MANAGERS' COMPENSATION PREFERENCES

AND

THE EXISTING COMPENSATION SCHEMES

(A CASE STUDY OF THE CO-OPERATIVE BANK OF KENYA)

BY

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DECLARATION

This research project report is my original work and has not been presented for a degree in any other university.

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

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DEDICATION

TO MY PARENTS

ANN NTHENYA AND TILUS KILIKA

For their love for education, concern, sacrifice and patience over my study period.

The crown for this work is a true realization of their long cherished dream.

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TABLE OF CONTENTS

APPENDECES:

LIST OF TABLES

TABLE	PAGE

ABSTRACT

In an attempt to determine managers' compensation preferences and the relevance of the existing compensation schemes in the Banking Industry of Kenya, this study was designed to take the nature of a survey and focussed on a case study of the Cooperative Bank of Kenya. The Secondary data that guided in the conceptual frame work took a motivation theory based approach to the broad view of compensation. This enabled the development of the research instrument by way of the items of compensation of both intrinsic and extrinsic nature categorized into either economic or non economic rewards and incentives. Out of the 40 questionnaires given out, only 33 of them were responded to by an equivalent number of managers from the Bank. They were required to respond to them by asserting their degree of importance of the items listed in a 5- point Likert scale as well as their opinions towards the items of compensation . The instrument was found to have high reliability and internal consistency of 0.77 measured by the Coefficient Alpha. The findings of the study were analyzed using both parametric and non- parametric techniques of Factor Analysis, Z- statistic and chi- square statistic respectively.

The results of the study showed that the managers have significant compensation preferences which are weakly associated with the demographic variables of occupation and seniority and relatively different across the items of compensation. Ten factors were extracted as the most critical issues of concern for compensating the managers in the Bank, some of which are highly correlated. Those non-economic items were relatively more preferred to the economic ones. It was also found that the current compensation scheme of compensation is irrelevant with an expected utility of zero with regard to the identified preferences of the managers. The irrelevance was theoretically explained as not to be emanating from the items of the scheme per se, but from reasons that touch on structural and administrative issues of these rewards that are incongruent with the postulates of motivation theory to compensation. However, the study concluded by noting that the sample size drawn was too small to generalize these findings across the entire Banking industry and the Kenyan Economy at large.

CHAPTER ONE:
INTRODUCTION

1.1 BACKGROUND

The concept of compensation has drawn a lot of concern to scholars in Behavioural Science. The key issue that raises such concern is in the area of individual employee motivation. Scholars in this field have come to agree that motivation is built upon the issue of needs which form the basis for the goals that people as employees seek to satisfy in the work place (Schiffman and Kanuk, 1996; Chung, 1977). Motivation thus becomes important as a common denominator that links together the attainment of both individual and organization goals.

The theory so far developed has viewed compensation in its broad meaning to incorporate both intrinsic and extrinsic rewards. The extrinsic rewards are handled through salary and wage administration while those of intrinsic nature are handled through aspects of organization structure, job content, recognition and opportunities for promotion (Belcher 1974; Carrel and Kuzmits, 1986). Suggestions have been made to the effect of translating the contents of this developed theory into usable programs in organizations. The programs so developed should aim at identifying the different needs of the employees in question, the incentives available for use by the organization and then matching these individual needs with the organizational incentives. And when the incentives are applied to arouse the goal-directed behaviour in organizations, they become rewards (Chung 1977). From such a match, the organization develops schemes for compensation, containing the program and systematic arrangement of the combination of elements that are connected with the rewards to the employees.

In the process of administration of the rewards, scholars have found differences in the values attached to different compensation items in the schemes under use. These have led to research into individual preferences which have been found prevalent among managers (Lewen and Lauser 1973; White 1973). It has thus been suggested that the issue of any employee compensation be treated as an art as much as it is a science (Carrel and Kuzmits, 1986; and White, 1973). The aspect of science is seen in its systematic and scientific treatment of the subject, while that of art is seen in the differential treatment of employees with respect to their preferences for different items in the compensation scheme.

1.2 STATEMENT OF THE PROBLEM

Research findings have shown that there are no average managers, and so no universal and uniform compensation strategies can be applied on them (Zedeck, 1977 and Byars and Rue, 1979). These have led to further research into the individual manager differences with regard to the compensation of managers and executives and have found that: there are variations in executives' motivations leading to variations in compensation preferences; the preferences for different compensation items differ; they desire some freedom of choice in reward selection; and advocate for a flexible/cafeteria system of administering rewards (White 1973; and Lewen and Lauser, 1973). Belcher (1974) pointed that these preferences should be integrated with the executives compensation. And Cascio and Award (1981) showed that they can be integrated through the Vroom's Expectancy Model. It has thus been pointed that the company should assess its managers needs, determine those compensation items truly demanded and those employment outcomes relevant (Carrel and Kuzmits, 1986; Belcher, 1974) which have led to the development of flexible compensation systems in organizations.

Whereas these observations have been well taken care of in the developed world (White, 1973; Lewen and Lauser, 1973; Slocombe and Bluedorn, 1999), the approaches that have been used in Kenya in guiding compensation decisions of Salary Surveys, Civil Service Reviews and Collective Bargaining Agreements seem to be very silent on most of the suggested issues. They have leaned more towards the financial aspects and thereby neglected the non-economic issues and those intrinsic aspects of compensation. Further, no study has been conducted on the compensation preferences of managers in Kenya. It thus remains unknown as to whether the schemes in place, being guided by the afore-mentioned approaches, give the managers what is relevant and of value to them.

This study looks at the compensation preferences of managers and those existing schemes in the Banking Sector. This sector is deemed relevant because of its active participation in the preparation and a relatively stable consistency in the usage of the Salary Surveys coupled with its emergence as one of the best paying sectors in the economy in 1998 (Kenya Salary Survey, 1998). And even within this sector the Co-operative Bank of Kenya has been selected to facilitate for a case study of the research. This bank has its origin in the co-operative movement and over the years has actively participated in the promotion of the co-operative philosophy which has identified it with the Kenyan socio-cultural environment. It is this association which distinguishes it with an organization culture cultivated over time whose influence on the members of staff renders this study different from those done elsewhere in the developed economies.

1.3 OBJECTIVES

The study has two objectives:

- To identify the managers compensation preferences; and
- To assess the extent of the preferences met by the existing compensation schemes.

1.4 IMPORTANCE OF THE STUDY

The study will make a significant contribution to the Kenyan society in:

- Filling the existing knowledge gap on managers' compensation preferences, and those schemes in place, a step which will guide the direction that future research in these areas will take.
- Enhancing the development of strategic Human Resource policies that are individual manager based with regard to compensation.

CHAPTER 2:
LITERATURE REVIEW

2.1 COMPENSATION

2.1.1 INTRODUCTION

Compensation and the principles that govern its administration in an employment situation are based upon the theory of motivation. Koontz and Weighrich (1988) defined motivation as a general term that applies to the entire class of drives, desires, needs and wishes and similar forces. Nadler et al (1979) postulated motivation as some internal state in a person which causes clusters or objects or outcomes to be sought by individuals. These two seem to concur with that of Chung (1977) who described motivation as a term that refers to goal directed behaviour. This goal directed behaviour is characterized by the process of selecting and directing certain actions among voluntary activities to achieve goals. As he noted, human behaviour can be classified into three major categories, namely: Motivated behaviour which is characterized by persistent goal orientation; Frustrated behaviour which is aroused when goal directed behaviour is interrupted; and Physiological reflexes which are automatic responses to external stimuli. This distinction is necessary for the purpose of defining the scope of motivational study. The concern of this study is the goal directed behaviour.

The study of motivation is therefore a complex task because it deals with many factors that influence goal-directed behaviour. That motivated behaviour is not only influenced by an individual's characteristics (e.g. needs, interests, attitudes and goals) but also by organizational conditions (e.g. tasks, managerial practices, and organizational climate). To be able to deal with this complexity, the need arises for a conceptual scheme concerning the effects of these individual and organization variables on work motivation.

2.1.2 THE NATURE OF MOTIVATION

Schiffman and Kanuk (1996) noted that there is a general consensus among scholars as to the nature of motivation. They contended that motivation is built upon the issue of "NEED", and so they saw motivation as the driving force within individuals that impels them to action. The driving force is produced by a state of tension which exists as the result of an unfulfilled need. Individuals strive both consciously and subconsciously to reduce this tension through behaviour(s) that they anticipate will fulfill their needs and thus relieve them of the stress they feel. The specific goals they select and the patterns of action they undertake to achieve their goals are the result of individual thinking and learning. This view is supported by Nadler et al (1979) who observed that people's needs can only be satisfied by their engaging in behaviours. They also asserted that people think about the future and make choices about how to behave and that they perceive their environment in terms of their past experiences and needs.

Koontz and Weighrich (1988) formulated the basic element of human behaviour as being some kind of human activity, whether physical or mental. They argued that human behaviour can be looked at as a series of activities. These activities are goal oriented, that is, people do things that lead them to accomplish something. The primary task of managers then becomes that of getting people to contribute activities that achieve the mission and goals of an enterprise.

Chung (1977) in summing up these thoughts showed that the first step in studying motivational behaviour is to understand how a person's needs are manifested into goal directed behaviour. He noted that each individual has a set of needs and satisfying needs becomes his goal. The term "NEED" is used here to mean an internal state of disequilibrium - physical as well as psychological which causes the individual to pursue certain courses of action in an effort to regain equilibrium. And as Koontz and Weighrich (1988) concluded, motivation is the result of the interaction of needs, incentives and perceptual patterns of an individual. An incentive is a stimulus existing in an organization which can influence the behaviour of its members. An incentive becomes a reward when given to workers. An organization has its various incentives that can be used to induce employees to contribute their energies to organizational endeavours. These incentives are classified into three categories:

(i) Substantive - (e.g. financial, job security and working conditions)

(ii) Interactive - (e.g. social workgroup, leadership, supervision and structural factors)

(iii) Effectance - (e.g. job content, growth opportunity and responsibility.)

The person's perceptual mechanism interprets the expectancy of his effort leading to task performance, the instrumental relationship between this performance and receiving incentive rewards and the intense value of these rewards for satisfying his needs. The person's level of ability influences his perception on these motivational components.

2.1. 3 APPROACHES TO THE STUDY OF MOTIVATION

As it was observed earlier, motivated behaviour is very complicated. To deal with this complicated behaviour, we then need a conceptual scheme concerning the effects of both the individual and organizational variables on work motivation. This theoretical frame work will then serve as a vehicle not only for explaining motivational behaviour but also for providing managers with a tool to promote productive behaviour in organizations. In view of these facts, many scholars have developed several theories to the study of the nature of motivation. Chung (1977) in review of these theories, noted that they are organized in such a manner to best describe and explain the motivational process in organizations and can be classified into three major categories as: (a) Need theories of motivation; (b) Incentive theories of motivation; and (c) Cognitive theories of motivation. He further pointed that these theories are highly complimentary for the relationships among motivational resultants (i.e. behaviour, reward, satisfaction and productivity) will all be examined so as to guide managers to formulate motivational programmes in their organizations.

(a) Need Theories

These are referred to as content theories of motivation. They focus on explaining the internal behavioural causes. They explain this causative behaviour through the manifestation of human needs. And the scholars in this category of theories are Abraham Maslow, McGregor, David McClelland and Aldefer. They see a need as an internal state of disequilibrium - whether physical or psychological which causes the individual to pursue certain courses of action in an effort to regain the equilibrium. And this is premised upon the fact that each individual has a set of needs and the satisfaction of these becomes his goal.

The needs approach or study helps to explain and predict what, why and when certain goals or outcomes become important to a person. The assessment of variations in those needs (i.e. existence, affiliation and growth needs) and their relative strengths at a given moment becomes the initial step towards understanding what determines a person's effort and performance.

This approach extends further to indicate that individuals are attracted to organizations because the organizations provide them with various means of satisfying their needs, for example: Existence needs are met with pay, physical working conditions and job security; Affiliative needs are met with opportunities for socialization and participation; and Growth needs are met by performing enriched jobs. These means are thus used by organizations as organizational properties to encourage people to join them and function within them. When this then occurs, the properties become incentives. The organization then has several incentives at its disposal which it can use to induce its employees to contribute their energies to achieve organizational endeavours. As was earlier shown, the incentives can be of three major types, to meet the needs as shown below:

Table 2.1.3 : Matching incentives with their respective needs.

	INCENTIVES		NEEDS
a.	Effectance Incentives:	→	Growth Oriented Needs:
	- Growth Opportunity		- Self Actualization
	- Challenge		- Achievement
	- Job Content		- Competence
b.	Interactive Incentives:	→	Relation Oriented Needs
	- Social Reinforces		- Affiliation
	- Work Group		- Companionship
	- Leadership		- Competition
	- Supervision		- Power and status
	- Structural Influence		
c.	Substantive Incentives:	→	Existence Needs
	- Job Security		- Security
	- Pay		- Safety
	- Fringe benefits		- Physiological
	- Working Conditions		

Source: Chung (1977) PP 73-79.

These incentives can be intrinsically and extrinsically mediated to satisfy the employee needs.

b) Incentives Theories

Incentive theorists turn their attention to the external factors that influence behaviour as opposed to the behavioural causatives in the internal state of needs. They are interested in finding contingency relationships between behaviour and its consequences, rather than trying to explain why behaviour is energized and how it is directed once it is energized. They work on the axiom that behaviour is a function of its consequences (i.e. reward or punishment) and so people behave to receive rewards and avoid punishment. Thus according to these theories, by manipulating the potential consequences or incentives, one can control the behaviour of other people.

They define the term Incentive as an external stimuli that influences the behaviour of employees or the condition in jobs that are capable of influencing or altering behaviour. Organizations have a variety of incentives that induce and influence their employees' behaviour. Employees are induced to organizations for pay, job security and/or professional growth.

The major considerations in the Incentive theories are studied under the captions of theories of learning and reinforcement, principles and mechanisms of managing reinforcement systems, types of incentives/reinforcers and application of reinforcement in organizations.

c) Cognitive Theories

The cognitive theories describe individual differences in responding to the external and internal behavioural determinants. This difference among individuals is acknowledged by Koontz and Weighrich (1988) who observed that there is no average person, and so differences in reaction to motivation incentives will occur dependent upon, individuality of people due to their personalities, different roles assumed by people, diversity of social systems, perceptual differences and human dignity. Of these theories, the one that has received the most widely accepted explanation is the expectancy theory, to which research evidence is also supportive of (Robbins, 1986).

2.1.4 The Expectancy Theory

The expectancy Theory was developed by scholars to explain individual differences in motivational responses and attempts to clarify the differences between individual and organizational goals. According to Steers and Porter (1979), it is a cognitive theory of motivation that attempts to identify relationships among variables in a dynamic state as they affect individual's behaviour. The theory departs from the content theories in that it depicts a process of cognitive variables that effect individual differences in work motivation (Luthans, 1992).

This theory explains the cognitive process in which people select, organize and interpret sensory stimulation into meaningful picture of their own work environment and choose a set of behavioural alternatives instrumental to the attainment of their own goals. Thus it emphasizes the importance of perceptual variables moderating the relationship between stimulus and response and postulates motivation as a goal-directed behaviour involving an active process of evaluating the valence of outcomes and expectancy of goal attainment. The valence refers to the attractiveness of an outcome or the strength of an individual preference for a particular outcome and includes such terms as value, incentive, attitude and expected utility. In order for the valence to be positive, the person must prefer attaining the outcome to not attaining it. A valence of zero occurs when the individual is indifferent and the expectancy refers to the likelihood that an action leads to an outcome (Luthans 1992). The theory extends to indicate that individuals should be viewed as thinking, reasoning beings who have beliefs and anticipations concerning future events in their life. It posits that human behavior to a considerable extent is a function of the interactive processes between the characteristics of an individual (such as personality traits, attitudes, needs and values) and his/ her perceived environment (such as supervisors style, job or task requirements and organization climate) - steers and porter (1979). And thus as Bennett (1997) pointed, the individual's behavior will reflect self selected goals and what the person has learned or believes will help achieve them. And as Robbins (1986) observed, the theory includes three variables, namely:

(i) Attractiveness - which is the importance that the individual places on the potential outcome or reward that can be achieved on the job. This considers the unsatisfied needs of the individual.

(ii) Performance reward linkage - which is the degree to which the individual believes that performing at a particular level will lead to the attainment of a desired outcome.

(iii) Effort - performance linkage - which is the perceived probability by the individual that exerting a given amount of effort will lead to performance.

Accordingly, the theory postulates several inherent steps, which are analyzed in the form of the following questions:

i. What perceived outcomes does the job offer the employee? The outcomes may be positive as : pay, security, companionship, trust, fringe benefits, a chance to use talents/skills, congenial relationships. On the other hand employees may view the outcomes as negative as: fatigue, boredom, frustration, anxiety, harsh supervision, threat of dismissal. However the critical issue here is not reality which is irrelevant but what the individual employee perceives the outcome to be regardless of whether or not their perceptions are accurate.

ii. How attractive do employees consider these outcomes? Are they valued positively, negatively or neutrally? This is an internal issue of the employee and thus considers their personal values, personality and needs.

iii. What kind of behaviour must the employee produce in order to achieve these outcomes? The outcomes are not likely to have any effect on the individual employee's performance unless the employees knows clearly and unambiguously what he/she must do in order to achieve them.

iv. How does the employee view his/her chances of doing what is asked of her?

These observations thus present expectancy theory as a contingency model that holds to the view that there is no universal principle for explaining every ones motivation, and so leads to the need to understand the individual's goals with regard to:

- The linkage between effort and performance
- The linkage between performance and rewards and
- The linkage between the rewards and the individual goal satisfaction.

This theory brings out four premises, the most relevant one being that people have preferences (or valences) for various outcomes or incentives that are potentially available to them.

2.1.5 THE HUMAN RESOURCE PERSPECTIVE TO MOTIVATION

Many scholars in human resource management (for example, Tyson and York, 1997) have postulated an approach to the understanding of motivation that is premised upon the philosophy of the Behavioural Sciences. They approach the concept of motivation from the viewpoint of work and human activities. As Tyson and York (1997) have observed, work and its management are human activities, which are set in motion, carried out, continuously supervised, monitored and assessed by people who are constantly interacting with each. It is this perspective that suggests that human factors are very crucially important for managers to be aware of as well as have a broad knowledge of human behaviour, including even their own.

ii. This perspective extends further to include the aspects of human features and attributes and holds that human beings share certain common features such as physical and mental characteristics. These are the attributes that link all the members of the species thus producing common patterns of behaviour. It is on the basis of this that all human beings have physiological and basic needs commonly concerned with survivival (i.e. food, shelter, security, reproduction, affection, group membership, etc) and unlike animals also reveal a higher range of needs concerned with making sense of what might otherwise be a meaningless world. These needs show themselves in the form of exploratory, self-fulfilling activities of many and varied forms. In consequence a common feature of all human behaviour is that it is goal directed as the members of the species are driven to satisfy their needs.

While still emphasizing on the human similarity, the view also presents human beings as being dissimilar in many aspects that are accounted for by the unique combination of their genetic and environmental factors. Every human is physically distinctive from all other humans at birth. Thereafter everyone is subjected to a unique pattern of environmental influences produced by the accumulative and distinctive features of a particular family, sex, religion, role, education, race and epoch. This is also a constantly changing process with the result that all of us are being continuously shaped and modified by new experiences and relationships. These differing factors of heredity and environment produce an individual uniqueness which has important consequences.

Even as we grow physically and develop mentally, the general process of satisfying needs and making sense of the world, we are subjected to the socializing influences of other people with whom we have most contact. These produce individual differences and dissimilarities which Graham and Bennett (1998) have dealt with in three headings as:

i. Physique

Which is defined as the attributes of the body, its size and shape, its speed and strength of movement, the efficiency of its senses. These are basically determined by heredity though they can be developed or suppressed by upbringing and training.

ii. **Intelligence**

It is the capacity to make effective use of the intellect which is the sum total of the mental functions of understanding, thinking, learning, observing, problem solving and perceptual relationships. It is sometimes called the mental ability.

iii. **Personality**

It is the sum total of the various qualities that are shown in behaviours. Even though this definition taken literally includes intelligence and physique, the term is usually taken to include above all, emotions, motivation, interests and social qualities.

This condition of common human similarity and individual dissimlarity has a significance for the problems of interpersonal relationships and hence for personnel management. This comes in the area of perception which is affected by the individual's external environment and the person's background. These affect the information processing mechanisms of the individual, which is in turn used as basis for judgements, decisions and actions.

2.1.6 MOTIVATIONAL PROGRAMMES

Chung (1977) stands distinct in his work on motivation for pointing clearly that motivational theories cannot be put into practice until they are translated into workable programmes. He observed that understanding these theories helps to explain and predict motivational phenomena, but it does not prescribe how managers should behave in dealing with motivational programmes in their organizations. The fundamental difference between theory and a motivational programme is that a theory describes a phenomenon, while a motivational programme specifies a course of action; the former is based on a positivism while the latter takes a normative approach. The relationship between them is mutually inclusive in that an understanding of theories becomes a necessary initial step for developing sound action programmes. In developing workable motivational programmes, he postulated a guideline which should be considered. First, work motivation depends on the motivational commitment of an employee; a manager or an organization does not have direct control over an individual's motivation. However the organization can influence the behaviour of its employees through organizational incentives, intrinsic as well as extrinsic, which involve the following strategies:

(i) An effort should be made to match organizational incentives to the needs of employees. This will not only enhance the incentive value but also result in greater employee satisfaction.

(ii) Organizational rewards should be related to task performance. Tying task performance to rewards individually or collectively, will not only increase the value of performing the task, but also insure the mutual dependency of achieving individual as well as organizational goals

(iii) The corollary to this second strategy is that of probability of obtaining rewards should be challenging but attainable. If it is either too pessimistic or optimistic to attain, it will lose its incentive value.

The second guideline is the fact that there are a number of organizational properties that can be applied to generate organizational incentives. These organizational properties can be classified into three major categories:

(i) Extrinsic or substantive - to include pay, working conditions and job security.

(ii) Social or Interactive - to include group norms, trust and openness, risk taking behaviour and supervision.

(iii) Tasks or jobs - to include job enlargement, job enrichment, and flexible working hours

The application of these should aim at attaining a fit between the Individual characteristics and organizational properties, so as for the organization and its members to maintain mutually reinforcing relationships. Motivational problems will however arise when there is lack of fit between the individual needs/goals and the organizational characteristics. Consequently, a guideline has been developed in the form of a chart that combines the needs, incentives and programmes so as to match the individual needs and organization characteristics as:

Table 2.1.6: Theoretical match of the needs with the incentives and the appropriate motivational programs.

NEEDS	INCENTIVES	MOTIVATIONAL PROGRAMMES
GROWTH ORIENTED NEEDS: - Self Actualization - Achievement - Competence	EFFECTANCE INCENTIVE: - Growth Opportunity - Challenge - Job Content	MOTIVATION THROUGH WORK SYSTEMS: - Flexible Working Hours - Job Enlargement - Job Enrichment - Management by objectives.
RELATION - ORIENTED NEEDS: - Affiliative - Companionship - Competition - Power and Status	INTERACTIVE INCENTIVE: - Social Reinforcers - Work Group - Leadership - Supervision - Structural Influence	MOTIVATION THROUGH AFFECTIVE INTERACTION: - Structural Design - Leadership process - Group Process - Organizational Climate
EXISTENCE NEEDS: - Security - Safety - Physiological	SUBSTATIVE INCENTIVE: - Job Security - Pay - Fringe Benefits - Working Conditions	MOTIVATION BY FINANCIAL INCENTIVE: - Incentive Pay - Salary - Bonus - Fringe Benefits - Stock Options

Source : Chung (1977) PP12

Even though other scholars have not followed the chart approach, yet it is discernible from the contributions of Steers and Porter (1979), Robbins (1986), Luthans (1992) and Bennett (1997) that they are supportive of this categorization of the various motivation elements by Chung (1977). Thus this chart has been adopted because of its relevance to this study in classifying needs into different categories and then matching each with the right incentives and programmes to administer the incentive. Further it has taken care of both the intrinsic and extrinsic aspects of motivation (Herzberg 1959) as well as the economic and non-economic rewards as suggested by Belcher (1974) covered under the compensation section.

2.2.0 THE MEANING OF COMPENSATION

Compensation has been variously defined by different scholars. Belcher (1974) and Carrel and Kuzmits (1986) observed that compensation takes a broader scope to refer not only to extrinsic rewards such as salary and benefits but also to intrinsic rewards such as recognition, chance for a promotion and more challenging job opportunity. Singh and Nzuve (1992) and Dessler (1994) focused on the wage and salary administration aspect of compensation to indicate that it covers both financial incentives and fringe benefits. This focus indicates that salary and wage administration has two components namely: Direct financial payments in the form of wages, salaries, incentives, commissions and bonuses; and Indirect payments in the form of financial benefits like Insurance, paid vacations, paid holidays, food services, credit unions and recreation.

Compensation in terms of pay is therefore given to employees, based on either time or an agreed piece rate. And this has to be guided by such basic considerations as Legal requirements, Union influences, compensation policies and equity and its impact on pay rates. As several authors have pointed, these pay rates are established in a systematic way through the following steps:

(i) Conducting a salary survey
(ii) Determining the worth of each job through job evaluation to identify the compensable job factors.
(iii) Grouping similar jobs into grades
(iv) Pricing each pay grade and
(v) Fine tuning pay rates

Jeffrey (1998) observed that the kinds of questions that arise in compensation come to four decisions, namely:

- How much to pay employees
- How much to place on financial compensation as a part of the total reward system.
- How much emphasis to place on attempting to hold down the rate of pay, and
- Whether to implement a system of individual incentives to reward differences in performance and productivity and if so how much emphasis to place on these incentives.

These key decisions about pay make compensation very important for they help establish a company's culture by rewarding business activities, behaviours and values that senior managers hold dear.

2.2.1. COMPENSATION MODELS

As Belcher (1974) observed, compensation is interpreted in most occasions as involving an exchange between employees and organisations in which each is getting something in return for giving something. As such then, scholars from different streams of orientation ranging from economists, psychologists to sociologists have studied compensation from different vantage points thereby postulating different models of compensation. These models have been described as:

a) The Economic transaction
b) The psychological transaction
c) The sociological transaction
d) The political transaction, and
e) The ethical transaction

a. The Economic Transaction View

This view holds that compensation represents a transaction between man and organization involving the employment contract. In this regard then, pay becomes the price the organization pays for employing a factor of production. And in this sense, payment for employment serves as an economic transaction governed by the same logic as any other purchase in which the purchaser attempts to obtain the greatest quantity and the highest quality for his money. The worker is also selling his services to obtain income and he holds out for the highest price he is able to command. These transactions are supposed to set the price in terms of the demand of purchasers and the supplies of the sellers and to allocate the scarce economic resource (labour) to the employment where it has most value.

This view has been argued against along the following dysfunctional areas resulting from this perspective:

- It focuses on the organization and the economy rather than the individual employee, a view which places the organization as purchaser of labour thus being the active decision maker and the individual given a passive role.
- It limits compensation to economic rewards only, a view that ignores the non-economic rewards thus making the transaction to be incompletely analyzed.
- It assumes that labour services are what organizations purchase and that individuals are passive instruments in the transaction.

These shortcomings have given way for the development of the other four mentioned models.

b. The Psychological Transaction View

This view sees employment as representing a psychological transaction or contract between Man and the Organization in which the individual exchanges certain desired types of behaviours for pay and other sources of job satisfaction. Thus the situation faced by the employee, their needs, perceptions and attitudes determine the behaviour. The contract between the individual and the organization thus attains reality through the eye of the beholder. So rewards offered by an organization enter the contract only if the individual perceives them as relevant. These rewards should then be offered to individuals by organizations to promote certain types of behaviours. But which rewards motivate what kinds of behaviour and how they operate are functions of perception and attitudes.

c. The Sociological Transaction View

This view posits that man lives in a universe of events and objects endued with meanings by man himself through social definitions couched in language. He learns these meanings along with language and solidifies them through associations in groups important to him. The individual derives his plans of actions from the roles he plays and the various statuses he occupies in the groups which he feels identified with as reference groups. Motivation is thus embedded in the attitudes, values and roles of individuals in various groups.

d. The Political Transaction View

This view argues that compensation represents a political transaction involving the use of power and influence. Organizations, unions, groups and individual employees all exert power to influence or change the transaction. Union exerts influence at the time the contract is bargained and during the life of the contract through the grievance procedure. Organizations exert power in the same situation and in addition some choose to be wage leaders, and thus become major forces in the labour markets. And even within organizations, groups exert power to obtain a more favourable transaction for themselves. As they acquire more differentiated but interdependent units, more and more individuals acquire power to influence the employment transaction.

e. The Ethical Transaction View

This school holds that compensation represents an ethical transaction which is seen with the repeated appeals for fairness seen in such phrases as 'fair day's pay', 'the just wage' and 'gross iniquities'. The emphasis is justice, fairness and equity in matters of compensation. Equity is viewed from the eye of the beholder, and so it means that one party to a transaction cannot define what is equitable for the other. Each must decide for himself.

These five models give an implication of the diversity of compensation in that even though it can be variously viewed as an economic, psychological, sociological, political or ethical exchange, yet it is all these and more than any one of them. And this points at three issues of concern in compensation, namely: Employee contributions, Incentives and Organizational rewards.

2.2.2 CONTRIBUTIONS

Contributions represent outputs from employees to the organisation in exchange for inputs from the organisation in the form of rewards. To the organisation, contributions represent inputs from employees in exchange for outputs to employees in the form of rewards. The employee contributions can be of different types as:

(i) Job related contributions - which relate to the nature of the job in terms of difficulty and importance. These are obtained from job evaluation efforts aimed at bringing out the compensable job factors. This gives the basis for equal pay for equal work.

(ii) Performance contributions - which measure contributions to the employment exchange in terms of performance in the job. It is these that give the basis for rate ranges and incentive plans that take into account differential performance matched with differential pay. These are reinforced by performance targets and performance appraisal schemes.

(iii) Personal contributions - which relate to personal traits not required by the organisation. But equity theory holds that a number of these potential contributions may be recognised and considered relevant to the employment exchange which might make it necessary to be considered as a determinant of equity. These contributions are: age and seniority; sex and place; personal appearance; lifestyle; adaptability, commitment, cooperation, creativity, initiative, judgement and reliability; self improvement efforts; and acceptance of responsibility, effort expended, education, intelligence, job knowledge.

2.2.3 INCENTIVES

Rajaram (1999) pointed that managers are concerned with enhancing the value of their human capital. This human capital is tied to the firm and industry - specific components of earnings variability. By exploiting the firm's unique set of competencies and resources to obtain a competitive advantage, managers improve the firm's performance and their own consequent standing and employment prospects in the external labour market. Managers also have to cater to a broader range of organizational stakeholders than the shareholders. They thus devote more attention to managing the firm - specific factors which are more closely linked to their welfare. It is this that creates a divergence of goals between top management and shareholders wherein lies one root cause of the agency problem. Corporate Boards of Directors hence have to try and resolve this agency problem through management contracts that link top management compensation to shareholder incentive.

The essential feature of any incentives issue thus lies in the differences in the aims of the people involved, for if people or parties are perfectly in agreement, there is no need for one to create incentives for the other. But in the real world, an ideal situation may not occur whereby the principal can find an agent whose aims are not in conflict with his. As McMillan (1992) pointed, several questions then have to be considered, and revolve around:

- How can you make it another person's interest to behave as you want?
- How can you create incentives?

In an attempt to answer these questions, the need arises for the designers of incentives to fully understand what the concept of incentives entails. McMillan (1992) has noted that the word "Incentive" comes from the Latin word "Incentiuus" which means "setting the tune". Since the whole question arises because of some divergence of interests, people must be rewarded if they are to be induced to do something they would prefer not to do. It is due to this that organizations result to appreciate the concept of motivation in an endeavour to change people's goals. They do this by fostering corporate cultures, beliefs in the organizations' goals and pride in teamwork to reduce the differences between the objectives of the agents - the employees and the principal - the employer. This thus sees Management broaden the compensation perspective in terms of rewards to the employees to include not only money as the sole motivator but also other aspects as peer pressure, pride in craftsmanship and the work ethic.

It has thus been suggested that to get people to do things they would prefer not to do, you must offer some kind of reward. Within this is hidden some wildly controversial questions not only of economics but also of politics and philosophy, some of the fiercest debates being beliefs about the importance of incentives. The rewards have therefore to be structured in such a way that it is in the interest of the employees to do as you want them to do. McMillan (1992) has pointed that the shortest and best way to make your fortune is to let people see clearly that it is in their interests to promote yours. This is achieved by way of devising a payment scheme that perfectly aligns the agent's interest with the principal's by setting the agent's marginal payment rate at 100%. This marginal concept is based on the balance between extra payments to the employee for extra efforts by the employee.

2.2.4. REWARDS

Rewards for work include all those things that the employee receives as a consequence of the employment exchange. And in systems terms they represent inputs to employees from the organisation in exchange for outputs from employees in terms of contributions. To both the parties, the outputs must exceed inputs if the systems are to survive and achieve their goals. And in other words, employees must perceive their rewards as greater than their contributions and organisations must perceive contributions provided by employees as more than the rewards they give to them. The rewards may be classified in several ways as:

a) Economic

b) Non economic

a) Economic rewards

They are of various types as:

(i) Economic job rewards whose primary reward for work is the salary or the wage.

(ii) Economic performance Rewards or Incentive Plans - which are offered to provide performance motivation. There is some empirical evidence that these incentive plans can increase productivity (Belcher 1974). The various types are: Individual Incentives Plans including standard hour plans, sharing plans, Halsey plans, the Rowan plan and Bedan plan; and Group Incentive plans which include the plant wide/company wide incentives and Scanlon plans (Chung 1977, Belcher 1974).

(iii) Economic membership Rewards - which are not designed to compensate for the specific job assigned to the employee but for their membership in the organisation. The organizations often do this to arouse sufficient organisational attachment on the part of the employees to enable it accomplish its purposes. These rewards include: Career progression rewards for years of experience since acquiring qualification, age and seniority; Profit sharing in cash plans, deferred payments and a combination of these; and Compensation security plans as guarantees of employment or income.

(iv) Indirect compensation which are offered as fringe benefits representing payments to the employees not for their work but for their acceptance of the roles of employees. These include:

(a) Extra payments for time worked (e.g. Holiday premiums, overtime premiums, weekend premiums)

(b) Non production awards and bonuses (e.g. Anniversary awards, Christmas bonus, Quality bonus, Year end bonus, waste elimination bonus)

(c) Payments for time not worked (eg. family allowances, medical time, paid sick leave, religious holidays, severance pay)

(d) Payments for employee security (e.g. contributions towards insurance, employee stock purchase plans, employee loan association, home financing, pensions)

(e) payments for employee services (e.g. employee parties, educational assistance, company housing, Beauty parlor, paid club memberships, parking space operations, scholarships)

The Kenya Salary Survey (1998) showed prevalence of most of these items. However some of these benefits have been consolidated into the basic pay. Other benefits provided as part of standard terms and conditions of service are: Retirement (Pensions, Gratuity, Provident); Medical (In-house schemes, Insured schemes, a combination of the two); Life Assurance schemes; Funeral Assistance schemes; Car schemes; Loan entitlements; Education for children; and Conditions of employment covering annual leave, sick leave with full pay, maternity leave, compassionate leave, paternity leave and study leave.

b. Non financial Rewards

Many of this type of rewards issue from several sources as the organization, the supervisors, fellow employees, and the employee himself. These have been contributed to by scholars from different streams, notably psychology and sociology. They include those of Herzberg (1959) touching on recognition, achievement, growth, advancement, technical competence of supervision, responsibility, the work itself, status and job security. Those from sociologists include authority pay, power pay, status pay and privilege pay. The various categories of the non financial job rewards are:

(i) Non financial job rewards which are provided by the organisation as a result of job design and include: work flow system, information flows, number of operations, complexity of work, skill and attention requirements, and status, importance or level of the job.

(ii) Non financial performance rewards including: opportunity, status, recognition, power and influence, participation in problem solving, opportunity to set performance goals, job variety, responsibility, freedom, autonomy and independence, job (skill) challenge, feeling of self control and identification with organisation goals, self respect or self esteem.

(iii) Non financial membership rewards which are designed to maintain the organisation. These arise from three sources as:

(a) Characteristics of the organization: organization size, prestige, visibility, importance, and level of profits.

(b) The way the organisation is run in terms of: flexibility of the organization, policies and procedures, extent of decentralisation, extent of delegation of authority, clarity of authority symbols, the work flow system, the communication system, and conflict resolution methods.

(c) Others such as security, predictability of life in the organization, adequacy of training programs (or quality of management development programs), and participative/consultative management decision making.

2.2.5 COMPENSATION OF MANAGERS

Koontz and Weihrich (1988) observed that the compensation of managers must begin with first of all defining the managerial job. But as they have pointed, there doesn't seem to exist a complete agreement among scholars as to what exactly constitutes the job of a manager. Since the nature of several managerial tasks has been studied from several different perspectives, the major points of focus have been:

- From the Greatman School - the behaviour and habits of successful managers.
- Economists - the focus has been on their entrepreneurial aspects of managing. The main concern is that of profit maximization, innovation, risk taking and similar activities.
- Others focus on
    - Decision making especially on those that cannot be Programmed
    - Leadership with an emphasis on particular traits and managerial styles
    - Power and influence (i.e. the leader's control of the environment and subordinates)
    - Behaviour of leaders by examining the content of the manager's job
    - Work activities of managers

The second point of concern in the managerial compensation is that of the individual managers' differences exhibited through different needs, desires and motives. These differences are connected with:

- The managerial candidates wide differences in age, economic position and level of maturity which see the managers want many things usually including opportunity, income and power.
- The managers' different concern for the opportunity for a progressive career that provides depth and breadth of managerial experience. Related to this is also the challenge found in meaningful work. Even though many people especially managers want to feel that they make a significant contribution to the aims of the enterprise and even society, yet the degree of this varies among them.
- The managers different wants to be rewarded for their contributions.

The third consideration in the compensation of managers is that of the components of top management compensation. Rajaram (1999) has pointed that top management compensation can be examined from the dual perspectives of the amount as well as the mix of compensation. This mix varies along with the following variables.

i. Fixed compensation which is independent of the firm's performance versus variable compensation, which is tied to a measure of the firm's performance, and

ii. Current compensation accruing at the end of the year versus deferred compensation accruing in latter years.

From a corporate governance perspective, these different components in the mix of executive compensation are different in their impacts on managerial motivation. Each predicates differing degrees of short term versus long term orientation in managerial decision making as well as differing degrees of risk sharing between the shareholders and managers. Cash compensation (i.e. Year-end salary and bonus) promotes primarily a shorter term orientation. The salary does not co-vary greatly with firm performance, or from year to year. It is intended to provide the means of livelihood and a guarantee of medium of financial stability of managers. In most instances it also adheres to industry norms that specify the amount ranges for each hierarchy position, functional area, company size and performance within particular industries or sectors. The year-end bonuses are normally tied to annual earnings - based performance and tend to fluctuate more. However, both these do not encourage managerial activities and decisions that generate longer term appreciation in shareholder value. Thus the incentive contract for managerial cash compensation shifts most of the risks on to the shareholders.

Stock options on the other hand are intended to encourage a longer term orientation in managerial decision making (especially restricted to stock options) and necessitate more of an ownership perspective among managers. Stock options and grants thus more closely align managerial interests with the welfare of share-holders.

The management's cash compensation is adjusted to conform to the norms prevailing in the external managerial labour market. This conformity is ensured by personnel departments and compensation consultants who determine the appropriate levels of compensation based in the set criteria.

Crane (1982), Carrel and Kuzmits (1986) have pointed that due to the unique nature of managerial roles, organizations consider giving those in managerial and executive positions perquisites in addition to the direct and indirect payments. These perquisites represent a distinct area of generic compensation that involves certain privileges and special considerations that are granted in addition to pay and benefits (Hadad 1985). Such perquisites are normally associated with organizational rank and the most typical of these are: Company provided cars; First class travel accommodations; Chaffeur-driven limousines; Free or assigned parking privileges; Executive or special dining rooms; Club memberships; Membership to professional organizations; Paid travel for spouse; and Interest free loans.

2.2.7 COMPENSATION SCHEME OF MANAGERS

Crane (1982), Belcher (1974) and Dessler (1994) observed that organizations consider the compensation of managers as unique and so different from those of other employee groups as to warrant separate treatment. These differences are associated with:

(i) The evaluation of their jobs that tends to emphasize non quantifiable factors like judgement and problem solving.

(ii) Their job contributions which are different in that the managerial positions have significant effects on profits. So their job contributions represent an identity between the individual and the organisation such that what they contribute determines what the organisation is and does.

(iii) The management (especially top management) is assumed to be a partner of the owners and a trustee of the interests of the various organizational claimants including themselves. Their emphasis is on strategic and administrative decisions.

The executive and managerial work is defined as consisting of creating production and jobs, making decisions, providing leadership, allocating resources, reconciling claimant interests, introducing innovations, accumulating and using capital, and taking risks. The degree of responsibility of the managers on these roles varies with their level in the organization hierarchy (Belcher, 1974).

Because of the role that these managers play in determining divisional and corporate profitability, most employers pay their managers and executives some type of bonus or incentive. These take both short term and long term perspectives as:

(i) Short term - Annual bonus according to an agreed formula, which motivates the managers'/executives' short term performance.

(ii) Long term - To reward management for the long term growth and prosperity of the company. They include

   (a) Capital Accumulation programs such as: stock options, stock appreciation, Performance achievement plans, Phantom stock plans, and Book value plans.

   (b) Benefits - vacations and holidays, Sick leave, Severence pay, Supplemental unemployment benefits, Insurance and Retirement.

Blunt and Popoola (1990) concluded that there is a great need to tie individual performance which is directed towards the accomplishment of organizational goals to desired rewards in Africa. And they pointed that some of the rewards valued most by African workers are money and other incentives such as status, prestige and power. And in terms of Maslow's hierarchy of needs theory of motivation, they observed that the greater part of the world's population is still motivated by lower level basic survival needs. At work, this translates into an overpowering concern for material rewards and security of tenure. And to Africa which is a third world continent, this revelation is much more true.

Thus a compensation scheme for managers will consist of the plan, programme, design and systematic arrangement of the combination of elements that are connected with the rewards to those persons in the managerial cadre. Such a scheme derives from the organization strategy and the policy on the management of its human resource element. Such a policy will detail on the operational procedures culminating in timely salary reviews, performance measurement and personnel management techniques of administering overall levels of salary and bonus, salary adjustments, promotion, transfers, demotions and training and development (Mcbeath and Rands, 1976). And as such it is likely to be influenced by the organization culture, economic conditions, other organizations, the size, structure, technology and climate of the organization (Belcher, 1974). These sources of influence suggest that such a scheme will heavily borrow from the contents of the available salary survey (Kenya Salary Survey, 1998). And for the purpose of this study, a compensation scheme for the managers in the Kenyan environment is assumed to reflect the following items in terms of economic rewards, non-financial rewards and perquisites (White 1973; Belcher, 1974; Hadad, 1985; Carrel and Kuzmits, 1986; and Kenya Salary Survey, 1998 and Heath, 1999).

(a) Economic Rewards

(i) The salary.

(ii) Incentive Plans with the various types being:

(a) Individual Incentives

(b) Group Incentive plans

(c) Economic membership Rewards which include: Career progression rewards for years of experience since acquiring qualification, age and seniority; Profit sharing in cash plans, deferred payments and a combination of these; and Compensation security plans as guarantees of employment or income.

(iii) Fringe benefits which include:

(a) Extra payments for time worked (e.g. Holiday premiums, overtime premiums, weekend premiums)

(b) Non production awards and bonuses (e.g. anniversary awards, christmas bonus, quality bonus, year end bonus, waste elimination bonus)

(c) Payments for time not worked (e.g. family allowances, medical time, paid sick leave, religious holidays, severance pay)

(d) Payments for employee security (e.g. contributions towards insurance employee stock purchase plans, employee loan association, home financing, pensions)

(e) payments for employee services (e.g. employee parties, educational assistance, company housing, beauty parlor, paid club memberships, parking space operations, scholarships)

(f) Retirement (pensions, gratuity, provident)

(g) Medical - in-house schemes, insured schemes, or a combination of the two)

(h) Life Assurance Schemes

(i) Funeral Assistance Schemes

(j) Car Schemes

(k) Loan Entitlements

(l) Education for Children

(m) Conditions of employment covering annual leave, sick leave with full pay, maternity leave, compassionate leave paternity leave and study leave.

(b) **Non financial Rewards**.

These are in three categories as:

(i) Non financial job rewards which include the workflow system, information flows, number of operations, complexity of work, skill and attention requirements and status, importance or level of the job.

(ii) Non financial performance rewards including: opportunity, status, recognition; power and influence, participation in problem solving, opportunity to set performance goals, job variety, responsibility, freedom, autonomy and independence, job (skill) challenge; feeling of self control and identification with organization goals, and self respect or self esteem.

(iii) Non financial membership rewards which emanate from three sources as:

(a) Characteristics of the organisation in terms of the organisation size, prestige, visibility, importance, and level of profits.

Thus a compensation scheme for managers will consist of the plan, programme, design and systematic arrangement of the combination of elements that are connected with the rewards to those persons in the managerial cadre. Such a scheme derives from the organization strategy and the policy on the management of its human resource element. Such a policy will detail on the operational procedures culminating in timely salary reviews, performance measurement and personnel management techniques of administering overall levels of salary and bonus, salary adjustments, promotion, transfers, demotions and training and development (Mcbeath and Rands, 1976). And as such it is likely to be influenced by the organization culture, economic conditions, other organizations, the size, structure, technology and climate of the organization (Belcher, 1974). These sources of influence suggest that such a scheme will heavily borrow from the contents of the available salary survey (Kenya Salary Survey, 1998). And for the purpose of this study, a compensation scheme for the managers in the Kenyan environment is assumed to reflect the following items in terms of economic rewards, non-financial rewards and perquisites (White 1973; Belcher, 1974; Hadad, 1985; Carrel and Kuzmits, 1986; and Kenya Salary Survey, 1998 and Heath, 1999).

(a) Economic Rewards

- (i) The salary.
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  - (b) Group Incentive plans
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- (iii) Fringe benefits which include:
  - (a) Extra payments for time worked (e.g. Holiday premiums, overtime premiums, weekend premiums)
  - (b) Non production awards and bonuses (e.g. anniversary awards, christmas bonus, quality bonus, year end bonus, waste elimination bonus)

(b) The way the organisation is run in terms of: flexibility of the organisation; policies and procedures; extent of decentralization; extent of delegation of authority; clarity of authority symbols; the workflow system; the communication system; and conflict resolution methods.

(c) Other factors as: security; predictability of life in the organisation; adequacy of training programs (or quality of management development programs); and participative/consultative management decision making.

(C) **Perquisites**

(i) Company provided car
(ii) Car loan
(iii) First Class Travel accommodations
(iv) Free/Assigned parking privileges
(v) Club memberships
(vi) Membership to professional organizations
(vii) Paid travel for spouse
(viii) Interest free loans
(ix) Chauffeur driven limousines
(x) Executive/Special Dining rooms

2.3.0 COMPENSATION PREFERENCES

White (1973) spotted a weakness with the subject of motivation with respect to its general treatment of the principles and issues regarding the formulation of policies for use in guiding compensation in organizations. Zedeck (1977) supported this in his review of the attention given to the study of motivation since 1900, and pointed that no single approach either singly, or in combination seems to fit every one. This is so because of individual differences, which managerial strategies seem to have failed to account. And this has extended to the area of design of compensation packages that are meant to meet the needs of what are assumed to be an "average" executive (Byars and Rue, 1979). Koontz and Weighrich (1988) pointed that there is no average person and that the individual employee should be considered as a whole person other than looking at first separate and distinct characteristics such as knowledge, attitudes, skills and personality traits. Each person has all these to different degrees and they also tend to interact with one another and their predominance in specific situations changes quickly and unpredictably.

The result of these observations is the existence of different preferences among executives and managers to different compensation items. Several scholars have indicated that managers will have different preferences for different compensation items. For example: Chung (1977) pointed that employees as people will have different preferences for different reward plans; Byars and Rue (1979) observed that executives' preferences differ as to compensation distribution; Cascio (1989) linked the existence of these different preferences to demographic factors; and Cascio and Award (1981) attempted to capture those preferences in compensation theory through the Vroom's Expectancy Model. Research by several scholars gives supporting evidence to this fact. Lewen and Lauser (1973) found different preferences for different compensation items and an explicit desire to obtain some freedom of choice; Mahoney, (1964); Hulme and Bavan, (1975); and Schwab and Wallace (1974) found that employees will have different preferences for different pay plans; and White (1973) found that executives under the study were in different categories according to the items of compensation they preferred. More recent research efforts have been given to the intrinsic aspects of compensation. As Slocombe and Bluedorn (1999) pointed, those efforts have focused on human preferences for time utilization in the work place and with a view to assigning employees to different positions in the organization thereby achieving some degree of congruity between the job characteristics and the job holder.

These preferences exhibited by the managers are rooted in their value orientations. As several scholars have shown, preferences are very closely linked to values, and this is clear from the following observations: Rogers (1969) saw the concept of values as the tendency to show preference; Coughlan (1969) perceived values as preferences, criteria, objects and possessions, personality and status characteristics' and states of mind that are absolute, inherent in objects, present in man, and/or identical with his behaviour; Inlow (1972) described values as determinants of ones choices in life that decide his behaviour; Rockeach (1973) and Robbins (1986) defined values as representing basic convictions that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode; and Kabanoff and Holt (1996) defined values as relatively enduring beliefs about what kinds of behaviours or end states are preferable to others.

It is due to this link that several scholars have advanced a strong case for the integration of the value-based preferences of employees into the managerial compensation strategies. This case has been advanced along several points: Robbins (1986) pointed, that values lay the foundation for the understanding of attitudes, motivation, perception and human behaviour in the organization which puts values at the centre of the managerial behaviour; Zedeck (1977) viewed motivation in an information processing way thus involving the concept of perception; Organ and Bateman (1991) linked managerial behaviour with perception; Lord and Mahan (1991) linked perception with leadership, information processing and performance; Organ and Bateman (1991) showed that perception is at the crux of all significant behaviour; and Ronen (1978) observed that the individual values affect not only perceptions of appropriate ends but also perception of the appropriate means to those ends. Seen this way, the individual values are part of the set with which employees approach their work environment and evaluate the organizational reward system.

2.3.1 THE GENERATION OF PREFERENCES

Moore (1999) pointed that people do not possess established global preference orderings. Instead people have mental procedures that allow them to generate preferences when called for. This preference generation procedure relies on the presence of actual or imagined alternatives to make it possible to judge an option within a relevant evaluative context.

According to this observation, it seems very unlikely that people are born with preferences for particular objects. Instead, preferences may become more well established with experience. And further to these is the fact that people do not have clear preferences for objects. It is far more common for these preferences to be weak, vague and undeveloped. So instead of referring to a stable set of extant preferences, one must construct ones preferences when they are called for. This process of online construction necessarily faces a number of competing motives and rationales, and this intrapersonal conflict can give rise to preference - reversal effects. Preferences are not simply revealed but are actually constructed in the process of elicitation.

The process of generation of preferences normally goes as follows: Each must identify his/her own standards for doing something or some behaviours, and if such are available in memory, they are likely to be used. If not then, one must imagine other possibilities and determine the action to take. The comparison process would clarify the standard by which people construct their preferences online.

This does not however say that people do not have preferences before they are asked about them. But it suggests that people have strategies they use for assembling preferences and that these strategies are unlikely to produce preferences that are invariant across elicitation methods. Thus this school of thought explores the strategy of generating preferences online by comparing within a context of imagined alternatives. As Moore (1999) reported, research on counter factual thinking has documented the power of comparisons and context in human judgement. These have found that perceived or imagined choices can influence preferences, satisfaction and the desirability of various alternatives. Research on asymmetric dominance has also shown that the inclusion of an irrelevant inferior alternatives can change preferences by changing the context of comparisons.

It thus becomes clear that options are preferred more when they dominate other alternatives than when they don't, even when the dominated alternative is normatively irrelevant. In other words, options that are accompanied by a downward comparison to an inferior option are thereby seen as more attractive. The converse of this pattern is the tendency for options to be less popular when they are dominated by other alternatives than when they are not, even if those alternatives are normatively irrelevant.

In a series of several experiments, Moore (1999) found that:

- Order of presentation has a significant impact on ratings of options previously shown to produce joint-versus -separate preference reversals.
- Availability of information and the order in which it is acquired affects the evaluabilty on preference generation.
- Without a global preference set for calculating value, preferences must be generated online by processes that are vulnerable to bias, they will be better and the expressed preferences will be more fully informed, the more information the decision maker has.

- Decisions more closely approach rationality to the extent that they occur in a rich context of other alternatives and standards by which to judge relevant options.

2.3.2 PREFERENCES FROM THE MOTIVATION VIEW POINT

Because of the link between preferences and motivation so postulated, certain scholars have taken interest into highlighting the manifestation of these preferences in the employment situation. White (1973) observed that the relationship between preferences and motivation (and so compensation) is mediated by the expectations of the employees. These expectations take into account the process by which people learn to expect the consequences of their actions and take cognisant of their feelings and thoughts. And these too are influenced by their training, experiences by which they learn that certain kinds of actions are likely to lead into their long term successes. In addition to these, contacts with other people, their encouragement and approval, acceptance of what they do to attain to the expectation also reinforce.

Cascio and Award (1981) supported this and fitted preferences within the theories of motivation as:

(i) Universal theories - to include those of Maslow, McGregor, Atkinson and McClleland Models

(ii) Environmental theories - to include those of Herzberg, Skinner's conditioning and Reinforcement theories

(iii) A composite Theory - which refers to Vroom's Expectancy Model. This was seen as a rational model of how individuals develop preferences and make choices. Byars and Rue (1979) saw this valence - expectancy model as Preference Expectancy Model.

They then concluded that the individual employee faces a set of alternatives for which he must select choices on outcome. Faced with these he will make preferences based on the strength (Valence) of his desire to achieve the outcomes and those preferences are related to his perceptions of the strength of the outcomes.

Several factors will combine together to account for differences in the preferences among managers for different compensation packages. These factors are:

(i) The Individual uniqueness that gives rise to different needs, ambitions, attitudes and desires of responsibility and levels of knowledge in terms of skills and potentials (Chung, 1977; Robbins, 1986 and Koontz and Weirich, 1988)

(ii) The multiplicity of roles of employees as members of a broad societal system as consumers of goods and services, members of a family, schools, churches, trade associations and even political parties (Nadler et al, 1979)

(iii) The employees' different motivational stages. Tampoe (1993) hypothesized that an employee at any given point in time can be at one of the four motivational stages of fulfillment, transition, developmental and plateand.

(iv) Differences in perception among different employees, by which the employment contract between the employee and the organization attains reality through the eye of the beholder. The rewards offered by the organization enter the contract only if the individual perceives them as relevant (Belcher; 1974, Luthans, 1992; Tang, 1992; and Organ and Bateman, 1991).

(v) Differences in motivational value of the incentives offered by the organization. (Chung 1977;)

As Chung (1977) pointed, the differences among the executive preferences are influenced by two major factors namely internal and external to the individual. These are analyzed as:

1. Internal influences as the individual's needs, ability, self concept that influences his perception, role perception that influences his threshold for evoking behaviour, personality factors that influence perceptions and their past experiences of success or failure.
2. External influences as the size, novelty, movement, repetition and the familiarity of the incentive, and the social situation (i.e. the organization climate) in which the incentive is perceived.

2.3.3 INTEGRATING PREFERENCES WITH COMPENSATION DECISIONS

The above points suggest that employees will demonstrate different preferences to different compensation packages. Singh and Nzuve (1992) pointed that different employees will demonstrate different preferences to the rewards they want due to certain acts of personal values and goals that they seek to fulfil in their work. This, plus the contributions of the expectancy theorists has given several implications to the design of compensation schemes. And as has been pointed out clearly by Chung (1977), Steers and Porter (1979), Robbins (1986), Luthans (1992) and Bennett (1997), the management of any organization should put into consideration the following facts:

1. That Individuals possess different preferences for outcomes and different perceptions of the relation between effort and rewards and that they will be motivated differently. These differences should be incorporated in the salary and wage administration, job design through job enlargement, rotation, enrichment, goal setting and job engineering.
2. Efforts to be made to determine what rewards each employee values.
3. To analyze the total employment situation for any conflicting expectancies between the employee and the organization's offering as well as checking the system for equity.
4. To align the organization's offering with what the employee wants, and
5. Creating organizational flexibility to accommodate the individual differences.

Several points have been advanced in favour of the need to integrate these preferences into compensation policies, which revolve around five considerations. The first is the fact that compensating employees for what they give the organization is to some extent as much an art as it is a science (Carrel and Kuzmits, 1986). White (1973) observed that the more systematically and scientifically the subject of compensation is treated, the more cold and inhuman it seems. And to avoid this problem it has to be accepted that there are two sides to it namely, the individual and the organization, and that unless the organization is open with the individual and gets his full support, the scheme so developed may be tainted with suspicion. Thus the organization has to provide what the individual values as relevant and important.

The Second is in the link between organizational compensation and the employee productivity and job satisfaction. Even though studies show very little correlation between productivity and satisfaction, yet Dunn and Stephens (1972) have used the Porter-Lawler model to show that rewards that are perceived as equitable can sometimes satisfy needs. High levels of productivity on the other hand can sometimes lead to both intrinsic and extrinsic rewards.

Thirdly, the huge expenditures incurred by companies for salaries and benefits warrants the assessment of the employee needs and determining which of the compensation items are truly demanded (Carrel and Kuzmits, 1986).

The fourth one is on the need to recognize and consider those employment outcomes considered relevant by the employees. Evidence indicates that the more a reward is valued by the employees, the more weight it carries in motivating both membership and performance. Thus organizations should be aware of the range of rewards that may be provided to employees and the preferences that they have for those rewards. (Belcher, 1974).

The last consideration lies in the need to give the employees freedom of choice of rewards. Williams and Luthans (1992) pointed that research evidence in environmental, experimental and social psychology indicates that the freedom to choose from among courses of actions, outcomes or situations can have powerful effects on the way people feel, think and behave. For example, studies have found that the elderly in institutionalized setting experience improved health and lower mortality rates when they are encouraged to make a greater number of choices concerning day to day events affecting them. Other studies using both animal and human subjects have found that freedom of choice is motivational as well as desirable to recipients and choice leading to increased perceptions of control has reinforcing properties. And there is some agreement that choice occurs when individuals perceive control of the selection process from among options of similar value and outcome certainty. And this means that individuals experience choice when they perceive themselves as the agent who selects from options of similar attractiveness and indeterminacy exists as to which option will yield the optimal outcome. Pelmutter and Monty (1977) theorized that choice produces heightened perceptions of personal control which subsequently activates arousal and leads to a concomitant increase in task performance. And Tang (1992) found that individuals who experience choice tend to outperform no choice subjects. This is further reinforced by Swanack (1998) who pointed that the present generation of employees is better educated and informed than any other previous generation. It makes demands and has expectations, demonstrates an inherent need to be respected and at least in part to have a say in its destiny.

The consideration of these points has led to the prevalence of flexible compensation schemes in organizations. As Carrel and Kuzmits (1986) have observed, different employee needs and desires have formed the basis for different preferences. As a result, organizations have responded to these by developing flexible compensation plans called Cafeteria System approach. This approach has been supported by Byars and Rue (1979), Belcher (1974) and Zedeck (1977) who have pointed that these are necessary to satisfy the needs of different executives and help insure maximum return for their executive compensation systems. Belcher (1974) pointed that the above postulated integration can be reinforced and sustained by broadening the organization view of the employment equation, making greater variety of the employment exchanges, responding with different reward packages for separate employees groups which should vary by occupational and demographic factors, and offering employees more choices in determining their reward packages.

However, as some scholars have pointed, such an integration may not be easily realised in organizations. This may result from several inhibiting factors as:

1. As McBeath and Rands (1976) observed, compensation issues fall under the few critical decisions that are made and influenced by a small number of people in organizations. These are the same people who control the commercial destiny of the company and whose value may be of a different order from all those who are subordinate to them.
2. Very closely related to the above point is the existence of lay theories of motivation among people (and so managers) that often cloud the extent of understanding of the managers making compensation deals on those deals target people. These are rampant in agency relationships thus bringing into the picture perceptual differences, conscious choices made and long term preferences. In a series of four experiments, Heath (1999) found a significant evidence of these lay theories existing among managers with regard to
   a. Extrinsic incentives bias connected to perceptions and stereotypes.
   b. Self serving biases due to differences in information processing among people.
   c. Lay theories effects in the evaluation of incentive programs and framing of fixed incentive programs to others.

These findings are consistent with several earlier studies. Rosen and Jerdee (1976a, b, 1977) in a series of three studies established that older workers are perceived to be less motivated to remain up to date in their professions, lower in performance capacity and potential for development, more risk averse, more resistant to change, less creative and higher in stability and interpersonal skills. Craft et al (1976) characterized older workers as weaker, less ambitious and more opinionated. Doering et al (1983) observed that older workers were perceived to have different work values, needs and preferences, greater organizational commitment and lower internal motivation and greater overall job satisfaction. Saks and Waldman (1998) found the existence of age norms in professions which vary across jobs and affect performance.

3. Belcher (1974) postulated the possibility of the existence of a perceived discrepancy between the organization compensation policy and the employee. This discrepancy can emanate from three sources. The first is contrasts between comparisons made by organizations and those by the individuals, while the second is the predisposition of the parties to the interpretation of the employment exchange. The organization sees it as purely an economic exchange whereas the individual sees it in his own self concept. And the third arises from a discrepancy between (1) the amount of reward received and the amount the employees' desire and (2) the amount of the contribution recognized by the organization and the amount by which the employees wish to be recognized.

2.4 PREVIOUS RESEARCH IN KENYA

Some isolated studies have been undertaken on motivation in general. Detho (1988) looked at the sufficiency of workmen's compensation amounts. Kimutai (1993) studied the managerial attitudes towards participative decision making in state-owned firms. Musomba (1993) studied those motivational factors that affect performance among employees of the Kenya Railways.

Even though the salary surveys, collective bargaining agreements and civil service salary reviews may not be treated as scientific studies, yet they deserve mention here because of their contribution in being more specific to compensation issues in the country. Generally, these have looked at the structure of salaries and terms of service as guided by legal considerations, Industry competitive trends and economic issues of cost of living and inflation. The reviews date back to preindependence period while the surveys date to as early as 1977 (Salary and fringe benefits survey, 1977; Civil Service Salary Review Report, 1990; Kenya Local Government Workers Union CBA, 1993; and Kenya Salary Survey, 1998).

It is thus clear from the above attempts that compensation based on motivation theory has been treated in general terms. The focus on the specific areas of motivation of Needs, Incentives and Programs has not been given attention (Chung 1977). And further to this is the fact that the emphasis has been on the Economic and Legal Considerations while neglecting the non-economic variables as suggested by Belcher (1974), and so by implication the intrinsic aspects (Herzberg, 1959). And since the behavioural aspects of the managers reflected through their compensation preferences have not been assessed, it still remains unknown as to whether the schemes in place are of any relevance to those beneficiary managers.

As Feldman (1983) observed, research in personnel and Human Resource Management should aim at improving the material and psychological well being of both employees and the fortunes of the organizations that employ them. It should further seek to bring improvements accomplished through innovative changes in the work place and interventions that aim at making jobs more rewarding and interesting. And in the final analysis it empowers the managers who make decisions so that those decisions are cooperatively made. In addition, the managers will be more adept at instilling commitment and motivation among the employees, reward systems more motivating and satisfying and organisation structures that are more responsive to their environments.

Miller et al (1998) reported of studies that showed the evidence of cross-cultural differences in what is valued and what motivates workers. In addition, they warned that failure to recognize the values of this culture for which pay systems are designed could ultimately lead to employee resistance and ineffectiveness. These matters when assessed against the Kenyan situation leave unanswered questions regarding the totality of the motivation of the Kenyan population of workers.

The purpose of this study is therefore to focus on those specific aspects of motivation theory that underlie compensation with regard to the needs, incentives and schemes that are in place. As such then the study looks at both the intrinsic and extrinsic aspects of compensation by first analyzing the managers' compensation preferences and then secondly assess the extent of these preferences that is met by the current existing schemes.

CHAPTER THREE:

STUDY METHODOLOGY

3.1 THE POPULATION

The population for this study comprised of all the low and middle managers of the Co-operative Bank of Kenya.

3.2 SAMPLING DESIGN

3.2.1 SAMPLE SIZE

The sample size was selected to be 40 managers from the 5 operational departments of the Bank. This size was selected to cushion against non-responses so that at least a minimum sample size justified by Daniel and Terrel (1975) rule of thumb of a sample size of 30 or more is representative would be obtained.

3.2.2 SAMPLING METHOD

Stratified sampling method was applied to obtain respondents from all the operational departments in the bank. A disproportionate technique of this method was used to obtain equal number of respondents from each department.

3.3 DATA COLLECTION METHOD

The study relied on a communicational method of a questionnaire. The data was collected for the purpose of analysis of the relationship between managers' compensation preferences and the existing compensation schemes. It was conducted to obtain primary data which sought to obtain information on the respondents attitudes and opinions of the individual managers' preferences, inclinations, and feelings towards certain compensation items.

3.3.1 THE QUESTIONNAIRE

This data was obtained from the respondent managers by the use of a Likert 5-point scale questionnaire.

The items in the questionnaire covered areas that were operationalised as:

- **Compensation Preferences:** They were measured as the choices that one would make due to their expectations on the several items considered in their compensation. These choices would be made on the basis of the relative importance attached to the various types of rewards in both financial and non-financial categories

- **Compensation Scheme:** This has been taken to refer to the programme used by the Bank containing both economic and non-economic rewards to the employee managers' covering the basic salary, the fringe benefits, the perquisites and the characteristics of the organization management depicted in the organization structure and climate.

Part 1 and 2 of the questionnaire relate to both the preferences and the scheme. Under each of these the questionnaire has been split into sub sections with each containing items that are specific to the sub-heading as:

(i) Economic rewards referring to those inputs by the organisation to the employee of financial or material nature for their outputs to the organisation and considered under:

- Job rewards and incentives
- Membership rewards
- Fringe benefits

(ii) Non-Economic rewards which referred to those inputs by the organisation to the employees which are not of a financial or material nature but mostly intangible, intrinsic and psychological or sociological and are associated with the organisation, fellow employees and the employee himself. The types that were then considered were:

- Job rewards
- Fringe benefits
- Performance rewards
- Membership rewards
- Perquisites

The items under each were developed from instruments applied in other studies done by White (1973), Slocombe and Bluedorn (1999) and Heath (1999) in conjunction with those derived by Belcher (1974).

The questionnaire was self administered to the respondents through the office of the chief manager in charge of Human Resources to whom the purpose of the inquiry was explained. The respondents were then left alone to complete it and was collected later at an agreed date. This office of the chief manager human resource department was adopted to serve the purpose of the research assistance in the bank to the candidate.

Part one of the questionnaire was rated as

- Least important 1
- most important 5

while part two was rated as

- disagree strongly 1
- disagree 2
- neither 3
- agree 4
- agree strongly 5

3.4 DATA ANALYSIS TECHNIQUES

The data was analyzed by use of the following statistical tools of both parametric and non parametric statistics as :-

- Descriptive statistics of the mean and standard deviation
- Factor Analysis
- Z- statistic
- Chi-square test of difference
- Chi- square test of association
- Chi-square test of independence
- Chi-square Goodness of Fit test

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

This chapter presents an analysis of the findings of this study. The study was conducted at the Co-operative Bank of Kenya. The respondents were drawn from a population of managers ranging from the lowest level to the level of Chief Managers. This population was far from being uniform due to their demographic differences of seniority in management, occupation and their stations. The geographical scope was limited to Nairobi area only due to time factor.

The data was obtained from the respondents by use of a predetermined questionnaire. The Reliability of this instrument was measured by the Coefficient Alpha calculated from the respondents scores and stood at 0.77. According to Malhotra (1996) coefficient Alpha varies from 0 to 1 and a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability whereas those scores of 0.6 and above indicate high levels of internal consistency reliability of the instrument.

This computation was based on the 33 questionnaires out of 40 that were received back completely filled representing 82.5 percent response rate.

The data presented and analyzed in this chapter is therefore based on the responses of these 33 respondents.

4.2 DEMOGRAPHIC COMPOSITION OF RESPONDENTS

TABLE 4.2.1: RESPONDENTS BY DEPARTMENTS

DEPARTMENT	NUMBER	PERCENTAGE
MD's Office	8	24.2
Finance Division	5	15.2
Business Division	9	27.3
Development Division	6	18.2
Operations Division	5	15.2
TOTAL	**33**	**100.0**

Source: Field Data, 1999

TABLE 4.2.2: RESPONDENTS BY MANAGEMENT LEVEL

LEVEL	NUMBER	PERCENTAGE
Manager	14	42.42
Middle Manager	11	33.33
Senior Manger	4	12.1
Chief Manager	4	12.1
TOTAL	**33**	**100.00**

Source: Field Data, 1999

4.3 RESPONDENTS' SCORES

TABLE 4.3.1: RESPONDENTS SCORES ON OPINIONS

RESPONDENT NUMBER	MEAN SCORE	STANDARD DEVIATION
1	3.58	0.0230.
2	3.70	0.0583
3	2.89	0.0408
4	2.93	0.0525
5	3.31	0.0175
6	4.12	0.035
7	3.14	0.0058
8	2.39	0.00166
9	3.63	0
10	2.85	0.029
11	4.47	0.064
12	3.66	0.099
13	3.81	0.0035
14	3.54	0.0016
15	3.20	0.0583
16	3.14	0.0408
17	3.25	0
18	2.66	0.0466
19	2.38	0
20	3.18	0.0525
21	3.88	0
22	2.81	0.0035
23	2.95	0.198
24	3.04	0.0116
25	2.68	0.0408
26	2.81	0.0175
27	3.70	0.058
28	4.12	0.035
29	2.85	0.00116
30	3.54	0.0016
31	2.66	0.0466
32	2.81	0
33	3.70	0.0583

Source: Field Data, 1999

TABLE 4.3.2.: RESPONDENTS SCORES ON PREFERENCES

RESPONDENT NUMBER	MEAN SCORE	ST D. DEVIATION
1	4.40	0.03123
2	4.37	0.0843
3	4.14	0.01874
4	4.21	0.02811
5	3.54	0.04997
6	4.17	0.00437
7	4.61	0.0593
8	4.52	0.0249
9	4.73	0.05309
10	4.09	0.0343
11	4.42	0.0554
12	4.40	0.0312
13	4.5	0
14	4.07	0.00937
15	4.04	0.049975
16	3.64	0.01874
17	4.14	0.01874
18	3.26	0.01249
19	3.80	0.0624
20	4.52	0.0249
21	4.28	0.0374
22	5.0	0
23	4.47	0.04060
24	2.73	0.05309
25	3.11	0.05934
26	5.0	0
27	4.35	0.0468
28	4.21	0.02811
29	4.09	0.0343
30	4.14	0.049925
31	3.11	0.5934
32	5.0	0
33	4.47	0.04060

Source: Field Data, 1999

4.4 STATEMENT SCORES

TABLE 4.4.1: PREFERENCE STATEMENT SCORES BY RESPONDENTS

STATEMENT NUMBER	MEAN SCORE	STANDARD DEVIATION
1	3.70	0.00557
2	4.56	0.00441
3	3.51	0.0300
4	2.39	0.0229
5	2.39	0.0424
6	3.63	0.0371
7	4.60	0.0353
8	4.0	0
9	3.79	0.005126
10	4.15	0.003
11	4.70	0.000176
12	4.45	0.0265
13	4.91	0.00053
14	4.96	0.05656
15	4.69	0.0406
16	4.82	0.00106
17	4.03	0.00176
18	4.15	0.0030
19	4.96	0.05656
20	4.54	0.0318
21	4.79	0.00512
22	4.64	0.00212
23	3.48	0.02828
24	3.27	0.00424
25	4.79	0.00512
26	4.67	0.00388
27	4.79	0.00512
28	4.55	0.0318
29	4.78	0.00512
30	4.90	0.0530
31	4.09	0.00530
32	4.12	0.0000940
33	4.85	0.00282
34	4.30	0.19445
35	4.45	0.0265
36	4.42	0.0247
37	3.30	0.000176
38	3.0	0
39	3.82	0.00106
40	4.52	0.00088
41	3.15	0.00883
42	3.39	0.00229

Source: Field Data, 1999

TABLE 4.4.2 : OPINION STATEMENT SCORES BY RESPONDENTS

STATEMENT NUMBER	MEAN SCORE	STANDARD DEVIATION
1	2.64	0.002
2	2.94	0.003
3	2.45	0.0032
4	2.09	0.005
5	3.48	0.005
6	2.55	0.003
7	2.97	0.004
8	2.64	0.002
9	3.0	0
10	3.24	0
11	3.27	0.004
12	3.09	0.005
13	4.24	0.0024
14	3.90	0.00005
15	3.54	0.0003
16	4.0	0
17	3.60	0.0003
18	3.76	0.0004
19	2.67	0.003
20	3.27	0.00018
21	3.76	0.0004
22	1.97	0.0005
23	2.85	0.000008
24	2.55	0.000007
25	3.76	0.0004
26	3.94	0.000005
27	4.0	0
28	3.70	0.00003
29	3.18	0.000010
30	3.97	0
31	4.15	0
32	4.0	0
33	3.64	0
34	4.15	0
35	3.55	0.0003
36	3.18	0
37	2.94	0
38	3.0	0
39	3.0	0.000025
40	3.06	0.00048
41	2.88	0.0000528
42	2.94	0
43	2.15	0
44	3.55	0.0003
45	3.58	0.00001
46	3.39	0
47	1.88	0.000021
48	1.97	0

Source: Field Data, 1999

4.5 INITIAL FACTOR SCORES

TABLE 4.5.1 THE REWARDS: MEANS AND STANDARD DEVIATIONS

ITEM	M	S.D.
1. Economic Job Rewards	3.42	0.06
2. Economic Membership Rewards	4.28	0.04
3. Non-financial Job rewards	4.60	0.08
4. Fringe Benefits	4.28	0.04
5. Non financial Performance rewards	4.76	0.008
6. Non financial membership rewards	4.38	0.01
7. Perquisites	3.55	0.28

Source: Field Data, 1999

TABLE 4.5.2 THE OPINION TO THE REWARDS: MEANS AND STANDARD DEVIATIONS

ITEM	M	S.D.
1. Economic Rewards	2.69	0.013
2. Membership rewards	3.04	0.0005
3. Job rewards	3.84	0.0006
4. Fringe Benefits	2.84	0.0006
5. Job characteristics	3.77	0.29
6. Bank Administration	2.97	0.11
7. Perquisites	2.75	0.04

Source: Field Data, **1999**

4.6 FACTOR ANALYSIS OF THE REWARD (COMPENSATION) ITEMS FOR THE SAMPLE.

Factor analysis followed several steps.

Step one- In the first step, the principal components approach of factor analysis produced a correlation matrix of the correlations among the 42 variables that were in the first part of the questionnaire. The correlation matrix appears as in Table 4.6.1 on appendix 1.

Step two-The second step of the process extracted the factors based on the Eigen value. This Eigen value represents the amount of variance associated with each factor. The extracted factors were loaded with the following variables as: (see table 4.6.2 and 4.6.3 on appendix 2 and 3 respectively)

FACTOR 1:

- Payments deferred to the future
- Employee stock option and ownership plans
- Executive bonus plans
- Payments for employee insurance and stock purchase plans
- A job with the opportunity to lead others
- Retirement schemes
- Anniversary awards and bonus
- Overtime, holiday and weekend premiums
- Responsibility, autonomy, freedom and independence
- Feeling of self control and identification with the bank goals
- Flexibility of the bank policies and procedures
- Extent of delegation and decentralization of authority
- Predictability of life in the Bank
- First class travel accommodations
- Paid travel for spouse

FACTOR 2:

Variables

- Executive treatment
- Payments for employee loan associations, home financing and pensions.
- Working in a job with intellectual interest and professional prestige
- Opportunity for promotion
- Participation in problem solving
- Opportunity to set performance goals
- Self respect and esteem.
- Extent of delegation and decentralization of authority.
- Security in the bank.
- Participative and consultative decision making
- Free / Assigned parking

FACTOR 3

Variables

- Career progression rewards after qualification.
- A job with challenging tasks
- Membership to bank sponsored clubs and professional associations
- Paid travel for spouse

FACTOR 4

Variables

- Consolidated salary
- Payments for security and security related rewards
- Feeling of self control and identification with the bank goals
- Adequacy of management Development and training programs
- Interest free loans.

FACTOR 5

Variables

- The Basic Salary
- Profit sharing Plans
- Executive Bonus plans
- Working with congenial colleagues

FACTOR 6

Variables

- Contributions for membership to professional and social organization
- Loan entitlements
- Participation in problem solving

FACTOR 7

Variables

- The consolidated salary
- Working with congenial colleagues

FACTOR 8

Variables

- Life Assurance, Medical and funeral Assistance schemes.

FACTOR 9

Variables

- Working in a Job with intellectual interest and professional prestige

FACTOR 10

Variables:

- Nil

Step three- involved rotation of the unrotated factor matrix. This rotation was deemed necessary to result in factors that can be interpreted. Through rotation, the factor matrix was transformed into a simpler one that was easier to interpret. Varimax procedure of factor analysis was applied to minimize the number of variables with high loading on each factor, thereby enhancing interpretability. The ten extracted factors have therefore been identified and renamed as: (see table 4.6.4 on appendix 4)

FACTOR 1: ORGANIZATION MEMBERSHIP REWARDS

Variables:

- Executive bonus plans
- Opportunity to lead others
- Retirement schemes
- Overtime, holiday and weekend premiums
- Responsibility, autonomy, freedom and independence
- Flexibility of bank policies and procedures
- Decentralization and delegation of authority
- Predictability of life in the bank
- First class travel accommodations
- Paid travel for spouse
- Interest free loans

FACTOR 2 : PER FORMANCE REWARDS

Variables

- Payments for employee loan associations, home financing and pensions
- Job with challenging tasks
- Job with intellectual interest and prestige
- Education assistance and scholarships
- Opportunity for promotion
- Participation in problem solving
- Opportunity to set performance goals
- Self respect and esteem
- Security in the bank

FACTOR 3: CAPITAL REWARDS

Variables

- Deferred payments
- Stock option and ownership plans
- A job with intellectual interest and professional prestige
- Educational Assistance and scholarship
- Anniversary award and bonus
- Over time holiday and weekend premiums
- Decentralization and Delegation of Authority
- Adequacy of management training programmes
- Bank provided car

FACTOR 4: STATUS REWARDS

Variable

- Payment for employee insurance and employee stock purchases plans
- First class travel accommodation
- Free assigned parking
- Membership to bank sponsored clubs and professional associations

FACTOR 5 :VARIABLE JOB REWARDS

Variables

- Basic salary
- Profit sharing plans
- Executive bonus plans
- Working with congenial colleagues

FACTOR 6: CAREER REWARDS

Variables

- Career progression rewards after qualification
- Working with challenging colleagues

FACTOR 7: SECURITY REWARDS

Variables

- Loan entitlements
- Life assurance, medical and funeral assistance schemes
- Overtime, holiday and weekend premiums

FACTOR 8: PARTICIPATION REWARDS

Variables: Participation in problem solving

- Participative and consultative decision making

FACTOR 9: SENIORITY REWARDS

Variables

- Payments for seniority and seniority related rewards

FACTOR 10: FIXED JOB REWARDS

Variables

- Consolidated salary
- Job with challenging tasks
- Working with congenial colleagues

4.6.1 RELATIONSHIP BETWEEN THE EXTRACTED FACTORS

The nature of relationship between these ten extracted factors is shown by the Factor Transformation Matrix in table 4.6.5 on appendix 5. The Matrix shows the inter-correlations between each factor with the other nine factors. Correlation ranges from 0 to 1. A correlation score of 0 indicates no correlation at all, where as between 0-0.5 in low correlation. A correlation of 0.5 – 1.0 is a high one. Accordingly then, from this matrix, it appears that the factors correlate highly as:

- Factor 1 with Factor 3
- Factor 3 with factor 4
- Factor 6 with factor 7
- Factor7 with factor 10
- Factor 9 with factor 6

The rest do not correlate with any of the factors.

4.7 CHI-SQUARE TESTS FOR RELATIONSHIPS

Table 4.7.1 TESTING FOR THE RELATIONSHIP BETWEEN PREFERENCES AND OCCUPATION

DPT	ITEMS							TOTAL
	1	2	3	4	5	6	7	
A	3	6	8	7	8	7	5	44
B	4	5	5	5	5	5	2	31
C	5	7	8	5	9	6	4	44
D	4	6	6	6	6	6	3	37
E	3	5	5	5	5	5	4	32
TOTAL	19	29	32	28	33	29	18	188

Source: Field Data, 1999

Key
Departments A to E stand for
A = Managing Directors' Office
B = Financial Division
C = Business Division
D = Development Division
E = Operations Division

Items 1 to 7 stand for
1 = Economic Job Rewards
2 = Economic Memberships Rewards
3 = Non-financial Job Rewards
4 = Fringe Benefits
5 = Job Characteristics
6 = Bank Administration
7 = Perquisites

H_0: *There is no Association between preference and occupation*

H_A: *There is an Association between preference and occupation of managers*

To test for this hypothesis, the mean score by each respondent to each of the mentioned items were computed. Only those who scored a mean of 3.4 and above were considered to have significant preference for the items and so were included. (see appendix 6 for the computation of the sample Chi-square value)

$X^2_{\text{Sample}} = 4.01545$

$X^2_{\text{critical}}\, l\,(0.05,30) = 18.49$

Since $X^2_{\text{Sample}} < X^2_{\text{critical}}$ we fail to reject the alternate hypothesis.

Conclusion: There appears to be an association between the managers' compensation preferences and their occupations. The contingency coefficient calculated using the X^2 of 4.01545 stood at 0.1446. This compared to the upper limit attainable score of 0.8280 indicates a low degree of association between the managers' compensations preferences and their occupations. The contingency coefficient will be zero for no association whereas for a perfect association the score will be equal to the maximum coefficient obtained at 0.8280 (Churchill, 1991).

4.7.2 TESTING FOR THE ASSOCIATION BETWEEN PREFERENCES AND SENIORITY

Each respondent's mean score for the items of compensation were computed and a mean score of 3.4 and above used to judge those who had significant preferences on the items from the different levels of managers.

Table 4.7.2

	ITEM OF COMPENSATION							
MANAGEMENT LEVEL	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**TOTAL**
Manager	9	14	14	13	14	13	8	85
Middle Manager	8	10	10	8	11	8	5	60
Senior Manager	1	3	4	3	4	4	3	22
Chief Manager	2	3	4	4	4	4	2	23
Total	**20**	**30**	**32**	**28**	**33**	**29**	**18**	**190**

Source : Field Data, 1999

$X^2_{\text{Sample}} = 2.71525$

$X^2_{\text{critical}}(0.05,24) = 13.85$

(see appendix 7 for the computation of the sample Chi-square value)

H0: There is no Association between the mangers preferences and their level in the management hierarchy.

H_A: There is an Association between managers preferences and their seniority.

Since $X^2_{\text{Sample}} < X^2_{\text{critical}}$, we do not reject H_A

Conclusion: There appears to be an association between the seniority of managers in the management hierarchy and the compensation items preferred. The contingency coefficient computed to measure the strength of this association stood at 0.1186. The upper limit coefficient score of 0.8280 for this category indicates that the association between seniority and managers' compensation preferences is low.

4.7.3 TESTING FOR THE DEPENDENCE BETWEEN RESPONDENTS OPINIONS AND THEIR OCCUPATION

The managers' mean score were computed for their opinions to each category of items of compensation. Once this was done, the following criteria was used to judge as to whether they agreed, disagreed or were indifferent.

Mean score of:	1 - 2.44	Disagree
	2.45 - 3.44	Neither
	3.45 – 5.0	Agree.

The same criteria was applied in testing for the dependence of the managers' opinions and management level in section 4.7.4., and the difference between the preferences and the schemes in 4.7.5.

Table 4.7.3

	RESPONSE			
DEPARTMENT	**AGREE**	**NEITHER**	**DISAGREE**	**TOTAL**
MD'S Office	3	4	1	8
Finance	2	3	0	5
Business	1	8	0	9
Development	4	1	0	5
Operations	2	2	1	5
Total	**12**	**18**	**2**	**32**

Source: field Data, 1999

$X^2_{sample} = 9.26647$

$X^2_{critical\ (0.05,10)} = 3.94$

(see appendix 8 for the computation of Chi-square value)

Ho: The managers opinions towards the existing scheme and their occupation are independent.

H_A: The managers opinion towards the existing compensation scheme and their occupation are dependent.

Since $X^2_{sample} > X^2_{critical}$ we fail to reject H_A.

Conclusion: The managers' opinion towards the dependent on their occupations. This degree of dependence is high as evidenced by the computed contingency coefficient which stood at 0.4738. The upper limit coefficient score for this category is 0.81649, for which 0.4738 is above its mid point.

4.7.4. TESTING FOR THE DEPENDENCE OF RESPONDENTS OPINIONS AND MANAGEMENT LEVEL

Table 4.7.4

	RESPONSE			
MANAGEMENT LEVEL	**AGREE**	**NEITHER**	**DISAGREE**	**TOTAL**
Manager	5	9	0	14
Middle Manager	5	7	0	12
Senior Manager	2	1	1	4
Chief Manager	2	0	0	2
Total	**14**	**17**	**1**	**32**

Source: field Data, 1999

$X^2_{Sample} = 11.3119$

$X^2_{critical\ (0.05,6)} = 1.64$

(see appendix 9 for the computation of Chi-square value)

H_O: *The managers opinions towards the existing scheme is independent of the level in the management hierarchy.*

H_A: *The managers opinions towards the existing scheme is dependent on the level of management.*

Since $X^2_{Sample} > X^2_{critical}$ we fail to reject H_A.

Conclusion: The managers opinions towards the existing scheme of compensation is dependent on their seniority in the management. The contingency coefficient computed to measure the significance on the dependence was 0.51100. This is a high level of dependence when compared against the maximum score of 0.707.

4.7.5 TESTING FOR THE DIFFERENCE BETWEEN PREFERENCES AND THE SCHEMES

Table 4.7.5

	RESPONSE			
ITEM of COMPENSATION	**AGREE**	**NEITHER**	**DISAGREE**	**TOTAL**
Economic Job rewards	7	12	14	**33**
Economic membership rewards	17	8	7	**32**
Non financial job rewards	28	5	0	**33**
Fringe benefits	10	11	0	**33**
Job characteristics	50	15	12	**65**
Bank Administration	9	11	11	**31**
Perquisites	7	14	11	**32**
Total	**128**	**76**	**55**	**259**

Source: field Data, 1999

$X^2_{Sample} = 70.024$

$X^2_{critical\ (0.05,6)} = 5.23$

(see appendix 10 for the computation of Chi-square value)

H_O: There is no significant difference between the preferences of the managers and their opinions towards the existing scheme for compensation.

H_A: There is a significant difference between the managers' and their opinions towards the existing scheme.

Since $X^2_{Sample} > X^2_{critical}$, we fail to reject H_A.

Conclusion: There is a difference between the managers compensation preferences and their opinions towards the current existing compensation scheme. The contingency coefficient computed using x^2 value of 70.024 was 0.4613. This is a significant level of difference when compared against the maximum score of 0.8164.

4.8 Z -STATISTIC TESTS

To be able to answer adequately both objectives one and two, Z- statistic tests were carried out in several steps. The steps involved testing whether the preferences of the managers are normally distributed. This test relied upon the chi-square Goodness of fit.

4.8.1 THE CHI-SQUARE GOODNESS OF FIT TEST FOR NORMAL DISTRIBUTION OF THE MANAGERS PREFERENCES.

The Managers mean scores were computed for all the compensation items in part one of the questionnaire and the scores grouped into five categories (classes) and their frequencies as shown below. The expected frequencies were then computed and enabled the further computation of the sample chi-square score as:-

Table 4.8.4. The Managers preference scores grouped and their frequencies and the expected scores

Class	Actual frequency (0)	probability	expected (E)	$(O-E)^2/E$
2.5-3.0	1	0.0047	0.0047	210.770
3.0-3.5	4	0.0884	0.3536	37.600
3.5-4.0	4	0.2537	1.0148	8.780
4.0-4.5	19	0.1043	1.9817	146.140
4.5-5	5	0.1908	0.954	17.150
			X^2 Sample	420.460

H_O: The Managers preferences are normally distributed

H_A: The Managers preferences are not normally distributed

The critical value at the 95% confidence level is 1.15.

Since $X^2_{Sample} > X^2$ critical (5,0.05), we fail to reject H_A. We therefore conclude that the managers' preferences are not normally distributed. However Churchill (1991) and Webster (1992) justified the use of Z-statistic to test an hypothesis even if the variable being tested in the population is not normally distributed, provided that the sample size is large enough for the Central Limit Theorem to operate. Since the sample size in this study of 33 is large, z-statistic was applied to test the hypothesis for the existence of preferences and the extent of these that is met by the existing schemes.

4.8.2 TESTING FOR THE EXISTENCE OF PREFERENCES.

The mean score for all the respondent Managers was computed and used to test the hypothesis stated as:

H_O: The Managers have significant compensation preferences.

H_A: The Managers do not have any significant compensation preferences

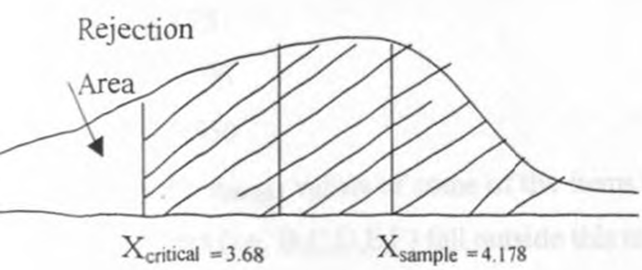
Statistically stated

H_O : $\bar{x} \geq 3.5$

H_A : $\bar{x} < 3.5$

At the 5% significant level the critical calculated as $3.5 \pm 1.96\ (0.5303/\sqrt{33})$ is 3.68 The mean score for the Managers is 4.178.

This is a one tailed (left) test as



Since $\bar{x}$ critical < $\bar{x}$ sample ,we fail to reject H0, we conclude then that the managers have significant compensation preferences.

4.8.3 TESTING FOR THE UNIFORMITY OF THE PREFERENCES ACCROSS THE DIFFERENT COMPENSATION ITEMS

The Hypothesis was stated as:

H_O: The Managers preferences are significantly different across the items of compensation.

H_A: The Managers preferences are uniform across all the items of compensation.

It was statistically stated as:

H_O: $\bar{x}_A \neq \bar{x}_B \neq \bar{x}_C \neq \bar{x}_D \neq \bar{x}_E \neq \bar{x}_F \neq \bar{x}_G$

H_A: $\bar{x}_A = \bar{x}_B = \bar{x}_C = \bar{x}_D = \bar{x}_E = \bar{x}_F = \bar{x}_G$

Where $\bar{x}_A$ ...... $\bar{x}_G$ represent mean scores for the items of compensation ranging from economic job rewards, economic membership rewards, non financial jobs rewards, fringe benefits, Non-financial performance rewards, Non-financial membership rewards to perquisites, respectively.

At the 95% confidence level, using the mean score of 3.5 as in the above hypothesis the $\bar{x}_{critical}$ value ranges from 3.31 to 3.68.

The computed $\bar{x}_{Sample}$ for the items from the sample were

$\bar{x}_A = 3.42$

$\bar{x}_B = 4.28$

$\bar{x}_C = 4.59$

$\bar{x}_D = 4.28$

$\bar{x}_E = 4.75$

$\bar{x}_F = 4.398$

$\bar{x}_G = 3.550$

Since the $\bar{x}_{sample}$ values of some of the items (i.e. A, and G) fall within the critical range and others (i.e. B,C,D,E,F) fall outside this range, we fail to reject H0, and conclude that the Managers preferences for different compensation items are not uniform..

4.8.4 TESTING FOR THE EXTENT OF PREFERENCES MET BY THE EXISTING SCHEMES

The hypothesis was stated as

H_O: There is a significant disagreement between the preferences and the Managers' opinions.

H_A: There is a significant agreement between the preferences and opinions of managers.

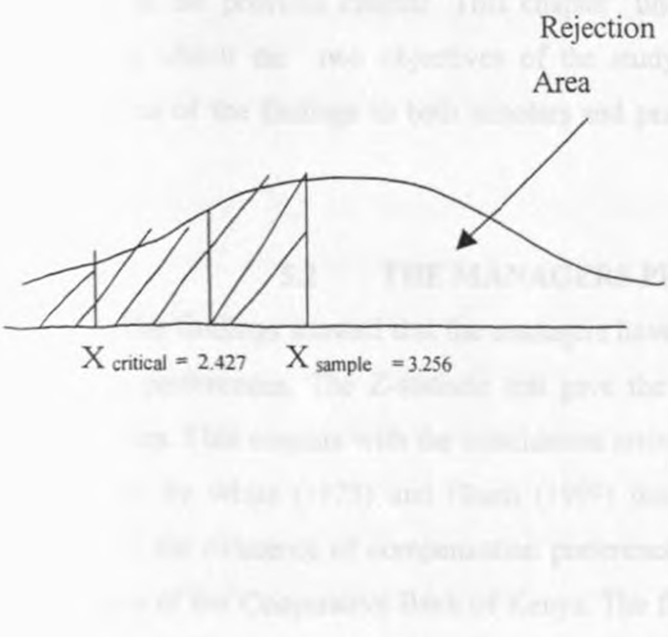
Hence

H_O: $\bar{x} \leq 2.44$

H_A: $\bar{x} > 2.44$

At the 95% confidence level the $\bar{x}_{critical}$ value computed is 2.427. That from the sample is 3.256.

As shown, this is a one tailed (Right hand) test. The $\bar{x}_{sample}$ falls within the rejection area, so we fail to reject H_A.



CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

The aim of this study was to analyse managers' compensation preferences and the extent of these preferences that is met by the existing compensation schemes of the cooperative Bank of Kenya. Based on previous work, it was argued that organisations should assess the needs of their managers, the compensation items demanded by them and those employment outcomes relevant to them .These should guide in the development of motivational programs that match those needs of the managers with the incentives in use by the organsation. This contribution helped develop the instrument that was used to obtain the preferences of managers to various compensation items by both intrinsic and extrinsic nature. The responses obtained from those managers was detailed in the previous chapter. This chapter undertakes to discuss that data in the format in which the two objectives of the study follow one another, and give an implication of the findings to both scholars and practitioners in the field of Behavioral Science.

5.2 THE MANAGERS PREFERENCES

The findings showed that the managers have several needs which form the basis for their preferences. The Z-statistic test gave the evidence of the existence of these preferences. This concurs with the conclusions arrived at by other previous studies done elsewhere by white (1973) and Heath (1999) that managers have preferences .The reality of the existence of compensation preferences becomes true of the case of the Managers of the Cooperative Bank of Kenya. The findings revealed that the preferences differ for different items of compensation and that the non economic rewards are relatively more preferred to the economic ones. There is however a weak association between these preferences and the demographic variables of seniority and occupation .This contrasts the observation of Cascio (1989) that linked the existence of preferences to demographic factors.

This weak association is attributable to the fact that the sample was drawn from only one organization, and further the geographical scope covered was only that of Nairobi.

There was no much diversity with respect to the demographic composition of the respondents. Other demographic variables as age, gender, ethnicity, education profession, political affiliation, club-membership and professional association, societal roles and consumption patterns were not looked at which if put into consideration perhaps might show a strong relationship. Factor Analysis of these preferences grouped them into ten categories. In terms of motivation theory, it can be said that the managers have ten varied dominant needs, some of which are interdependent with others, and others being independent. These needs among the managers form the basis for what they seek to be compensated for and that the critical issues to concern with in compensating the managers are to be linked with compensating them for:

- Being members of the organization
- Their performance in contributing to the success of the organization goals.
- Their capital developmental needs while in the organization
- Their status in the organization
- Their careers
- Security
- Their participation
- Their seniority in the organization

The variables that are considered under each of the areas for compensation (as shown by both the unrotated and rotated factor matrices) indicate that the managers have varied needs that go beyond the scope of that which is covered by the salary surveys. While the salary survey outlines only the economic rewards, the managers showed preferences to a greater variety of needs of non economic nature in addition to the economic ones that the surveys cover. This finding tends to compare favourably with those studies by white (1973)and Heath (1999)on compensation elsewhere, where preferences have been expressed for non-financial aspects of compensation. But contrary to those findings of white (1973) that grouped the managers preferences into six, the findings of this study categorized them into ten, a difference which might be attributed to such factors as changes with time that have an impact on the managers Demographics and psychographics, and environmental variations. And in addition, these variables also give an indication of the diversity of the needs of the managers that ranges from basic existence needs to higher order needs as was pointed by Maslow. Even though the study did not seek to compare the relative importance of the items by the respondents, yet the mean scores of the compensation items compares favourably with the findings of Blunt and Popoola (1990) with regard to some of the most valued rewards in Africa as being status, prestige and power.

It has also come out clearly that the variety of the needs behind the preferences lie within the broad categorization of the need approach used in the literature review that grouped the needs into three categories as Existence, Affiliation and Growth (Chung 1977). Consequently then, the theoretical chart that was developed in table 2.1.1.6 matching the needs to the incentives of the Substantive, Interactive and Effectance could guide in the development of programs for use in motivating the managers in the organization.

5.3 THE EXTENT OF THE PREFERENCES MET BY THE EXISTING COMPENSATION SCHEME.

The second objective of the study was related to the relevance of the existing schemes of compensation in view of the identified preferences of the managers. The chi-square test of difference between the managers' preferences and their opinion toward the existing scheme showed that there is a significant difference. The Z-statistic test also supported this for the mean score ranged within the zone in which the managers are indifferent. According to Luthans (1992), when the managers are indifferent, then the managers value and expected utility of the existing schemes is zero. This raises motivational concern when the managers neither support nor oppose the current scheme of compensation and points at attitude related behaviors such as job satisfaction and organizational commitment. It then leads to the implication that the scheme to begin with is irrelevant and inadequate because of several underlying reasons:

- The designers of the scheme are not aware of the range of the needs exhibited by those managers who are supposed to benefit from the contents of the scheme. Since no study has been contacted before on the preferences, the schemes have simply been done based on assumptions by the designers as to what they think is best for the target managers. This is of course subject to many biases linked to the existence of lay theories among the designers of the schemes as was suggested by Heath (1999).
- The schemes have depended upon external advice from consultants notably those who prepare salary surveys. These surveys are limited in their scope to cover only economic incentives and rewards. This perspective limits the scope of the compensation equation from its broad meaning to the narrow definition that covers salary and wage administration only. And as was pointed by Jeffrey (1998),this

narrow view often lands the designers leaning on it into one of the six dangerous myths about compensation, that people work for money. This study revealed that the managers prefer other non-economic items of compensation of intrinsic nature which the surveys have ignored over time.

- The possibility of a mismatch between the managers needs and characteristics and the incentives being used also exists. As was pointed by Chung (1977) such a mismatch can lead to motivational problems, the evidence of which is the nature of attitude the managers have towards the current existing schemes.
- The existence of certain inhibiting factors to the integration of the managers requirements (preferences) in the schemes for compensation may also explain. These range from the narrow view of the employment equation, through the small number of those who make the compensation decision to the exclusion of those beneficiary managers from participating in the compensation decision.
- The role that perceptions play in the generation of preferences and evaluation of the compensation equation cannot be ignored. There is no global preference set for judging the compensation scheme in whose absence these preferences are generated on line by processes that are vulnerable to bias. For them to be better, Moore (1999) pointed that more information has to be provided and in addition other alternatives and standards by which to judge relevant options. In the case of the population that was sampled, they don't have the options with which to compare the existing scheme and therefore such biases emanating from such a poor context of comparison could have contributed to the opinion score by the managers.

5.4 IMPLICATIONS OF THE FINDINGS

The findings as so far discussed raise several implications of concern to both the scholar of Behavioral Science and the practitioner of Human Resources in Kenya. The major concerns that the study indicates can be summed up in the following points as:

- That the managers have significant preferences to compensation items is clear indication that they have significant needs that form the basis for the goals they seek to satisfy in the employment situation. Organizations are then better placed to understand the behaviour of these managers . However, since the association of these preferences (and the needs) with the demographic variables used of occupation and seniority has not been adequately explained , future research efforts will have to seek to explain through other demographic variables on the nature of this association.

- That as it was strongly argued by the literature review, there are differences among the managers as to what they prefer for their compensation. As Jeffrey (1998) pointed, a system of individual incentives to reward the difference may have to be considered.
- That as was argued by the literature review, compensation has been understood through the narrow view that has leaned more towards the economic transaction view only, to neglect other valued non-financial incentives and rewards. This has raised the need to expand the compensation view not to think of money only.
- That there is the need to analyse the total employment situation for any conflicting expectancies between the managers and the organisations offering to check the whole system for equity. This will lead to an alignment of the organization's offering with what the employee wants. This of course calls for organizational flexibility to accommodate any differences. And the way might be towards flexible compensation systems that have worked elsewhere on the globe. However one critical concern is whether the situation is ripe in the country for this system of rewarding employees to be applied.
- That there is need to improve the attitudes of the managers towards the existing scheme . This could probably be enhanced by treating compensation as an art as much as it is a science , by resulting to a democratic approaches by designing the scheme , that way to give them a better perception of the higher degree of their control over their compensation as was suggested by Pelmutter and Monty (1977). This of course will result to a greater variety of alternatives against which to generate their preferences, in which event the preferences so generated will be more rational than when made in a less rich context (Moore,1999).

5.5 CONCLUSION

This study was designed to determine the compensation preferences of managers in the Kenyan Banking sector and the extent of the preferences that is met by the existing compensation schemes. Having conducted 33 managers of the cooperative Bank of Kenya , the study found that the managers have significant preferences to different compensation items of both financial and non financial nature. It came out clearly that these preferences are not uniform across all the items considered under the study, and that the non-financial incentives and rewards are relatively more preferred to the economic ones.

The results of the study on the opinions of the managers to the existing scheme of compensation in view of their preferences indicate that the managers are indifferent. This has led to the conclusion that the scheme is irrelevant on the basis that the perceived value and utility of this scheme is zero.

While the results might be that convincing for a case study, it is feared that the sample drawn is too small to warrant generalisation of these conclusions across the industry population of the managers in the Banking sector and the nation at large. Additional research is therefore required to ascertain whether these conclusions of the existence of preferences and the irrelevance of the existing schemes of compensation hold for the Banking industry and the nation as a whole.

5.6 RECOMENDATIONS FOR FUTURE RESEARCH

Future Research efforts by scholars might want to carry on with this work on preferences from the point reached by this study. Such research can look at

- The Behavioral variables that will capture demographic attributes of the managers to better explain the relationships of the preferences and the demographic variables. Among these are behavioral causatives of values, attitudes and perceptions.
- Assessment of the willingness of both employees and the managers to adopt flexible compensation systems.

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APPENDIX 1

Table 4.6.1

Correlation Matrix:

	VAR00001	VAR00002	VAR00003	VAR00004	VAR00005	VAR00006	VAR00007
VAR00001	1.00000						
VAR00002	.15886	1.00000					
VAR00003	.38223	-.25644	1.00000				
VAR00004	.17589	.16697	.52204	1.00000			
VAR00005	.03688	-.27231	.37290	.48236	1.00000		
VAR00006	.53135	-.09187	.60663	.49260	.46747	1.00000	
VAR00007	-.03062	-.05201	.35564	.13886	.22971	.24814	1.00000
VAR00008	.31008	.24174	.18472	.23190	-.10100	.25767	.20498
VAR00009	.24345	.31677	-.40707	.12779	-.02039	-.05044	-.28327
VAR00010	-.13051	-.12954	.14751	-.00907	.14096	-.09984	.07493
VAR00011	-.07104	.13324	-.16705	.24779	.30266	.02075	.13324
VAR00012	.06518	.12380	-.19682	.09671	.04533	-.11940	-.08571
VAR00013	.02955	.38860	-.11206	.16442	.05285	.00663	.24611
VAR00014	.02831	.09927	-.28292	-.17405	-.21221	-.33270	-.36870
VAR00015	-.03000	-.16303	.14155	-.00534	.19550	.00807	.64685
VAR00016	.11082	.17487	-.18055	.09207	.08515	.04309	.03238
VAR00017	.44433	.30739	.18519	.28489	.33264	.43743	.16844
VAR00018	.21989	-.04876	.42851	.42557	.46091	.70577	.46740
VAR00019	.37997	.37653	-.06265	.05147	-.11489	-.03705	-.10137
VAR00020	.03591	-.08184	.42967	.35800	.40955	.62821	.61067
VAR00021	.20089	.10323	-.13572	-.10329	.11700	-.05749	-.29755
VAR00022	.04476	.03062	.05796	.36928	.52149	.29285	.28327
VAR00023	.19272	-.23866	.40341	.37577	.68563	.59417	.29229
VAR00024	.30728	-.29254	.44269	.52059	.60007	.61510	.24909
VAR00025	.36793	.17427	-.03375	-.08848	.10023	.03860	-.16907
VAR00026	.29244	.13021	-.22687	.16115	.06641	.23738	-.13835
VAR00027	.16748	.14430	-.11613	.12352	.18864	.15798	-.07718
VAR00028	.00080	-.13549	.34037	.30282	.37930	.58396	.69420
VAR00029	.20089	.20343	.10507	.25282	.02615	.40397	.30363
VAR00030	.42649	.27112	.01235	.19707	.02976	.16795	-.10560
VAR00031	.18628	-.02233	.26028	.29196	.35053	.57994	.53036
VAR00032	-.08840	-.18445	.43322	.31668	.41681	.53812	.56858
VAR00033	.29244	.30925	-.18384	-.02066	-.01476	.05414	.13021
VAR00034	.01019	-.12801	.33910	.26450	.33739	.49661	.78888
VAR00035	-.23130	-.21321	-.08439	.31839	.58184	.15403	.20067
VAR00036	.07267	.12931	-.29064	.12551	.17500	.02433	-.18445
VAR00037	.19330	-.22898	.46224	.63246	.50658	.69368	.07327
VAR00038	.36583	-.19461	.46767	.54274	.40135	.56806	.16720
VAR00039	.46737	.07525	.01072	.28868	.14783	.15974	-.35396

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	VAR00001	VAR00002	VAR00003	VAR00004	VAR00005	VAR00006	VAR00007
VAR00040	-.05043	.22562	-.17145	.08978	-.13200	-.28161	-.17683
VAR00041	-.05083	-.01635	.18627	.51516	.31172	.32341	.06459
VAR00042	-.03175	.13689	.04880	.30855	-.05865	.16434	.11207

	VAR00008	VAR00009	VAR00010	VAR00011	VAR00012	VAR00013	VAR00014
VAR00008	1.00000						

Appendix 1 continued
Table 4.6.1 continued

VAR00009	.45685	1.00000					
VAR00010	.00220	-.17390	1.00000				
VAR00011	-.04808	.36510	.17586	1.00000			
VAR00012	-.15808	.42369	-.02454	.53019	1.00000		
VAR00013	-.10320	.02955	.08677	.30187	.58817	1.00000	
VAR00014	-.15382	.16177	-.01318	-.09792	.12977	.06703	1.00000
VAR00015	.06634	-.12898	.06594	.11802	.05970	.17593	.07665
VAR00016	-.00860	.31400	.10512	.24038	.52078	.63333	.06088
VAR00017	-.27539	-.11048	-.01609	.21080	.16731	.46325	-.00590
VAR00018	.12584	-.14379	.08715	.26525	-.01828	.13496	-.42650
VAR00019	.31250	.24368	.05534	.30625	.10275	-.05590	.03060
VAR00020	.31141	-.14184	.05488	.30702	-.03871	.05670	-.53073
VAR00021	-.01411	.31519	.11942	.46649	.49116	.09376	.08982
VAR00022	.15123	.36900	.17390	.50718	.35307	.29553	-.16721
VAR00023	.12997	.14224	.21117	.55549	.20801	-.00690	-.33880
VAR00024	.32308	.27094	-.01443	.37500	.08768	-.09690	-.31424
VAR00025	.15888	.36793	.10230	.17736	.50196	.30121	.07694
VAR00026	.10807	.59880	-.28305	.14751	.48502	.33508	.06878
VAR00027	.06461	.42013	.09308	.28095	.45236	.46631	.05672
VAR00028	.23185	-.13066	-.12763	.23027	.01586	.08627	-.50967
VAR00029	.25199	.08659	-.34523	.12055	-.07755	-.16408	-.34224
VAR00030	.36571	.53392	.10098	.27836	.38067	.37455	.06030
VAR00031	.40959	.23882	.00503	.46500	.22181	.17958	-.40901
VAR00032	.35731	-.17788	.13072	.17808	-.24555	-.12478	-.42598
VAR00033	.22694	.39456	.11671	.30205	.48502	.56545	.07650
VAR00034	.33403	-.17659	.08053	.28778	.04787	.26046	-.46828
VAR00035	-.07772	.34576	.20356	.62426	.44294	.27972	-.08833
VAR00036	.10732	.57376	-.34620	.25933	.49649	.27893	.11791
VAR00037	.11554	.13061	.01730	.37157	.05199	-.14142	-.28042
VAR00038	.24386	.24545	-.00306	.41875	.06482	-.19044	-.28839
VAR00039	.13879	.53731	.20847	.42098	.25311	.03586	.15311
VAR00040	.25405	.52344	.14283	.40395	.09085	-.15299	.08375
VAR00041	.47010	.38007	.01952	.32885	.03480	-.15780	-.26498
VAR00042	.36904	.18061	-.26869	-.02792	.00213	-.18000	-.25966

	VAR00015	VAR00016	VAR00017	VAR00018	VAR00019	VAR00020	VAR00021
VAR00015	1.00000						

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	VAR00015	VAR00016	VAR00017	VAR00018	VAR00019	VAR00020	VAR00021
VAR00016	.10150	1.00000					
VAR00017	.09239	.15035	1.00000				
VAR00018	.19610	.36936	.31462	1.00000			
VAR00019	-.06809	-.05590	.00909	.03177	1.00000		
VAR00020	.28612	.14581	.06320	.86652	.08151	1.00000	
VAR00021	-.19985	.22268	-.09906	.03829	.34069	-.01139	1.00000
VAR00022	.22797	.62061	.03122	.55943	.16520	.51708	.25631
VAR00023	.17650	.22082	.14301	.71024	.08101	.69258	.39791
VAR00024	.11499	.10808	.02908	.59085	.03750	.59954	.22538
VAR00025	-.08153	.63254	-.08486	.17401	.29186	.09760	.70133
VAR00026	.03401	.56545	.13276	.16958	-.07024	.07125	.11782
VAR00027	.04733	.82253	.12106	.33215	-.05793	.15109	.33095
VAR00028	.44218	.08627	.11130	.74297	-.08439	.91192	-.16430

Appendix 1 continued
Table 4.6.1 continued

VAR00029	.11420	-.03516	.02667	.53280	.34069	.61520	-.08791
VAR00030	-.03578	.73809	.01791	.26918	.34487	.16063	.33053
VAR00031	.34705	.33761	.13135	.72862	.14456	.85187	.03536
VAR00032	.30695	-.16516	-.06502	.52973	.15593	.73135	-.16690
VAR00033	.12754	.79582	.18893	.21867	.31610	.12723	.27982
VAR00034	.45409	.21833	.10833	.75582	.05139	.88986	-.08619
VAR00035	.24460	.39806	.06033	.28656	-.10825	.28236	.18157
VAR00036	-.05364	.44042	-.04534	-.05527	.15593	-.05351	.23056
VAR00037	.00000	.07071	.12643	.56254	.03953	.53269	.01657
VAR00038	.05155	.11991	.12554	.63729	.15378	.56050	.06944
VAR00039	-.14851	.35144	.23782	.15895	.24056	-.12898	.37322
VAR00040	-.08123	.10592	-.13295	-.13375	.13158	-.15444	.11310
VAR00041	-.05125	.11993	-.27906	.44476	.14467	.51692	.13168
VAR00042	.06601	.04355	-.21472	.36542	.04220	.46424	-.14563

	VAR00022	VAR00023	VAR00024	VAR00025	VAR00026	VAR00027	VAR00028
VAR00022	1.00000						
VAR00023	.68216	1.00000					
VAR00024	.45596	.78540	1.00000				
VAR00025	.51332	.34088	.14368	1.00000			
VAR00026	.47347	.13440	.23883	.37849	1.00000		
VAR00027	.68522	.29765	.16510	.62686	.76499	1.00000	
VAR00028	.39356	.56255	.55217	-.06929	.18292	.07403	1.00000
VAR00029	.14201	.29116	.45600	-.07531	.11782	-.17003	.66982
VAR00030	.64787	.25999	.23648	.72115	.62292	.82764	-.00950
VAR00031	.63686	.68852	.63928	.22069	.42423	.42150	.82494
VAR00032	.39263	.58200	.51702	-.19161	-.15680	-.11885	.68229
VAR00033	.57559	.13440	-.01873	.65604	.42105	.67547	.03387
VAR00034	.43807	.52969	.50361	.02769	.00963	.09526	.87481
VAR00035	.78212	.64811	.44745	.15554	.35148	.44315	.28190
VAR00036	.39263	.13068	.21009	.39207	.45195	.35179	.00317
VAR00037	.48063	.73193	.71151	-.02840	.17770	.12823	.47275

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	VAR00022	VAR00023	VAR00024	VAR00025	VAR00026	VAR00027	VAR00028
VAR00038	.39084	.67753	.82172	.05949	.19942	.16446	.46548
VAR00039	.33701	.40535	.36405	.31973	.34247	.44593	-.26914
VAR00040	.05043	.14131	.16053	.01891	-.11091	-.00762	-.23097
VAR00041	.40478	.53052	.74239	.02915	.15070	.13327	.41315
VAR00042	.06006	.07573	.26357	-.04780	.25537	.02858	.52720

	VAR00029	VAR00030	VAR00031	VAR00032	VAR00033	VAR00034	VAR00035
VAR00029	1.00000						
VAR00030	-.01033	1.00000					
VAR00031	.53544	.44156	1.00000				
VAR00032	.45767	-.06631	.63589	1.00000			
VAR00033	-.04418	.77519	.37459	-.05534	1.00000		
VAR00034	.50638	.10127	.77920	.68996	.27434	1.00000	
VAR00035	-.06809	.25600	.44977	.38379	.27713	.28681	1.00000
VAR00036	.11700	.41402	.18349	-.03125	.45195	.00337	.38379
VAR00037	.41437	.17137	.53333	.59689	-.04443	.34126	.52490

Appendix 1 continued
Table 4.6.1 continued

VAR00038	.50593	.30304	.62624	.39452	.00443	.40688	.28229
VAR00039	-.12609	.52621	.12828	-.15794	.24333	-.23241	.34954
VAR00040	.02207	.17373	.03297	-.11489	.05176	-.21638	.16333
VAR00041	.52228	.23920	.51280	.51659	-.02379	.40037	.36669
VAR00042	.66284	.04094	.39666	.16921	-.10580	.35630	-.14243

	VAR00036	VAR00037	VAR00038	VAR00039	VAR00040	VAR00041	VAR00042
VAR00036	1.00000						
VAR00037	.20761	1.00000					
VAR00038	.12115	.76309	1.00000				
VAR00039	.15478	.38036	.48565	1.00000			
VAR00040	.14167	.13315	.31129	.54696	1.00000		
VAR00041	.25668	.63378	.68384	.26076	.34691	1.00000	
VAR00042	.04262	.24224	.41406	-.11869	.02528	.55452	1.00000

APPENDIX 2

Table 4. 6.2 Communalities, Elgen values and extracted factors

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
VAR00001	1.00000	*	1	11.47644	27.3	27.3
VAR00002	1.00000	*	2	7.06769	16.8	44.2
VAR00003	1.00000	*	3	3.66357	8.7	52.9
VAR00004	1.00000	*	4	3.10428	7.4	60.3
VAR00005	1.00000	*	5	2.66918	6.4	66.6
VAR00006	1.00000	*	6	2.11666	5.0	71.7
VAR00007	1.00000	*	7	1.84967	4.4	76.1
VAR00008	1.00000	*	8	1.57009	3.7	79.8
VAR00009	1.00000	*	9	1.30257	3.1	82.9
VAR00010	1.00000	*	10	1.16044	2.8	85.7
VAR00011	1.00000	*	11	.93726	2.2	87.9
VAR00012	1.00000	*	12	.82259	2.0	89.9
VAR00013	1.00000	*	13	.71551	1.7	91.6
VAR00014	1.00000	*	14	.64700	1.5	93.1
VAR00015	1.00000	*	15	.54762	1.3	94.4
VAR00016	1.00000	*	16	.45303	1.1	95.5
VAR00017	1.00000	*	17	.37265	.9	96.4
VAR00018	1.00000	*	18	.32975	.8	97.2
VAR00019	1.00000	*	19	.26624	.6	97.8
VAR00020	1.00000	*	20	.24954	.6	98.4
VAR00021	1.00000	*	21	.17276	.4	98.8
VAR00022	1.00000	*	22	.15344	.4	99.2
VAR00023	1.00000	*	23	.12556	.3	99.5
VAR00024	1.00000	*	24	.09416	.2	99.7
VAR00025	1.00000	*	25	.07158	.2	99.9
VAR00026	1.00000	*	26	.04304	.1	100.0
VAR00027	1.00000	*	27	.01438	.0	100.0
VAR00028	1.00000	*	28	.00328	.0	100.0
VAR00029	1.00000	*	29	.00000	.0	100.0
VAR00030	1.00000	*	30	.00000	.0	100.0
VAR00031	1.00000	*	31	.00000	.0	100.0
VAR00032	1.00000	*	32	.00000	.0	100.0
VAR00033	1.00000	*	33	.00000	.0	100.0
VAR00034	1.00000	*	34	.00000	.0	100.0
VAR00035	1.00000	*	35	.00000	.0	100.0
VAR00036	1.00000	*	36	.00000	.0	100.0
VAR00037	1.00000	*	37	.00000	.0	100.0
VAR00038	1.00000	*	38	.00000	.0	100.0
VAR00039	1.00000	*	39	.00000	.0	100.0
VAR00040	1.00000	*	40	.00000	.0	100.0
VAR00041	1.00000	*	41	.00000	.0	100.0
VAR00042	1.00000	*	42	.00000	.0	100.0

APPENDIX 3

Table 4.6.3 The Ten Factor Loadings before rotation

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
VAR00001	.27389	.20468	.22486	.17841	.78587
VAR00002	-.03841	.35672	.01878	.50915	.16304
VAR00003	.38877	-.48180	.05007	-.20988	.51423
VAR00004	.56061	-.09778	.23197	-.12079	.22146
VAR00005	.57055	-.12961	-.07965	-.54492	.05773
VAR00006	.67972	-.29385	.05117	-.02743	.53542
VAR00007	.43881	-.45479	-.53980	.14040	-.10781
VAR00008	.35469	-.01206	.32761	.51219	-.01773
VAR00009	.26411	.65829	.44839	.21490	-.22098
VAR00010	.05575	.03766	-.13094	-.45238	-.05697
VAR00011	.51573	.32811	.03692	-.27101	-.33459
VAR00012	.25542	.64527	-.20100	-.06396	-.14748
VAR00013	.19448	.45512	-.64104	.04902	.10867
VAR00014	-.39927	.39496	.04231	-.08833	.04862
VAR00015	.25951	-.18560	-.46907	.02615	-.18868
VAR00016	.41457	.67074	-.36954	.07842	.00204
VAR00017	.19034	.06182	-.29575	-.17037	.62413
VAR00018	.82268	-.23029	-.17039	.02623	.19720
VAR00019	.15800	.22231	.29291	.30367	.09817
VAR00020	.82494	-.40246	-.17823	.16727	-.06862
VAR00021	.17626	.52572	.16741	-.18564	-.03050
VAR00022	.76534	.36665	-.19143	-.14388	-.18644
VAR00023	.84695	-.04137	.08982	-.39236	-.03391
VAR00024	.80866	-.14152	.33864	-.17975	.00350
VAR00025	.30683	.68021	-.08827	.07989	.13679
VAR00026	.39003	.56125	-.06665	.23319	.07656
VAR00027	.45200	.69129	-.25504	-.00714	.07152
VAR00028	.74475	-.47079	-.27357	.24039	-.13245
VAR00029	.51666	-.34463	.22240	.54663	-.05128
VAR00030	.48231	.70851	.00489	.19519	.17962
VAR00031	.89379	-.05984	-.13464	.20891	-.10154
VAR00032	.62832	-.53830	-.03389	-.03013	-.18782
VAR00033	.36046	.67518	-.37420	.24068	.07525
VAR00034	.73387	-.37386	-.39607	.20947	-.12741
VAR00035	.58289	.27155	-.14558	-.50326	-.42503
VAR00036	.27716	.53636	.08244	.13130	-.21766
VAR00037	.73669	-.17919	.35173	-.29258	.05841
VAR00038	.76015	-.12634	.44673	-.09295	.10901
VAR00039	.31990	.54682	.46802	-.32956	.23600
VAR00040	.06616	.28650	.54448	-.07775	-.31860
VAR00041	.66290	-.09375	.50201	.08360	-.32919
VAR00042	.36235	-.23098	.24766	.59148	-.18949

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	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
VAR00001	.12325	-.01393	-.05587	.31674	.15979
VAR00002	.15099	.53190	.03505	-.24359	-.25174
VAR00003	.13734	-.14444	.15154	.03399	-.09181

Appendix 3 continued

Table 4.6.3 continued

VAR00004	-.22590	.31396	.24918	-.16759	-.34393
VAR00005	-.15427	.01353	-.08805	.11906	-.23250
VAR00006	-.17420	-.07939	-.03949	.05921	-.10880
VAR00007	.20783	.17558	.17451	.20497	.08361
VAR00008	.32670	-.13237	.38460	.21463	-.20458
VAR00009	-.12773	.08556	.13053	.22559	.00548
VAR00010	.59277	-.07315	.29953	-.27868	.01433
VAR00011	.18463	.47793	-.22469	-.05378	.14170
VAR00012	-.14469	.19603	-.29464	.02556	.10448
VAR00013	-.06189	.34172	.05652	-.13711	-.14344
VAR00014	-.06282	.07537	.14182	.32989	.08884
VAR00015	.09354	.12606	.24429	.50027	.32322
VAR00016	-.09133	-.13316	.16981	-.23401	.08585
VAR00017	-.14503	.58910	-.04529	-.01528	.09325
VAR00018	.03102	-.05224	-.05474	-.28078	.14145
VAR00019	.56505	.23061	-.29756	.16638	-.17856
VAR00020	.12447	-.07637	-.10658	-.14734	.02220
VAR00021	.33262	-.14923	-.57678	-.03527	.04966
VAR00022	.04154	-.11700	.07779	.00530	-.17851
VAR00023	.13891	-.07475	-.18431	.02891	.07383
VAR00024	-.08327	-.09088	-.05173	.14207	.07531
VAR00025	.26944	-.39680	-.26715	-.01288	-.02996
VAR00026	-.52984	-.16064	.07844	.07276	.12514
VAR00027	-.14600	-.28280	.17975	-.17019	.05792
VAR00028	-.12162	.00820	-.10682	.01781	.11889
VAR00029	-.08125	.18996	-.28173	-.03108	.11000
VAR00030	.14660	-.23016	.21227	-.04419	-.05352
VAR00031	.04150	-.02074	.02552	.06394	.14298
VAR00032	.19727	-.00978	.04347	.16657	-.30167
VAR00033	.23740	-.03283	.08473	.06272	-.08748
VAR00034	.17005	.01612	-.02610	.01274	.02170
VAR00035	-.15941	.09573	.08109	.12035	-.12931
VAR00036	-.33886	.03524	-.17466	.30145	-.33510
VAR00037	-.20578	.04065	.00431	-.01690	-.10485
VAR00038	-.05820	.04297	.04455	-.04052	.27098
VAR00039	.09211	.11464	.21277	-.02912	.25336
VAR00040	.23380	.33631	.32668	-.07813	.24331
VAR00041	-.04680	-.03598	.09781	-.16036	-.13239
VAR00042	-.25888	-.04949	.00976	-.28080	.17051

APPENDIX 4

Table 4.6.4: The Ten Factors and their Loadings after rotation

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
VAR00001	-.00017	.18717	-.05670	.07339	.91065
VAR00002	.00511	.17444	-.28683	.13445	.01335
VAR00003	.30345	-.17825	.33991	-.17317	.57920
VAR00004	.29615	.03524	.58440	.19029	.24223
VAR00005	.18125	.05646	.80422	-.10138	.12618
VAR00006	.50020	.05931	.44120	-.16937	.62937
VAR00007	.49039	-.04326	.09047	-.18738	-.00357
VAR00008	.25948	.11433	-.05292	.20051	.16272
VAR00009	-.13394	.43032	.09916	.56797	-.04188
VAR00010	-.07654	.11505	.13170	.14813	-.10109
VAR00011	.20799	.19870	.38562	.50230	-.20924
VAR00012	-.06192	.53906	.13467	.15238	-.14875
VAR00013	-.03947	.57891	.06165	-.17701	-.07506
VAR00014	-.62122	.09112	-.12834	.14174	.05379
VAR00015	.13221	.05417	.03387	.00991	.00764
VAR00016	.09539	.91438	.02066	.07441	-.05517
VAR00017	-.01115	.06699	.17045	-.02337	.53937
VAR00018	.79599	.25617	.26371	-.01488	.28007
VAR00019	.06898	-.02866	-.08344	.16046	.17507
VAR00020	.90020	.09933	.25818	-.09647	.06070
VAR00021	-.04610	.30774	.09152	.11706	.00083
VAR00022	.29638	.64780	.53287	.07480	-.10094
VAR00023	.49680	.19076	.64385	.19649	.17374
VAR00024	.51366	.06819	.57661	.28917	.27893
VAR00025	-.00476	.72950	-.02364	-.07768	.12914
VAR00026	.07500	.71991	.05954	.10465	.13528
VAR00027	.04585	.93948	.12268	.07004	.04571
VAR00028	.86203	.02779	.21011	-.13514	.02410
VAR00029	.77745	-.18041	-.06795	.12228	.11599
VAR00030	.04799	.84878	.04629	.18622	.21863
VAR00031	.72863	.36032	.26325	.13280	.11335
VAR00032	.57049	-.20804	.51256	-.13125	-.03230
VAR00033	-.00595	.80405	-.04020	-.03016	.04735
VAR00034	.77992	.12505	.19490	-.17199	-.00807
VAR00035	.05950	.37658	.75434	.21200	-.31446
VAR00036	-.11395	.41505	.33510	.02493	-.16722

- - - - - - - - - - - - F A C T O R   A N A L Y S I S - - - - - - - - - - - -

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
VAR00037	.44368	-.00558	.70147	.25224	.23662
VAR00038	.56285	.04588	.38199	.50419	.38051
VAR00039	-.17810	.35866	.25492	.69474	.38449
VAR00040	-.10124	-.01250	.00752	.86743	-.14492
VAR00041	.56231	.04668	.40556	.42272	-.13245
VAR00042	.70093	.01011	-.22928	.20053	-.08151

Appendix 4 continued
Table 4.6.4 continued

	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
VAR00001	.00654	.22538	.14087	.11746	.06216
VAR00002	-.14271	.11181	.11226	.14029	.80524
VAR00003	.01862	-.14994	-.33627	.13906	-.08019
VAR00004	-.18386	-.28228	.02899	.10972	.38423
VAR00005	.08416	.02032	-.06339	-.15274	-.07105
VAR00006	-.03808	-.10729	.06514	.03843	.01029
VAR00007	.72228	-.11556	-.18234	.05640	.13583
VAR00008	.09862	.02234	.04664	.82932	.07719
VAR00009	-.06794	.16432	.47695	.30415	.04339
VAR00010	.06396	.08126	-.81994	.04093	-.02426
VAR00011	.18792	.44147	-.02251	-.28939	.23317
VAR00012	.08254	.33199	.27770	-.36226	.14936
VAR00013	.23766	-.03137	-.03475	-.28530	.56190
VAR00014	.11778	.00596	.16003	-.01544	-.02004
VAR00015	.86877	-.10305	-.00257	-.01337	-.09948
VAR00016	.02962	-.04007	-.03108	-.11934	.09810
VAR00017	.17599	-.08561	-.01603	-.51723	.54214
VAR00018	.06267	-.02601	-.18719	-.12908	.01546
VAR00019	-.01339	.68551	.03857	.35339	.34234
VAR00020	.19788	.05971	-.11480	.07645	-.01475
VAR00021	-.24039	.78940	-.03022	-.14292	-.13777
VAR00022	.14964	.14474	-.04971	.11174	.01150
VAR00023	.09900	.30678	-.15337	-.08657	-.21417
VAR00024	.02914	.09830	.12137	.09970	-.25906
VAR00025	-.14742	.54084	-.02997	.09078	-.11555
VAR00026	-.03565	-.17106	.51833	-.06863	-.06956
VAR00027	-.05713	-.04723	-.00278	-.05988	-.04958
VAR00028	.36453	-.08635	.13168	-.03174	-.04060
VAR00029	.02425	.12185	.39466	.10819	.13722
VAR00030	-.08046	.15660	-.01233	.29108	.07816
VAR00031	.34100	.07016	.08150	.11382	-.02307
VAR00032	.29417	.03948	-.12564	.35765	-.00164
VAR00033	.22133	.26334	-.02154	.14844	.27107
VAR00034	.45700	.03714	-.10986	.08381	.07032
VAR00035	.24668	.03709	.01853	-.12913	-.05923
VAR00036	-.03555	.20646	.61688	.14969	.11271
VAR00037	-.13154	-.05401	.07907	.03028	-.08304

- - - - - - - - - - - F A C T O R   A N A L Y S I S - - - - - - - - - - -

	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
VAR00038	-.05311	.00867	.05482	.02062	-.16134
VAR00039	-.17646	.12885	-.10235	-.04336	-.02631
VAR00040	-.03009	.06722	-.09165	.15934	.08453
VAR00041	-.21354	-.00281	.12020	.35798	-.06780
VAR00042	-.17255	-.21610	.33885	.16292	-.02401

APPENDIX 5

Table 4.6.5 Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Factor 1	.68642	.37810	.52068	.17499	.19790
Factor 2	-.44548	.75740	-.04855	.26528	-.05398
Factor 3	-.03478	-.34777	.09777	.59595	.18377
Factor 4	.36695	.10831	-.64749	-.09337	.00813
Factor 5	-.10318	.05237	-.07005	-.24022	.90349
Factor 6	.01626	-.07298	-.19755	.09698	.03817
Factor 7	-.04001	-.29953	.09174	.37350	-.01820
Factor 8	-.18442	.18049	.00814	.31261	.04151
Factor 9	-.35158	-.13891	.18530	-.07135	.25179
Factor 10	.15617	.03258	-.45932	.47509	.20218

	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
Factor 1	.16128	.09823	.03813	.08766	.01336
Factor 2	-.14346	.28931	.15954	-.04912	.14178
Factor 3	-.52346	.12701	.20868	.34269	-.16804
Factor 4	.02971	-.01978	.42398	.41575	.26779
Factor 5	-.19443	-.07007	-.11302	-.10738	.20170
Factor 6	.19951	.57499	-.66699	.34393	.10460
Factor 7	.24893	.02106	.11929	-.29544	.77234
Factor 8	.22164	-.71653	-.30488	.41749	.06417
Factor 9	.63339	.19979	.42893	.28338	-.22110
Factor 10	.29771	-.02882	-.03132	-.47740	-.42265

APPENDIX 6

Computing for the sample Chi-square value for the relationship between preferences and occupation

O	E	(O – E)2	(O-E)2/E
3	4.44	2.0736	0.467
4	3.13	0.75569	0.2418
5	4.44	0.3136	0.0706
4	3.73	0.0729	0.0195
3	3.23	0.0529	0.0163
6	6.78	0.6084	0.0897
5	4.78	0.484	0.0101
7	6.78	0.484	0.0071
6	5.70	0.09	0.0157
5	4.93	0.0049	0.0009
8	7.48	2.2704	0.361
5	5.27	0.0729	0.0138
8	7.48	0.2704	0.0361
6	6.29	0.0841	0.0133
5	5.44	0.1936	0.0355
7	6.55	0.2025	0.0309
5	4.61	0.1521	0.0329
5	6.55	2.4025	0.3667
6	5.51	0.2401	0.0435
5	4.76	0.0576	0.0121
8	7.72	0.0784	0.0101
5	5.44	0.1936	0.0355
9	7.72	1.6384	0.2122
6	6.49	0.2401	0.0369
5	5.61	0.3721	0.0663
7	6.78	0.484	0.00713
5	4.78	0.0484	0.01012
6	6.78	0.6084	0.0897
6	5.7	0.09	0.0157
5	4.93	0.0049	0.0009
5	4.21	0.6241	0.1482
2	2.96	0.9216	0.3113
4	6.78	7.7284	1.1398
3	3.54	0.2916	0.0823
4	3.06	0.8836	0.2887
			X^2 = 4.01545

APPENDIX 7

Computation for the sample Chi-square value of association between preferences and seniority

O	E	$(O-E)^2$	$(O-E)^2/E$
9	8.94		0.0004
8	6.31		0.4526
1	2.31		0.7429
2	2.42		0.0728
14	13.42		0.02506
10	9.47		0.0296
3	3.47		0.0636
3	3.63		0.1093
14	14.76		0.0391
10	10.10		0.0009
4	3.70		0.0243
4	3.87		0.0043
13	12.52		0.0184
8	8.84		0.0798
3	3.24		0.0177
4	3.38		0.1137
14	14.76		0.0391
11	10.42		0.0322
4	2.83		0.00848
4	3.99		0.00002
13	12.94		0.00006
8	9.15		0.1445
4	3.35		0.1261
4	3.51		0.0684
8	8.05		0.00031
5	5.68		0.0814
3	2.08		4069
2	2.17		0.0133
			$X^2 = 2.71525$

APPENDIX 8

Computation for the sample Chi-square value for the dependence of respondents opinions and occupations

O	E	$(O-E)^2$	$(O-E)^2/E$
3	3		0
2	1.875		0.0083
1	3.375		1.6712
4	1.875		2.4083
2	1.875		0.00083
4	4.5		0.0555
3	2.81		0.01284
8	5.06		1.7082
1	2.81		1.1658
2	2.81		0.2334
1	0.5		0.5
0	0.31		0.3203
0	0.56		0.56
0	0.31		0.31
0	0.31		0.31
			$X^2 = 9.26447$

APPENDIX 9

Computation for the sample Chi-square value of the dependence between respondents opinions and their management level

O	E	$(O-E)^2$	$(O-E)^2/E$
5	6.125		0.2066
5	5.25		0.0119
2	1.75		0.0357
2	0.875		1.4465
9	7.43		0.3321
7	6.375		0.0612
1	2.125		0.5955
0	1.06		1.06
0	0.4375		0.4375
0	0.375		0.375
1	0.125		6.125
0	0.0625		0.625
			$X^2 = 11.3119$

APPENDIX 10

Computation for the sample Chi-square value of the difference between preferences and the existing scheme.

O .,	E	$(O-E)^2$	$(O-E)^2/E$
7	16.30		5.306
17	15.81		0.0895
28	16.30		8.3981
10	16.30		2.4349
50	32.12		9.9531
9	15.32		2.6072
7	15.81		4.909
12	9.68		0.556
8	9.38		0.2030
5	9.68		2.262
11	9.68		0.18
15	19.07		0.8686
11	9.09		0.4013
14	9.38		2.2755
14	7.00		7.000
7	6.79		0.0064
0.	7.00		7.00
0	7.00		7.00
12	13.80		0.2347
11	6.58		3.1186
11	6.79		2.6103
			$X^2 = 70.024$

APPENDIX 11

THE CO-OPERATIVE BANK OF KENYA LTD.
RECEIVED
15 JUN 1999
Office of the Chief Manager Human Resources Development
HEAD OFFICE, NAIROBI

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA PROGRAMME – LOWER KEBTER CAMPUS

Telephone: 732160 /5
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

May 18th 1999

The Managing Director
Cooperative Bank of Kenya

Dear Sir,

The bearer of this letter, KILIKA JAMES Registration No. D61/7145/97 is a Master of Business and Administration student of the University of Nairobi. He is required to submit as part of his course work assessment a research project report on some management problem.

The student is doing his research on "ANALYSIS OF MANAGERS' COMPENSATION PREFERENCES AND THE EXISTING COMPENSATION SCHEMES". He would like to use your organization for a case study of this research. We would therefore, appreciate if you allow him to collect data in your Bank for the research.

The data collected will be treated confidentially and used for academic purposes only. Your Bank can get a free copy of the final report upon request from the above office.

Thank you.

Yours sincerely,

DR. M. OGUTU
MBA Coordinator & Senior Lecturer

M. B. A. OFFICE
P. O. Box 30197
18 MAY 1999
NAIROBI
UNIVERSITY COMMERCE FACULTY

APPENDIX 12

JAMES KILIKA,
C/O MBA COORDINATOR,
FACULTY OF COMMERCE,
UNIVERSITY OF NAIROBI,
PO BOX 30197,
NAIROBI.
6th JULY 1999.

Dear Sir / Madam,

I am conducting a management research project sponsored by the University of Nairobi in partial fulfillment of the requirements for the degree of Masters in Business and Administration .

Upon request by the University of Nairobi administration, the top management of your Bank through the office of the Managing Director has consented to facilitate for a case study of this research. Your response and those of other management staff in the Cooperative Bank will therefore enable me complete this task. The answers you will give in response to the questions in the enclosed questionnaire are very important to the accuracy of my research.

I hope you will take the time to complete and return it to the Chief Manager, Human Resources at your earliest convenience. Thank you for your assistance.

Sincerely,

J.M. KILIKA
(Research Candidate)

S.N.M. NZUVE
(University Research Supervisor)

APPENDIX 13

RESEARCH QUESTIONNAIRE

INTRODUCTION

You are kindly requested to answer the following questions in the three parts of the questionnaire.

PART ONE

The questions here are about the importance to you of the various items of financial rewards, fringe benefits and other non-economic incentives deemed suitable for a compensation scheme. Please read Section A and tick **1** for the **Least Important** and **5** for the **Most Important** item. Repeat the same procedure for Sections B, C, D, E, F and G.

Section A: The Importance to you of the various economic job rewards and incentives.

1. The Basic Salary	1	2	3	4	5
2. The Consolidated Salary	1	2	3	4	5
3. Profit sharing plans	1	2	3	4	5
4. Payments deferred into the future	1	2	3	4	5
5. Employee stock option and ownership plans	1	2	3	4	5
6. Executive bonus plans	1	2	3	4	5

Section B: The Importance to you of the various economic membership rewards

7. Career progression rewards after qualification	1	2	3	4	5
8. Payments for seniority and seniority-related rewards	1	2	3	4	5
9. Executive treatment in things like office space, parking lots, and furnishings	1	2	3	4	5
10. Contributions for membership To professional and social Organizations	1	2	3	4	5
11. Payments for employee insurance and employee stock purchase plans.	1	2	3	4	5
12. Payments for employee loan associations (saccos), home financing and pensions.	1	2	3	4	5

Section C: The importance to you of the various non-financial job rewards.

13.	A job with challenging tasks	1	2	3	4	5
14.	A job with opportunity for growth	1	2	3	4	5
15.	Working with challenging colleagues	1	2	3	4	5
16.	Working in a job with intellectual interest and professional prestige	1	2	3	4	5
17.	Working with congenial colleagues	1	2	3	4	5
18.	A job that gives me the opportunity to lead others.	1	2	3	4	5

Section D: The importance to you of the various fringe benefits.

19.	Loan entitlements	1	2	3	4	5
20.	Retirement schemes	1	2	3	4	5
21.	Life assurance, Medical and Funeral assistance schemes	1	2	3	4	5
22.	Educational assistance and Scholarships	1	2	3	4	5
23.	Anniversary awards and bonus like Christmas bonus and year end bonus	1	2	3	4	5
24.	Overtime, holiday and weekend Premiums	1	2	3	4	5

Section E: The importance to you of the various performance non-financial Rewards.

25.	Opportunity for promotion	1	2	3	4	5
26.	Participation in problem Solving	1	2	3	4	5
27.	Opportunity to set Performance goals	1	2	3	4	5
28.	Responsibility, autonomy, Freedom and independence	1	2	3	4	5
29.	Feeling of self control and Identification with the Bank Goals	1	2	3	4	5
30.	Self respect and esteem	1	2	3	4	5

Section F: The importance to you of the various membership non-financial Rewards.

31.	Flexibility of the Bank Policies and procedures	1	2	3	4	5
32.	The extent of decentralization and delegation of authority	1	2	3	4	5
33.	Security in the bank	1	2	3	4	5

34. Predictability of life in the bank	1	2	3	4	5
35. Adequacy of management Development and training Programmes	1	2	3	4	5
36. Participative and Consultative Decision making	1	2	3	4	5

Section G: The importance to you of the various perquisites

37. A Bank provided car	1	2	3	4	5
38. First Class travel accommodations	1	2	3	4	5
39. Free/Assigned parking privileges	1	2	3	4	5
40. Membership to Bank sponsored clubs and Professional Associations	1	2	3	4	5
41. Paid travel for spouse	1	2	3	4	5
42. Interest free loans.	1	2	3	4	5

PART TWO

The Questions in this part are about your opinions toward the various aspects of the Compensation Scheme of your employer. Please read Section A and tick (✓) for the appropriate response from Strongly Disagree to Strongly Agree. Repeat the same for Sections B to H.

Section A: Your opinion towards the Economic Rewards

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1. The amount of salary I am rewarded with is as adequate as I desire	☐	☐	☐	☐	☐
2. The Scheme allows me to share in the annual profits made by the bank	☐	☐	☐	☐	☐
3. The Scheme entitles me to the Stock Ownership of the Bank	☐	☐	☐	☐	☐
4. The Scheme entitles me for Stock Option Plans	☐	☐	☐	☐	☐

5. The Scheme entitles me into some adequate share of the Bonus	☐	☐	☐	☐	☐
6. The Scheme entitles me into reward payments deferred into the future	☐	☐	☐	☐	☐

Section B: Your opinion towards the Membership Rewards

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
7. My Career progression after qualification has been adequately rewarded	☐	☐	☐	☐	☐
8. My Seniority in the Company has been adequately rewarded with Seniority payments	☐	☐	☐	☐	☐
9. I have been given executive treatment in things like Office Space, Parking lots and Furnishings	☐	☐	☐	☐	☐
10. My membership to professional and social organizations has been supported with the relevant contributions	☐	☐	☐	☐	☐
11. My employee insurance and stock purchase plans have been adequately paid for	☐	☐	☐	☐	☐
12. My home financing and pension payments have been adequately met	☐	☐	☐	☐	☐

Section C: Your opinion towards the following non-financial job rewards

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
13. My job has got very challenging tasks	☐	☐	☐	☐	☐
14. My job gives me the desired opportunity for personal growth in the Bank	☐	☐	☐	☐	☐

15. My colleagues at work are very challenging	☐	☐	☐	☐	☐
16. The job has very high level of intellectual interest and professional prestige	☐	☐	☐	☐	☐
17. My colleagues at work are very congenial	☐	☐	☐	☐	☐
18. The job gives me the opportunity to lead others in the Bank	☐	☐	☐	☐	☐

Section D: Your opinion towards the following fringe benefits

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
19. The Scheme allows me adequate loan entitlements	☐	☐	☐	☐	☐
20. The Scheme gives me sufficient retirement benefits	☐	☐	☐	☐	☐
21. The Scheme gives me an adequate life assurance, Medical and the Funeral Assistance cover I need	☐	☐	☐	☐	☐
22. The Scheme gives me an adequate Educational assistance for myself and for Children	☐	☐	☐	☐	☐
23. The Scheme entitles me to sufficient professional benefits.	☐	☐	☐	☐	☐
24. The Scheme entitles me for anniversary awards, Christmas and Year end bonuses	☐	☐	☐	☐	☐

Section E: Your opinion towards the Characteristics of your job

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
25. The job itself gives me good opportunities for advancement	☐	☐	☐	☐	☐

26. The work I do gives me great job challenge and variety	☐	☐	☐	☐	☐
27. The Job gives me the opportunity to participate in problem solving	☐	☐	☐	☐	☐
28. The job gives me the opportunity to set performance goals for my work	☐	☐	☐	☐	☐
29. The amount of freedom I have in my job is high.	☐	☐	☐	☐	☐
30. The job gives me a strong feeling of self-control and identification with the bank goals	☐	☐	☐	☐	☐

Section F: Your opinion towards the following characteristics of your job

31. The job gives me a feeling of doing something meaningful.	☐	☐	☐	☐	☐
32. The job is very interesting.	☐	☐	☐	☐	☐
33. The job enables me to earn alot of respect from the people I work with.	☐	☐	☐	☐	☐
34. The job gives me the opportunity to learn new things.	☐	☐	☐	☐	☐
35. My job gives me the opportunity to fully develop my skills and abilities	☐	☐	☐	☐	☐
36. The job gives me the opportunity to influence the policy of the bank.	☐	☐	☐	☐	☐

Section G: Your opinion towards the characteristics of the Bank Administration

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
37. The policies and procedures of the bank are very flexible	☐	☐	☐	☐	☐

38. The extent of decentralization and delegation of authority in the bank is very adequate	☐	☐	☐	☐	☐
39. My life in the Bank is very predictable	☐	☐	☐	☐	☐
40. The Management Development and Training programs are very adequate	☐	☐	☐	☐	☐
41. The degree of participative and consultative decision making is very adequate	☐	☐	☐	☐	☐
42. The Internal status I'm accorded by the bank earns me a lot of external prestige	☐	☐	☐	☐	☐

Section H: Your opinion towards the various perquisites

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
43. I am entitled to a company provided car.	☐	☐	☐	☐	☐
44. I am entitled to and well accorded free or assigned parking privileges.	☐	☐	☐	☐	☐
45. I am entitled to the Bank sponsored Club Membership.	☐	☐	☐	☐	☐
46. I am entitled to the Bank sponsored Professional Organization.	☐	☐	☐	☐	☐
47. I am entitled to a paid travel for my spouse.	☐	☐	☐	☐	☐
48. I am adequately entitled to interest free loans.	☐	☐	☐	☐	☐

PART THREE

This part seeks to obtain some of your job-related information.

1. **Your Job Position in the Bank:**
   - Manager ☐
   - Middle Manager ☐
   - Senior Manager ☐
   - Chief Manager ☐

2. **Your Department:**

Finance/Accounts	☐	Business Development	☐
Marketing	☐	Legal	☐
Human Resources/Personnel	☐	Public Relations	☐
Operations	☐	Information Technology	☐
Audit	☐	Other	☐

Thank you for your Cooperation!