

**PERCEIVED FACTORS AFFECTING
MANAGERS' ATTITUDE TOWARDS PERFORMANCE
BASED REWARD SYSTEM AT STANDARD CHARTERED
BANK KENYA LIMITED**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF
BUSINESS IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION (MBA) OF THE
UNIVERSITY OF NAIROBI**

OCTOBER 2012

DECLARATION

This research is my original work and has not been presented to any college or university for the award of a diploma or a degree.

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This research has been submitted for examination with my approval as the Supervisor.

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ACKNOWLEDGEMENTS

I would like to extend my appreciation to my supervisor, family, friends and all the respondents who contributed tremendous inputs towards the successful completion of this research project.

Special gratitude and appreciation go to my Supervisor, Prof. K'Obonyo, for his patience, guidance, support and dedication throughout the study. He was such an inspiration! I truly feel indebted to him.

Secondly, I am grateful to my family for foreseeing the future and sacrificing so much to prepare and support me and for cheering me up after every tough day of fieldwork.

Thirdly, I am grateful to managers and staff of Standard Chartered Bank who provided invaluable data and information that made this research work a success. I couldn't have done it without them!

Finally, I am deeply grateful to the Almighty God who makes all things possible and for giving me strength, good health and sound mind throughout the study period.

DEDICATION

I dedicate this research project to the Almighty God for His grace, mercy and blessings that have seen me through.

To my husband, Zadok who kept on encouraging me whenever i felt like giving up. To our sons, Chris and Cecil for their patience during this period.

ABSTRACT

The purpose of this study was to establish the factors that affect managers' attitudes towards the Performance Based Reward System at Standard Chartered Bank Kenya Limited. Questionnaires were used to collect primary data while secondary data was collected from the Website and Human Resource Policy Manuals of Standard Chartered Bank Kenya Limited. Data was analyzed using SPSS and presented in piecharts, bar charts and frequency distribution tables. The major findings of the study indicated that the PBRS was not considered fair to the managers due to lack of appeal mechanism, late communication of appraisal ratings, lack of adjustment of rewards to reflect appeal outcomes, lack of harmonization of frequency of appraisals and unclear basis of appraising individuals and teams doing similar jobs and line managers against their direct reports' ratings.

The main conclusions were that SCB did not practice fair performance appraisals among all its employees, did not have non monetary rewards, did not encourage appeals of appraisal ratings, did not practise harmonized appraisal criteria and frequencies and lastly, did not have an objective model for conducting its performance appraisals. The researcher recommends that SCB comes up with policies and models that would allow it to embrace best practice of allowing for appeals, communicating ratings before sharing rewards and harmonising frequencies and criteria of appraisal for all its employees. The researcher also suggests that a similar study be carried out targeting clerical and support staff to get their perspective of the factors affecting the attitude of employees towards PBRS at Standard Chartered Bank Kenya Limited..

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LIST OF ABBREVIATIONS

HRM: Human Resource Management

KIE: Kenya Institute of Education

KPLC: Kenya Power and Lighting Company

KRA: Kenya Revenue Authority

SCB: Standard Chartered Bank Kenya Limited

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The concept of performance is central to the management of organization's greatest resource, which is people. Rudge (2011) defines performance as the way in which organizations, teams and individuals get work done. The Human Resource Management function is therefore tasked with ensuring that its employees are well versed with the organization's goals and know what role they are expected to play in their achievement. Gomez-Mejia and Balkin (1992) indicates that performance should be regarded as a behavior because performance does not only entail doing a job but also about the results achieved. These authors' points of view thus present a foundation of why organizations place great value in managing how successful employees are at accomplishing the tasks assigned to them.

Employee performance is a subject that lies at the core of the employee-employer relationship. Neely et al. (2002) believe that employee performance is congruent to achievement of organizational objectives. Rudge (2011) supports the premise that employees are vital to the achievement of every organization's objectives. The process through which organizations manage employee performance is referred to as performance management. Neely et al. (2002) defines performance management as a continuous self-renewing cycle that is concerned with improving individual and team performance. They

also hold that the performance management process is the means through which managers ensure that employees' activities and outputs are congruent with the organization's goals

1.1.1 Performance Based Reward System

Human resource practices should be selected in a manner that complements and supports an organizational strategy. Therefore, the reward system should be aligned to motivate employee performance that is consistent with the firm's strategy, attract and retain people with the knowledge, skills and abilities required to realize the firm's strategic goals, and create a supportive culture and structure (Galbraith, 1973; Kilmann, 1989; Nadler and Tushman, 1988). Becker and Gerhart (1996) also suggest that the human resource system can be a unique source of competitive advantage, especially when its components have a high degree of internal and external fit. Gomez-Mejia and Balkin (1992) contend that the old model of compensation (with pay structures based on job analyses, descriptions, specifications, and classifications) is no longer effective in today's business environment. They conclude that modern organizations must align their reward system practices with their organizational strategy in order to achieve higher levels of performance at both the individual and organizational level.

Performance based reward systems can be applied to the individual employee, a group or departmental unit, or the organization as a whole. (Porter and Lawler, 1968) have suggested that intrinsic employee compensation which includes Non-monetary forms of recognition intended to acknowledge achievement of quality improvement goals they comprise plaques, certificates, letters, complimentary tickets to watch football matches

and merchandise. Others are celebrations to acknowledge achievement of quality improvement goals such as lunches, dinners, special events among others. Regular expressions of appreciation by managers/leaders to employees to acknowledge achievement of quality improvement goals such as praise or "pats on the back" and 360 degree performance appraisals wherein feedback from co-workers (other than just the immediate supervisor) and/or customers is incorporated into performance appraisals. It's also important to have a suggestion system available for individuals to make quality improvement suggestions. Development based performance appraisals are used primarily for developing employees to perform better in the future rather than for evaluating their past accomplishments and failures is another important source of motivation and lastly, quality based promotions are primarily used on the achievement of quality-based goals as opposed to quantity-based goals is another motivator.

Extrinsic reward practices includes Profit sharing with employees, Gain sharing by which portions of individual work unit gains in productivity, quality, cost effectiveness, or other performance improvements are shared with employees in the form of bonuses based on a predetermined formula; Employment security designed to prevent layoffs. Comp time that offers workers the option to be compensated for overtime hours worked in the form of additional time off rather than additional pay; Individual based performance system in which performance appraisals and pay increases are based primarily on individual achievements; and Quantity based performance appraisals which depend primarily on achieving quantity related goals (Porter and Lawler, 1968).

Rudge (2011) holds that an effective reward system should possess seven key characteristics. First it should not link pay to power because companies which link rewards to rank are likely to create an army of malcontents. Secondly, compensation should be made comprehensible and this is achieved by creating a clearly-written booklet, complete with drawings where necessary, which explains all the perks. Thirdly, spreading the news on rewards to all employees may work to diffuse rumours. Moreover, surveys invariably show that people underestimate how well they are paid in relation to their peers and information may set the facts straight. Fourthly, forgetting about the calendar and encouraging timely rewards makes the rewards more attractive and acceptable. Fifthly, rewards should be made reversible in case managers make errors of judgement or business conditions change significantly. Sixthly, the reward system should be made a culture and not a one-off exercise. Lastly, non-financial incentives should be part of the mix because money is not the only motivator.

1.1.2 The Concept of Perception

Perception has been defined as the process by which people translate sensory impressions into a coherent and unified view of the world around them. Though necessarily based on incomplete and unverified (or unreliable) information, perception is equated with reality for most practical purposes and guides human behavior in general (www.businessdictionary.com). Perception involves the process by which individuals decipher information on everything they encounter. Therefore, it is different for everyone and the outcome varies from person to person. Certainly there is a difference between reality and perception of reality every instance people are bombarded with millions of stimuli or data.

Perception is the apparatus through which the brain provides people with a way to make sense of the information that they observe, read or hear about. People's minds do this through three processes that happen instantaneously and practically simultaneously: selection, organization and interpretation. Therefore, perception makes people to develop a frame of reference or mental model of how things should be. Consequently, in most instances employees will organize data (including data on performance based reward systems) along the lines of how they think it should be and not how it actually is (Wilmort and Hocker 2011)

1.1.3 The Concept of Attitude

Attitude is a term which has recently come into very general use among sociologists, social psychologists, and writers on education. Scholars and practitioners have been defined attitude as a favorable or unfavorable evaluation of something. They also hold that attitudes are generally positive or negative views of a person, place, thing, or event. The person, place, thing, or event is often referred to as the attitude object. People can also be conflicted or ambivalent toward an object, meaning that they simultaneously possess both positive and negative attitudes toward the item in question. Zimbardo et al., (1999) says that an attitude is a positive or negative evaluation of people, objects, event, activities, ideas, or just about anything in the environment and that they form from our experiences (or observing experiences) and serve to guide our future behavior. Bain (1927), says that an attitude is the relatively stable overt behavior of a person which affects his status. According to him, attitudes which are different to a group are referred to as social attitudes or values. Lumley (1928) concludes that an attitude is a

susceptibility to certain kinds of stimuli and readiness to respond repeatedly in a given way.

Attitudes are expected to change as a function of experience. Tesser (1993) has argued that hereditary variables may affect attitudes - but believes that they may do so indirectly. He contends that attitudes can be changed through persuasion and should be understood as a response to communication. Whitley and Kite (2010) observes that attitude can be examined through explicit (direct) and implicit (indirect) measures. Explicit measures tend to rely on self-reports or easily observed behaviors while implicit measures are not consciously directed and are assumed to be automatic. In conclusion, psychologists hold that attitude is made of three components: The cognitive component which is the mental component, consisting of beliefs and perceptions; the affective component which is the emotional component and the behavioral component which is the action component which consists of the predisposition to act in a certain way toward the attitude object

1.1.4 Managers' Attitude towards Performance Based Reward System

Incentive plans can make an important contribution to profitability and retention of key personnel (especially managers) because they tie compensation directly to productivity it is essential to note, however, that there are a number of inherent problems with incentive pay. Performance targets and actual performance can be manipulated, depending on influence, thereby beating the system and giving higher pay for lower performance. Secondly, incentive plans may lead to a negative organizational climate; a culture characterized by low trust, lack of information sharing, non-co-operative work relationships, and the absence of commitment to organizational objectives due to lack of

proper communication in the organization (Becker and Gerhart, 1996). In summary then, incentive pay is a mixed blessing – the negative effects may sometimes outweigh the gains in productivity.

Porter and Lawler (1968) have suggested the following as the main limitations of compensation: communication, reward, value, size, consistency and its relationship to performance. Firstly, very often rewards are deferred payments, and the time horizon is so long that the employee loses sight of their relationship to performance. Behavioural theory argues that the strength of the incentive is maximized and behaviour is best reinforced if the payment is made as soon as possible after the accomplishment. Secondly, it has also been found that managers are typically inclined to make relatively small discriminations in salary treatment among individuals in the same job, regardless of perceived differences in performance. Thirdly, increases are often given to average performers to retain those that might be difficult to replace in a tight labour market. Lastly, when these rewards are made they are likely to be based not on performance but on other factors, such as length of service, future potential, and a need to catch up to other higher employees' reward levels (Kohn 1993).

If teamwork and co-operation are essential to success, group incentive plans become the best choice. Group incentive pay is normally tied to productivity and/or profits so that, in theory, there is a flexible budget for performance rewards and pay can truly be based on performance. In terms of gain sharing, Lawler (1981) holds the view that there may be a disadvantage in the fact that there is less direct connection between individual

performance and rewards. As for profit sharing and share ownership plans, they are typically less effective as motivators in large organizations where the link between individual performance and stock price is virtually non-existent. In that sense, motivation seems to be the greatest when people have both psychological and financial stakes in the organization's success (Kohn 1993). The scholar therefore suggests that the primary reasons for the negative attitude of employees to reward based systems is the mismanagement and/or misunderstanding of merit programmes and failure to focus on a system where individuals can be intrinsically motivated by their jobs but instead viewing money as the primary motivator and ignoring the importance of the job.

1.1.5 Performance-Based Reward System at SCB

Banking business involves accepting from members of the public money on deposit repayable on demand or at the expiry of a fixed period or after notice and the accepting from members of the public money on current account and making payment on the basis of cheques; and the employing of money held on deposit or on current account, or any part of the money, through lending, investment or in any other manner for the account and at the risk of the person so employing the money (Banking Act of Kenya Cap 488).

The Central Bank of Kenya (2012) recognises a total of 43 commercial banks in Kenya. The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests and a forum to address issues affecting members.

Standard Chartered Bank Kenya Limited opened its operations in Kenya in 1911. The bank has operated in Kenya for the past one hundred years and currently has 34 branches. The parent company of Standard Chartered Bank Kenya Limited is Standard Chartered Bank Limited domiciled in London, United Kingdom. The Organizational Structure of the Bank is decentralised in operations management but policy and product standards are centralised and managed by the Group Managers who operate from the bank's head office in Singapore.

Standard Chartered Bank has an elaborate policy on performance management. The Human Resource Management function plays a peripheral role in the whole exercise while the line managers and functional heads are entrusted with the task of appraising their respective teams.

The performance based reward system at Standard Chartered Bank is standardized across the .The process starts with setting of objectives at the beginning of every new calendar year. The employees are expected to set out simple, measurable, achievable, realistic and time-bound objectives within the job requirements as stipulated in their job descriptions. The employee and the respective line manager would then sign-off the objectives to signify the commencement of performance measurement. Interim reviews are done quarterly for front office employees like branch managers and dealers while operational staff are subjected to mid-year appraisals. The mid year performance measurement serves as an opportunity for the manager and employee to exchange notes on whateach party thinks of the employee's performance.

The end year performance appraisals range from 1A to 5E where 1A signifies that the employee has done exceptionally well in attaining the job objectives and living the bank's values: Creative, international, trustworthy, responsive and courageous. The common practice is that all employees who score 4 and 5 are not entitled to annual bonuses. In addition those who score grade 5 are supposed to be managed out of the bank (SCB Human Resource Manual 2012).

There is no deliberate effort to change the current appraisal system at SCB but employees have raised many issues on the weaknesses and excesses of the process. Some of the notable observations is that managers have an upper hand in deciding the employee's grade and that the whole process is lacking in objectivity and prone to bias and discrimination. Nonetheless, the process has been rolled out in the entire SCB group and is likely to remain unchanged for a long time to come.

1.2 Research Problem

Equity theory suggests that individuals are more likely to attain higher performance and team members are more cooperative when they are over-rewarded, whereas under-rewarded team members behave less cooperatively and more selfishly (Harder, 1992). A change in culture with regard to pay and ability of an organization to transform the way people are managed, motivating employees to succeed and providing more clarity about their goals leads to improvements in performance and raises standards that contribute to an organization's success and helps to ensure the very best people are retained in the right roles and that they are motivated to stay (Rudge 2011)

The theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress, and that this distress leads to efforts to restore equity within the relationship. It also attempts to explain relational satisfaction in terms of perceptions of fair or unfair distributions of resources within interpersonal relationships. It asserts that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Adams, 1965). The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. Employees do not have to receive equal benefits (such as receiving the same amount of bonus and salary increment) or make equal contributions (such as investing the same amount of effort and time), as long as the ratio between these benefits and contributions is similar.

Standard Chartered Bank Kenya Limited uses a performance based reward system in rewarding its individuals and teams. However, the bank's annual engagement surveys conducted by the Gallup Group International on an annual basis depict worrying statistics. The engagement survey for 2011 suggests that 28% of employees in Kenya do not intend to work with the bank in the next three years! The survey also suggests that 32% of the employees think that the basis of reward and recognition discriminates on the basis of seniority of employees and business functions. Thirdly, the survey indicates that 27% of employees feel that their personal development and growth is not adequately facilitated by their supervisors. Though 67% of the employees admit that they are aware of the mission, vision, and values of the bank, a significant proportion of 29% feel that

their jobs do not make them feel important in the pursuit of the bank's strategic mission (Standard Chartered Bank Annual Engagement Survey 2011).

Several scholars have conducted related studies in Kenya to establish various aspects of the performance based reward systems in the Kenyan corporate world. Maina (2011) studied the use of performance appraisal as a strategic management tool at Toyota East Africa and established that performance appraisal was mainly used as a tool to push employees to increase productivity but did not contribute to a sense of shared vision and ownership of the company strategy among the employees. Wambua (2008) studied the challenges in performance measurement at KPLC and established that subjectivity on the part of managers, favoritism, discrimination on the basis of ethnicity and gender were the key weaknesses of the performance measurement system. Ouko (2011) studied the extent of adoption of 360 degrees employee performance appraisal process in Kenyan private companies and found out that appraisal systems were subjective with the key basis of appraisal being the negative aspects like errors and omissions of employees. She also established that the job descriptions play a peripheral role in an employee's assessment while ad hoc duties and the manager's attitude counted most in the final appraisal of the employees. M'mbui (2011) studied the effect of performance appraisal on employee job satisfaction at KRA and found that the appraisal process contributed to disengagement, low morale, anger, hatred and high employee turnover due to its subjectivity and non-recognition of the roles enshrined in the job descriptions. Wanjiru (2008) studied the effects of performance contracts on employees at KIE and concluded that the employees had lost faith in previous exercises due to the unclear basis of measuring performance and

therefore despised, ignored, loathed and tagged the process as a tool used by managers to settle scores with their juniors.

The researcher has however not come across a study with a specific focus on the factors affecting managers' attitude towards performance based reward systems at Standard Chartered Bank Kenya Limited. The study sought to answer the question: What are the factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited?

1.3 Research Objective

The objective of the study was to establish the perceived factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited.

1.4 Value of the Study

The findings of this study would be of benefit to staff and management of SCB since they will shed light on the practices that ought to be corrected in order to make the performance based reward system objective.

Policy makers in the field of human resource management and regulatory bodies like labour unions, employers' federations and world labour consortiums can use the findings of this study to come up with universally applicable strategies that can make appraisal

systems aligned with employee needs and facilitate the attainment of strategic ambitions of both private and public organizations.

The academia and business researchers will be able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study hopes to make theoretical, practical and methodological contributions. The findings will contribute to professional extension of existing knowledge in Human Resource Management by helping to understand the current challenges for implementing performance based reward systems and their effects on employee attitudes and service delivery in various organizations in general.

CHAPTER TWO

LITERATURE REVIEW

2.1 Performance Management

Performance management is the task of ensuring that employees' performance is maximized through the use of various initiatives such as staff engagement, competitive compensation and implementation of a change management methodology. According to Walters (1995), performance management is about directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation. This requires paying attention to employee attitudes that improve the relationship between the employers and employees. These include job satisfaction, commitment and perceived psychological contract and so on. However, agency theory (Jensen and Meckling, 1976) suggests that if both parties to the relationship are utility maximisers there is good reason to believe that the agent (employee) will not always act in the best interests of the principal (employer). This explains why senior management is increasingly demanding solid evidence that their human resource departments are making contributions to their organizations overall performance. For HR managers therefore, it is extremely critical that they continually appraise their staffs' performance in order to be sure that they are gaining value from their employees.

According to Armstrong (2000), performance management is a means of getting better results from the whole organisation or teams or individuals within it, by understanding

and managing performance within an agreed framework of planned goals, standards and competence requirements. Roberts et al. (2005) argued that over-emphasis on control may be counter-productive. For instance, Munene et al. (2003) found out that in extreme counter-productive climate, employees develop coping strategies by doing what is minimal or default whenever they have an opportunity while others either quit the job or stay but sacrifice quality for quantity. Verbeeten (2008) also found out that the definition of clear and measurable goals is positively associated with quantity and quality performance but the use of incentives is positively associated with quantity performance only.

2.2 Performance-Based Reward System

Scholars, academicians, practitioners and business leaders have contributed immensely to the theory and practice of performance based reward systems. Agency theorists (Jensen and Meckling, 1976) suggest that if both parties to the relationship are utility maximizers there is good reason to believe that the agent (employee) will not always act in the best interests of the principal (employer). In the same spirit, Fox and Staw (1979) argue that when the board of directors is trapped in such a situation that might precipitate into job insecurity and resistance to their decision making by shareholders, often they increase their commitment to a losing course of action! This is not because they want to rationalise or justify a decision to themselves, but because their credibility is being threatened by other organizational needs such as shareholders' wealth maximization. However, Latham and Saari (1979) argue that goal commitment could be generated by assignments and supportiveness of the leaders, affirming the goal in public to make it a test such as of integrity, clarifying outcome expectancies and providing incentives. In

other words, if people know what they are aiming for, they are motivated to exert more effort, which increases performance.

Bateman (1986) observes that past failures result in increased future investments compared to past successes. A possible explanation was provided by Frese and Zapf (1994) who found out that high performance is not always the result of greater effort, but rather, of greater understanding. According to Walters (1995), performance management is about directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization. This requires paying attention to employee attitudes that improve the relationship between the employers and employees. These methods of supporting employees include provision of job satisfaction, commitment and perceived psychological contract.

With organizations attaching greater emphasis to knowledge workers (Armstrong and Baron, 1998) contend that it is necessary to understand how performance management practices facilitate achievement of managed performance (e.g. service delivery, service quality/products and cost reduction). According to Armstrong (2000), performance management is a means of getting better results from the whole organization or teams or individuals within it, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. Therefore, human capital is an intangible resource in the employment relationship (Woodruffe, 2000). Furthermore, dynamic capabilities of managers and others to make ongoing adjustments in resource allocation and build new thinking; can assure the organization of better service delivery, service and product quality and cost effectiveness in operations (Eisenhardt and Martin, 2000).

According to the dynamic capability perspective, a firm's dynamic capabilities that are embedded in the organization are crucial determinants of its ability to achieve firm performance particularly in a confused, turbulent and unpredictable environment (Bowman and Ambrossini, 2003). To minimize the conflict between employee objectives and organization objectives, Locke and Latham (2005) cited in Smith and Hitt (2005), suggest that the best idea is to set learning rather than performance goals.

Pollit (2006) studied the criteria used to measure the performance of executives in the United States of America and found out that quantitative performance measures tend to ignore the quality aspect of service delivery since qualitative performance is much more difficult to measure. He therefore recommends a system of measuring both the tangible and intangible aspects of performance.

In a similar study, Verbeeten (2008) studied the impact of performance management practices in public sector organizations in Uganda and found out that behavioral effects of performance management practices are as important as the economic effects in public sector organizations! He observed that large organizations appear to have more difficulty in defining clear and measurable goals and are likely to have lower quality performance unless they use incentives to encourage employee engagement.

Wambua (2008) studied the challenges in performance measurement at Kenya Power and Lighting Company and found out that subjectivity on the part of managers, favoritism, discrimination on the basis of ethnicity and gender are some of the factors that soil the performance management process and lead to low regard and a negative attitude from employees. Wanjiru (2008) also studied the effects of performance contracts on

employees at Kenya Institute of Education and concluded that employees should have a say in the appraisal process to guard against

2.3 Perception

Adsit et al. (1996) found out that employee perceptions of managerial communication in the form of goals and organisational strategies are important to departmental performance. They found out that employee's attitude and their level of satisfaction with their job influenced how customers perceived their treatment and the quality of the service they received from the organisation. Research has shown that employee's perception of support at work such as that from coworker, supervisor and organisation has an influence on employee attitudes and work behaviour particularly through reciprocity process including effort put forth (Thompson et al., 2004).

If employee perceptions are favourable, then the prospects for sharing are likely to be improved. Unfortunately, competitive pressures often force management to adopt procedures that may reduce opportunities for workers to communicate and build up trust (Sharkie, 2005). Trust is related to the perception an individual has about a number of factors: How they have been treated by the organization, management and other employees; whether they perceive that these parties have been fair, kept their promises and met their obligations; and whether the parties can be trusted to fulfil their promises and obligations in the future (Fuchs, 2003).

Positive evaluations and demonstrations of concern are likely to be reinforced if the employee also perceives that their supervisor is valued and accorded high status within

the organization, because this means that the supervisor has an influence over important organizational decisions which may impact on the employee. Amabile (2005) claims that a leader's behaviour leads employees to feel more or less supported by the leader and those perceptions of strong support seem to influence the amount of creative work. High levels of leader support are important for creativity because this influences an employee's sense of ownership and competence in the work, which leads to deeper, more motivated involvement in the work.

2.4 Attitude

Employee's attitude towards various aspects in their employment has been studied extensively. March and Simon's (1958) and Steers's (1977) conducted studies on employee attitudes in manufacturing concerns and established that people with high attitudinal commitment generally exhibit specific behaviors including higher attendance, lower job change rates, high job involvement and increased job-related effort. However, they noted that this was better achieved when employees received adequate facilitation from the organization.

Tornow and Wiley (1991) while investigating the impact of employee attitude on job satisfaction in the American hospitality industry found out that employee's attitude and their level of satisfaction with their job influenced how customers perceived their treatment and the quality of the service they received from the organization. They also found out that employee's perception of support at work such as that from coworker, supervisor and organization has an influence on employee attitudes and work behavior particularly through reciprocity process.

Adsit et al. (1996) studied the role of managers in delivery of services at departmental stores in the United States and found out that those managers who encouraged participation had higher levels of performance in their departments. They also found out that employee perceptions of managerial communication in the form of goals and organizational strategies are important to customer satisfaction and departmental performance. In addition, they also established that there is a significant positive relationship between employee attitudes towards their managers and performance. Fletcher and Williams (1996) and Patterson et al. (1997) also found out that there was a significant positive relationship between employee attitudes (job satisfaction and commitment) and performance in the banking industry in the United Kingdom and recommended that organizations should focus more on human resources than on competitor strategy, quality and research. Indeed, Seijts and Latham (2000) hold that goal-performance relationship is strongest when people have confidence in being able to reach their goals and believe that their goals are important or appropriate.

Grant (2002) adds that organizational routines are the foundation of competitive advantage, and their execution requires the expertise of various individuals to be integrated with tangible and intangible resources. This is because the intellect and management of systems capabilities that facilitate achievement of managed performance are vested in the human capital (Smith and Rupp, 2002). Therefore, without goal setting and proper management of employees, the organization might suffer from internal inefficiencies and end up losing its competitive advantage in the market! However, Augier and Teece (2006) argue that this explanation is incomplete for understanding environments that are experiencing substantial change, which the dynamic capability

theory seeks to address. For instance, Jugdev and Mathur (2006) established that intangible resources are important because unlike codified practices they are not readily transferable or copied, and therefore, can be a source of a competitive advantage.

Smith and Hitt (2005) studied the engagement levels of teaching staff at Oxford University in the United Kingdom and found out that people are more satisfied when they attain their goals or make meaningful progress towards them than when they fail, make little or no progress. They recommend setting of attainable goals by developing specific, time-bound and challenging objectives to which participants feel committed.

2.5 Reward System

Manz (1992) studied the importance of setting goals for car manufacturing concerns in Japan and found out that setting goals too high or too low can have adverse effects on employee satisfaction. He therefore, recommends that goal setting should be guided by an individual's ability and that the employees be allowed to set their own objectives within their respective job descriptions. Locke and Latham (2002) contends that goal setting leads to performance when it is moderated by feedback and commitment. In the same vein, Smith and Rupp (2002) hold that the human capital is an essential element for sustainable competitive advantage, and how it is managed within the organization is extremely important.

Kaplan and Norton (2001) suggest that the final linkage from high level strategy to day-to-day operations occurs when companies link individuals' reward programs to the balanced scorecard. They argue that the use of scorecard measures to determine reward has two main roles: First, it focuses employees' attention on strategic priorities and

secondly it provides extrinsic motivation by rewarding employees when they and the organization reach their targets. In the same spirit, academicians such as Neely et al (2002) have suggested that performance measurement systems should be consistent with the organizations' recognition and reward structure. They argue that traditional measurement systems have been substantially financial in nature, internally focused and tend to report history. They recommend more recent approaches such as the balanced scorecard and the performance prism which include non-financial measures, measures that look outside the organization and indicators that help companies to look forward rather than simply reporting history. These measures include the success maps or strategy maps that link objectives together in a series of assumptions. They are strategic in the sense that they not only report the achievement of financial targets but also the strategy on how these would be achieved through the judicious choice of non-financial measures. They also explain how each objective is supported by lower level objectives and confirm that each lower level objective is important as it is linked to the higher level objectives.

Recent empirical studies have also established that participative setting of goals, leads to better accomplishment of complex tasks and development of effective task strategies. According to Latham (2001), there is a need to investigate goal-setting procedures and generalization in the achievement of managed performance. In the same breath, Munene et al. (2003) studied the working environment of employees of Makerere University in Uganda and established that in extreme counter-productive climate, employees develop coping strategies by doing what is minimal or default whenever they have an opportunity while others either quit the job or stay but sacrifice quality for quantity.

Mamdani (2007) studied the quality of academic programs at Makerere University in Uganda and found out that the forces of self-interest amplified by commercialization of academic programs eroded the institutional integrity of Makerere University. He recommended the need for implementation of performance management practices in order to achieve managed performance framed as service quality, service delivery and cost reduction. However, he noted that public universities in Uganda are facing challenges such as reduced funding from the government, restructuring, downsizing and reengineering. These universities also have to operate as for profit-organizations for sustainability, making them operate as both public and private institutions at the same time. He therefore concludes that performance management is only possible if the employees of an organization are provided with all the necessary resources like tools, equipment and financial incentives.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research was conducted through a census. It involved collecting of data from the managers at SCB Headquarters in Nairobi. The design enabled the researcher to have an in depth understanding of the perceived factors affecting the managers' attitude towards performance based reward system at SCB.

3.2 Target Population

The target population was 356 managers at the SCB Headquarters in Nairobi. The managers were composed of : Junior Managers, Middle Level Managers and Top Level Managers. The hierarchy of the managers was as attached (Appendix II).

3.3 Data Collection

Primary and secondary data was collected. Primary data was obtained from semi structured questionnaires (Appendix I). The questionnaire consisted of two sections; A and B. Section A focused on the respondents' profile like gender, age, level of education, management grade, working experience and frequency of participation in performance based appraisals. Section B contained questions aimed at establishing the perceived factors affecting managers' attitude towards performance based reward system at SCB. Secondary data was collected from the website, internal publications and HR Statistics. Electronic mail was used to dispatch and collect the filled questionnaires.

3.4 Data Analysis

The raw data from the questionnaire was cleaned and checked for completeness by eliminating contradictory data from related questions. The exploratory factor analysis technique was used to explore the perceived factors and generated the factors that would independently explain the attitude of the managers' towards performance based reward system at SCB.

The Statistical Package for Social Sciences (SPSS) was used to generate descriptive statistics to quantify the relationship between the dependent variable and the independent variables. The analyzed data was presented in tables.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains analysis of the findings from the study. The chapter analyses the data systematically by focusing on the study objective: To establish the perceived factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited. The findings are presented as a report of the questions answered by the respondents.

4.2 General Information

The respondents included senior, middle level and junior managers of Standard Chartered Bank Kenya Limited located at the headoffice branch in Chiromo, Nairobi. Out of the targeted 356 managers, only 300 respondents returned fully filled questionnaires making a 84% response rate. The Statistical Package for Social Sciences (SPSS) was used to analyze the data and came up with the maximum score, minimum score, average score and the standard deviation from the mean scores for every question that was aimed at establishing the perceived factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited.

4.2.1 Response Rate

The researcher dispatched 356 questionnaires. However, only 300 responded making a response rate of 84%.

Table 4.2.1 Response Rate

Response Rate	Number	Percentage
Responded	300	84
Not Responded	56	16
Total	356	100

Table 4.2.1 indicates that the response rate was 84%. The 300 managers who responded were considered sufficiently representative of the targeted population of 356 managers.

4.2.2 Gender of the Respondents

The researcher documented the gender of the 300 respondents that provided feedback as shown in table 4.2.2

Table 4.2.2 Gender of The Respondents

Gender of Respondents	Number	Percentage
Male	148	49
Female	152	51
Total	300	100

Table 4.2.2 indicates that the respondents were 148 males and 152 females. Therefore, the respondents were made of an almost equal proportion of males and females. This was representative of the ratio of male to females at SCB which is 1:1

4.2.3 Highest Level of Education

The respondents were asked to indicate their level of education .

Table 4.2.3 Highest Level of Education

Highest Level of Education	Number	Percentage
Postgraduate	52	18
Undergraduate	223	74
College Diploma	25	8
College Certificate	0	0
Total	300	100

As shown in the table 4.2.3, 52 managers(18%) had postgraduate degrees, 223 managers (74%) had undergraduate degrees while 25 managers (8%) had a college diploma as the highest academic certificate. None of the respondents had a college certificate as the highest academic qualification. This indicated that the bulk of the managers at SCB were university graduates. This could be explained by the employment policy at SCB that took effect in 2001 where the bank only seeks to recruit persons with a minimum qualification of a university degree.

4.2.4 Role of the Respondents

The respondents were required to indicate their position in the managerial hierarchy. The results are presented in table 4.2.4

Table 4.2.4 Role of the Respondents

Role at SCB	Number	Percentage
Senior Manager	20	7
Middle Level Manager	85	28
Junior Manager	195	65
Total	300	100

Table 4.2.4 indicates that the 300 respondents were made of 20 (7%) senior managers, 85(28%) middle level managers and 195(65%) junior managers. The ratio was representative of the proportions of the managers at SCB as indicated in Appendix I.

4.2.5 Working Experience of the Respondents

The researcher sought to establish the working experience of the respondents.

Table 4.2.5 Distribution of the respondents by Work Experience .

Working Experience in Current Role	Number	Percentage
<1 Year	13	3
1 - 5 Years	32	12
6 - 10 Years	235	78
11 - 15 Years	15	5
> 16 Years	5	2
Total	300	100

From table 4.2.5 it is noted that there were 13 (3%) respondents who had a working experience of less than 1 year, 32 (12%) who had a working experience of 1-5 years, 235 (78%) who had 6-10 years of working experience, 15 (5%) who had a working

experience of 11-15 years and 5 (2%) who had a working experience of over 16 years. The bulk of employees had 6-10 years implying that it took an average of 5 years for the graduate clerks to be promoted to junior and middle manager levels.

4.2.6 Frequency of Participation in the process of PBMS

The researcher sought to establish the frequency with each the managers participated in the process of PBRS

Table 4.2.6 Frequency of Participation in the PBRS at SCB

The frequency of Participation in PBMS	Number	Percentage
Annually	0	0
Semi-annually	285	95
Quarterly	15	5
Total	300	100

Table 4.2.6 indicates that 285 (95%) of the managers participated in the process of PBRS semi-annually. However, 15 (5%) participated on a quarterly basis. The traditional appraisal frequency at SCB is semi-annual but in 2010 the quarterly system was introduced to target managers who had quarterly target to meet more especially the sales managers.

4.3 Factors Affecting Attitude of Managers to PBRS at SCB

The researcher sought to ascertain the factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited.

4.3.1 Fairness of the PBRS at SCB

The respondents were asked to rate the level of fairness of the PBRS through the question: Is the Performance Based Reward System at SCB Fair to the manager? The results were as presented in table 4.3.1

Table 4.3.1 Fairness of the PBRS at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
The Performance Based Reward System at SCB is Fair to the manager	300	2	5	3.50	0.74

Table 4.3.1 indicates that the 300 respondents had varied views on the fairness of the PBRS at SCB. The lowest score was 2 (disagreed) and the highest score was 5 (strongly agreed). The mean score was 3 (moderately agreed) and the standard deviation of 0.74 which indicated that the views of the respondents were uniform. Therefore, the respondents held that the PBRS at SCB was averagely fair.

4.3.2 Level of Reward at SCB

The respondents were asked to indicate the level of reward at SCB through the question: Is the Level of reward at scb commensurate to performance? The findings are presented in the table 4.3.2

Table 4.3.2 Level of Reward at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
The Level of Reward at SCB is commensurate to performance	300	1	4	2.87	0.74

As shown in table 4.3.2 ,300 respondents had varied views on the level of reward at SCB. The lowest score was 1 (strongly disagreed) and the highest score was 4 (agreed). The mean score was 3 (moderately agreed) and the standard deviation of 0.74 indicated that the views of the respondents were uniform. Therefore, the respondents observed that the level of reward at SCB was average.

4.3.3 Measure of Performance at SCB

The researcher whised to establish if the measures of performance at SCB were realistic through the question: Are the measures of performance at SCB realitic? The findings are in the table 4.3.3

Table 4.3.3 Measure of Performance at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
The measures of performance used at SCB are realistic	300	1	4	3.07	0.96

Table 4.3.3 indicates that the 300 respondents had varied views on the realistic nature of performance measures at SCB. The lowest score was 1 (strongly disagreed) and the

highest score was 4 (agreed). The mean score was 3 (moderately agreed) and the standard deviation of 0.96 indicated that the views of the respondents were averagely uniform. Therefore, the respondents confirmed that the measures of performance at SCB were realistic to an average extent.

4.3.4 Involvement of Employees in PBRs at SCB

The researcher sought to establish if managers at SCB involved their direct reports in the process of performance appraisal through the question: Are Employees at SCB adequately involved in the management of the Performance Based Reward System?

Table 4.3.4 has the findings.

Table 4.3.4 Involvement of Employees in PBRs at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
The Employee at SCB is adequately involved in the management of PBRs	300	1	4	2.47	0.91

Table 4.3.4 indicates that the 300 respondents had varied views on level of involvement of employees in the PBRs at SCB. The lowest score was 1 (strongly disagreed) and the highest score was 4 (agreed). The mean score was 2 (disagreed) and the standard deviation of 0.92 indicated that the views of the respondents were averagely uniform. Therefore, the respondents ascertained that the employees at SCB were not adequately involved in the management of the PBRs.

4.3.5 Power of Line Manger in Awarding Performance Rating

The researcher sought to establish the extent of powers vested in the line manager in relation to the award of performance ratings at SCB through the question: Does the line manager have absolute powers in the determination of performance rating at SCB? Results are captured in table 4.3.5

Table 4.3.5 Power of Line Manger in Rating Performance

	N	Minimum	Maximum	Mean	Std. Deviation
The line manager at SCB has absolute power in the determination of performance rating	300	1	5	3.10	1.30

As shown in table 4.3.5 the 300 respondents had varied views on the extent of powers vested in the line manager in relation to determination of the performance ratings. The lowest score was 1 (strongly disagreed) and the highest score was 5 (strongly agreed). The mean score was 3 (moderately agreed) and the standard deviation of 1.30 indicated that the views of the respondents were diverse. However, on average the respondents confirmed that the line managers at SCB had moderate absolute powers in the determination of the direct report's performance rating.

4.3.6 Right of Appeal against Performance Rating

The respondents were asked to indicate if the employees at SCB had a right to appeal against the line manager's rating through the question: Does the Employee at SCB have a right to appeal against the line manager's rating? Their responses are summarized in table 4.3.6

Table 4.3.6 Right of Appeal against Performance Rating

	N	Minimum	Maximum	Mean	Std. Deviation
The Employee at SCB has a right to appeal against the line manager's rating	300	1	4	2.4	0.98

Table 4.3.6 indicates that the 300 respondents had varied views on the employee's rights to appeal against the line manager's rating at SCB. The lowest score was 1 (strongly disagreed) and the highest score was 4 (agreed). The mean score was 2 (disagreed) and the standard deviation of 0.98 indicated that the views of the respondents were averagely uniform. Therefore, the respondents confirmed that the employees at SCB did not have a right to appeal against the line manager's rating.

4.3.7 Objectivity of the Appraisal Process at SCB

The researcher sought to establish the objectivity of the appraisal process at SCB through the question: Is the appraisal process at SCB objective? Table 4.3.7 shows the results.

4.3.7 Objectivity of the appraisal process.

	N	Minimum	Maximum	Mean	Std. Deviation
The appraisal process at SCB is objective	300	1	4	2.90	0.88

As shown in table 4.3.7 the 300 respondents had varied views on the objectivity of the PBRS at SCB. The lowest score was 1 (strongly disagreed) and the highest score was 4 (agreed). The mean score was 3 (moderately agreed) and the standard deviation of 0.88 indicated that the views of the respondents were averagely uniform. Therefore, the respondents observed that the appraisal process at SCB was slightly objective.

4.3.8 Componets of the reward package at SCB

The respondents were asked to give their views in regards to the components of the reward package through the question: Should rewards at SCB include non-monetary items like paid family holidays? Table 4.3.8 below summerizes the results.

Table 4.3.8 Componets of the reward package at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
Rewards should include non-monetary items e.g. Paid Family Holidays	300	1	5	3.6	1.24

Table 4.3.8 indicates that the 300 respondents had varied views on the objectivity of the PBRS at SCB. The lowest score was 1 (strongly disagreed) and the highest score was 5 (strongly agreed). The mean score was 4 (agreed) and the standard deviation of 1.24 indicated that the views of the respondents were diverse. Therefore, the respondents

observed that the the rewards at SCB should include more non-monetary items like paid family holidays.

4.3.9 Frequency of Performance Appraisals at SCB

The respondents were asked to indicate the frequency of performance reviews through the question: Should performance objectives at SCB be reviewed at least quarterly? The findings are summerized in table 4.3.9

Table 4.3.9 Frequency of Performance Appraisals at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
Performance objectives should be reviewed at least on a quarterly basis	300	1	5	3.70	1.35

Table 4.3.9 indicates that the 300 respondents had varied views on the the desired frequency of reviewing performance objectives at SCB. In relation to having quarterly reviews for all employees, the lowest score was 1 (strongly disagreed) and the highest score was 5 (strongly agreed). The mean score was 4 (agreed) and the standard deviation of 1.34 indicated that the views of the respondents were diverse. Therefore, on average the respondents agreed that performance objectives at SCB should be reviewed atleast on a quarterly basis.

4.3.10 Levelling of performance appraisals at divisional level at SCB.

The researcher sought to establish the views of the respondents in relation to levelling of performance appraisals at the divisional level through the question: Should performance appraisals at SCB be subjected to levelling at the divisional level?

Table 4.3.10 Levelling of performance appraisals at divisional level at SCB.

	N	Minimum	Maximum	Mean	Std. Deviation
Performance appraisals should not be subjected to levelling at Divisional Level	300	1	5	4.30	1.20

Table 4.3.10 indicates that the 300 respondents had varied views on whether the performance appraisals at SCB should be subjected to levelling at the divisional level. The lowest score was 1 (strongly disagreed) and the highest score was 5 (strongly agreed). The mean score was 4 (agreed) and the standard deviation of 1.23 indicated that the views of the respondents were diverse. Therefore, on average the respondents observed that performance appraisals at SCB should be subjected to levelling at divisional level.

4.3.11 Communication of Performance Appraisal outcomes at SCB

To establish the views of the respondents regarding communication of performance appraisal outcomes the following question was asked. Should performance appraisals at SCB be communicated before rewards are apportioned? Table 4.3.11 has the findings.

Table 4.3.11 Communication of Performance Appraisal outcomes at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
Performance Appraisals should be communicated before rewards are apportioned	300	3	5	4.70	0.59

Table 4.3.11 indicates that the 300 respondents had almost similar views on whether the performance appraisals at SCB should be communicated before rewards are apportioned. The lowest score was 3 (moderately agreed) and the highest score was 5 (strongly agreed). The mean score was 5 (strongly agreed) and the standard deviation of 0.59 indicated that the views of the respondents were highly uniform. Therefore, on average the respondents held that performance appraisals at SCB should be communicated to the employees before the rewards are apportioned.

4.3.12 Adjustment of Rewards at SCB

The researcher wished to establish the views of the respondents in relation to adjustment of rewards at SCB to reflect the outcome of performance appraisal appeals through posing the question: Should rewards at SCB be adjusted to reflect the outcome of appeals? Table 4.3.12 contains the findings.

Table 4.3.12 Adjustment of Rewards at SCB

	N	Minimum	Maximum	Mean	Std. Deviation
Rewards should be adjusted to reflect the outcome of appeals	300	4	5	4.85	0.35

From table 4.3.12 it is evident that the 300 respondents had similar views on whether the rewards at SCB should be adjusted to reflect the outcome of appeals against the performance appraisals. The lowest score was 4 (agreed) and the highest score was 5 (strongly agreed). The mean score was 4.8 (strongly agreed) and the standard deviation of 0.35 indicated that the views of the respondents were highly uniform. Therefore, on average the respondents held that rewards at SCB should be adjusted to reflect the outcome of appeals.

4.3.13 Basis of Line Managers' Appraisals

The opinion of the respondents was sought on whether the line manager's performance appraisals should be informed by the direct reports' appraisals through posing the question: Should line manager's performance appraisals be informed by the direct reports' appraisals? The summary of the findings are in table 4.3.13

Table 4.3.13 Basis of Line Managers' Appraisals

	N	Minimum	Maximum	Mean	Std. Deviation
Line manager's performance appraisals should be informed by the direct reports' appraisals	300	4	5	4.8	0.40

Table 4.3.13 indicates that the 300 respondents had similar views on whether the the line managers' performance appraisals should be informed by the direct reports' appraisals. The lowest score was 4 (agreed) and the highest score was 5 (strongly agreed). The mean

score was 5 (strongly agreed) and the standard deviation of 0.41 indicated that the views of the respondents were highly uniform. Therefore, on average the respondents held that the line managers' performance appraisals should be informed by the direct report's appraisals.

4.3.14 Similarity of Performance Appraisals

The researcher sought to seek the opinion of the respondents on whether the performance appraisals should be similar for individuals and teams whose nature of work is interlinked through posing the question: Should the performance appraisal of individuals and teams whose work is interlinked be similar?

Table 4.3.14 Similarity of Performance Appraisals

	N	Minimum	Maximum	Mean	Std. Deviation
Performance appraisals should be similar for individuals and teams whose nature of work is interlinked e.g. makers and checkers of a common set of data	300	1	5	4	1.36

As shown in table 4.3.14, the 300 respondents had varied views on whether the performance appraisals of individuals and teams who engage in interlinked work processes should be similar. The lowest score was 1 (strongly disagreed) and the highest score was 5 (strongly agreed). The mean score was 4 (agreed) and the standard deviation

of 1.36 indicated that the views of the respondents were not uniform. However, on average the respondents held that the performance appraisals for individuals and teams whose nature of work is interlinked, like the makers and checkers of a common set of data, should be harmonised.

4.4 Discussion of Results

The following paragraphs discuss the findings of the study in relation to empirical studies and their linkage to the established theories in the field of Human Resource Management.

4.4.1 Consistency with findings of previous studies

Several studies have been conducted to in the past to establish the factors affecting the attitude of employees to the PBRs of various organizations. Maina (2011) studied the use of performance appraisal as a strategic management tool at Toyota East Africa and established that performance appraisal was mainly used as a tool to push employees to increase productivity but did not contribute to a sense of shared vision and ownership of the company strategy among the employees. The findings of this study also established that the managers at SCB did not consider the PBRs to be fair and therefore their sense of ownership and pursuit of a common vision were impaired by the negative attitude towards the PBRs.

Ouko (2011) studied the extent of adoption of 360 degrees employee performance appraisal process in Kenyan private companies and found out that appraisal systems were subjective with the key basis of appraisal being the negative aspects like errors and omissions of employees. She also established that the job descriptions play a peripheral

role in an employee's assessment while ad hoc duties and the manager's attitude counted most in the final appraisal of the employees. The findings of this study also ascertained that the PBRS at SCB was considered to be moderately objective and therefore confirmed that subjectivity was a matter of concern among employees at SCB.

M'mbui (2011) studied the effect of performance appraisal on employee job satisfaction at KRA and found that the appraisal process contributed to disengagement, low morale, anger, hatred and high employee turnover due to its subjectivity and non-recognition of the roles enshrined in the job descriptions. The findings of this study indicated that the PBRS at SCB lacked objectivity, did not allow for appeals and adjustment of appraisal ratings and also intimated that appraisal ratings were communicated after apportionment of rewards thus denying employees a chance to appeal. The rewards at SCB were on take it or leave it basis which is a recipe for job dissatisfaction.

4.4.2 Linkage of the Findings to Theory

Manz (1992) recommends that goal setting should be guided by an individual's ability and that the employees be allowed to set their own objectives within their respective job descriptions. At SCB however, the absolute power of line managers to determine the performance ratings of employees negates their ability to set their own objectives since they are appraised on the basis of the line manager's intuition, attitude and other subjective basis like favoritism, patronage and perception.

Locke and Latham (2002) contend that goal setting leads to performance when it is moderated by feedback and commitment. In the same vein, Smith and Rupp (2002) hold that the human capital is an essential element for sustainable competitive advantage, and

how it is managed within the organization is extremely important. However, the findings of this research indicate that at SCB there is no room for feedback or appeal against the final ratings of employees! The window for appeal is a mere provision since the rewards are apportioned upon communication of performance ratings and adjustment of rewards is never allowed! Therefore, the findings indicate that the PBRS at SCB is not an efficient tool in managing the human capital and may not guarantee attainment of a competitive advantage for the organisation.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four and also gives the conclusions and recommendations of the study based on the objectives of the study which included establishing the factors that influence competitive strategies among commercial banks in Kenya and determining the advantages such factors provide to the various commercial banks in Kenya.

5.2 Summary of the findings

The researcher sought to ascertain the perceived factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited.

First, in relation to the fairness of the PBRs at SCB, the mean score was 3 (moderately agreed) indicating that the respondents held that the PBRs at SCB were averagely fair.

Second, in terms of the level of reward at SCB, the mean score was 3 (moderately agreed) indicating that the respondents observed that the level of reward at SCB was average.

Third, the mean score for the nature of measures of performance at SCB was 3 (moderately agreed) which confirmed that the measures of performance at SCB were averagely realistic.

Fourth, the mean score for employee involvement in PBRS at SCB was 2 (disagreed) ,indicating that the respondents ascertained that the employees at SCB were not adequately involved in the management of the PBRS.

Fifth, the mean score in relation to the powers of line managers in the determination of employees' ratings, was 3 (moderately agreed) indicating that the respondents confirmed that the line mangers at SCB had moderate absolute powers in the determination of the direct report's performance rating.

Sixth, in terms of employees rights of appeal against the peformance appraisals, the mean score was 2 (disagreed) implying that the respondents confirmed that the employees at SCB did not have a right to appeal against the line manager's rating.

Seventh, the objectivity of the PBRS at SCB had a mean score of 3 (moderately agreed) indicating that the respondents observed that the the appraisal process at SCB was slightly objective.

Eighth, the mean score for the need to include diverse components of the rewards at SCB,was 4 (agreed) indicating that the respondents observed that the the rewards at SCB should include more non-monetary items like paid family holidays.

Nineth, Change of frequency of harmonization of review of performance objectives to quarterly basis , got a mean score was 4 (agreed) indicating that the respondents agreed that performance objectives at SCB should be reviewed atleast on a quarterly basis.

Tenth, the mean score for levelling of performance appraisals was 4 (agreed), indicating that the respondents agreed that performance appraisals at SCB should be subjected to levelling at divisional level.

Eleventh, in terms of communication of performance appraisals, the mean score was 5 (strongly agreed) indicating that the respondents believed that performance appraisals at SCB should be communicated to the employees before the rewards are apportioned.

Twelfth, as far as the adjustment of rewards at SCB was concerned, the mean score was 5 (strongly agreed), indicating that the respondents agreed that rewards at SCB should be adjusted to reflect the outcome of appeals.

Thirteenth, the alignment of line managers' and direct reports' performance ratings, got a mean score was 5 (strongly agreed) implying that the respondents believed that the line managers' performance appraisals should be informed by the direct report's appraisals.

Lastly, in terms of similarity of performance ratings for individuals and teams doing similar jobs, the mean score was 4 (agreed) implying that the respondents believed that the performance appraisals for individuals and teams whose nature of work is interlinked, like the makers and checkers of a common set of data, should be harmonised.

5.3 Conclusions

The researcher concluded that the perceived factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited included: Lack of involvement of employees through lack of appeal mechanisms against the performance appraisals which made employees lack ownership and faith in the PBRs.

Secondly, there was lack of diversity of the rewards at SCB since only monetary rewards were emphasized. Thirdly, there was lack of harmonization of review of performance objectives with some being done semi-annually and others on a quarterly basis thus making other employees feel left out in the sharing of profits.

Thirdly, the levelling of performance appraisals at divisional level was considered unfair coupled with the lack of communication of appraisal ratings to the employees before the rewards are apportioned! Fifthly, the lack of a provision for adjustment of rewards to reflect the outcome of appeals and the unclear basis of determining the line managers' performance appraisals, instead of basing it on the direct report's appraisals, was a source of negative attitude towards the PBRS at SCB. Seventhly, lack of harmonization of the performance appraisals for individuals and teams whose nature of work is interlinked, like the makers and checkers of a common set of data was also considered unfair and hence contributed to the negative attitude of managers to the PBRS at SCB.

On the other hand, the factors that did not have a significant effect on the attitudes of the managers towards PBRS at SCB included fairness of the appraisal process, level of reward, measures of performance, powers of line managers in the determination of the direct report's performance rating and objectivity of the appraisal process. The respondents felt that the PBRS was moderately fair, the level of rewards was moderately adequate, the measures of performance were adequately realistic, the powers of the line managers were not absolute and the PBRS at SCB was sufficiently objective.

5.4 Recommendations for Policy and Practice

The researcher made the following recommendations in a bid to ensure that SCB derived a sustained competitive advantage from its human capital through proper use of its PBRS.

The policies that SCB should come up include rules and regulations to address the level of involvement of employees in the PBRS and ensure that all employees are involved in the determination of their final ratings. There is also need to provide for an appeal mechanism to address any unfairness, lack of objectivity and misuse of powers by line managers. There is also need to come up with policies to outline how non-monetary rewards can be incorporated in the reward package. There is also need to come up with a criteria that will harmonize the appraisal frequencies to quarterly basis for all employees . Employees should be sensitized on the significance of levelling of performance appraisals at divisional level.

In practice, there is urgent need for SCB to adopt the best practice in Human Resource Management which provides that communication of appraisal ratings to the employees should be before the rewards are apportioned, there should be a provision for adjustment of rewards to reflect the outcome of appeals and that the line managers' performance appraisals should be on the basis of the performance of his direct report's and that there should be harmonization of the performance appraisals for individuals and teams whose nature of work is interlinked, like the makers and checkers of a common set of data.

5.5 Limitations of the study

The study, adopted a census design and sought to collect data from all the managers of SCB located at the Head Office in Chiromo, Nairobi. All managers were served with questionnaires but only 300 managed to fill and return them. Therefore, the findings were based on the 300 respondents and not the ideal 356. The time limitations for submitting the final project report could not allow the researcher to wait or pursue the remaining 56 questionnaires.

The study was further limited by the fact that the researcher only administered questionnaires to line managers, middle level managers and senior managers at SCB. Therefore only the managerial perspective informed the findings of the study while the perspective of clerical and support staff was not factored.

5.6 Suggestions for Further Study

The researcher suggests that a study whose respondents include clerical and support staff be carried out to provide great insight on the factors affecting the attitude of employees towards the PBRS of their organizations. Another area that would require attention is the establishment of a model for conducting objective, fair and realistic performance appraisals in order to overcome the obvious weaknesses of the current model at SCB. The model will guide SCB and other organizations in ensuring that the PBRS enables the attainment of a sustainable competitive advantage through optimal engagement of the human capital.

APPENDIX I: QUESTIONNAIRE

Instructions

Dear Sir/Madam,

You are kindly requested to answer all questions in this research study questionnaire. The information that you will provide shall be treated with a high level of confidentiality and strictly used for the purpose of this research study. This study aims at investigating factors affecting managers' attitude towards the performance based reward system at Standard Chartered Bank Kenya Limited.

NB: Please do not write your name anywhere on this questionnaire.

SECTION A: RESPONDENT'S PROFILE

1. State your gender:

Male	
Female	

2. State your highest level of education:

Post Graduate	
Undergraduate	
College Diploma	
College Certificate	

3. State your age bracket:

Below 30 years	
31-40 years	
41-50 years	
Over 50 years	

4. State your current role at SCB:

Senior Manager	
Middle Level Manager	
Junior Managers	

5. State the length of your working experience in the current role?

<1 Year	
1-5 Years	
6-10 Years	
11-15 Years	
> 16 Years	

6. How often do you participate in the SCB Performance Management Process?

Annually	
Semi-Annually	
Quarterly	

SECTION B: PERFORMANCE BASED REWARD SYSTEM AT STANDARD CHARTERED BANK

4. The fairness of Performance Based Reward System at SCB:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5.Strongly Agree

Perceived Fairness/Justice	1	2	3	4	5
The performance based reward system at SCB is fair to the manager					

Comment.....

5. The Level of Reward at SCB:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5.Strongly Agree

Level of Reward	1	2	3	4	5
The level of reward at SCB is commensurate to performance					

Comment.....

6. The measurement of performance at SCB:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5.Strongly Agree

Measures of Performance	1	2	3	4	5
The Measures of performance used at SCB are realistic					

Comment.....

7. The extent of involvement in the performance based reward system at SCB:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5. Strongly Agree

Extent of Involvement	1	2	3	4	5
The employee at SCB is adequately involved in the management of performance-based reward system					

Comment.....

8. The power of the Line Manager in the performance-based reward system at SCB:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5. Strongly Agree

Power of Line Manager	1	2	3	4	5
The line manager at SCB has absolute power in the determination of performance appraisal					

Comment.....

9. The rights of appeal against the line manager’s verdict on the performance appraisal at SCB:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5. Strongly Agree

Right of Appeal	1	2	3	4	5
The employee at SCB has a right to appeal against the line manager’s appraisal					

Comment.....

10. The objectivity of the appraisal process at SCB:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5. Strongly Agree

Objectivity of the Appraisal Process	1	2	3	4	5
The appraisal process at SCB is objective					

Comment.....

11. Comment on the following statements:

1. Strongly Disagree 2. Disagree 3. Moderately Agree 4. Agree 5. Strongly Agree

Comment	1	2	3	4	5
1. Rewards should include non-monetary items e.g. Paid Family Holidays					
2. Performance objectives should be reviewed at least on a quarterly basis					
3. Performance appraisals should not be subjected to levelling at Divisional level					
4. Performance appraisals should be communicated before rewards are apportioned					
5. Rewards should be adjusted to reflect the outcome of appeals					
6. Line managers' performance appraisals should be informed by direct reports' appraisals					
7. Performance appraisals should be similar for individuals and teams whose nature of work is interlinked e.g. makers and checkers of a common set of data.					

END.

Thank You for your Response.

APPENDIX II: Hierachy of Target Popouation

Management Grade	Level of Management	Number of Managers	Percentage
Band 1	Top Level	1	0.3%
Band 2	Top Level	3	0.8%
Band 3	Top Level	4	1.1%
Band 4	Top Level	12	3.4%
Band 5	Middle Level	23	6.5%
Band 6	Middle Level	36	10.1%
Band 7	Middle Level	41	11.5%
Band 8	Junior Level	114	32.0%
Band 9	Junior Level	122	34.3%
Total		356	100%

Source: SCB Kenya Human Resource Statistics (2012)

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