

**EMPLOYEE ATTITUDES TOWARDS PERFORMANCE BASED
COMPENSATION SYSTEM AT COOPERATIVE BANK OF KENYA
LIMITED**

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university or college for examination/academic purposes.

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DEDICATION

This research project is dedicated to my family for their inspiration, encouragement, understanding and prayers towards the successful completion of this course. I pay glowing tribute and gratitude to the Almighty God who has given me the wisdom to undertake this course.

ABSTRACT

The competitiveness of an organization in the present day business environment will be anchored on the capacity of the firm to motivate its employees and the capacity of these employees to consider them as being adequately compensated for the effort they are putting in. Indeed, the issue of employees' performance in the furtherance of organisational objectives has occupied management attention for long and how to achieve full effort is still important to realization of organizations objective. Differences in levels of performance have been attributed to differences in skills and abilities on the one hand, and to different theories of money on the other. The study sought to establish the effect employee attitudes towards performance based compensation system at cooperative bank of Kenya limited. The main research instrument was the questionnaire and the study adopted a descriptive research design whereby the target respondents were 70 employees of the bank that consisted of senior and middle level management as well as the Unionisable employees. The study found that performance based reward was a variable pay, anchored to a measurement of performance implying that employees should be rewarded according to their job performance, with those performing better being offered a greater proportion of the available rewards and vice versa. In addition, it was found that the success of a performance based rewards in an organization will depend on the employee's attitude towards the performance based compensation that the employer is providing. Further, it was found that adoption of the performance based compensation system by the bank has had some unintended consequences on the employees that include development of less regards for unrewarded tasks, doubts on whether indeed the performance based compensation will indeed motivate the employees and also costs of implementing the schemes has been found to be high. The study recommends that organisations wishing to adopt a performance based compensation system should have clear objectives for it. The objectives should be clearly spelt out and discussed with employees in an integrative and positive way. Attempts should be made through employee involvement to allay any fears, suspicion and mistrust that staff may have towards the system. The main limitation of the study is that it could not cover all commercial banks in Kenya within the target population, due to time and financial constraints. In this respect, the interpretation of the results of the study should not be over-generalized

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ABBREVIATIONS AND ACRONYMS

FOSA	-	Front Office Savings Account
NSE	-	Nairobi Stock Exchange
PBP	-	Performance-based pay

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Every organization is competing to survive in this ever increasingly challenging and volatile market environment, and in order to survive; they need pools of excellent, talented and productive human capital to work in organizations (Sass et al., 2011). Due to this, organizations need to provide their employees with suitable benefits such as a good salary, appreciations, good remuneration and other form of benefits. With that, the employees themselves will be highly motivated in their jobs and this will lead to high performance and retention in their work. In an organization, committed employees are regarded as being willing to build and maintain long-lasting relationships with their employer. Osterman (2010) posit that employees may be highly skeptical of the management initiatives and both actively and passively resist to the changes, resulting in unsuccessful change efforts, decrease in morale or productivity, and increases in turnover or subsequent organizational failures. Effective management teams need to recognize that positive employee attitudes are often vital to achieving organizational goals. Organizational reward system has been found to play a critical role in enhancing employee satisfaction. Mondy (2008) claims that rewards can predict employee performance as the more challenging a goal is, the higher the performance level becomes and the higher the perceived satisfaction.

The study will be anchored on expectancy theory and equity theory. The expectancy theory, suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Mendonca, 2002). According to expectancy theory, employees are motivated to improve their performance if they believe that by working harder they will increase their performance outcomes, and that the

resulting performance improvement will be adequately rewarded (Savaneviciene and Stankeviciute, 2010). This implies that rewarding employees adequately could potentially improve organizational performance. Equity theory deals strongly with the aspects of organizational justice, whether the individuals feel that they are treated fairly at work or not. The felt equity or inequity will impact their level of effort given in the work environment (Ramlall, 2004).

The Kenyan banking sector like any other environment continues to transform with changes such as new taxation laws, sector regulation, political shifts, stabilities and instabilities among others. The need to retain the largest market share in the midst of much competition has driven much of the strategic thinking adopted by these commercial banks. This has seen Co-operative bank of Kenya focus on its staff which is an important resource to the bank since for the bank to react appropriately in the face of competition and meet its objectives, the human resources asset play a vital role and their reaction and perceptions on the working environment will determine its success or failure. The commitment of the employees however is based on the reward system that has been put in place by the bank in order to achieve competitive advantage over its competitors. Performance based compensation system has been considered by the management of the bank to replace fixed incremental system. This system has faced resistance from the employees as they fear to lose their job thus the need to establish the employee attitude towards performance based rewards.

1.1.1 Concept of Attitude

Employee attitude describes the actions of employees towards their objectives and goals. Employee attitude includes three major dimensions, which are following affective attitude and a

cognitive and individual's attitude. The effective attitude includes the emotional factor, feeling of employees and values or norms. The cognitive attitude focuses on the employee's belief about the right and wrong concept. Lastly, the behavioral employee's attitude shows the intensions and decision making will and power (Cho, Lee, and Choi, 2012). Armstrong (2006) report that the factors of recognition for performing well, chances of promotion, professional growth, compensation and incentive schemes, are perceived as motivating factors by many employees. They point out that the development of systems of rewards, recognition and career opportunities as one of several critical tasks of management in the information-based companies and in their research, employees named respectful treatment and recognition as one of the six less costly and perhaps more effective 'management levers' to be exercised by management in their efforts to attract, motivate and retain workers since employees consider such factors to be important.

Organizational readiness to reward employees for their efforts, approval for sanctioning resources and granting support for owning results would ultimately shape employees' perception and form their belief that the organization cares about their welfare and support them. Employees extend their efforts and involve themselves only if they perceive that organization is standing for the protection of their rights. According to Messer and White (2006), employees' attitude of fairness affects their likelihood to demonstrate organizational citizenship behaviours. In this case, perceived unfairness and ineffectiveness of the performance management system can result in counterproductive and sometimes detrimental behaviour from employees.

1.1.2 Performance -Based Compensation

Performance-based pay (PBP) is a compensation scheme that links employee performance with pay. It can be defined as a system of remuneration in which an individual's increase in salary is

solely or mainly dependent on his/her appraisal or merit rating (Swabe, 2009). Armstrong (2005) defines it more comprehensively as the process of providing a financial reward to an individual which is linked directly to individual, group or organizational performance. Milkovich and Newman (2010) maintain that PBP is not limited to financial rewards, and that non-financial rewards, such as recognition, can also constitute pay for performance. The basic reasons for PBP are performance enhancement for competitive advantage and equity. In this regard, they identify several specific reasons for which managers may introduce PBP. These include: help in recruitment and selection; facilitate change in organizational culture; weaken trade union power; increased role of the line manager; greater financial control and value for money; ability to reward and recognize performance; and encouragement to flexibility (Milkovich and Newman, 2010).

Mondy (2008) noted that pay for performance is meant to solve twofold problem of motivating high employee performance while attracting and retaining good employees under conditions where their effort or ability is not readily measured or observed. Performance based compensation system logic advocates setting of clear and challenging performance objectives for employees in order to motivate their performance (Locke, 2004). It builds on the idea of setting performance targets that are expected to act as an incentive for improved performance when employees strive to achieve them in order to qualify for rewards. The reported advantage of this method is that employees are clear on what is expected in terms of their performance targets during the planning period (Locke, 2004). The method also rewards for performance rather than other non-merit aspects such as the length of service and educational qualifications, which do not promote improved performance (Cho, Lee, and Choi, 2012). According to Tomlinson (2010) performance based reward schemes often have support from top management because they

believe that such schemes provide employees with the challenge of being accountable to their own contribution to job performance.

1.1.3 Cooperative Bank of Kenya

The Co-operative Bank of Kenya Limited is incorporated in Kenya under the Company's Act and is also licensed to do the business of banking under the Banking Act. The Bank was initially registered under the Co-operative Societies Act at the point of founding in 1965. This status was retained up to and until June 27th 2008 when the Bank's Special General Meeting resolved to incorporate under the Companies Act with a view to complying with the requirements for listing on the Nairobi Stock Exchange (NSE). Shareholding has been held by the 3,805 co-operatives societies and unions were ring-fenced under Coop Holdings Co-operative Society Limited which became the strategic investor in the Bank with a 64.56% stake.

However by listing at the NSE, the banks shareholders grew to over 111,720 shareholders (as at 2010 close). Out of this, Coop Holdings Co-operative Society Limited owns 64.56%, with the rest held by other investors. The Bank runs three subsidiary companies, namely: Kingdom Securities Limited, a stock broking firm with the bank holding a controlling 60% stake; Co-opTrust Investment Services Limited, the fund management subsidiary wholly-owned by the bank; and Co-operative Consultancy Services (K) Limited, the corporate finance, financial advisory and capacity-building subsidiary wholly-owned by the bank.

The bank has a branch network of 89 branches spread across the country and in the current 2013-2018 strategic plan; the bank has planned to open 30 more branches by the year 2015. A total of 401 ATMs are also spread across the country. In the meantime, the bank is in the final stages of meeting legal requirements of venturing into Southern Sudan. Based on its mission of offering

value-added financial services to chosen market segments with special emphasis on the cooperative movement, it is hoped that the bank will be able to achieve more growth in the future. With the growth, the bank has faced several challenges in its business set up including intense competition from the same cooperative societies which have set up FOSAs to its members and thus cutting down to the banks customer base. In addition, the volatile political environment in the country over the last few years as also impacted on its operations as well as continued change of technology which has made the bank to continuously upgrade the banking system.

1.2 Research Problem

Employees of an institution are a great resource that will guide it to the realization of its objectives. In the present competitive business environment, one of the important assets to an organization is its employees since for firms to react appropriately in the face of competition and meet its objectives, the human resources asset should play a vital role and their reaction and perceptions on the working environment will determine its success or failure. According to Mendez and Stander (2011), it is important to evaluate employee attitudes in the midst of the changes in the work life and the organizations reward strategy should be flexible enough to adjust to these changes. They argue that, there appears to be potential value in assessing employee perception to the organizational rewards in an effort to ascertain their thoughts, feelings, and attitudes about the overall working environment including the rewards. Baruch, Wheeler and Zhao, (2010) noted that an enabling environment is required for the performance of individuals working together in groups in order to accomplish the corporate objective of the organization. It is therefore, important for a manager to know the attitude of employees under him in the overall interest of the organization. Thus there is the need more than ever before to re-discover the weaknesses and the strengths of incentives used in motivating employees' attitude

as a basis for future improvement and also to unravel the effectiveness of the use of incentives in motivating employees.

The most important single resource in any organization is people. Employees therefore have the biggest impact on the performance of the organization and therefore the management of Cooperative bank has to ensure that the compensation system adopted is acceptable to all employees. The compensation policy undertaken by the management of the bank on effective influence on the employees effectiveness and their motivational level or employees satisfaction and commitment level, when implemented and this could result in low satisfaction level, higher turnover ratio and increase in absenteeism ratio of employees of the bank, thus the need to understand the attitude of employees in the bank.

International studies that have been undertaken on performance based compensation system include Perry, Engbers and Jun, (2009) who conducted a study on performance-based pay as a motivational tool for achieving organizational performance. The study established that the effect of performance-based pay on employee performance is minimal and the motivational effect of merit pay is often blunted by biased performance appraisal. Shah, Bhat and Rufai (2014) studied employee's attitudes towards reward system in teaching industry in India. The study established that feedback to employees, freedom, career development plan, and valuation of employees, learning programs, open and comfortable work environment and good supervisory relations, all these factors positively impacts employee attitude and performance in the workplace. Simmons, Bret and Simmons, (2010) undertook an exploratory study of employee attitude towards monetary and non- monetary incentives in the banking industry of selected Unionised Banks and established that gender, employee's status and age have significant influence on employee's preference for monetary incentives or non-monetary incentives.

Local studies that have been undertaken on attitude towards performance based rewards include Owino (2012) study on perceived factors affecting managers' attitude towards performance based reward system at Standard Chartered Bank Kenya Limited. The study established that the reward system was not considered fair to the managers due to lack of appeal mechanism, late communication of appraisal ratings, lack of adjustment of rewards to reflect appeal outcomes, lack of harmonization of frequency of appraisals and unclear basis of appraising individuals and teams doing similar jobs and line managers against their direct reports' ratings. Mulera (2014) researched on the perceived influence of performance based reward system on employee motivation in Barclays bank of Kenya head office and found out that the employees were not encouraged to use their own judgment when doing their job. Involving employees in decision making motivates them to work harder. Mutuku (2013) did a study on employee perception on competitiveness of performance based rewards in Kenya Electricity Generating Company Limited, Kenya. The findings of the study were that the company was using performance based rewards in order to satisfy its employees with the work and encourage the employees to work towards the attainment of the organizational objective. The above studies that have not dealt with employee attitude towards performance based compensation system in Kenya thus the need to fill the gap by answering the question: what are the employee attitudes towards performance based compensation systems at Cooperative Bank of Kenya?

1.3 Research Objective

The objective of the study was to determine the employee attitudes towards performance based compensation system in Cooperative Bank of Kenya Limited

1.4 Value of the study

These research findings will make a number of contributions to theory and practice. Theoretically this project will provide a more in-depth understanding of the link between performance based compensation system and attitude of employees towards the bank. Thus, this research will contribute to existing knowledge by providing a conceptual link between the attitude of employees and performance based system. The findings of the study will assist managers and policy makers in designing appropriate performance based system that takes into consideration the feelings and aspirations of employees. This would enhance the performance of commercial banks in the competitive environment.

The findings of the study will throw more light into the effectiveness of the use of incentives in motivating employees. It will also unravel the problems, frustrations, and anxieties that employees meet in their work environment, especially where incentives are emphasized. It will help the bank management to know the likely incentives to put in place in motivating employees. In addition, it will assist the management of the bank to engage in staff welfare development in order to better the output or productivity of employees.

The findings of the study will also serve as a useful tool for those in the management science discipline who would like to carry out further research in this area. Incentives satisfy the basic needs of employees and this makes them more loyal to the organization. It is hoped that the findings will be valuable to the academicians, who may find useful research gaps that may stimulate interest in further research in future. Recommendations will be made on possible areas of future studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers literature review conducted by the researcher. It includes a review of the various studies conducted by researchers on theoretical foundation, performance based compensation systems, employee attitude towards performance based compensation system and the unintended consequences of using performance reward schemes.

2.2 Theoretical Foundation of the study

A theoretical framework is a collection of interrelated concepts, like a theory but not necessarily so well worked-out. Theoretical frameworks are obviously critical in deductive, theory-testing sorts of studies. A theoretical framework is used by scientists when performing research studies to formulate a theory. The theoretical framework is a foundation for the parameters, or boundaries, of a study. This study is grounded on expectancy theory and equity theory.

2.2.1 Expectancy Theory

The expectancy theory, suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Mendonca, 2002). According to Robbins (2003), expectancy theory refers to the strength and attractiveness of individual's expectation of the outcome produced by performance. The attractiveness of expected reward for given input will determine one's motivational soundness according to this theory and whether that reward responds to individual's personal goals. Expectancy Theory predicts one's level of motivation depends on the attractiveness of the rewards sought and the probability of obtaining those rewards (Bohlander and Snell, 2004). If employees perceive that they may get valued rewards from the organization, they tend to put greater effort into work.

Expectancy theory of motivation explains the link between motivation and performance. The theory proposes that performance at individual level depends on high motivation, possession of the necessary skills and abilities and an appropriate role and understanding of that role (Savaneviciene and Stankeviciute, 2010). It is a short step to specify the human resource management practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback.

Ramlall (2004) explained that an individual estimates an outcome to be positively valence once the outcome is considered wanted in other words once the reward matches one's personal goals. Robbins (2003) said that the expectancy theory gives good explanation why employees are not motivated; they might feel that the excellent performance is not acknowledged in the organization due to several reasons. If the organization's performance appraisal system is created to evaluate non-performance related factors such as tenure, an individual may feel that no matter how much they work they will not be rewarded. Employees may also feel that the supervisor doesn't like them and therefore they are not given fair appraisals. Employees may think that they don't have the needed competencies to gain high performance levels which will be rewarded. The most pessimistic view is that the great performance will never be acknowledged in the organizational context.

2.2.2 Equity Theory

Equity theory deals strongly with the aspects of organizational justice, whether the individuals feel that they are treated fairly at work or not. Ramlall (2004) posits that an individual on

employee – employer relationship evaluates not only the benefits and rewards he or she receives and whether the input given to the organization is in balance with the output but also the relevance of inputs given and outputs received by other employees inside or outside the employing organization. Individual inputs can be education, effort, experience, and competence in comparison to outputs such as salary, recognition and salary increases. If an individual notices an imbalance on the input - outcome ratio according to his or her own experiences and in comparison to the others, tension is accumulated.

Arnold *et al.* (2010) noted that individuals who feel under rewarded will have stronger, negative feelings than the ones who are over rewarded. If inequity is met in the employee-employer relationship individuals are likely to change their inputs to correspond the outcomes that is lower the work effort to equal the outcomes, change the referent to which they are comparing the felt inequity or distort perceptions of self or others. Gomez-Mejia and Balkin (2005) noted that in order to improve employees' performance, there is a need to equate rewards with employees' job effort for employees performing the same task, so that employees perceive that exerting more effort results in high rewards while less effort attracts less or no rewards. It is important that performance based compensation systems and other reward schemes, take into account this element of equity in order to motivate employees.

2.3 Performance Based Compensation Systems

Performance-based compensation is a scheme that links employee performance with pay. Baruch, Wheeler, and Zhao (2004) maintains that performance-based compensation is not limited to financial rewards, and that non-financial rewards, such as recognition, can also constitute pay for performance. Performance based compensation often combine a fixed base salary with a variable pay component such as bonuses or stock options that vary with the individual's performance. The performance based compensation offered by an organization can be individual, group or organizational incentives. Bernard and Ryan (2010) identifies individual compensation as those given to individual employees relative to their effort to pay and can be suitable to use when individual performance can be identified and isolated by the nature of job performed, where a substantial amount of work is done independently allowing individual contributions to be identified, where there is competition among employees and where the organization culture emphasizes individual's achievement and reward.

Performance based compensation ties pay directly to an individual's performance in meeting specific business goals or objectives. Managers and employees design performance targets to which the employee will be held accountable. The targets have accompanying metrics that enable employees and managers to track performance. The metrics can be financial indicators or they can be indirect indicators such as customer satisfaction or speed of development (Cole, 1998). Performance based compensation can be divided into two main categories: merit pay and incentive pay.

2.3.1 Merit Pay

Merit pay relates compensation to management's assessment of the individual employee's performance; the increment earned and the total becomes the employee's new basic pay.

Merit pay is frequently used in the private industrial and commercial sector as a management tool to achieve organizational goals. The main argument in favor of merit pay is that it can foster individual motivation by recognizing effort, achievement and rewarding it in a concrete way (Reichardt, Robert, Rebecca, 2010). Once a merit pay increase is given to an employee, it remains a part of that employee's base salary for the rest of his or her tenure with the firm except under extreme conditions such as a general wage cut or a demotion (Hall *et al.*, 2008). The workability and effectiveness of merit pay depends on the existence of a suitable performance appraisal system. Merit pay is integrated into salary and is not lost due to poor performance later. Stronge (2006) argues that merit pay or other performance pay programs provide added motivation for employees in keeping novice employees from leaving the profession after a few years and especially in retaining experienced employees.

Merit based systems involve the immediate supervisor undertaking an appraisal of each subordinate's work performance during the previous year. This will typically be done following a formal appraisal interview and often requires the completion of standard documentation drawn by a human resource department. A proposition of future remuneration is then linked to a score derived from the supervisor's assessment. Some systems require supervisors to award a percentage mark against different criteria while others oblige them to assess individual performance as excellent, good, satisfactory or inadequate (Taylor, 2008).

2.3.2 Incentive Pay

Incentive pay, on the other hand, relates compensation more to performance criteria, such as return on investment, volume of goods produced or sold, earning or share. While essentially one type of merit pay exists, there are a wide variety of incentive pay plans. Beardwell and Holden (2005) have broadly categorized incentive pay systems into three: individual bonus schemes; collective bonus schemes; and collective bonus schemes based on profit generated.

A bonus is a gratuitous payment by the employer that is not directly earned by the employee. The employee has no entitlement to the payment as a result of a contract of employment and cannot be assured of receiving it in return for a specific performance. The point is that the level of the benefit cannot be directly linked to the performance of the individual rather to the performance of the business (Hall, 2008). Bonus Schemes are based on the Balance Score Card which is a strategic planning and management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals (Gomez, 2007).

Commission schemes typically treat the salesperson as a self-standing profit unit. The commission plan is structured to share the gross margin of sales between the organization and the salesperson. If the organization provides selling tools such as a car, mobile phone or portable computer, these costs may be explicitly taken into account (Mach, 2003). The main risk inherent in commission schemes is that the sales person will be motivated only by personal gain. The interest of the organization or the customer may not predominate. This can be reduced by paying only for outcomes which are acceptable to the organization or by paying true salary, which is

related to wider issues than financial performance. A further issue which normally rises is that of career progression.

Gain Sharing involves sharing with employees greater than expected gains in profits and for productivity (Lazear, 2000). The gains can be measured financially, by productivity and quality measure and can be paid monthly, quarterly, semiannually or annually. Gain sharing compensation schemes include Scanlon Plan where organization department committees are set to evaluate cost banking suggestions and the savings resulting from the suggestions are placed in a bonus fund and incentive rewards are given to employees from this fund. In this plan, a standard is developed based on research by an industrial engineering group or some set of base period experience data that identifies the expected number of hours required to produce an acceptable level of output. Any savings arising from production in this agreed on output in fewer than expected hours are shared between the firm and the workers (Gomez and Balkin, 2007).

Profit sharing entitles employees to a share of an organization's financial success commonly referred to as "financial participation" (Poutsma 2006). Such are less immediately related to the performance of individual employees and work groups. The objectives, according to Bryson and Freeman (2007) include; promoting organizational culture, employee retention and engagement of employees with business objectives. Profit sharing programs do not attempt to reward workers for productivity improvement. They make use of a formula that allocates a portion of declared profits to employees, normally on a quarterly or annual basis, and do not attempt to elicit worker participation. Linking pay to profits increases the commitment to his or her company by deepening the level of mutual interest. As a result, it is argued that such schemes act as an incentive encouraging employees to work harder with greater flexibility in pursuit of higher

levels of take home pay. The other advantages for employers are better cost flexibility, changed attitudes in the part of employees and the discouragement of union membership (Booth and Frank, 2009).

2.4 Employee Attitude towards Performance Based Compensation System

Most of the organizations have gained the immense progress by fully complying with their business strategy through a well balanced reward and recognition programs for employee. Gomez-Mejia and Balkin (2007) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. The entire success of an organization is based on how an organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. According to Milkovich and Newman (2009), the perceptions that employees have with regards to their reward climate influences their attitude towards their employees.

The ability of management to properly implement performance based compensation systems will strongly influence their attitude and thus attract, retain and motivate employees to achieve the major objectives of the organizational compensational system. These objectives include efficiency defined by improving performance, quality, customers, and labor costs; equity defined by fair compensation treatment for employees through recognition of employee contributions and employees' needs and compliance with laws and regulations (Gomez-Mejia and Balkin, 2007). Proper implementation of performance based compensation may lead employees to sustain and increase organizational competitiveness in the global economy.

Chiang and Birtch (2009) noted that employees will work harder if they value monetary rewards and believe that those awards will result from their increased efforts. Reinforcement theory posits a direct relationship between desired target behaviour and its consequences. It suggests that pay can be used to create consequences for desired behaviours, such as high performance that will reinforce the behaviours (Perry, Mesch, and Paarlberg, 2006). Employee commitment is influenced by absolute as well as relative rewards. Inequity in the administration of compensation (due to unfair performance measurement) may affect the objectives of the company, as employees will learn to 'play the game' in order to receive increased reward at the expense of contribution. And unless the total compensation package is perceived as internally equitable and externally competitive, good employees are likely to leave (Schuler, 1998).

Brown and Armstrong (2007) argued that commitment of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. The entire success of an organization is based on how an organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. Iverson and Buttigieg (2008) indicated that employees are in favor of additional pay for additional duties as part of a career ladder where performance dictated the speed of advancement. Moreover, the level of pay in an organization appears to have no influence on teachers' attitudes towards merit pay, yet it was more likely to be supported by employees with low salaries and by ethnic minorities. Tomlinson (2012) noted that employees who are not motivated by financial rewards can be encouraged with non-financial rewards. These rewards can include satisfaction from high student achievement, recognition, influence, learning

new skills, and personal growth. Therefore, a performance based pay system is a means of providing commitment by introducing clear goals to the whole organization.

2.5 Unintended consequences of using performance reward schemes

While tying rewards to performance has a crucial role in organizational effectiveness, such as improving employees' performance outcomes, it has been suggested that rewards may also have some negative consequences on employees' performance (Heneman and Werner, 2005). These consequences of performance based compensation system include;

2.5.1 Reduced Cooperation between Employees

Performance reward schemes have been blamed for encouraging individuality at the expense of teamwork among employees (Milkovich and Newman, 2010). Messer and White (2006) observed that performance-based pay sometimes undermines employees' morale as it often causes jealousy between staff. In the process, performance based reward schemes negatively impact on the spirit of team effort because of increased individualism motivated by the desire to achieve high personal rewards. They further argued that where promotion is used as a reward for performance it may lead to lack of cooperation among peers competing for the same position which may trigger internal conflicts and "mudslinging" among employees, and negatively affect their performance (Heneman and Werner, 2005).

Mondy (2008) stated that emphasizing individual performance appraisal as a way of motivating employees has significant potential limitations. He argued that individual appraisal which is part of the performance based compensation process often interferes with team-work and creates unhealthy competition and dissension among employees. It could also encourage employees to focus on short term results in order to out-compete their peers. Iverson and Buttigieg (2008)

attributed differences in employees' performance to system characteristics such as the nature of the job, the organization, and the product or service rather than to person characteristics. Savaneviciene and Stankeviciute (2010) also pointed out that linking rewards to performance may sometimes lead to greater individual and unit performance but a decline in the performance of the entire organization because of lack of synergistic interrelationship of different organizational units. This is not desired, because research has shown that the effectiveness of compensation schemes requires synergy between the schemes and the organizational strategies (Milkovich and Newman, 2010). This implies that the success of performance enhancement schemes would require that such schemes be incorporated within the overall strategic focus of the organization.

2.5.2 Difficulty of Measurement

Assessing and evaluating employee performance is often a difficult task in the management of service organizations, especially if such evaluation is required for determining employee rewards (Osterman, 2010). It is often difficult to determine a fair and accurate evaluation of performance, and this creates problems in implementing the reward schemes. According to Buttigieg (2008), the central issue in debate against the use of performance related reward schemes was the lack consistency associated with performance measures. Performance measures were also found to be susceptible to manipulation therefore negatively affecting the authenticity of the reward process. It is even more difficult to determine an individual's level of rewards where the accomplishment of task performance involves a team.

The issue of subjectivity in the evaluation of employees' performance brings to the fore lack of trust and opposition to performance based reward schemes by employees (Heneman and Werner,

2005). Employees often question the fairness of the performance evaluation criteria used for purposes of determining their rewards (Cho, Lee, and Choi, 2012). This lack of trust in the performance evaluation criteria is sometimes driven by employees' perceptions of inequity between their input relative to compensation, as compared against other employees performing the same task. In addition, trust and transparency of performance evaluation increases acceptance of performance based reward schemes as valid, and thus reduce demotivation of employees.

2.5.3 Doubts on the effectiveness of rewards on employee motivation

A number of researchers have expressed doubts about the ability of rewards to improve employees' performance in a sustained way (Messer and White, 2006). In their study of private and public organizations, Bevan and Thomson (2011) found no compelling evidence to suggest that the use of performance management systems such as performance based reward schemes, was linked to improvement in employees' performance. They even suggested that organizations using performance incentives do not show much of a difference in performance to those that do not have performance incentives. They argued that rewards do not create enduring motivation, but only have short-term effects on employee motivation that eventually disappear with time.

Beer and Katz (2009) noted that performance incentives did not necessarily motivate employees to improve their performance thereby casting doubt on the efficacy of performance based rewards in employee motivation and performance. In addition, a study by Marsden and Richardson (2008) on Inland Revenue staff in the United Kingdom public sector did not find a strong link between performance rewards and employee motivation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, the target population, sampling design, data collection and data analysis.

3.2 Research Design

The research design adopted was descriptive research design. According to Cooper and Schindler (2000), a descriptive research design is concerned with finding out the; who, what, where, when and how much. Furthermore, a research design is structured, has investigative questions and part of formal studies. The design was appropriate because the main interest was to explore the viable relationship and describe how the factors support matters under investigation. Descriptive design method provides quantitative data from cross section of the chosen population.

3.3 Target Population

Population is the specific population about which information is desired. Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The population of study was all the employees of Cooperative Bank who are based at the bank headquarters. As at July 2015, there were 12 top level managers, 48 middle level managers and 700 lower level cadre employees (Human Resource department records, 2015)

3.4 Sample Design

The researcher used stratified random sampling because of ease of classifying the population into strata. The sample comprised 10% from each stratum of the target population. According to (Mugenda and Mugenda, 1999) a sample of 10% is considered representative. This approach is considered appropriate since it ensured a representative sample. The sample from each stratum was picked randomly. This approach is appropriate since it ensured a representative sample. In order to find the best possible sample, stratified sampling was the best method to use as it provided reach and in-depth information.

Table 3.1: Sample size

Category	Population	Respondents (10%)
Top management cadre	12	2
Middle level cadre	48	5
Lower level cadre	700	70
TOTAL	760	77

Source: (Researcher, 2015)

3.5 Data Collection

The study used primary data that was collected through self-administered semi structured questionnaire containing both open ended and closed questions. The questionnaire was made up of two sections. Section A covered the demographics of the respondents; section B established the performance based compensation system. There was a follow-up to ensure that questionnaires were collected on time and assistance to the respondents having difficulty in completing the questionnaires offered.

3.6 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was collected, the questionnaires were edited for

accuracy, consistency and completeness. The responses were coded into numerical form to facilitate statistical analysis. Data was analyzed using statistical package for social sciences based on the questionnaires. In particular mean scores, standard deviations, percentages and frequency distribution was used to summarize the responses and to show the magnitude of similarities and differences. Results were presented in tables and charts.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish the employee attitudes towards performance based compensation system at cooperative bank of Kenya. This chapter presents the analysis, findings and the discussion with regard to the objective. The analysis is presented in mean and standard deviations while the findings are presented in frequency distributions and tables.

4.2 Demographic Profile

The demographic information considered in this study included the name of the organization, employee cadre, age, and length of continuous service with the bank. The completed questionnaires were edited for completeness and consistency. Of the 70 questionnaires distributed, 55 were returned. The returned questionnaires' represented a response rate of 78.6% and this was deemed to be adequate in the realization of the research objectives.

4. 2.1 Cadre of Staff in the Institution

This section of the questionnaire sought to establish the cadre of staff in the institution. The results are presented in Table 4.1

Table 4.1 Cadre of staff in the institution

	Frequency	Percentage	Cumulative Percentage
Senior Management	13	23.6	23.6
Middle level management	14	25.5	49.1
Unionisable	28	50.9	100.0
Total	55	100.0	

The results indicate that 50.9 % of the respondents were Unionisable while the senior management constituted 23.6% of the respondents. In total, the respondents falling under the management level was 49.1%. This means that there was equal weighting between the management and unionisable staff and the results would not be biased to the employee level of employment.

4.2.2 Gender of the Respondents

This section represents the gender of the respondents in the bank. The result is represented in Table 4.2

Table 4.2 Gender Distribution

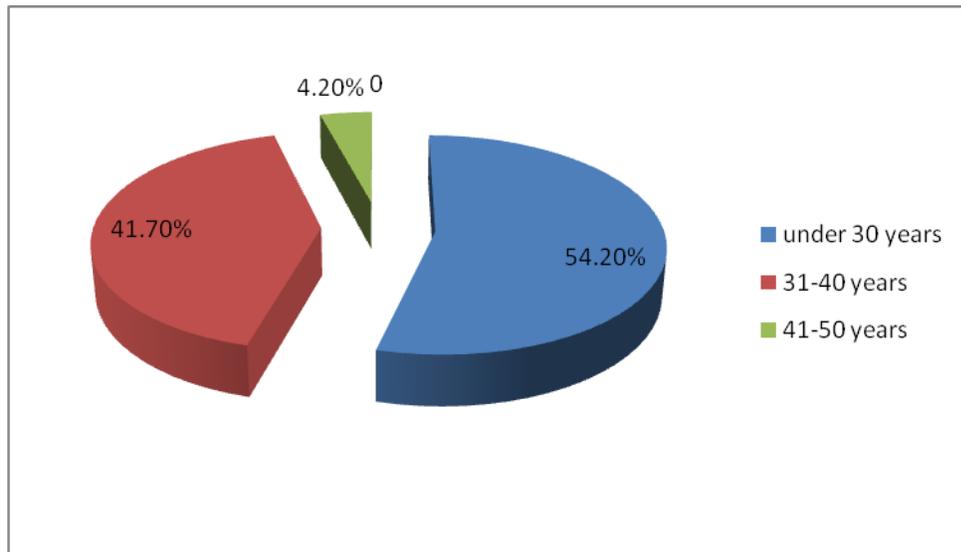
	Frequency	Percentage
Male	34	62.5
Female	21	37.5
Total	55	100.0

The findings in Table 4.2 indicates that majority of the respondents (62.5%) were male while 37.5% were female. This also implies that most of the staff in the managerial level are male and thus the high proportion.

4.2.3 Age of the respondents

This section of the questionnaire sought to establish the ages of the respondents. The results are presented in figure 4.1.

Figure 4.1 Age of the respondents



The results indicate that majority of the respondents were under 30 years (54.20%), 41.7% of the respondents were aged under 30 years, 41.70% were aged between 31-40 years and only 4.2% of the respondents were aged 41-50 years.

4.2.5 Length of Continuous Service

This is the duration of continuous service that the respondents had worked in the bank. The result is represented in Table 4.4. The length of the same was classified into 3 categories.

Table 4.3 Length of continuous service

	Frequency	Percentage
Less than 5 years	34	62.5
5- 10 years	9	16.7
Over 10 years	12	20.8
Total	55	100.0

The findings above indicates that majority of the respondents 62.5% had worked in the bank for less than 5 years, 20.8% of the respondents had each been in the organization for over 10 years and 16.7% had worked for a period between 5-10 years.

4.3 Performance Based Compensation

Performance-based compensation is a scheme that links employee performance with pay and combine a fixed base salary with a variable pay component such as bonuses or stock options that vary with the individual's performance. This section of the questionnaire sought to establish the opinion of the respondents on the performance based compensation. The results on whether the employees had received performance based compensation are presented in Table 4.4.

Table 4.4 Performance Based Compensation

	Frequency	Percentage
Yes	37	66.7
No	18	33.3
Total	55	100.0

From Table 4.5, two-thirds (66.7%) of the respondents indicated that indeed they had received a performance based compensation while 33.3% pointed that they had not received the performance based compensation.

4.3.1 Performance based rewards

A firm can adopt different forms of compensation to its employees in rewarding them for the work performed. This section of the questionnaire sought to establish from the respondents the different types of performance based rewards that is being applied in the bank. The range was 'very low extent (1)' to 'very great extent' (5). The results are presented in Table 4.6 below.

Table 4.5 Performance Based Rewards

	Mean	Std. Deviation
Bonus schemes	2.92	1.28
Merit pay	2.33	1.20
Commissions	1.96	1.04
Gain sharing compensation schemes	1.88	1.03
Profit sharing	1.83	1.05
Employee stock ownership plans	1.75	.99

The findings suggest that the popular performance based rewards used at Cooperative bank is a bonus scheme (M=2.9167) and merit pay (M=2.3333). However, there was less consensus among the employees because the standard deviation is above one. The least popular performance based reward used in the bank is employee stock ownership plans ((M=1.7500).

4.3.3 Performance Based Compensation System

This section of the questionnaire sought to get from the respondents the perceived benefits of performance based compensation system in the banks. The range was ‘strongly disagree’ (1) to ‘strongly agree’ (5). The scores of disagreeing have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale;(0≤ S.D <2.4). The scores of ‘Neutral’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤M.E. <3.4) and the score of both agree and strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; (3.5≤ S.A. <5.0). A standard deviation of > 1.0 implies a significant difference on the impact of the variable among respondents

Table 4.6 Performance based compensation system

	Mean	Std. Deviation
It increase employee productivity	3.58	1.10
It improves employee performance and engagement with management	3.37	1.17
It enables the bank management to attract more able employees	3.13	1.29
Performance-based system improve the governance of the bank by increasing the efficiency of resource allocation	2.92	1.140
Performance-based compensation increase collegiality between employees and administration	2.83	1.00
Performance-based schemes increase political and public support of bank systems	2.75	.99
There is equity and consistency in the compensation structure	2.67	1.20

The results show that the performance based compensation system increase employee productivity with mean of 3.58 and standard deviation of 1.10 and improves employee performance and engagement with management (M=3.3750, SD= 1.17260). However, despite these having the greatest effect on the performance of the employees, there was a high variation among the respondents. On the ability of the performance based compensation to result in equity and consistency among the staff (M=2.6667), this came out to be moderately agreed by the respondents.

4.3.4 Employee Attitude towards Performance Based Compensation System

The respondents were asked to indicate the effect of employee attitude towards performance based compensation system. This is because the attitude of the employees towards the compensation existing in the organization will influence their performance. The results on the employee perception is presented in Table 4.8.

Table 4.7: Employee attitude towards performance based compensation system

	Mean	Std. Deviation
Increasing the size of the performance compensation bonus would increase my motivation to improve bank achievement	4.33	.87
Employee performance pay provides an incentive for me to work harder toward improving employee achievement	3.88	.95
Performance compensation encourages me to participate in staff development to improve my skills	3.83	1.05
My individual performance as an employee has a significant influence on whether or not I earn employee performance compensation	3.71	1.20
My workload has increased as a result of the implementation of performance compensation	3.71	.95
I have adequate administrative assistance to support my efforts in obtaining employee performance pay	3.54	1.02
I have brighter future bright if I continue working in my workplace	3.37	1.14
I work longer hours as a result of the implementation of performance compensation	3.38	1.17
I have adequate resources to support my efforts in obtaining performance compensation	3.29	1.08
The current employee performance compensation plan is aligned with bank goals in how it rewards performance	3.04	1.04
I have experienced increased stress as a result of the implementation of performance compensation	3.00	1.06
The current employee performance compensation plan is fair in how it distributes performance pay awards	2.75	1.11

The highest mean was that employee attitude towards performance based compensation system increased the level of employee motivation to improve bank achievement (M=4.3333) implying that employee performance pay provides an incentive for the staff to work harder with an aim of improving employee performance (M=3.8750). In addition, the performance based compensation system, encourages the bank staff to participate in programmes aimed at developing the employee skills (M=3.8333). On the feelings that the existing compensation plan is fair on how it distributes performance pay awards, the respondents agreed moderately (M=2.75, SD=1.113). This result was also found in the perception that the employees level of stress had increased due to the implementation of performance compensation (M=3.0, SD=1.063). However, the higher standard deviation that is > 1.0 means that there was less concurrence among the staff on the issues raised. This results indicate that among the respondents, there was less consensus among the employees towards performance based compensation system.

4.4 Unintended Consequences of Performance Based Compensation Schemes

An effective compensation system in a firm plays an important role in the realization of the organizations performance through the employees. However, not all employees are affected positively by the introduction of the performance based rewards in an organization since it could lead to some negative consequences in a firm. Therefore the researcher sought to find out what unintended consequences resulted as a result of the introduction of performance based compensation schemes at Cooperative bank. The results is presented in table 4.9 below.

Table 4.8 Performance based compensation system

	Mean	Std. Deviation
Less regards for unrewarded tasks	3.2917	1.16018
Doubts on the effectiveness of reward schemes on employee motivation	3.2083	1.02062
Costs of implementing the schemes	3.0833	.71728
Reduction in risk taking and innovativeness among the employees	3.0417	1.23285
Negative effect on employee self determination	2.9583	1.12208
Difficulty in measuring employee performance	2.7917	1.21509
Reduced cooperation between employees	2.6667	1.04950

The results in table 4.9 indicate that the highest ranked consequence of adopting the performance based compensation schemes is the development of less regard for unrewarded tasks by the employees at Cooperative bank (M=3.2917), increased doubts on the effectiveness of reward schemes on employee motivation (M=3.2083) and also increased costs of implementing the schemes (M=3.0833). The findings also show that the lesser negative consequence that occurred from the performance based compensation system the possibility of a reduced cooperation between employees (M=2.667) and that there was a difficulty in measuring employee performance. Based on the results, it is evident that because of the higher standard deviation that is greater than 1.0 in the majority of the parameter measures, there was a higher variation in the answers that were provided by the respondents.

4.5 Discussion of the Findings

Motivating employees can be a manager's biggest challenge because the level of cooperation of the employees in an organization will determine the degree of realizing the organizational objectives. Jones and George (2007) stress that motivation is a psychological force that

determine the direction of a person's behaviour in an organisation, a person's level of effort and a person's level of persistence in performing a given task. Therefore, the level of motivation of an employee will influence the level of effort that a person will give while performing a given task. The findings in this study support the various theories of motivation which encourage the use of extrinsic rewards for motivating employees to higher levels of performance for the attainment of corporate goals (Schuler, 1998). The study findings point that a bank employees will exert effort if they expect it will result in an outcome that they value. This finding is consistent to the expectancy theory as advanced by Pearce and Perry (1983) which opine that in the case of the PBR, employees will work harder if they value monetary rewards and believe that those awards will result from their increased efforts.

Performance based reward (PBR) was found to be a variable pay anchored to a measurement of performance. This means that employees should be rewarded according to their job performance, with those performing better being offered a greater proportion of the available rewards and vice versa. This will imply that a firm will need to come up with different forms of performance based rewards since the desires of the employees will not be the same as far as the rewards is concerned. As Boziolnelos and Wang (2007) opined, the successful implementation and functioning of performance based rewards is based on the willingness of employees to abide with the PBR principles. The study noted that the commonly used performance based rewards at Co-op bank are bonus schemes, merit pay, commissions and profit sharing.

The wide array of the performance based used by the organization can be explained by the many benefits that PBR accrue to a firm and as Beardwell and Holden (1995) noted include helping in recruitment and selection process in a firm; facilitate change in organisational culture; weaken

trade union power; increased role of the line manager; greater financial control and value for money; ability to reward and recognise performance; and encouragement to flexibility. This benefits were similarly supported by the study findings which found that the benefits of PBC in the bank include increase employee productivity, improved level of employee performance and engagement with management, as well as enabling the bank management to attract more able employees.

The success of a performance based rewards in an organization will depend on the employees attitude towards the PBC that the employer is providing. This means that unless the employees support the compensation process that is offered by the organization, then the intended objective of the compensation will not be realized. The study found that the employee's attitude towards the performance based compensation is such that the size of the performance compensation bonus would increase their motivation to improve the bank achievement and also provides an incentive for them to work harder toward improving employee achievement. This finding is in agreement with that of Chiang and Birtch (2009) who noted that employees will work harder if they value monetary rewards and believe that those awards will result from their increased efforts. Further, it supports the assertion by the reinforcement theory which finds a direct relationship between desired target behaviour and its consequences.

The study also found that adoption of the performance based compensation system by the bank has had some unintended consequences on the employees. Some of these unintended consequences include development of less regards for unrewarded tasks, doubts on whether indeed the PBC will indeed motivate the employees and also costs of implementing the schemes

has been found to be high. This is because as Messer and White (2006) observed performance-based pay sometimes undermines employees' morale as it often causes jealousy between staff. Indeed as Mondy (2008) stated emphasizing individual performance appraisal as a way of motivating employees may often interfere with team-work and creates unhealthy competition and dissension among employees. It could also encourage employees to focus on short term results in order to out-compete their peers.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusion, recommendations of the study and suggestion for further research.

5.2 Summary

The study established that the Performance Based Compensation systems employed by the bank is varied and includes bonus scheme, merit pay, commissions and gain sharing compensation in order of popularity. This variation in the types of performance based compensation is aimed at meeting the diverse likings of the employees. With such a varied reward system that caters for the needs of all the staff under different working conditions, then it is intended that the workforce will be motivated and consequently lead to the bank realizing its objectives. The level of motivation of an employee will influence his or her effort in performing a given task. In addition, with a motivated workforce, it is expected that the bank will witness a reduced labour turnover since staff will consider the compensation offered as a motivating factor for them to stay in the organization. The study also found that the Performance based reward (PBR) in the bank was a variable pay anchored to a measurement of performance. This means that employees are rewarded according to their job performance, with those performing better being offered a greater proportion of the available rewards and vice versa.

The study found that the performance based compensation system in the organization are varied and are captured during recruitment and selection process in a firm; change in organisational culture; weaken trade union power and results in greater financial control and value for money. In addition, it was found that the success of performance based compensation will depend on the

employees' attitude towards the PBC that the employer is providing. This means that unless the employees support the compensation process that is offered by the organization, then the intended objective of the compensation will not be realized. The study also found that adoption of the performance based compensation system by the bank has had some unintended consequences on the employees that include development of less regards for unrewarded tasks, doubts on whether indeed the PBC will indeed motivate the employees, also costs of implementing the schemes has been found to be high and it could also encourage employees to focus on short term results in order to out-compete their peers.

5.3 Conclusion

On the strength of the findings of the study, the following conclusions can be drawn: Performance based compensation supports a merit based compensation. This means that individual performance is important and should reflect in the individual's compensation package. This might not though result in a higher level of productivity, but it can keep employees from being dissatisfied, and leaving the organization. The effect of merit pay on employee performance was moderate in the bank. The advantages of performance based compensation should have been blunted by improper appraisal systems in the bank, which might make the level of subjectivity rather significant. The existence of management-employee conflicts in merit-pay plans is due to the significant level of subjectivity involved in the basic component of performance appraisal.

Most employees are favorably disposed to the performance-reward linkage, provided the scheme is administered with objectivity and fairness. However, an organizations reward system should also commensurate with the effort that each individual staff offer as well as be at par with other

firms of the same standard that operate in an economy. This can be achieved if frequent surveys are contacted to establish how competitive the organizations compensation system is. This survey should be undertaken from both employees point of view as well as from external stakeholders to give their views on the level of the firms' compensation competitiveness. It can also be concluded that an organizations compensation system should not only be financial but also non financial since the study showed that employees appreciate non financial rewards in equal measure to the financial rewards. The study found out that the competitiveness of the company was achieved through the adoption of rewards system that result in a world class working environment that motivates and propels the employees to work better and stay on.

5.4 Limitation of the Studies

The major weakness in this study is that it was limited in scope in the sense that only one organization was being researched on. This means that the findings cannot be over generalized. This study was conducted with a strong presence of employees working at Cooperative bank of Kenya. It is possible that this exposure and working environment contributed significantly to their perceptions of the performance based compensation. There is need therefore to also get the views of staff in other banks as well as customers. Further, the study used a descriptive research design and there is need to employ various research design to validate further the results. This study was also limited by other factors in that some respondents may have been biased or dishonest in their answers considering that they were all commenting on their employer. More respondents would have been essential to increase the representation of respondents in this study and allowed for better check of consistency of the information given. However, despite the above limitations, the findings presented in this paper have important policy implications.

5.5 Recommendations with Policy Implications

Based on the conclusions drawn, the following recommendations are made: Organisations wishing to adopt a PBP system should have clear objectives for it. The objectives should be clearly spelt out and discussed with employees in an integrative and positive way. Attempts should be made through employee involvement to allay any fears, suspicion and mistrust that staff may have towards the system. Adequate preparations are necessary before introducing the system. The organisational culture, availability of qualified assessors, etc should be attended to for a successful operation of the scheme. Paying for performance should, as much as possible be based on incentive schemes, rather than merit rating. Incentive systems which are based on relatively objective indices of performance leave little room for disagreements. They are, therefore, more likely to achieve their objectives.

The study established that the company has adopted various compensation systems in order to motivate its employees. It is recommended that other companies should follow the trend which has been set by the company as these would create a positive employee attitude which is vital to achieving organizational goals.

5.6 Recommendation for further research

Future research should focus on case studies of other sectors and organisations in other locations, since this study was on only one company. A comparative study among organisations in the same sectors should be conducted in order to determine whether the use of PBP enhances employee and organisational performance. The dimensions found in this study should be

regarded as preliminary. Although they appear to be stable and measurable, they are not necessarily exhaustive and should be viewed as a starting point for additional research.

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APPENDIX I: QUESTIONNAIRE

Please give answers in the spaces provided and tick (✓) in the box that matches your response to the questions where applicable.

Section A: Demographic Profile

1. Name of the respondent (Optional):
2. What cadre of staff do you fall under?
 - a) Senior Management ()
 - b) Middle level Management ()
 - c) Unionisable ()
3. Gender: Male () Female ()
4. Highest level of education attained?
 - a) Primary () b) Secondary ()
 - c) Certificate/Diploma () d) Bachelors Degree ()
 - d) Masters Degree () e) Others ()
5. What is your age bracket? (Tick as applicable)
 - a) Under 30 years () b) 31 – 40 years ()
 - c) 41 – 50 years () d) Over 50 years ()
6. Length of continuous service with the bank?
 - a) Less than five years ()
 - b) 5-10 years ()
 - c) Over 10 years ()

Section B: Performance Based Compensation System

7. Have you received performance based compensation system at any time during the last four years?
Yes () No ()
8. To what extent does the bank uses the following performance based compensation system?
Use 1-Very low extent, 2-Low extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

Performance based rewards	1	2	3	4	5
Bonus schemes					
Commissions					
Profit sharing					
Gain sharing compensation schemes					
Employee stock ownership plans					
Merit pay					

9. To what extent do you agree with the following regarding performance based compensation system in the bank? Use 1-Strongly disagree, 2-Disagree, 3-Moderate extent, 4-Agree and 5-Strongly agree.

Performance based compensation system	1	2	3	4	5
It improves employee performance and engagement with management					
It increase employee productivity					
There is equity and consistency in the compensation structure					
It enables the bank management to attract more able employees					
Performance-based system improve the governance of the bank by increasing the efficiency of resource allocation					
Performance-based compensation increase collegiality between employees and administration					
Performance-based schemes increase political and public support of bank systems					

10. To what extent do you agree with the following statements on your attitude towards performance based compensation? Use 1-Strongly disagree, 2-Disagree, 3-Moderate extent, 4-Agree and 5-Strongly agree.

Employee attitude towards performance based compensation system	1	2	3	4	5
The current employee performance compensation plan is fair in how it distributes performance pay awards					
I have brighter future bright if I continue working in my workplace					
The current employee performance compensation plan is aligned with bank goals in how it rewards performance					
My individual performance as an employee has a significant influence on whether or not I earn employee performance compensation					
I have adequate resources to support my efforts in obtaining performance compensation					
I have adequate administrative assistance to support my efforts in obtaining employee performance pay					
Employee performance pay provides an incentive for me to work harder toward improving employee achievement					
Performance compensation encourages me to participate in staff development to improve my skills					
Increasing the size of the performance compensation bonus would increase my motivation to improve bank achievement					
My workload has increased as a result of the implementation of performance compensation					
I have experienced increased stress as a result of the implementation of performance compensation					
I work longer hours as a result of the implementation of performance compensation					

11. To what extent do you agree with the following as the unintended consequences of using performance based compensation schemes? Use 1-Strongly disagree, 2-Disagree, 3-Moderate extent, 4-Agree and 5-Strongly agree.

Performance based compensation system	1	2	3	4	5
Reduced cooperation between employees					
Difficulty in measuring employee performance					
Less regards for unrewarded tasks					
Costs of implementing the schemes					
Negative effect on employee self determination					
Reduction in risk taking and innovativeness among the employees					
Doubts on the effectiveness of reward schemes on employee motivation					