

**EMPLOYEE PERCEPTION OF THE LINK BETWEEN PERFORMANCE AND
INCENTIVE PAY: THE CASE OF SELECTED EMPLOYEES
IN THE MOBILE PHONE INDUSTRY.**

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SUBMITTED BY: LOOKO PAMELA ACHIENG

SUPERVISOR: MR. GEORGE OMONDI



**A MANAGEMENT RESEARCH PROJECT FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION, FACULTY OF COMMERCE**

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DECLARATION

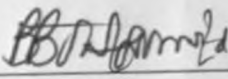
This management research project is my original work and has not been presented for a degree in any University.

Signed 

Date 30/04/04

Pamela Achieng Ooko

This management research project has been submitted with my approval as the supervisor.

Signed 

Date 20th April 2004

Mr. George Omondi

Lecturer

DEDICATION

To my husband Dan, children Abonyo, Cynthia and Jack.

ACKNOWLEDGMENT

I would like to recognize the indispensable assistance that was unmeritedly bestowed to me by my supervisor Mr. George Omondi. It would further be fitting to appreciate the enormous moral support and abundance of guidance from my dear mother Phoebe Ooko, my family members, brothers and sister for without their encouragement it was an impossible task to be able to complete the course.

I would like to appreciate the confidence and cooperation I was granted by friends, colleagues and staff of Kencell and Safaricom. Above all the disproportionate Grace of my Lord and Saviour Jesus Christ.

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ABSTRACT

This study was on the topic of employee perception of the link between performance and incentives pay: the case of sales persons and technician in the mobile phone industry. The rationale for embarking on the study is an attempt to establish “perception of employees of the link between performance and incentive pay” which is the objective of the study. The research design of the study was descriptive, sampled from a population of Kencell and Safaricom firms. The findings derived from the study showed that employees perceive that there is a link between their performance and incentive pay.

Recommendation is given for the use of the result from the study to reinforce change initiatives and establishment of a clearly understood relationship between pay and performance by other firms. Further research is suggested for other categories of employees other than the sales people and technicians.

CHAPTER I

INTRODUCTION

Background.

The economic environment today is rapidly changing and organizations are faced with globalization, opening up of market thereby increasing competitive pressures, changing customer demands and an increasing product market competition explains Becker (1996). To compete effectively organization must continually improve their performance by reducing costs, innovating products, improving quality, productivity and speed to market. Firms can develop sustained competitive advantage only by creating value in a way that is rare and difficult for competitors to imitate. Human resource is very important as it can't be easily imitated compared to other resources like technology, natural resources and economies of scale thus there is need to ensure that the staff are continuously pushed to perform at peak level observes Barney (1986, 1991, 1995)

Human capital is the single most important aspect of any successful organization as identified by Beardwell et.al (1997). The company's incentives policies determine to a large extent the motivation level of the workers and the level of performance and the growth and development of an organization. Incentive pay has become one of the important methods of increasing employee performance in organizations.

According to Walters (1995), most workers know that their pay is directly linked to the results of their performance appraisal Incentives schemes as one constituent of performance pay should be perceived by the employees as a motivator. The link is likely to be successful when it is used to reinforce cultural change initiatives and to establish a firm and clearly understood relationship between pay and performance.

Rousseau (1995) is of the view that an individual perception of a given job is often said to

be a function of that persons environment, and frame of reference that is his or her beliefs, attitudes, value system and cultural of reference. This frame of reference is usually based on past experience, which of course, implies that it is based on his selectivity, as the human perception process is selective and one sees or observes what he or she subconsciously wants to observe. Therefore one will see what he or she likes about a particular situation.

The perceived quality of service which is the outcome of evaluating prior expectations viz-a-viz performance, must of necessity involve elements of satisfaction or dissatisfaction as is the case with perceived quality of goods according to Harrison (1993). When people are satisfied or dissatisfied there is always a prior options that is implied that was either met or not met. Such a prior opinion may have been in the form of expectation and such expectations was either equaled by perceived performance, which fell short of such performance or it exceeded it according to Mobley (1980). Where expectations equal perceived performance then confirmation of that performance is said to have taken place. Where the expectations fell short of what was actually perceived then there is positive disconfirmation.

Performance is a way of doing things and management is about getting things done and performance management is the arrangements organizations use to get the right things done successfully to achieve optimum results as defined by Walters (1995). For performance management to be effective it has to be explicitly linked to the way people are paid. Employee's job performance can be measured using performance appraisal, which uses three approaches as identified by Flipppo (1984).

One, a causal unsystematic appraisal, two, highly systematic measurement of employee characteristics and employee contributions and three, mutual goal setting through a management by objectives program.

Various firms use all the three approaches for performances measurement though the causal approach is the most commonly used. The systematic performance measurement uses performance appraisal to determine and provide a foundation for comparison. Huczynski et. al (2001) identifies various appraisal systems that organizations use, these are, ranking which compare one person with the others by placing them in a simple rank in order of worth, person to person composition involving breaking the persons performance apart and analyses its components, a scale is then designed for each defined factor e.g. leadership, initiative etc. Grading where categories of worth are established in advance and defined e.g. outstanding, satisfactory, and unsatisfactory. Graphic scales involves establishing, scales for specific factors. The factors are of two types, characteristics and contributions like quantity and quality of work. Checklist requires only a reporting of facts from the rater and the evaluation and worth of the reported facts is done by the personnel department. Forced choice description has descriptive statement of seemingly equal worth of which the rater is forced to choose one in order to try and reduce bias. Behaviorally anchored ratings scales help to define employee as superior, average or below average and the frequency with which an employee engage in a specific behaviour, finally, essay description is where a supervisor is suppose to appraise the overall performances and accompany it with a brief narrative explaining the rating.

The management by objective approach (MBO) where emphasis is placed on having a participative joint determination of objectives by employees followed by a participative and joint evaluation of success in the appraisal interview has been studied Beardwell et al (1997). There should be a meeting between the superior and subordinate for the purpose of securing agreement upon the key tasks of a job and ensure that objectives developed are related to the needs

of the firms.

For each objectives suggested and accepted by superiors a strategy for assessment should be planned to enable the subordinate to evaluate and measure the on going accomplishment.

In the MBO meeting for appraisal interview between the superior and subordinates there is empathy, mutual respect, equality and supportive information contributions and there is high level of subordinate participation, constructive attitude by superior, solution to job problems hampering performance and setting of specific goals.

Incentives is defined as payments linked to the achievement of previously set and agreed targets by Armsrong et.al (1994) . They aim to motivate people to achieve higher levels of performance and then reward it.

In any organization, employee compensation programs are designed to attract capable employees, motivate employees towards superior performance and retain their services over a period of time as explained by Flippo (1984)

Incentives is compensation that reward an employee for effort beyond normal, performance expectations. Incentive plans can be individual, group or organizational according to Mathis et. al (1994).

Incentives are any form of compensation an organization gives to its employers to attract positive performance or to reward positive performance. Incentives can be financial, or non financial. For incentives to be effective in motivating employee performance, an organization has to put in place policies concerning allocation of incentives to different groups of employees and determine how they can be best utilized.

There are three reasons for using incentives. One is to motivate people to achieve higher levels of performance and increase the range and depth of their skills. Secondly to deliver the message that organizations regards performance competence and skills as important and thirdly for equity stating it is right that pay should relate to people's performance competence and skills

as outlined by Armsrong (1995).

There are two firms in the mobile phone industry. Safaricom Limited which started operations in 1999 co-owned by Telkom the only telecommunication company in Kenya and T Vodafone International telecommunication company. Kencell communications limited is a joint venture between Sameer Group Companies and Vivendi Telecom International (VIT) an international telecommunications company, Kencell was licensed and started operations after Safaricom had commenced in 2000.

The two firms offer mobile phone services, sell mobile phones and accessories in their retail centers. The mobile phone services offered are telephone calls, short messages services and inquires and roaming service across international boundaries. Both firms have an uphill task of offering excellent services to the Kenyans at competitive prices as they compete for subscribers within the Kenyan market.

The sales persons are employees whose performance can be quantified while the technicians work is more qualitative.

1.2 Statement of the problem

The impact of the incentive pay schemes depend largely on the employee perception of the link between performance and incentives. There are studies presently which have been carried on the link between incentive pay and Performance in America and Britain but non has been done in Kenya to the best of the researcher's knowledge. A study in the US by Lawler (1971) found that productivity increased by between 15-35 per cent when incentive schemes are put in place. A study on 2000 employees of a firm in the US found that perceived individual linkage of incentive pay and performance was highest among those ones on individual incentive plans, next highest for those on group incentive and lowest on organizations incentive plans has found by Schwab (1974). A study of a group bonus schemes in a distribution centre in the UK found that in work measurement terms, an increase in productivity from 67-102 percent where 100 is regarded as the norm for a fully effective worker.

There are other studies which have been done on perception but with specific reference to the various phenomena other than performance. Perception of message appeal on HIV/AIDs campaign: A case of University of Nairobi Faculty of Commerce students Makau (2002), perception of opportunity in the regional economical grouping by Kenyan entrepreneurs: A survey case of KNCCI Kuria (2002), perceived responsibility and preference for a bank; A summary of Nairobi residents Mulwa (2002), perceived service quality: The case of matatu service Mwaura (2002), The perception of supermarket in Nairobi on the use of E-marketing Sailewa (2001), The case of Kenya Airways Masinde (1985), the perceived quality of pot services, the case of Kenya Ports Authority Mwendar (1987)

Research, therefore, has been fragmented and inconclusive as pertaining to the perception of the link between incentive pay and performance. With due consideration of the importance of the technicians and sales persons as key employees in this industry, it is therefore important to find out what these employees perceive of the link between their performance and their

incentive pay. This is the motivation for this study.

1.3 Objectives of study

The objectives of the study are:

- (a) To establish the perception of the link between incentive pay and performance among sales people and technicians in the mobile phone industry.
- (b) To establish the factors that influences the perceptions of sales people and technicians towards the incentive pay.

1.4 Importance of the study.

It is expected that this study will: -

- a) Contribute to a better understanding of whether human incentives contribute to better and high performance by workers.
- b) Encourage human resource managers to develop incentive policies and packages to improve the firms performances.
- c) Provide a better understanding of incentives as a method of compensation in firms.
- d) Add and provide a body of knowledge to the academic community and stimulate further research in the field of employee compensation.

CHAPTER 2

LITERATURE REVIEW.

2.1 Incentives for motivation.

To be able to motivate workers towards superior performance organizations give varying compensation where the payment is dependant upon specific behaviour. Robert Elliot (1991) argues that compensation reduces the disutility most people associate with work and that competitive advantage premised on innovation, quality and cost leadership is important for growth and prosperity of a firm. Skilled and well-compensated staff for delivery of value to customers and the firms owners are very important. (Porter (1985)

For incentives, either financial or non financial, to be able to motivate employees behaviour must be seen to be desirable by the employee and seen to be forth coming if they behave in a manner desired. Incentives are extrinsic rewards coming from the organization in recognition of this good work. Managers are therefore faced with the challenge of finding ways to motivate workers and be able to improve their performance continuously.

There are various ways in which the motivation theories can assist in unlocking the key to the motivation treasure such as the use of incentives to reinforce good performance.

2.2. Types of incentives

The incentive pay offered by an organization can be individual, group or organizational incentives. Mathis et.al (1994) identifies individual incentives as incentives given to individual employees relative their effort to pay and can be suitable to use when, individual performance can be identified and isolated by the nature of job performed, where a substantial amount of work is done independently allowing individuals contributions to be identified, where there is competition among employees and where the organization culture emphasizes individual's achievement and rewards.

The types of individuals incentives that an organization use are piece rate systems, commissions, bonuses and special incentive programees. Piece Rate Systems: Can either be the

straight piece rate systems in which wages are determined by multiplying the number of units produced by the piece rate for one unit or a differential piece rate which pays employees one piece rate wage if they produce less than a standard output and a higher piece rate wage if they produce more than the standard. This system was developed by Fredrick Taylor in 1871 when he did a study on scientific management studies which he designed to stimulate employees to achieve or exceed established standards.

Commissions: Commonly used in sales jobs where the compensation is computed as a percentage of sales in units or dollars. The commissions due are integrated into employees pay as a straight commission or a salary plus commission. In straight commission an employee receives a percentage of this value of the sales made when the sale is completed. Salary plus commission combines provision of a salary and performance aspect with payment of commission on top of the salary.

Bonuses: These are lumpsum payments annually based on the profits of the organization and achievement of pre-determined performance targets therefore fluctuates with performances.

Kohan (1988) dismisses bonus payment on the grounds that they make management focus on narrow tasks and take few risks by encouraging them to take projects with short term durations.

Deci (1972) argues that bonuses lower motivation by reducing the intrinsic rewards employees receive from the jobs and concentrate more on extrinsic rewards.

Special Incentive Programs: Commonly used in sales related jobs and include giving trips, cash and merchandise rewards to those who sell the most, sales contests and production contest awards help to achieve immediate sales gains and to focus attention specific products.

Group incentives are normally given by organizations to a group of employees Mathis et. al (1994) states that group incentives are useful in overcoming problems associated with individual incentives and should be administered when significant interdependence exists among the

work of several individuals and teamwork and cooperation is present, where difficulties exist in identifying who is responsible individually over performance and when management wants to create teamwork and cooperation among its employees.

Organizational incentives is defined as a system that compensates all employees in the organization based on the organization performance annually. It encourages teamwork and reduce conflicts between departments as it emphasizes organizational profit and productivity compared to group incentive and there are various types Mathis et. al (1994)

Gain Sharing: Sharing with employees greater than expected gains in profits and for productivity. The gains can be measured financially, by productivity and quality measure and can be paid monthly, quarterly, semiannually or annually.

Improshare (Improved Productivity Through Sharing): Rewards all workers in the organization where a standard is identified and weekly bonuses are paid based on the extent to which the standard is exceeded.

Scanlon Plan: In an organization department committees are set to evaluate cost banking suggestions and the savings resulting from the suggestions are placed in a bonus fund and incentives rewards are given to employees from this fund. The fund is split between employees and the organization. Employees receive the incentives compensation for reducing labour costs regardless of whether the organization makes a profit.

Profit Sharing: Distributes a portion of the profits of the organization to employees. The employees can receive the portions at the end of they year, defer profits or place in a fund and give the employees on retirement on when leaving the organization.

Employee Share Ownership Plan: A long term compensation method designed to give share ownership to employees thus increasing their commitment, loyalty and effort. The employees become share holders and therefore exposed to the share holders risk and develop interest in the development of the organization and motivates them to work harder.

2.3. Guidelines for developing Incentive pay

There are four guidelines to be followed by organization when developing incentives pay as identified by Flippo (1994) One, recognize organization culture and resources where the incentive system should be consistent with the culture and financial resource of the organization. There should be trust and good working relationship between the superiors and the employees.

Two, tie incentives to desired performance so that the employees can see a direct relationship between their efforts and their rewards. (George, Brief and Wester 1991) explains that incentives are most effective when employees can see clearly that their extra efforts lead to increased performance and desirable rewards, other wise stress can be created.

Three, keep incentive plans current by ensuring that Incentive systems are reviewed continuously to determine whether they are encouraging employees to perform better and if not the system should be changed, and lastly separate plan payment

from base pay so that the separation makes a clear connection between performance and reward and helps reinforce the idea of performing well to earn more.

There are three ways in which performance can be linked to incentive pay as identified by Walters (1995) One, the incentive plan needs to develop through participation by both management and employees so that employees understands and accept the basis on which performance is being valued and rewarded.

Two, the link between performance and pay needs to be focused and communicated on the basis of Shared improvements in performance.

Thirdly, participants should recognize that the incentives pay is not a panacea that automatically cures all performance problems even though it is a genuine motivator.

Armstrong et.at (1994) explains that there is a visible and direct relationship between

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focused effort and reward. Use of individual incentives is appropriate when performance or contribution can be attributed directly to the effort and abilities of individual as in sales jobs with a quantitative output. Technician's job is of a qualitative output and results depends on team effort and rates are flexible and therefore group incentive pay is appropriate.

2.4. Motivation for performance

The word motivation is derived from the Latin word *movere*, which means move. motivation is defined as the process that account for an individuals intensify, direction and persistence of effort towards attaining a goal Robbins (2001). Motivation can also be defined as the term used to describe those processes by which people seek to satisfy the basic needs, drives and personal goals Cole (1996) It is the internal process that energizes, directs and sustains behaviour Armstrong (1999) define motives as a reason for doing something.

Motivation process comprises of five interdependent elements as given by Smit et al (1995) Need, motive, behaviour, consequence, satisfaction dissatisfactions and feedback. A psychological or physiological imbalances may give rise to a need. The need motivate the person to take action which he believes will satisfy his needs, and therefore the need leads to specific behaviour. The consequences of the behaviour may be positive or negative which may result to satisfaction or dissatisfaction. Satisfaction is usually short lived and as a result the motivation process has a feedback loop.

There are motivation theories that explain individuals behaviour and what motivates them to work. These theories are, reinforcement theory, expectancy theory and Aldefer's theory.

Reinforcement theory according to Bateman et. al (1990) is associated with Bernard Skinner and applicable in organizations as a theory called organizational behaviour modification (OBMod).

The foundation of the reinforcement theory is the law of effect formulated by Edward

Thorndike in 1911. Luthans (1992) state the law of effect thus "of several responses made to the same situation those which are accompanied or closely followed by satisfaction (reinforcement) will be more likely to occur, those which are closely followed by discomfort (Punishment) will be less likely to occur." Reinforcement is anything that both increases the strength of response and tends to induce repetition of behaviour that preceded the reinforcement. Bateman et. al (1990) explain that organizational behaviour modifications theory (OB Mod) makes use of the four consequences of behaviour to encourage or discourage employee behaviour. These are positive reinforcement, negative reinforcement, punishment and extinction.

Positive reinforcement strengthens and increases behaviour by the presentation of a desirable consequences explains Luthan (1992). Examples of positive reinforcement are compliments, recommendation letters, favourable performance appraisals, pay increases, promotions and incentives.

Negative reinforcement strengthens and increases behaviour by the termination of an undesirable consequences e.g. shortening probation period for an employee because of good performance. Punishment and extinction are negative outcomes for the person receiving them and one will not want to repeat the same behaviour.

OB Mod programs are used to apply combinations of performance goals, feedback and positive reinforcement for good performance as explained by Bateman et. al (1990).

Managers should identify appropriate behaviours and creative effective reinforcers. Innovative incentive systems can be used to motive people instead of relying on pay raises

Expectancy theory according to Armstrong (1999) was formulated by Vroom 1964 as valency, Instrumentality and expectancy (VIE) theory. Valency stands for value, instrumentality is the belief that doing one thing leads to another and expectancy is the probability that action will lead to an outcome.

If money or any factor is to motivate behavior employees must both desire it and believe that it will be forthcoming if they behave in the manner prescribed according to (Flippo (1994) The actual effect of its influence comes from employees assessment of the value of money and the strength of the expectancy that the prescribed behaviour will result in obtainment of the preferred reward.

Vroom's expectancy theory identifies the level of motivation as:

Motivational force is equal to (valence multiplied by instrumentalities) multiplied by expectancy meaning, motivation will be high if valence, instrumentality and expectancy are all high. The expectancy theory can be used by employers to motivate high performance where employees work effort can lead to some level of performance which then results in one or more outcomes. To influence employee motivation there should be increased expectancies which can be achieved by setting realistic attainable goals and provide a work environment that facilitate good performance, management should identify positively valent outcomes by understanding what employees want to get out of the work and make performance instrumental towards positive outcomes by ensuring good performance is recognized and followed by praises, pay increases and other incentives while poor performance has fewer positive and more negative outcomes.

Vroom's expectancy theory forms the theoretical framework of this study. The study is carried to find out whether the incentives given improves and ensures good performance in the mobile phone industry as explained in the expectancy theory.

Abraham Maslow's need hierarchy theory recognizes that the need levels for each workers is different and different approaches can be used to motivate the employees and be able to accomplish organizational objectives according to Luthans (1992)

Employees who are trying to meet their basic physical needs attach a significant importance to their pay and when incentives are added to their pay they perform well as it motivates them to

work harder. An employees higher in the hierarchy view self actualization needs and self esteem advancement and challenges more important. Non financial incentives and long term financial incentives like profit sharing and share ownership will be more appropriate for such an employee.

Alderfer's theory advances on the Maslows theory and does not have strict lines of demarcation but suggests a continuum of needs than the hierarchical levels and proposes that several needs can be operating at once explains Flippo (1994) The existence needs operates as material and physiological needs and relatedness needs, which involve relationships with other people and growth needs motivate people to productivity and intrinsic desire for personal development according to Luthans (1992) In view of Alderfer's theory financial incentives can still be used as a motivator by an employer but it is important that it should reflect their individual performance. Where a company is committed to paying similar salaries to workers on a comparable level, they should pay bonuses to reflect individual performance. This will ensure that the workers will take the money as a reward for accomplishment and this will also give the workers the pleasure to work towards accomplishment.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research design

This was a descriptive study meant to establish the perception of the link between performance and incentive pay among technicians and sales people in the mobile phone industry.

Description study is used when the objective of the study is to describe characteristics of relevant groups according to Malhotra (1996)

3.2 Population

The population of study consist of a total of 380 made up of 150 sales people and 50 technicians in Safaricom and 120 sales people and 60 technicians in Kencell (as given by the respective firms).

The rationale of selecting the two groups is that their performance is looked at differently. The sales staff performance can be quantified while that of the technicians is qualitative.

3.3 Sample

The sample units was selected using the proportionate stratified sampling technique. Each group of the employees is given a proportionate representation according to their total number. The sample is a total of 100 respondents comprising of 40 sales people from Safaricom and 32 from Kencell, 13 technicians from Safaricom and 15 from Kencell. (see table below)

| | Sales people | % | Technicians | % | Sample size | |
|-----------|--------------|----|-------------|----|-------------|-------------|
| | | | | | Sales | Technicians |
| Safaricom | 150/380 | 40 | 50/380 | 13 | 40 | 13 |
| Kencell | 120/380 | 32 | 60/380 | 15 | 32 | 15 |

3.4 Data collection method

Primary data was collected through use of structured questionnaire administered to both sales people and technicians. Section A consists of general

questions, section B consists of questions to determine the link between performance and incentives and section C consists of questions to identify factors that influence the employees perceptions. The drop and pick later method is used in order to ensure anonymity and greater response and the name of respondents is not required

3.5 Data analysis technique

Descriptive statistics was used for analysis. Mean scores are generated to determine the level of perception of the sales people and technicians on incentive schemes.

Factor analysis was carried out to identify the factors that influence the perception of sales people and technicians towards incentive schemes.

Tests of significance were conducted to determine the difference between the two categories of staff as well as between the two firms.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

Introduction

Since the research was aimed at establishing the link between performance and incentives pay among the sales persons and technicians in the mobile phone industry it was found necessary to split the analysis into four.

- Analysis on general response from both Kencell and Safaricom
- Analysis on the perception of the link between performance and incentives.
- Analysis on factors influencing employees perception towards incentive pay.
- Significance test between the two companies and the two groups of employees.

Table 4.1.1 Analysis on general response from Kencell and Safaricom employees.

| Company name | Frequency | Percentage |
|--------------|-----------|------------|
| Ken cell | 17 | 31.5 |
| Safaricom | 37 | 68.5 |
| Total | 54 | 100 |

There were a total of 54 responses out of the expected 100 responses, the responses from Kencell was low with only 31.5% of the expected responses being received. There were 7 responses from technicians and 10 from sales representatives. Safaricom has a higher response at 68.5% There were 15 responses from technicians and 22 from sales representatives.

Safaricom had more technicians responding than the expected 13 and fewer sales representatives. Presentation at Kencell was low from both the technician and the sales representative.

Table 4.1.2 Analysis on academic qualification

| Qualification | Kencell | | Safaricom | | Total | % |
|---------------|---------|-------|-----------|-------|-------|------|
| | Tech | Sales | Tech | Sales | | |
| Diploma | 2 | 3 | 10 | 14 | 29 | 53.7 |
| University | 5 | 7 | 5 | 8 | 25 | 46.3 |
| Totals | 7 | 10 | 15 | 22 | 54 | 100 |

As shown in table 4.1.2, 54% of the total respondents have diploma while 46% have University qualification. Kencell has a high number of employees with university degree while Safaricom has a high number of the employees with diploma. In Kencell out of a total of 17 employees 12 have University and only 5 have diploma qualifications. In Safaricom out of a total of 37 employees 24 have diploma and 13 have university qualifications.

This representation shows that Kencell recruits more employees with higher academic qualifications while Safaricom recruits more employees with lower qualifications.

Table 4.2.1 Analysis on the perception of the link between performance and incentive pay.

| | Frequency | Percentage |
|----------------------|-----------|------------|
| Not at all | 1 | 1.9 |
| To a less extent | 15 | 27.8 |
| To an average extent | 22 | 40.7 |
| To a great extent | 16 | 29.6 |
| Total | 54 | 100 |

Most of the employees in Kencell and Safaricom perceive the link between performance and incentive pay to be high there being 70% of the employees responding to an average and to a great extent. Most employees feel that incentive pay is important to them as shown in table 4.2.1. with 60% of Kencell above average to a great extent and 89% in Safaricom to an average and to great extent.

Table 4.2.2 Analysis on type of incentive pay and individual preferences.

| Factors | Type of incentive | Company | |
|---------------------------|-------------------|---------|-----------|
| | | Kencell | Safaricom |
| Incentive pay offered now | Individual | 47.1 | 73.0 |
| | Group | 52.9 | 27.0 |
| Incentive preferred | Individual | 64.7 | 48.6 |
| | Group | 23.5 | 37.8 |
| | Organizational | 11.8 | 13.5 |

As shown in table 4.2.2 Kencell uses more of group incentives at 53% while Safaricom uses more of individual incentives at 73%. The employees in both Kencell and Safaricom have a high preference for individual incentives at 65% and 49% respectively. Very few prefer organizational incentives which is not being used by either firm Kencell have a preference of 12% and Safaricom 13%.

Table 4.2.3 Analysis on the level of motivation and job factors.

| Factors | Perception level | Company | |
|--------------------------------------|------------------------|---------|-----------|
| | | Kencell | Safaricom |
| Present level of motivation | To a less extent | 5.9 | 8.1 |
| | To an average extent | 58.8 | 40.5 |
| | To a great extent | 35.3 | 29.7 |
| | To a very great extent | 0.0 | 21.6 |
| Satisfaction with appraisal in dept. | To a less extent | 41.2 | 16.2 |
| | To an average extent | 29.4 | 35.1 |
| | To a great extent | 29.4 | 43.2 |
| | To a very great extent | 0.0 | 5.4 |
| Importance of work itself | To a less extent | 17.6 | 2.7 |
| | To an average extent | 35.3 | 32.4 |
| | To a great extent | 47.1 | 45.9 |
| | To a very great extent | 0.0 | 18.9 |
| Importance of salary | Not at all | 11.8 | 0.0 |
| | To a less extent | 11.8 | 18.9 |
| | To an average extent | 64.7 | 35.1 |
| | To a great extent | 11.8 | 35.1 |
| | To a very great extent | 0.0 | 10.8 |
| Importance of benefits | To a less extent | 41.2 | 29.7 |
| | To an average extent | 17.6 | 32.4 |
| | To a great extent | 41.2 | 29.7 |
| | To a very great extent | 0.0 | 8.1 |
| Importance of incentives | To a less extent | 41.2 | 10.8 |
| | To an average extent | 29.4 | 35.1 |
| | To a great extent | 29.4 | 45.9 |
| | To a very great extent | 0.0 | 8.1 |
| Motivation from performance rewards | To a less extent | 11.8 | 5.4 |
| | To an average extent | 47.1 | 5.4 |
| | To a great extent | 41.2 | 51.4 |
| | To a very great extent | 0.0 | 10.8 |
| Motivation by promotion | Not at all | 6.3 | 0.0 |
| | To a less extent | 0.0 | 27.0 |
| | To an average extent | 56.3 | 43.2 |
| | To a great extent | 37.5 | 27 |
| | To a very great extent | | |

Work and salary are job factors that positively influence satisfaction among all employees while benefits do so negatively for Kencel 41% and positively for Safaricom at 62%.

Table 4.3.1 Analysis of the factors that influence employees' perception towards incentive pay
Satisfaction with timing of incentives

| Level of satisfaction | | Company | | |
|------------------------|-------|---------|-----------|--------|
| | | Kencell | Safaricom | Total |
| Not all | Count | | | |
| | % | | | |
| To a less extend | Count | 3 | 4 | 7 |
| | % | 18.8% | 10.8% | 13.2% |
| To an average extend | Count | 8 | 20 | 28 |
| | % | 50.0% | 54.1% | 52.8% |
| To a great extend | Count | 4 | 13 | 17 |
| | % | 25.0% | 35.1% | 32.1% |
| To a very great extend | Count | 1 | - | 1 |
| | % | 6.3% | | 1.9% |
| Total | Count | 16 | 37 | 53 |
| | % | 100.0% | 100.0% | 100.0% |

Analysis on the sales representatives and technicians

| Level of satisfaction | Kencell | | Safaricom | | Total |
|------------------------|---------|------|-----------|------|-------|
| | Sales | Tech | Sales | Tech | |
| Not at all | | | | | |
| To a less extends | 1 | 2 | 2 | 2 | 7 |
| To an average extend | 3 | 5 | 9 | 11 | 28 |
| To a great extend | 2 | 2 | 6 | 7 | 17 |
| To a very great extend | 1 | 0 | 0 | 0 | 1 |

Table 4.3.1 shows that both Kencell and Safaricom employees have an average satisfaction with timing of incentives at 50% and 54% respectively. Those with a low satisfaction are fewer than those with a great satisfaction for both firms therefore indicating that majority are satisfied with the timings of the incentives. There is no significant difference between the sales people and technicians as shown in the lower table.

Table 4.3.2 Level of motivation by pay increase

| Level of motivation | | Company | | |
|------------------------|-------|---------|-----------|--------|
| | | Kencell | Safaricom | Total |
| Not all | Count | | 1 | 1 |
| | % | | 2.7% | 1.9% |
| To a less extend | Count | 3 | 4 | 7 |
| | % | 18.8% | 10.8% | 13.2% |
| To an average extend | Count | 4 | 8 | 12 |
| | % | 25.0% | 21.6% | 22.6% |
| To a great extend | Count | 8 | 14 | 22 |
| | % | 50.0% | 37.8% | 41.5% |
| To a very great extend | Count | 1 | 10 | 11 |
| | % | 6.3% | 27.0% | 20.8% |
| Total | Count | 16 | 37 | 53 |
| | % | 100.0% | 100.0% | 100.0% |

Table 4.3.2 indicate that the level of motivation by pay increase is high for both Kencell and Safaricom at 56% and 75% respectively for those with motivation to a great and a very great extend. Majority of the employees in both firms are motivated by pay increase with only 15% having low or no motivation.

Table 4.3.3 Level of motivation by promotion

| Level of motivation | | Company | | |
|------------------------|-------|---------|-----------|--------|
| | | Kencell | Safaricom | Total |
| Not all | Count | 1 | | 1 |
| | % | 6.3% | | 1.9% |
| To a less extend | Count | | 10 | 10 |
| | % | | 27.0% | 18.9% |
| To an average extend | Count | 9 | 16 | 25 |
| | % | 56.3% | 43.2% | 47.2% |
| To a great extend | Count | 6 | 10 | 16 |
| | % | 37.5% | 27.0% | 30.2% |
| To a very great extend | Count | | 1 | 1 |
| | % | | 2.7% | 1.9% |
| Total | Count | 16 | 37 | 53 |
| | % | 100.0% | 100.0% | 100.0% |

Table 4.3.3 indicate that the level of motivation by promotion is average for both Kencell and Safaricom. At 56% and 43% respectively. Those with high level of motivation at Kencell is 37.5% and 29.7 for Safaricom. A higher percentage of Safaricom employees have a low motivation at 27% while Kencell has none though they have one employee not motivated at all.

Table 4.3.4 Level of motivation by recommendation letter

| Level of motivation | | Company | | |
|------------------------|-------|---------|-----------|--------|
| | | Kencell | Safaricom | Total |
| Not all | Count | | | |
| | % | | | |
| To a less extend | Count | 3 | 1 | 4 |
| | % | 20.0% | 2.7% | 7.7% |
| To an average extend | Count | 4 | 8 | 12 |
| | % | 26.7% | 21.6% | 23.1% |
| To a great extend | Count | 8 | 16 | 24 |
| | % | 53.3% | 43.2% | 46.2% |
| To a very great extend | Count | | 12 | 12 |
| | % | | 32.4% | 23.1% |
| Total | Count | 15 | 37 | 52 |
| | % | 100.0% | 100.0% | 100.0% |

Analysis on sales representatives and technicians

| Level of motiation | Kencell | | Safaricom | | Total |
|------------------------|---------|------|-----------|------|-------|
| | Sales | Tech | Sales | Tech | |
| Not at all | | | | | |
| To a less extends | 2 | 1 | 0 | 1 | 4 |
| To an average extend | 2 | 2 | 4 | 4 | 12 |
| To a great extend | 4 | 4 | 12 | 4 | 24 |
| To a very great extend | 0 | 0 | 11 | 1 | 12 |

Table 4.3.4 indicate that the level of motivation by recommendation letter is high with Kencell having 53% and Safaricom 75%. Majority of the sales people in Safaricom are highly motivated by recommendation letters as shown in the lower table.

Table 4.3.5 Level of expectation of incentives given.

| Level of expectation | | Company | | |
|------------------------|-------|---------|-----------|--------|
| | | Kencell | Safaricom | Total |
| Not all | Count | | | |
| | % | | | |
| To a less extend | Count | 3 | 1 | 4 |
| | % | 17.6% | 2.8% | 7.5% |
| To an average extend | Count | 5 | 17 | 22 |
| | % | 29.4% | 47.2% | 41.5% |
| To a great extend | Count | 9 | 12 | 21 |
| | % | 52.9% | 33.3% | 39.6% |
| To a very great extend | Count | | 6 | 6 |
| | % | | 16.7% | 11.3% |
| Total | Count | 17 | 36 | 53 |
| | % | 100.0% | 100.0% | 100.0% |

The level of expectation of incentives given is high at Kencell at with 53% and average at Safaricom with 47.2%. More employees in Kencell greatly look forward to receiving the incentives given while a bigger percentage in Safaricom have an average level of expectations.

Table 4.3.6 Significance testing between Kencell and Safaricom

| | Incentive pay offered now | Incentive preferred |
|------------------------|---------------------------|---------------------|
| Mann-Whitney U | 233.000 | 268.000 |
| Wilcoxon W | 936.000 | 421.000 |
| Z | -1.835 | -965 |
| Asymp. Sig. (2-tailed) | 0.067 | 0.335 |

Wilcoxon (Mann.whitney) test was used to test if there is difference in the views on the incentive pay offered now and the incentive they preferred between the employees of Kencell and Safaricom. There is significant difference between incentive pay offered now in two companies (Kencell and Safaricom) with P- value 0.067 at 10% significance level.

There is no significant difference between incentives preferred between the two companies with p-value 0.335.

CHAPTER 5

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

This chapter compares the findings of this study with other findings discussed in the literature. Conclusions of the study are presented with the recommendations based on the conclusion, subsequently, the suggestion are made for further research.

5.1 DISCUSSION

The study objectives were aimed at establishing the perception of the link between performance and incentive pay among technician and sales person in the mobile phone industry and establish factors that influence their perception towards incentive pay, the study show that:

- Perception of the link between performance and incentive pay.

Majority of the employees perceive a link between their incentive pay and their performance indicating that the acceptance of the pay increases their level of performance at different rates as indicated from the different percentages.

The findings seem to lay credence to justify the assertions by Lawler (1971) that incentives increased productivity by 15-35 percent when put in place, as is observed from the findings since majority perceive a link between their incentive pay and performance. The findings justify Armstrong (1995) reason for using incentives to motivation people to achieve higher levels of performance.

- Type of incentive pay

The findings of this study show that more employees have a preference for individual incentives pay as compared to group and organization incentive pay and agree with findings of Schwab (1974) who found that perceived linkage of incentive pay and performance is highest among those on individual incentive plans.

- Importance of work

The findings of this study show that work influences employees positively and motivate the employees to perform better. People have an intrinsic desire for personal development according to Luthans (1992) which motivate them to productivity and The study findings show that most employees regard their work to be important to them and this importance enables them to work harder for personal development thus being more productive as suggested by Luthans.

- Importance of salary

The findings of this study show that salary influence employees positively as they attach a lot of importance to their salaries. The findings agree with Flippo (1994) that money motivate employee if they believe it will be forthcoming and behave in the manner prescribed. The employees in both firms are motivated to work harder as they already believe in and attach importance to their salaries. Walter (1995) confirm that most workers know that their pay is directly linked to their performance and where employees pay is increased it motivates them to perform better.

- Recommendation letters

This are non financial rewards and the findings show that many employees attach importance to them and motivate them for better performance. Recommendation letter can be used as a positive reinforcement to strengthen and increase behaviour according to Luthans, (1992) by presenting it as a desirable consequence.

5.2 CONCLUSION

The conclusion derived from the study show that:

Generally the employees in Kencell and Safaricom perceive that there is a link between performance that there is a link between Performance and incentive pay both among the sales persons and technicians.

Kencell makes use of individual and group incentive pay equally while Safaricom makes use of individual incentive pay more. None of the companies use organizational incentive pay and both use group only for the technicians. The employees have preference for use of all the three types of incentive pay with the highest number preferring individual incentive pay, next highest group incentive pay and lowest number for organizational incentive pay

Generally the level of motivation for most employees in both firms is above average with very few below average and none not motivated at all.

Most employees in Kencell are not satisfied with the performance measurement done in their firms while most employees in Safaricom one satisfied above average.

Work, salary and incentives are important to most employees in Kencell and Safaricom positively influence satisfaction among the employees. Whereas benefits among the Kencell workers is not important to one group and important to the other, the technician in Kencell attach a greater importance to benefits than the sales persons on the other hand.

The timing of incentives is satisfactory to majority of the employees in both firms.

Most of the Safaricom employees are satisfied with the timing where as in Kencell majority are averagely satisfied.

Motivation by pay increases is highly satisfactory to the majority of the employees in both Kencell and Safaricom majority being motivated to a great extend.

Level of motivation by promotion is average in both Kencell and Safaricom for most employees.

Recommendation letters is non financial but highly motivating for most workers in Kencell and Safaricom. Safaricom has the most effective results from use of the letters among its sales persons.

5.3 RECOMMENDATIONS

As deduced from the findings recommendations are adduced to the facts that, since most employees perceive that there is a link between performance and incentive pay among technician and sales representatives in the mobile phone industry, other firms in other industries can successfully use the link to reinforce change initiatives and establish a clearly understood relationship between pay and performance. Use of either individual, groups or organizational incentive should be based on suitability according to the kind of job performed. Performance measurement methods in order to be successful and satisfactorily accepted through participation of both management and employees. Job factors like work, salary and benefits should be positively used to motivate workers and increase their performance as they are effective in motivating employees. Other factors that can influence employees perception like recommendations letters, individual expectations, desire for personal development and goods timing of incentive pays can be effectively used in influencing employees perception towards incentive pay.

5.4 SUGGESTION FOR FURTHER RESEARCH

The study was limited to only two groups of employees in the mobile phone industry, however further research is recommended that will incorporate wither employees other than the technician and the sales persons only.

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APPENDIX 1

LETTER TO RESPONDENTS.

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
P.O. BOX 30197
NAIROBI

Dear Sir/Madam,

REF: EMPLOYEE PERCEPTION OF INCENTIVE SCHEMES:
THE CASE OF SALES PERSONS AND TECHNICIANS.

I am a student at the University of Nairobi, pursuing a master of Business Administration (MBA) Degree. This research is part of the course requirement. You have been carefully selected to take part in this study. Kindly spare some time to fill the attached questionnaire as accurately as possible. The information being sought is purely for academic purposes and all responses are strictly confidential.

Thank you for your co-operation.

Yours faithfully,

PAMELA OOKO

MBA STUDENT

APPENDIX II

QUESTIONNAIRE FOR SALES PERSON/TECHNICIAN

SECTION A

Fill in the blanks provided or by means of a tick (✓) please indicate the correct choice

1. What is the name of the firm you are working in? _____

2. For how long have you worked in this company _____ years.

3. Indicate whether you a sales person or technician _____

4. What is your professional qualifications _____

5. What is your present work grade _____

6. What is your academic qualifications(Tick)

Secondary

A Level

Diploma

University

7. What type of incentive pay is being offered to you now (Tick)

Individual (Paid according to individual performance)

Group (Paid according to team performance)

Organizational (Paid according to organization
Overall performance)

8. What type of incentive would you prefer

Individual (Paid according to individual performance)

Group (Paid according to team performance)

Organizational (Paid according to organization
Overall performance)

9. Give reasons for your choice _____

SECTION B

Please rank to what extent the following questions apply to you by ticking (✓) the appropriate column.

1 = Not at all 2= To a less extent 3= To a average extent 4 = to a very great extent 5 = To a very great extent.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. The level of motivation in your present job. | | | | | |
| 2. Your satisfaction towards the performance measurements (appraisal) carried out in your department. | | | | | |
| 3. Importance of the following job factors | | | | | |
| i. Work itself | | | | | |
| ii. Salary | | | | | |
| iii. Benefits | | | | | |
| iv. Incentives (Bonuses, commission, profit sharing) | | | | | |
| 4. Your level of motivation with the rewards given for good performance. | | | | | |
| 5. Your satisfaction with incentives currently being given to you. | | | | | |
| 6. Your perception of the link between your performance and incentives given. | | | | | |
| 7. The level to which the incentives have improved your performance. | | | | | |
| 8. The level of your performance change if the incentive pay is to be increased. | | | | | |
| 9. The level of your performance change if the incentive pay is reduced. | | | | | |
| 10. Your preference for non financial incentives | | | | | |

SECTION C1

Please rank to what extent the following questions apply to you by ticking (✓) the appropriate column.

1 = Not at all 2= To a less extent 3= To an average extent 4= To a great extent 5 = to a very great extent.

1 2 3 4 5

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| 1. Your satisfaction with the timing of giving incentives | | | | | |
| 2. Your level of motivation by the following reinforces | | | | | |
| i. Pay increase | | | | | |
| ii. Promotion | | | | | |
| iii. Incentives | | | | | |
| iv. Recommendation letters | | | | | |
| 3. Your level of expectations of the incentives given | | | | | |
| 4. Does your individual needs affect your perception towards the link between your performance and incentive pay. | | | | | |
| 5. Does your intrinsic desire for personal development influence your perception towards the link between performance and pay. | | | | | |

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