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DEPARTMENTS OF SOCIOLOGY & SOCIAL WORK

**EMPLOYEE PERCEPTION OF INCENTIVE SCHEMES: THE CASE OF UNIONIZABLE
STAFF AT COOPERATIVE BANK OF KENYA**

BY

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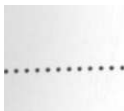
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Appendix 2: Letter of Introduction

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DECLARATION

This project is my original work and has not presented for examination in any other university.




MUGAA, LUCINDA GITURA

This project has been submitted for examination with my approval as university supervisor.

MR. B. MUTSOTSO

DECLARATION

This project is dedicated to all employees of Cooperative Bank of Kenya Ltd.

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ABSTRACT

It has argued in literature that employee motivation is the foundation that enables the organization to achieve improved productivity and hence become competitive and successful in the market. It is no wonder therefore that many organizations nowadays have incentive schemes in place.

In this paper, based on a case study of Cooperative Bank of Kenya, we sought to find out the employee perception of these incentive schemes; staff perception of their appropriateness and effectiveness, how they have evolved over time and finally whether these schemes work in modern organizations.

Descriptive survey method was used and the population of the study was the unionizable employees of all the Cooperative Bank Branches in Nairobi and some managers were used as key informants.

Data was collected using questioners, interviews and secondary sources were used. It was analyzed using descriptive statistics to enable deriving some conclusions.

The findings show that there is high awareness of staff on the incentive schemes in place, that indeed incentive schemes motivate employees to work harder and improve productivity. It has also emerged that although employees believe that performance evaluations are fairly done, incentives are not given according to individual performance.

CHAPTER ONE: Background and Problem Statement

1.1 Background

Modern business organizations trace their roots from cottage industries which emerged in Europe in the late 17th century. These had been triggered by: improved agricultural methods leading to surplus for trade, increased population and increased demand for manufactured products especially in the new colonies. These industries were mainly individuals working from home and produced goods like matchboxes, brushes, shoes, textile products among others (Sydney, 1981).

These cottage industries had a number of limitations among them: limited production capacity, little management skills for the owners, employed few workers, use of poorly fabricated tools and harsh working conditions-. The Pre-industrial society also was very static and often cruel with child labour, dirty living conditions and long working hours being the norm (Herbert, 1989).

The shortcomings of the cottage industries, expanded demand especially in the British colonies, growing population and technological developments, created opportunities for expanding the cottage industries into large factories between the late 18th and early 19th centuries, a phase referred to as Industrial Revolution. These changes in production of goods and services which first started in Britain subsequently spread throughout Europe, North America, and eventually the world. (Ashton, 1948)

These expanded industries concentrated labour into mills, factories and mines, thus productivity of these workers was of paramount importance. This also had a profound effect on management thinking and especially personnel Management and incentive schemes starting emerging for motivating the workers because mass production was required to meet the expanded demand (Sydney, 1981).

In 1870s the textile mills pioneered the assembly line system which greatly improved efficiency, both in this and other industries. With a series of men trained to do a single task on a product, then having it moved along to the next worker, the number of finished goods also rose significantly.

Some industrialists tried to improve factory and living conditions for their workers as an incentive to improve performance. One of the earliest pioneers of offering incentive schemes was Robert Owen, at the New Lanark mills in Britain in 1890s (Zsostak, 1991)

In the current, Internet-driven, highly competitive, global economy, an enterprise must achieve a high level of productivity, innovation and responsiveness, requiring employee efforts to be motivated to support the enterprise goals where they may have been more focused on local, sub-optimal goals in the past (Drucker, 1965).

Increasingly, employees must act on their own initiative with minimal supervision in order to act quickly, deal appropriately with complex problems and make effective use of their individual talents and expertise consequently, it is important to provide appropriate incentives to properly motivate the personnel to achieve the objectives of the enterprise. This is because the success of any organization requires the participation and

support of many people throughout the organization who needs to be highly motivated and engaged (Houston et al, 1957)

For this reason, employee Incentive and Recognition Schemes have become significant elements in the Human Resource Management This is hardly surprising since competitive pressure and the pace of change have increased the demands on everyone at all levels of any organization, and human performance has become notably more integral to the success of the organization (Jordan, 1995).

Beuch (1987). Says that with the increasing competition that organizations are facing today, rewards will accrue to those who can attract and retain top notch employees who can read precisely what consumers wants by continuously scanning the environment and delivering the greatest value to customers.

1.2 Statement of the Problem

Ever since the industrial revolution, the question of employee production has baffled many managers. Classical writers including Fredrick Taylor, Max Weber, Elton Mayo and later Fayol all tried to grapple with the idea of incentive schemes to attain increased productivity.

Hence many organizations are increasingly developing incentive schemes to encourage their employees to be more productive and efficient. However, the popularity of these schemes does not guarantee their effectiveness (Canice, 2003).

Incentive contracting for example can cause employees to carry out actions that are beneficial to them but harmful to the organization's

interests. There is also a real danger that employees will focus too much on certain aspects of a contract to the detriment of all other things they should be doing.

Murphy (1998) says that traditionally, employees were paid fixed salaries and were only rewarded for improved performance when they were promoted or when salaries were revised at the end of the year. Yet in the past two decades there has been a huge change in compensation schemes and more employees now see their pay vary with reference to some measure of individual or organization performance.

Organizations have tried all sorts of methods of providing incentives such as piece rates, commissions, stock grants, profit sharing, team bonuses, and deferred compensation among others.

The growing interest in such pay-for performance plans has come from the realization that often the interest of employee and employer are not aligned and that sometimes contracts can be designed to induce employees to work more closely in* the organization's interest. For example, a salesman who is paid on commission will be more likely to work harder than one who receives a straight salary as his pay is more directly related to performance.

Alexander (2002), brings out the issue of costs of incentives- where costs exceeds benefits whereby, the scheme can cause compensation costs to rise which must be commensurate with the resultant increased productivity. In many cases, the increase in pay may exceed any productivity gains. This issue has become more contentious in the payment of senior executives.

Many people believe that most employees are guided by "an honest days work" for an honest day's pay. However one of the more surprising conclusions of the research on incentives over the past decade has been that employees in many walks of life are quick to respond to measures that they can control, for example the presence of incentives. (Alexander, 2002).

Managers have been using incentives to achieve particular results. This may conflict with total quality philosophy and customer orientation, which encourages all employees to give their best. It is clear that pay is only a part albeit an important part, of the employee 'motivational mix (Myers, 1992).

A well published recent study involved a US company called Safelite which installs car windscreens. When its managers switched compensation from fixed salary to piece rates, productivity rose by approximately 35 percent in the space of 18 months (Schmidt, 2005).

The other is in the agricultural sector in china in 1970s Dieng Xiaoping allowed Chinese farmers to keep a fraction of the output that they produced and sell it at market prices. Recent evidence suggests that 75% of the enormous increase in Chinese agricultural output during 1980s is attributable to the change in compensation practice (amabile, 1972).

To evaluate the whether organizations have motivation strategies for their employees in form of effective incentive schemes and employees perception of these schemes is vital in the banking industry in Kenya.

The aim of this study is to establish the types and nature of incentive schemes in the cooperative Bank of Kenya and how employees react to them.

(j.) Research questions

- (i) Do incentives work in motivating people to achieve higher performance or employees feel they are being bribed and conned to perform what superiors want them to do?
- (ii) Do employees believe that rewards are given according to performance or performance results are ignored and rewards allocated randomly?
- (iii) Do incentives work in modern organizations? ?

1.3 Objectives of the Study

1.3.1 General objective of the Study

The general objective of the study was to determine the perception of the employees of the incentive schemes developed by their employers to motivate them.

1.3.2 Specific Objectives of the study

The specific objectives of the study were to:-

- (i) Determine the employee awareness of various incentives employed by their employer to motivate them.
- (ii) To document the types and nature of incentives in the bank.
- (iii) Establish employee's perception of the appropriateness of the incentives.

1.4 Importance of the Study

The findings of this study are of benefit the following: -

Management is responsible for the day to day running of the workforce in the bank. Incentives as a strategic policy issue may affect the action of managing either positively or negatively. The bank management will use this information when crafting new incentive schemes or reviewing existing ones. The bank will be able to consider other effective alternative incentive schemes for their employees.

The bank management will be able to receive feedback from the consumers of the incentives hence enable them to gauge their relevant and/or appropriateness.

The employees will be able to get a deeper understanding of the incentive schemes used and also offer important feedback which will enable the management to craft better incentives that really work.

The study will be an important catalyst for further exploration and research in the area of employee job satisfaction.

1.5 Scope of the Study

The study focused on the incentive scheme structure of cooperative Bank of Kenya from between 2003 to 2008. A period of immense growth in the general financial sector in Kenya

It sought to find out the incentives in place during the aforementioned Period, their appropriateness and whether employees perceive them as important contributors to the individual and organization's productivity.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

Armstrong (1998) defines incentives as payments linked to the achievement of a previously set target which are designed to motivate people to acquire higher levels of performance. They are further used as instruments to propel motivation of staff and spearhead organizational goals and objectives.

Murphy (1988) sees incentives as performance-related rewards that usually relate to the achievement of certain goals, either personal, team or organizational, or a combination of all.

Jordan (1995) describes Incentives as rewards relating to certain goals and differentiates them from perks which he defines as benefits on top of basic salary given out to increase employee job satisfaction.

Incentives are rewards relating to certain goals. Perks are benefits on top of basic salary and both can be; financial or non-financial; individual and group or team incentives; short-term and long-term schemes. Financial incentives are useful for improving performance and can be self-financing for example profit-related plans, share option schemes; bonuses and commission. (Michael Gibbs and Bengt Holmstrom, 1994)

2.1 Rationale for offering Incentives

Boela (2005) states that, incentives are offered in order to focus the employee's attention to the business objectives of the employer, and add that they are normally used to stimulate performance and particularly to increase sales and control costs.

Rukunga (1999) argues that when workers prepare themselves for work, they do this with the intention of earning money for their needs. In the process, they produce goods and services to the society and wealth to the nation.

Lloyd L. Byars and Leslie W. Rue (1997) are of the opinion that incentives plans attempt to relate pay and performance rapidly and directly thus motivate the affected employees.

Drucker (1965) illustrates the reciprocal aspects of the employer and employee contract, whereby the employer and employee enter into a contract which stipulates the expectations of the two parties. The notion of psychological contract implies that there is unwritten set of expectations operating at all times between every member of the organization and the organization. The same can be described as reciprocal but unarticulated expectations that exist between individual employee and their employer.

Except for charities, where people work to benefit others, employees look for jobs which will earn them money. Therefore people are willing to work harder for better rewards, and are hence ever exploring for better rewarding opportunities. It is for this reason therefore that organizations pay staff well enough to merit their own superior contribution to the bottom line (Rukunga, 1999).

Promotion is a way of motivating staff behaviour as it carries new challenges and responsibilities. It also carries benefits monetary and non-monetary. It has higher satisfaction to the staff materially and psychologically.

Competitive organizations must recognize that aligning rewards with employee performance creates a stronger, more productive workforce. Compensation is often linked to a measure of work quality or the accomplishment of individual, team or business goals. This can increase organizational effectiveness by aligning employee effort to the organizational mission, helping to attract and retain top performers and encouraging managers to give real feedback to their employees, especially poor performers (Jensen, 1998).

Armstrong (1996) says that when implemented correctly, Pay-for-Performance provides tangibility to the workforce and delivers an incentive mechanism to make employees work harder and perform around organizational goals. Having distinct percentages between highest performers and those that do not perform well send clear messages to the workforce and get people excited about working hard and producing results on behalf of the organization.

Since the system is focused around aligning business goals, the system should have checks and balances so that high performers are being identified and rewarded well and that low performers are provided with feedback to help them improve on their performance.

2.2 Types of incentive schemes

Jordan (1995) clarifies that Incentives can be financial or non-financial and can also be individual and group/ team incentives.

Lloyd and Leslie (1997) points out that individual incentive are all tied to some measure on performance of the individual managerial levels;

individual incentives are often based on the performance of the managerial unit.

He gives the example of piece rate plans, where the employer pays the employee a certain amount for every unit produced. Incentive plans based on commission may apply to some jobs such as the sales people, whereby they are paid a guaranteed basic salary and commission on sales (Decharms, 1968)

Annual bonus is by far the most common type of incentives for management employees. They provide a year end bonus based on that years performance.

Incentives may be tangible or intangible. An intangible incentive could be for example praise from a superior which makes staff to feel good about oneself, while a tangible one may involve physical awards or something to give public recognition. Intangible incentives are also known as intrinsic rewards, while tangible incentives are also known as extrinsic rewards.

Nzuve (1997) asserts that although work provides the individual with opportunity to realize high potential, the wage or salary is the primary motive. Therefore organizations offer wages and salaries that would attract people who can perform jobs that are available. He points out that the offered wages and salaries serve as an inducement. For this reason, wages and salaries offered by an organization should attract and motivate people with the necessary characteristics to succeed in their job.

Gibson (1997) states that non financial rewards such as recognition programs, flexible hours, leave of absence, time off and merchandise Incentives can be used to trigger staff motivation.

Decharms (1968) lists important non financial incentives as: recognition, clear communication of expectations, giving employees challenging tasks and honest feedback of employee performance. He particularly singles out communication geared towards understanding the employee, that is meant to understand what drives the particular individual.

Jensen (1998) says that non-financial and indirect financial incentives include: formal recognition/awards; vouchers; extra holidays; gifts and organization cars. He adds that incentive scheme can offer employees extra pay according to individual or group performance targets and further advises that there are tax and national Insurance implications for most financial incentives and for non-financial benefits with an equivalent cash value.

Houston et al (1957) emphasized the importance of money as an incentive and says that in the form of pay or some remuneration is the most obvious optimistic reward. Money provides the carrot that most people want because of its effectiveness in motivation. He claimed that lack of it can cause dissatisfaction and further states that incentives can sometimes be used to fill the gap of dissatisfaction and provide some motivation.

Incentives such as performance-related bonuses can motivate employees to achieve higher levels of performance. The rewards usually

relate to the achievement of certain goals, either personal, team or organizational, or a combination of all. Perks are benefits given in addition to salary as a means of increasing satisfaction at work (Murphy, 1988)

pay is often the most important staff motivator and incentives must not be seen as a substitute for a good pay scheme. However, they are not always expensive for business and some are tax-free.

Greenberry (2005) spells out that some organizations are so serious about paying employees for their performance that they are giving a small piece of the organization in exchange for their contributions. This practice he says is sure to link performance with rewards in their minds.

He further incorporates an aspect of expectancy theory terms where an organization has in place incentive options plans which in expectancy theory terms may be beneficial in as far as they reward employees when their organization does well.

According to Armstrong (1996), agency theory thrives on premise that if incentive schemes for top managers are designed properly, the managers self interest will make them closely monitor performance through out the organization. He also spells out the aspect of setting clear objectives and monitor performance through out the organization and further sets out the aspect of setting clear objectives and monitor performance to ensure that the objectives are achieved.

When people go to work, they sacrifice some personal freedom and assume some risk. A job demands that a person puts their time at another's disposal. It may also mean spending money and time

commuting and enduring physical hazards and discomforts, psychological trauma, boredom and frustration (Julian, 1986).

He further adds that in return therefore workers expect varying degrees of pay and fringe benefits, job security, meaningful work, opportunities for advancement, flexibility in work time, decent surroundings and good working spirit among peers and superiors, and each of these factors affect workers satisfaction.

Gibson (1996) states that bonuses are one time payments based on performance. In some situations money motivates behaviour when it rewards people in relation to their performance or contribution, when this performance measurement is perceived fair, equitable and when it provides rewards that employees truly value.

Incentives theory explains motivation in terms of the nature of the external stimuli, the incentives that largely account for a person's motivation. (Fieldman1996).

Remuneration should therefore be based on employee's contribution to the success of the organization because the main object of any business enterprise is to make profits and hence continue operations to the foreseeable future. As a result of this, all employees must be informed of the organization's reward policy and be informed that their pay and welfare wholly depend on the profitability of the organization. Some employers therefore appraise their employees at the end of every year to gauge their contribution to the overall performance of the organization and those who are rewarded are happy to earn something extra for performing well.

Bernadin (2003), states that the basic requirements for this satisfaction may include comparatively higher pay, an equitable payment determination method, real opportunities for promotion, considerate and participatory decision-making, reasonable degree of social interaction at work, interesting and varied tasks and a high degree of control over work pace and work methods.

Promotion and training opportunities are not strictly incentives as they are ways of fulfilling business needs. Negative incentives, e.g. threat of dismissal, may work in the short-term but they can decrease morale and loyalty (George, 2002).

Bearden (1995) asserts that everyone likes to be rewarded for doing his or her job well. While rewards are not exclusively monetary, people will be affected in their job and their attitude to work by how much money they can earn. Solely earning potential may motivate employees who earn only on commission in direct selling jobs. Most people and most sales people weigh up potential monetary gains against the cost in time/effort/difficulty of the job and the opportunity of doing what they like and enjoy.

Lloyd L. Byars and Leslie W. Rue (1997), Pinpointed in their book that are the individual's incentives, group incentives, piece based on commissions, annual bonuses and profit sharing or productivity incentives.

2.3 Incentives and motivation

In recent years, motivation has become an increasingly important factor in the success of an enterprise because employees are more independent in their thinking and their ability to obtain employment .

elsewhere and also because job responsibilities nowadays rely more on judgment and initiative rather than prescribed procedures and rules (Kilter, 2003)

Incentive schemes can be used as an instrument to steer motivation and spearhead organizational goals. The same can be used among other tools to improve staff productivity in the organization. It is in the light of this that writers have come to recognize the importance of incentive schemes as morale boosters, which in turn translates to attainment of organizational goals (Armstrong, 1998).

Deci (1975) defines a motive as an inner drive that causes a person to do something or get a certain way, it can be thought as "having fire in one's belly". Managers can motivate people by creating an environment where people work towards a predetermined goal. To do this, managers must identify specific goals that the organization wants to achieve and focus employees towards achievement of these goals.

Sdorow (1995) defines extrinsic motivation as a drive in which people participate in an activity for a tangible reward. Motivation is an explanatory concept that is used to make sense out of behaviours we observe. One reason why understanding of motivation is important is because of its significant contribution to exceptional performance.

Managers prefer highly motivated employees because they strive to find the best way to perform their jobs. Motivated employees are interested in producing high quality products and services.

Nzuve (1999) asserts that motivation is the willingness to exert high levels of efforts towards achieving organizational goals and conditioned by efforts ability to satisfy some individual need.

Myers (1992) defined motivation as a need or desire that serves to energize behavior and direct it towards attainment of a goal. He explores how best to create a motivated productive and satisfied workforce. Rewards may increase intrinsic motivation if used to not control people but to boost their sense of competence or to inform them of improvement.

Fishbein (1967) identifies two types of motivation; Attitude and incentive Motivation. He defines attitude motivation as the one meant to address people's thinking and feelings while incentive Motivation is whereby a reward is provided to a person or a team for their activities or results. Both types are at their most effective when both are at work

Bearden (1995) describes motivation in the employees as involving maximizing the effort of employees directly towards specific objectives and helping them persist.

Stewart (2000) states that motivation is what make a person do something, and what makes the person put real effort and energy into what they do. If the employees are motivated, they work harder; portray professionalism, and better negotiation skills, which foster team work. For an employee to be effective and efficient, they have to be highly charged.

No discussion whatsoever on the literature reviewed

2 3.1 Importance of motivating employees

According to (Stewart, 2000), the signs of motivated employees are high rates of performance, consistent results, energized, enthusiasm, determination to succeed, co-operative in overcoming problems and are willing to accommodate necessary changes.

Employee motivation forms the foundation that enables the organization to: raise the confidence of staff, give them a unified approach to work more aggressively, help staff to identify and capitalize on individual strengths, match training emphasis to practical needs of the organization, and cultivate lines of communication with fresh ideas and innovation (Alexander, 2002).

Perreault and McCarthy (1996) are of the opinion that a firm has to develop an attractive compensation plan designed to motivate. Ideally, employees should be paid in such a way that they want to do work for personal interest and gain, which also helps the organization benefit greatly. On the same note, when the employees are de-motivated, they tend to look for greener pastures and better prospects. When they do that, they abandon their clients, which in the long run is a large loss to the organization. This turnover is expensive to the organizations because they lose the investment in recruitment and training.

Wageman (1997) says that people generally respond when they are paid to do something they would otherwise not enjoy. Therefore there are benefits of offering pay for performance which makes people to work harder, at least on dimensions on which they are paid.

Karen (1995) points out that, managers should find out why people behave the way they do and come up with strategies to infect motivates in order to re-energize.

Graham H.T and Roger Bennet (1998) believe that an employee's motivation to work consists of all drives, forces and influences conscious or unconscious that the employee wants to achieve certain aims. They argue that managers need to know about factors that create motivation in order to be able to induce employees to work harder, faster and more efficiently and with greater enthusiasm and these could be:-job satisfaction, security of tenure, respect by superiors and colleagues among others. The organization reward system, pay, fridge benefits, and job security, promotion opportunities may be applied to the first motive and job design later.

Abraham Maslow (1970) developed the hierarchy of human needs and stipulates that psychological needs are catered for by salaries and wages

Every manager must have seen the difference between the employee who is motivated and the one who is just going through the motions. The latter may do and say all the things he learned in the training courses or read about in the books. But there's no fire or drive in his performance. He acts as if the sole objective of performing tasks is to make end the day so that it enters on the daily report sheet (Bearden, 1995).

On the other hand, a motivated employee is determined to succeed in any activity they are handling. Every new task is a challenge, even the routine and mundane tasks. The motivated employee will accomplish their objective and then try to do more before the day ends (Hall, 2004)

Kitter (2003) says sales agents in particular require encouragement and special incentives. This is because sales agents work alone; their hours are irregular and are often away from home, where they confront aggressive customers and competitors.

Churchill (1993) is of the opinion that, the higher the salesperson's motivation, the greater the effort. Greater effort will lead to greater performance; greater performance will lead to greater rewards; greater rewards will lead to greater satisfaction and great satisfaction will reinforce motivation. In their study model they concluded that sales managers must be able to convince the sales people that they can sell more by working harder or by being trained to work harder; and that rewards for better performance are worth the extra effort. If the rewards are set arbitrarily, are too small or of the wrong kind, this linkage is undermined.

Perreault and McCarthy (1996) are of the opinion that a firm has to develop an attractive compensation plan designed to motivate. Ideally, employees should be paid in such a way that they want to do work for personal interest and gain, which also helps the organization benefit greatly.

On the same note, when the employees are de-motivated, they tend to look for greener pastures and better prospects. When they do that, they abandon their clients, which in the long run is a large loss to the organization. This high turnover is expensive to the organizations because they lose the investment in recruitment and training.

positive reinforcement increases both the strength of response and induces repetitions of the behaviour that precedes reinforcement. This positive reinforcement includes items such as praise or encouragement. Hence managers often use incentives as positive reinforcers to modify behavior which end up motivating their staff. (Beuch, 1987).

Sexton Adam and Adelaide Garaffins (1987) refer to incentive conditions, which initiate, speed up, or inhibit activities. The management must learn to recognize the drives in the worker and build the incentive system around those drives. Therefore, the in-born drives and psychological needs of the worker are called motives. Tools of management should therefore be used to exploit the drives, motives or incentives.

Sdorow (1995) reveals that individuals put little effort unless the reward has value. And also that managers and researchers agree that both intrinsic and extrinsic rewards can be used to motivate job performance.

Incentives help to drive performance by influencing important individual and organizational behaviours. Incentives therefore seek for levels of reward that vary depending on the contribution of the individual, team and operating organization overall, business success. Incentives can be used to reward targets which may be measured by quality, by quantity or by both (Hall, 2004).

Motivation of employees may encompass: designing or changing the organizational structure of the enterprise; picking people differently for assignments or assigning goals to different departments to achieve the objectives of the enterprise (Perreault and McCarthy, 1996),

A conducive physical environment can facilitate high performance. Therefore it is important for managers to create a physical workplace environment conducive to high performance. Workplace design has significant influence on employee engagement and morale. Where an office is located as well as the physical layout of the office is important for performance. Some jobs may need shared open space while others need exclusive office space for example writers, dancers or performance artists may share work to enhance the creative atmosphere.

Deci (1975) says that motivated employees: do not feel frustrated in pursuit of personal goals; they feel that their expectations are met; always try to have a good understanding of their organization's strategic direction and objectives; they are clear on how their individual work contributes to organization's success; they feel that their personal values are aligned with the values and missions of the organization.

motivating employees involves: adequate compensation, recognition that help employees feel like valued contributors; feeling of a sense of belonging are important psychological rewards of which brings a sense of ownership, inclusion and the conviction that what an employee does matters to the achievement of organizational goals.

Providing employees with the resources they need to effectively do their jobs like, accurate information and data as well as physical resources are crucial. One way to create a sense of belonging and impact is to tie rewards to business results, because there is a strong correlations between employees whose rewards and recognition are tied to individual performance and business results, and the degree to which rewards and recognition motivate them to maintain or improve their job performance;

Communicate details about major organizational changes, and initiate programs to reduce the negative impact of such changes on morale and productivity;. Provide frequent and personalized attention to employees' career development and planning (Hall, 2004)

Employees are motivated when they accept organizational meritocracy - higher-performing employees deserve better compensation - but employees expect and deserve a level playing field of opportunity and treatment. If compensation and career path opportunities are not consistent, resentment inevitably results. Many major organizations do not have consistent human resources policies and procedures, and many others have not documented what they do have. When this happens, it can lead to a deterioration of employees' faith in the organization's basic fairness ((Hubbard, 2004).

2.4 Developing an effective Incentive scheme

Introducing an effective system Of incentives can help an organization to recruit and retain valuable staff, reward performance and productivity and get the best out of employees (Robert Gibbons and Kevin J. Murphy, 1994),

A successful incentive program (Perreault and McCarthy, 1996) will not only increase profits but can also raise morale and inspire staff loyalty. The scheme should include all the three greatest incentives: empowering people; recognition in all its various forms and money.

People are an organization most important asset. The technologies, products and structures can be copied by competitors but no one can

match the highly charged, motivated people who care. People are the firm's repository of knowledge and are central to an organization's competitive advantage. Well educated, , and highly people are critical to the development and execution of strategies, especially in today's where top management alone can no longer assure a firm's competitiveness

Robert Gibbons and Kevin J. Murphy (1994), says that a good incentive scheme should be flexible one that can be adjusted to meet business' needs and keep staff interested, clear guidelines must be issued so that people know exactly who qualifies and how the scheme works, the targets set should be ones that can be measured objectively hence making the scheme easier to manage and evaluate.

Lloyd L. Byars and Leslie W. Rue (1997), points out that there are two basic requirements for an effective incentive plan. The first concern is the procedures and methods used to appraise employee's performance while the second is the incentive.

George P. and David Smith (1998), assert that an effective incentive scheme should be able to: persuade staff to join the organization; retain existing staff; increase staff motivation, morale and loyalty; boost productivity; link individual and business performance; focus employees on achieving targets and build teamwork. They also believe that some incentives may benefit the employer indirectly for example free health assessments can lead to reduced absenteeism.

parkin (2006) asserts that Incentives benefits staff since they can form an attractive element of an employment package by: enhancing the quality of working life, rewarding staff efforts and adding value to the employment contract.

Incentives must be affordable, transparent and appropriate to the business and the jobs that they relate to. It is worth introducing them after consulting with staff or unions. Managers should therefore look at whether other incentives will increase staff motivation. For instance, in a sales environment an employer may wish to offer extra pay or benefits when targets are achieved (Hall, 2004).

Hall (2004) expounds that some organizations make incentive plans participatory by allowing employee to self-select from a range of benefits for example staff choose between health insurance and a gym membership.

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George (2002) says that incentives work best alongside a good pay scheme, good working conditions and other good management practices, such as performance management, appraisals and appropriate communication and training programmes.

Having a good overall measure is critical to implementing efficient pay for performance schemes. Yet in truth, most employees do not have jobs like these and most measures of performance are an inadequate representation of employee's contribution. When pay-for performance contracts are offered to employees, there is real danger that they will

focus too much on certain aspects of the contract to the detriment of all the other things that they should be doing (Alexander, 2002).

Some businesses allow staff to self-select from a range of benefits, e.g. staff chooses between health insurance and a gym membership. He further says that Promotion and training opportunities are not strictly incentives as they are ways of fulfilling business needs (Hall, 2004).

Negative incentives, for example, threat of dismissal, may work in the short-term but they can decrease morale and loyalty over the long run.

Incentives can be used to reward targets which may be measured by quality, by quantity or by both (Hubbard, 2004)

The route to go therefore is to operate a system of incentives to motivate and reward an acceptable behavior. This process of incentives alignment consists of paying for measurably results, which are deemed to be in the best interest of the organization shareholders. Therefore incentives payments are made when performance exceeds the set standard (Armstrong 1996). He adds that bonus and incentive schemes for directors and senior executives generally reward attainment of organization growth and profitability targets.

Effective incentive schemes have the following advantages; they focus staff on hitting targets, they attach value to the achievement of the target, can recognize employee priorities and lifestyles; can encourage attachment to the organization; focuses an individual on achievement and links extra pay and extra output (Hubbard, 2004).

2.5 Performance Evaluation and Incentives

Deci (1975) says that performance reviews are tricky because: negative reviews normally have a devastating effect on morale of the employee. On the other hand giving somebody a review that is positive, but not as positive as that person expected, also has a negative effect on morale.

Most people think that they do pretty good work even if they are not, therefore most people will be disappointed by their reviews if they are negative or if they are not as positive as they expected. On teams where performance reviews are done honestly, they tend to result in a week or so of depressed morale, moping, and some resignations. They tend to drive wedges between team members, often because the poorly-rated are jealous of the highly-rated, in a process that Deci (1975) calls teamicide or- the inadvertent destruction of jelled teams.

In setting up performance evaluations, the manager should use appropriate tools to help in deciding whether a goal is achievable and therefore modify or eliminate unrealizable goals. Managers may, for instance, reward employees for superior customer service, innovative ideas and timely project completions.

2.6 Drawbacks of incentive schemes

Alexander (2002) lists the disadvantages of incentive schemes as: rewards are sometimes small hence ignored by employees; they can demoralize those who fail to earn them; can be taken for granted; the organization may provide inappropriate incentives to employees, they can be divisive, they can also make an employees' pay to fluctuate; group incentives may undervalue individual skill and may cause under contributors to be bullied.

The effect of reviews on morale is lopsided: while negative reviews hurt morale a lot, positive reviews may have no effect on morale or productivity. The people who get them are already working productively. For them, a positive review makes them feel like they are doing good work in order to get the positive review as if they were experimental dogs working for a treat, instead of professionals who actually care about the quality of the work that they do (Hall, 2004).

Hubbard (2004) emphasize that benefits of tying pay more closely to measures such as; organization profits, performance ratings, customer satisfaction surveys among others is because productivity can be significantly increased by making employees more accountable for their actions.

However, most employees do not have contracts that relate to pay performance; therefore most employees get straight salaries. With the best estimates suggesting that only 20% to 25% of employees have some form of incentive pay. The reason for is that some organizations have

decided that benefits of incentive payments are outweighed by a variety of costs that make incentive pay less than desirable (Hall, 2004).

Robert Gibbons and Kevin J. Murphy (1994) say that other reason for failure of incentive plans are that many people carry out complex jobs and contracts typically cannot completely specify all relevant aspects of the employee behavior. Hence contracts offering incentives can give rise to dysfunctional responses, where agents only emphasize only those aspects of performance that are rewarded.

Employees who carry out complex jobs can change their behavior along many dimensions of the job when offered an incentive contract. And the employee therefore will emphasize the job aspects that are getting rewarded to the detriment of other dimensions that are important but are not rewarded

Alexander (2002), brings out the issue of costs- where costs exceeds benefits whereby, the scheme can cause compensation costs to rise which must be commensurate with the resultant increased productivity. In many cases, the increase in pay may exceed any productivity gains. This issue has become more contentious in the payment of senior executives.

Robert Gibbons and Kevin J. Murphy (1994, says that executives are typically offered contracts in which their pay varies with performance of their organization through ownership of stocks and options. Some experts believe that these contracts are a necessary means of providing executives with incentives, although truthfully there is little convincing evidence one way or another. Others feel that this system of incentive pay is doing little more than handing over shareholders money to an

executive. Yet the costs of such plans are not limited to executives and many organizations now offer contracts that include options.

The difficulty of isolating a good measure for individual performance has led many organizations adopting organization wide profit sharing schemes whereby at the end of the financial year employees share in the profitability of the organization either through wages or pensions. This scheme however has the disadvantage of encouraging free riding. For this reason, there is considerable skepticism about the effectiveness of compensation schemes based on outputs of many employees. Infact, there is evidence that in occupations where team based compensation is prevalent such has legal and medical professions; individuals tend to work less hard when the benefits of their efforts are shared by many (Hubbard, 2004).

2.7 The Theoretical Framework

The researcher is presenting four models in the conceptual framework; Maslow's Hierarchy of needs model, Taylpr's Scientific Management, the dynamic triangle of motivation and Elton Mayo's human relations model.

2.7.1 Abraham Maslow's Hierarchy of Needs motivational model

In his book, Motivation and Personality published in 1954, Abraham Maslow, developed one of the most widely recognized theory of motivation based on consideration of human needs.

His theory had three assumptions:

- > Human needs are never completely satisfied.

- > Human behavior is purposeful and is motivated by the need for satisfaction.
- > Needs can be classified according to a hierarchical structure of importance, from the lowest to highest.

The model stipulates that a worker is motivated by needs and that one must satisfy each need in turn, starting with the first, which deals with the most obvious needs for survival itself. Only when the lower order needs of physical and emotional well-being are satisfied are that one gets concerned with the higher order needs of influence and personal development.

Conversely, if the things that satisfy ones lower order needs are swept away, the person is no longer concerned about the maintenance of the higher order needs and goes back to the bottom of the pyramid. Maslow opines that needs must be satisfied in the given order. Aims and drive always shift to next higher order needs. Levels 1 to 4 are deficiency motivators; level 5 is are growth motivators and relatively rarely found. The thwarting of needs is usually a cause of stress, and is particularly so at level 4 and below.

Maslow broke down the needs hierarchy into five specific areas as shown below: —

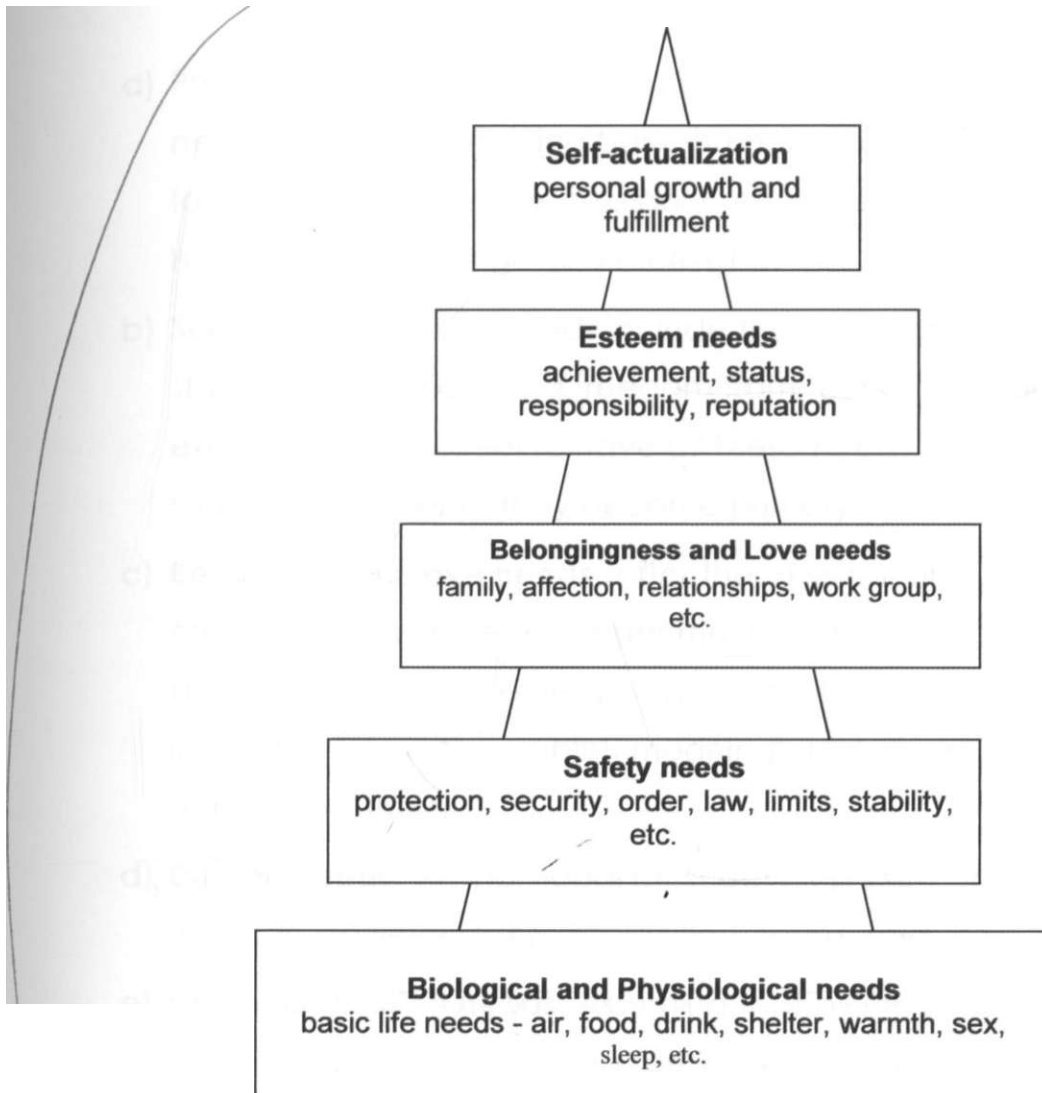


Figure 1: Maslow's Hierarchy of needs

2.7.1.1 How one advances on the hierarchy

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- a) **Physiological needs.** Maslow grouped all physical needs necessary for maintaining basic human well-being, such as food and drink, into this category. After the need is satisfied, however, it is no longer a motivator.
- b) **Safety needs.** These needs include the need for basic security, stability, protection, and freedom from fear. A normal state exists for an individual to have all these needs generally satisfied. Otherwise, they become primary motivators.
- c) **Belonging and love needs.** After the physical and safety needs are satisfied and are no longer motivators, the need for belonging and love emerges as a primary motivator. The individual strives to establish meaningful relationships with significant others.
- d) **Esteem needs.** An individual must develop self-confidence and wants to achieve status, reputation, fame, and glory.
- e) **Self-actualization needs.** Assuming that all the previous needs in the hierarchy are satisfied, an individual feels a need to find himself.

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2.7.1.2 Maslow and Staff motivation

The theory supports giving incentives to motivate staff. When developing incentive schemes Managers should consider the level each worker or group of workers are in so that the incentives given address the relevant need. For example, it would be difficult to motivate a person to achieve their sales target (level 4) when they're having problems with their

marriage (level 3). Additionally a worker cannot be expected to work as a team member (level 3) when they're having their house or car being re-possessed for failure to service a loan given by a financier.

Maslows says that the ultimate aim of every worker regardless of the position is to achieve self-actualization and therefore management should provide employees with opportunities for true personal development as a way of helping them advance to that ideal and this would keep them highly motivated to perform at their best.

For organizations to achieve high productivity, Management need to genuinely care about, understand, encourage and enable their people's personal growth towards self-actualization. This should go beyond traditional work-related training and development and also the old-style of autocracy, which still forms the basis of much organized employment today.

Sustainable growth in modern organizations will come from compassionate commitment to Helping people identify, pursue and reach their own personal unique potential. When people grow as people, they automatically become more effective and valuable as employees.

In fact virtually all personal growth, whether in a hobby, a special talent or interest, or a new experience, produces new skills, attributes, behaviours and wisdom that is directly transferable to any sort of job role. The best modern employers recognize this and as such offer development support to their staff in any direction whatsoever that the person seeks to grow and become more fulfilled.

Indeed, Maslow's ideas surrounding the Hierarchy of Needs concerning the responsibility of employers to provide a workplace environment that

encourages and enables employees to fulfill their own unique potential (self-actualization) are today more relevant than ever.

2.8 EXPECTANCY THEORY

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Expectancy theory developed by Victor Vroom spells out the tendency of an individual to act in a certain way depends on the strength of the expectation will be followed by a proven outcome. In other words expectancy is the perceived chance of something occurring because of a positive behaviour. The other proponent of the theory S.N. Nzuve alludes that a probability to behave in a certain way is influenced by the strength of the expectation that there will be a reward.

However the key to expectancy theory is the understanding and the relationship between effort performance and rewards as well as the linkage between rewards and individual goal.

Expectancy Theory has three variables which aim to clarify the individual perception on reward mechanism.



i) Attractiveness

This is the importance an individual attaches on the potential outcomes or rewards that can be attained in the job once a deliberate effort is put to perform a certain task.

Vroom categories this variable as first and second level outcomes.

The first level outcomes resulting from the behavior are associated with performing the job itself and the outcomes include productivity, absenteeism, turn over as well as quality of productivity.

The second level outcomes are the rewards or punishment that the first level outcomes are likely to produce such as merit pay rise group, acceptance or refection and promotion,

jj) Performance-Reward linkage

This is the degree in which a person believes that performing a task at a particular level will lead to the achievement of a particular desired outcome.

ii) Performance-Reward linkage

This is the degree in which a person believes that performing a task at a particular level will lead to the achievement of a particular desired outcome.

iii) Effort-performance linkage

This refers to the perceived probability by the individual that exerting a given amount of effort will result to performance.

Expectancy theory takes into cognizance that there is no universal principle that explains what can motivate everyone.

As such it concerns itself with expectations and individual's own expectation of performance, reward ,and goal satisfaction outcomes which determine his level of effort as opposed to objective outcomes.

2.9 Human Relations Theory of Motivation

Elton Mayo. ^(4yr) pr proponent of the human relations school of management applied the theories of sociology in management of employee's productivity.

He based his theory on Hawthorn studies which were conducted from 1927 to 1932 at the Western Electric Hawthorne Works in Cicero, Illinois in USA. The studies examined the effects of working conditions on productivity including both physical and environmental influences of the

workplace like, brightness of lights, humidity) and later, moved into the psychological aspects like breaks, group pressure, working hours, managerial leadership).

On physical conditions, he observed that changing the working conditions like amount of light illumination, did not improve productivity much. This led to the conclusion that the real solution was to have management get more involved with the workers.

The studies moved to the effect of fatigue and monotony on job productivity and how to control them through such variables as rest breaks, work hours, temperature and humidity. In the process, he stumbled upon a principle of human motivation that would help to revolutionize the theory and practice of management. Feedback mechanism.

From these, he came up with what is commonly referred to as the Hawthorne effect, which in essence, can be summarized as "Individual behaviors may be altered because they know they are being studied." Elton Mayo's experiments showed an increase in worker productivity was produced by the psychological stimulus of being singled out, involved, and made to feel important.

From the studies he concluded that social problems are the major contributors to low staff productivity and morale. This is because workers acted according to sentiments and emotion and if they are treated with respect and the organization tried to meet their needs, they would be an increase their productivity.

Mayo was also able to provide concrete evidence that the lack of attention to human relationships was a major flaw in other management

theories. (Rieger, 1995) He was able to prove that employees did react better when they had good relationships with the management that they worked with.

2.9.1 Human Relations Theory and staff motivation

He concluded that workers perception that management was interested in them motivates workers more than the work conditions. Satisfaction comes from recognition, security and being part of a team, over and above monetary rewards.

Staff productivity can therefore be improved by allowing workers to work with groups or be affiliated with groups at work because this nurtures the social person in them giving them more job satisfaction. Within the groups, employees know that they were helping out others and that they would have the chance to be recognized in front of their fellow workers for the work that they have done. Work-group norms also affect productivity because they tend to arrive at norms of what is "a fair day's work." Managers should therefore cultivate good relationship with the workers so that they can influence the group positively.

Therefore to motivate staff, management need to be more involved with workers at an individual emotional level. Mayo emphasized that to improve productivity; management should recognize and nurture the social man at the work place.

If management would treat the employees with respect and give them the attention at the work place that they needed, then the workers would be more willing to work harder for the employer. Based on recognition,

Mayo says that a simple thing such as giving an employee a little reward for outstanding performance for a month or a year could help motivate other employees to want to do better so that they could have the chance to be recognized for their outstanding work.

Disciplining non performers- can either increase or reduce motivation depending on the perception of staff on its fairness. If perceived to have been fairly meted out, other employees would work hard to avoid it but if perceived to be unfair it can lower the performance of the whole work group because they know it can affect any of them regardless of performance.

Offering workers self growth opportunities like a training opportunity gives them the feeling that they are so valuable to the organization that you'll spend time and money to develop their skills. The employee also feels that they are on a track to the top which in turn, motivates them to work harder and more effectively. This motivation is independent of any particular skills or knowledge they may have gained from the training session but the feeling of being valued and treasured

Mayo encourages Participatory decision because it makes workers feel that their contribution is valued and therefore will be most willing to implement the decision.

Giving Feedback to staff is also crucial because open and good communication develops an emotional connection between workers and management.

2.10 Frederick Taylor and Scientific Management

In 1911/ Fredrick Taylor introduced, The Principles of Scientific Management whose thrust was the application of the scientific methods to improve worker productivity.

The methods were aimed at optimizing the way that tasks were performed and simplifying the jobs enough so that workers could be trained to perform their specialized sequence of motions in the one "best" way.

F. W. Taylor formalized the principles of scientific management, a fact-finding approach to management to replace what was commonly called the old rule of thumb. He also developed a theory of organizations which altered the personalized autocracy which had been largely practiced during his time. He greatly contributed to the analysis of work design and gave rise to method study.

In 1895, Taylor published papery on incentive schemes advocating for a piece rate system payment system.

Taylor's scientific management had the following objectives:

- > The development of a science for each element of a man's work to replace the old rule-of-thumb methods.
- > The scientific selection, training and development of workers instead of allowing them to choose their own tasks and train themselves as best they could.
- > The development of a spirit of hearty cooperation between workers and management to ensure that work would be carried out in accordance with scientifically devised procedures.

- > The division of work between workers and the management in almost equal shares, each group taking over the work for which it is best fitted instead of the former condition in which responsibility largely rested with the workers

His theory of organization proposes an organization arranged in a hierarchy, systems of abstract rules and impersonal relationships between staff.

His framework for organization included: clear delineation of authority responsibility; separation of planning from operations; incentive schemes for workers; management by exception and task specialization

The theory says that a worker is a rational being and will make economic choices based on the degree of monetary reward. Therefore payment system should be performance based. Incentives should be introduced to make every worker to take the responsibility of their own performance.

To motivate staff also, there should be an almost equal division of the work and the responsibility between the management and the workers. Careful task planning is advocated in order to improve productivity.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

The chapter outlines the overall methodology that was used in the study. This includes the research design, population of the study, sample size, sample frame, data collection methods, research procedures and data analysis and presentation.

3.1 Research Design

The research used descriptive survey method to assist us to get the general and specific objectives of the study. Mugenda (1999), the descriptive survey is a method, which produces tables, graphs and charts according to the responses that we get from the respondents and be able to get percentages that can facilitate conclusions on the perception of bank employees on the incentive schemes in place.

The descriptive survey method was used to collect primary data from the population and help the researcher to get the descriptive existing phenomena by asking individuals about their perceptions, attitudes, behaviour or values. The process of relating an empirical test to support or refute a knowledge claim, involves making decisions on what type of data is required, where the data will be found, techniques of data collection analysis and interpretation.

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3.2 Population and Sampling Design

3.2.1 Population

Nachmias (1996) a population is the total collection of elements about which we wish to make some references. The target population of the study consisted of all the employees of Cooperative Bank in Nairobi branches.

The targeted group for the study was non- managerial staff. The total number of employees in these branches was obtained from the headquarters Human Resource department.

3.2.2. Sampling Design

3.2.2.1 Sampling Frame

Suitable sampling frame is required for the selection of the sampling units. Cooperjand_Schi sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population.

The sampling frame was the total number of employees in these branches as at the beginning of July 2008. The exact numbers were obtained from the Head of Human Resource department at the cooperative bank headquarters. A representative sample of the employees was selected from among the total number.

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3.2.2.2 Sampling Techniques

purposive sampling was used to determine the sample.

Webster (1985) defines Purposive sampling as the selection of information rich respondents for in-depth study and the sample size and specific respondent depends on the study purpose.

Multi stage purposeful sampling was employed to get representative samples from various categories of staff including clerks, section heads from the target branches and also Managers who were used as key informants.

Multi -stage sampling is a method whereby the sample is selected in stages, the sampling units at each stage being sub-sampled from larger units chosen at the previous stage. The sampling units pertaining to the first stage are called primary or first stage units and second stage are secondary units.

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This method is used is used to reduce costs and time taken in a study, especially if the population of interest is spread over a wide geographical area. Additionally, this method is applied because it seeks views of key informers and this is given more prominence than proportionality.

3.2.2.3 Sample Size

A sample allows the researcher to make generalization about populations. A sample is a subset of a population, but that subset is only useful if it accurately represents the larger population. To ensure that the

sample accurately represents the population, the researcher must clearly define the characteristics of the population, determine the required sample size, and choose the best method for selecting members from the population.

The total number of employees per branch was obtained from the Human Resource Department Headquarters. A representative sample of 70 clerks, 70 section Heads was selected from three branches namely; University Way, Moi Avenue and City Hall. 10 Managers constituted the key informants. In total 140 staff members were studied.

Table: The sample frame of the employees

Branch	Sample size	
	Clerks	Section Heads
University Way	23	24
Moi Avenue	24	23
City Hall	23	/ 23
TOTAL RESPONDENTS	70	70
GRAND TOTAL	140 RESPONDENTS	

informants⁰

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3.3 Data Collection Methods

The researcher used both primary and secondary data for the work.

3.3.1 Primary Data

The primary data for the project was collected using both quantitative and qualitative methods. The qualitative method employed interviews. Key informants are often used in a situation where it is not possible to interview everyone but the interviewer knows someone who can provide access to the information and teach the researchers (Salant, P. and D. A. Dillman 1994.)

Key informant interviews were carried face to face in order to assist in the selection of main respondents and gain some insights on the policy. Semi-structured interviews were used which involved touching on overall topic, general themes, targeted issues, and specific questions.

The semi structured interviews were chosen because they allow more flexibility for the researcher. An interview schedule was developed to all the 10 managers as key informants.

3.3.1.1 Quantitative Method

The quantitative method used a questionnaire which contained both open and closed ended structured questions developed by the researcher. This data collection method is ideal in capturing the general objective and specific objective of the study. It was also easier for the respondents to answer the questions as asked.

According to Patton, M.Q. (1990), questionnaires are the most plausible alternative for measuring unobservable issues such as attitudes, values and preferences, intentions and personalities. A questionnaire is approach for such a research because motivation is a highly unobservable construct. The other important selection criterion for the survey was the amount of information the researchers wanted to gather from the target group.

3.4 Secondary Sources

Secondary sources were also be used, among the sources were the banks' staff manuals and internal bank journals. These provided

information on the current incentive schemes offered by the bank and how they have evolved over time.

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CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the analysis of data from the survey. The data is both qualitative and quantitative. Once the raw data was obtained it was edited, coded and entered into the computer and screened for accuracy. Coding was achieved by assigning each response to a number, categorizing them and converting the data into numerical codes representing attributes.

The Statistical Package for Social Sciences (SPSS) was used to analyse the data. Descriptive statistics were used to summarise, organize and simplify the findings in a systematic way. The results are presented in tables and charts.

4.2. Gender of Respondents

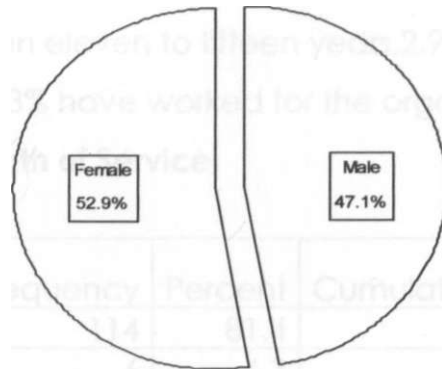
Figure 3 below shows that out of the total respondents 52.9% were female while 47.1% were males. There were a slightly higher number of females interviewed than males implying that there are more female tellers and supervisors than males in Nairobi branches of the bank.

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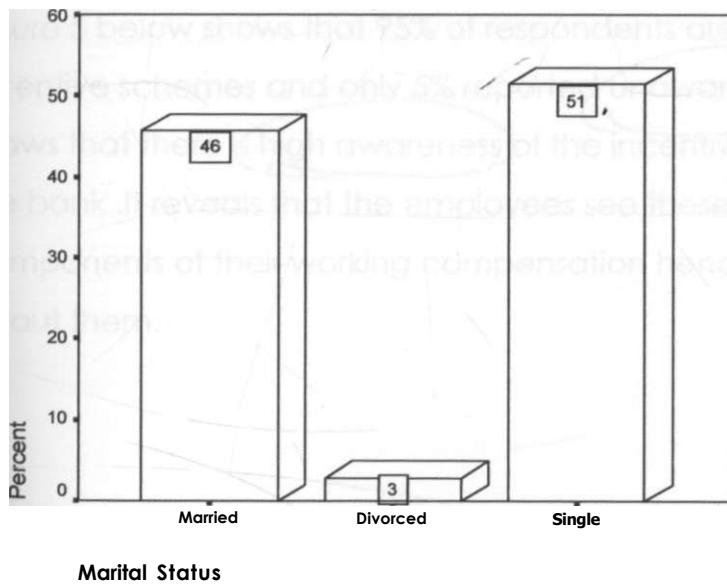
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Figure 3: Gender of Respondents



4.2.2 Marital Status of Respondents

Figure 4: Marital Status



4.2.2 Length of Service

Table 2 below shows that out of the total respondents;81.4% have worked for the organization for less than five years ,4.3% between six to ten years, 7.1% between eleven to fifteen years,2.9% between sixteen and twenty years and 4.3% have worked for the organization for more than 21 years.

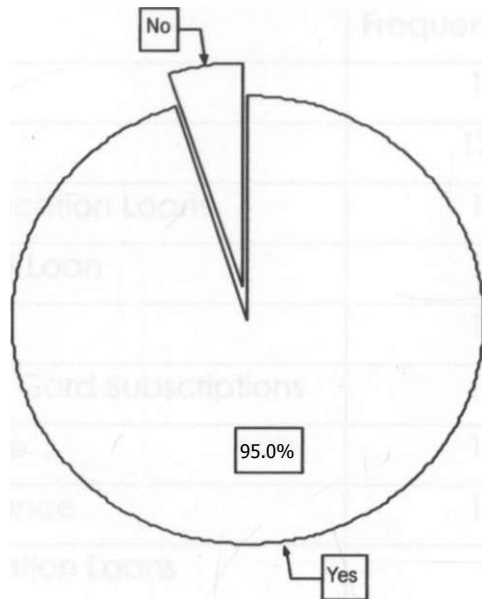
Table 2: Length of Service

Years	Frequency	Percent	Cumulative Percent
0 to 5	114	81.4	81.4
6 to 10	6	4.3	85.7
11 to 15	10	7.1	92.9
16 to 20	4	2.9	95.7
Over 21	6	4.3	100.0
Total	140	100.0	

4.3 Employee awareness existing incentive schemes

Figure 5 below shows that 95% of respondents are aware of existing incentive schemes and only 5% reported unawareness of the schemes. This shows that there is high awareness of the incentive schemes offered by the bank. It reveals that the employees see these schemes as important components of their working compensation hence seek to know more about them.

Figure 5: Are you aware of Incentive Schemes Offered by Your Employer



When asked to name the specific incentive schemes: 98% mentioned medical cover, 96% Christmas party, 92% were aware of interest free education loan, going down to low interest staff loan mentioned by 87%. The least mentioned incentives include; utility allowance mentioned by only 23.8%, club membership mentioned by 31% and entertainment allowance mentioned by 42% of the staff.

This shows that employees get informed more about the schemes that apply to them because the least mentioned schemes are the ones offered to the management cadre of staff.

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These results are shown in table 3 below

Table 3 Staff Awareness of various Incentive Schemes

Incentive	Frequency	Percentage
Medical cover	137	98%
Christmas	134	96%
Interest Free Education Loans	129	92%
Low interest Staff Loan	122	87%
Bonus	119	85.3%
Waiver of Credit Card Subscriptions	118	84.6%
Lunch Allowance	116	83%
Travelling Allowance	109	78%
Children's Education Loans	97	69%
Entertainment Allowance	59	42%
Club Membership	43	31%
Utility Allowance	33	23.8%

4.4 Comparison of Perceived Importance and Appropriateness of Various Incentives

Asked to rank a general list of incentives consisting of the ones offered by the bank and some not offered the following were listed as top five : children education package with a mean of 2.71, work place interaction second with a mean of 2.4, Staff loans with a mean of 2.07, bonuses with a mean of 2.06 and inclusiveness in decision-making with a mean of 2: On the other hand the least important include; flexibility of working hours-mean-1.76, promotion-mean 1.51. Salary-mean 1.46, training opportunities-mean 1.43 and freedom to plan own career growth-mean 1.36.

These results are presented in table 4 below.

This implies that the employees attach different weights to various incentives and also show high rating for children education package and staff loans and low rating for freedom to plan own career that some incentives are more powerful than others in motivating employee's performance.

Table 4: Comparison of importance staff attaches to various incentives

	N	Minimum	Maximum	Mean	Std. Deviation
Importance of Children Education Package as Incentive	140	1	5	2.71	1.152
Importance of Workplace Interaction as Incentive	140		4	2.4	1.274
Importance of Staff Loans as Incentive	140	1	3	2.07	0.783
Importance of Bonuses as Incentive	140	1	11	2.06	1.334
Importance of Inclusiveness in Decision-making as Incentive	140	1	3	2	0.739
Importance of Having Room to Pursue Personal Interests as Incentive	140	1	3	1.84	0.842
Importance of Insurance Cover as Incentive	140	1	4	1.83	0.699
Importance of Allowances as Incentive	140	1	3	1.76	0.767
Importance of Flexible Working Hours as Incentive	140	1	4	1.76	0.645

Importance of Promotion as Incentive	140	1	3	1.51	0.529
Importance of Salary as Incentive	140	1	3	1.46	0.808
Importance of Training Opportunities as Incentive	140	1	2	1.43	0.497
Importance of Freedom to Plan Own Career Growth as Incentive	140	1	3	1.36	0.51
Valid N (listwise)	140				

When asked how satisfactory the various incentives offered by the bank are the highest rating went too low interest staff loan with a general satisfaction rating of 80% (62.1% Very satisfactory and 17.9% Satisfactory) seconded by education loan with 73.6%,bonus 73.5%. the lowest rating on the other hand goes to; end year party with general satisfaction rating of 10% (5.7% Very satisfactory and 4.3%) followed by traveling allowance 20% satisfaction rating.

This shows that although employees consider these incentives as important factors in boosting their performance, the effectiveness of the various incentives in satisfying them hence boosting their performance varies. Low interest rate stall loans and education loans are highly valued incentives while end year party, traveling and lunch allowances are generally seen as less incentives by the staff.

Table 5 below presents these results

Table 5(a)

	Very Satisfactory	Satisfactory	Indifferent	Not Satisfactory	Not satisfactory at all
How satisfactory is low interest staff loan	62.1%	17.9%	10%	4.3%	5.7%

Table 5(b)

	Very Satisfactory	Satisfactory	Indifferent	Not Satisfactory	Not satisfactory at all
How satisfactory is education Loan	47.9%	25.7%	10%	7.1%	9.3%

Table 5(C)

	Very Satisfactory	Satisfactory	Indifferent	Not Satisfactory	Not satisfactory at all
How satisfactory is the bonus	66.4%	7.1%	8.6%	17.9%	0

Table5 (d)

	Very Satisfactory	Satisfactory	Indifferent	Not Satisfactory	Not satisfactory at all
How satisfactory is medical cover.	32.1%	40.7%	7.1%	15%	5%

Table 5 (e)

	Very Satisfactory	Satisfactory	Indifferent	Not Satisfactory	Not satisfactory at all
How satisfactory is waiver on credit card membership	39.3%	25%	5%	30.7%	0%

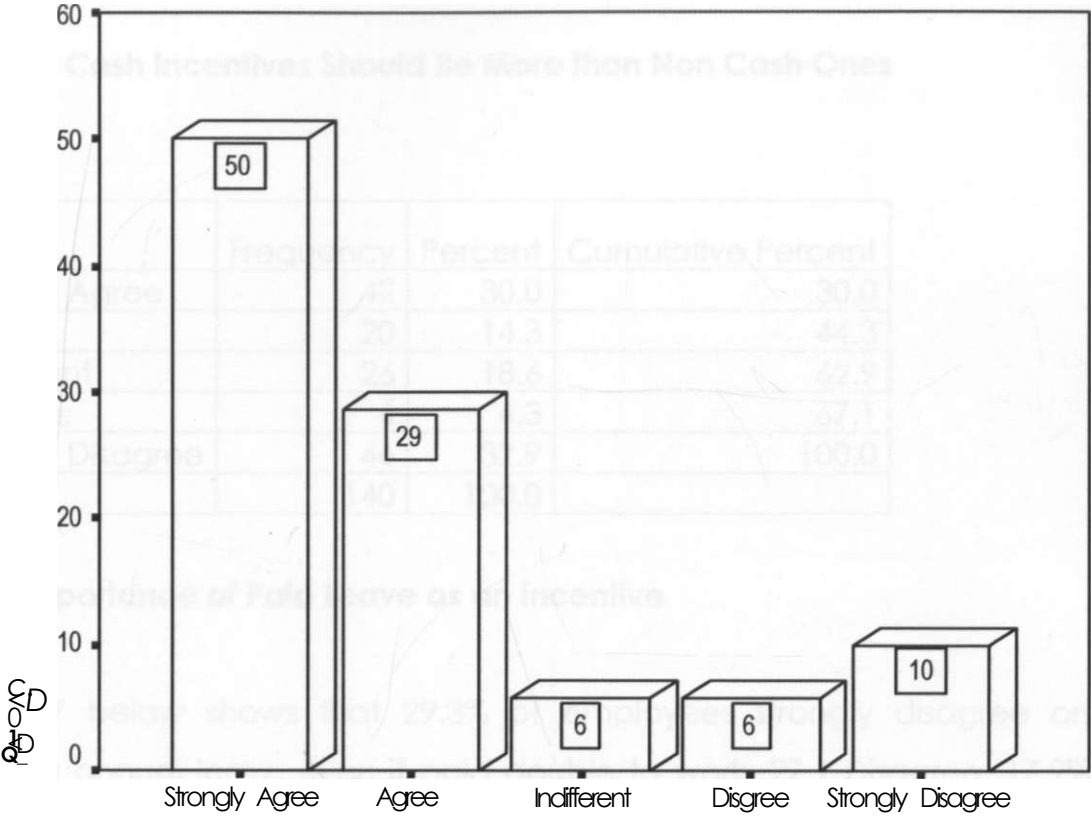
4.4.1 Comparison between High Pay and Job Security

Figure 6 below reveal that; 50% of all respondents strongly agree that job security is more important than high remuneration, 29% agree, 6% are indifferent, 10% disagree while 10% strongly disagree.

This corroborates information obtained from key informants that assuring employees of their job security is one of the key components of the banks incentive schemes.

The response indicates that employees' feel that they are better off in a low paying job with a longer horizon contract that a short term horizon contract that comes with high remuneration.

Figure 6: A Secure Job Is More Important Than A high Paying One



A Secure Job Is More Important Than A high Paying One

4.4.2 Comparison between Cash and Non-cash Incentive

Table 6 below shows that 30% strongly agree that cash incentives should more than non cash ones, 14.3% agree, 18.6% are in different , and 4.3% disagree while 32.9% strongly disagree.

These responses imply that cash incentives are highly preferred by the bank employees as motivators. The response validates Fredrick Taylor's scientific Management principles developed in 1911 which advocates for monetary rewards incentives. His rationale that workers are rational beings

who make economic choices based on monetary rewards seems to be vindicated a century later.

Table 4: Cash Incentives Should Be More than Non Cash Ones

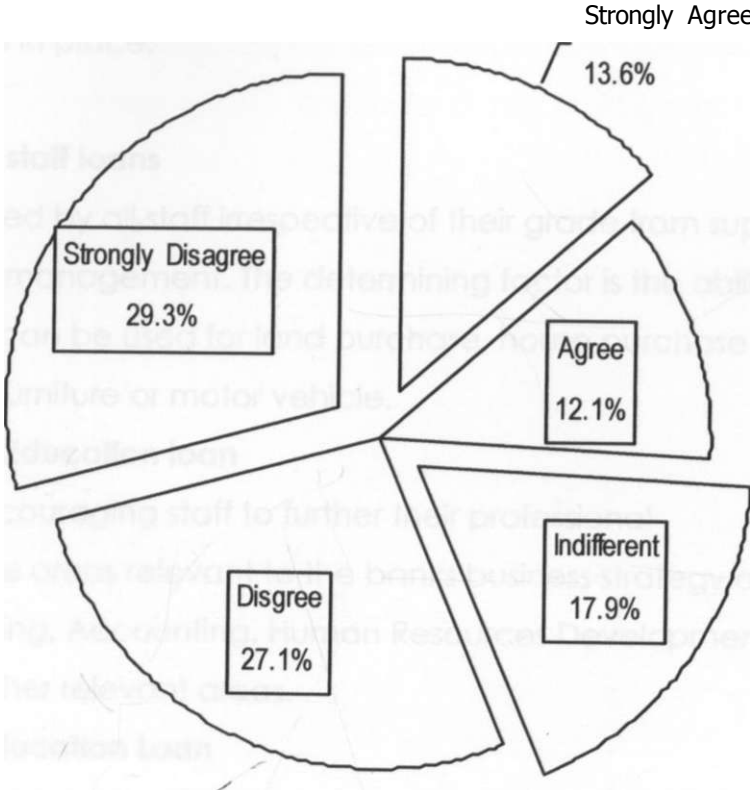
	Frequency	Percent	Cumulative Percent
Strongly Agree	42	30.0	30.0
Agree	20	14.3	44.3
Indifferent	26	18.6	62.9
Disagree	6	4.3	67.1
Strongly Disagree	46	32.9	100.0
Total	140	100.0	

4.4.3 Importance of Paid Leave as an Incentive

Figure 7 below shows that 29.3% of employees strongly disagree on skipping annual leave even if paid double to work, 27.1 Disagree, 17.9% are indifferent, 13.6% agree while 12.1 % strongly agree.

This shows that employees value the leave so much that majority would not exchange it for additional monetary benefits from their employer. It is only around 26% of the employees who would skip their statutory 21 days annual leave if paid to work during the leave period. It demonstrates that the break framework is important and staff are keen to take it when its time comes.

Figure 7:1 would Skip Annual Leave if Paid Double To Work Instead



4.5 The existing incentive schemes in the bank

k ^ ^

From the interviews conducted with key informants and information obtained from staff manuals and internal journals, the following are the incentive schemes in place.

(a). Low interest staff loans

This facility is enjoyed by all staff irrespective of their grade from support staff, Tellers to top management. The determining factor is the ability to repay. The facility can be used for land purchase, house purchase or construction, buy furniture or motor vehicle.

(b). Interest free Education loan

This is aimed at encouraging staff to further their professional development in the areas relevant to the banks business strategy and they include: Banking, Accounting, Human Resources Development, and Finance among other relevant areas.

(c). Children's Education Loan

This is a concessionary loan offered to enable staff to educate their children with less financial stress to allow them to concentrate on organizational goals and objectives.

(d). Traveling allowance

This is extended to employees depending on the level of responsibility to facilitate marketing initiatives within their respective duty stations

(e). Entertainment allowance

The facility is given to management team charged with the responsibility of growing the banks business in terms of deposits and customer base.

(f). Club Membership

The benefit is meant for networking and sourcing for business with corporate clients who patronize the same clubs.

(g)Waiver of membership and annual subscription fee on credit cards.

This is offered to all employees to enable them to use credit cards.

(h)Medical cover

This incentive is given to all staff members and their immediate family.It covers both in-patient medical services.

(i)Lunch allowance

This is given to tellers as a way of appreciating that sometimes they work during lunch hour in order to keep bank operations moving.

(j)End Year Bonus

End year bonus is given to all employees at the end of the year based on the performance of the bank on that particular year.

(k)End year Christmas party

Every year bonus is given to all employees at the end of the year based on the performance of the bank on that particular year.

(l)Utility allowance.

This is given to management to cater for things like electricity,water bills and other household utilities at their homes.

4.6 Staff involvement in setting up Incentive Schemes

The table 7 below shows that generally, a simple majority of 37% agrees, 40% are indifferent while 23% of the respondents disagree when asked whether employees should be involved in setting up incentive schemes.

This shows that majority employees prefer to be consulted when the incentive schemes are being developed so that they can give an input in order to make these schemes relevant to their needs.

This points to employee's preference for participatory management where they are consulted when important decisions affecting their work are taken. There is also a big group (40%) that is indifferent showing that there is some skepticism as to whether employees' input would be factored into the schemes even if consulted.

Table 7: Employees should be involved in setting up Incentive Schemes

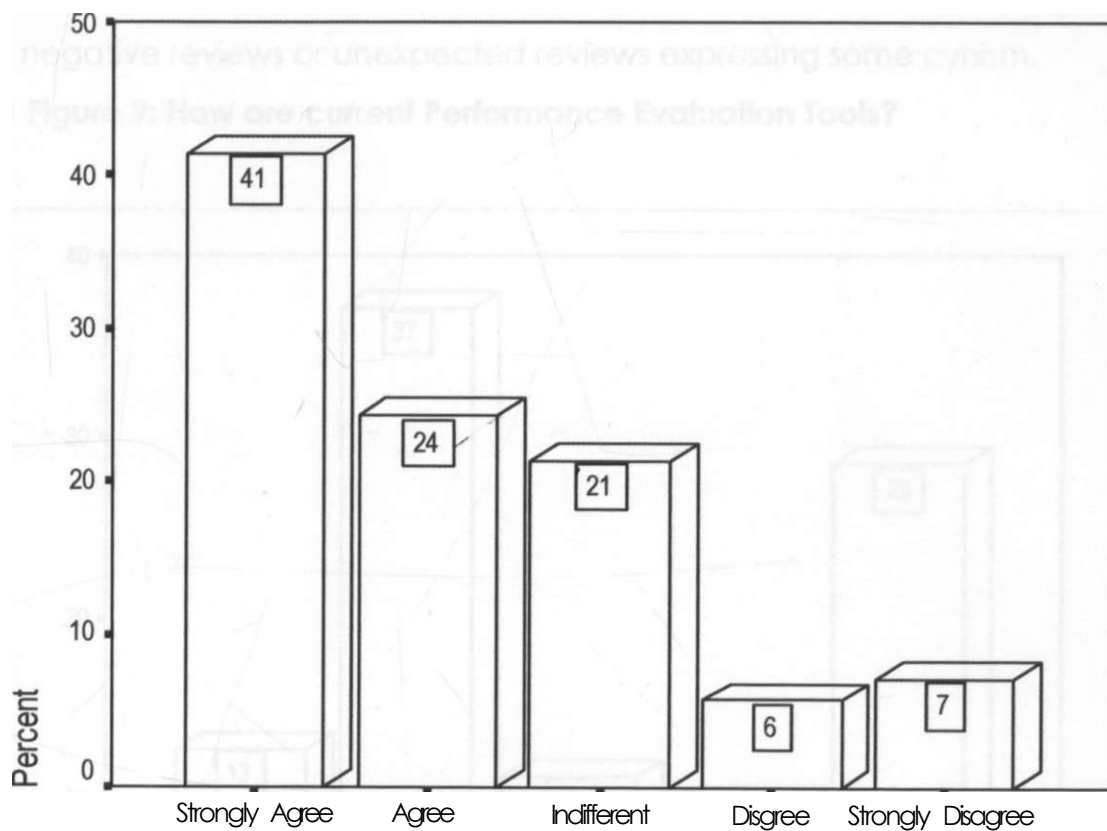
	Frequency	Percent,	Cumulative Percent
Strongly Agree	40	28.6	28.6
Agree	12	8.6	37.1
Indifferent	56	40.0	77.1
Disagree	24	17.1	94.3
Strongly Disagree	8	5.7	100.0
Total	140	100.0	

4.7 Comparison between Long term and Short term Incentives

Figure 8 above shows that 41% of staff strongly agree that employer should give more immediate incentives as opposed to long term ones like pension, 24% agree, 21% are indifferent, 6% disagree, 7% strongly disagree.

Generally ,65% of the respondents agree ,21% are indifferent while 13% disagree .This means that the majority of employees prefer a package with more of short term benefits like bonuses and loans as opposed to long term benefits like pensions.

Figure 8: Give More Immediate Benefits and Less of Long term ones like Pension



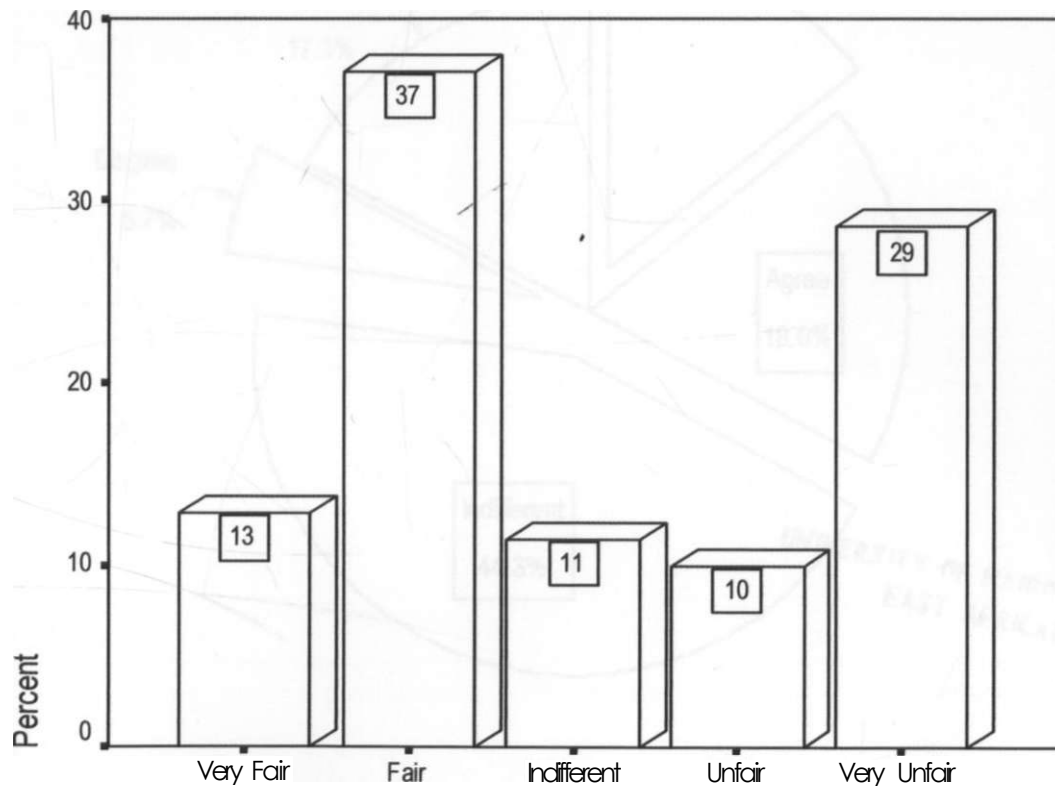
Give More Immediate Benefits and Less of Long term ones like Pensbn

4.8 Staff Perception of Performance Evaluation

As shown on Figure 9 above, 37% of respondents felt that performance evaluation tools are fair, 29% very unfair, 13% very fair, 11% were indifferent while 10% felt that the tools are very unfair.

This is in line with the sentiments expressed by the key informants that there are always mixed reactions to performance evaluations with those getting a positive review feeling more positive about them and those who gets negative reviews or unexpected reviews expressing some cynism.

4.8.1 Figure 9: How are current Performance Evaluation Tools?



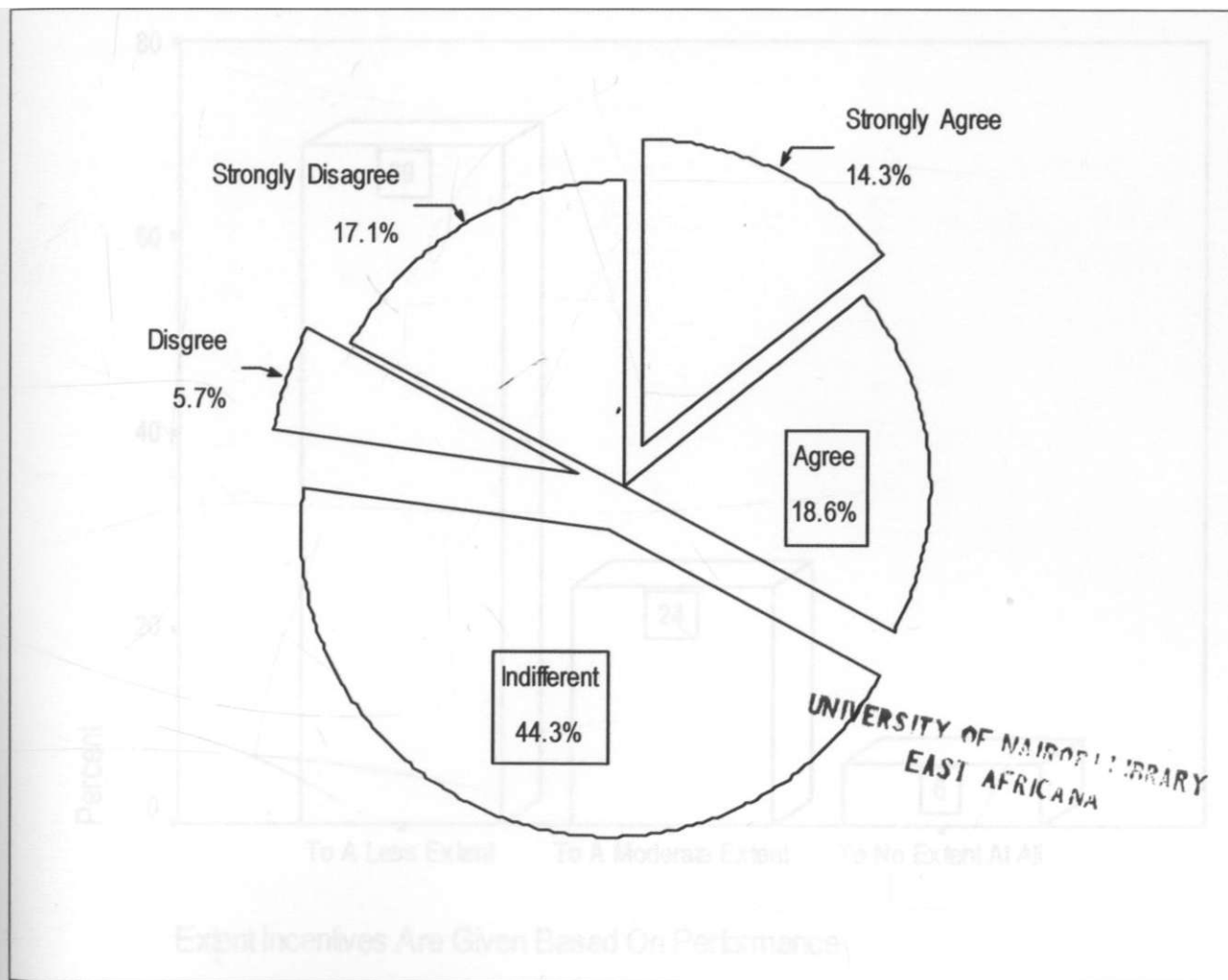
How are current Performance Evaluation Tools

4.8.2 Performance Evaluation and Performance Improvement

As shown on figure 10 below: 14.3% of respondents strongly agree that performance evaluation help improve performance, 18.6% agree, 44.3% are indifferent, 5.7% disagree while 17.1% strongly disagree.

Generally 33% agree, 44% are indifferent while 23% disagree. This shows a simple majority concurrence that performance evaluations help employees to indifferent showing that they are skeptical with the whole process of evaluations and their contribution to uplifting performance.

Figure 10: Performance Evaluation Help Improve Staff Performance

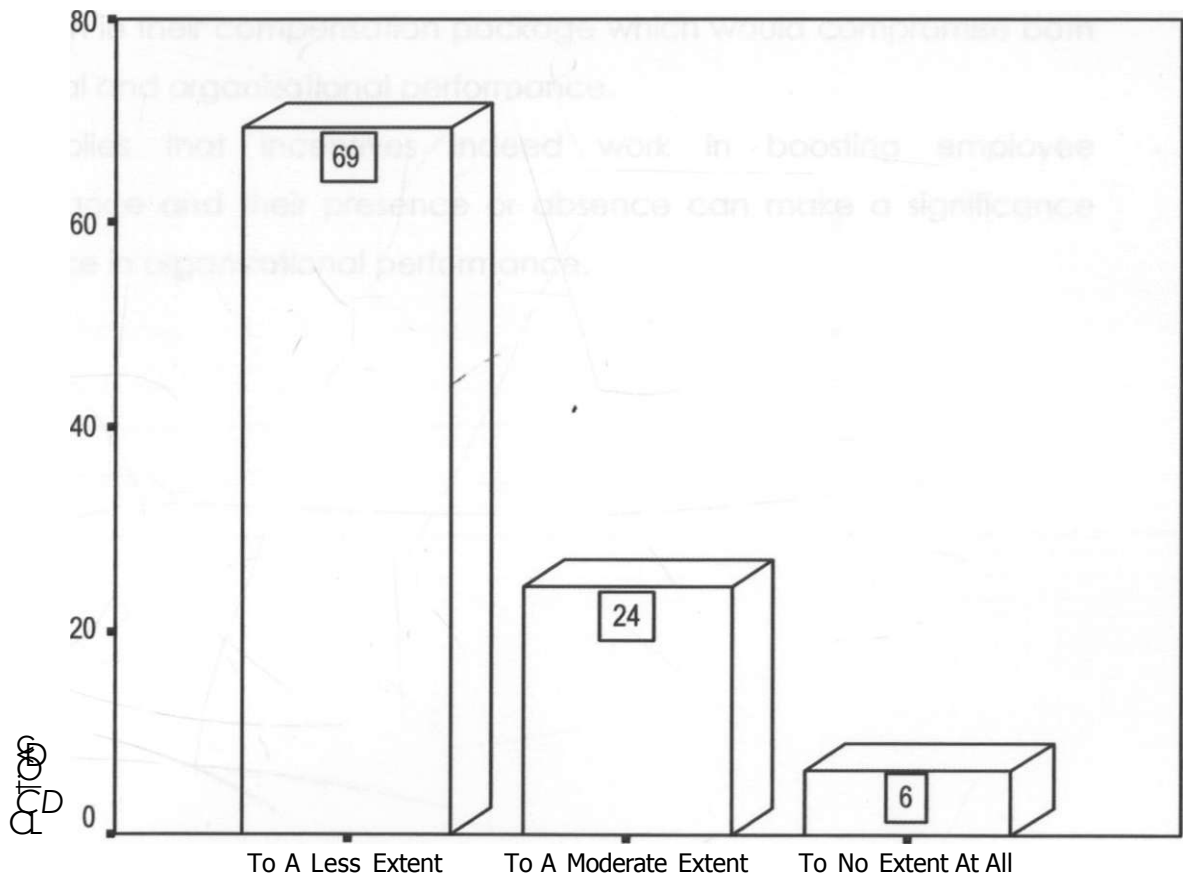


4.9 Relationship Between Incentives and Performance

An overwhelming 69% felt that incentives were given based on performance to a less extent, 24% to a moderate extent and 6% to no extent at all. These results are presented in figure 11 below.

This shows that a majority of staff believe that incentives in the bank are given based on other considerations and not necessarily the performance of the given employee.

Figure 11: Extent Incentives Are Given Based On Performance



Extent Incentives Are Given Based On Performance

4.10 Possible Effects of Withdrawing All Incentive Schemes

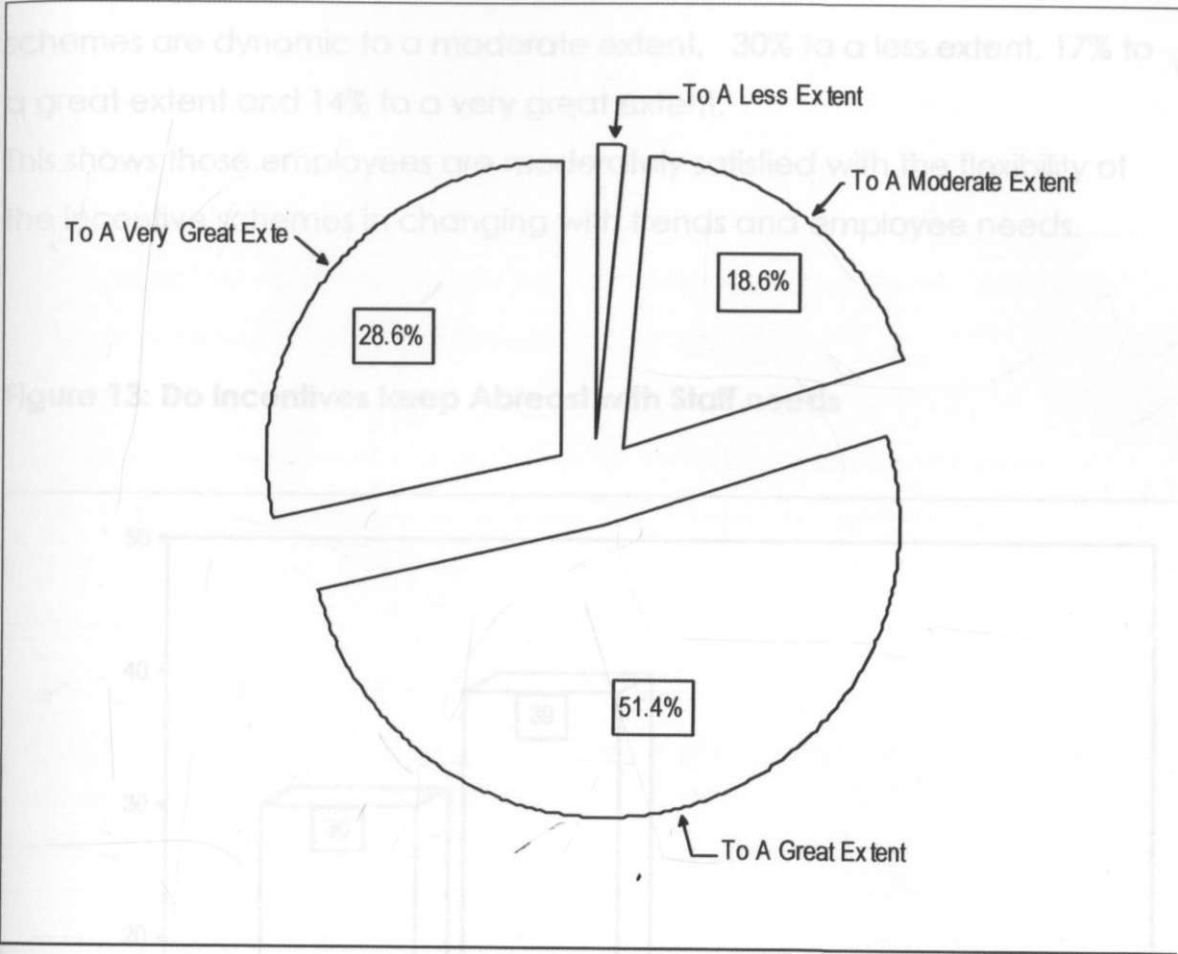
When asked the possible effects of withdrawal of all incentives on their performance, a majority of 51.4% would have their work performance adversely affected to a great extent if the employer withdrew all incentives, 28.6% to a very great extent, 18.6% to a moderate extent and only a minimal 1.4% to a less extent.

This shows that employees consider the incentives as an integral part of their compensation and keenly follow all changes and developments taking place in the schemes. Withdrawing these incentives would mean reduction in their compensation package which would compromise both individual and organizational performance.

This implies that incentives indeed work in boosting employee performance and their presence or absence can make a significance difference in organizational performance.



Figure 12: Extent Your Performance would be adversely Affected by withdrawal of all Incentives.

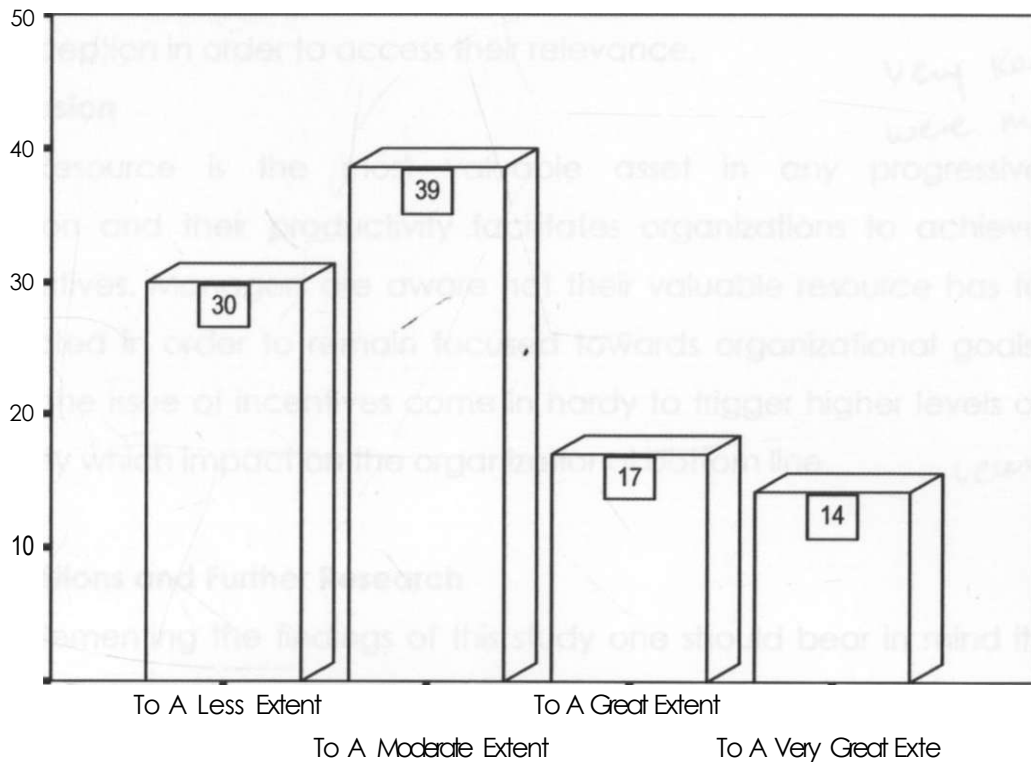


4.11 Change Dynamism of incentive schemes

Figure 11 above shows that 39% of respondents think that incentive schemes are dynamic to a moderate extent, 30% to a less extent, 17% to a great extent and 14% to a very great extent.

This shows those employees are moderately satisfied with the flexibility of the incentive schemes in changing with trends and employee needs.

Figure 13: Do incentives keep Abreast with Staff needs



Extent Incentives Keep Abreast Staff needs

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Recommendations

Based on the findings of this study the following are recommended.

1. In order for these incentives to be relevant to employees needs wide consultation with the employees either directly or through their unions is crucial.
2. Incentive schemes should be properly developed and administered to in order to gain employees acceptance.
3. To retain the youthful work force, the bank should come up with short term financial schemes other than the pension scheme..
4. The bank should constantly conduct audit on employee incentives perception in order to assess their relevance.

5.2 Conclusion

Human Resource is the most valuable asset in any progressive organization and their productivity facilitates organizations to achieve their objectives. Managers are aware that their valuable resource has to be motivated in order to remain focused towards organizational goals. Therefore the issue of incentives come in handy to trigger higher levels of productivity which impact on the organizational bottom line.

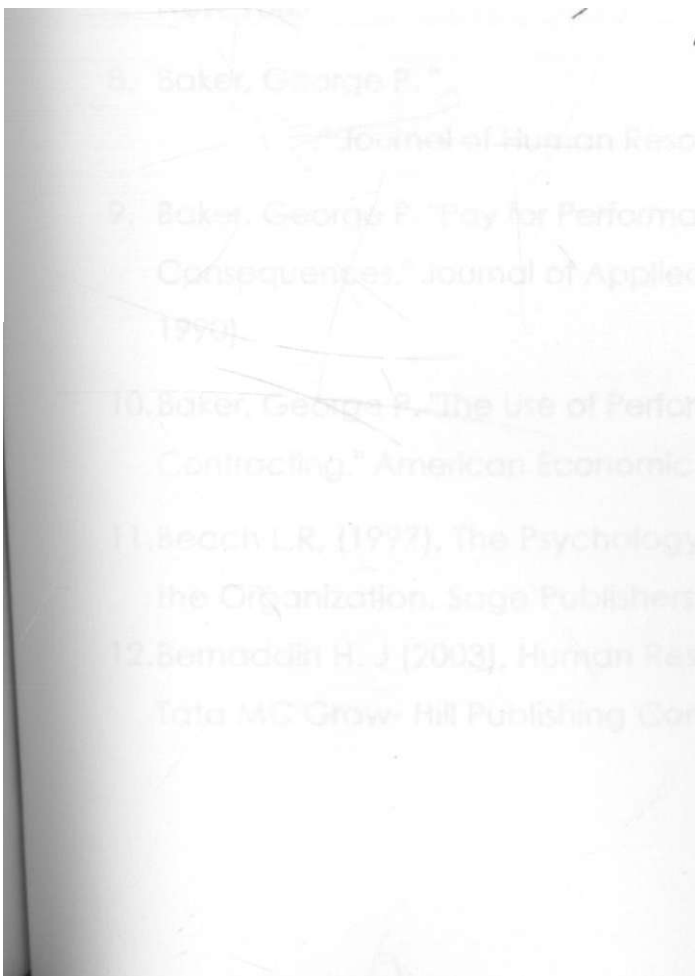
5.3 Suggestions and Further Research

While implementing the findings of this study one should bear in mind its limitations. First and foremost, these findings are based on Nairobi and only ten managers were used as key informants. Using such a sample of a few key informants to make judgment on complex organizational characteristics may increase subjectivity.

Although this study provides interesting insights into staff perception of incentive schemes, it did not try to directly probe the relationship between incentives and performance but tried to get this perceived by employees and management.


Future studies could link these two directly by looking at correlation between specific incentives to specific aspects of employee's performance indicators other than getting it from the employee's point of view.

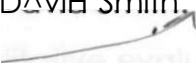
Further studies could cover all branches in the country and also could be done on other sectors of the economy like manufacturing, hospitality, education institutions and most interestingly the public sector in this new era of performance contracting.



APPENDICES

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Appendix II: A STUDY QUESTIONNAIRE ON EMPLOYEE PERCEPTION OF INCENTIVE SCHEMES: THE CASE OF COOPERATIVE BANK OF KENYA LTD

Section A: General Information

1. Name of your branch.....(optional)

2. Gender

Male []

Female []

3. Marital Status

Married [] Divorced []

Single [] Widowed []

4. For how long have you been working for the organization?

• 0-5years [] 6 - 10 []

• 11 - 15 [] 16-20 []

• Over 21 Years []

Section B: Incentives and Performance

1. Are you aware of any incentives given by your employer?

- Yes []
- No []

2. How would you describe the tools and evaluation methods used?

- Very Fair []

- Fair
- Indifferent
- Unfair
- Very unfair
- Any other specify

3. Please indicate by ticking on a scale of 1 to 5 how important the following are to you as incentives from the employer 1=Very Important 2= Important, 3=Indifferent 4= Not Important 5=Not Important At All

	1	2	3	4	5
a) Salary					
b) Allowances					
c) Staff Loan facility					
d) Inclusiveness in Decision-Making					
e) Flexibility of working hours					
f) interaction at the work place					
g) Children Education Packages					
h) Insurance cover					
l) Promotion					
j) Payment of bonuses					
k) Training opportunities being availed					
l) Room to pursue other interests					
M) Freedom to plan own career growth					
N) Provision of learning opportunities needed in order to excel at your current jobs and to					

grow into new ones.					
Provision with the means to find the knowledge and resources you need to perform optimally.					

4. To what extent do you think remuneration affects your performance?

- To a less extent
- To a moderate extent
- To a great extent
- To a very great extent

5. To what extent would your work be adversely affected if all incentive schemes were withdrawn

- To a less extent
- To a moderate extent
- To a great extent
- To a very great extent

6. To what extent do incentives in place keep abreast with the changing times and circumstances of the employees?

- To a less extent
- To a moderate extent
- To a great extent
- To a very great extent

7. To what extent do you think the current job tasks are a challenge to you?

- To a less extent

- To a moderate extent
- To a great extent
- To a very great extent

8. To what extent do you think office sitting arrangement have impacted on your tasks accomplishment?

- To a less extent
- To a moderate extent
- To a great extent
- To a very great extent

9. To what extent do you think monetary incentives have an impact on the way you work?

- To a less extent
- To a moderate extent
- To a great extent
- To a very great extent

#

10. To what extent do you think non-monetary incentives have an impact on the way you work?

- To a less extent
- To a moderate extent
- To a great extent
- To a very great extent

11. To what extent do you think your job satisfaction has been a number one key priority for your superiors?

- To a less extent
- To a moderate extent

- To a great extent
- To a very great extent

2.To what extent do you think the incentive schemes in place are relevant to your needs?

- To a less extent
- To a moderate extent
- To a great extent
- To a very great extent

13. Please indicate by ticking on a scale of 1 to 5 how much you agree or disagree with the following statements. 1=highly Disagree, 2= Moderately Disagree, 3=Neither Agree or Disagree 4= Agree 5= Highly Agree

1

A secure job is more important than a high paying one

Giving more immediate benefits to staff can be better than long term ones like pension plans

Employees should be allowed to choose the incentives they want among many alternatives.

Organization housing is better than receiving housing allowance

Organization transport is better

	than receiving traveling allowance					
7.	Those Working far from their families should receive extra incentives					
8.	Cash incentives should be more than non cash ones.					
9.	I would not take annual leave if am paid double to work during the leave period					
10.	Many rules and procedures make doing a good job difficult					
11,	A job should leave room for an employee to pursue other interests					
12.	The annual performance evaluation helps employees to improve performance	<i>i</i>				
13.	Some incentives are so insignificant that they demean the employee					
14.	Some incentives offered are inappropriate for most of the employees					
15.	Some kind of incentive programs are insulting and demeaning					

Appendix 2:Letter of Introduction

Mrs Lucinda Mugaa,
Cooperative Bank of Kenya LTD,
Kimathi Branch,
P.O Box 7512-00200
Nairobi.

Dear Sir/Madam,

**RE: A STUDY ON THE EMPLOYEE PERCEPTION OF INCENTIVE SCHEMES: THE
CASE OF COOPERATIVE BANK OF KENYA LTD**

This is to inform you that I am carrying out a study on the above subject for my Masters of Art in Sociology (Labour Management Relations).

As a colleague, I kindly request you to spare some time and complete the attached questionnaire for me.

I would like to assure you that the information obtained will only be used for the academic research and it will be treated with utmost confidentiality.

Yours Sincerely

Mrs Lucinda Mugaa
Cooperative Bank of Kenya LTD

Appendix 3:Key informants interview Guide

A STUDY ON THE EMPLOYEE PERCEPTION OF INCENTIVE SCHMES: THE CASE OF COOPERATIVE BANK OF KENYA LTD

KEY INFORMANTS INTERVIEW GUIDE

Good Morning/Good Afternoon.

My name is Mrs. Lucinda Mugaa. I am a student at the University of Nairobi. I am conducting a study on the Employee Perception of Incentive Schemes-A Case Study of Cooperative Bank of Kenya LTD.

This research is in fulfillment of the requirements for the degree of Masters of Arts in Labour Relations Management. May I please as you a few questions?

1. What incentives does the bank give to motivate employees?
2. In your own view do you think these incentives are effective in improving employee performance and productivity?
3. How do the various incentives compare in terms of popularity with the staff, are there some that are more popular than others.
4. Do you think the organizations gets value for money by implementing the incentive schemes?
5. In your own view how can the existing incentive schemes be improved to become more effective.
6. What other information would you like to share on incentive schemes implementation.