

**PERCEIVED INFLUENCE OF REWARDS AND SANCTIONS
ON EMPLOYEE PERFORMANCE AT KENYA POWER
COMPANY LIMITED**

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**A RESEARCH PROJECT SUBMITTED IN PARTIALFULFILLMENT OF
THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER
OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

2014

DECLARATION

I declare that this research project is my original work and has not been presented to any other university for the award of a degree.

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This project has been submitted with my approval as the University Supervisor.

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DEDICATION

To my family members, particularly my husband Charles, my children, Nick, Francis, Tandy and Baraka and my late father, Benson Jabura. You are all my inspiration.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to all those with whose support and encouragement made this a reality. I would like to extend my heartfelt gratitude to my Supervisor, Prof. Peter K'Obonyo, for his patience and assistance in providing guidance and direction. Special thanks goes to my mentor, Kithinji Kiragu, for encouraging me and making me believe that I could make it.

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ABSTRACT

Rewards and sanctions, as tools, can be used to convey the message that performance is important, and help to focus on specific aspects of performance that need to be improved. This is because employees as teams or as individuals whose job efforts are recognized and rewarded feel appreciated. Rewards can be either extrinsic or intrinsic whereas the primary purpose of a disciplinary system should be to correct. What motivates an employee's performance is if there are rewards that reinforce good performance or negative consequences for poor performance. This study sought to establish the perceived influence of rewards and sanctions on employee performance at Kenya Power Company Limited. The study used descriptive survey design; stratified random sampling technique was employed to select 1058 employees who participated in the study. Questionnaires were administered to the respondents. From the research, the researcher was able to determine the perceived influence of rewards and sanctions on employee performance at the Kenya Power Company. The study concluded that majority of the respondents were male, most of the employees were aged between 31-41 years, and that most of the employees had attained education up to university level. Further, the study concluded that majority of the employees had stayed in the company for a period of over 20 years. On the influence of rewards on the employees' performance, the study concluded that with an effective rewards system in place, employees are inspired to put extra effort in their work. The study also concluded that the rewards and recognition scheme in the organization is solely implemented based on employee performance and that a rewards system that is tied to individual performance results in higher productivity for the company. On the influence of sanctions on employee performance, the study concluded that lack of immediate disciplinary action impacts negatively on employees' performance and that sanction should be affected only after more positive teaching or training has failed to achieve the desired results in the respective employee's performance. The study recommends that the organization should focus on linking individual performance with organizational performance and goals and that it is important to ensure that training needs or skills gaps identified from employees are addressed in a timely manner and feedback is given to improve job performance. The study suggests that further research be done on challenges facing effective implementation of rewards and sanctions management in corporate organizations. Research could also be undertaken on measures for ensuring an effective monitoring and evaluation system of the rewards and sanctions system is in place.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The essence of a rewards and sanctions system is to regulate employee behaviour and performance at the work place (Davis and Newstrom, 1986). A rewards and sanctions system is operated with a presumption that all employees in the organization will maintain high employee morale and can be positively motivated. Armstrong (2010) notes that motivation is likely only when a clearly perceived and usable relationship exists between performance and outcome; hence, the entire success of an organization is based on how the organization keeps its employees motivated and in what way they evaluate the performance of employees in order to reward or discipline them (Ströh, 2001).

These rewards can be either be extrinsic or intrinsic where extrinsic rewards are tangible and external to the task performed by the employee (such as salary or job security) and intrinsic rewards are intangible or psychological (such as appreciation for job well done). Sanctions, on the other hand, though initiated in response to unacceptable performance or behaviour do not have to result in a repressive climate where individuals behave in a certain manner because they are afraid not to follow conduct codes; rather, the primary purpose of a disciplinary system should be to correct. Guffrey and Helms (2001) suggest that the proper administering of discipline as a motivational tool will help organizations reap positive performance rewards.

Hence, rewards and sanctions, as tools, can be used to convey the message that performance is important, and help to focus on specific aspects of performance that need to be improved (Armstrong, 2010).

The Kenya Power Company Limited, with a staff base of about 10,000 employees countrywide, has a performance management programme that sets out to motivate and encourage employees to achieve their expected outputs through incentives and rewards. Despite this programme having been designed to recognise employee performance, complaints arise as to the unfairness or otherwise of rewarding or sanctioning based on employee performance in the organization. This study therefore seeks to find out how employees at Kenya Power Company Limited perceive the rewards and sanctions system in place as influencing their individual performance.

1.1.1 The Concept of Perception

Perception is a person's view of reality that is affected by, among other things, the individual's value. It is that process whereby an individual selects organizes and interprets stimuli into a meaningful and coherent picture of the world. In this regard, an individual's opinion depends on the amount of information available to him/her and the extent to which he/she can interpret the acquired information (Hodgetts and Hegar, 2008). In other words, an individual may be in possession of the same set of information that other people have on a particular situation but still arrive at a different conclusion due to individual differences in the capacity to interpret the information that is in the public domain (Quick and Nelson, 1997). Cole (1996) defines perception as the mental process involved in identifying and subjectively interpreting objects, concepts, behaviour and the attainment of awareness, insight and understanding.

1.1.2 Concept of Rewards

Minden (1982) defines reward as any strengthened behaviour followed immediately by a positive reinforcement. Zigon (1998) defines rewards as something that increases the frequency of an employee action. The definition of rewards encompasses the overall value proposition that the employer offers to the employee. Rewards are packaged in both monetary (cash) and non-monetary (recognition, praise, achievement, responsibility and professional growth) terms (Armstrong, 2010). According to Deeprise (1994), rewards and recognition programmes create environments especially where jobs provide intrinsic rewards – that is, the ‘good feelings’ or the satisfaction that people get from doing the work itself. The type of rewards employees appreciate most is to be recognized by people they work directly for. It was noted in a study undertaken by Nelson and Spitzer (2000) that 78% of employees said that it was very or extremely important to be recognized by their managers when they do good work; the number one choice for recognition being sincere praise given in a timely manner. Deeprise (1994) adds on that in many organizations, recognition is reserved for an elite few and rewards are defined solely in terms of wages and salaries.

1.1.3 Concept of Sanctions

According to Kanungo (1983), a sanction is any action (disciplinary in nature) initiated in response to unacceptable performance or behaviour. Sanctions are meant to correct violations, improve performance, avoid recurrence, and at the same time protect the interests of the employer. Sanctions or discipline is the shaping of employees’ behaviour to motivate them to act in a particular way in order to ensure the achievement of the set organizational goals.

Once employees' clearly understand what their required behaviour is, and what the results of their continued misconduct are, then the purpose of the disciplinary sanction will have been achieved (Kroon, 1995).

It is for this reason that most institutions draw up codes of conduct which consider certain behaviour as unwarranted and which states that should an employee omit or commit such an act he/she will be guilty of misconduct. These codes of conduct help organizations maintain discipline in their working relationships with their employees. Undesirable behaviour will therefore have been eliminated by an action which has unpleasant consequences, but which has educational value at the same time (Kroon, 1995). This view is also upheld by Grosset and Venter (1998) who regard discipline as a negative activity which must be undertaken by supervisors to discourage a repetition of unwarranted acts by employees. Rycroft and Jordaan (1992) on the other hand are of the opinion that the imposition of a sanction is and must always be a matter of discretion with disciplinary sanctions ranging from verbal warnings through to written warnings, a final written warning and, finally, dismissal.

1.1.4 Employee Performance

Employee performance is about the timely, effective and efficient completion of mutually agreed tasks by the employee, as set out by the employer. Performance is associated with quantity of output, quality of output, timeliness of output, presence/attendance on the job, efficiency of the work completed [and] effectiveness of work completed (Mathis and Jackson, 2009). According to Gilbert (1978), employee performance is a function of motivation and ability.

The employer provides performance support by working on the environment and making sure the barriers to performance are removed. It is the absence of performance support, not a person's lack of knowledge or skill that is the greatest barrier to exemplary, or worthy, performance (Ströh, 2001).

Davis and Newstrom (1986) point out that when people join an organization, they bring with them certain needs that affect their on-the-job performance. Some of these needs are physical while others are related to psychological and social values. They add on that high job satisfaction does not always lead to high employee performance as better performance typically leads to higher economic, sociological, and psychological rewards. If these rewards are seen as fair and equitable, then improved satisfaction develops because employees feel that they are receiving rewards in proportion to their performance.

1.1.5 Influence of Rewards and Sanctions on Performance

People are valued and rewarded for what they do and achieve. Beer et al. (1984) state that individual employees, in exchange for their commitment, expect certain extrinsic and intrinsic rewards. Their argument is that rewarded employees tend to work even harder and better if they are aware that their organization is concerned about their well-being. Vroom (1964) states that an employee's effort is increased when rewards are offered; when employees see that their efforts result in rewards, they may be motivated to exert higher levels of effort on the job which positively impacts on their job satisfaction and motivation (Yukl, 1998).

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 rewards or sanctions. According to Grosset and Venter (1998), discipline is

viewed as an end in itself rather than a means to an end. They strongly believe that in the work environment the important aim of sanctions is corrective rather than punitive. Employees hold much importance to regular expressions of appreciation by managers and leaders; this encourages the performance of employees to reach the organization's strategic goals. What motivates an employee's performance is if there are rewards that reinforce good performance or negative consequences for poor performance. An employee who is sure of receiving sufficient incentives (either financial or non-financial) will be sure to produce excellent performance. If employees are always criticised, they will soon get the impression that they do not matter, as only the things they do wrong are recognised (Ströh, 2001). Employees recognize that if they perform as expected, they will be rewarded and expect to be sanctioned or 'denied a valued reward' should they not exert effort to achieve and advance the organization's objectives (Kroon, 1995).

1.1.6 The Kenya Power Company Limited

The history of the Kenya Power Company Limited dates back to more than a century and three decades ago. Kenya Power, a limited liability company, is mandated to purchase bulk electricity supply, transmit, distribute and retail electricity to end user customers throughout Kenya. According to the Company's Annual Report (2012/2013), the Company operates network coverage of about 49,000 kilometres throughout the country and has grown from a customer base of 686,195 in 2004 to 2.6 million. The Report points out that Kenya Power has a staff base of 10,465 employees countrywide and great importance is attached to ensuring that employees have requisite competencies to perform their work.

The Company also carries out regular staff training and development programmes to realize employees' potential. Performance contracts signed annually by management staff form the basis of their annual appraisals.

According to the Company's Annual Report (2012/2013), one of the pillars upon which the Company's corporate vision, mission and values are anchored is the human capital. The Company therefore recognises that its human resource is critical for the delivery of high quality electricity that delights customers, in line with its corporate vision. In order to achieve this, the management has continued to invest in training, and the ongoing organisation culture change project is primarily aimed at transforming staff into high performing teams that are focused on customer needs. The Company intends to continue employing human resource strategies that ensure attraction and retention of highly skilled and motivated staff through recognition and reward of good performance, professionalism, meritocracy and equity. The Company also adheres to sanctions and guidelines as laid down in the Kenya Employment Act (2007) and the Company's code of conduct.

Kenya Power has both unionised and non-unionised staff. Unionised staff are exempted from the appraisal framework as they are mandated only by the collective bargaining agreement that the Company signs with their union. It is for this reason that the HR department finds difficulty in implementing rewards as they cannot give team or group rewards. Findings from the Company's Employee Satisfaction Survey (2010) shows some complaints as to the fairness in rewarding or sanctioning based on performance yet some employees do not go through the appraisal process. Some supervisors are also averse to sanctioning due to fear that many employees will be dissatisfied with either their work area or their supervisor.

1.2 Research Problem

An organisation's performance and resulting productivity are directly proportional to the quantity and quality of its human resources. KIPPRA (2013) did a study and found out that incentives and allowances play a significant role in ensuring employee retention within the public sector. The main factors that contributed to low morale of employees were low salaries, lack of promotions or lack of clear criteria for promotions, and poor working conditions. Majority of employees noted that they would be more motivated by financial rather than non-financial rewards. From their study, they observed that if a reward structure is perceived as being fair, then employees' expect their performance to be linked to the reward or sanction.

As mentioned earlier, the Kenya Power Company has a performance management programme that has been designed to recognise employee performance. The programme is tied to the performance appraisal ratings hence in order for an employee to be rewarded, he or she would have rated excellent in the appraisal. However, without a clear framework for implementation, those not rewarded or recognised readily presume bias and favouritism in the selection process; this is not made any better by the fact that supervisors are averse to sanctions. In addition, as the rewards and sanctions system is only adhered to by the non-unionised staff this causes discontent. This discontent is likely to demotivate employees and result in job dissatisfaction.

Several studies have been done in areas on job satisfaction, compensation, performance management, performance contracting and employee performance improvement, all of which are closely related to rewards and sanctions in the work place. In theory, various international studies have been undertaken on the correlation

between rewards and sanctions and how it affects employee performance. Harvey-Beavis (2003) carried out a study on performance-based rewards for teachers in the United States and concluded that there was some evidence of improved student performance in group-based performance reward programmes. Girth (2003) carried out a research on local governments and found out that merely specifying the terms of the contract to include performance sanctions is not enough to hold contractors accountable. Ashour (2004) undertook a study on the integrity, transparency and accountability in public sector human resources management in the Arab region and concluded that in order to improve public sector credibility and performance, public servants must be competent, professional and ethical. Alphen (2010) carried out a study on the modern and traditional business management in the Netherlands where she concluded that organizations are not always honest to their employees when rewarding them because being too honest could have a negative effect on performance.

In addition, local studies that are similar to this context include studies undertaken by Kiarie (2005), Omamo (2004), Kiboi (2006) and Tarus (2011). Kiarie (2005) carried out a survey on performance based compensation schemes in companies listed at the Nairobi Stock Exchange in Kenya and found out that companies faced difficulties in aligning compensation with performance as most firms gave out bonuses to all staff, irrespective of the work performed. Omamo (2004) carried out a survey on unique factors that FM radio presenters consider in accepting new job offers or remaining in their current jobs and found that the dominant factors that seem to influence the presenters' decision in a competitive environment included job security, basic pay, satisfactory compensation packages and flexible working hours. However, the study

only studied popular FM stations and included neither other ‘unpopular’ radio stations nor TV presenters. This would have given a wider perception as to the factors presenters consider in accepting new job offers.

Kiboi (2006) undertook a study on management perception of performance contracting in state corporations and found a high level of awareness of performance contracting in organisations and that the organisation’s capacity to achieve its objectives had greatly improved. He concluded that not all employees had been taken through the importance of performance contracting yet employees need to ‘own’ the process, a practice that was lacking. Tarus (2011) carried out a study on the perceived relationship between performance contracting and employee performance at the Agricultural Development Corporation and found that performance contracting was indeed an effective tool for performance improvement as it motivates employee performance, especially when reward is linked to good performance and recommended the need to train all employees on performance contracting.

All the above studies have emphasized that successful performance is tied to having “satisfied” employees. To the best knowledge of the researcher, no study has been carried out on the influence that rewards and sanctions are perceived to have on employee performance in any state corporation in Kenya. This study therefore seeks to find out if there is any correlation between rewards and sanctions and employees’ performance at Kenya Power Company Limited. This research endeavours to answer the questions: Do rewards and sanctions influence individual employee performance?

1.3 Research Objective

To determine the perceived influence of rewards and sanctions on employee performance at Kenya Power Company Limited.

1.4 Value of the Study

The study, in establishing the influence of rewards and sanctions on employee performance, shall provide information that shall be useful in improving performance and reducing the influence of other variables that hinder performance such as job dissatisfaction and lack of motivation. From the findings, Kenya Power Company Limited shall identify the areas perceived by employees to influence their performance and hence make the rewards and sanctions system an effective tool.

The study shall also provide information that may be used by scholars as a basis for further research and add to the existing body of knowledge. With this study as a framework, scholars can undertake further studies on the various categories of indiscipline in the work environment as well as the guidelines to be followed in sanctioning. In addition, scholars can use the results of this study to develop an effective rewards and sanctions framework. Further studies can be carried out by both public and private organisations that have rewards and sanctions schemes in place, to come up with effective monitoring and evaluation systems.

Equity Theory predicts that employees strive to achieve equity or fairness between themselves and their co-workers. The theory envisages that equity can be achieved when the ratio of employee outcomes over inputs is equal to other employee outcomes over inputs, and employees get content when they perceive these to be in balance. The results of this study can be used to support or negate this prediction. It

can also be a basis for further studies to be undertaken on how employers can be attuned to distributive and procedural justice in the workplace when rewarding or sanctioning employees.

Expectancy theory predicts that an individual will decide to behave or act in a certain way because they are motivated to select a specific behaviour over other behaviours due to what they expect the result of that selected behaviour to be. This theory emphasizes the need for organizations to relate rewards directly to performance and to ensure that the rewards provided are those rewards deserved and wanted by the recipients. The results of this study can be used to assess, empirically, the proportion of variance in employee performance attributable to motivation when rewarding in the work place.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has literature review focusing on previous studies that have been done on the same or related topics based on published journals. It deals with theoretical foundation, employee rewards and sanctions, employee performance and the link between rewards and sanctions.

2.2 Theoretical Foundation

This study is based on both the Equity Theory of motivation which states that employees expect fairness when being rewarded for the work done and the Expectancy Theory which states that motivation plus effort leads to performance, which then leads to outcomes.

2.2.1 Equity Theory

Equity theory was developed from the Herzberg's job satisfaction theory and linked to the reward system by Adam Stacy. An important factor in the employer's motivation is whether individuals perceive the reward structure as being fair. Equity theory essentially refers to an employee's subjective judgment about the fairness of the reward she/he got in comparison with the inputs (efforts, time, education, and experience) when compared with others in the organization. The theory is based on individual employee's perception and feelings on how they are treated as compared with others (Armstrong, 2010). It is inevitable that employees will compare rewards with each other.

The essential assumption of equity theory is that an employee will observe the input and consequent rewards of co-workers and compare it then with his own efforts and perceived rewards. This evaluation can then result in a perception of equity or inequity (Fincham & Rhodes 1999).

Arora (2000) states that when one's own outcome/input ratio is believed to be greater than another's, the individual is theorised to experience a state of overpayment inequity, causing feelings of guilt. In contrast, when one's own outcome/input ratio is believed to be less than another's, the individual is theorised to experience a state of underpayment inequity, causing feelings of anger. When one's own outcome/input ratio is believed to match that of other persons, a state of equitable payment is said to exist, resulting in feeling of satisfaction. The argument is that people work well in accordance to what they regard as fair. Employees consider whether management has treated them fairly, when they look at what they receive for the effort they have made. Maicibi (2003) agrees with this that employees expect rewards or outcomes to be broadly proportional to their effort. Ivancevich and Matteson (1999) are of the opinion that the theory highlights the factors associated with employees' attitudes towards remuneration and rewards. Therefore, the theoretical framework of Adams' work was applied not only to the monetary aspects, but even more so, to perceptions regarding the competencies and recognition received by supervisors and colleagues.

2.2.2 Expectancy Theory

The essence of expectancy theory is to try and establish the main motivator of behaviour and the reason why individuals will choose a specific behaviour to reach a goal. When choosing to act, individuals will favour their act based on the potential and likely outcomes of these actions (Harpaz, 1983). Based on Vroom (1964),

individuals will only act to achieve a goal when they believe that they are able to achieve it. Expectancy is viewed as an individual's assessment of the chance that effort will result in achievement. The level of self-efficacy and locus of control will contribute to an individual's belief about his or her own capabilities. An individual perceives or anticipates that if certain actions take place, certain rewards will follow (Lee, 2007). Employees perceive that once a task has been completed, rewards are expected. The employee therefore makes a subjective assumption about the value the organisation places on his or her efforts.

According to expectancy theory, three conditions must be met for individuals to exhibit motivated behaviour and these include: effort to performance expectancy must be greater than zero, performance to outcome expectancy must also be greater than zero, and that the sum of the valences for all relevant outcomes must be greater than zero. Expectancy theory explains that in any given situation, the greater the number and variety of rewards that are available to the employees, the greater the probability that extra effort will be exerted in attaining the set goals or targets in the hope of getting the desired rewards (Vroom, 1964).

2.3 Employee Rewards

A reward is the result of some sort of process; when people are promoted, awarded merit increases or bonuses, receive favourable or unfavourable appraisals, or are required to achieve particular targets and they have views about the fairness or otherwise of those decisions, then this is referred to as outcome fairness or distributive justice (Zigon, 1998). Although rewards can contribute to an employee's sense of achievement and recognition, extrinsic rewards do not compensate for the more intrinsic needs of the employee. Hodgetts and Hegar (2008) point out that in

determining the type and degree of reward to give, it is necessary to examine three important areas: extrinsic and intrinsic rewards, performance and rewards, and discipline. Wilson (1994) adds on that employee rewards need to have a positive impact on behaviour.

According to Allen and Helms (2002), in order to achieve desired goals, reward systems should be closely aligned to organizational strategies. The organization's reward system should be perceived by employees as reinforcing the notion that most employees are good performers and there should be a linkage between employee rewards and performance (Jacob, 2003). Employee rewards must be designed with a few parameters in mind. It must: motivate employees to perform through valued and truly sufficient rewards, provide them with a clear line of sight, give them the power to influence their performance, and deliver on its promise (Lawler, 2003).

2.4 Employee Sanctions

Hodgetts and Hegar (2008) view disciplinary measures as 'negative rewards'. When sanctions are to be implemented, they say the manager must integrate that information with an understanding of both the types of disciplinary measures and the manner in which the discipline should be administered. Since an employer and employee have a contractual bond, the employer, through discipline, will monitor and control the behaviour of the employee so that the goals and objectives of the institution are adhered to. By monitoring and controlling employees' behaviour, the employer will immediately investigate any alleged misconduct by an employee and impose a sanction if indeed a misconduct is proven (Grossett and Venter, 1998). This is supported by Kroon (1995) when he points out that discipline sometimes implies that an employer denies an employee a valued reward.

According to the Employment Act, Cap. 226 of the Laws of Kenya (2007), due to wrongs done in connection with employment, dismissal can be effected after warning, summarily or instantly - in case of gross misconduct. Dismissal is the disciplinary measure of last resort and is applicable strictly in the cases contemplated by law. Hodgetts and Hegar (2008) however argue that an effective manager strives to avoid discharging the employee. Kanungo (1983) recommends that sanctions should be carried out immediately – as soon as the rule has been broken – and sums up by pointing out that, ideally, sanctions should complement rewards.

2.5 Employee Performance

According to Bernardin et al (1995), performance is synonymous with behaviour. It is the outcomes of work because performance provides the strongest linkage to the strategic goals of the organisation. Armstrong and Baron (2005) point out that the main value of performance management is to communicate a shared vision of the purpose and values of the organisation, define the expectations of what must be delivered and how it should be delivered, ensure that people are aware of what constitutes high performance and how they need to achieve it, enable people to monitor their own performance, and encourage dialogue about what needs to be done to improve performance. Torrington et al (2002) corroborate this by stating that employee performance expectations need to be understood and, where possible, ‘involve a contribution from the employee’.

When rewarding individuals for good performance, the element of recognition must be present; employees’ motivation and their productivity can be enhanced through providing them with effective recognition which ultimately results in improved performance of organizations (Ströh, 2001). On the other hand, managing

underperformance should be about applauding success and forgiving failure. Mistakes should be used as an opportunity for learning (Handy, 1989). The perceived wisdom is that managing underperformers should be a positive process that is based on feedback throughout the year and looks forward to what can be done by individuals to overcome performance problems and, importantly, how managers can provide support and help (Armstrong, 2010).

2.6 Rewards and Performance

Greenburg and Baron (1993) hint to there being a close relationship between rewards and performance. They remark that the expected rewards employees receive will contribute to their perception of job satisfaction and if successful performance does in fact lead to organizational rewards, such performance could be a motivational factor for employees. Under such conditions, if employees can see that their efforts result in rewards, they may be motivated to exert higher levels of effort on the job. The primary focus of reward and recognition programs is how organizations define their reward schemes and communicate this in a manner that employees clearly understand the link between reward and performance (Flynn, 1998). An employee reward is the degree to which reward allocations are based on employee performance in contrast to seniority, favouritism or any other non-performance criterion (Allen and Helms, 2002).

Yukl (1998) is of the opinion that various reward systems often positively impact overall levels of job satisfaction and motivation. Chung (1977) mentions that inadequate reward systems could lead to dissatisfaction or disillusionment with the organisation. In a study conducted by Probst and Brubaker (2001), it was concluded that the difference between job satisfaction and dissatisfaction lies in the amount and

the type of rewards provided or given to the employees and the amount and type of rewards that the employee expects that he/she deserves. This thought supports ideas initiated by previous researchers, Magione and Quinn (1975), who considered both job satisfaction and dissatisfaction to be the result of the perceptions of an employee with regards to personal expectations about what and how much they deserve for contributing towards the organisation that they work for. Despite, some of these existing perceptions, employees are highly likely to feel 'rewarded' and 'motivated' when they know that they are able to get fair pay with regards to the amount of work that they do (Ahmed et al, 2010). According to Nelson and Spitzer (2002), although cash rewards are welcomed by employees, managers should never use this as a tool to motivate their employees to improve their performance levels. Should this happen, there is a chance that the essence of the reward would be forgotten.

Lawler (2003) notes that there are at least two factors that determine the attractiveness of a reward; one is how much of the reward is being offered and the second is how much the individual values the type of reward that is being offered. Beer et al (1984) concisely argue that organisations must reward employees because in return they are looking for certain kinds of behaviour: they need competent individuals who agree to work with a high level of performance and loyalty. Individual employees, in exchange for their commitment, expect certain extrinsic rewards and also seek intrinsic rewards. Employees will judge the adequacy of their exchange with the organisation by assessing both sets of rewards.

2.7 Sanctions and Employee Performance

According to the Kenya Public Service Commission Discipline Manual (2008), disciplinary procedures are aimed at encouraging improvement in individual conduct. The disciplinary process in the Public Service shall be governed by the principles of natural justice which require that any officer charged with any offence is given an opportunity to defend himself or herself before an impartial adjudicator. Further, discipline cases shall be dealt with as soon as possible after the occurrence. The South Africa Public Service Commission (2008) in carrying out an assessment of the public service noted that the management of discipline is seldom regarded as a pleasant human resource responsibility as it inevitably creates tensions in the relationship between the employer and employee. These tensions must be managed in order to avoid labour discord and the negative impact on the workplace. The Commission (Nov/Dec 2011) also noted that it is imperative that disciplinary process is dealt with in a fair and consistent manner. Whilst mitigating and aggravating circumstances are considered during disciplinary hearings, the sanctions that are imposed for similar acts of misconduct should be reasonably consistent.

Asherman (1982) believes that managers tend to label employees rather than describe their unacceptable behaviour. Should an employee commit a misconduct at a certain stage, chances are that the employee will be labelled as a culprit and keep that label. Even if such an employee corrects that behaviour by acting positively and responsibly, other people's perceptions of the employee may not change (Ströh, 2001). Rycroft and Jordaan (1992) point out that it is only the employee's behaviour that requires correction. Disciplinary sanctions are therefore stimuli for change by moulding the behaviour of the employee and are not simply punishment or steps

towards the termination of service. In addition, sanctions imposed on employees should not be used as a reflection of management frustration but rather used to render the employee as a useful member of staff (Asherman, 1982). Owiti (1990) sums up that, from a legal perspective, imposing disciplinary sanctions on employees is a complicated process and is frequently challenged in the courts. Under certain circumstances, violating the rules for imposing disciplinary sanctions may entail adverse consequences for the employer.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the methodology that was used in carrying out the study. It includes research design, population of study, sample design, data collection procedures and data analysis techniques.

3.2 Research Design

This study adopted a descriptive survey design. According to Mugenda and Mugenda (1999), descriptive survey is a scientific method which involves observing and describing the behaviour of a subject without influencing it in any way. It seeks to find out who, how, what, where and when about something in particular. It is a method through which data is collected from members of targeted population by use of questionnaires, interviews and observation schedule. This design would help the researcher to get generalized characteristics or information about the target population. The design was appropriate because it enabled data collection from a cross section of employees at one point in time (Mugenda and Mugenda, 1999).

3.3 Population of Study

The target population in this study were the staff working at the Kenya Power Company Ltd countrywide. According to the HR department, the total number of employees at Kenya Power is 10,582. The numbers selected for this study were 1,058. The study population comprised of both unionised and non-unionised staff. As they were all members of staff in different employment categories, their views reflected different directions in terms of their rewards and sanctions. This enabled the

researcher to be able to know how rewards and sanctions are implemented and if the process is fair or not.

3.4 Sample Design

Stratified random sampling design was applied to select the respondents. Stratified random sampling is a probability sampling technique where the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata (Mugenda and Mugenda, 1999). Due to the fact that this technique has high statistical precision, it also means that it requires a small sample size which can save a lot of time money and effort of the researcher. The staff population was first divided into mutually exclusive segments based on some categories of variables of interest in the research, that is in this case, non-unionized staff and unionized staff. The total sample was 10% of the population as indicated in Table 3.1.

Table 3.1: Study Population

Group	Population	Sample (10%)
Non-Unionised (Management) staff	3,294	329
Unionised staff	7,288	729
Total	10,582	1,058

Source: Kenya Power & Lighting Company Ltd, Human Resource Department

3.5 Data Collection

The study utilized quantitative data collection methods. Primary data was collected by use of questionnaires. According to Mugenda and Mugenda (1999), the advantage of questionnaires as a data collection instrument is its simplicity and versatility. The study used a five-likert scale questionnaire which was administered to respondents. The questionnaire was divided into three sections. Section 1 on background information of the respondents, Section 2 on the correlation between rewards and employee performance in the organization and Section 3 was on the correlation between sanctions and employee performance in the organization. Drop and pick method and e-mail correspondence was used to administer the questionnaire.

3.6 Data Analysis

Data was checked for accuracy, uniformity, completeness and consistency before analysis. Employees' responses were coded. Descriptive statistics such as mean, mode, percentage, standard deviation and frequency was used to analyze the various responses of employees. Presentation of findings was by means of pie charts and frequency distribution tables.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. The purpose of the study was to establish the perceived influence of rewards and sanctions on employee performance at Kenya Power Company Limited. The researcher used frequency tables and figures to present data. This study targeted 10,582 employees from the Kenya Power Company which comprised both unionised and non-unionised employees. 10% of this was considered thus 1,058 respondents were therefore targeted; questionnaires were distributed to all targeted respondents. However, out of 1,058 questionnaires distributed, only 926 respondents fully filled and returned the questionnaires, this contributed to 88% response rate. The findings intended on addressing the research objective: to determine the perceived influence of rewards and sanctions on employee performance at the Kenya Power Company. Data was collated and reports were produced in form of tables and figures and qualitative analysis done in prose.

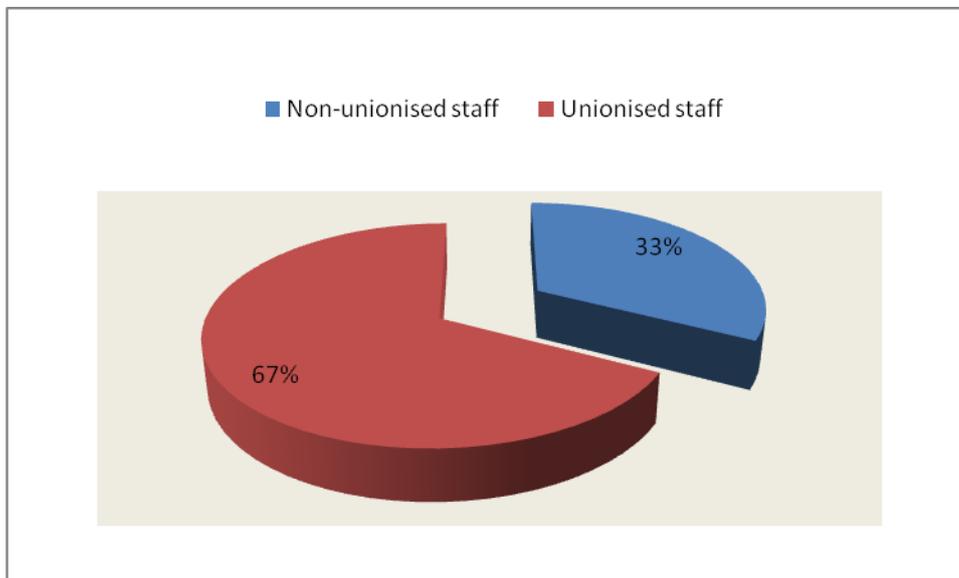
4.2 Demographic Data

The study intended to investigate the demographic information of the respondents, these data were important in ascertaining the background of the respondents and how they contribute to influence on the objectives of the study. Demographic findings were therefore presented in this section, the data in this section includes: job category, gender, age of the respondents, level of education and length of service with the organization.

4.2.1 Distribution According to Job Category

The study sought to establish the job category of the respondents, the data collected were presented in the Figure 4.1.

Figure 4.1: Job Category of the Respondents



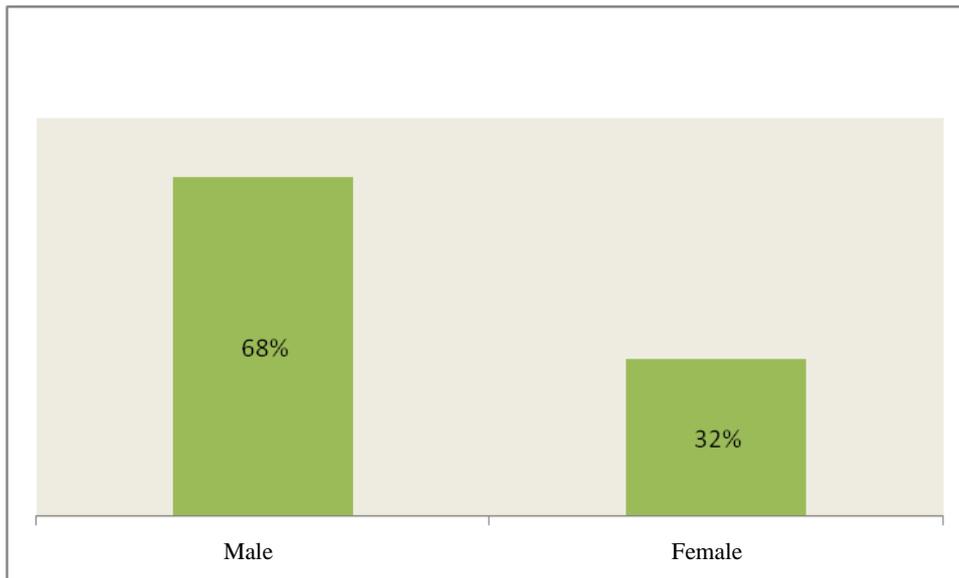
Source: Author, 2014

As shown in Figure 4.1, majority 624 (67%) of the respondents were unionised staff while 302 (33%) of the respondents were non-unionised staff. The finding therefore implies that majority of the respondents were unionised.

4.2.2 Distribution According to Gender

The study sought to establish the gender of the respondents; the data collected were presented in the Figure 4.2.

Figure 4.2: Gender of the Respondents



Source: Author, 2014

As shown in Figure 4.2, majority 632 (68%) of the respondents were male while 294 (32%) of the respondents were female. The data collected implies that majority of the employees at the Kenya Power Company were male dominated.

4.2.3 Analysis of Age

Further, the study sought to establish the age of the respondents, the data collected on the age of the respondents was presented in the Table 4.1.

Table 4.1: Age of the respondents

Age of the respondents	Frequency	Percentage
Below 30 years	202	22
31-41 years	403	44
41-50 years	120	13
51-60 years	201	22
Total	926	100

Source: Author, 2014

As shown in Table 4.1, majority of the respondents 403 (44%) were aged between 31-41 years, 202 (22%) of the respondents were aged below 30 years, 201(22%) of the respondents were aged between 51-60 years while 120 (13%) of the respondents were aged between 41-50 years of age. The findings therefore implies that majority of the respondents were aged between 31-41 years of age, implying that majority of the employees of the Kenya Power Company Limited were young adults by age.

4.2.4 Analysis of the Education Level

Table 4.2 presents the data collected on the age distribution of the respondents.

Table 4.2: Education Level

Education level	Frequency	Percentage
Post graduate level	302	33
University	305	33
Tertiary College	116	13
Secondary	203	22
Total	926	100

Source: Author, 2014

As shown in Table 4.2, majority 305 (33%) of the respondents had attained education up to University level, 302 (33%) of the respondents had attained education up to post graduate level, 203 (22%) of the respondents had attained education up to secondary level, while 116 (13%) of the respondents had attained education up to tertiary college level. The findings therefore imply that majority of the employees at Kenya Power Company were literate as shown by majority who possessed post graduate qualifications.

4.2.5 Distribution According to Length of Service

The study sought to establish the distribution of the respondents according to the length of service with the Kenya Power Company the data collected were presented in the Table 4.3.

Table 4.3: Length of Service with the Company

Length of service with the company	Frequency	Percentage
Less than 5 years	234	25
5-10 years	124	13
11-20	182	20
Over 20 years	386	42
Total	926	100

Source: Author, 2014

As shown in Table 4.3, majority of the respondents 386 (42%) had stayed in the company for a period of over 20 years. 234 (25%) of the respondents had stayed in the company for a period of less than 5 years, 182 (20%) of the respondents had been working with the company for a period between 11-20 years. The findings of the study therefore implies that majority of the Kenya Power employees have been working with the company for a period of over 20 years implying that the company had a good retention plan for the employees.

4.3 Rewards and Employee Performance

The objective of the study was to establish the perceived influence of rewards and sanctions on employees' performance. Under this section, the study sought to establish the perceived influence of rewards on employees' performance, the data collected were presented in the Table 4.4.

Table 4.4: Reward and Employee Performance

Reward Statement	Mean	STDev
1. The company's rewards and recognition scheme motivates me to work hard.	3.72	1.441
2. The rewards and recognition scheme in our company effectively retains high performers.	1.46	0.819
3. My loyalty to the company is partly due to the current rewards and recognition scheme.	1.43	0.985
4. The rewards and recognition scheme in our organization is solely implemented based on employee performance.	3.8	1.374
5. Some employees in our organization have been rewarded or recognized yet they did not merit the reward/recognition.	1.4	1.374
6. Knowing about the anomaly in '5' above can have a negative effect on my performance.	1.5	1.470
7. An effective rewards system inspires me to put extra effort in my work.	4.5	0.896
8. An employee who participates in formulating the organization's rewards policy is highly likely to perform at their best.	3.98	1.345
9. A rewards system that is tied to individual performance results in higher productivity for the company.	2.76	1.984

Source: Author, 2014

The findings in Table 4.4 shows that majority of the respondents strongly agreed that an effective rewards system inspires employees to put extra effort in their work. This was shown by a mean score of 4.5, other respondents agreed that an employee who participates in formulating the organization's rewards policy is highly likely to perform at their best as was shown by a mean score of 3.98, that the rewards and recognition scheme in their organization is solely implemented based on employee performance as was shown by a mean score of 3.80. Others reported that the company's rewards and recognition scheme motivates them to work hard as was shown by a mean score of 3.72. Other respondents never agreed nor disagreed on the fact that a rewards system that is tied to individual performance results in higher productivity for the company as was shown by a mean score of 2.76. However, other respondents strongly disagreed that some employees in their organization have been rewarded or recognized yet they did not merit the reward/recognition as shown by a mean score of 1.4, also others disagreed that knowing about the anomaly that some employees have been rewarded or recognized yet they did not merit the reward/recognition can have a negative effect on their performance this was shown by a mean score of 1.5. Also, others still strongly disagreed that their loyalty to the company is partly due to the current rewards and recognition schemes in the organization as was shown by a mean score of 1.43. The set of data also showed standard deviation measuring the spread of the data set and the relationship of the mean to the rest of the data. From the findings the data points are close to the mean, indicating that the responses are fairly uniform and there was a small variance in the response, this was shown by a small standard deviation ranging from 0.891 to 1.985.

By implication, an effective rewards system inspires employees to put extra effort in their work. It is also implied that an employee who participates in formulating the organization's rewards policy is highly likely to perform at their best and that the rewards and recognition scheme in the company is solely implemented based on employee performance. In addition, the company's rewards and recognition scheme motivates employees to work harder. Further, the study revealed that a rewards system that is tied to individual performance results in higher productivity for the company.

4.4 Sanctions and Employee Performance

Further, the study sought to establish the influence of sanctions on employees' performance, the data collected were presented in the Table 4.5.

Table 4.5: Sanctions and Employee Performance

Sanction Statement	Mean	STDev
1. Sanctions stimulate me to work hard and maintain discipline.	2.80	1.374
2. If an effective disciplinary process is in place, employees' performance will improve.	3.40	1.470
3. Employee performance is enhanced when inappropriate behaviour is acted upon immediately it occurs.	2.80	1.896
4. Strict enforcement of discipline against me when I am at fault motivates me to work hard.	3.61	1.785
5. Lack of immediate disciplinary action impacts negatively on employees' performance.	4.56	0.761
6. Sanctions demonstrate that my employer is working with me to help improve my performance.	2.80	1.994

Sanction Statement	Mean	STDev
7. Sanctions should be effected only after more positive teaching/training has failed to achieve the desired result in my performance.	3.61	1.653
8. Sanctions' policy that I have proposed will encourage me to take responsibility for my actions.	2.40	1.675
9. Proper administration of sanctions as a motivational tool can help our company reap positive performance rewards.	3.10	1.564

Source: Author, 2014

The findings in Table 4.5 shows that majority of the respondents strongly agreed that lack of immediate disciplinary action impacts negatively on employees' performance as this was shown by a mean score of 4.56. Other respondents agreed that sanctions should be effected only after more positive teaching/training has failed to achieve the desired result in their respective performance as was shown by a mean score of 3.61. On the same scale, others agreed that strict enforcement of discipline against them when at fault motivates them to work hard. Respondents neither agreed nor disagreed with the fact that if an effective disciplinary process is in place, employees' performance will improve as was shown by a mean score of 3.40. The findings also noted that proper administration of sanctions as a motivational tool can help the company reap positive performance rewards as was shown by a mean score of 3.10. Consequently, other respondents neither agreed nor disagreed with the fact that sanctions stimulate them to work hard and maintain discipline and that employee performance is enhanced when inappropriate behaviour is acted upon immediately it occurs – these were shown by a mean score of 2.80 in each case.

A few of the respondents disagreed that a sanctions policy that they have proposed will encourage them to take responsibility for their actions as was shown by a mean score of 2.40. The set of data also showed standard deviation measuring the spread of the data set and the relationship of the mean to the rest of the data. From the findings the data points are close to the mean, indicating that the responses are fairly uniform and there was a small variance in the response, this was shown by a small standard deviation ranging from 1.564 to 1.675.

By implication, lack of immediate disciplinary action impacts negatively on employees' performance. Hence, sanctions should be effected only after more positive teaching/training has failed to achieve the desired result in the respective employee's performance. The findings also imply that strict enforcement of discipline against employees when at fault motivates them to work hard and when an effective disciplinary process is in place, employees' performance will improve significantly.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on the perceived influence of rewards and sanctions on employees' performance at Kenya Power Company. It also gives the conclusions and recommendations derived from the findings. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

5.2 Summary of the Findings

The objective of this study was to establish the perceived influence of rewards and sanctions on employees' performance in Kenya Power Company. From the findings, it was clear that majority 624 (67%) of the respondents were unionised staff while 302 (33%) of the respondents were non-unionised staff, 632 (68%) of the respondents were male while 294 (32%) of the respondents were female, 403 (44%) were aged between 31-41 years, 202 (22%) of the respondents were aged below 30 years, 201(22%) of the respondents were aged between 51-60 years while 120 (13%) of the respondents were aged between 41-50 years. 302 (33%) of the respondents had attained education up to post graduate level, 305 (33%) of the respondents had attained education up to university level, 203 (22%) of the respondents had attained education up to secondary level, while 116 (13%) of the respondents had attained education up to tertiary college level.

In addition, majority 386 (42%) of the respondents had stayed in the company for a period of over 20 years, 234 (25%) of the respondents had stayed in the company for a period of less than 5 years, and 182 (20%) of the respondents had been working with the company for a period of between 11-20 years.

On the influence of rewards on employees' performance, the study revealed that: an effective rewards system inspires employees to put extra effort in their work, an employee who participates in formulating the organization's rewards policy is highly likely to perform at their best, that the rewards and recognition scheme in the organization is solely implemented based on employee performance, and the company's rewards and recognition scheme motivates employees to work harder. Further, the study revealed that a rewards system that is tied to individual performance results in higher productivity for the company.

On the influence of sanctions on employee performance, the findings revealed that lack of immediate disciplinary action impacts negatively on employees' performance. Sanctions should be effected only after more positive teaching/training has failed to achieve the desired result in the respective employee's performance, strict enforcement of discipline against employees when at fault motivates them to work hard and when an effective disciplinary process is in place, employees' performance will improve significantly.

Therefore, the study findings revealed that rewards and sanctions contributed significantly to influence employee performance. Rewards and sanctions affect the various aspects of employee motivation that contributes to influence on their performance.

5.3 Conclusion

The study sought to find out the perceived influence of rewards and sanctions on employees' performance at the Kenya Power Company Limited. Based on the findings, the study concludes that majority of the employees of the Company are unionised staff as shown by the response. Further, the study concludes that majority were male, most of the employees were aged between 31-41 years, and that most of the employees had attained education up to university level. Further, the study concludes that majority of the employees had stayed in the company for a period of over 20 years.

On the influence of rewards on the employees' performance, the study concluded that with an effective rewards system in place, employees are inspired to put extra effort in their work. In addition, employees who participate in formulating the organization's rewards policy are highly likely to perform at their best. The study also concluded that the rewards and recognition scheme in the organization is solely implemented based on employee performance and that a rewards system that is tied to individual performance results in higher productivity for the company. These conclusions therefore support both the expectancy and equity theories that there is need for organizations to directly relate rewards to performance and ensure that the rewards provided are those that are deserved by the employees, and that if the rewards system in place is perceived as being fair, then employees will be content.

On the influence of sanctions on employee performance, the study concludes that lack of immediate disciplinary action impacts negatively on employees' performance. Further, the study concludes that sanctions should be effected only after more positive teaching/training has failed to achieve the desired results in the respective employee's

performance. In addition, when strict enforcement of discipline against employees who are at fault is in place, then they are motivated to work hard, and thereby employees' performance will significantly improve.

5.4 Limitations of the Study

Data was collected based on the influence of rewards on employee performance and the influence of sanctions on employee performance hence the tendency for bias. To overcome this, the questions on rewards, sanctions and employee performance should have each been categorised separately.

5.5 Recommendations

The study sought to establish the perceived influence of rewards and sanctions on the performance of employees. The study recommends that the organization should focus on linking individual performance with organizational performance and goals, thereby, enabling supervisors and appraisers to continually assess work progress, and assess, on a timely basis, the learning and developmental needs of staff. Further, the study recommends that the organization should invest in promoting accountability and communication amongst employees. This will encourage continuous feedback between employees and their supervisors through: setting the basis on which their performance is monitored, improving the quality of work through better planning and fair participation in appraisal, and providing information for decision-making on administrative and human resource issues that needs to be strengthened.

The study recommends that it is important to ensure that training needs or skills gaps identified from employees are addressed in a timely manner and feedback is given to improve job performance. Training also needs to be done on how to conduct respective organizational tasks, and mechanisms should be put in place to ensure that employee job performance increases.

Further, the study recommends that greater sensitization of employees be done to ensure authenticity of results so that all parties in the performance management process jointly set targets at the beginning of the year, conduct continuous and mid-year review and at the end of the year, objectively give a report on actual results.

5.6 Areas for Further Studies

A research should be done on challenges facing effective implementation of rewards and sanctions in organizations. A research should also be done on the perceived influence of rewards and sanctions on employee performance involving a large number of organisations, as this research was based on only one organisation.

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APPENDIX 1: QUESTIONNAIRE

This questionnaire is made up of three sections A, B and C. Please answer each question by placing a tick (✓) against the appropriate box. The information will be used for the purpose of this research only; therefore do not write your name on the answer sheet. Responses will be handled with strict confidence.

SECTION A: Background Information on Respondent's background (Answer as appropriate by placing a tick (✓) against the appropriate box)

1. Job category: Unionised staff Non-Unionised staff

2. Gender: Male Female

3. Age bracket:

Below 30	<input type="checkbox"/>
31 – 40	<input type="checkbox"/>
41 – 50	<input type="checkbox"/>
51 – 60	<input type="checkbox"/>

4. Level of Education:

Post graduate level	<input type="checkbox"/>
University	<input type="checkbox"/>
Tertiary College	<input type="checkbox"/>
Secondary	<input type="checkbox"/>

5. Length of Service with the Organization:

- a) Less than 5 years
- b) 5 – 10 years
- c) Over 10 years

6. List the document(s) in your organization that you have access to, with regards to Rewards and Sanctions.

a)
b)
c)

SECTION B: Rewards and Employee Performance

For each statement below, you have a choice from five answers. Place a tick (✓) in the appropriate box that reflects your choice.

KEY:

- 1 = Strongly Disagree (SD)**
- 2 = Disagree (D)**
- 3 = Neither Agree nor Disagree (N)**
- 4 = Agree (A)**
- 5 = Strongly Agree (SA)**

	Statement	Rating				
		SD	D	N	A	SA
1.	The company's rewards and recognition scheme motivates me to work hard.	1	2	3	4	5
2.	The rewards and recognition scheme in our company effectively retains high performers.	1	2	3	4	5
3.	My loyalty to the company is partly due to the current rewards and recognition scheme.	1	2	3	4	5
4.	The rewards and recognition scheme in our organization is solely implemented based on employee performance.	1	2	3	4	5
5.	Some employees in our organization have been rewarded or recognized yet they did not merit the reward/recognition.	1	2	3	4	5
6.	Knowing about the anomaly in '5' above can have a negative effect on my performance.	1	2	3	4	5
7.	An effective rewards system inspires me to put extra effort in my work.	1	2	3	4	5
8.	An employee who participates in formulating the organization's rewards policy is highly likely to perform at their best.	1	2	3	4	5
9.	A rewards system that is tied to individual performance results in higher productivity for the company.	1	2	3	4	5

SECTION C: Sanctions and Employee Performance

For each statement below, you have a choice from five answers. Place a tick (✓) in the appropriate box that reflects your choice.

KEY:

- 1 = Strongly Disagree (SD)**
- 2 = Disagree (D)**
- 3 = Neither Agree nor Disagree (N)**
- 4 = Agree (A)**
- 5 = Strongly Agree (SA)**

	Statement	Rating				
		SD	D	N	A	SA
1.	Sanctions stimulate me to work hard and maintain discipline.	1	2	3	4	5
2.	If an effective disciplinary process is in place, employees' performance will improve.	1	2	3	4	5
3.	Employee performance is enhanced when inappropriate behaviour is acted upon immediately it occurs.	1	2	3	4	5
4.	Strict enforcement of discipline against me when I am at fault motivates me to work hard.	1	2	3	4	5
5.	Lack of immediate disciplinary action impacts negatively on employees' performance.	1	2	3	4	5
6.	Sanctions demonstrate that my employer is working with	1	2	3	4	5

	Statement	Rating				
		SD	D	N	A	SA
	me to help improve my performance.					
7.	Sanctions should be effected only after more positive teaching/training has failed to achieve the desired result in my performance.	1	2	3	4	5
8.	Sanctions' policy that I have proposed will encourage me to take responsibility for my actions.	1	2	3	4	5
9.	Proper administration of sanctions as a motivational tool can help our company reap positive performance rewards.	1	2	3	4	5