

**THE RELATIONSHIP BETWEEN PERCEIVED EQUITY
IN PERFORMANCE-BASED COMPENSATION AND
ORGANIZATIONAL COMMITMENT AMONG STAFF AT
THE KENYA POLYTECHNIC UNIVERSITY COLLEGE**

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DECLARATION

This research project is my original work and has not been submitted or presented for examination in any other university, either in part or as a whole.

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DEDICATION

This project is dedicated to my grandmother Salome Yeswa, my dad Alphonse Yeswa and my mom Rita Mitalo, may God bless you and add you many more years. My husband Elly and daughters Triza and Tamika, I love you.

ABSTRACT

Performance-based compensation and organization commitment aspects in public and private universities are increasingly important. Publicly funded universities have to seek for additional resources from private market to monitor and develop performance and commitment of their employees accordingly. The number of government-funded students in public universities has been decreasing rapidly, and the share of tuition fees has increased. Thus, public universities have been exposed to market pressures that require dynamic approaches including compensating employees based on their performance to enhance organizational commitment. The main objective of this study was to establish the relationship between perceived equity in performance-based compensation and organizational commitment among staff at the Kenya Polytechnic University College. The research adopted descriptive survey design. Primary data was collected in this study using a structured questionnaire. The data was analyzed by use of descriptive statistics to summarize and relate variables which were obtained from the administered questionnaires. The data was summarized using descriptive measures, percentages, frequency distribution tables. Tables and graphs were used to present the findings. The relationship between perceived equity in performance based compensation and organizational commitment was estimated using Karl Pearson's Correlation Co-efficient techniques. The study found out that there was a moderate relationship between equity in Performance-based compensation and organizational commitment. This study recommended that universities should adopt performance-based pay criterion that is acceptable by every employee in compensating staff. They should involve all stakeholders when drafting performance-based policies. Further studies should be carried out in to establish the effects of ethnicity on organizational commitment in public institutions.

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ABBREVIATIONS

T	-	Teaching/Academic Staff
NT	-	Non-teaching/Non-academic Staff
KPUC	-	Kenya Polytechnic University College
ESOPS	-	Employee Stock Option Plans
IGU	-	Income Generating Unit
IGA's	-	Income Generating Activities

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Compensation of educators has been one of the major subjects in the public discussions about the future and quality of the education system. It is possible that public universities have to take into account the growing role of private funding, which could be seen as organizational innovation towards the new set of performance values (Kulno & Tõnu, 2007). Currently, many organizations are implementing or planning to implement, reward and/or recognition programmes believing that these will help bring about the desired cultural change. In some organizations, large amounts of money are being invested in these types of activities and some managers are required specifically to set aside a certain amount from their budgets for this purpose. This rationale is based on the assumption that these types of incentives will encourage employee loyalty, foster teamwork and ultimately facilitate the development of the desired culture that encourages and supports knowledge sharing. Others maintain that to encourage knowledge-sharing organizations should design reward and recognition systems that stimulate sharing of all kinds: goals, tasks, vision as well as knowledge (Denning, 2001).

According to Robbins and Judge (2011), piece-rate plans, merit-based pay, bonuses, profit sharing, gain sharing, and employee stock ownership plans are all forms of performance-based compensation, which bases a portion of an employee's pay on some individual and/or organizational measure of performance. Williams (2002) observed that performance evaluation is important when compensating employees. He identified five procedural factors that contribute to perceived fairness of the evaluation process, that is,

employee input, two-way communication, employees' ability to challenge the evaluation, the evaluator being familiar with employees work and standards being applied consistently. Williams found out that fairness has positive outcomes on employee performance and commitment to the organization. To foster the perception of fairness, it is necessary for both structural and interpersonal features of performance management to be built on justice principles.

1.1.1 The Concept of Perception

Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environments. However, what we perceive can be substantially different from objective reality. Our perception and judgement of a person's actions, therefore will be significantly influenced by the assumptions we make about that person's internal state (Robbins & Judge, 2011). McGinnis, 2007 defines perception as the process of conceiving phenomena that involves acquiring, interpreting, selecting and organizing sensory information, and reacting to sensory stimuli or data. According to McGinnis, Perception has three components: a perceiver, the target, and some situational context in which the perception is occurring. Each component influences the perceiver's impression or interpretation of the target.

Nelson and Quick (2008) observed that there is always a linkage between perception and individual quality of decision making. These elements make the management of perception in organizational performance appraisal systems. Organizations often use subjective measures of employees' performance provided by managers. Where the process is ineffective, it results in shortcuts in judgement manifested through selective

perception, halo effects, contrast effects (where the perceiver notices differences between things, not absolute measures), projection (an individual's uncomfortable thoughts or feelings may project onto other people) and stereotyping, which are positive or negative generalizations about people. According to Mullins (2010), understanding of perception is essential to ensure that managers are aware of the problems that can arise from the process of attention and selectivity. The process of perception is innately organized and patterned in order to provide meaning for the individual and is based on both internal and external factors. According to research carried out by Gomez-Mejia (2010), employees do not often believe that pay-for-performance programmes are fair or that they truly reward performance. However, Gomez does not relate this to organizational commitment.

1.1.2 The Concept of Equity

Equitable pay is pay that employees generally view as fair. According to Robbins & Judge (2011), distributive justice is about fairness in treatment such as amount and allocation of rewards among individuals. Organizational justice is a perception of what is fair in the workplace. Employees perceive their organizations as just when they believe the outcomes they have received and the way they received them are fair. One key element of organizational justice is an individual's perception of fairness. In other words, fairness or equity can be subjective, residing in our perception. What one person sees as unfair, another may see as perfectly appropriate. In general, people are ego-centric and thus are prone to self-serving bias. They see procedures favouring themselves as fair.

Justice is a multidimensional concept that comprises how much we get paid compared to what we should be paid (distributive justice), how we get paid (procedural justice) and perceived degree to which one is treated with dignity and respect (interactional justice). Employees are concerned with both internal and external pay equity, but these objectives are often at odds (Robbins & Judge, 2011). According to Cole (1995), when people perceive an inequitable situation for themselves, they can be predicated to make one of the following choices: change their inputs, change their outcomes, distort perceptions of self, distort perceptions of others, choose a different referent or quit the job. The ‘felt fair’ factor is essentially a restatement of ‘individual perception of fairness’.

1.1.3 Performance-based Compensation

Most workers believe that those who work harder and produce more should be rewarded accordingly. When pay is tied to performance, the employee’s earnings also recognize contribution rather than being a form of entitlement. Over time, low performers pay stagnates, while high performers enjoy pay increases commensurate with their contributions (Robbins & Judge, 2011). Pay-for-performance systems reward employee for performance on the basis of how much they contribute to the firm, the firms overall performance, to attract, retain, motivate high performances and to be fair to all employees. Individual pay for performance plans include: merit pay (which becomes part of base salary) and bonuses and awards (given on a one-time basis) determined via supervisory appraisals. Corporation-profit sharing and employee stock option plans (ESOPS) are used to link the firm’s performance with employees’ financial rewards (Gomez-Mejia, 2010).

According to Cole (1995) reasons for introducing performance related pay include problems with incremental systems, reward and motivation, promotion of cultural and organizational change, improving communication, improving recruitment and retention and individualizing industrial relations. Cole associated higher performance ratings with higher increases in merit. Organizations are able to relate performance-based compensation to past performance, and to this extent, it is possible that the reward function of performance-based pay is being satisfied (assuming that those affected do perceive a relationship between their performance and any extra pay they receive). However, the magnitude of the relationship between pay and performance in these studies is not large as there are other factors besides performance which may affect performance-based compensation.

1.1.4 Equity and Performance-based Compensation

Relationship between a firm's performance and pay has become one of the most widely studied questions. Torrington *et al* (2008) studied equity in performance-based compensation system and recommended that employers must ensure that whatever methods that are used to determine pay levels are perceived by employees to operate equitably. However, he did not link fairness in pay levels to organizational commitment. Armstrong (2006) argued that a satisfied worker is not necessarily a productive work and a high producer is not a satisfied worker. People are motivated to achieve certain goals and will be satisfied if they achieve these goals through improved performance. Vroom (1964) observed that some people may be complacently satisfied with their job and will not be inspired to work harder or better. They may be reluctant to admit being dissatisfied with a job or they have no immediate intention of leaving.

In academic placement, monetary compensation and physical working conditions form only one, though important, aspect of the reward. Studies have shown that the academic staff values autonomy and flexibility as job characteristics tend to remain in the academic sector even when their working conditions deteriorate. Giving an employee a higher level of responsibility and a corresponding authority is another way of rewarding performance in an academic institution. This is usually common for a staff that have consistently achieved or exceeded expectations and have the skills required for the higher level. Training would also be provided to expose staff to new skills which would either enhance their performance or would be needed in performing higher responsibilities. Other incentives may include, job expansion secondment to parent or sister institution and commendations such as staff of the year award (Bellamy, Morley & Watty, 2003).

1.1.5 Organizational Commitment

Organizational commitment is an individual's psychological bond to the organization including a sense of job involvement, loyalty, and a belief in the values of the organization (Mullins, 2010). Robbin and Judge (2011) refers to the term 'Organizational commitment' as the degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization. It is a link between an employee and the organization that makes turnover less likely. Affective commitment is defined as an employee's emotional attachment to, identification with, and involvement in the organization. Continuance commitment is a desire to continue to engage in consistent lines of activity which would be lost if the activity were discontinued, it is the economic value of remaining with an organization.

Normative commitment is an obligation to remain with the organization for moral or ethical reason

Research by Robbin and Judge (2011) revealed a positive relationship between organizational commitment and job productivity but a modest one. However, the he failed to link organizational commitment to perceived equity in performance-based pay. The extent of employee commitment may have a major influence on their work performance. Genuine commitment requires not just understanding of what the organization expects but an emotional and behavioural response from staff. People's behavior and the level of commitment is influenced by the nature of psychological contract and the degree to which it is perceived as fair by both the individual and the organization. An important influence on the strength of commitment is the nature of reward system, the satisfaction of needs and expectations at work (Mullins, 2010).

1.1.6 The link between Perceived Equity in Performance-Based Compensation and Organizational commitment

Pay for performance may lead to greater productivity but lower job satisfaction. Research carried out by Gomez-Mejia (2010) suggests that the more pay is tied to performance, the more work unit begins to unravel and the more unhappy employees become. A recent research carried out by Robin and Judge (2011), distributive justice which is perceived fairness of the outcome, is related to organizational commitment and satisfaction with outcomes such as pay. Procedural justice relates to job satisfaction, employee trust, withdrawal from the organization, job performance and citizenship behavior. There has been less evidence about interactional justice and Performance-based pay.

A study by Torrington, Laura and Taylor (2008) shows that perceived inequity in payment matters can be highly damaging to an organization. A key determinant of satisfaction at work is the extent to which employees judge pay levels and pay increases to be distributed fairly. Where employees believe that they are not being fairly rewarded they show signs of 'dissonance' or dissatisfaction which leads to absence or non-commitment to the organization, voluntary turn over and low-trust employee relations. Methods used to determine pay levels and to decide whatever elements make up the individual pay package should be perceived by employees to operate equitably. A further study on the relationship between perceived equity in Performance-based compensation and organizational commitment is necessary to clearly determine the link between the variables.

1.1.7 Kenya Polytechnic University College

The Kenya Polytechnic was established in 1960 to provide education and training in the technical and vocational fields to those who were already working in industry. In 2007, it was reconstituted as the Kenya Polytechnic University College (KPUC) and as a constituent college of the University of Nairobi. Under this new status, the institution was granted the powers to offer education and training at the degree level while at the same time retaining its traditional mandate of offering middle level education and training in the technical and vocation fields (Kenya Polytechnic Strategic Plan, 2010-2015).

Income Generating Activities (IGA's) is one of the ways in which KPUC raises funds to supplement the budget and reward staff for their performance. There is an Income Generating Policy which guides resource allocation mechanism and distribution of surplus. Issues have been raised on the mechanisms of compensation of Income

Generating Unit (IGU) staff and sharing of profits at University College. According to the distribution formula adopted by the University College (Kenya Polytechnic University College Income Generating Policy, 2010), the sharing ratio is: 10% for overhead expenses, 54% goes to direct service providers and 36% to the University College for distribution, that is, Central Administration 20%, Research Fund 10% and School/Department development kitty 6%. The 20% that goes to Central Administration is distributed to administration staff using their current job groups. Out of the 54% bonus that goes to direct service providers (IGU Unit), 80% is paid to academic staff using the number of hours worked for academic staff while 20% is shared among non-academic staff using their job groups.

The proposed staff payment list is approved by the Head of Department, the College Registrar, Deputy Principal Academic Affairs and the Finance Officer before payment is done (Kenya Polytechnic University College Income Generating Policy, 2010). A question arises whether the distribution is fair, if all service providers to Income Generating Units are considered in the sharing ratios and whether the sharing ratios are perceived to be fair by the concerned parties. Given the importance of equity in performance-based compensation, the authors aim is to find out whether there is a relationship between perceived equity in performance-based compensation and organizational commitment at Kenya Polytechnic University College.

1.2 Statement of the Problem

Perceived equity in performance-based compensation is an important factor that can affect organizational efficiency and commitment. The relationship between perceived equity in performance-based compensation and organizational commitment is an issue of continuing debate and controversy. According to Kiarie (2001), compensation can be based on input or output. While input is difficult to measure, output depends not just on the manager's decisions but also on many other events outside his or her control such as state of the economy and the industry. There should therefore be a compromise so as to leave all stakeholders satisfied. As noted by Gilliland (1994), without the perception of fairness, a system that is designed to appraise, reward, motivate, and develop can actually have the opposite effect and create frustration and resentment. There has been apparent contradiction between research findings on perceived equity in performance-based pay and what people expect, and on the basis of common sense calls for more research on the link between perceived equity in performance-based compensation and organizational commitment.

Over the past decade, public universities have continued to receive less financial allocation from the Government than the estimated expenditure, a trend which is expected to persist. Consequently, the cost of staff, learning and research materials, catering and accommodation services coupled with inflationary pressures has made it difficult to sustain the operation of universities. Kenya Polytechnic University College Income Generating Activities is one of the ways in which the University College raises funds to supplement the budget and reward staff for their performance. Issues have been

raised on sharing of money generated by the Income Generating Unit (IGU) at the University College. There have been equity concerns that a considerable share of the amount collected is paid to academic staff and much less to non-academic staff. Given the importance of equity in Performance-based compensation, the authors aim is to study the relationship between perceived equity in Performance-based compensation used by Kenya Polytechnic University College and organizational commitment.

In Kenya, a number of studies have been conducted on performance-based compensation and employee commitment. Kithiaya (2011) conducted a research on job satisfaction and employee commitment found out that job satisfaction was important in helping organizations improve organizational commitment and job performance. However, he failed to recognize the importance of equity in performance-based compensation to improving organizational commitment. Makawiti (2011) studied perception of academic staff in public universities towards application of performance appraisals and recommended that there was need to manage academic staff perceptions and organization-wide matters affecting procedural and distributive justice. However, he did not link fairness in pay levels to performance and also failed to analyze how this could affect employee commitment. Though researchers in Kenya have tried to link pay and organizational commitment, the connections between perceived equity in performance-based compensation and organizational commitment is not conclusive. This calls for further studies on the link between the two variables. In view of the above therefore, the following research question emerges, what is the relationship between perceived equity in performance-based compensation and organizational commitment?

1.3 Objective of the Study

The objective of this study is to determine the effects of perceived equity in Performance-based compensation on organizational commitment.

1.4 Value of the Study

This study is informative to the government and other stakeholders in terms of policy administration and ensuring equity in Performance-based Compensation. The study findings are to inform policy makers at Kenya Polytechnic University College on the perceptions of its employees on the Equity in Performance-based Compensation so as to make informed decisions to improve organizational commitment.

This study results and recommendations form part of the literature on Performance-based Compensation. The general public will be informed better about the equity in Performance-based Compensation System at Kenya Polytechnic University College. The study is to help scholars in the field of Human Resource Management to improve their understanding in various aspects of Performance-based Compensation especially organizational commitment and job performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides a review of the literature on equity in Performance-based Compensation and organizational commitment. The review is divided into the following sections: theories of equity and justice, essential literature that explains perception, equity, performance-based compensation and organizational commitment and conceptual framework of perceived equity in performance-based compensation and organizational commitment.

2.2 Theories of Equity and Justice

Different theories have been formulated to try and explain the relationship between equity in performance-based compensation and organizational commitment.

2.2.1 Equity Theory

The pay-for-performance effect is clearly rooted in the equity theory that emphasizes employees' perception of fairness. According to the theory, employees will perceive a practice to be fair or equitable when their input-output ratio is equal to that of a referent. When paid in accordance to individual performance, it is likely that employees perceive fairness or justice in the ratio. Studies have shown that a rating based on individual performance and a salary based on the rating tend to enhance employee perceptions of distributive justice (Campbell, Trapnell, Katz, Lavelle and Lehman, 1996).

The Adams' Equity Theory model incorporates influence and comparison of other people's situations - for example colleagues and friends - in forming a comparative view

and awareness of Equity, which commonly manifests as a sense of what is fair. When people feel fairly treated they are more likely to be motivated; when they feel unfairly treated they are highly prone to feelings of disaffection and demotivation. The way that people measure this sense of fairness is at the heart of Equity Theory.

2.2.2 Social Justice Theory

The organizational justice literature provides a robust framework for explaining and improving perceptions about Performance-based compensation system. Organizational justice is deeply rooted in social exchange theory. Social exchange theories make two basic assumptions about human behavior: social relationships are viewed as exchange processes in which people make contributions for which they expect certain outcomes; and, individuals evaluate the fairness of these exchanges using information gained through social interactions (Mowday, Steers, Porter, 1979).

Social justice theory suggests that social exchanges are perceived as fair when people sense that their contributions are in balance with their rewards. Research discovered that individuals would accept a certain amount of injustice in outcome distributions as long as they perceived that the procedures that led up to those outcomes were fair (Cropanzano & Konovsky, 1991). Procedural justice describes the phenomena of perceived fairness in the allocation process. Leventhal (1976) identified seven procedural categories that individuals can use in order to determine the fairness of organizational processes. These include procedures for selecting agents, setting ground rules, collecting information, making decisions, appealing decisions, safeguarding employee rights, and changing procedures. An individual's awareness of unfair practices in any one of the seven factors

can lead to perceptions of injustice. Since the publication of Leventhal's model, researchers have clearly demonstrated the existence of two justice factors: a distributive factor associated with the fairness of distribution of outcomes, and a procedural factor associated with the fairness of the means used to determine the outcomes.

2.3 Perception

The concept of perception is derived from Gestalt psychology theory (Hothersall, 2003), which posits that our subjective experience or perception is not simply a collection of sensations but the sum of accumulated experiences and individual outlook. Since people have a limited capacity to process, store and retrieve information, it makes them prone to bias when it comes to evaluating others (Elsbach, Barr, & Hargadon, 2005). According to Cole (1995), the extent to which an individual's perception of the event matches what is truly there depends on factors at work in the perceiver, such as the individual's physical health, intelligence level, degree of open-mindedness, and general level of emotional well being and factors at work in the external situation such as whether this is a new experience or a repeat of a past event, the extent of involvement of others especially those who bring strongly positive or negative messages.

Individual's personal values and attitudes play a key role in the way people, things and events are perceived (Parker, Baltes, Yough, Huff, Altmann, Lacost & Roberts 2003). These values and attitudes develop from early childhood onwards as a result of upbringing, education and experience of life. Indeed, the manner in which employees perceive environmental factors mediates much of the influence of the work environment on individual behavior. Armstrong (2004) reported that people channel their discretionary

effort into their work if they believe it has meaning and is worthwhile and appreciated. The reward can come as a consequence of the way in which leaders treat their people and their contribution. Employees do not often believe that pay-for-performance programmes are fair or that they are truly reward performance (Gomez-Mejia, 2010).

2.4 Equity

According to Torrington *et al* (2008) every employee has a strong feeling about the level of payment that was fair for the job. In most cases, this is a rough, personalized evaluation of what is appropriate, bearing in mind the going market rate and personal contribution vis-à-vis that of fellow employees. The employee who feels underpaid is likely to demonstrate the conventional symptoms of withdrawal from the job; looking for another, carelessness, disgruntlement, lateness, absence and the like. Perhaps, the worst manifestation of this is among those who feel the unfairness but who cannot take a clean step of moving elsewhere. They then not only feel dissatisfied with their pay level but also feel another unfairness too: being trapped in a situation they resent (Torrington *et al*, 2008).

There are two forms of pay equity. Internal Equity refers to the perceived fairness of the pay structure within a firm. External equity refers to the perceived fairness of pay relative to what other employers are paying for the same type of labour. Ideally, a firm should try to establish both internal and external pay equity, but these objectives are often at odds. For instance, universities pay new assistant professors more than senior faculty who have been with the institution for a decade or more, and firms sometimes pay recent graduates more than those who have been on board for many years (Gomez-Mejia, 2010).

2.5 Performance-based Compensation

Performance-based compensation is a major element of high performance work systems and is linked to an organization's performance. Assessing performance is one of the thorniest tasks a manager faces, particularly when the assessments are used to dispense rewards (Benerdin, 2007). According to Gomez-Mejia, 2010, accurate measures of performance are not easy to achieve, and trying to pay inaccurate is likely to create problems. According to several studies carried out, the inaccuracy in accessing measures of performance suggests a further study to determine how equity is achieved in Performance-based compensation.

Performance-related salary progression is one way to incentives good performers. It involves the movement of an individual from one step within the grade to the next (also between grades). It is used on recognition of increased value of the jobholder to the organization and therefore a need to compensate them at a commensurate level. Providing an employee with a satisfactory pay package is important to the operations of an organization. If employees do not feel they are being treated fairly, they will act to reduce the tension caused by inequity (Organ, 1994). The researchers have failed to adequately measure the relationship between perceived equity in performance-based compensation on organizational commitment.

2.6 Perceived Equity in Performance-based Compensation

Compensation system must be administered with scrupulous care and fairness; if performance standards are set unrealistically higher, or if individual performance evaluations are not accurate, dissatisfaction with the system will overcome any positive

benefits. The incentives must be tightly linked to achieving only those performance targets spelled out in the strategic plan as performance indicators based on factors not indicated in the strategic plan may send wrong signals about the system (Lawler and Cohen, 1992). The traditional compensation process has three components: determination of internal job value by job analysis and evaluation; determination of job value in external labor market by using, for example, salary survey analysis; and determination of an employee's individual value by means of performance appraisal (Newman, Milkovich 1990). The compensation process should also strive towards fair distribution of benefits. Procedural justice of compensation can be judged on the basis of six rules: consistency, bias suppression, correctability, accuracy, ethicality, and representativeness. A more recent study by Marler, Milkovich & Yanadari (2002) found out that in terms of compensation design, individual level factors play an important role, making earned variable pay dependent on the type of the job performed as well as on the level of the particular employee's job in the organizational hierarchy. On organizational level, performance risks, company size, and strategy all influence short-term variable incentives, but differences in the provided long-term incentives between the companies are associated with differences in organizational performance, but not with risks and strategies.

Indeed, the study of Bloom and Milkovich (2003) indicated that emphasizing (long-term) incentive pay based on higher performance risks of the company could even have detrimental effects on performance compared to those organizations that never use risk-based incentives. Although performance-based compensation has been traditionally very

common, and sometimes complemented by experience-based compensation portion, more contemporary compensation systems are based upon employee's skills and competences. Interestingly, a comparative study of the HRM functions showed that private-sector companies tend to use skills-based or competency-based systems, while public organizations prefer more traditional compensation systems (Budhwar & Boyne, 2004). This allows us to conclude that compensation policies develop faster in the private sector.

2.7 Organizational Commitment

Organizational commitment is a psychological state that binds an individual to the organization. It is a link between an employee and the organization that makes turnover less likely. Affective commitment is an employee's emotional attachment to, identification with, and involvement in the organization (Allen & Meyer, 1990). Continuance commitment is a desire to continue to engage in consistent lines of activity which would be lost if the activity were discontinued (Allen & Meyer, 1990). It has been suggested that general pay satisfaction will have a positive influence on both forms of organizational commitment (Heneman & Judge, 2000). Procedural fairness has been positively related to perceived organizational support and organizational commitment (Kulno & Tonu, 2007). Schein (1980) reported that there are two conditions which exert influence on an employee's willingness to commit to an organization. The first condition is the "goodness of fit" or match of the employee's expectations to the organization's expectations and if there is agreement, then the very nature of what is being exchanged is the second condition. Mutual expectations relative to exchange relationships contribute

to “psychological contract” which specifies expectations of giving and receiving from each other.

Based on the multidimensional nature of organizational commitment, there is a growing support for a three-component model proposed by Meyer and Allen (1990). All the three components have implications for the continuing participation of the individual in the organization. The components are affective commitment (psychological attachment to the organization), continuance commitment (costs associated with leaving the organization) and normative commitment (perceived obligation to remain with the organization). According to Armstrong (2006) when creating a commitment strategy, it is desirable for management to have defined strategic goals and values. And it is equally desirable from management point of view for employees to behave in a way that supports those strategies and values. Creating a commitment strategy includes communication, education, training programmes, and initiatives to increase involvement and ownership and the development of performance and reward management systems (Kithiaya, 2011).

2.8 Perceived Equity in Performance-Based Compensation and Organizational Commitment

According to Robbin and Judge (2011), managers can help foster employees’ perceptions of fairness. First, they should realize that employees are especially sensitive to unfairness in procedures. Thus it is important to openly share information about how allocation decisions are made, follow consistent and unbiased procedures and engage in similar practices to increase the perception of procedural justice. Second, when addressing perceived injustices, managers need to focus their actions on the source of the problem.

In establishing pay, it is not always possible to distribute rewards fairly to everyone's satisfaction, but it is always possible to distribute rewards using procedures which operate equitably (Torrington *et al*, 2008). Many organizations, systematically collect performance information from its employees, internal and external customers and clients, through anonymous surveys and interviews. The information is used alongside other internal information as an ingredient for human resource decisions. This is so because this information provides a unique perspective on organization's performance (Cascio, 2003).

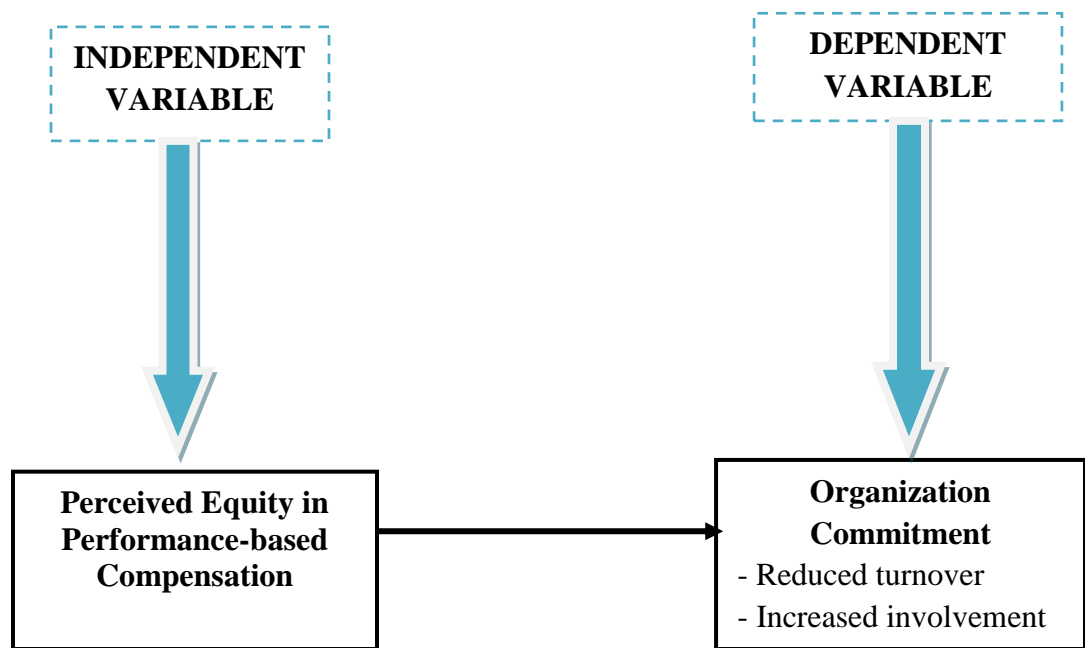
While pay satisfaction antecedent research has been guided by equity and discrepancy theories and dimensionality studies have used the concept of administrative independence, the deficiency in research linking equity in performance-based compensation to organizational commitment has been blamed on the lack of a theoretical model to guide research (Heneman & Judge, 2000). In a recent review, Heneman and Judge (2000) suggested that organizational justice may provide the theory to explain many of the relationships between equity in performance-based compensation to organizational commitment. They suggest, "Fairness, whether in terms of distributive or procedural justice, is central to employee satisfaction. However, the specific relationship between fairness in performance-based compensation to organizational commitment is not defined. Pay for performance may lead to greater productivity but lower organizational commitment. Research carried out by Gomez-Mejia, 2010 suggest that the more pay is tied to performance, the more work unit begins to unravel and the more unhappy employees become. If employees see that pay is not distributed on the basis of

merit, they are more likely to lack commitment to the organization, decrease their level of effort and look for employment opportunities elsewhere.

2.9 Conceptual Framework

The following conceptual framework is developed from the literature review discussed above.

Figure 2.1: Equity in Performance-based Compensation System and Organizational Commitment



Source: Author (2012)

From Figure 2.1 above, it is seen that high equity in performance-based compensation will lead to high organizational commitment and the reverse is true if there is no equity in performance-based compensation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section provides description of methods that were applied in carrying out the research. It is organized under the following sections: research design, target population, sampling design, data collection and data analysis.

3.2 Research Design

The research adopted descriptive survey. Descriptive research studies are those studies concerned with describing characteristics of an individual or a group or situation (Kothari, 2004). This design was considered appropriate because data was obtained from a cross-section of employees.

3.3 Target Population

The researcher purposefully focused on all staff of Kenya Polytechnic University College. The members of staff included both academic and non-academic staff. The total population of 775 distributed as in Table 3.1 below.

Table 3.1: Target Population

S/NO	MEMBERS OF STAFF	NUMBER OF STAFF	PERCENTAGE (%)
1.	Academic staff	327	42
Non-academic staff			
2.	Management Staff Grades (XII-XV)	23	3
3.	Senior Administrative and Clerical Staff (Grades V-X)	159	21
4.	Support Staff (Grades I-IV)	266	34
TOTAL		775	100

Source: Kenya Polytechnic University College Staff List as at 30th July 2012

3.4 Sample Design

The researcher used stratified sampling technique to obtain a representation of a sample from the population since the population was not drawn from a homogenous group. Sample members from the population were selected using the systematic sampling method. Number one (1) was picked as a random starting point followed by any number divisible by three from the list of staff that was provided.

The sample size was based on the theory of “Theoretical Saturation”. According to Strauss and Corbin (1998), saturation occurs somewhere between 10 and 30 interviews. Most of the staff members were aware of the information required by the study and selection of 20% is considered representative of each stratum, cheaper and cost effective beside limited time the analysis was to be done.

Table 3.2: Sample Distribution

S/NO	MEMBERS OF STAFF	POPULATION	SAMPLE RATIO	SAMPLE
1.	Academic staff	327	20%	65
Non-Academic Staff				
2.	Management staff Grades (XII-XV)	23	20%	5
3	Senior Administrative and Clerical Staff (Grades V-XI)	159	20%	32
4	Support Staff (Grades I-IV)	266	20%	53
TOTAL		775	20%	155

3.5 Data Collection

Primary data was collected in this research. The researcher used structured questionnaire to collect primary data from academic and non-academic staff at the Kenya Polytechnic University College. The questionnaire was adopted from Allen and Meyer (1990). The questionnaire was divided into three parts, that is, personal information, equity in performance-based compensation and organizational commitment. The questionnaires were distributed to participants and collected at an agreed time for analysis.

3.6 Data Analysis

Descriptive statistics were generated in this study. The researcher used mean, standard deviation and percentages to determine whether there was equity in performance-based compensation at the Kenya Polytechnic University College. Relationship between perceived equity in performance-based compensation and organizational commitment was estimated using Karl Pearson's Coefficient of Correlation techniques.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the analysis carried out on the variables discussed in the foregoing chapters. It presents descriptive data on the respondents and on perceived equity in Performance-based compensation and organizational commitment. The data was gathered exclusively by use of a questionnaire as the research instrument which was designed in line with the objective of the study.

4.2 The Response Rate

Out of the total 155 questionnaires the researcher administered, 105 were returned. The response rate was therefore 68%. This percentage was fair and representative. Mugenda and Mugenda (1999) stipulate that a response rate of 50% is adequate for analysis and reporting. A response rate of 60% is good and a response rate of 70% is very good. This response rate of 68% is satisfactory to base the study conclusions.

Table 4.1 Response Rate

Questionnaires	Frequency	Percentage	Cumulative percentage
Returned	105	68	68
Unreturned	50	32	100
Total Issued	155	100	

According to table 4.1, out of 155 questionnaires distributed 105 were returned. The rate was however sufficient to base the study findings.

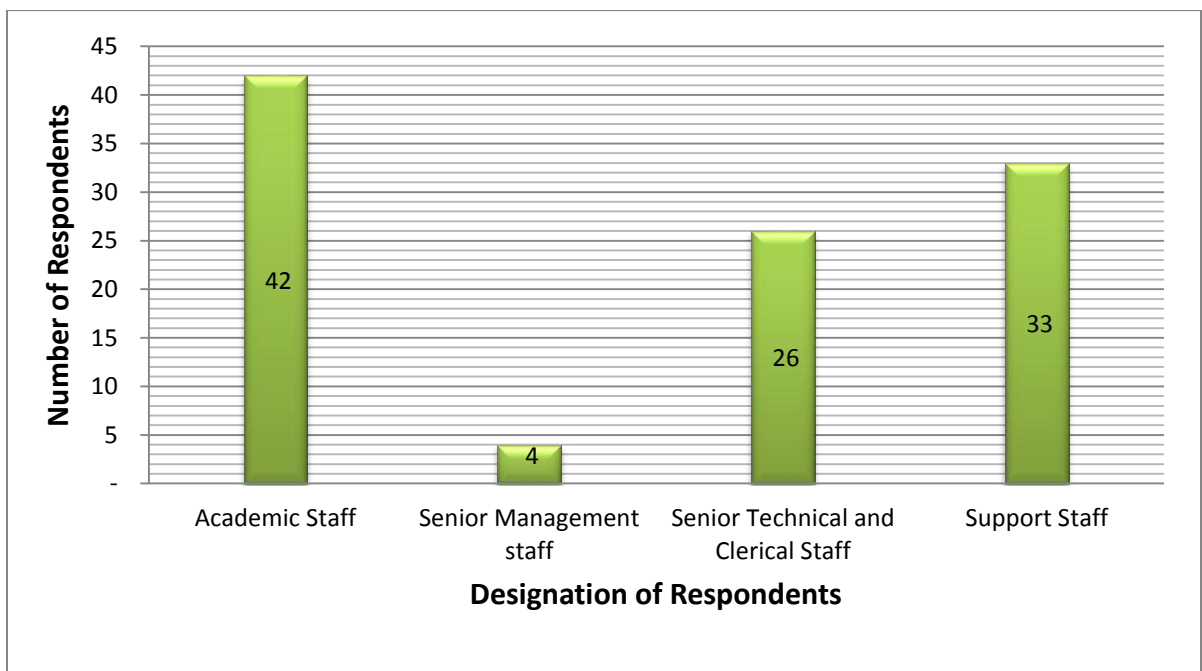
4.3 Demographic Findings

This section presents key characteristics of the respondents. This was intended to establish certain characteristics like employee designation, age, gender, length of service and highest qualifications.

4.3.1 Employee Designation

The respondents were asked to indicate their designations within Kenya Polytechnic University College. The purpose was to establish their role and position in the University College. Figure 4.1 below illustrates the findings.

Figure 4.1: Designation

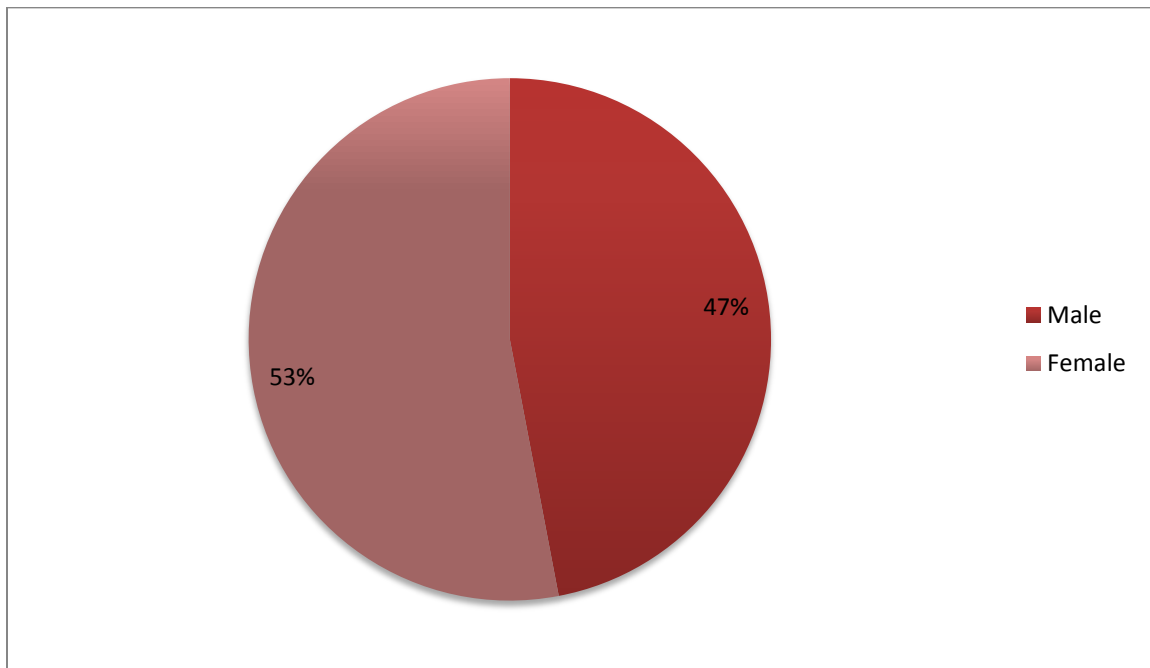


According to figure 4.1, academic staff had the highest respondents (42) followed by support staff with 33 respondents; senior technical and clerical staff had 26 respondents and senior management 4 respondents.

4.3.2 Gender

Respondents were asked to indicate their gender. The purpose was to find out if gender is linked organizational commitment. Figure 4.2 below illustrates the findings.

Figure 4.2: Distribution of Respondents by Gender



According to figure 4.2, female respondents were 53% compared to 47% male respondents.

4.3.3 Age of Respondents

The age distribution of employees can help to evaluate their expectations on equity in performance-based pay. In order to determine their age, respondents were asked to indicate the age brackets they fell in. The distribution is presented in table 4.2 below.

Table 4.2: Age Distribution

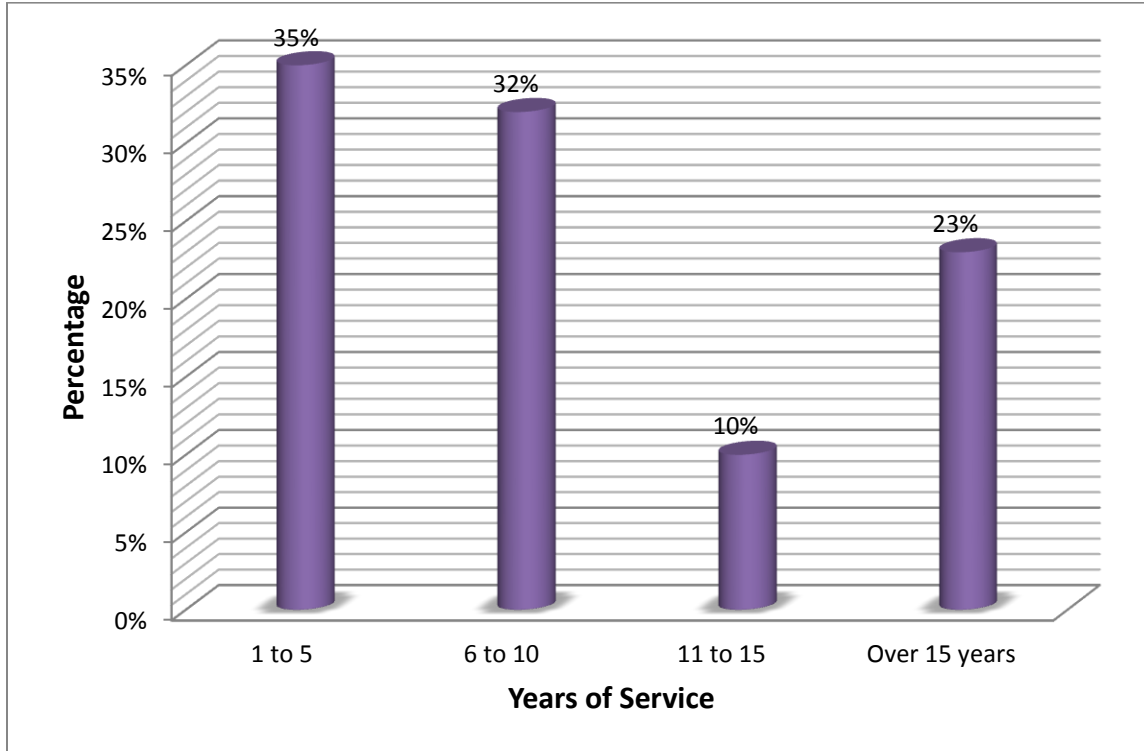
Age	Frequency	Percentage (%)	Cumulative Percentage (%)
20-29	19	18	18
30-39	38	36	54
40-49	28	27	81
50-59	16	15	96
60-69	4	4	100
TOTAL	105	100	

According to table 4.2, many respondents (36%) were aged 30-39 years, followed by 40-49 years (28%). The least respondents were aged 60-69 years with 4%. From the table, it can be seen that organizational commitment reduced with age.

4.3.4 Length of Service

This study sought to determine the years of operation of the employees at KPUC. The purpose was to link the years of experience with organizational commitment to find out if the length of service was due to organizational commitment. The distribution is illustrated in figure 4.3 below.

Figure 4.3: Distribution of Employees by Length of Service



According to figure 4.3, many respondents (35%) had stayed below 5 years with the institution followed by 6-10 years (32%). Respondents who had stayed between 11-15 years were 10% while those who had stayed for over 15 years were 23%. This showed that many employees were new in the organization, that is, below 10 years. This suggests a high rate of turnover which requires more new employees to be recruited to fill the vacancies left by those who have exited.

4.3.5 Highest Qualification

This study set to find out the qualifications of the employees at Kenya Polytechnic University College. The purpose was to link the employees' qualification with organizational commitment. Table 4.3 and 4.4 below shows the findings.

Table 4.3: Academic Staff Qualifications

Qualification	Frequency	Percentage (%)	Cumulative Percentage (%)
Secondary	0	0	0
Diploma	0	0	0
Higher Diploma	0	0	0
Bachelors degree	6	14	14
Masters degree	28	67	81
PhD degree	8	19	100
TOTAL	42	100	

Table 4.4: Non-Academic Staff Qualifications

Qualification	Frequency	Percentage (%)	Cumulative Percentage (%)
Secondary	4	6	6
Diploma	35	56	62
Higher Diploma	2	3	65
Bachelors degree	11	17	83
Masters degree	8	13	95
PhD degree	0	0	95
Others	3	5	100
TOTAL	63	100	

According to table 4.3, many academic staff respondents (67%) were Masters' degree holders. As shown in table 4.4, many non-academic staff respondents were diploma holders at 56%. There are no non-academic members of staff with PhD degree. Likewise there are no academic members of staff with only Secondary, Diploma or Higher Diploma as the highest qualification because of the nature of work carried out by these categories of staff.

4.4 Perceived Equity in Performance-based Compensation

This study sought to determine the perception of employees on equity in Performance-based pay. Using the scale where 1 – strongly disagree, 2 – disagree, 3 – undecided, 4 – agree and 5 – strongly agree provided, the respondents were asked to indicate the extent of their agreement with statements that described their perception of equity in performance-based pay at the Kenya Polytechnic University College. The results are presented below for each statement.

4.4.1 Perception of Employees of Fairness in Performance-based Pay

Employees were asked to indicate their agreement with the statement that performance-based pay in the Institution was fair. Figure 4.4 and 4.5 below indicates their responses.

Figure 4.4: Extent to which Teaching Staff agreed/disagreed that Performance-based Pay Offered by the Institution was Fair

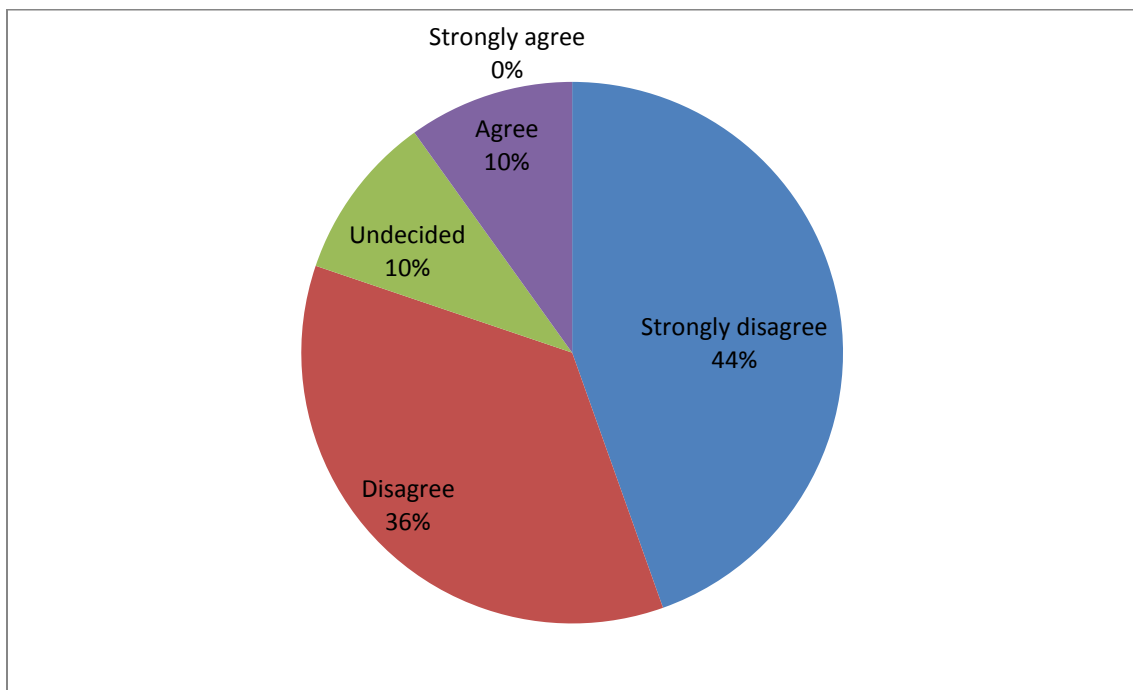
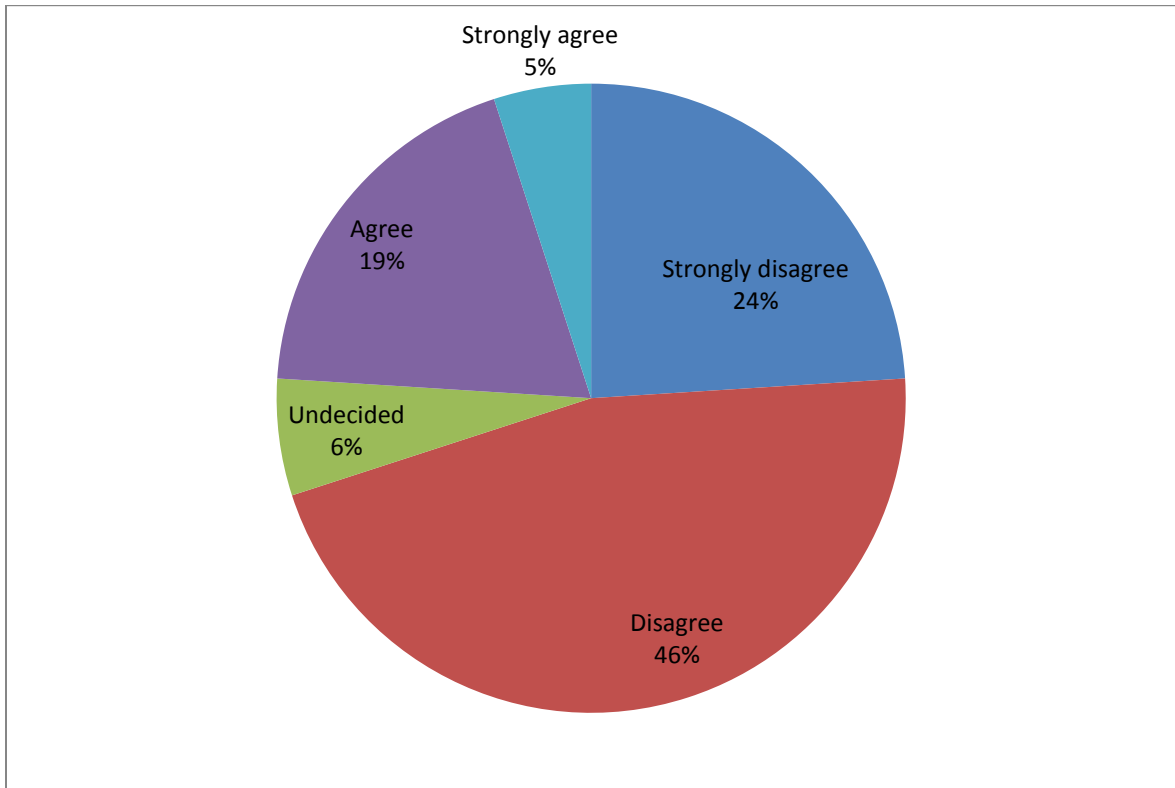


Figure 4.5: Extent to which Non-Teaching Staff agreed/disagreed that Performance-based Pay Offered by the Institution was Fair



According to figure 4.4 above, many academic staff respondents (44%) strongly disagreed that the performance-based compensation in the institution was fair. 36% of academic employees disagreed that the performance-based compensation was fair while only 10% agreed that the pay was fair. Figure 4.5 shows that many non-academic staff (46%) disagreed that the performance-based compensation offered by the institution was fair. 24% of non-academic employees strongly disagreed that the performance-based compensation was fair. Unlike the teaching staff, 19% of non-teaching staff agreed that the pay was fair and 5% strongly agreed they there was fairness in performance-based compensation offered by the Institution.

Overall research findings indicate that both academic and non-academic staff either strongly disagreed or disagreed that they were fairly compensated according to their performance. It seemed that more academic staff felt that performance-based compensation used by the Institution was unfair than non-academic staff.

4.4.2 Perception of Staff on Satisfaction of Performance-based Pay

Employees were asked to indicate their agreement with the statement that they were satisfied with performance-based pay offered by their employer. The responses of both academic and non-academic staff are illustrated in figure 4.6 and 4.7 below.

Figure 4.6: Extent to which Teaching Staff agreed/disagreed that they were satisfied with Performance-based Pay offered by the Institution

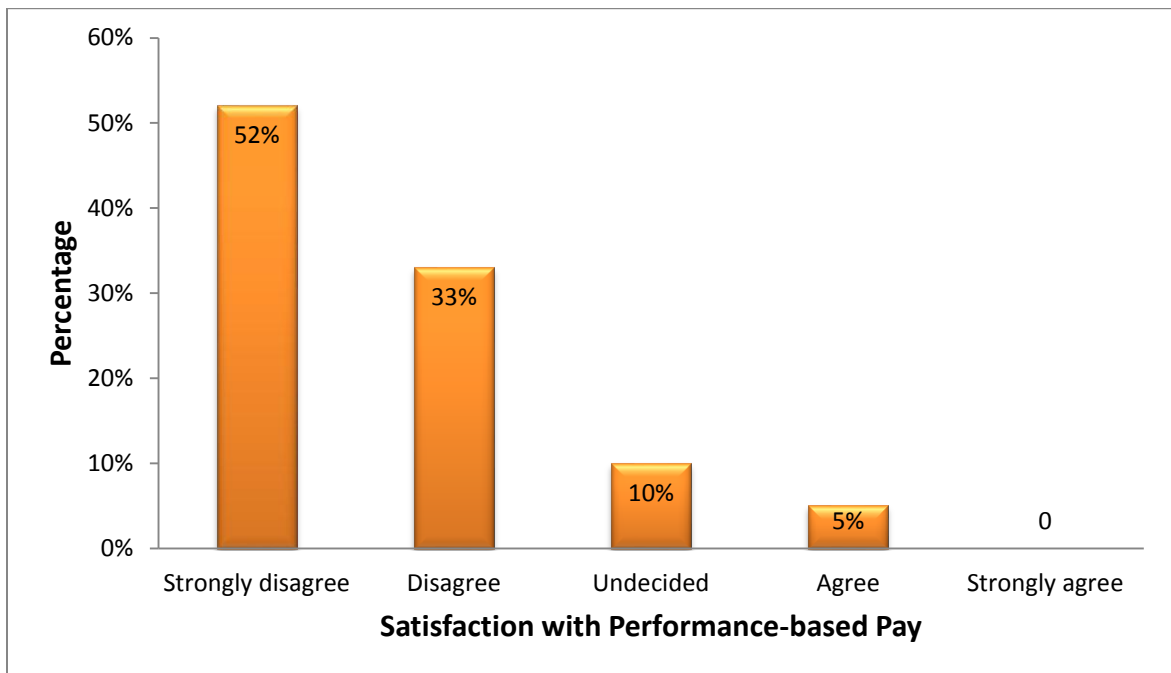
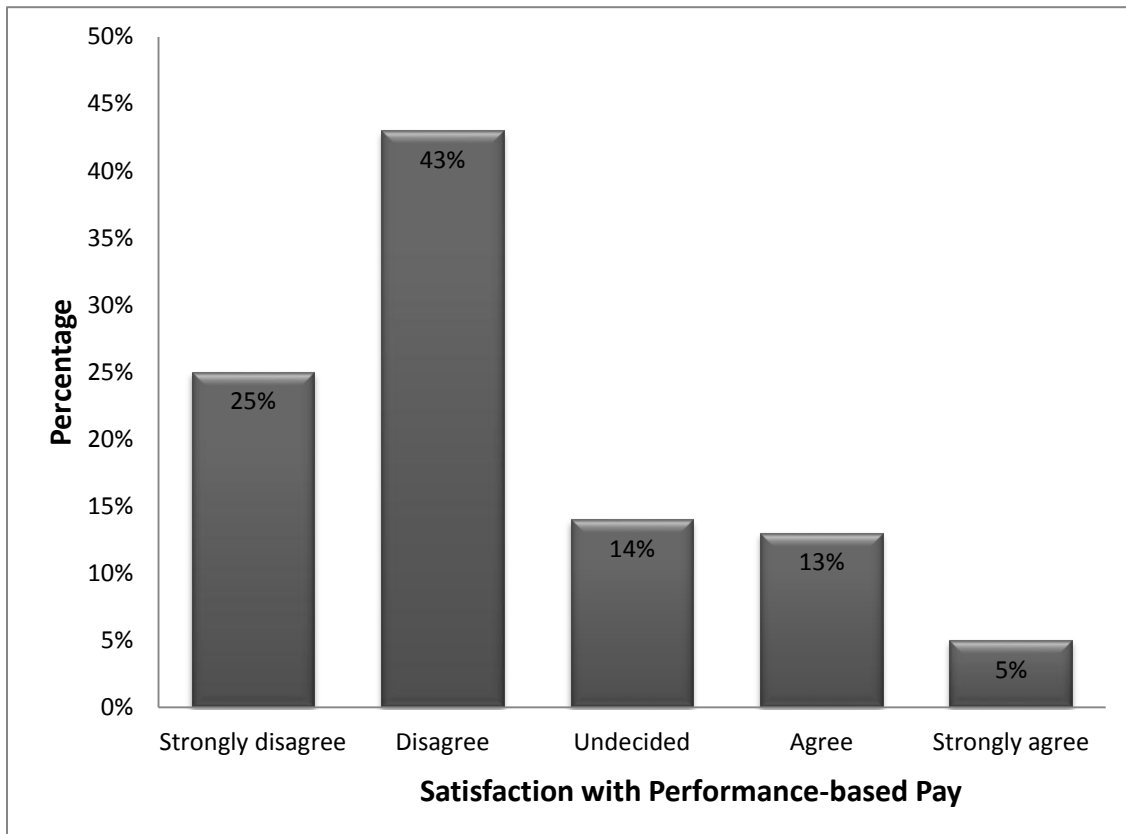


Figure 4.7: Extent to which Non-Teaching Staff agreed/disagreed that they were satisfied with Performance-based Pay offered by the Institution



According to figure 4.6, many academic staff (52%) strongly disagreed that they were satisfied with performance-based compensation offered by the institution. 33% of academic employees disagreed that the performance-based compensation was satisfactory, 10% were undecided whether the pay was satisfactory or not and only 5% agreed that they were satisfied with performance-based compensation offered by the Institution. Figure 4.7 shows that many non-academic staff (43%) disagreed that they were satisfied with performance-based compensation in the institution. 25% of non-academic employees strongly disagreed that the performance-based compensation was satisfactory, 14% were undecided, 13% of non-teaching staff agreed that the pay was fair

while 5% strongly agreed they were satisfied with performance-based compensation offered by the Institution.

Overall research findings shows that although both academic and non-academic staff either strongly disagreed or disagreed that they were satisfied with performance-based compensation in the University College, academic staff seemed to be more dissatisfied than non-academic staff.

4.4.3 Perception of Employees of Equity in Performance-based Pay in comparison to their co-workers with similar qualifications and experience

Respondents were asked to indicate their agreement with the statement that there was equity in performance-based compensation compared to their co-workers with similar qualifications and experience. Figure 4.8 and 4.9 below illustrate the findings.

Figure 4.8: Extent to which Teaching Staff agreed/disagreed that Performance-based Pay was fair in comparison to their co-workers with similar qualifications and experience

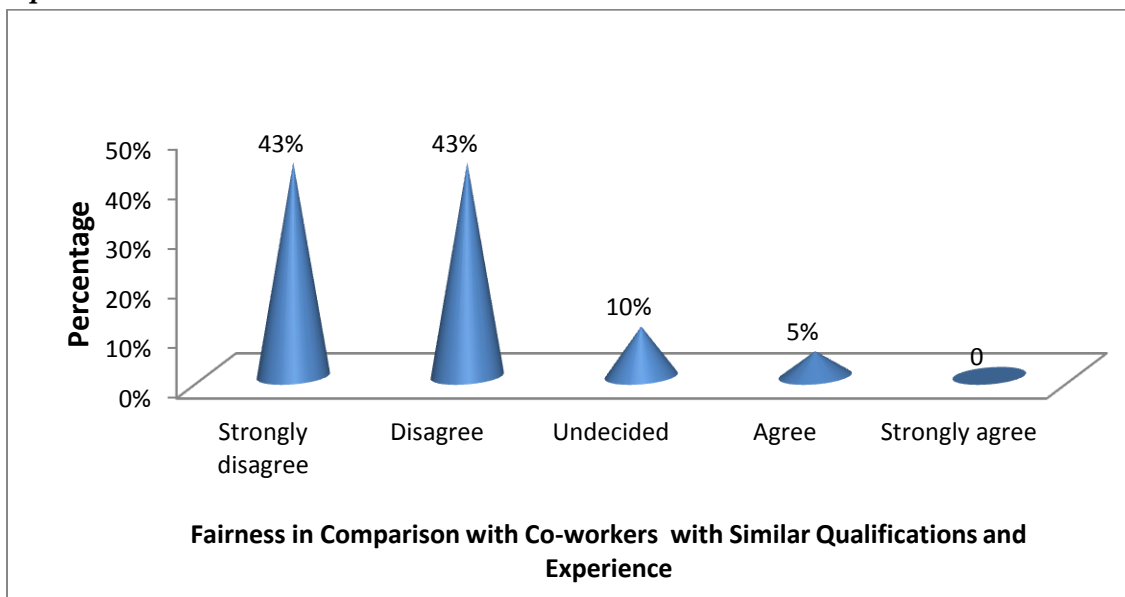
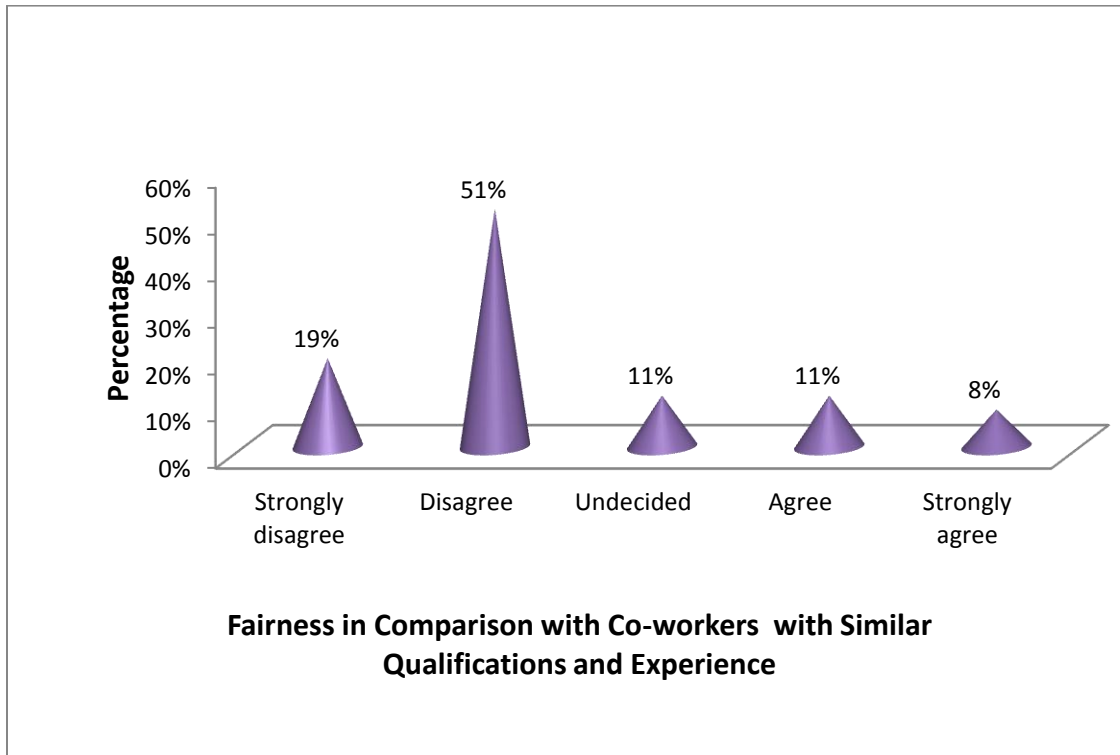


Figure 4.9: Extent to which Non-Teaching Staff agreed/disagreed that Performance-based Pay was fair in comparison to their co-workers with similar qualifications and experience



According to figure 4.8 above, many academic staff (43%) either strongly disagreed or disagreed that they perceived equity/fairness in performance-based compensation in the Institution compared to their co-workers with the similar qualifications and experience. 10% were undecided whether there was equity or not compared to their co-workers while only 5% agreed that there was equity in performance-based compensation in the Institution compared to their co-workers with similar qualifications and experience. Figure 4.9 shows that many non-academic staff (51%) disagreed that they perceived equity in performance-based compensation compared to their co-workers with the same qualifications and experience. 19% of non-academic employees strongly disagreed that the performance-based compensation was equal to that of their co-workers with same

qualifications and experience, 11% were undecided, 11% of non-teaching staff agreed while 8% strongly agreed that there was equity in performance-based pay compared to their co-workers of similar qualifications and experience.

Overall research findings indicate that although both academic and non-academic staff felt that there was no equity in performance-based compensation used by the University College compared to their co-workers with the similar qualifications and experience, many academic staff perceived performance-based compensation to be unequal than non-academic staff.

4.4.4 Choice of Employer

Respondents were asked to indicate their agreement with the statement that they could still choose their employer if given a choice. Figure 4.10 and 4.11 below indicate the findings.

Figure 4.10: Extent to which Teaching Staff agreed/disagreed that they would Still Choose their Employer if Given a Choice

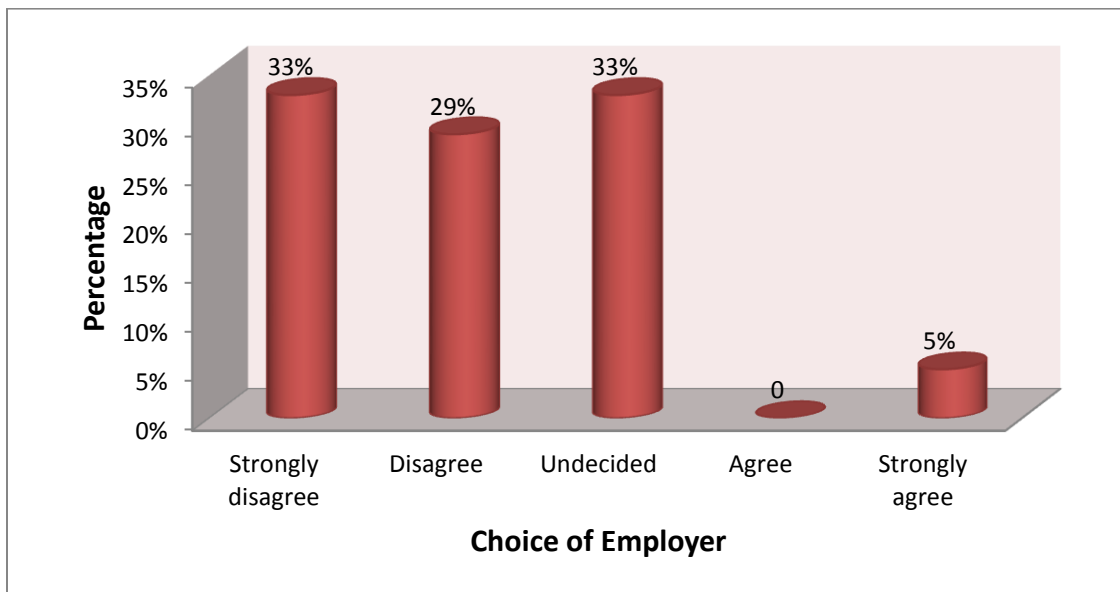


Figure 4.11: Extent to which Non-Teaching Staff agreed/disagreed that they would Still Choose their Employer if Given a Choice

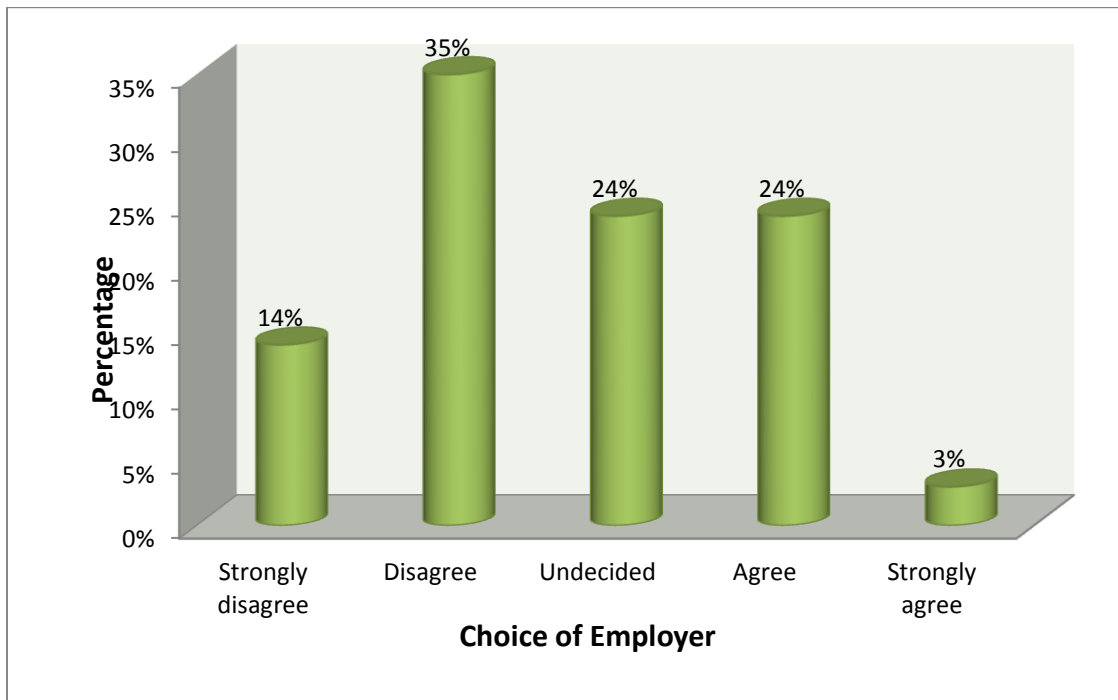


Figure 4.10 shows that 33% of academic staff either strongly disagreed or were undecided if they would still choose their employer given a choice, 29% disagreed while only 5% agreed that they would still choose their employer given a choice. This suggests that almost all the academic staff of Kenya Polytechnic University College felt that performance-based compensation was unfair and if given a choice, they would leave to another institution where they would be fairly compensated according to their performance.

From figure 4.11 above, 35% of non-academic staff disagreed that they would still choose their employer if given a choice, 14% strongly disagreed while 24% were undecided whether they would choose the their employer if given a choice. Unlike the

academic staff, 24% of non-teaching staff agreed while 3% strongly agreed that they would still choose their employer if given a choice.

Overall research findings indicate that both academic and non-academic staff disagreed that they would still choose their employer if given a choice but the number of academic staff who felt that they would not choose The Kenya Polytechnic University College as their employer if given a choice was more than that of non-academic staff.

4.5 Criteria used in Performance-based Pay

This study was set to find out the perception of employees on what the performance-based pay criteria used by the Kenya Polytechnic University College depends on. Using the scale where 1 – depends on, 2 – rather depends on, 3 – does not depend on, 4 – rather does not depend on provided, respondents were to indicate the determinants of performance-based pay criteria at the Kenya Polytechnic University College. The results are presented in Table 4.5 and 4.6 below.

Table 4.5: Perception of Teaching Staff on Criteria used in Performance-based Pay

STATEMENT	1 (%)	2 (%)	3 (%)	4 (%)	MEAN	STDEV
Level of study (bachelor, master, doctor)	24	24	42	10	2.400	0.009
Practical experience	10	29	48	14	2.680	0.034
Number of students admitted in a course	19	52	07	21	2.280	0.046
Specifics of the group (part-time or full-time)	24	33	33	10	2.290	0.042
Language of instruction (foreign language)	14	14	52	19	2.740	0.060
Preparation and marking of tests and exams	14	24	52	10	2.580	0.007

Table 4.6: Perception of Non-Teaching Staff on Criteria used in Performance-based Pay

STATEMENT	1 (%)	2 (%)	3(%)	4(%)	MEAN	STDEV
Level of study (bachelor, master, doctor)	43	22	29	6	2.030	0.040
Practical experience	21	32	40	8	2.370	0.020
Number of students admitted in a course	33	35	22	10	2.090	0.020
Specifics of the group (part-time or full-time)	33	29	30	8	2.130	0.010
Language of instruction (foreign language)	19	16	44	21	2.670	0.194
Preparation and marking of tests and exams	40	24	27	10	2.090	0.020

According to Table 4.5 above, academic staff agreed that Performance-based criteria does not depends on level of study such as Bachelor, Master and Doctorate as indicated by a mean of 2.400, practical experience (mean = 2.680), language of instruction (mean = 2.740) and preparation and marking of examinations and tests (mean = 2.580). They perceived that performance-based criteria rather depend on number of students admitted in a course (mean = 2.280) and specifics in the group such as part-time or full time as indicated by a mean of 2.290.

Table 4.6 shows that non-academic staff perceived that performance-based criteria depends on level of study such as Bachelor, Master and Doctorate with a mean of 2.030, specifics in a group such as part-time or full-time (mean = 2.130), preparation and marking of examinations and tests (mean = 2.090) and the number of students admitted in a course (mean = 2.090). The non-academic staff perceived that the criteria does not

depend on practical experience as indicated with a mean of 2.370 and language of instruction for non-teaching staff (mean = 2.670).

There was low degree of variation among respondents, an indication that the respondents' response regarding the Performance-based criteria did not differ much except for language of instruction as indicated by standard deviation of 0.194.

Overall research findings revealed that non-academic staff felt that they were unfairly compensated because of the level of education they have as they perceived that the criteria for performance-based pay to depend on employee's level of education. The academic staff, however, felt that the pay criteria did not depend on the level of study as they were unfairly compensated as both their education and experience was not considered when compensating them. Both the academic and non-academic staff felt that the criteria used in performance-based pay depends on specifics in a group such as part-time or full-time and number of students admitted in a course. They both perceived that performance-based criteria did not depend on practical experience and language of instruction.

4.6 Perception of Employees on Equity in Performance-based Pay

The general objective of this study was to find out the relationship between perceived equity in Performance-based compensation and organizational commitment at the Kenya Polytechnic University College. Employees were asked to indicate their agreement with the statement that they generally perceived there was equity in performance-based compensation in the University College. Figure 4.12 and 4.13 below illustrates the findings for both academic and non-academic staff.

Figure 4.12: Perception of Teaching Staff on Equity in Performance-based Pay

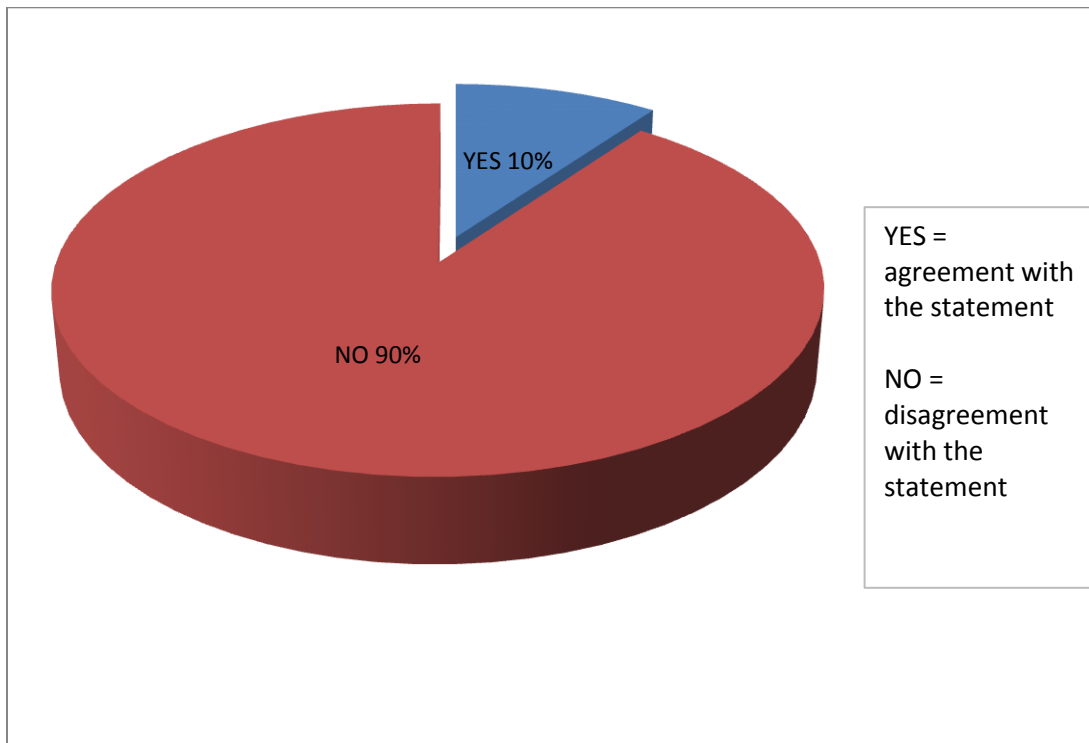


Figure 4.13: Perception of Non-Teaching Staff on Equity in Performance-based Pay

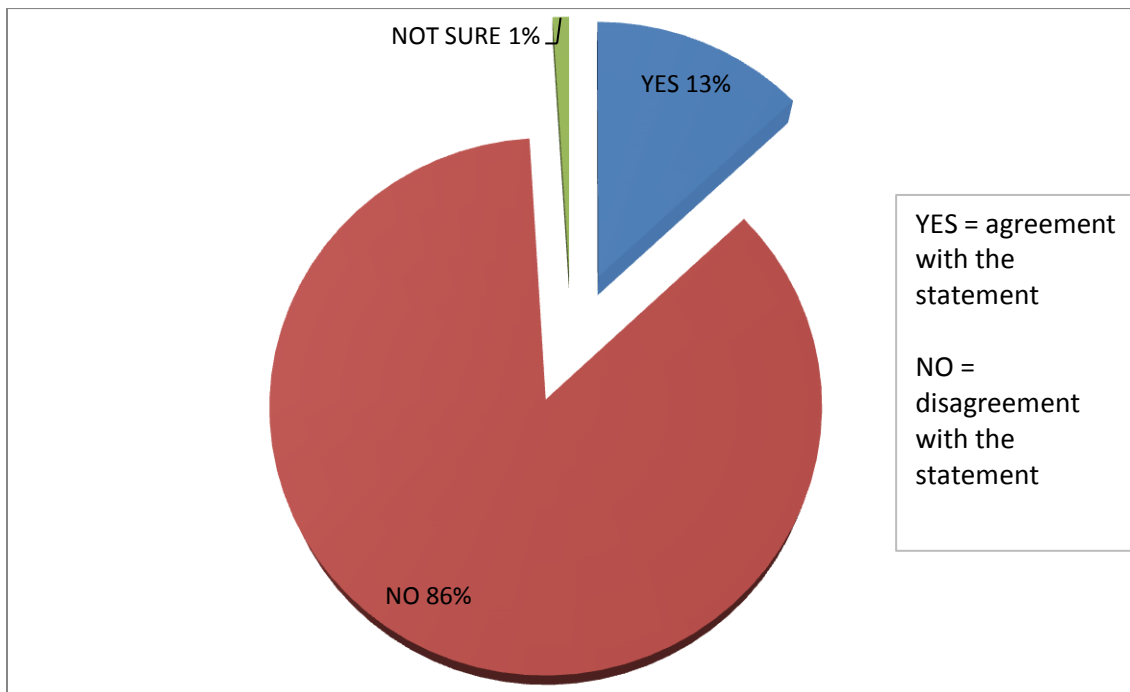


Figure 4.12 shows that 90% of the academic staff perceived inequity in performance-based compensation while 10% agreed that there was equity in performance-based pay at the Kenya Polytechnic University College. According to figure 4.13, 86% of the non-academic staff perceived performance-based compensation to be unfair, 13% felt that the compensation was equal while 1% were not sure whether there was equity in performance-based compensation or not.

Overall research findings indicated that both the academic and non-academic staff perceived inequity in performance-based pay in the institution.

4.7 Factors influencing Organizational Commitment

This study was set to find out the level of influence on selected variables on organizational commitment. Using the scale where 1 – strongly disagree, 2 – disagree, 3 – neither agree nor disagree, 4 agree, 5 – strongly agree provided, the respondents were to indicate the extent of their agreement with statements that described their commitment to the Kenya Polytechnic University College. The results are presented in Table 4.6 below for each statement.

Table 4.6: Factors Influencing Organizational Commitment

Statement		1	2	3	4	5	MEAN	STDEV
		(%)	(%)	(%)	(%)	(%)		
It would be very hard for me to leave the organization now, even if I wanted to	T.	43	10	14	24	10	2.500	0.0907
	NT	19	41	19	21	0	2.420	0.1452
I do not feel any obligation to remain with my current employer.	T.	24	14	29	29	5	2.800	0.0062
	NT	14	30	21	24	11	2.880	0.0062
I would be very happy to spend the rest of my career with this organization.	T.	38	19	14	10	19	2.530	0.0735
	NT	17	22	27	24	10	2.880	0.0062
One of the few negative consequences of leaving this organization would be the scarcity of available alternatives.	T.	48	24	10	14	5	2.070	0.5345
	NT	21	30	14	22	13	2.760	0.0017
Even if it were to my advantage, I do not feel it would be right to leave my organization now.	T.	33	10	29	5	24	2.800	0.0001
	NT	29	27	10	30	5	2.580	0.0489
I really feel as if this organization's problems are my own.	T.	29	33	19	5	14	2.420	0.1452
	NT	27	24	22	17	10	2.590	0.0446
Right now, staying with my organization is a matter of necessity as much as I desire.	T.	29	19	19	29	5	2.650	0.0228
	NT	11	22	21	35	11	3.130	0.1082
I do not feel a strong sense of "belonging" to my organization.	T.	19	10	48	14	10	2.890	0.0079
	NT	17	25	24	25	8	2.790	0.0001
I feel that I have too few options to consider leaving this organization.	T.	29	29	14	14	14	2.550	0.0631
	NT	11	48	19	16	6	2.580	0.0489
I do not feel "emotionally attached" to this organization	T.	24	24	33	14	5	2.520	0.0790
	NT	3	40	33	21	3	2.810	0.0001
I would feel guilty if I left my organization now.	T.	19	29	24	19	10	2.750	0.0026
	NT	10	40	32	11	8	2.700	0.0102
I do not feel like "part of the family" at my department	T.	17	12	52	19	0	2.730	0.0051
	NT	17	32	30	10	11	2.660	0.0199

This organization deserves my loyalty	T.	0	19	29	33	19	3.520	0.5168
	NT	11	14	30	38	6	3.110	0.0954
If I had not already put so much of myself into this organization, I might consider working elsewhere	T.	5	38	24	24	10	2.990	0.0357
	NT	8	25	30	22	14	3.060	0.0670
Would not leave my organization right now because I have a sense of obligation to the people in it.	T.	19	24	19	29	10	2.900	0.0098
	NT	21	25	30	19	5	2.620	0.0328
This organization has a great deal of personal meaning for me.	T.	5	14	52	10	19	3.240	0.1926
	NT	11	19	29	32	10	3.140	0.1148
Too much of my life would be disrupted if I decided I wanted to leave my organization now.	T.	5	29	33	19	14	3.080	0.0778
	NT	21	27	24	24	5	2.680	0.0147
I owe a great deal to my organization.	T.	0	19	38	29	14	3.380	0.3351
	NT	8	24	29	25	14	3.130	0.1082

Key:

T - Teaching/Academic staff

NT - Non-teaching/Non-academic staff

Table 4.6 shows that academic staff strongly disagreed with the statement that it would be very hard for them to leave the organization even if they wanted to as indicated by a mean of 2.500. Likewise, non-academic staff (mean = 2.420) disagreed that it would be very hard for them to leave the organization even if they wanted to. This implied that their organizational commitment was in question. Both academic and non-academic staff were indifferent as to whether they did not feel any obligation to remain with their current employer as indicated with mean 2.800 and 2.880, respectively. Many academic staff (mean 2.530) strongly disagreed and non-academic staff (mean = 2.880) were undecided if they would be very happy to spend the rest of my career with Kenya Polytechnic University College.

The study found that academic staff strongly disagreed (mean = 2.070) and non-academic staff (mean = 2.760) disagreed with the statement that one of the few negative consequences of leaving the organization would be the scarcity of available alternatives. Both academic and non-academic staff as indicated with 2.800 and 2:580 respectively disagreed with the statement that even if it were to their advantage, they do not feel it would be right to leave their organization now. Academic and non-academic staff strongly disagreed (mean = 2.420 and 2.590 respectively) that they really felt as if the institution's problems are their own.

As much as academic staff disagreed (mean = 2.420) that staying with their organization is a matter of necessity as much as they desire, non-academic staff agreed (mean = 3.130) that staying with their organization is a matter of necessity as much as they desire. Academic staff were indifferent (mean = 2.890) as to whether they did not feel a strong sense of "belonging" to their organization while non-academic staff disagreed (mean = 2.740) that they did not feel a strong sense of "belonging" to their organization. Both academic and non-academic staff disagreed with the statement that they felt they had too few options to consider leaving Kenya Polytechnic University College as indicated by a mean of 2.550 and 2.580, respectively. Academic staff disagreed that they did not feel "emotionally attached" to the institution (mean = 2.520) while non-academic staff were undecided (mean = 2.820) that did not feel "emotionally attached" to the institution.

Research findings indicate that academic staff (mean = 2.750) and non-academic staff (mean = 2.700) disagreed with the statement that they would feel guilty if they left their organization. Both academic staff (mean = 2.730) and non-academic staff (mean = 2.630) disagreed with the statement that they did not feel like "part of the family" at their

department. Academic staff (mean = 3.520) and non-academic (mean = 3.110) staff agreed that the organization deserved their loyalty. Both academic and non-academic staff were indifferent as to whether they could consider working elsewhere if they had not already put so much of themselves into the organization as indicated with a mean of 2.990 and 3.060, respectively.

Research findings show that academic staff (mean = 2.900) were indifferent that they would not leave their organization because they had a sense of obligation to the people in it while non-academic staff (mean = 2.620) disagreed that they would not leave their organization because they had a sense of obligation to the people in it. Both academic staff (mean = 3.240) and non-academic staff (mean = 3.140) agreed that the organization has a great deal of personal meaning for them. Academic staff (mean = 3.080) either agreed or disagreed while non-academic staff (mean = 2.680) disagreed with the statement that too much of their life would be disrupted if they decided they wanted to leave their organization. Academic and non-academic staff agreed that they owe a great deal to their organization as indicated with a mean of 3.380 and 3.130 respectively.

4.8 Relationship between Equity in Performance-based Compensation and Organizational Commitment at Kenya Polytechnic University College

Pearson's Correlation analysis was used to determine the relationship between equity in performance-based compensation and organizational commitment. The result was as follows:

$r = 0.4, P < 0.05$. This result indicates a moderate correlation between the two variables.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study. It gives conclusions and recommendations pertinent to the study and provides recommendations as well as limitation of the study. The objective of the study was to establish the relationship between perceived equity in performance-based pay and organizational commitment at the Kenya Polytechnic University College.

5.2 Summary of the Findings

The study established that types of performance-based compensation offered by the Kenya Polytechnic University College include money paid for teaching Module II classes (production unit payments), examinations marking, overtime and honorariums.

Respondents strongly disagreed that performance-based compensation offered by the institution was fair. They disagreed that they were satisfied with the performance-based pay offered by the Institution. Respondents disagreed that there was equity in performance-based compensation in comparison with co-workers of similar qualifications and experience. They disagreed that they would still choose their employer given a choice.

The study revealed that performance-based compensation criteria depended on specifics in a group such as part-time or full time, the number of students admitted in a course and did not depend on practical experience and language of instruction.

Respondents disagreed that it would be very hard for them to leave the organization even if they wanted to. This revealed that their organizational commitment was in question. The respondents were indifferent as to whether they did not feel any obligation to remain with their current employer as indicated with a mean of 2.800 and 2.880, respectively. Respondents strongly disagreed that were undecided if they would be very happy to spend the rest of their career with the Kenya Polytechnic University College.

Respondents disagreed that one of the few negative consequences of leaving the organization would be the scarcity of available alternatives, that even if it were to their advantage, they did not feel it would be right to leave their organization and that they really felt as if the institution's problems are their own. As much as academic staff disagreed (mean = 2.420) that staying with their organization is a matter of necessity as much as they desire, non-academic staff agreed (mean = 3.130) that staying with their organization is a matter of necessity as much as they desire.

Respondents were indifferent as whether they did not feel a strong sense of "belonging" to their organization, that they did not feel "emotionally attached" to the institution. Respondents disagreed that they felt that they had too few options to consider leaving the Kenya Polytechnic University College.

The study found that respondents disagreed they would feel guilty if they left their organization, that they do not feel like "part of the family" at their department. Respondents agreed that the organization deserves their loyalty and were indifferent as to whether they could consider working elsewhere if they had not already put so much of themselves into the organization.

The study also revealed that respondents were indifferent that they would not leave their organization because they had a sense of obligation to the people in it and felt that the organization has a great deal of personal meaning for them. Respondents either agreed or disagreed that too much of their life would be disrupted if they decided they wanted to leave their organization. However, respondents agreed that they owe a great deal to their organization.

5.3 Conclusion

The study concludes lack of favourable policies in performance-based compensation and management failure to implement such policies leads to perceived inequity in performance-based compensation and affects organizational commitment.

The study further concludes that lack of proper job descriptions, favouritism, nepotism, tribalism, lack of transparency, ethnicity, and greed leads to perceived inequity in performance based compensation affecting organizational commitment.

The study concludes that lack of a taskforce to review performance-based policies, lack of proper performance-based pay criteria and formula, corruption, isolation of staff, namely, academic and non-academic staff when compensating them based on their performance, subjective appraisals, unfair promotions, poor management, lack of proper systems/processes, poor organizational structure and discrimination leads to perceived inequity in performance-based pay which in turn affects organizational commitment.

Finally organizational commitment is seen to be founded in equity in Performance-based compensation.

5.4 Recommendations

This study recommends that using market rates to determine pay, transparency and fairness in distribution of performance-based compensation, constituting a committee from both teaching and non-teaching staff to review policies on performance-based compensation and considering qualifications and experience of workers when compensating employees will lead to equity in Performance-based pay and improve organizational commitment.

The study further recommends that proper job description, benchmarking with other institutions of higher learning to harmonize academic and non-academic staff benefits, proper job grading, proper job evaluations, proper performance appraisals, ethnic balance and training of staff involved in distribution Performance-based pay will ensure equity in performance-based pay and thus enhance organizational commitment.

In addition, the study recommends that management should base compensation on output of employees. They should recognize the output of non-academic staff when compensating them according to their performance. Timely payments are necessary and all stakeholders should be involved in policy formulation.

5.5 Suggestions for Further Studies

This study has reviewed the relationship of perceived equity in performance-based compensation and organizational commitment at Kenya Polytechnic University College. To this end therefore, a further study should be carried out to establish factors that cause inequity in performance-based compensation such as tribalism and ethnicity. Moreover,

a study should be carried out to establish the effects of ethnicity on organizational commitment in public service institutions.

5.6 Limitations of the Study

The national strike called by universities' unions complaining about poor pay led to slow pace of data collection. Some staff could not be found to return the questionnaires issued to them.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

The purpose of this study is to seek your views on the perception of staff on equity in Performance-based compensation and organizational commitment.

Your opinion will provide valuable input into the research project currently being carried out to establish the relationship between perceived equity in Performance-based compensation and organizational commitment.

Your answers to the questionnaire will be strictly confidential. The questionnaire has Part 1 and 2. Please fill as appropriate.

PART 1: PERSONAL INFORMATION

1) Designation

2) Gender: Male Female

3) Age 20-29 years 30-39 years 40-49 years
 50-59 years 60-69 years

4) Your highest level of education
 i. Secondary Masters Degree
 ii. Diploma PhD
 iii. Bachelors Degree Others (Specify)

5) How long have you been employed at this Institution?

1-5 years 6-10years 11-15 years over 15 years

PART TWO: PERCEIVED EQUITY IN PERFORMANCE-BASED COMPENSATION

i. What type of Performance-based compensation does your institution offer?

ii. State to what extent you agree with the following statements

1. Strongly disagree
2. Disagree
3. Undecided
4. Agree
5. Strongly agree

Statement	1	2	3	4	5
I am fairly compensated depending on my performance					
I am satisfied with the performance-based compensation offered by my employer					
There is equity when I compare my performance-based pay with that of co-workers with similar qualifications and experience					
Given a choice I would still choose my employer					

iii. State to what extent you agree with the statements below on performance-based pay criteria used by the University College

1. Depends on
2. Rather depends
3. Does not depend
4. Rather does not depend

Statement	1	2	3	4
Level of study (bachelor, master, doctor)				
Practical experience				
Number of students admitted in a course				
Specifics of the group (part-time or full-time)				
Language of instruction (foreign language)				
Preparation and marking of tests and exams				

iv. Do you perceive that there is equity in Performance-based compensation in the University College?

YES NO

If YES tick as appropriate

I am fairly rewarded. . .

- a. Considering the responsibilities I have.
- b. Taking into account the amount of education and training that I have had.
- c. In view of the amount of experience I have.
- d. For the amount of effort that I put forth.
- e. For work that I have done well.
- f. For the stresses and strains of my job.

v. What are the factors that can attribute to lack of equity in Performance-based compensation? _____

vi. Suggest ways in which you think equity levels in performance-based compensation can be boosted by Kenya Polytechnic University College?

PART 3: ORGANIZATIONAL COMMITMENT

The following statements concern how you feel about the organization. Please indicate the extent of your agreement or disagreement with each of the statement by marking a number from 1-5.

1. Strongly disagree
2. Disagree
3. Neither agree nor disagree
4. Agree
5. Strongly agree

Statement	1	2	3	4	5
It would be very hard for me to leave the organization now, even if I wanted to					
I do not feel any obligation to remain with my current employer.					
I would be very happy to spend the rest of my career with this organization.					
One of the few negative consequences of leaving this department would be the scarcity of available alternatives.					
Even if it were to my advantage, I do not feel it would be right to leave my organization now.					
I really feel as if this organization's problems are my own.					
Right now, staying with my organization is a matter of necessity as much as I desire.					
I do not feel a strong sense of "belonging" to my organization.					
I feel that I have too few options to consider leaving this organization.					
I do not feel "emotionally attached" to this organization					
I would feel guilty if I left my organization now.					
I do not feel like "part of the family" at my department					

This organization deserves my loyalty					
If I had not already put so much of myself into this organization, I might consider working elsewhere					
Would not leave my organization right now because I have a sense of obligation to the people in it.					
This organization has a great deal of personal meaning for me.					
Too much of my life would be disrupted if I decided I wanted to leave my organization now.					
I owe a great deal to my organization.					

APPENDIX 2: RESEARCH PERMIT

Ruth Atidah Mitalo
P.O. Box 60747-00200
NAIROBI

9th August, 2012

The Principal
Kenya Polytechnic University College
P.O. Box 52428-00200
NAIROBI

Dear Sir

SUBJECT: RESEARCH PERMIT

I am a University of Nairobi student undertaking Masters of Business Administration degree. I am conducting a study of the relationship between perceived equity in performance-based compensation and organizational commitment.

I will be very grateful if you kindly permitted me conduct this research in your Institution. It is expected that findings from the study are likely to help improve equity in performance-based compensation in the Institution. High level of confidentiality, privacy and integrity will be adhered to throughout the research and the information collected will only be used or disclosed for educational purpose.

Yours faithfully

SIGNED
RUTH ATIDAH MITALO

APPENDIX 3: WORK PLAN

It is anticipated that a six-month research plan period covering May 2012 to October, 2012 will be implemented.

Project Proposal Title: The relationship between Perceived Equity in Performance-based compensation and Organizational commitment among staff at Kenya Polytechnic University College.

S/NO	Activity	MAY	JUNE	JULY	AUG	SEPT	OCT
1	Literature search and Review	■					
2	Proposal writing	■	■	■			
3	Proposal Defense			■			
4	Corrections				■		
5	Data Collection				■		
6	Data analysis					■	
7	Report writing					■	
8	Submission of Report						■

Figure 4.14: Bar Chart of a six-month Research Project Plan

APPENDIX 4: BUDGET

The study will be self-sponsored by the researcher. Anticipated expenditure is expected to be as here below:

S/NO	ITEM	APPROXIMATE COST (KSHS)
1.	Local Travel	15,000.00
2.	Subsistence allowance	30,000.00
3.	Laptop	35,000.00
4.	Stationery	7,000.00
5.	Printing and Photocopying Services	5,000.00
6.	Postage	1,000.00
7.	Telephone Calls	1,000.00
8.	Wages for data entry staff	10,000.00
9.	Contingency Costs	11,000.00
TOTAL		115,000.00