptance that there is a better way to manage performance in the workplace (Kochan, Katz and McKersie, 1994).

The studies, however, did not deal in detail with managing individual performance and disciplinary problems within the context of new high performance systems. This lack of analysis had acted, and continued to do so, as a barrier to the implementation of these innovations: not having effective and responsible ways to deal with performance problems and discipline (Ibid).

Traditionally unions had avoided taking responsibility for this problem, because it was viewed as part of management's 'right to manage,' a right which unions were only too willing to leave with management because of the political repercussions with their membership. Unions needed to be included in this analysis, however, not only because of their duty of fair representation but also because they needed be part of the solution and not (as is too often the case) part of the problem (Cohen-Rosenthan and Burton, 1993).

Because employees and their representatives usually react in a negative way to management attempts to use traditional punitive disciplinary measures, management too frequently avoids acting and leaves the problems uncorrected. Far too often it is fear of union reaction that leads to management inaction. However, by not acting, management signals to every employee that unsatisfactory performance and inappropriate behaviour is acceptable or, at the very least, that employees can skirt or even break rules or regulations without fear of discipline (Cohen-Rosenthan and Burton, 1993).

It will, of course, be clear to almost everyone that management inaction in such a situation is not acceptable:

- a) It is not acceptable to management, because it is not fulfilling its role of managing the organization's resources in the most efficient and effective manner possible.
- b) It is not acceptable to the majority of employees who do perform satisfactorily and who want management to ensure that everyone does so.
- c) It is not acceptable to the unsatisfactory employees, because they are not receiving feedback and help with their problems.
- d) It is not acceptable to unions, because it damages their relationship with management and potentially compromises their relationship with the majority of their members, because of their defense of the actions of a few (Kochan and Osterman, 1994).

Management faces this problem because, too often, it thinks that formal discipline is the only way to deal with poor performance and unacceptable behaviour. Management and labour often fail to explore the numerous ways they can work together to deal effectively with workplace performance issues in a more enlightened manner. Too often, discipline is used when alternative approaches would be far more appropriate and much more likely to produce results that benefit employees, their unions, and management (Ball, Trevino, and Sims, 1993).

Because disciplinary action is, by its very nature, negative and punitive, it is most often viewed as heavy-handed and arbitrary. Predictably, the union fights tenaciously on behalf of its members against the real or perceived injustice of management's action. Management and union then become locked in a time-consuming and often acrimonious struggle related to management's 'right' to discipline and a win-lose (Ball, Trevino, and Sims, 1993).

Improvement efforts should focus on correcting the problem, preventing recurrence and restoring the individual to a healthy, satisfying work relationship. If the goal is to correct the problem, then recognizing the type of problem involved is crucial to determining an appropriate strategy for improvement. Thus, the development of a new approach to diagnosing and dealing with performance problems and discipline requires a 'paradigm shift' on the part of management and labour. In order to be successful in making this change, the parties have to be prepared to give up established beliefs and entrenched ideas. In many instances, there is a legacy of bitterness and anger running deep through the relationship that will act as a barrier to a successful transition (Kochan, Katz, and McKersie, 1994).

Management and labour must both be willing and able to change and work together in improving productivity, training, business survival, and viability. Working together to effectively manage employee performance and disciplinary problems represents a further way in which they can find responsible solutions and win/win outcomes for their mutual benefit (Appelbaum and Blatt, 1994).

2.6 Summary and Gaps to be filled by the Study

The ability to define, measure, and evaluate performance is an essential condition for its improvement. In many systems the capacity to conduct operations efficiently and effectively may be well established but key constraints to improved performance emanate from organizational and managerial set-ups. Before an organization can improve its performance, it needs to be able to measure and evaluate its present performance. In assessing the performance of organizations, two kinds of approaches are relevant: those that assess organizational performance in general and those that focus on assessing operational performance (Tyson, 2002).

Periodic assessments not only help organizations to improve their performance over time, but also provide a means of communicating performance information to stakeholders. While in the private sector, market share and profitability provide fundamental indicators of a company's performance; such measures do not apply in public-sector organizations. Mechanisms to assure accountability are instrumental in improving performance, but they are also important in their own right, to account for resources used and results achieved. It is particularly important for insurance organizations to frequently assess their performance because the industry in which they operate constantly faces a crisis of confidence that is associated with client dissatisfaction; decreasing investor confidence and dynamic determinant environment (Ibid).

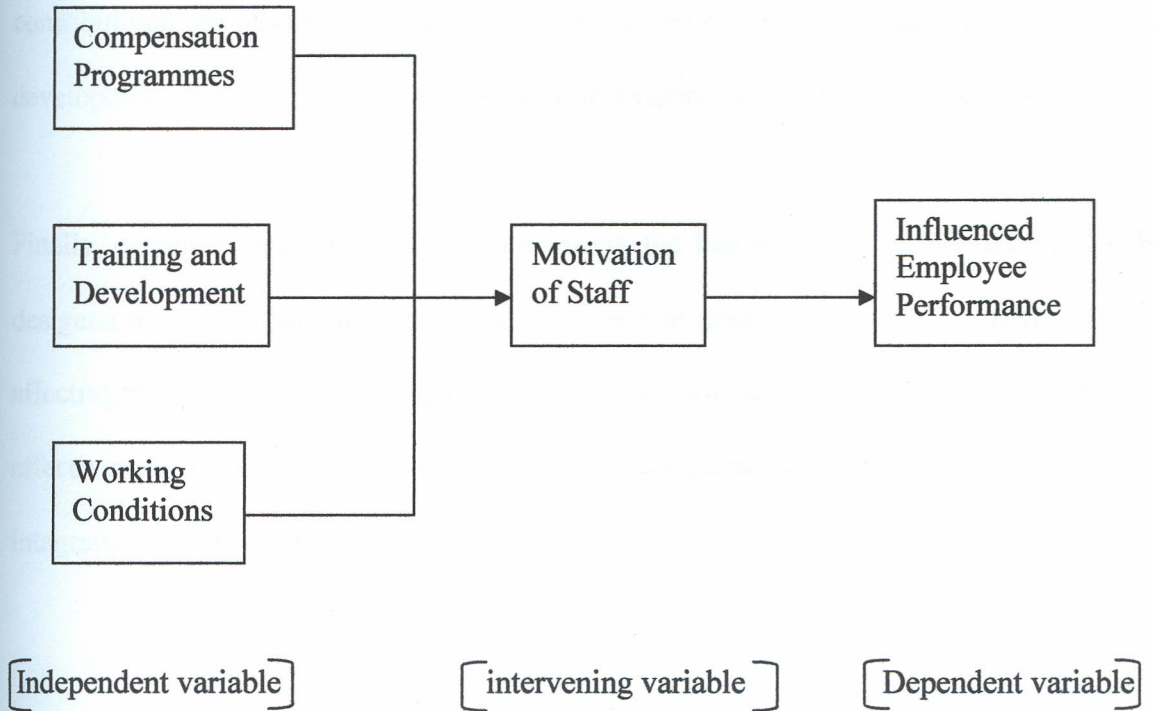
At the same time, these organizations are challenged to improve their performance by increasing the relevance of their outputs to investors and society, and by addressing demands for good management and accountability, as well as impact.

The ability to assess organizational performance and communicate the results of such assessment to stakeholders has become a key issue in organizations worldwide. This ability can help reorient organizations towards the production of more relevant outputs and to restore stakeholder confidence. However, evaluation is weak in many systems and is seldom used to improve decision making related to organizational performance. There is widespread customer dissatisfaction in the insurance industry, stemming from insurers' failure to satisfy customers' needs. Therefore, further research to improve the industry employees' understanding of service quality is required.

2.7 Theoretical Framework

This study was based on the selected factors that affect the employee performance as identified by Richard Walton (Quoted by Gupta, 2005). They formed the criterion on which organizational change to competitiveness is determined.

Figure 2.1: Theoretical Framework.



Source: Gupta, 2005

2.7.1 Explanation of Variables

Organizations expect employees to work and retain focus towards the attainment of preset goals, primarily designed for customer satisfaction. Thus, to remain competitive and relevant in the ever dynamic business environment, these organizations need to re-direct their human resources' performance in order to achieve and sustain the deserved effectiveness and efficiency. There should be a just and equitable balance between effort and reward, and compensation should help employees in maintaining socially desirable standards of living and should be comparable to the pay for similar work elsewhere. Also, the job should contain sufficient variety of tasks to provide challenges and to ensure utilization of talent.

Thus, employees should not be subjected to unnecessary ability stagnation while his/her contributions are deserved. Moreover, the work should provide career opportunities for development of new abilities and expansion of existing skills on a continuous basis.

Finally, organizational environment concerning the human resource function should be designed to express how the organization intends to deal with various job-related issues affecting its employees. Among others, the main critical areas to be governed by the effectiveness of policy include employee procurement, development, compensation, integration and maintenance.

CHAPTER THREE

3.0 METHODOLOGY

3.1 Chapter Overview

This section focuses on the researcher's scope of methodological procedures that were employed in the study. The main items of concern included research design, sample design procedures, data collection instruments, pilot study, data collection procedures, and data analysis techniques.

3.2 Research Design

This was a descriptive study; hence survey methods were widely used in assessing various factors that influenced performance within the Kenyan insurance industry. Consequently, questionnaires were designed and administered within a stipulated time-frame prior data analysis and presentation.

3.3 Target Population

The target population for this study involved all two thousand six hundred and forty (2640) employees working in the licensed and active insurance firms in Nairobi. By the time of the study, there were a total of forty four (44) insurance firm offices in the Kenyan city, operating in three clusters of services: general insurance, life insurance and composite insurance. Informants constituted one human resource manager, two supervisors and two subordinates from each firm to be selected, thus making a total of five (5) from each sampled unit.

The table below shows the different categories of service-firms in the Kenyan insurance industry that the study targeted:

Table 3.1: Target Population Composition

Firms Category	No. of Firms	Composition Percentage
General	23	52
Life	6	14
Composite	15	34
Total	44	100

Source: the Insurer, June 2006

3.4 Sampling Design

To ensure that all categories were represented, a set of twenty three (23) firms were designed through proportional stratified sampling at 0.5 sampling ratio. This technique ensured comprehensiveness in a heterogeneous population, resulting into non-skewed findings.

The table below shows how sample units will be selected from the target population:

Tab.3.2: Sampling Design

Category	Population size	Sampling ratio	Sample size	Number of Sampled Respondents
General	23	0.5	12	60
Life	6	0.5	3	15
Composite	15	0.5	8	40
Total	44	0.5	23	115

Source: The Insurer, June 2006

Out of the 23 sampled insurers, the researcher sought to collect information from a total size of 115 respondents, five from each unit constituting three sets of respondents. The first set was the Human Resource Managers from each sampled firm; the second and third sets of respondents constituted two supervisors and two subordinates to be sampled randomly from the firms identified. Nairobi was strategically proposed to be the locale for the study because most of the insurers' headquarters were based there.

3.5 Data Collection Instruments and Procedures

The research instrument used in this study was the self-administered questionnaires, involving both structured and unstructured question items. The structured items enabled the researcher tabulate and analyze data with ease, while the unstructured ones were set to facilitate in-depth responses and opinions beyond the researcher's scope of understandability.

Self-administered questionnaires were a suitable method in a survey study since they avoided subjectivity due to absence of interviewers' influence. Also, they allowed respondents sufficient time on items that required consultation before response (Bless and Achola, 1987).

Before questionnaires were finally administered, the researcher first sought permission from the selected firms' managements after which the human resource officers were requested to provide appropriate responses to the question items. There was need to establish the time limit within which the questionnaires were filled and collected. To ensure high degree representativeness, the researcher made repeated visits to target a response rate of at least 75 percent of the sample before the study's final analysis.

3.6 Pilot Study

Prior to final questionnaire administration, the validity and liability of the used items were investigated. This was done on a one-on-one basis with a fifth of the proposed sample, which was randomly determined. The pre-testing was mainly be geared towards revealing the items' deficiencies such that they were refined to suit the study's objectives. Most significantly, it gave the researcher first hand experience in administering the research instruments.

3.7 Data Analysis

Data were analyzed by the use of descriptive statistics to summarize and relate variables which were attained from the administered questionnaires. Mainly, measures of central tendency (mean, mode and median), measures of dispersion, and relevant graphs were utilized. However, before final analysis was performed, data was first edited to eliminate trivial information, classified on the basis of similarity and then tabulated. To assist in the descriptive analysis, the researcher used the Statistical Package for Social Sciences (SPSS) for windows in generating the appropriate numerical data.

3.8 Study Limitations

The researcher encountered minimal problems while collecting data from the field. Other than failure to complete and return questionnaires in time by some respondents, those who responded hardly revealed all information content as some were regarded private and not for external use.

CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Chapter Overview

This section presents a variety of research findings from the study field. It further summarizes all the findings into understandable formats featuring tables, graphs and relevant interpretations.

4.2.0 Response Rate

The researcher successfully issued a total of one hundred and fifteen (115) questionnaires to all the intended sample respondents. However, after the completion of scheduled time, an aggregate of seventy six (76) questionnaires were filled and returned. The rate, approximately 66%, was regarded representative as it surpassed the minimum a third of the population targeted by the researcher.

4.2.1 Respondent Service Category

The filled questionnaires represented all the three insurance clusters operating in Kenya: life, general and composite, though with varied quantity representation. The table below shows how different sample units contributed to the pool of successful questionnaires:

Table 4.1: Respondent Service Category

Category	No. Sampled	No. Responded	Percentage Response
Life	15	8	53
General	60	47	78
Composite	40	21	53
Total	115	76	66

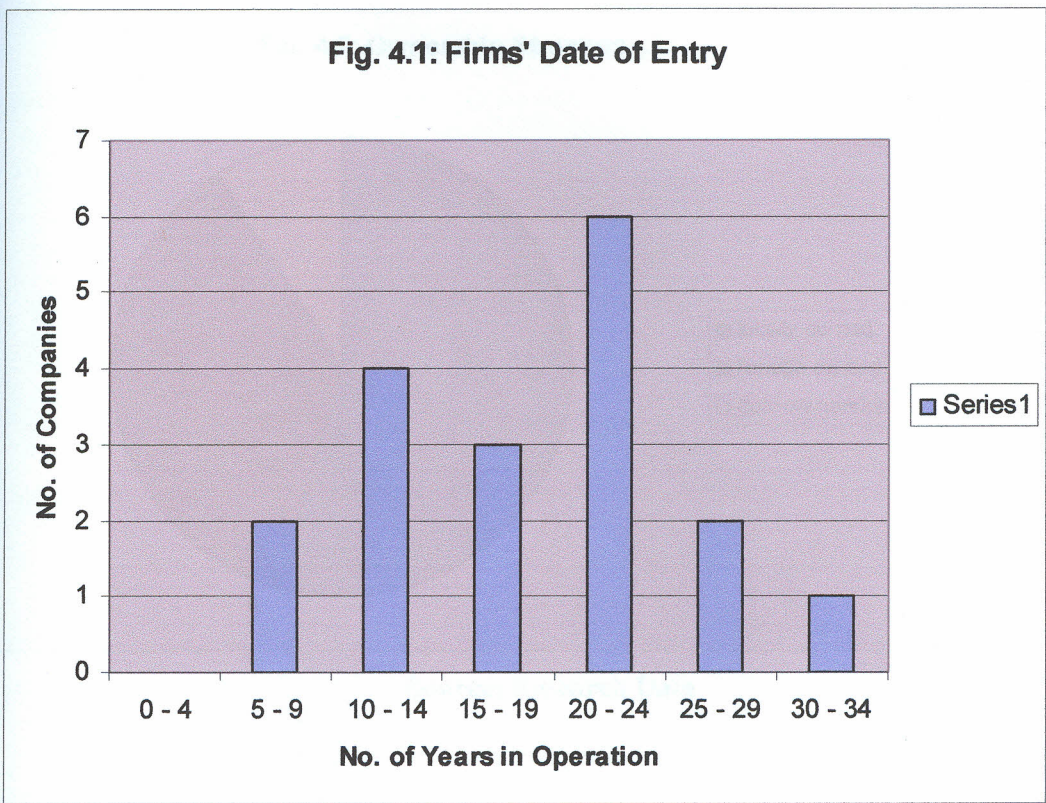
Source: Research Data

In the life, general and composite clusters, fifteen (15), sixty (60) and forty (40) employees, constituting of human resource managers, supervisors and subordinates, were selected into the sample respectively and were issued with the questionnaires. By the end of the allocated four weeks period, 53%, 78% and 53% responses were ascertained from the clusters respectively. Aggregately, these percentages constituted a mean response rate of 66%. Since all clusters recorded substantially in responses, the researcher was fully satisfied to engage in the final analysis.

4.2.2 Date of Entry

The researcher had the need to establish the length of services offered by the respondent firms in the Kenyan market, as a basis for determining response validity. Under this, only eighteen firms were categorized as shown in the bar chart below:

Fig. 4.1: Firms' Date of Entry



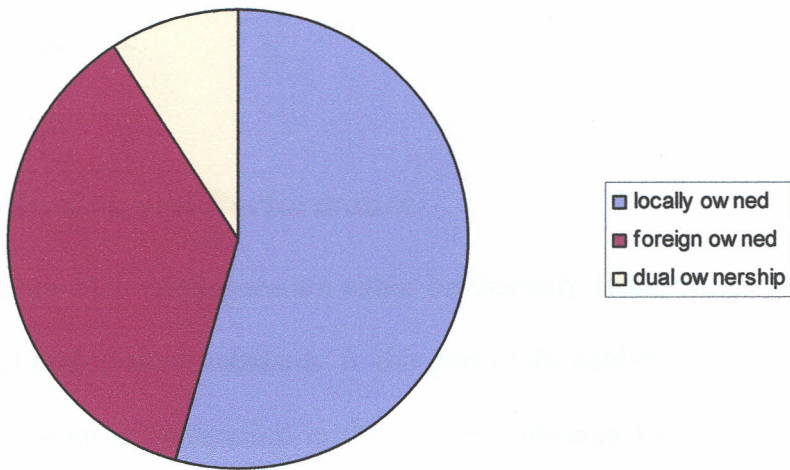
Source: Research Data

At least all respondent companies had a long-time experience in the Kenyan market. In fact a total of sixteen firms (16) out of eighteen (18) had operated for over ten (10) years and the remaining two (2) firms between five (5) and nine (9) years. This meant higher degree of statistical reliability as respondents were well qualified on the evident basis of varying experience and operational trends.

4.2.3 Ownership Structure

Out of the twenty three (23) firms investigated, a majority (60%) were owned by Kenyans, 30% owned by foreigners and paltry 10% owned by both foreign investors and locals. This mix is represented as shown in the pie chart below:

Fig. 4.2: Ownership Structure



Source: Research Data

This pool was very motivating since it assured the researcher of accessing comprehensive information pertaining local and foreign perceptions on employee performance ideals within the Kenyan context.

4.2.4 Company Branching and Employee Capacity

The research revealed that though most companies had headquarters in Nairobi, they had branches in Kenya's major towns such as Nakuru, Mombasa, Eldoret, Kisumu and Kericho among others. The main chores of the branches involved implementing decisions made from Nairobi and taking services closer to their clientele. In all the major branches, people of different professional qualifications secured jobs, making the industry a major contributor to the country's development trends.

In addition, all companies which responded indicated that they had an employment capacity of at least 1500 people; and the figure would increase if other potential business areas were exploited.

4.3.0 Motivation and Performance

The extent to which employees are either intrinsically or extrinsically motivated affects their overall performance standards. In this part of the analysis, the researcher intended to evaluate the state of motivation in the different insurers located in Nairobi. The main aspects included, rating of employee motivation; relationship with performance influences on motivation and ways of improving motivation.

4.3.1 Extent of Employee motivation

Varied motivational standards mean deficiently to affected employees. While highly motivated employees lead a better quality work life, the lowly motivated lot may compromise organizational interests for personal gains. In the Kenyans insurance industry, staff motivation was rated differently by the study respondents as summarized in the table below:

Table 4:2 Extent of Employee motivation

Motivation rating	Response	Percentage
Very High	20	26
High	17	22
Fairly high	11	14
Low	31	41
Very low	5	07
Total	84	

Source: Research Data

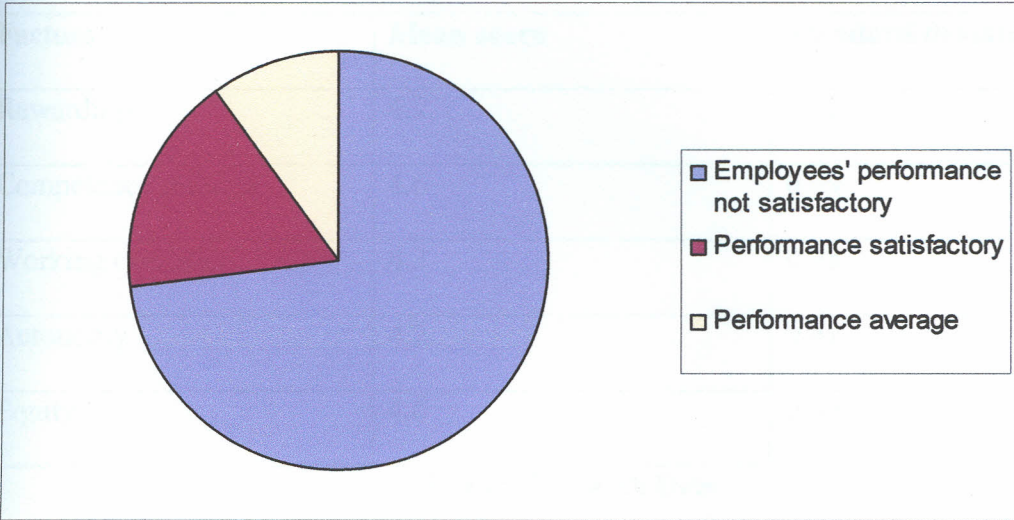
From the ratings, it was evidently noted that an aggregate of at least 48% employees were at most lowly motivated. In this category, 7% were very lowly motivated while the rest 41% were slightly above the minimum class. The remaining aggregate percentage of 52% - mostly managers and Supervisors - indicated at least a fairly high motivated level. Only a portion of 26% employees were highly motivated in the performance their duties. This could be interpreted to imply human resource management gaps in the Kenyan insurance industry, hence downsized performance standards.

4.3.2 Relationship between prevailing motivation and performance.

The majority of respondents (73%) disclosed that despite the motivational efforts which had already been enacted by managements, employees were generally not performing at the required standards. A slim portion of 17% suggested that performance was satisfactory, yet the remaining 10% thought that employee performance was average.

These three varying responses are represented by the pie chart below:

Fig. 4.3: Relationship between Motivation and Performance



Source: Research Data

4.3.3 Motivational factors on Performance

Different variables that employees felt influenced their performance motivations were identified, though with varied mean score preference and disparities. The five mainly identified factors included rewarding/compensation, compatible training and development, overall working condition, autonomy in decision design and equity in benefit and incentive accessibility.

The variables' mean scores and standard deviation were calculated and summarized in the table below:

Table 4.3: Motivation factors on Performance

Factors	Mean score	Standard deviation
Rewarding	4.7	0.32
Competence training	4.6	0.49
Working condition	4.3	0.28
Autonomy	4.2	0.41
Equity	4.0	0.36

Source: Research Data

All the variables scored a mean of more than 4.0, which implied that they were at least important in determining employees' job satisfaction and subsequent performance. Notably, there was minimal opinion deviation on the working environment factor (0.28) as opposed to the highest deviation (0.36) for competence training and development.

4.3.4 Improving performance

In the quest of seeking employees' views on how their performance standards would be improved by management, the research obtained the following list of tools that, if strategically implemented would diversify the industry's growth potential: frequent adjustment of employees compensational packages (81%), tailor-made training system (78%), decision making independence (62%), flexibility of work environment to befit changing times (60%) and equitable distribution of available benefits and incentives both vertically and horizontally (57%).

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This indeed verified the urgency for more strategizing towards meeting all the mandatory requirements in order to make the employee effort vibrant within the industry and related fields.

4.4.0 Compensational programmes

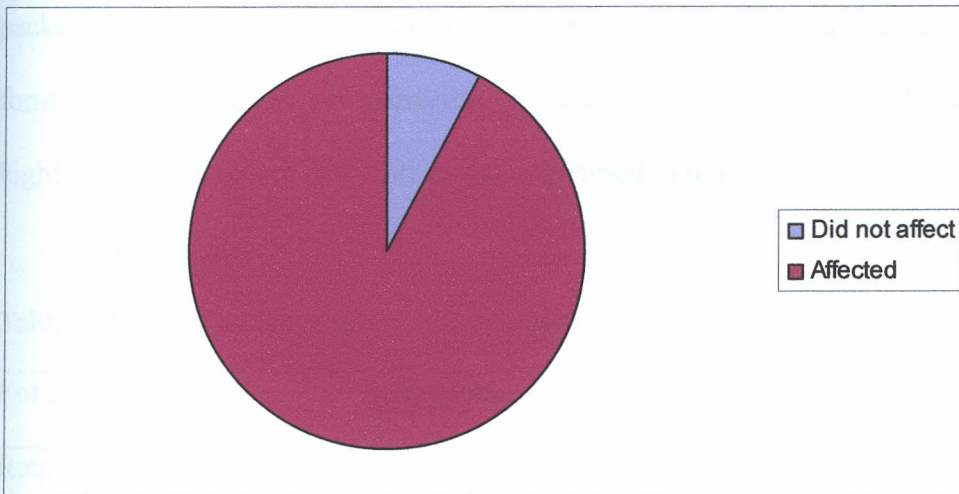
The extent to which employees' effort is compensated also has a bearing in motivating their contributions for the organization they serve. One important guideline in compensation is dual-satisfaction, where the employers and employees are both satisfied with the criteria employed in the compensation plan. Though, thus situation is hard to strike, relative equity is attainable. Under compensation, the key items researched included influence of compensation on performance, payment frequency, extra-salary pay and adequacy of compensational programmes.

4.4.1 Influence of compensation on motivation

On the basis of respondents' views, it was evidently expressed that the existing compensational programmes in the Kenyan insurance industry influenced how employees related with their job requirements. An aggregate of 93% of the respondents were entirely convinced that the firms' show of appreciation to the employees effort mattered significantly. The rest 7% implied that they had a natural tendency of liking the job challenges even without pay.

The pie chart below shows how the respondents' views on compensation in relation to motivational efficiency.

Fig 4.4: Influence of compensation on Performance



Source: Research Data

This could be interpreted to imply the sensitivity that compensation injected into the work progress of any insurance firm in the industry. Thus for any company to record assured progress, policy was highly necessary in guarding compensational ideals against irrelevance and destruction.

In further enclosures, the respondents explained how compensational competence enhanced their motivation. The highly referred ways included the ability to balance between organizational and personal interests, social interconnectivity and growth potential in individual's career path.

4.4.2 Extra – Salary pay.

In regard to the proponents of the two factor theory (hygiene and motivation), that claim that salary hardly motivates, the research stretched to the other forms of compensation extended to employees.

This revealed the existence of widely accepted forms such as payment of retainer package, commission - especially for the field employees, and a bunch of non-monetary forms which included company car, re-creational activities and Medicare. However, highly valued incentive descriptions were inclined to high-cadre employees.

Table 4. 4: Forms of extra salary compensation

Form	Response	%
Retainer fee	10	8
Commission fee	38	28
Company car	14	11
Recreational facility	41	31
Medicare	30	22
Total	133	100

Source: Research Data

Out of a total response size of 133 employees, 31% employees had access to the company's recreational facility free of charge - though distantly placed from the work premises; 28% were paid on commission either absolutely or on attainment of performance standards. On the lower side, 22% accessed free Medicare - despite presence of skewed distribution, 11% were allocated company cars while the paltry 8% were paid in excess to retain them in the service firms. Further, this showed intense imbalances which would inhibit free-flow of effort from the lower cadre employees.

4.4.3 Adequacy of compensational programmes.

Employee respondents were asked if through their own assessment, the compensational packages available were adequate. Response were almost unanimous on this as the 'No' group hit 97% while the few 'Yes' people had a dismal 3%. The 3% ostensibly argued on the basis of their firms' size and competition level in relation to their pay. This was confirmed by their feel of enhanced packages once their companies grew in size.

The table below shows the poorly four rated programmer in the industry by employees:

Table 4.5: Adequacy of Compensational Programmes

Programme	Mean score	Standard deviation
Medicare	4.8	0.38
Company car	4.6	0.47
House & other allowances	4.4	0.42
Career development	3.8	0.97

Source: Research Data

Medicare was high rated as poorly offered (4.8) with a standard deviation of 0.38. This was followed by company car (4.6) with the smallest disparity of 0.47. House allowance (4.4) was third poorly performed, but above the least of career development (3.8), despite the highly placed disparity scale. This implied the industry's open imbalances between employee development and retention potential.

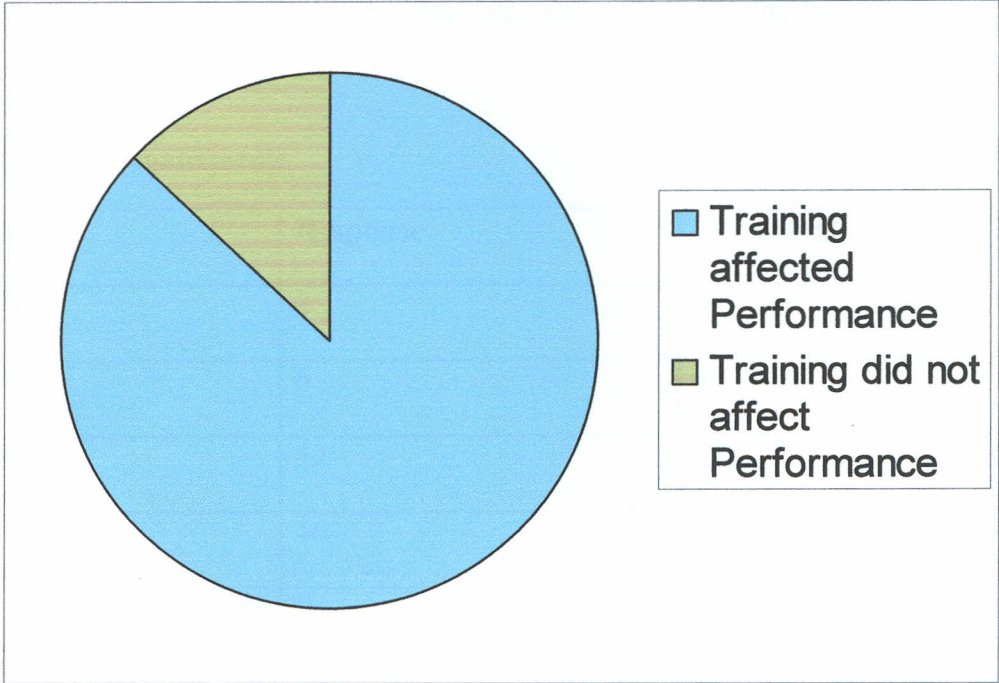
4.5.0 Employee Training Development

The essence of training employees is to broaden their ability in performing their roles. Once employees feel adequate in such performance, they get definitely motivated in their every-day endeavors. The study had the interest of checking the adequacy, influence, skill requirement, frequency of formal training, and performance improvement using training and development ideals.

4.5.1 Employee Training and Adequacy

It was unanimously pointed that insurance firms in the Kenyan industry trained their employees especially at the entry points. Most training policies demanded their new entrants to undergo orientational formalized training for a period not less than two weeks before gradual introduction to duty. However, later training and development occasionally depended on such issues like special interest sought, overall environment trends, vertical mobility and new challenges. The element of a learning organization was hardly sensed due to over-stretched work hours that limited time for further training progress. In addition, a large percentage of employees felt that the quality of training available and overall policy design affected overall employee performance. The few, who felt it did not, regarded what they learnt before work as adequate to make them place their firms at better competitive edge.

Fig. 4.5: The pie chart below demonstrates how the responses varied.



Source: Research Data

All the 87% of the respondents insisted that training and developing employees influenced their performance, while only 13% refuted if it did ever influence.

4.5.2 Skills Requirement

To enhance effectiveness in employee performance, respondents suggested a variety of skills necessary but with consideration on their area of specialization. Among the skills with high frequency ratings included decision formulation and implementation, (27) risk control (26), policy interpretation (21), and professional skills (19). The first three were more practice-oriented than their professions which they had developed prior joining the work environment.

Towards the attainment of the industry's different skill requirements, the frequencies of conducting formal training programmes also differed as shown in the table below:

Table 4.6: Skills Requirements

Frequency	Response	Percentage
Quite often	2	3
Often	6	8
Fairly often	52	68
Rarely	16	21
Never	0	0
Total	76	100

Source: Research Data

Regardless of the frequency, all firms had reasons for conducting the formal training programmes. However, only 3% had the training "quite often" and 8% "oftenly" conducted them. The majority (68%) "fairly oftenly" trained their employees while 16% rarely had the exercise. This meant different motivation levels for different employees in the industry.

4.5.3 Staff progression

On progression of employees through training and development, respondents were divided almost at the middle. While 49% suggested that there was no such scheme, 51% hinted about its presence in their companies.

In the first category (49%), it was crudely implied that other qualifications- and not train progress were handy in determining on job enrichment matters. This potentially reduced the motivation levels of employees who wanted to develop their careers.

On the other hand, where the progression scheme existed, the pace at which individuals moved up was a critical question that had not been answered. For departing employer, their assistants took over without necessarily undergoing any training. They were all expected to have learnt from their former seniors before taking charges. However, for few vacancies, it was suggested that initial training was necessary to set the required pace.

4.5.4 Influence of Training and Development on Performance.

Ultimately, in this sub-section of analysis, respondent employees were requested to relate if having and developing them influenced their overall performance. Indeed they were: a total of 98% responses suggested that the two processes were vital in the way they directed their efforts. The 2% respondents, however, rejected the claim.

Influence was caused by a number of reasons which included ability of understanding the entirety of technical requirements, multi-tasking need, and individual motivation of learning new challenges. On the negative side it influenced performance negatively if not effectively policy-documented, monitored and offered inequitably.

On such base, respondents suggested some ways of improving job satisfaction through training and development. They included equality of offer, resource accessibility, frequent refining of policy to accommodate new issues, validation of content and methodology/ approach.

4.6.0 Working conditions

The overall work conditions were also crucial component in the work motivation of employees. They greatly determined the extent to which employees were affiliated to their work organizations. In the study, the main issues considered under work conditions included the overall nature, influence on performance, elements of work environment and ways of improving working environment for the insurance employees.

4.6.1 Nature of Work Environment

Generally, employee respondents were asked to rate the overall nature of their work environment that prevailed in their firms. As expected, responses were also varied depending on the size category of the firms. All the given responses were summarized and presented as described in the table below:

Table 4.7: Nature of Work Environment

State	Responses	Percentage
Very good	13	17
Good	16	21
Fair	34	45
Poor	11	14
Very poor	2	3
Total	76	100

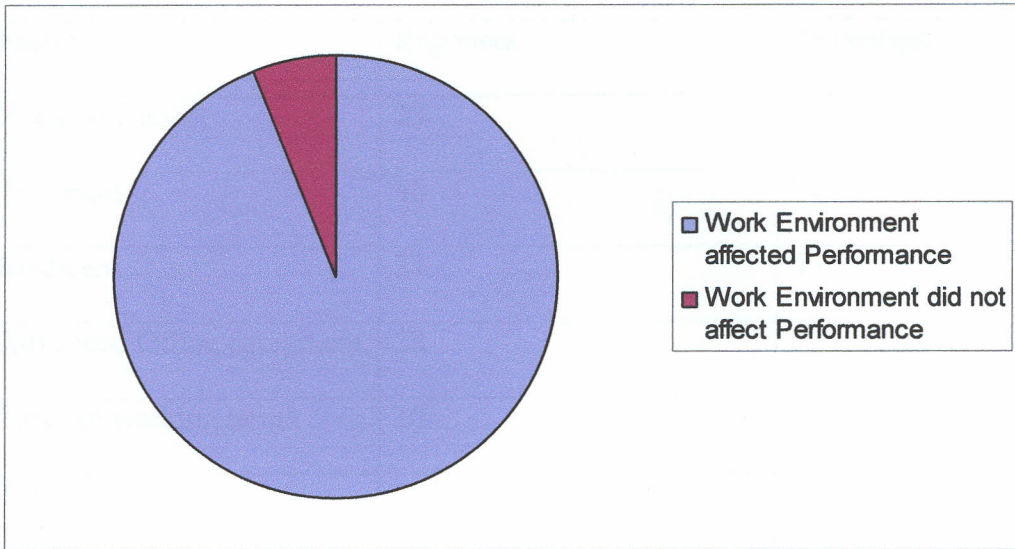
Source: Research Data

The majority (45%) of respondents felt that the work environment was only fair for them to work in the firms. This view was followed by a 21% of respondents that felt that the environment was good; 17% rated their environments as very good; 14% poor while the rest 3% said that their was pathetically poor. The given explanations for the relatively poor environments included managerial insensitivity to adjusting employee welfare programmes and slow pace towards adopting modernity systems.

4.6.2 Influence of Work Conditions on Performance

The study identified that indeed the levels of work environments that firms had entrenched influenced how employees' effort was converted into performance. Out of the total number of informants, 94% said favourable working environment was essential while the remaining 6% did not see value in emphasizing on working environment. The pie chart below demonstrates the proportions as suggested by the responses:

Fig 4.6: Influence of Work Conditions on Performance



Source: Research Data

Further, it was evidenced that work environment determined how managements valued the contributions that were made by the employees. On such basis, employees were only motivated if their work environments were adjusted at the employees' behest and when they were all involved in their design.

4.6.3 Work Environment Techniques

Various packages were availed to the employees in the industry, which were designed to suit the prevailing nature of demand on the overall environment. The mostly stated ones included housing facility, transport, Medicare, advanced office equipment and flexibility of working terms. The table below shows how different beneficiaries of the packages responded on their availability and effectiveness:

Table 4.8: Work Environment Techniques

Facility	Reponses	Percentage
Housing Facility	23	30
Transport	56	74
Medicare	37	49
Advanced Office equipment	28	37
Flexible working terms	10	13
Total	154	

Source: Research Data

Transport facility (74%) was the mostly accessible package to majority of the employees. This was followed by distant second Medicare facility (49%). Far below average packages involved advanced office equipment (37%), housing (30%) and flexible working terms performed dismally at 13%. This implies that different firms did not offer working environments at the same level. These variations resulted into placing employees of the industry into divided work quality groups. The appropriate standard would have been offering the packages at a 100% for all employees regardless of the cadre that an individual occupies.

4.7 Qualitative Analysis

Employees in the Kenyan insurance industry valued different variables as key contributors which determined their motivation to work for the industry. The highly placed ones included compensational programmes and bases, extent of tailor-made training and development, and the overall nature of work environment. In the quest of meeting all the required standards of fostering motivation, respondents suggested that proper policy formation and adequate validation were of urgent demand, although minimal cases of sustaining the status quo were noted.

Compensation elements were at the top in influencing employee performance. Respondents suggested that the levels at which they were rewarded signified the extent to which their different firms valued their contributions. Thus, based on pay differentials, employees adjusted their efforts to match the perceived equity or inequity. Pay adjustments were also given as an indicator for concern on employee welfare since they indicated managements' sensitivity to changing economic times.

On training and development, both employees and management were set for outcome benefits. Employees felt that training quality and career development affected their competence and acceptability in their future work lives. Thus, the need for tailor-made training programmes and clear career path. On what should be done to ensure employee competence through training, respondents suggested implementation and sustainability of clear-cut policy framework that would be validated from time to time.

Finally, for those firms with poor working condition, respondents implied extreme presence of inequity and inadequacy of resources especially in funding that hindered initiation of competitive strategies that either existed or were yet to be decided. Indeed, the nature of working conditions affected employees' motivation to work. Those who felt that the conditions were not standard indicated heightened tendency to poor work motivation, while those in appropriate work environment had relatively strong motivation to work.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION, RECOMMENDATION AND SUGGESTIONS FOR FURTHER RESEARCH

5.1 Chapter Overview

Ultimately, this section presents a summarized description of the major research findings in relation to the preset objectives. Further, it capitalizes on the discussion of the study's generalizations and subsequent recommendations.

5.2 Summary of Findings and Answers to Research Questions

The Kenyan insurance industry was one of the leading contributors to the economic growth through vast provision of job opportunities and protection of investments against predictable perils. It was widely regarded as an integrative system for initiating and sustaining business operations within the country, by offering services in the life, general and composite domains.

In the industry, performance of human resources played significant a role in sustaining operations of individual firms. Among the key issues that pertinently induced employee effort were availability of compensational programmes, competence training and development, and the overall nature of working conditions.

Respondents were asked if compensational programmes did influence their levels of motivation. From the findings, most respondents (93%) argued that indeed they were important to motivation; a few (7%) refuted the claim. This ultimately implied that the ideals concerning how employees were compensated influenced their effort-translation motivation unto performance. Compensational programmes were essential in exerting authority on work culture. They were reviewed mainly by firms' managements, experts and to some extent through employee inclusion. Additionally, majority firms obligated their managements to validate the compensation variables over time, and most of the validations took place either frequently or when need arose. Nevertheless, a number of challenges were faced in the formulation and implementation of compensational policies, where the predominant ones included managerial rigidity, external market pressures, inequality in workforce resourcing, skewed rewarding and limited expertise as a result of slow mobility.

On training and development, employees were asked to respond if they had ever been sponsored to undertake any formal training for the job. It could be seen that training and development greatly influenced performance (98%). This suggested that there was need to train and develop staff in order to improve their motivational levels and consequently their performance. Based on management's perception on employee worth, virtually all firms (100%) designed development programmes for their employees especially at entry points. This led to a substantial increase in task-effort matching and job satisfaction as employees were engaged on the practice of what they had learnt previously.

Development needs were identified based on the need for performance improvement, new technology required, new hires and employee requests. Staffs were rarely trained to fill vacant positions. Most often than not, the assistants took the mantle on the basis of copied experience from their former seniors. However, for the outsourced individuals taking senior positions, some training programmes were on offer.

After, development activities, improvement evaluations were regularly conducted based on changed quality, quantity and employee commitment. Similar to policy issues, employee development systems were faced with chain of challenges that involved time constraints, insufficiency of funds, staff inadequacy and trainees' low motivation levels. However, firms indicated that they had the ability to contain them if proper budgeting and staffing were enacted.

Wide disparities were recorded on how firms' work environments affected employees' overall performance especially through varied packages in each individual firm. Respondents were asked to indicate their levels of satisfaction on working condition that prevailed in their firms. It was found out that 38% of employees were satisfied, 45% fairly satisfied and the rest 17% lowly satisfied. Generally, it could be concluded that more effort was required to motivate employees through re-adjustments of the overall work environment. The packages that were differently offered included Medicare, housing, transport adequacy of office facility and flexible term of service. On work environment flexibility, policy guideline was highly relied upon to set direction.

Managerial decisions, employee requests and frequent employee-friendly adjustments were also regarded.

5.3 Conclusion

Human resources are highly vital in the efficient operation of an organization and any policy decision should necessarily evaluate its impact on them. Organizational managements should, hence, regard all roles played by the employees and frequently work towards meeting their standards if collective support is to be sought.

General policies that affect employees negatively need to be critically reviewed by incorporating employees' ideas and opinions. To enhance objectivity and appreciation of goals, all employees should be involved while designing decisions that affect their operations. Additionally, employees hate to be stagnated in their original show of potential; they need to be developed.

To ensure this, managements should strategize through succession schemes where employees are qualified from one level of performance to another along the upward move. Both internal and external programmes are necessary and adequate if well-intended and managed. Further, employees should be rewarded fairly for whatever contribution they make to the company. Compensation ensures that employees access resources that entail balance between personal and organizational goals. Other than these, benefits and incentives are appropriate to boost employees' motivational levels.

Ultimately, the overall work conditions for all employees should be consistently re-designed towards ensuring that employees are assisted to give their best while meeting their personal concerns.

In Kenyan insurance sub-sector, human resources affected employees and organizational performance. Policies derived by consideration on employee welfare were found to be effective in boosting job satisfaction, hence performance. In addition, employee development initiatives were found to positively correlate with individual performance. Employees who had undergone training were found to be either highly or moderately motivated in their tasks. Compensation also played role to a great extent. In those companies where managers implied adequate compensation, performance was highly recorded. In addition to employee training, development and compensation, the general work environment was of great demand to influence performance since it wholly determined the overall behaviour on how employees related with their job requirements.

5.4 Recommendations

The Kenyan insurance industry was a rich provider of jobs. To foster such social responsibility, the authorities needed effort towards meeting the constantly adjustable performance standards in order to facilitate more job creation targets.

Consequently, it was necessary to prepare a convenient operational environment for the industry through limited interference, avoiding adverse legislation and encouraging human resource development.

In addition to these, managements had the obligation to work towards harmonization of compensational policy, development programmes and overall nature of work environment for all employees in the industry to avoid turnovers and fraudulent tendencies.

5.5 Suggestions for Further Research

The study concentrated only on three variables – compensational programmes, training and development, and nature of work environment – leaving other significant chunk of variables that affected an employee’s work life. Further researchers would, thus, find these areas essential for enhanced findings.

Also, researcher would work on strategies to harmonize inter-firm human resource operations within the Kenyan context to avoid unnecessary disparities.

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APPENDIX I

LICENSED MEMBERS OF THE INSURANCE INDUSTRY

1. Africa Merchants Assurance Co. Ltd
2. A.I.G Kenya Insurance Co. Ltd.
3. APA Insurance Co. Ltd.
4. CFC Life Assurance Co. Ltd.
5. Apollo Insurance Company Ltd.
6. Blue Shield Insurance Co. Ltd.
7. British American Insurance Co. Ltd
8. Cannon Assurance (K) Ltd.
9. Concord Insurance Co. Ltd.
10. Co-operative Insurance Co. Ltd.
11. Corporate Insurance Co. Ltd.
12. Direct Line Assurance Co. Ltd.
13. East Africa Reinsurance Co. Ltd.
14. Fidelity Shield Insurance Co. Ltd.
15. First Assurance Co. Ltd.
16. Gateway Insurance Co. Ltd.
17. Geminia Insurance Co. Ltd.
18. General Accidents Insurance Co. Ltd.
19. Heritage Insurance Co. Ltd.
20. Insurance Company of E.A Ltd.
21. Intra Africa Assurance Co. Ltd.

22. Invesco Assurance Co. Ltd.
23. Jubilee Insurance Co. Ltd.
24. Kenindia Assurance Co. Ltd.
25. Kenya National Assurance Ltd.
26. Kenya Orient Insurance Co. Ltd.
27. Kenya Reinsurance Corporation Ltd.
28. Kenya Alliance Insurance Co. Ltd.
29. Lion of Kenya Insurance Company Ltd.
30. Madison Insurance Co. Ltd.
31. Mayfair Insurance Co. Ltd.
32. Mercantile Life and General Assurance Co. Ltd.
33. Occidental Insurance Co. Ltd.
34. Old Mutual Insurance Company Ltd.
35. Pacis Insurance Co. Ltd.
36. Pan African Assurance Ltd.
37. Phoenix of E.A Insurance Co. Ltd.
38. Pioneer Assurance Co. Ltd.
39. Royal Insurance Co. of E.A.
40. Standard Assurance Kenya Ltd.
41. Tausi Assurance Co. Ltd.
42. The Mornach Insurance Co. Ltd.
43. Trident Insurance Co. Ltd.
44. UAP Provincial Insurance Co. Ltd.

APPENDIX II
QUESTIONNAIRE

SECTION A

Company profile

- 1) Name of the firm (optional):.....
- 2) Service category life () General () Composite ()
- 3) Date of entry into Kenyan economy
- 4) Ownership structure local () Foreign () Dual ()
- 5) Number of branches within Kenya _____
- 6) Designation _____
- 7) Sex Male () Female ()
- 8) Total number of firms employees in Kenya _____
- 9) Highest education level attained
 - a) Primary ()
 - b) Secondary ()
 - c) University ()
 - d) Post graduate ()

SECTION B

MOTIVATION AND PERFORMANCE

- 10) How is the motivation of staff in the firm?
- a) High
 - b) Fairly high
 - c) Low
 - d) Very low
- 11) Is their performance satisfactory?
- a) Yes
 - b) No
- 12) What do you think influences motivation and eventual performance of staff in your organization?

- 13) What are your suggestions on how to improve motivation and overall performance of the staff in your organization?

SECTION C

COMPENSATIONAL PROGRAMMES

- 14) (a) Do you think that compensation influences motivation performance and subsequent employee in your firm?

a) Yes ()

b) No ()

(b) Please explain how compensation influences motivation of employees in your organization

15) (a) Some employee's paid retainer and commission fees?

a) Yes ()

b) No ()

(b) Are the commissions paid adequate?

a) Yes ()

b) No ()

SECTION D

TRAINING AND DEVELOPMENT

16) Are the staffs in your organization trained?

a) Yes ()

b) No ()

17) Do you think this influences their motivation and overall performance

a) Yes ()

b) No ()

18) Please explain if it does so.

19) What skills are required for effective performance of employees in this industry?

20) How often does your firm conduct formal training of employees?

- a) Quite often ()
- b) Often ()
- c) Fairly extend ()
- d) Rarely ()
- e) Never ()

21) (a) Is there a scheme of service that stipulates progression of staff?

- a) Yes ()
- b) No ()

(b) Please explain?

22) Are staffs normally developed to fill any new positions and replace departing employees?

- a) Yes ()
- b) No ()

23) (a) Do you think development programmes motivate staff and do improve their performance

a) Yes

b) No

State how it does this

24) Suggest what should be done on training and development to further motivate and improve employees' performance.

SECTION C

WORKING CONDITIONS

25) (a) How is the working condition in your organization?

a) Very good

b) Good

c) Fair

d) Poor

e) Very poor

(b) Please explain your answer -

26) (a) Does working conditions in your firm affect motivation and performance of the staff?

a) Yes

b) No

(b) Explain how

27) Are staff housed or given reasonable allowance in absence of houses?

a) Yes

b) No

28) Are transport arrangements given to places of work

a) Yes

b) No

29) Is there an adequate medical cover for the employees

a) Yes

b) No

30) Are office space and facilities adequate?

a) Yes

b) No

31) Are terms of work reasonable and flexible?

a) Yes ()

b) No ()

32) Suggest what should be done to the current working conditions to improve employee motivation.

33) State the extent to which each of the following do influence motivation and performance in your organization.

APPENDIX II

TIME PLAN

WEEKS

	1	2	3	4	5	6	7	8	9	10	11	12
A	■											
B		■	■	■	■	■						
C				■	■	■	■	■				
D							■	■	■	■	■	
E										■	■	■
F												■

KEY

A: Pilot Study

B: Actual Data Collection

C: Data Organization and Presentation

D: Data Analysis

E: Report Writing

F: Editing and Submission

APPENDIX III

BUDGET

	<u>Kshs.</u>
Stationery	7,000.00
Traveling and Subsistence	6,000.00
Telephone and Postage	2,000.00
Research Materials	4,000.00
Other Costs	<u>5,000.00</u>
Total Costs	<u>24,000.00</u>