DETERMINANTS OF COMPENSATION SYSTEMS AMONG COMMERCIAL BANKS IN KENYA

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A Research Project submitted in partial fulfillment of the requirement for Award of the degree of Master of Business Administration(Human Resource Management Option), school of Business, University of Nairobi.

November, 2013

DECLARATION

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

Signature………………………… Date………………………………

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This research project has been submitted for examination with my approval as the University supervisor.

Signature…………………… Date………………………………

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DEDICATION

This research project is dedicated to my parents, who inspired me to attain my academic potential.

ACKNOWLEDEMENTS

I wish to acknowledge University or Nairobi for the support accorded to me through the Masters Degree course. I am indeed grateful to my supervisor Prof. K'Obonyo for his support and guidance through the period of my research. His great efforts and constructive criticism shaped this research project.

ABSTRACT

Compensation and benefits are the most critical factors in attracting and retaining high quality employees. The employees' commitment and motivation are directly tied to this aspect of the employment relationship. Great employers provide generous monetary and non-monetary compensation and benefits to their workforce. Money is considered as the reward which is given to employees against work, to support their family, and payment for the work which is done. This study aim at establishing the determinant of compensation system among the commercial banks in Kenya. The study aims at evaluating the effects of firms' ability to pay, employee productivity, compensation laws and regulation, reward strategy, trade unions as well as job requirements on the compensation system. The study will be done on all the commercial bank in Kenya specifically targeting the human resource personnel. Through a census study method, 43 respondents will be selected and questionnaires distributed. The data will analysed using descriptive statistics such as mean, percentage, frequency distribution table and standard deviation. The data will be presented using tables and graphs.

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CHAPTER ONE

INTRODUCTION

1.1 Background information

In any profit-oriented organization, employment relationship is seen as an exchange process where employees provide inputs in terms of skills and expertise in return for various compensations from the employer. From the perspective of the employee, pay has an important influence on Standard of living, status, and security. Less direct forms of compensation such as health care, pensions and other benefits also have an important impact on employees' well-being. From the employer's point of view, compensation is both a major cost of doing business that needs to be controlled, and an investment that must generate adequate returns in terms of employee attitudes, skills, behaviors, and organization performance (Heery & Noon, 2001).

Many organizations have now recognized that human resources play an important role in gaining a competitive advantage in today's highly competitive global business environment. While all aspects of managing human resources are important, employee retention continues to be an essential Human Resource Management activity that helps organizations in their quest to achieve their goals and objectives (Mello,2007). As such, researchers and practitioners alike are interested in addressing the key issues and challenges relating to employee retention. Retaining productive employees is critical to running a successful business. Retaining employees saves companies money in training costs and helps maintain an efficient and knowledgeable workforce. Health insurance and retirement packages are benefits that many employees desire from their employers. Companies that offer these benefits have a much better chance of retaining workers than businesses that fail to offer benefit packages. No business can enjoy and sustain

the success until it deals with the problem of employee turnover efficiently and successfully and this calls for a strategic approach to the management of employees in order to motivate them to stay (Ongori, 2008).

The strength of any financial service providing company also depends on the contentment and inspiration of its employees. Banks are the biggest financial service providers of any nation. Bottorff (1999) argues that banks have to respond to increased competition by rewarding not only performance but also efficiency. He further argues that by rewarding employees for finding more efficient ways to process work, rather than measuring output, banks might generate a structural solution to the banking industry's productivity challenges

1.1.1 Compensation systems

A compensation system is a system that is designed to determine amount of pay given to an employee in return for their contribution to production(Erasmus, et. al.,2001). On its simplest level, a manager simply makes his or her best guess as to what an individual should be paid and what he or she will accept. In its most complex form, a compensation system contains many different decision rules, guidelines, and processes for determining pay level and pay structure. A compensation system includes various components such as: Pay Structure which is the relative pay differential among various jobs within the organization and how this is determined. Pay Level which is the relative amount of pay assigned to each job compared to the job market. Pay Form which is the makeup of the pay this individual receives. Basis for pay increases which illustrate how pay changes from year to year (Erasmus et al., 2001).

Compensation and benefits are the most critical factors in attracting and retaining high quality employees. The employees' commitment and motivation are directly tied to this aspect of the employment relationship. Great employers provide generous monetary and non-monetary compensation and benefits to their workforce. Money is considered as the reward which is given to employees against work, to support their family, and payment for the work which is done. Barton (2002) suggested that organization should take into account financial rewards like salary because it has strong influence on employee motivation and retention.

An organization's compensation system can have far-reaching effects on its competitive advantage. As compensation expert Richard Henderson (1961) noted, to develop a competitive advantage in a global economy, the compensation program of the organization must support totally the strategic plans and actions of the organization. Labor costs greatly affect competitive advantage because they represent a large portion of a company's operating budget. By effectively controlling these costs, a firm can achieve cost leadership. The impact of labor costs on competitive advantage is particularly strong in service and other labor-intensive organizations. Equity considerations hold the philosophy that the compensation system should be fair and equitable. It means that compensation system should be similar for the same type of work within the organization. Similarly, it should be fair relative to what other people get for the similar job in another organization. It is important because any imbalance between what the employees contribute and what they obtain as return would lead to greater job dissatisfaction, employee turnover and absenteeism.

1.1.2 Determinants of Compensation systems

Compensation is a primary motivator for employees. People look for jobs that not only suit their creativity and talents, but compensate them both in terms of salary and other benefits accordingly. According to Henderson (2003), the level of compensation largely depends upon organizational performance as well as operating policies and strategies. He asserted that organization ability to pay, demand and supply of labour, management philosophy and government regulations as follows: Sometimes, the organization itself evaluates where it is in order to prepare compensation plans. The position of the organization is determined by its productivity, when the productivity of the worker is high, it assess itself as a higher position. As a consequence of it, the compensation system is determined at a higher level. Contrary to it, in case of lower productivity, wages/salary rates tend to be low. Thus, any shift in productivity and employee performance has direct impact on the wage level of the organization. Large organizations can often pay at a higher wage rate than smaller ones. Organizations typically increase in size because their services and products are in demand. With increased size comes an economy of scale and the opportunity to increase profits with each additional product or unit of service provided.

Market Forces of demand for and supply of labour: Any job is worth what the marketplace will bear. Individuals with certain skills may be in varying degrees of demand. Sometimes the demands vary across specific locations. At other times, they are national in scope. Those who have the particular knowledge, skills, and credentials that are in high demand. For instance, the U.S. Bureau of Labor Statistics (BLS) monitors the supply and demand for more than 800

occupations. According to the BLS, 1,200 additional audiologists jobs and 12,000 additional speech-language pathologists needed to fill the demand through 2016. The majority of firms pay at the market rate, which is the rate offered by most of the competitors for labor. Those paying above market are referred to as market leaders. These typically are companies with the ability to pay and the desire to attract and retain top-notch employees (e.g., "cream of the crop"). Those paying below market market laggards generally do so because they are unable to pay higher salaries.Such companies often attempt to attract employees by linking pay to productivity or profits so that the employees can earn more if the company does well (Milkovich, & Newman, 2005). Internal equity: The single most important factor influencing an individual's rate of pay is the kind of work performed. In order to practice in most settings, there is a requisite credential, states license and or otherwise regulate the professions supply. It is not unusual to see a range of a +/-10% percent salary differential for individuals in the same job depending on their performance. To achieve internal consistency, a firm's employees must believe that all jobs are paid what they are worth. In other words, they must be confident that company pay rates reflect the overall importance of each person's job to the success of the organization. Because some jobs afford a greater opportunity than others to contribute, those holding such jobs should receive greater pay. For pay rates to be internally consistent, an organization first must determine the overall importance or worth of each job through a job evaluation. Job evaluation is based on informed judgments regarding such things as the amount of skill and effort required to perform the job, the difficulty of the job, and the amount of responsibility assumed by the jobholder (Stewart, 2001).

External equity: Equity considerations hold the philosophy that the compensation system should be fair and equitable. It means the compensation system should be similar for the same type of work within the organization. Similarly, it should be fair relative to what other people get for the similar job in another organization. A firm achieves external competitiveness when employees perceive that their pay is fair in relation to what their counterparts in other organizations earn. To become externally competitive, organizations must first learn what other employers are paying and then make a decision regarding just how competitive they want to be. They then establish pay rates consistent with this decision. The firm begins by conducting or acquiring a salary survey. This survey provides information on pay rates offered by a firm's competitors for certain benchmark jobs. Some firms gather this information from existing surveys already conducted by others, such as those produced by the Bureau of Labor Statistics. Trade associations also conduct surveys routinely for their members, or companies may hire consulting firms to gather such information. It is important because any imbalance between what the employees contribute and what they obtain as return would lead to greater job dissatisfaction, employee turnover and absenteeism (Henderson, 2003).

Management philosophy: For many employers, the goal now is to integrate the organization's compensation and reward philosophy with its strategic initiatives regarding customers, profitability, and the development of a strong, competitive work force focused on the success of the organization. As a result, employers are using more sophisticated performance evaluation systems (e. g., 360-degree feedback that includes input from one's supervisor, colleagues, and direct reports) in an attempt to identify and recognize their top performers. Some employers are committed to a philosophy of paying their employees above industry or area standards in order to

attract and retain the very best pool of skilled workers available. Others pay at the 50th percentile; still others pay as little as they can.

Government legislation or policy: In order to protect the working class from wage exploitation by strong employers, the government enacts various laws and judicial decisions. Such laws and regulations affect compensation management. Because, they emphasize on minimum wage rate, overtime rate, working hours, equal pay for equal work, payment of bonus, etc. So, an organization has to design its pay system as per the government rules and regulations. Labor unions are pressure groups that work in the interest of the workers. Such unions lobby the management for the formulation of fair compensation plans (Siemsen et al., 2007).

1.1.3 Commercial banks in Kenya

Banking services are extremely important in a free market economy such as found in Canada, United States and Kenya. The health of a country's economy is closely related to the soundness of its banking system. Although banks create no new wealth, their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of goods and services. In this way, they become very effective partners in the process of economic development. Today, modern banks are very useful in the utilization of the resources of the country. The banks mobilize the savings of people for investment purposes and facilitate the exchange of goods and services (Levine, 2005).

Kenya currently has 43 licensed commercial banks and one mortgage finance company. Of these 44 institutions, 31 are locally owned and 13 are foreign owned. Citibank, Habib Bank and Barclays Bank are among the foreign-owned financial institutions in Kenya. The government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate. Kenyan banks are categorized in three tiers namely tier one, tier two and tier three, a tier is core measure of a bank's financial strength from a regulator's point of view(CBK, 2012)

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering (Price water coopers, 2011). The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region. The banking sector has offered employment in various departments with reasonable pay packages and working environment Automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

1.2 Research problem

According to Milkovich and newsman (2005), Compensation Systems are a critical part of any organization's design. How well they fit with the rest of the systems in an organization has an important impact on how effective the organization is and on the quality of life that people

experience in the organization. Over the past decade, some new compensation systems practices have become popular in order to align the systems with the important changes that are occurring in the way organizations are designed and managed. The rewards can take many different forms including praise from suspensor and co-workers, implicit promise of future promotion opportunities, feelings of self-esteem that comes from superiors' achievement and recognition and current and future cash rewards related to performance (Milkovich & newsman, 2005). The design of pay packages is of strategic importance and directly influences corporate performance. Companies differ significantly with respect to the design of their compensation systems, even within the same industry. In particular, performance-related payment schemes have gained increasing importance over time as a strategy to align the goals of managers and employees with those of the company or that can also make pay costs more volatile because they depend to a high extent on divisional and corporate performance (Milkovich and Newman, 1996).

According to central bank of Kenya annual report (2012), commercial banks in Kenya have a great disparity in their remuneration system depending on the compensation philosophy. There is uniformity on timing as all banks remit employee salaries on the twenty fifty day of the month. The report found that despite more modest remuneration prospects overall, candidates with the most sought-after specialist skills were in a position to command high levels of compensation. However a great different on the salary scales from bank to bank was documented with employees on the same job group earning different amount of salaries in their banks.

Previous studies show that good compensation for employees will be able to stimulate the emergence of fresh ideas and employees' innovation. Mohrman & Achlen (1996), found that the

existence of a good compensation of employees make the health of employees also good and result to a maximum work performance. McNamara (2008) also found that monetary compensation is an essential component in recruitment and retention process; but benefits are equally important and can often be the deciding factor in whether an individual accepts an offer or even stays in the organization(McNamara, 2008).

According to Central Bank of Kenya annual report (2010), Commercial banks in Kenya are faced with issues of productivity, competition for customers, efficiency in operation, trade unions and high staff turnover. To compete effectively, organizations must continually improve their performance by reducing costs, innovating products, improving quality, increasing productivity of staff and efficiency in operation. Past research has predominantly focused on the performance- pay strategies among CEO and top management. For instance Steven et.al.,(2011) investigated the relationship between firm strategy and the use of performance measures in executive compensation and found that there was an increased emphasis on sales in the determination of executive compensation for firms pursuing a cost leadership strategy in order to attain competitive advantage through low price and high volume. However, the researcher did not find analysis of determinants of compensation systems in Kenya and therefore constitutes a gap in knowledge that this study is intended to fill. This statement is particularly true in one prominent sector of the service industry: the financial services sector (Treble et al. (2001). This study therefore aim at answering the question: What determines the compensation systems among banks in Kenya?

1.3 Research Objective

To establish the determinants of compensation systems among commercial banks in Kenya.

1.4 Value of the Study

The study will highlight the determinants of compensation systems in commercial banks in Kenya. It would also help business owners to understand the benefits of sound employee compensation systems to performance of their businesses. The findings from the study will be important to the banking industry especially in improving on the factors that would contribute to the improvement of staff compensation levels which in turn would enhance performance. The study would also address the lack of information with regards to the factors that motivate bank staff.

The study will benefit the kenyan government especially the central bank of Kenya that regulate the banking sectors in formulating policies and regulations that will effectively address the compensations management and human resources functions. The human resource managers will also use the finding in implementing the stipulated remuneration policies within their respective financial institutions.On top of that the study will help the management of other organizations to have the opportunity to be more aware about the different determinants of compensation system, this would assist the management in creating effective compensation systems that would motivate their staff and encourage top performance.

For academicians, this study will form the foundation upon which other related and replicated studies can be based on.The study will be of benefit to future scholars who will identify the

information gap that need to be filled and also to business community who will use in further studies or ventures related to employee compensation in other sectors especially the service sector. Lastly , researcher hopes that this knowledge would further contribute to the body of knowledge and be a useful source of information including for future research regarding this subject matter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will cover theoretical review, empirical review related to the research objectives, and the conceptual framework.

2.2 Theories behind compensation and related studies

A survey of literature about the theories of compensation systems suggests that theories are commonly grouped according to the nature of subject relations and work relations as equity , expectancy and reinforcement theory and agency theory.

2.2.1 Equity theory

Pay systems are designed to attract, retain and motivate employees. The most important objective of any pay system is fairness or equity. Equity can be assessed on at least three dimensions; Internal Equity, External Equity and Individual Equity (Cascio, 2006). Early studies indicate that inequitable treatment directly affects and influences employee behavior and performance. In Equity Theory Towards a General Theory of Social Interaction (The Academic Press, 1976), J. Stacy Adams proposed that an employee continuously monitors his or her inputs and outputs on the job, and perceives an equitable situation when the ratio of his or her inputs and outputs are equal, to those of other employees. If this ratio is not equal, the employee may feel angry as a result of not being paid enough or guilty as a result of being paid too much. Perceptions of inequity are expected to cause employees to take actions to restore equity.

According to Cardy, Miller, & Ellis (2007), in an organization, employees will have a level of "perceived equity," which is how the employee perceives what they get from the organization in comparison to what they could get at other organizations. Perceived equity is divided into three groups: value equity, brand equity, and retention equity. Perceived equity can be linked to the idea of opportunity cost; in this case it is the opportunity cost of working at one place over another. Employees weigh that decision throughout their time at a given organization, and once the opportunity cost is no longer in their favor, they're at a high risk of leaving. Therefore, organizations will benefit from a closer analysis of perceived equity to create higher retention rates. Long-term employees that have maintained high job performance and increased productivity for the organization should be valued and treated preferentially, so that they will continue to maintain their strong commitment to the organization.

Internally, equity can be expressed in terms of employees who perform similar Jobs or those who perform dissimilar jobs, those who work within the same department or those who work in different departments. Similarly externally, equity can be expressed in terms of employees who work in the same industry or in different industries, those in the same union or in the same profession, In the same geographic location, Or in different geographic locations, In organizations of similar size or in organizations of differing sizes. On the other hand, Individual equity exists when an employer compensates individuals who are in similar jobs on the basis of variations in individual performance-so-called pay for performance. Excellent performers, for example, would receive more compensation than average performers (Henderson, 2003).

Cowherd and Levine (1992) used a sample 102 business units in 41 corporations to examine whether the size of the pay differential between lower-level employees and top management had any impact on product quality. Cowherd and Levine suggest that individuals often compare their pay to that of people higher in the organization structure. If lower–level employees feel inequitably treated, they may seek to reduce their effort to achieve equity. Quality, in their study, was defined as customer perceptions of the quality of goods and services. They hypothesized that extra role, or citizenship behaviors, such as freely offering to help others, following the spirit rather than letter of rules, and correcting errors that would ordinarily escape notice, would be less likely when pay differentials between hourly and top managerial employees were large. Their results supported this hypothesis, suggesting that organizations need to take care that they not forget the potential adverse motivational consequences of executive pay for the motivation of other employees.

2.2.2 Agency Theory

Until recently best known in the economics, finance, and law literatures, focuses on the divergent interests and goals of the organization's stakeholders, and the ways that employee compensation can be used to align these interests and goals (Eisenhardt, 1989). Ownership and management are typically separate in the modern corporation. With most stockholders far removed from day–to-day operations, so-called agency costs i.e.,costs that arise from the interests of the principals/owners and their Agents/managers not converging are created. What is best for the agent/manager, may not be best for the owner (Lambert & Larcker, 1989).

According to Mahaney and Lederer, (2003), agency theory is also of value in the analysis and design of non-managers' compensation. In this case, the divergence of interests may exist between managers now in the role of principals and their employees who take on the role of agents. In designing managerial or non -managerial compensation. Agency theory says that the principal must choose a contracting scheme that helps align the interests of the agent with the principal's own interests i.e., reduces agency costs. These contracts can be classified as either behavior oriented e.g., merit pay or outcome oriented e.g., stock options, profit sharing, commissions. At first blush, outcome -oriented contracts seem to be the obvious solution. If profits are high, compensation goes up. If profits go down, compensation goes down. The interests of "the firm" and employees are aligned. An important drawback, however, is that such contracts increase the amount of risk borne by the agent. Furthermore, because agents are averse to risk, they may require higher pay (a compensating wage differential) to make up for it (Fisk, 2001).

2.2.3 Reinforcement and expectancy theories.

Reinforcement theory which is propounded by B.F.Skinner (1938). This theory holds that individuals can actually be motivated by their work environment when it is properly developed. Hence, rather than considering internal factors such as attitudes, feelings, impressions and other cognitive behaviour, employers should keep on making positive changes in the external environment of the organization. It emphasizes the importance of a person's actual experience of a reward, and the implication of this for compensation management is that high employee performance followed by a monetary reward will make future high performance more likely.

Another theory that is relevant to the study is the Expectancy theory propounded by Victor Vroom (1964). This theory though focuses on the link between rewards and behaviour too emphasizes expected rewards rather than experienced rewards. In other words, it is mainly concerned with effects of incentives. It stresses that behaviours (job performance) can be described as a function of ability and motivation while motivation is a function of expectancy, instrumentality, and valence perceptions. Expectancy perceptions often have more to do with job design and training than pay systems. Extrinsic motivation depends on rewards – such as pay and benefits – which are controlled by an external source whereas intrinsic motivation depends on rewards that flow naturally from work itself. Therefore, while it is important to keep in mind that money is not the only effective way to motivate behaviour, and that money rewards will not always be the answer to motivation problems, it does not appear that monetary rewards run much risk of compromising intrinsic motivation in most work settings.

2.3 Determinants of compensation systems

Dessler, (2005), suggested that the compensation system of an organization is determined by its ability to pay, employees productivity, labour laws and regulations, job requirement, reward systems and strategies, trade unions and organization structure.

2.3.1 The firms' ability to pay

Dessler, (2005), argues that compensation can be divided in to various parts. One way is to break it down into three parts namely, fixed -Pay, Flexible Pay and Benefits (Beard, 1986). The other way is to divide Compensation in to two parts, Performance- based pay and Non-performance based pay. In the first classification, fixed pay is the compensation given to employees as their

base salaries e.g promotions, merit increase and cost of living increase. These come under fixed pay because all of them become part of the employee's base salary after its effect. Flexible pay consists of two components in itself, variable pay and deferred Income. Variable pay relates to commissions, bonuses, gain sharing, goal-based pay etc: where, the amount of pay is variable or its distribution is not certain, which is given usually to salespeople. Deferred income is long-term organization pay schemes e.g. profit sharing, company savings plans employee stock ownerships etc. Finally we have Benefits, which include things like vacations, sick leave, company car, company house, severance pay, medical insurance, retirement benefits etc (Dessler, 2005).

According to (Perreault & Mc McCarthy, 2006) Wage increases should be given by those organizations which can afford them. Companies that have good sales and, therefore, high profits tend to pay higher those which running at a loss or earning low profits because of higher cost of production or low sales. In the long run, the ability to pay is important. During the time of prosperity, pay high wages to carry on profitable operations and because of their increased ability to pay. But during the period of depression, wages are cut because the funds are not available. Marginal firms and non profit organization (like hospitals and educational institutions) pay relatively wages because of low or non profits.

However, fancy compensation programs are impressive, but the bottom line is that an organization must be able to afford its pay system. This is true in good and in bad financial times. It is critical that design decisions align with the organization's financial ability to pay. By partnering with an organization's chief financial offer, it will be easier to develop a plan that makes sense financially (McCollum, 2001).

2.3.2 Employee Productivity

Organizations that link pay to individual performance are more likely to attract individualistic types of employees, while organizations relying more heavily on team rewards are more likely to attract more team-oriented employees. It has been found that different pay systems attract different people depending on their personality traits and values (Judge & Bretz, 1992). The implication is that the design of compensation programs needs to be carefully coordinated with the business and human resource strategy. The mechanism for recognizing employee contributions differs for new and existing employees. Contributions made by new employees are recognized by varying the level of starting pay they receive. New employees usually are paid at the minimum rate unless their qualifications exceed the minimum qualifications of the job. Those exceeding minimum qualifications are paid more because they can make a greater contribution, at least initially. Existing employees' contributions usually are recognized in the form of pay raises, typically granted on the basis of seniority and performance (Henderson, 2003).

The labour market conditions or supply and demand forces operate at the national, regional and local levels, and determine organizational wage structure and level. If the demand for certain skills is high and supply is low, the result is a rise in the price to be paid to these skills. When prolonged and acuter, these labour market pressures probably force most organizations to reclassify hard to fill jobs at a higher level" that suggested by the job evaluation. The other alternative is to pay higher wages if the labour supply is scarce; and lower wages when it is excessive. Similarly, if there is a great demand for labour expertise, wages rise; but if the demand for manpower skill is minimal, the wages will be relatively low. The supply and demand compensation criterion is very closely related to the prevailing pay, comparable wage and on

going wage concepts since; in essence, all of these remuneration standards are determined by immediate market forces and factor (Judge & Bretz, 1992).

However, skill based pay also pose some risks in the area of employee paying higher compensation that are not offset by organizations productivity. Also, employee may become rusty unless there is opportunity to use all the skills acquired; and when employee hits the top of the pay structure, he may become frustrated and leave the firm just because there is no further opportunity to receive pay raise (Noe et. al., 2006).

2.3.3 Laws and regulations

In the early 20th century, the America government took a significant role and began to introduce several changes in many aspects of workers pay and remuneration. This brought about Acts such as the fair Labour Standards Acts of 1938, which dictated equal pay for equal work. However, recessions dotted the following twenty years but later on the economy boomed and government played an increasingly important role in America's workplace by ratifying the equal pay Act Executive order 11246, Title 7 of the Civil Rights Acts in 1963(McNamara, 2008). Workers' compensation (WC) laws generally vary from state to state. For instance in line with the workmen's compensation Decree of 1987, all organizations and businesses in Nigeria provide workers' compensation coverage for the benefit of their employees who may be injured or incapacitated while on the job. This is followed by pensions Reform Act of 2003 which requires every employment to maintain a life insurance policy in favour of an employee for a minimum of 3 times the annual total emolument or pay of the employee (Aloysus, 2007).

One important implication is that a statutory minimum wage may actually result in an increase in employment, because it forces monopsony employers to raise their wage rates and thereby fill existing vacancies. Further work has under lined the extent to which many labour markets could be subject to ‘dynamic monopsony, because of the difficulties workers face in gaining accurate information about alternative jobs and the costs incurred in leaving one job and starting another (Stewart, 2001). Regardless of the effects of legislation on salaries in general, compensation continue to be influenced by several factors that are producing some important trends in compensating workers. One of such trends is aligning wages to the organizations goals. Others include tailoring compensation to the needs of employees; better salary, and pay equity (Fisk, 2001).

2.3.4 Job requirements

The factors or criteria which have influenced pay and pay increases include profit (but generally unrelated to individual or group performance), job evaluation, seniority, cost of living, manpower shortage or surplus, negotiating strength of the parties and skills. Performance measures such as productivity or profit related to the performance of a group have been of less importance in determining pay increases. Though skills have been reflected in pay differentials, pay systems have been seldom geared to the encouragement of skills acquisition and application (Droar, 2006).

Modern organizations are making very significant changes in their compensation systems in order to better fit the dynamic, highly competitive business environment. Firms increasingly are using things such as skill-based pay, which compensates employees for the number and types of

skills they possess instead of the type of job they have. Similarly, there is a strong movement to at-risk compensation, where employee pay is tied to performance. Under this system, the employee's bonus does not become part of his or her base pay. Instead, the bonus must be re-earned each year. These changes, and numerous others, are designed to help offset compensation costs by gains in productivity, and to develop more flexible workforces (Kleiman, 2000).

To achieve internal consistency, a firm's employees must believe that all jobs are paid what they are worth. In other words, they must be confident that company pay rates reflect the overall importance of each person's job to the success of the organization. Because some jobs afford a greater opportunity than others to contribute, those holding such jobs should receive greater pay. For pay rates to be internally consistent, an organization first must determine the overall importance or worth of each job. A job's worth typically is assessed through a systematic process known as job evaluation. In general, the evaluation is based on informed judgments regarding such things as the amount of skill and effort required to perform the job, the difficulty of the job, and the amount of responsibility assumed by the jobholder (Mathis & John, 2006).

A firm achieves external competitiveness when employees perceive that their pay is fair in relation to what their counterparts in other organizations earn. To become externally competitive, organizations must first learn what other employers are paying and then make a decision regarding just how competitive they want to be. They then establish pay rates consistent with this decision. The firm begins by conducting or acquiring a salary survey. This survey provides information on pay rates offered by a firm's competitors for certain benchmark jobs i.e., jobs that are performed in a similar manner in all companies and can thus serve as a basis for making

meaningful comparisons. Some firms gather this information from existing surveys already conducted by others, such as those produced by the Bureau of Labor Statistics (Milkovich, & Jerry, 2005).

An increasing number of organizations are trying to link pay to performance, through programs such as variable or incentive pay, where a percentage increase in pay depends on the employee's achievement of predetermined measurable goals; skill-based pay, where employees are paid for the number of skills they possess; and most recently, competency-based pay, in which an employee is paid for the range, depth and types of skills and knowledge he/she is capable of using in the job rather than for the position they hold. The happier people are within their job, the more satisfied they are said to be. Most times, job design aims to enhance job satisfaction and performance and this could be achieved via job rotation, job enlargement and job enrichment. Other influences on job satisfaction include the management style and culture, employee involvement, empowerment and autonomous work position. Job satisfaction is a very important attribute which is frequently measured by organizations and the most common way of measurement is the use of rating scales where employees report their reactions to their jobs (Judge et. al., 2001).

2.3.5 Reward strategy

According to Armstrong (2000), reward strategy is the policy that provides specific directions for the organization to develop and design programmes which will ensure its rewards the performance outcomes supporting the achievement of its business goals. Employers develop an initial compensation structure that complements various steps of workforce planning. Workforce

planning consists of creating a formula for the types of skills, expertise and concentration of workers that are necessary to achieve the company's goals. Once the organization completes its workforce planning steps, the next step is creating a competitive, yet feasible, compensation structure. Too often, companies give little consideration to reevaluating compensation to ensure it addresses future business needs, such as employee development, inflation, employment trends and succession planning. One of the most effective ways compensation can have a positive impact on employee retention is to construct an employee development plan that promises employees career track opportunities with the company. Being on an upward career track should come with corresponding salary and merit increases. In addition, performance-based bonuses motivate employees in terms of aligning their individual goals with company goals. Implementing incentives such as stock options, profit sharing and spot rewards are other ways compensation affects retention. These forms of compensation demonstrate how critical employee performance is to the organization's overall profitability. Spot rewards are usually not as lucrative; however, they provide immediate recognition, reward and compensation when company leadership observes an employee performing superior work. Appreciation is key to employee retention, and if compensation is a part of recognition, then compensation is likely to increase employee retention.

Numerous studies have shown positive results on the effect of reward structures on the performance measure. Sarin and Mahajan (2001) came up with a few implications on how the rewards structure influence on the team performance. The performance dimensions which are not affected uniformly by the reward structure should encourage the practitioners to reexamine some currently accepted theories and practices. This indicates that suitable reward strategy

development is indeed very important to each and every organization. Meanwhile, Lee and Wong (2006) have found that reward does have an impact on the company's innovation performance. In addition, Paul (1981) suggests that a reward strategy can point out the significant areas of an organization, and guiding its future orientation.

2.3.6 Trade unions

It is increasingly recognized that institutional factors such as trade unions do play dominant role in the process of economic development especially in the industrial sector; this realization is more pronounced in the case of developing economies. The influence of trade union is evident in crucial economic indicators such as employment, levels of wages, standard of working conditions etc., In short, the nexus between labor organizations and labor market has been firmly identified and is gradually getting articulated. As a result, obtaining of wage increase has become an inherent function of trade unions. Studies on the labor movement in India show that there was no organized laborforce in the early stages of industrialization in India. However, unbearably long hours of work, low wages etc., made the workers use a weapon called strike. As a result, between 1900 and 1914 there were several strikes, but most of them were unsuccessful. In the twenties, soon after World War I, the Indian working class realized the effectiveness of strikes as a means of obtaining concessions such as higher wages and improvement of working conditions. A new sense of confidence and an awareness of injustice perpetuated against them induced them to stand up for their rights and to offer resistance against ill treatment and exploitation. The workers were dissatisfied with their wages, more particularly in view of the steep rise in prices. The unions agitated for rise in wages (Deshpande, 2000).

In Kenya trade unions are organisations that represent people at work. Their purpose is to protect and improve people's pay and conditions of employment. They also campaign for laws and policies which will benefit working people. Trade unions exist because an individual worker has very little power to influence decisions that are made about his or her job. By joining together with other workers, there is more chance of having a voice and influence. The ability of a union to carry out these functions may depend on the union membership and the union density. A small union with few members is unlikely to have as much influence as a very large union with many members. People are recruited to unions in different ways. Most people find out about the union by talking to colleagues at the workplace and then make direct contact with the union. Others are contacted by the union representative who gives them information about the union and tells them how to join. Some employers and personnel officers tell employees about the union when they start working for the organization (COTU, 2012).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was followed in completing the study. Specifically the following subsections were included: research design, target population, data collection and data analysis.

3.2 Research Design

The research used descriptive survey approach. According to Ngechu (2004), descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. It serves a variety of research objective such as descriptions of phenomenon or characteristics associated with a subject population, estimates of proportions of a population that have these characteristics and discovery of associations among different variables.

3.3 Target population

Mugenda & Mugenda (2003) define a study population as consisting of the total collections of elements about which the study wants to make some inferences. The target population of this study was all human resource personnel who are concerned with employees' compensations. This was a census study where all heads of human resource department in 43 commercial banks in Kenya as outline in appendix 3 constituted the sample size to the study (Kenya Bankers Association, 2012).

3.4 Data Collection

The researcher used primary data that was collected using self-structured questionnaire. The questionnaire was administered to the 43 respondents who comprised of the heads of HR departments in all commercial banks. A drop and pick later method was used noting that the respondents were busy during the working hours, when they were supposed to fill the questionnaire. The questionnaire consisted of two parts. Part one addressed profile of the respondents and the banks. Part two focused on determinants of compensation systems. This will enable a better understanding and an insightful interpretation of the results from the study.

3.5 Data Analysis

The data from the field were coded according to the themes researched in the study. A statistical package for social sciences (SPSS) package was used to aid in analysis. Quantitative data was analyzed through the use of a combination of descriptive statistics particularly frequency distributions tables, percentage and mean and also measure of dispersion such as variance and standard deviation. Inferential statistics such as correlation were used. The data was presented in tables and graphs.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and findings of the study as set out in the research methodology. The study findings aimed at establishing the determinants of compensation systems among commercial banks in Kenya. The data was gathered from the head of human resource department by the use of a self administered questionnaire. The instrument was designed in line with the objectives of the study.

4.1.1 Response Rate

The study targeted the 43 respondents, however, a total of 34 questionnaires were actually returned and this made a 79.1% response rate as illustrated in the table 4.1.

Table 4.1 Response Rate

	Frequency	**Percent**
Respondents	34	79.1
Non respondents	9	20.9
Total	**43**	**100.0**

Source (Field data, 2013)

4.2 Demographic Information

In order to capture the general information of the respondents, issues such as age, gender and length of service of the respondents were measured.

4.2.1 Gender composition of the respondents

The findings show that Majority (61%) of the respondents were female while 39% were male. This could imply that females are more involved in human resources management than males as indicated in table 4.2.

Table: 4.2 Gender composition of the respondents

	Frequency	Percent
Male	13	39.0
Female	21	61.0
Total	**43**	**100.0**

Source (Field data, 2013)

4.2.2 Distribution of the respondents by position

Majority (44.1%) of the respondents were Human resource managers, 35.3% were Human resource advisors and 20. 6% were Human resource assistance. Most of the respondents were human resource managers.

Table 4.3 Classification of respondents by position

Name	Frequency	Percent
Human resource manager	15	44.1
Human resource Advisor	12	35.3
Human resource Assistance	7	20.6
Total	**34**	**100**

Source (Field data, 2013)

4.2.3 Age bracket of the banks

Majority (32.4%) of the banks were between 1 to 15 years old in the country, 29.4% of the banks were between 16 to 30 years, 20.6% were between 31 to 45 years while 17.6% reported an age of above 45 years. These results are presented in table 4.4

Table 4.4 Age bracket of the Banks

Age	Frequency	Percent
1 - 15 years	11	32.4
16 -30 years	10	29.4
31- 45 years	7	20.6
Above 45 years	6	17.6
Total	**34**	**100**

4.2.4 Respondents work experience

Majority (52.2%) of the respondents reported having less than 10 years of experience in their current positions. 19. 5% reported between 21 to 30 years of experience, 14.5% had between 11 to 20 years while 13.8 had over 30 years in the human resources management. These results are presented in table 4.5

Table 4.5 Distribution of respondents by Work experience

Work experience	Frequency	Percent
less than 10 years	17	52.2
11 to 20 years	5	14.5
21 to 30 years	7	19.5
Over 30 years	5	13.8
Total	**34**	**100**

4.2.5 Number of employees

Most (67%) of the banks had employed between 501 to 1000 employees directly in their operation. 26.1% had less than 500 employees, 5.4% had between 1001 to 1500 employees and 1.5% had over 1500 employees. These results are presented in table 4.6

Table 4.6 Classification of the banks by Number of employees

Number of employee	**Frequency**	**Percent**
Less than 500	9	26.1
501 to 1000	22	67
1001 to 1500	2	5.4
Over 1500	1	1.5
Total	34	**100**

4.2.6 Ownership of the Bank

On the ownership of the banks, it found that majority (71.5%) of the banks were joint ownership. 22.4% were foreign owned and 6.1% were locally owned. This implies that major of the banks had foreign interest that could influence the banks human resource policies. These results are presented in table 4.7

Table 4.7 Bank ownership

Bank ownership	**Frequency**	**Percent**
Locally owned	2	6.1
Foreign owned	8	22.4
Joint venture	24	71.5
Total	**34**	**100**

4.2.7 Nature of ownership

Majority (80.4%) of the banks were largely foreign owned with 19.6% largely locally owned. This implies that foreign policies largely influence banking in the country. These results are presented in table 4.8

Table 4.8 Nature of ownership of the banks

Nature of ownership	Frequency	Percent
Largely foreign owned	27	80.4
Largely locally owned	7	19.6
Total	**34**	**100**

4.3 Human resource policy

Majority (97%) of the banks have Human Resource policies while 3% of the banks were in the process of formulating one. These results are presented in table 4.9

Table 4.9 Availability of the Human resource policy.

Human Resource policy	Frequency	Percent
Yes	33	97
No	1	3
Total	**34**	**100**

4.3.1 Human resource functions

With multiple responses allowed, majority (87%) cited hiring as the leading function of their Human resource department, 66% cited placement function, 61% reported Compensation function, 54% reported training and 35% reported retrenchment as a leading function of the Human resource department. These results are presented in table 4.10

Table 4.10 Human resource functions

HR function	Frequency	Percent
Hiring	30	87
Placement	22	66
Compensation	21	61
Training	18	54
Retrenchment	12	35

4.3.2 Employee salary decision

Majority (75%) of the banks reported that Board of management decides on employee salary, 22% of the banks reported that it's the Human resource manager and 3% of the respondents reported their Chief executive officer makes the salary decision. These results are presented in table 4.11

Table 4.11 Employee salary decisions

Salary decision	Frequency	Percent
Board of management	26	75
Human resource manager	7	22
Chief executive officer	1	3
Total	**34**	**100**

4.4 Appraisal system

Rating on a scale of 1 to 5 the extent to which compensation system is influenced by the given factors.

Table 4.12 Appraisal system

	Mean	Standard deviation
Performance-based pay	3.12	0.01
Ability to pay	4.15	0.22
Internal equity	2.47	2.10
External equity	3.00	1.04
Management philosophy	2.40	2.30
Government regulations	2.57	1.41
Trade unions	4.66	0.03
Seniority	4.50	0.02
Job Rank	4.28	0.15
Competition	3.01	1.00
Industry practices	3.87	1.12
Reward strategy	3.14	0.87

Majority (4.66 mean score) of the banks reported that trade unions influence the compensation to a very great extent, seniority of the employees (4.50 mean score), job rank (4.28 mean score), 4.15 ability to pay (4.15 mean score), Industry practices (3.87 mean score). Majority (3.14 mean score) of the banks reported moderate influence of reward strategy of individual bank, job performance (3.12 mean score), competition (3.01 mean score) and external equity. They also cited to a low extent, government regulations (2.57 mean score), internal equity (2.47 mean score) and management philosophy (2.40 mean score).

4.4.1 Other forms of Incentives

Apart from salaries, majority (84%) of the banks reported subsidized loan, 80% reported use of bonuses, 75% reported fringe benefits such as medical covers and workman compensation scheme, 56% cited job promotion and 47% said that they receive verbal recognition for their good performance. These results are presented in table 4.13

Table 4.13 Compensation incentives

Incentives	Frequency	Percent
Bonuses	27	80
Subsidized Loans	28	84
Fringe benefits	26	75
Job promotion	19	56
Employee recognition	16	47

4.4.2 Challenges faced by commercial banks in employee compensation

Majority (56%) of the banks reported demands from trade unions demands as the major challenge in formulating employees compensation policies, 23% reported high salaries leading to a bloated wage bill in most commercial banks, 17% reported high employees mobility as a result of competition in the banking sector wile 4% reported shortage of specialized skills as a major influence of employees compensation. These results are presented in table 4.14

Table 14 Compensation challenges

Compensation Challenges	Frequency	Percent
Trade unions demands	19	56
Lead to bloated wage bills	8	23
Employee labour mobility	6	17
Shortage of specialized skills	2	4
Total	**34**	**100**

4.5 Discussion of the findings

From the study the most common rewards types is monetary rewards. The findings concur with Limberg et al (2005) who reported that the most common monetary reward is cash, though there are obviously additional financial rewards as well. Armstrong (2000) mentions shares gain, stock related rewards and profit sharing as other monetary rewards. (Limberg et al 2005) further

suggests that the monetary rewards can be given to both individuals and teams and they can be based on individual as well as team performance.

However, the findings disagree with Graham et al (2003) who indicated that money is no longer the number one motivation factor among employees. They mean that today employees are more interested in opportunities and thereby to develop their skills and knowledge. If there is no link between the reward and the accomplishments of an employee the reward will not have an impact on the motivation. If everyone is getting the same monetary reward regardless of their performance or effort then the reward will not have an impact on the motivation. On the other hand if monetary rewards are linked to the individual and his/her accomplishments then money can be a strong motivator (Segal, 2005).

The finding further argues that non monetary rewards are also used in the banking industry this agree with Gomez-Mejia et al (2003) he uses the term "social rewards", and suggest that social reward can be various things, such as constructive criticism, office party or further education. Social rewards, according to Gomez-Mejia et al (2003) strive to create a pleasant working environment. According to Gomez - Mejia et al., a differentiator tries to attract competent workforce. Social rewards are important to attract skilful and competent employees; accordingly it seems coherent that differentiated companies use social rewards to a greater extent than financial rewards.

Performance based reward were also reported among the top management, this agree with Bragelien (2005) who observed that it is important to have comprehensible targets for

employees. In order for targets to be effective in motivating the person, they must be seen as fair, attainable, and challenging to the person. He argues that above a certain level, motivation increases with target difficulty up to the point where people feel that they reach the limit of their ability. Targets that appear to be too demanding will result in discouraged and unmotivated employees. The point of optimal motivation is found where targets are perceived as highly challenging but achievable (Bragelien 2005)

The study leads to the realization that banks face a lot of challenges in formulating compensation system especially the trade union demands. These findings agree with Bartol, & Liu (2005) who argued that management faces numerous challenges in determining how to reward employees. He added that management must balance market competitiveness, internal equity, organizational performance and individual performance considerations. Reward programs, policies and practices that are not perceived as fair will not successfully attract, retain and engage employees. Justice and equity are related concepts that have long been associated with perceptions of pay fairness. Specifically, reward fairness and the related constructs of pay justice and equity have been found to be strongly related to employee attitudes including pay satisfaction, intention to quit and perceived organization support. Perceptions of reward fairness also have been found to impact employee behavior such as absenteeism and citizenship behavior, individual performance and organization outcomes (Simons & Roberson, 2003).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are in quest of addressing the research objective which was to establish the determinant of compensation systems in commercial banks in Kenya.

5.2 Summary of Findings

5.2.1 Compensation Strategies adopted by commercial Bank

The study revealed that Banks have employed various methods to compensate their employees. The bank use both financial and non financial strategies in ensuring fair compensation of their labour force. The strategies adopted include: salaries, bonuses, fringe benefits, promotion and verbal recognitions.

5.2.2 Determinants of compensation systems

The study reviewed that seniority of employees is the major determinant of compensation policies, job ranks as well as industrial practices especially for the top manager in the banks. Ability to pay highly guided the compensation policies for the junior staff in the banking industry. Government regulation such as a minimum wage least affect the compensation system in the banking sectors, however, internal equality moderately influence the compensation.

5.2.3 The challenges of compensation systems to commercial banks

The major challenge to the compensation system is high wage bill that reduces the bank profitability and owners returns. Trade union was reported to have a great influence on compensation system because of the pay increase demands for unionizable employees. This lead to award of huge salary increment to the junior staff that at times do not compensulate their performance.

5.3 Conclusion

The study concludes that the emergence of many competitors and changing banking environment are threatening the future compensations I the commercial banks. The banks are therefore faced with the challenges of matching skills and performance to compensation systems to retain the best and skilled employees.

The study concludes that commercial banks should harmonize their compensation policies to remove the various discrepancies caused by the nature of compensation system adopted by different banks. This will ensure uniformity in the amount paid by different banks for similar job ranks and tasks.

5.4 Recommendations for the Banks

Based on the findings that have been discussed, the study makes the following recommendations on compensation systems in commercial Banks In Kenya and the banking industry in general.

5.4.1. The need for the use of right rewards

Limberg et al (2005) had indicated that by using the right rewards, which can be either monetary or non -monetary, managers and employers can stimulate the employees to create job satisfaction and to act in a certain way. If the employees respond as intended, this can ultimately increase the organizational efficiency, hence, create competitive advantages. The concept of compensation system also includes all investment made in the organizations human capital and everything that the employees find attractive in the employment relationship. It is important therefore for non -monetary rewards to be given the needed attention so that its significance as a potential contribution to employee motivation can be realized.

5.4.2. There is need for compensation to be adequate.

To improve the perception of compensation systems in the commercial Bank, It should necessarily be adequate. In view of this, the researchers believe that it is important that compensation are seen as having value this is because compensations that are perceived to be of no value can create a disincentive to employees which will neutralize the effect of the compensation on employees' performance

5.4.3. The need for consistency in reward systems and procedures

Most respondents saw inconsistencies in the compensation system at the banks. This study therefore recommends to the management to ensure consistencies and uniformity in compensation procedures. The researcher believes that management should use effective communication in making employees understand the compensation system in the organization. This is to ensure that employees are properly informed on the methods and reasons for

compensation at any particular point in time, this will build the needed confidence and trust in the system and hence adequate support from the employees.

5.4 Recommendations for further Research

The researcher recommends that a study be done in the banking industry so as to find out the different strategies adopted by commercial banks while responding to competition in the industry. The study recommends that other studies be done to evaluate the sustainability of wide branch network in terms of human resource requirement. A study should also be conducted to evaluate the contribution of international markets in the future growth of banking sector in kenya.

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APPENDICES

Appendix I: Introduction Letter

To whom it may concern

Dear Sir/Madam,

Request for participation in a research study on the determinants of compensation systems in commercial banks in Kenya

I am Indra Moragwa and an MBA student at Nairobi University. My area of specialization is Human resource management. I am currently undertaking a research on “the **determinants of compensation systems in commercial banks in Kenya**

I would be grateful if you could spare some time from your busy schedule and participate in providing the required information. All the information provided will be used purely for academic purposes only and will be treated with utmost confidentiality. Kindly contact me in case of any queries or clarification on any of the questions.

Thank you for your cooperation.

Yours faithfully

Moragwa Indra

Appendix 2: Questionnaire

Section A

1. What is your Gender? Male ……… Female ………..

2. What is your Position in the bank?
HR Manager….. HR Advisor ….Assistant HR ....HR Dev. Manager …..

3. What is the title for head of HR in your institution?
Group HR Director ……….
HR Manager …………
Chief HR Manager ………..
General Manager …………

4. How long has your bank been in the country?
Less than 15 years…..
16-30 years……….
31-45 years
Above 46

5. What is your work experience in years?
Less than 10 years ……
11-20 years ……….
21-30 years …………
Over 30 years ……..

6. What is the number of employees in your bank?
1-500 ………
501-1000 ……….
1001-1500 ……..
Over 1500 ……..

7. How long have you served in your current position?
0-5 years…………..
6-10 years ………….
11-15 years ………..
16-20 years
Over 21 years ………

8. Describe the ownership of your bank?
Locally owned ……
Foreign owned …………
Joint venture ………

10. Describe the ownership of joint venture?
Largely foreign owned ……….

Largely locally owned …………

Section B

11. Does your bank have a HR policy? Yes ……….. No …………

12. Which is the leading Hr function? Hiring….. Training…….. Placement……….
Compensation ………Retrenchment

13. Who decide on the employees salaries?
Board of management………. Hr manager………… CEO……….

14. Does your bank Performance appraisal systems? Yes ……..No ……….

15. Rate on a scale of 1 to 5 the extent to which compensation system in your bank is based on the criteria listed on the first(left) column of the matrix presents below. The numbers represents the following: 1- not at all, 2- To a less extent, 3- to a moderate extent, 4-to a great extent and 5 to a very great extent.

	Not at all (1)	To a less extent (2)	To a modera te extent (3)	To a great extent (4)	To a very great extent (5)
Performance-based pay					
Ability to pay					
Internal equity					
External equity					
Management philosophy					
Government regulations					
Trade unions					
Seniority					
Job Rank					
Competition					
Industry practices					
Reward strategy					

16. Which criteria is used to compensate the company CEO? Performance………. Knowledge and skills…….. Banking experience………..

17. What are the effects of trade unions on the compensation system?....................

18. What factors affect compensation systems in your hank?……………………….
…………………………………………….

19. What are the challenges faced by the bank in compensation employees?………………..
……………………………………………………

20. Apart from salary which other incentives are given to employees?…………………..
………………………………………

Appendix 3. List of commercial banks in Kenya

1. African Banking Corporation Ltd.
2. Akiba Bank Ltd.
3. Bank of Baroda (Kenya) Ltd.
4. Bank of India Ltd.
5. Barclays Bank of Kenya Ltd.
6. Chase Bank (Kenya) Ltd
7. CharterHouse Bank Ltd
8. Citibank, N.A.
9. City Finance Bank Ltd.
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. CFC Bank Ltd.
14. Credit Agricole Indosuez
15. Credit Bank Ltd.
16. Daima Bank Ltd.
17. Development Bank of Kenya Ltd.
18. Diamond Trust Bank Kenya Ltd.
19. Dubai Bank Kenya Ltd.
20. Equatorial Commercial Bank Ltd.
21. Fidelity Commercial Bank Ltd.
22. Fina Bank Ltd.
23. First American Bank of Kenya Ltd.
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd.
26. Habib Bank A.G. Zurich.
27. Habib Bank Ltd.
28. Imperial Bank Ltd.
29. Industrial Development Bank Ltd.
30. Investment & Mortgages Bank Ltd.
31. Kenya Commercial Bank Ltd.
32. K-Rep Bank Ltd.
33. Middle East Bank of Kenya Ltd.
34. National Bank of Kenya Ltd.
35. National Industrial Credit Bank Ltd.
36. Oriental Commercial Bank Ltd.
37. Paramount Universal Bank Ltd.
38. Prime Bank Ltd.
39. .Southern Credit Banking Corp. Ltd.
40. Stanbic Bank Kenya Ltd.
41. Standard Chartered Bank Ltd.
42. Trans-National Bank Ltd.
43. Victoria Commercial Bank Ltd.