A SURVEY OF THE EXTENT TO WHICH FIRMS LISTED IN THE NAIROBI STOCK EXCHANGE LINK REWARD TO PERFORMANCE

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A MANAGEMENT RESEARCH PROJECT SUBMITTED TO THE UNIVERSITY OF NAIROBI IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION

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DECLARATION:

This Management Project is my own original work and has not been presented for award of a degree in any other university.

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This Management Project has been submitted for examination with my approval as the University supervisor.

Sign: ....

Date: 2nd Nov. 2007

Name: Duncan O. Ochoro

DEDICATION

This project is dedicated to my family for their unending love, support and encouragement.

ACKNOWLEDGEMENT

I am grateful to my supervisor for his patience, guidance and support throughout the preparation of this management project.

I am also grateful to all the respondents for their participation in this project without whom this project would not be possible.

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ABSTRACT

This project examines the extent to which firms listed in the Nairobi Stock Exchange have linked performance to rewards. Performance is the record of outcomes achieved while rewards refer to all forms of pay going to employees arising out of their employment. The concept of linking rewards to performance has grown out of the realization that a more continuous and integrated approach is needed to manage and reward performance, and it provides a framework in which managers can support their teams rather than dictate to them.

This study employs a descriptive design method, with the population of the study being companies listed in the Nairobi Stock Exchange. The sampling design employed included the stratified sampling technique. The study used primary data, collected through a questionnaire. The questionnaire aimed at collecting information on whether there had been any linkage between the performance of employees and/or work units and rewards.

The findings of the result suggest that most firms do conduct performance appraisals, and that there is a linkage between performance and rewards. 42% of organizations said that performance appraisals helped in decision making in relation to compensation.

CHAPTER ONE

INTRODUCTION

1.1 Background

Human Resource Management is the process of acquiring, training, appraising and compensating employees, and attending to their labour relations, health and safety as well as fairness concerns. The role of Human Resource in today's organisation has increased and it now has involvement in the development and implementation of the company's strategy (Dessler, 2003).

In Kenya as well as in many other countries worldwide, organisations have realised that performance evaluation is the key to effective management and the human resource is the most important factor for success in any organization. "The notion is that HRM involves the integration of people with businesses goals and strategies. People are viewed as strategic capital or resources, which can be used for the purpose of attaining competitive advantage" (Henry and Pettigrew 1986: 654). Therefore a firm has to properly link reward to performance to avoid the problem of over - rewarding some of the employees at the expense of other hardworking and dedicated employees. This concept has highly relied on management accounting which calls for the balanced scorecard as a performance measurement technique. According to Kaplan (1996) the reward structure is concerned with motivating individuals towards achieving the performance measures.

1.1.1 Rewards

Employee Compensation refers to all forms of pay or rewards going to employees and arising from their employment. Compensation has a strategic role in an organisation. In one recent survey, only 40% of participants reported that they attempted to assess the effectiveness of their compensation systems, even if they payroll may be the single largest item in the budget. Another survey found that only 27% of employees within these organisations understood the reward program. (Dessler, 2003)

Rewards have to basic components: direct financial payments in the form of wages, salaries, incentives, commissions and bonuses, and indirect payments in the form of benefits such as employer-paid insurance and vacations (Dessler, 2003). According to Drury, 2004, rewards can take many forms including monetary, promotion, recognition and praise.

There are several basic factors that influence the design of any reward plan, which would include legal issues, union influence, company policy as well as equity. However, equity must exist in the reward plan to avoid de-motivation of the employees. There must exist both internal and external equity. Internal refers to a situation when an employee views his or her pay as equitable given other pay rates in the organisation. External equity refers to a situation where the pay in the organisation compares favourably with rates in other organisations (Dessler, 2003)

1.1.2 Performance

There are many views on what performance is. It can be regarded simply as the record of outcomes achieved on an individual basis; it is a record of a person's accomplishment. The Oxford English Dictionary defines performance as 'the accomplishment, execution, carrying out and working out of anything ordered or undertaken'. This definition refers to outcomes as well as results being achieved. A more comprehensive view of performance is thus achieved if it is defined as embracing both behaviour and outcomes. This is well put by Brumbrach (1988) when he postulates that performance means both behaviour and results.

In attempts to maximise profits through effective use of the human resource, evaluation is undertaken to report job performance and to assist in the various functions pertaining to employees and their jobs. These functions include compensation, internal staffing and training needs analysis (TNA). Performance evaluation or appraisal means evaluating an employee's current or past performance relative to the person's performance standards. It involves setting work standards, assessing the employee's actual performance relative to these standards and providing a feedback to the employee with the aim of motivating that person to eliminate deficiencies or to continue to perform above par. (Dessler, 2003).

1.1.3 Linking Reward to Performance

The concept of linking reward to performance has been one of the most important and positive developments in the sphere of management in recent years. The phrase was first coined by Beer and Ruh (1976) and only in the 1980s did it take a more continuous and integrated approach.

The concept of linking reward to performance has grown out of the realisation that a more continuous and integrated approach was needed to manage and reward performance. Crudely developed and hastily implemented performance related pay and appraisal systems were not delivering the results that, somewhat naively, people were expecting from them (Armstrong 2001).

The concept of linking reward to performance has risen from the old established but somewhat discredited systems of Merit Rating and Management by Objectives (MBO). Recent developments in performance appraisal have also been absorbed into this concept. It is therefore a much wider, more comprehensive and more natural process of management performance appraisal and has often been operated as a top down and largely bureaucratic system owned by the personnel department rather than line managers (Daniels, 1994). Linking reward to performance is forward looking and development oriented. It provides a framework in which managers can support their teams rather than dictate to them. It is a transformation rather than an appraisal process.

"In almost every major survey, most employees who get evaluations and most supervisors who give them rate the process a resounding failure". (Bernadin 1998: 119). While several organisations report the use of formal systems of evaluating performance, the majority of those involved in this activity expressed overwhelming dissatisfaction with the traditional evaluations systems.

Those doing the rating, those being rated and administrators have expressed dissatisfaction with their appraisal systems. One manager once claimed, "I'd rather kick bricks with my bare feet than do appraisals!" (Russel 1998: 237). Appraisal systems are rarely able to deliver all of their intended benefits to employers or employees.

Management resistance to appraisal may be due to a perception of being placed in the embarrassing situation of having to pass judgements on and criticise their fellow workers. As McGregor (1960: 90) states, "Managers are uncomfortable when they are in the position of playing God". This is particularly the case when their judgements are formalised, written down and linked to some reward.

For many years the outcome given by management which may label an employee, for example, simply as average have led to great de-motivation. To state the general principle, "When one person begins to make a judgement on another, unless that judgement is favourable, reaction and resistance begin to set in" (Margarison, 1976: 32).

Many organisations have reported that their evaluation systems offer little or no value to them and are constantly searching for better ways to redesign their systems unlike the previous tools used to measure performance (Armstrong, 2001).

1.1.4 The Nairobi Stock Exchange

A stock exchange is a corporation or mutual organisation which provides facilities for stock brokers and traders, to trade company stocks and other securities. They also provide facilities for the issue and redemption of securities, as well as, other financial instruments and capital events including payments of income and dividends. A stock exchange is often the most important component of a stock market (Wikipedia, 2007).

Stock exchanges have multiple roles in the economy including raising capital for businesses, mobilising savings for investment, facilitating company growth, redistributing wealth, corporate governance, creating investment opportunities for small investors, government capital-raising for development programmes as well as acting as a barometer for the performance of the economy (Wikipedia, 2007).

The Nairobi Stock Exchange (NSE) was established in 1954, and it is the fourth largest bourse in sub-Saharan Africa. It has a listing of 52 companies and a total capitalisation of over $1.9 billion. It was constituted in 1954 as a voluntary association of stockbrokers registered under the Societies Act. In 1991, after a culmination of a series of events, the NSE was registered under the Companies Act. Subsequently, the NSE embarked on an extensive modernization exercise, including a move to more spacious premises (Mbendi, 2007)

The Nairobi Stock Exchange plays a very important role in Kenya's economy, especially in the privatisation of state-owned premises. In the last 10 years, 9 public enterprises have been successfully privatised through the NSE, where the government has raised more than kshs 5 billion (Mbendi, 2007)

Companies listed in the Nairobi Stock Exchange have a very wide and varied scope of owners including the government, the public, foreign investors etc. Because of this factor, companies listed in the stock exchange tend to improve their management standards and efficiency levels in order to satisfy the demands of these shareholders (Mbendi, 2007). The performance of these companies is highly scrutinised by the shareholders, and to a large extent determines how much stock of the company will be traded, and in essence how much capital can be raised for these companies. Through shares and bonds, companies listed in the stock exchange can raise money to expand their businesses, make a profit, create employment and generally help the economy to grow. Also by being listed in the Nairobi Stock Exchange, these companies are required to give periodic reports on their performance. The management of companies listed in the Nairobi Stock Exchange must therefore strive to ensure that their employees are performing at the optimum level, and one of the ways to do this is by linking rewards to performance.

1.2 Statement of the Problem

The concept of linking reward to performance is one of the most recent developments in the sphere of performance management. Many companies now make use of this concept since it has proved to be a "strategic and integrated process that delivers sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams" (Armstrong 2001). Linking reward to performance is based in all kinds of companies: hospitals, industries, universities, transport, government and commercial enterprises.

Considering the diverse and important role of the Nairobi Stock Exchange in terms of raising capital for businesses, mobilising savings for investment, facilitating company growth, redistributing wealth, corporate governance, creating investment opportunities for small investors, government capital-raising for development programmes as well as acting as a barometer for the performance of the economy (Wikipedia, 2007), coupled with the fact that companies listed in the Nairobi Stock Exchange have a variety of owners who expect good performance from these companies in order to benefit from their investments in these companies, then it is important that the management of the these companies adopt concepts that will enhance the performance of these organisations.

According to Bart Slottje (2000), linking reward to performance has over 25 years of proven results. It does improve both organisational success and the way the organisation manages their most valuable resource – the people who make everything possible. Slottje further states that results achieved with performance management differ from a 10% increase in production / safety behaviour and so on to almost 40%.

Despite all these, very little is known about linking reward to performance in Kenyan situation. The contemporary workplace in Kenya offers many challenges yet few if any studies have been done to find out if indeed any of the firms are using the concept of linking reward to performance or even if the concept of linking reward to performance is delivering its intended benefits to those who use it.

This study intended to provide an insight into whether Kenyan firms are actually using this new concept of linking reward to performance and also if it had any impact on these firms' performance. Studies had been carried out in Kenya on performance management but they have failed to address the issue of linking reward to performance. This study therefore seeked to answer the following questions:

1. Do firms in Kenya quoted in the Nairobi Stock Exchange conduct performance appraisals?
2. What reward systems are applied by firms quoted in the Nairobi Stock Exchange?
3. Do firms quoted in the Nairobi Stock Exchange link reward to performance?

1.3 Objective of the Study

The objective of the study was:

To determine extent to which companies listed in the Nairobi Stock Exchange link reward to performance.

Specific objectives of the study included the following:

1. To find out if companies quoted in the Nairobi Stock Exchange conducted performance appraisals.
2. To find out what reward systems were applied by the firms quoted in the Nairobi Stock Exchange.
3. To find out if firms quoted in the Nairobi Stock Exchange linked reward to performance.

1.4 Importance of the Study

The study will make a significant contribution to organisations in Kenya, as it will provide a lot of insight about what linking reward to performance really is. Consequently the study will encourage and reinforce the interest of managers in Performance Management as a tool for remaining competitive in today's rapidly changing workplace. This study will also add to the existing knowledge and stimulate further research on different aspects of linking reward to Performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Performance Management

Management accounting provides a lot of information on performance management and how to link rewards to performance of the firm. But what exactly does the word performance mean? It is important to clarify what it means because if performance cannot be defined, it cannot be measured or managed.

There are different views on what performance is. It can be regarded simply as the record of outcomes achieved on an individual basis; it is a record of a person's accomplishments. The Oxford English Dictionary defined performance as 'the accomplishment, execution, carrying out and working out of anything ordered or undertaken'. This refers to outcomes as well as results being achieved.

A more comprehensive view of performance is thus achieved if it is defined as embracing both behaviour and outcomes. This is well put by Brumbrach (1988:389) "Performance means both behaviour and results. Behaviours emanate from the performance and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right- the product of mental and physical effort applied to tasks and can be judged apart from results."

This definition leads to the conclusion that when managing the performance of teams and individuals, both inputs (behaviour) and output (results) need to be considered. This is the so- called 'mixed model' (Hartle 1995) of performance management, which covers competence or capability and achievements as well as objective setting review.

2.1.1 Principles of Performance Management

According to both Slottje (2000) and Armstrong (2001), linking reward to Performance is primarily concerned with the following: Performance improvement which helps to achieve organizational, team and individual effectiveness; Employee development which postulates that performance improvement is not achievable unless there are effective processes of continuous development; Satisfying needs and expectations of stockholders, owners, management, employees, customers, suppliers and the general public. In particular employees are treated as partners whose interests are respected and whose opinions are sought and listened too. Linking rewards to Performance recognises that needs of the stakeholders will not always coincide and each party must thus be accorded the due respect; Communication and involvement: continuous dialogue between managers and members of their teams establishes mutual understanding of what is it is to be achieved and any expected rewards for these results.

2.1.2 Performance and Measurement

Employee retention can be measured by the annual percentage of key staff that leave the organisation and several different methods can be used to measure employee productivity. Once employee productivity is measured, then the employee can be compensated accordingly basing this on management accounting information. Definitions of and ways to measure productivity vary. A basic way to express productivity is productivity equals output divided by input i.e. productivity is the ratio of output to input, or simply output over input. The general measures should address the following:

Quality – the quality of output addresses how well the employee or work unit performed the work and/or the accuracy and effectiveness of the final product. Quality measures can include error rates, workmanship, adherence to standard and absence of complaints.

Quantity – the quantity of output addresses how much work the employee or work unit produced. Quantity measures are expressed as a number of products produced or services provided, or as a general result to achieve. Quantity measures include units produces, shillings worth of sales etc.

Timeliness – the timeliness of output addresses how quickly, when or by what date the employee or work unit produced the work.

Cost – effectiveness – it deals with such aspects of performance as maintaining or reducing unit costs, reducing the time it takes to produce or provide a product or service, or reducing waste. It addresses cost-effectiveness on specific resource levels.

Input is measured by labour costs, hours worked, and number of employees. Using output over input, an activity or employee can be measured. (Graham & Bennett, 1998)

Certainly performance cannot be rewarded until one knows what the present performance is. The concept of linking reward to performance is about encouraging people to take charge of their own performance. This cannot be done unless they can measure and therefore monitor progress towards their goals.

Measurement is important in the concept of linking reward to performance (Armstrong and Baron, 1998). It is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for the building further success and rewarding, and it indicates where things are not going so well, so that corrective action can be taken. In general, it provides the basis for answering these fundamental questions: 'is what is being done worth doing?' and 'has it been done well?' and if it has been done well are those who have done it rewarded for their good work?

As set out to Armstrong and Baron (1998), performance measures should be related to the strategic goals and measures that are organisationally significant and drive business performance, be relevant to the objectives and accountabilities of the teams and individuals concerned because they are only effective if they are derived from statements of accountabilities and/or are based on well-researched capability frameworks, focus on measurable outputs, accomplishments and behaviour that can be clearly defined and for which evidence can be made available, indicate the data or evidence that will be available as the basis of measurement, be verifiable i.e. be able to provide information that will confirm the extent to which expectations have been met, be as precise as possible in accordance with the purpose of the measurement and the availability of data, provide a sound basis for feedback and action and be comprehensive, covering all they key aspects of performance, so that a family of measures is available, bearing in mind, as stated by Walters (1995), that 'effective performance is measured not merely by the delivery of results (however outstanding) in one area, but by delivering satisfactory performance across all the measurers'.

Fitzgerald et al. (1996) also draw attention to the importance of relating the performance measures to the individual rewards, corporate and marketing strategies of the organisation. For example if the delivery of high quality service is seen to be a key strategic variable, the quality measure should be the key strategic variable.

In developing an overall framework for performance measurement, Moon and Fitzgerald (1996) draw off the approach adopted by Otley (1987) that is common to all performance measures system. Otley suggests that there is a need to answer the following three basic questions when forming the basic building block of a performance measurement system: What are the dimensions of performance that the organisation is seeking to encourage? How are appropriate standards to be set? And what rewards and /or penalties are to be associated with the achievement of performance targets?

2.2 Motivation, Empowerment and Alignment

The number of suggested improvements per employee is proposed as a measure relating to having motivated and empowered employees by rewarding them according to their performance based on management accounting information and information from other departments. The performance drivers for individuals and organisational alignment focuses on whether departments and individuals have their goals aligned with the company objectives articulated in the individual score card. A suggested outcome measure is the percentage of employee with personal goals alignment to the balanced score card and the percentage of employee who achieve personal goals (Drury, 2004). Research undertaken by the Forum for People Performance Management and Measurement (2004) analyzed the link between motivated employees, customers and long-term business success. Plans are under way for several far-reaching studies that have real-world relevance." The goal of these studies is to substantiate and better understand the theory that business success is linked to People Performance," says Don E. Schultz, Forum founder and North-Western University professor merits-in-service. "For far too long, the corporate world has ignored the importance of the relationship between 'the brand' and internal customers, a.k.a. employees. Forum research is re-signed to quantitatively show a causal relationship between positive People Performance and business success." People Performance management is a "people-centric" approach to long-term profit. This means a singular focus on people and ensuring internal communications are aligned with and fully support the messages the company trumpets to the world.

Linking reward to Performance as seen by management accountants is a means of getting better results from a whole organization by understanding and linking rewards to performance within an agreed framework of planned goals, standards and competence requirements. The fundamental goal of linking reward to performance is to establish a culture in which individuals and groups take responsibility for continuous improvement of business processes and for their own skills and contribution (Philpot and Sheppard, 1992).

Linking rewards to performance should operate within the following ethical considerations:

Mutual respect – there should exist a sense of respect between the employee, and the party responsible for conducting the performance review, and consequently, the resultant determination of the appropriate reward. This respect increases acceptance of the process by both parties and deters negative aspects such de-motivation and suspicion.

Procedural fairness – the procedures incorporated should be operated fairly, ensuring equity and openness.

Transparency – there should be familiarity with all aspects of the process, the respective roles of everyone involved, and the potential outcomes. The persons affected by the decisions emerging from the linkage process should have the opportunity to scrutinize the basis upon which the decisions were made. (Wistanely & Stuart – Smith, 1996)

Linking reward to Performance concerns everyone in the business not just managers. It rejects the cultural assumption that only managers should link rewards to performance of their teams and replaces it with the belief that both share the responsibility. Managers and their teams are jointly accountable for results and are jointly involved in agreeing to what they need to do and how they need to do it, in monitoring performance and in taking action.

The concept of linking rewards to Performance is a holistic approach to managing performance. 'Holistic' because it covers every aspect of the organization (Armstrong 2001). In its fullest sense, performance management is based on the belief that everything that people do at work at any level contributes to achieving the overall purpose of the organization. It is concerned with what people do (their work), and how they do it (their behaviour) what they achieve (their results) and rewarding people for the results achieved It embraces all formal and informal measures adopted by and organization to increase corporate, team and individual effectiveness and continuously to develop knowledge, skill and competence. It is certainly not an isolated system run by the Human Resource department that functions once a year (via the annual appraisal) and is then forgotten.

2.3 The Balanced Score - Card

The complexity of managing an organisation requires that managers be able to view performance in several areas simultaneously. A balanced set of measures, referred to as the 'balanced score-card' provides these valuable information. These sets of measures were developed by Robert S. Kaplan and David P. Norton. They recommend that managers gather information from four important perspectives:

The customer perspective – managers must know if their organisation is satisfying customer needs. They must determine to answer the question: How do customers see us?

The internal business perspective – managers need to focus on those critical internal operations that enable them to satisfy customer needs. They must answer the question: What must we excel at?

The innovation and learning perspective – the value of an organisation is greatly tied to the ability of the organisation to innovate, improve and to learn. Managers must answer the question: Can we continue to create and improve the value of our services?

The financial perspective – financial measures will provide a feedback on whether improvements in operational performance are being translated into improved financial performance. They also summarise the economic consequences of strategy implementation.

A balanced approach to employee performance appraisal is an effective way of getting a complete look at an employee's work performance (Drury, 2004).

2.4 Pay and Performance

The distribution of rewards in organizations has important behavioral consequences, and one of the most important rewards allocated in work organizations is pay. The relationship between pay and performance has long been a focus of managerial thought. Management scholars have long advocated linking pay to performance as a means of motivating higher performance. Kanter (1987) has suggested that compensation policies in work organizations in the United States are changing as organizations move away from seniority or status-based pay systems to systems linking rewards more closely with performance. In light of this development, research is needed to ascertain what the effects of these systems are on individual performance. This paper explores the relationship between individual rewards and individual performance in organisations, a context in which individual performance is a clear component in the determination of individual reward (e.g., Pascal and Rapping, 1972; Scully, 1974a, 1974b, 1989; Hill and Spellman, 1983, 1984; Kahn and Sherer, 1988; Wallace, 1988). It further focuses on the use of management accounting information when carrying out linkage of rewards to perfomance of the firms. This is because management accounting as a discipline provides information needed to achieve competitive advantage of the firm.

The reward structure is concerned with motivating individuals towards achieving performance measures. Motivation is maximised when individuals are clear about what the organisation is trying to do, what is expected of them, and exactly how and why their own contribution to the organisation's performance in meeting its objectives will be appraised. In addition, there is need to determine the types of rewards and penalties that will apply on achievement or non-achievement of the performance targets. Rewards can take many forms including monetary, promotion, recognition, and praise (Drury, 2004).

2.5 The Meaning of Linking Reward to Performance

Linking rewards to performance in management accounting means that employees compensation is based on management accounting information and that people are not either over or under rewarded for their services to an organisation. This means that management accountants will provide information which will be used by management when coming up with employee's compensation scheme. Both people from human resources department and those from management accounting will be involved in the rewarding and performance appraisal process.

2.5.1 Linking Reward to Performance as a Process

Probably the main criticism that has rightly been made about the application of the concept of linking reward to performance is that it has been introduced as a top-down and rigid system that seeks easy solutions to complex problems, which it will inevitably fail to deliver. It is much better to regard the concept of linking reward to performance as a flexible 'process' not as a system. The use of the term 'system' implies a rigid, standardised and possibly bureaucratic approach that is inconsistent with the concept of linking reward to performance as an evolutionary process applied by managers working with their staff in accordance with the circumstances in which they are working (Armstrong 2001).

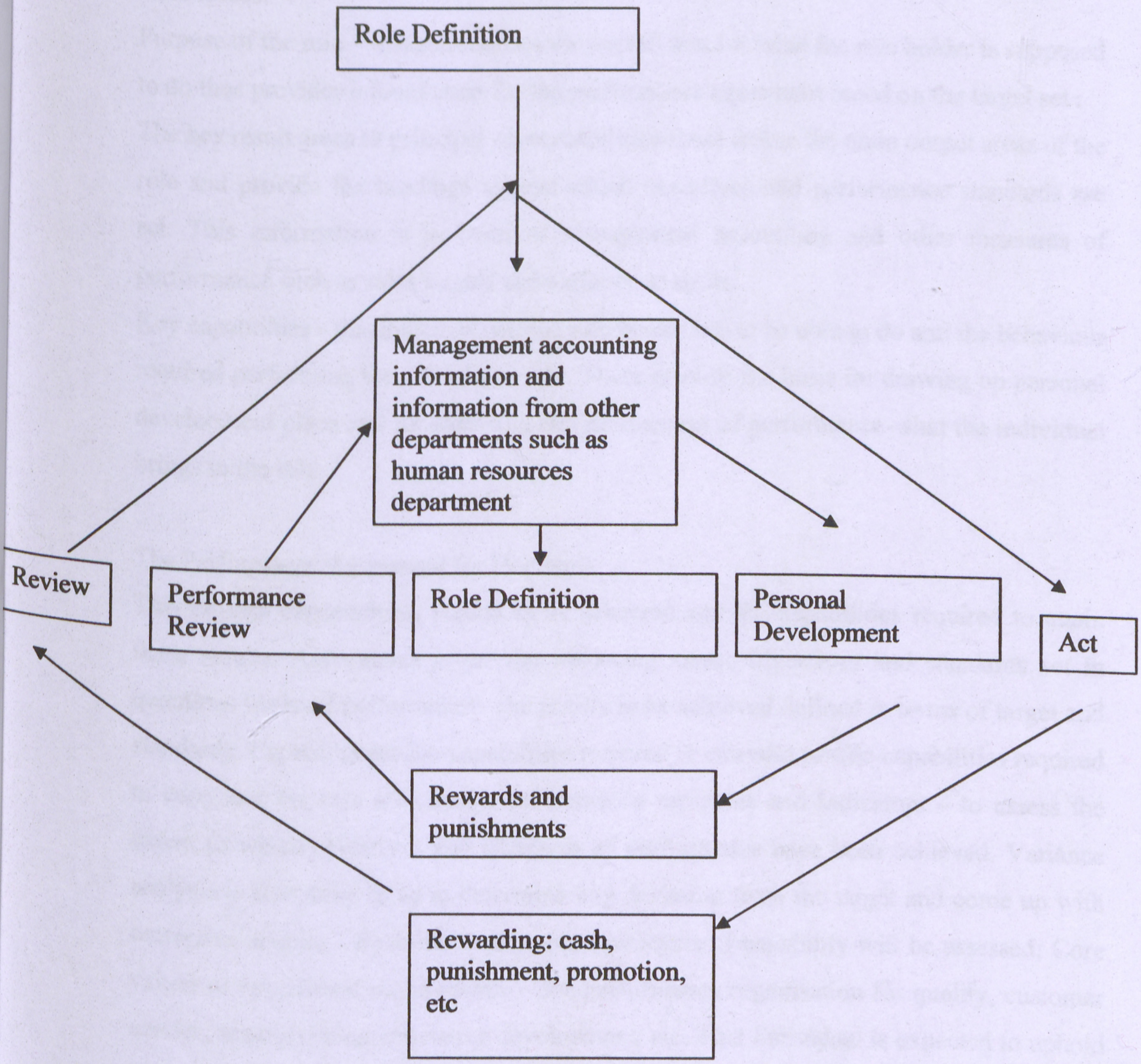
As such it involves managers and those whom they manage operating as partners but within a framework that sets out they can best work together. This framework has to reduce the degree to which linking rewards to performance is a top-down affair, and it has to be congruent with the way in which any particular organisation functions. Linking reward to performance has to fit process based flexible organisations. In these circumstances - which are increasingly the norm - it has to replace the type of appraisal system that only a hierarchical and bureaucratic organization can manage.

2.5.2 Conceptual Framework of Linking Reward to Performance

Although every organization wanting to introduce the concept of linking reward to performance should develop its own version to suit its needs, the following is a framework within which appropriate process can be developed and operated.

The concept of linking reward to performance is a continuous self-renewing cycle, which consists of the activities shown in the figure below.

Figure 1: Linking Rewards to Performance.



(Source: 'Pay for Performance', University of California San Diego, 2001 page 17)

Role Definition:

Role definition provides the framework for linking rewards to performance and it sets out three issues:

Purpose of the role – this summarises the overall aim i.e. what the role holder is supposed to do thus provides a foundation for the performance agreement based on the target set .

The key result areas or principal accountabilities-these define the main output areas of the role and provide the headings against which objectives and performance standards are set. This information is in basis of management accounting and other measures of performance such as sales targets and variance analysis.

Key capabilities - this indicates that the role holder has to be able to do and the behaviour required performing the role effectively. These provide the basis for drawing up personal development plans and for assessing the input aspect of performance-what the individual brings to the role.

The Performance Agreement (or Contract)

This defines expectations, results to be achieved and the capabilities required to attain these results. Agreements cover the following areas: Objectives and standards set in quantities terms of performance –the results to be achieved defined in terms of target and standards; Capability profile-capabilities required to carryout profile-capabilities required to carry out the role effectively; Performance measures and indicators – to assess the extent to which objectives and standards of performance have been achieved. Variance analysis is also done so as to determine any deviation from the target and come up with corrective actions; Capability assessment-low levels of capability will be assessed; Core values or operational requirements – the performance organisation for quality, customer service, team working, employee development, etc. That individual is expected to uphold in carrying out their work. Certain general operational requirements may also be specified in such areas as health and safety, budgetary control, cost reduction and security.

The focus and content of personal agreements and measures will of course vary considerably between different occupations and levels of management.

The focus for senior managers is likely to be their personal responsibility for growth, added value and results. The emphasis will largely be on the objective in the form of quantified targets with less prominence given to capabilities. Their performance will be measured by what they do to get results; how they to it will be less important, so long as they avoid upsetting shareholders, the organizations institutional sources of finances or fellow directors too much.

The performance of managers, team leaders and professional staff generally will also be measured by reference to definitions of their key result areas. The achievement of quantitative targets is still important, but more emphasis will be placed on competence requirements. In some jobs, continuing performance standards for certain aspects of the work, which may be qualified, will be used.

In administrative, clerical and support jobs, performance measure will be related to definitions of main tasks or key activities to which continuing standards of performance (standing objectives) will be attached as the main means of measuring performance. Output targets may, however, be set where they are appropriate-for example, a number of cases to be dealt with per day. Skill and competence requirements in line with the level of the job will still be important.

The performance of production workers may be measured by reference to work-measured standards for output or time taken. Sales staff is a special case. Their performance is usually measured against sales targets, but competence in matters relating to customers and providing good service will also be important.

The Personal Development Plan

This sets out the actions people intend to take to develop them in order to extend their knowledge and skills, increase their levels of capabilities and improve their performance in specified areas. The development of employee skills, knowledge and experiences is essential in today's rapidly changing workplace. In order for the organization to remain competitive and retain its reputation for excellence, employees should have up-to-the minute information and ability to use technologies, adapt to organizational change, work in flatter organizations, and work effectively in teams and other collaborative situations. (University of California, San Diego, 2001).

Employees too recognise that it is essential for them to continue to learn so that they will effective in their current jobs and be able to move to other positions or accept new responsibilities as roles demand. One needs to ask, “What are the functions which this unit will need to perform in the near term and over the next two to five years?” an assessment of a units future needs will help in identifying development opportunities for employees that will also benefit the organisation. When you support and encourage the growth and development of employees, you build their motivation to the organisation and improve morale.

Performance Review

This is the formal evaluation stage when a review performance over a period takes place covering achievements, progress and problems, as the basis for a revised performance agreement and personal development plan (University of California San Diego, 2001).

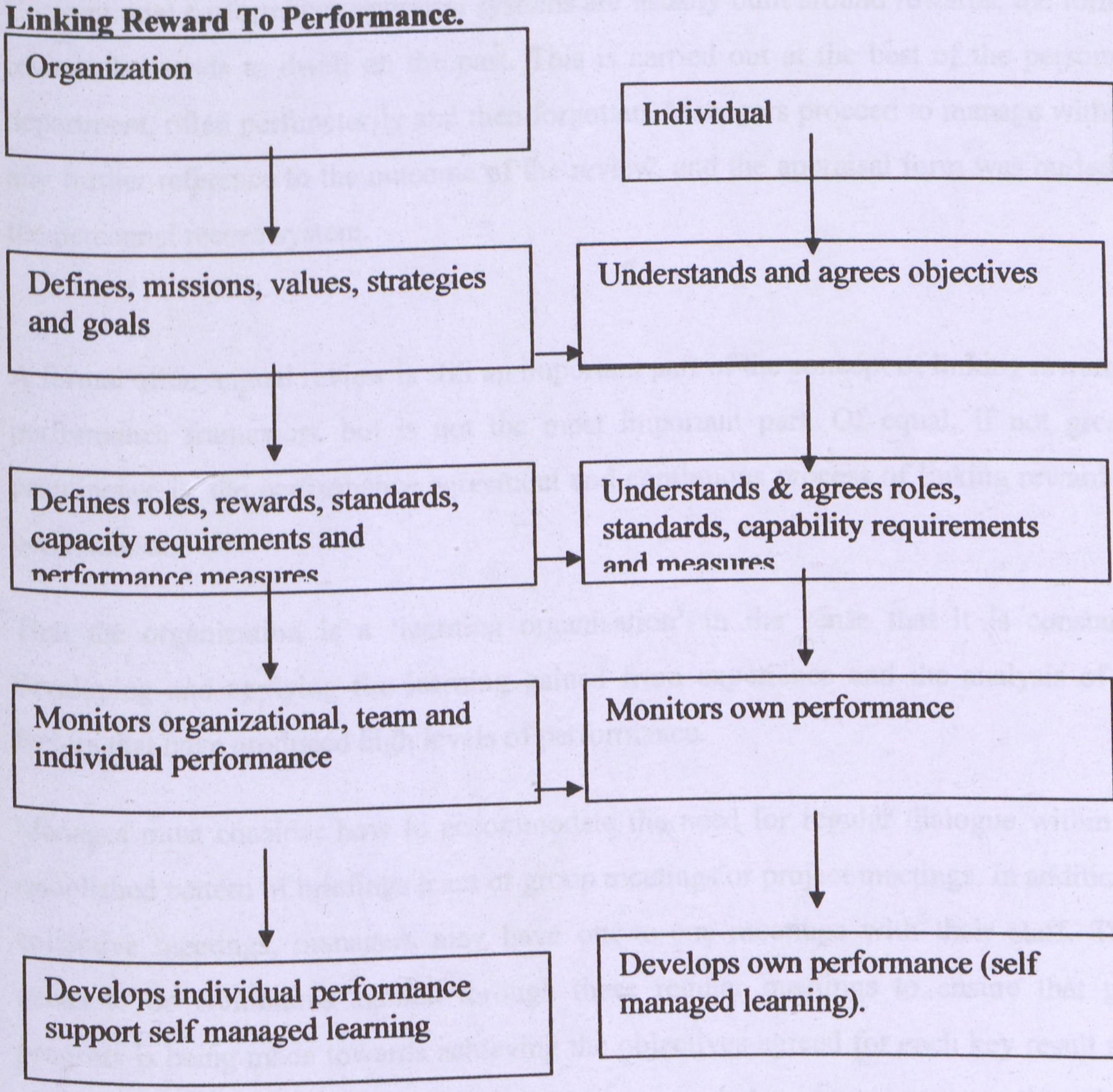
An overall overview is taken of the progress made and analysis of performance concentrates not only what happened but also why it happened, so that data are obtained for planning purpose. Obtaining a historical perspective through analysis is a necessary part of the review, but reaching an agreement about what should be done in future is really what matters.

The performance and development provide those involved with the opportunity to reflect on past performance as a basis for making development and improvement plans. The purpose of the review is to enable those concerned to get together so that they can engage in dialogue about the individual's performance and development and the support provided by the manager. It is not an occasion for top-down appraisals, although some feedback will be provided. Neither are the interviews in which one person asks questions and the other responds. They must be like free-flowing open meetings where views are exchanged so as to reach agreed conclusions (Armstrong 2001).

2.5.3 Organizational and Individual Contributions to the Concept of Linking Reward to Performance.

The concept of linking rewards to performance operates as a partnership between the organization and each individual working in it as the figure below shows. Both parties contribute to the definition of objectives, tasks, standards, and performance measures, monitoring progress and developing performance.

Figure 2: Contribution of the Organization and Individual to the Concept Of Linking Reward To Performance.



(Source, Armstrong 2001 page 21)

2.5.4 Managing the Concept of Linking Reward to Performance throughout the Year

Perhaps one of the most important concepts of performance management is that it is a continuous process that reflects normal good management practices of setting direction, monitoring and measuring performance and taking action accordingly. Linking reward to performance should not be imposed on managers' as something 'special' they have to do. It should be treated as a natural function, which all good manages carry out (Armstrong 2001).

Conventional performance appraisal systems are usually built around rewards, the formal review that tends to dwell on the past. This is carried out at the best of the personnel department, often perfunctorily and then forgotten. Managers proceed to manage without any further reference to the outcome of the review, and the appraisal form was buried in the personnel record system.

A formal often-annual review is still an important part of the concept of linking reward to performance framework but is not the most important part. Of equal, if not greater prominence is, the performance agreement and continuous process of linking rewards to performance.

That the organization is a 'learning organisation' in the sense that it is constantly developing and applying the learning gained from experience and the analysis of the factors that have produced high levels of performance.

Manages must consider how to accommodate the need for regular dialogue within the established pattern of briefings team or group meetings or project meetings. In addition to collective meetings, managers may have one-to-one meetings with their staff. There needs to be continuous agenda through these regular meetings to ensure that good progress is being made towards achieving the objectives agreed for each key result area. Any specific outcomes of a meeting should be recorded as amendments to the original agreement, objectives agreed for each key result area. Any specific outcomes of a meeting should be recorded as amendments to the original agreement, objectives and plans.

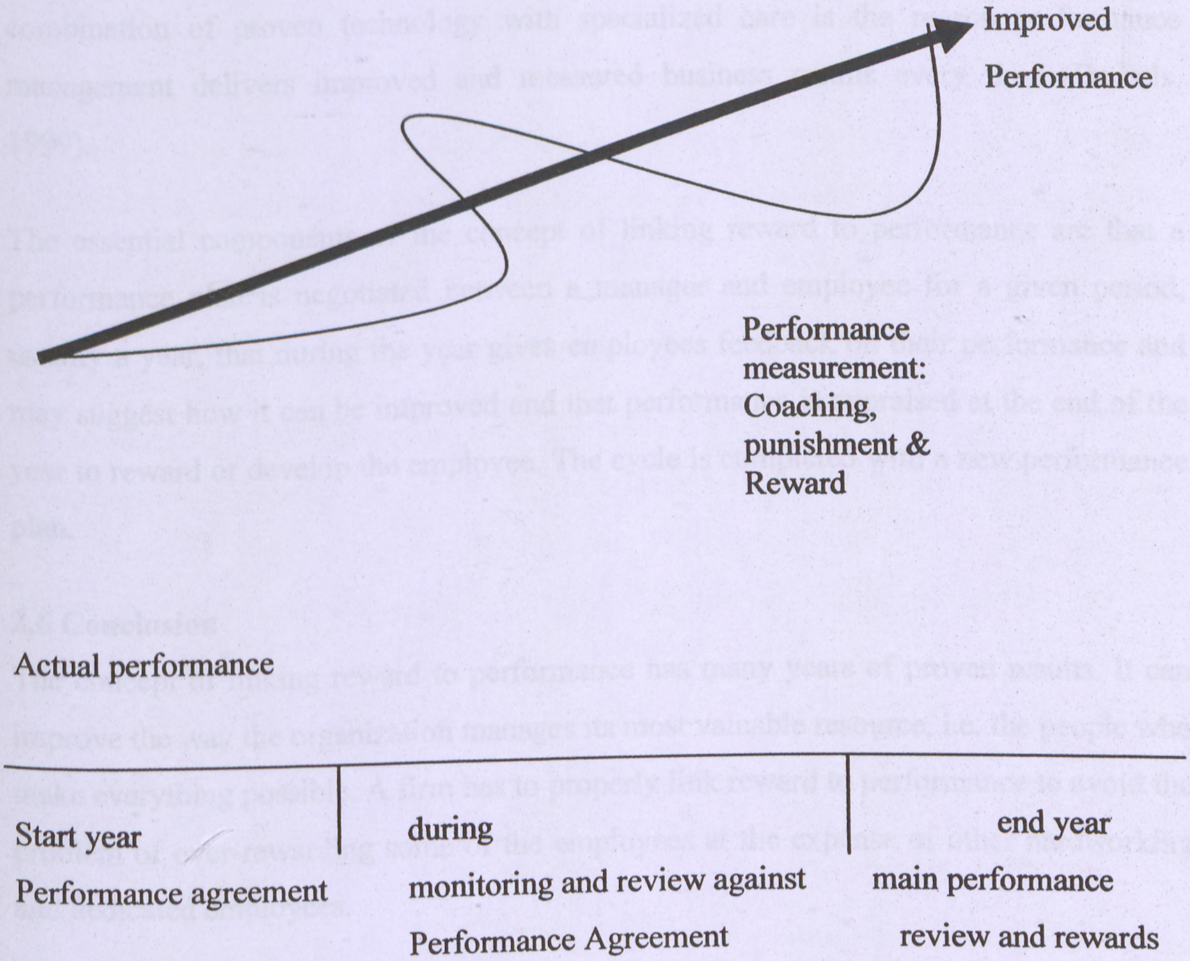
Observing employee performance and offering feedback about what is seen should be a routine part of the way employee performance is managed. Feedback is most effective in reinforcing or improving work performance when the employee has confidence in the basis of that feedback. And the performance manager too, will be more confident when giving feedback based on information that he can support (Daniels, 1999).

When one makes observations about the results of employee performance, the output employees generate and the impact of their work, one gathers additional information to make both praise and constructive feedback more effective. Observations should be the basis for feedback, and may also suggest actions, which might be taken to support, develop or improve performance.

Feedback and rewards based on observed or verifiable data is more likely to influence employee behaviour than feedback, which cannot be supported by firsthand information. It is not always possible to observe employees at work, but one should build occasions to observe their performance into the workday. In that way, one provides opportunities to understand what they do, to talk with and get feedback from them, to see employees as they perform at their best and recognise areas in which their performance could be improved.

Figure 3: Stages of Performance Management

The following figure summarizes how performance management works.



(Source, Armstrong 2001, Page 4)

It is only through a well-designed performance management system that an organisation gets power to retain the best employees, give these employees reason to maintain their good performance, deal with poor performers appropriately and attract the needed type of employee for the organisation.

Performance management implementations follow a time-tested process that ensures implementation success. At the same time, every performance management implementation is customized to meet the individual client requirements. This combination of proven technology with specialized care is the reason performance management delivers improved and measured business results every time (Daniels, 1999).

The essential components of the concept of linking reward to performance are that a performance plan is negotiated between a manager and employee for a given period, usually a year, that during the year gives employees feedback on their performance and may suggest how it can be improved and that performance is appraised at the end of the year to reward or develop the employee. The cycle is completed with a new performance plan.

2.6 Conclusion

The concept of linking reward to performance has many years of proven results. It can improve the way the organization manages its most valuable resource, i.e. the people who make everything possible. A firm has to properly link reward to performance to avoid the problem of over-rewarding some of the employees at the expense of other hardworking and dedicated employees.

Although linking reward to performance has over 25 years of proven results (Slottje, 2000), very little is known about the concept as well as the process of linking reward to performance within the Kenyan business situation. A study is therefore necessary to determine the extent to which the concept has been implemented, and the results of implementing this particular concept.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design used in this study was the descriptive survey method which seeked to determine the extent to which companies listed in the Nairobi Stock Exchange linked reward to performance.

3.2 Population

The population comprised all companies quoted in the Nairobi Stock Exchange (NSE) for the purpose of generalization. The NSE is made up of 53 companies, which are subdivided into five sectors, i.e. Agricultural, Commercial and Services, Finance and Investment, Industrial and Allied, and the Alternative Investment Market Segment Sectors.

3.3 Sampling

The Sample Size for this study is 20 firms.

The Sampling Frame for this study was the list of companies registered by the Nairobi Stock Exchange.

The Sampling Design included both the Stratified Sampling Design and the Purposive Sampling techniques. The stratified sampling technique was used because the population from which this sample was drawn was not homogeneous. The population was divided into five sub-populations i.e. Commercial and Services, Finance and Investment, Industrial and Allied, Agricultural and Alternative Investment Market segment. Each of these strata was more homogeneous than the total population, and more accurate estimations would be attained for the stratum, and consequently for the whole population. The method of proportional allocation was used to determine the sizes of the samples from the different strata by keeping these sizes proportional to the sizes of the strata. In this case, the total population consisted of 53 companies, therefore the population size 'N' was 53. The Commercial and Services sector consisted of 11 companies, the Finance and Investment sectors consisted of 12 companies, the Industrial and Allied sector consisted of the largest number of companies with a total number of 18, the Agricultural consisted of 4 companies while the Alternative Investment Market segment consisted of 8 companies. The desired sample size 'n' was 20. The sample size for the Commercial and Services sector was 20(11/53) =4.1, which when rounded of were 4 companies. The sample size for the Finance and Investment sector was 20(12/53) =4.5 which when rounded off became 5 companies. The sample size for the Industrial and Allied sector was 20(18/53) =6.7 hence 7 companies. The sample size for the Agricultural sector was 20(4/53) =1.4 hence 1 company, while the sample size for the Alternative Investment Market segment was 20(8/53) = 3 companies.

Table 1: Sample Size and Respondents

SECTOR	SAMPLE SIZE	RESPONDENT PER COMPANY	TOTAL RESPONDENTS
Agricultural	1	5	5
Alternative Investment Market	3	5	15
Finance and Investment	5	5	25
Industrial and Allied	7	5	35
Commercial and Services	4	5	20
TOTAL	**20**		**100**

3.4 Data Collection

The study used primary data. The primary data was collected through a structured questionnaire administered on a drop and pick basis. The questionnaire had both open-ended questions as well as the Likert type scale with five ratings.

The questionnaire aimed at collecting information on whether there had been any linkage between the performance of employees and/or work units and rewards, and if there had been any linkage, then to what extent this linkage could be expressed.

The respondents of the study were middle and lower level managers working in the companies.

3.5 Data Analysis

The data was run through the Statistical Package for Social science (SPSS). This package performed statistical calculations and computed means, frequencies and percentiles. The analysis was done mainly using descriptive statistics. The results were used to answer the research questions and to meet the objectives of conducting the study.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter provides the findings and analysis of the data from quantitative variables and qualitative variables. The chapter is divided into two sections with section one containing descriptive analysis of the data collected. Section two contains a discussion of the implication of the results of the study in general.

The description of the findings is expressed using chi-square tests. The findings of the questionnaires together with secondary data are treated with equal importance in supporting to explain the variables on linking reward to performance.

4.2 Survey and Response Rate

A total of 100 questionnaires were distributed to 20 companies of which 5 questionnaires were distributed to each company. Out of the 100 questionnaires, 60 respondents (60% response rate) returned the questionnaires in the agreed time of two weeks.

As mentioned in the previous chapter, the questionnaire aimed at collecting information on whether there has been any linkage between the performance of employees and/or work units and rewards, and if there has been any linkage, then to what extent this linkage can be expressed from middle and lower level managers working in the companies. Hence the findings below were a true representative of the public organizations opinion on performance and appraisal.

4.3 Data Analysis

The objective of the study was to determine extent to which companies listed in the Nairobi Stock Exchange link reward to performance.

The questionnaire provided was intended to capture this information. Data from the questionnaires were analysed using the Statistical Package for Social science (SPSS) for statistical calculations and compute means, percentiles and frequencies. The analysis was done using descriptive statistics. Findings are provided below.

4.4 General Observation

From the research, it was observed that nearly 50% respondents in the public organizations had worked for an average of three to ten years. 25% had worked below two years while 25% had worked in the organization for more than ten years. As a result, they could give an informed position on how the company operated. 42% of the respondents had been in the same position between three to ten years. At the same time 33% were in the same position for a period below two years and 25% had been in the same position above ten years. (Please see Table 3 in Appendix 111).

In most of the organizations, their mission and vision statement were well stated and were geared towards providing, quality, innovative, efficient, effective products and services to consumers and workers.

In terms of number of employees, 33% of organizations had less than 50, 42% had between 51 and 100, while 25 % had more than 100 employees. (Please see Table 1 in Appendix 111).

4.5 Results of Data Collection

This part covers the findings on the variables used to link performance appraisals and reward systems of the organizations. The results are described for all the variables before the analysis and explanation is done in the subsequent part.

In order to get the opinion of the respondents, likert scale type of questions was used as shown in the questionnaire. The aim was to find out the opinions of respondents on the variables presented, which would be described by the use of percentages. The results are presented below

4.5.1 Organizations That Conduct Performance Appraisal

In analyzing the organizations that carry out performance appraisal, respondents ranked their opinion from yes or no in a likert scale question 9. The frequency outcomes were performed and the summary of the results is presented in Appendix 111.

According to the study, 98.4% of the organizations conduct performance appraisal. At the same time, 67% of respondents said that performance appraisal is conducted annually while 33% of respondents said that it is conducted quarterly. (Please see Table 5 and 6 in Appendix 111).

The responsibility of conducting performance appraisal in nearly all organizations was on supervisors and department managers with 43% being supervisors and 57% being department managers. (Please see see Table 4 in Appendix 111).

100% of the respondents said that performance appraisal is conducted both on individual employee and the department as a whole. As for the reason of conducting performance appraisal, 42% of the respondents said that it helped in decision-making in relation to compensation 25% of respondents indicate training needs 33% of the respondents said that it Determine future use of an employee.

Performance is regarded as the record of outcomes achieved on an individual and organizations basis; it is a record of a person's and organizations accomplishment and at the same time, when managing the performance of teams and individuals, both inputs (behaviour) and output (results) are considered.

For most organizations, performance appraisal is conducted to report job performance and to assist in the various functions pertaining to employees and their jobs. The process involves setting work standards, assessing the employee's actual performance relative to these standards and providing a feedback to the employee with the aim of motivating that person to eliminate deficiencies or to continue to perform above par.

Hence to conclude, in Kenya, most publicly listed organizations, performance appraisal is conducted by supervisors and department managers to both individuals and departments annually and quarterly. In most organizations, performance appraisal is conducted to be able help in decision making in relation to compensations, indicate training needs and determine future use of an employee.

4.5.2 Linking Reward to Performance

The objective was to analyze how organizations that conduct performance appraisal link rewards to performance. This part of the questionnaire was intended to identify the types of rewards given by organizations, which the rewards are given, what information is used to provide the rewards and which information is more important in providing rewards, advantages and disadvantages of linking rewards to performance. This part of the questionnaire included ranking of opinions on the various issues presented above. The results are summarized below:

According to the study, as a matter of policy, many organizations link reward to performance. Rewards are linked to both individuals and departments with the rewards varying. According to the study, 10% of the respondents said that rewards are Monetary, 26% said that rewards are Promotion, 15% stated rewards are by Benefits, 39% said that rewards are by Recognition and 10% said that rewards are be praise. (Please see Table 6 in Appendix 111).

In terms of in specific information used to link rewards to performance, 50% of the respondents said that the organizations used Management Accounting Information, 17% of the organizations used Financial Information, 17% of organizations used Performance Information, 0% of organizations used Peer Employee Information. (Please see Table 6 in Appendix 111).

When looking at the variables that influence the amount of reward of an employee, 50% of respondents said management accounting was very significant, 33% of respondents stated more significant and 17% of the respondents stated that it was significant. At the same time, 17% said that financial information was very significant, 67% said that it was more significant and 16% said that it was significant. When analyzing performance information, 16% said that it was very significant, 50% said that it was more significant and 34% said that it was significant. At the same time 100% said that peer employee information was insignificant. (Please see Table 6 in Appendix 111).

For many public organizations, the concept of linking reward to performance is part and parcel of its function. Developing and implemented performance appraisal systems have often been operated by line managers and supervisors.

The traditional reward systems that exist in many organizations include monetary, promotion, recognition and other benefits like presents, holiday's e.t.c. However different organizations have different information to link reward to performance. The most prominent information to be used is both management accounting and financial information with peer employee information being insignificant.

However, there are various benefits and disadvantages of linking reward to performance. Linking reward to performance is able to improve the quality of output in terms of employee performance, accuracy and effectiveness of the final product. Quantity of output produced also improves in terms of number of products produced or services provided or achieve. There is reduced time and cost involved in producing or providing a product or service, or reducing waste. Inculcates responsibility for continuous improvement of business processes and for their own skills and contribution and more importantly achieving targets.It also improves the way the organization manages its most valuable resource. However it can bring about competition among employees who can engage in backstabbing and for organizations that reward on quantity and not quality some line workers can end up being rewarded less yet they helped in ensuring that the product or service was produced.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

The objective of the study is to determine extent to which companies listed in the Nairobi Stock Exchange link reward to performance. The concept of linking reward to performance was identified as one of the most recent developments in the sphere of performance management. Linking reward to performance is based in all kinds of companies: hospitals, industries, universities, transport, government and commercial enterprises.

According to Bart Slottje (2000), linking reward to performance has over 25 years of proven results. It does improve both organisational success and the way the organisation manages their most valuable resource – the people who make everything possible.

Despite all these, very little is known about linking reward to performance in Kenyan situation. The contemporary workplace in Kenya offers many challenges yet few if any studies have been done to find out if indeed any of the firms are using the concept of linking reward to performance or even if the concept of linking reward to performance is delivering its intended benefits.

Hence organizations that were listed in the Nairobi stock exchange were identified and hence they acted as the sample to be studied. They were considered because of the diverse and important role of the Nairobi Stock Exchange in terms of raising capital for businesses, mobilising savings for investment, facilitating company growth, redistributing wealth, corporate governance, creating investment opportunities for small investors, government capital-raising for development programmes as well as acting as a barometer for the performance of the economy (Wikipedia, 2007), coupled with the fact that companies listed in the Nairobi Stock Exchange have a variety of owners who expect good performance from these companies in order to benefit from their investments in these companies, then was considered important that the management of the these companies adopt concepts that will enhance the performance of these organisations.

Questionnaire aimed at collecting information on whether there has been any linkage between the performance of employees and/or work units and rewards, and if there has been any linkage, then to what extent this linkage can be expressed from middle and lower level managers working in the companies.

This study intended to provide an insight into whether Kenyan firms are actually using this new concept of linking reward to performance and also if it has had any impact on these firms' performance. It was also noticed that studies have been carried out in Kenya on performance management but they have failed to address the issue of linking reward to performance.

Results from the study showed that for most organizations, performance appraisal is conducted to report job performance and to assist in the various functions pertaining to employees and their jobs. The process involves setting work standards, assessing the employee's actual performance relative to these standards and providing a feedback to the employee with the aim of motivating that person to eliminate deficiencies or to continue to perform above par.

Also performance appraisal is conducted by supervisors and department managers to both individuals and departments annually and quarterly. In most organizations, performance appraisal is conducted to be able help in decision making in relation to compensations, indicate training needs and determine future use of an employee.

Another finding was that many public organizations; the concept of linking reward to performance is part and parcel of its function. Developing and implemented performance appraisal systems have often been operated by line managers and supervisors.

The traditional reward systems that exist in many organizations include monetary, promotion, recognition and other benefits like presents, holiday's e.t.c. However different organizations have different information to link reward to performance. The most prominent information to be used is both management accounting and financial information with peer employee information being insignificant.

There are various benefits and disadvantages of linking reward to performance. They include the fact that linking reward to performance is able to improve the quality of output in terms of employee performance, accuracy and effectiveness of the final product. Quantity of output produced also improves in terms of number of products produced or services provided or achieve. There is reduced time and cost involved in producing or providing a product or service, or reducing waste. Inculcates responsibility for continuous improvement of business processes and for their own skills and contribution and more importantly achieving targets.It also improves the way the organization manages its most valuable resource. However it can bring about competition among employees who can engage in backstabbing and for organizations that reward on quantity and not quality some line workers can end up being rewarded less yet they helped in ensuring that the product or service was produced.

5.2 Recommendation for Further Research

Researches on Performance Management are important to all stakeholders in the country. Performance Management is an important tool for any organization to be able to remaining competitive in today's rapidly changing workplace. This study would also add to the existing knowledge and stimulate further research on different aspects of linking reward to performance.

Linking reward to performance is an important ingredient in ensuring that an organization is able to achieve greater growth together with the employees benefiting from the organizational functions.

The research was however not exhaustive as needed because of time and cost constraints. However further research on performance management and the linkage to rewards will be highly needed and appreciated especially with the result of the study point to a number of research issues that need further studies and investigation.

The issues to be studied include:

1. How to minimize the disadvantages that emanate from the concept of linking rewards to performance
2. Ensuring fairness in performance management within organizations in Kenya

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APPENDIX 1

QUESTIONNAIRE

The information provided here will be used solely for academic purposes and will be treated with maximum confidentiality.

PART A: DEMOGRAPHIC INFORMATION

1) Name of organisation……………………………………………..

2) Name of the respondent (optional)………………………………..

3) Position in the organisation………………………………………

4) No of years you have been in the organisation (Tick)

i. Below 2 years [ ]

ii. 3-10 Years [ ]

iii. Above 10 years [ ]

5) No of years you have been in your position (Tick)

i. Below 2 years [ ]

ii. 3-10 Years [ ]

iii. Above 10 years [ ]

PART B: SPECIFIC INFORMATION

6) Mission of your organisation(state)

....

....

....

7) Vision of the organisation (state)

....

....

....

8) Number of employees in your organisation(tick)

i. Below 50 [ ]

ii. 51 - 100 [ ]

iii. 101 – 500 [ ]

iv. Above 500 [ ]

9) (a) Does your organisation carry out performance appraisal?

Yes [ ] No [ ]

(b) Who is responsible for conducting the performance appraisal?

(Tick as many as appropriate)

i. Self [ ]

ii. Peers [ ]

iii. Junior Employees [ ]

iv. Supervisor [ ]

v. Department Manager [ ]

vi. Committee [ ]

vii. Any others [ ] Please specify...

10) How often are performance appraisals conducted in the organization?

i. Annually [ ]

ii. Semi-annually [ ]

iii. Quarterly [ ]

11) Is the performance appraisal carried out on:

i. Individual employees? [ ]

ii. Department as a whole? [ ]

iii. Both [ ]

12) What would you say, is the main purpose for the organization in conducting performance appraisals? (Tick as many as appropriate)

i. Help in decision-making in relation to compensation [ ]

ii. Indicate training needs [ ]

iii. Determine future use of an employee [ ]

iv. Just as a matter of policy [ ]

v. Any other [ ] Please specify………..

……………………………………………………………………………………

13) What type of reward does the organization give? (Tick as many as appropriate)

i. Monetary [ ]

ii. Promotion [ ]

iii. Benefits [ ]

iv. Recognition [ ]

v. Praise [ ]

vi. Any other [ ] Specify..

14) Are rewards linked to:

i. Individual employees? [ ]

ii. Department as a whole? [ ]

iii. Both [ ]

iv. Any other (specify)...

15) As a matter of policy, does the organization link rewards to performance?

i. Yes [ ]

ii. No [ ]

16) (a)What specific information is used in linking rewards to performance?(Tick as many as appropriate)

i. Management Accounting Information [ ]

ii. Financial Information [ ]

iii. Performance Information [ ]

iv. Peer Employee Information [ ]

v. Any other (please specify)..

b) Rank the above variables in order of which they influence the amount of reward of an employee

<u>Key</u>

1 = Very significant

2 = More significant

3 = Significant

4 = Less Significant

5 = Insignificant

		1	2	3	4	5
i.	Management Accounting	[ ]	[ ]	[ ]	[ ]	[ ]
ii.	Financial Information	[ ]	[ ]	[ ]	[ ]	[ ]
iii.	Performance Information	[ ]	[ ]	[ ]	[ ]	[ ]
iv.	Peer Employee Information	[ ]	[ ]	[ ]	[ ]	[ ]

17) What would you say have been some of the **BENEFITS** that the organization has gained from linking rewards to performance, if any?

- ....
- ....
- ....
- ....
- ....
- ....

18) What would you say have been some of the **DISADVANTAGES** of linking rewards to performance to your organization, if any?

- ……………………………………………………………………………………
- ……………………………………………………………………………………
- ……………………………………………………………………………………
- ……………………………………………………………………………………
- ……………………………………………………………………………………
- ……………………………………………………………………………………

APPENDIX II: LIST OF COMPANIES QUOTED IN THE NAIROBI STOCK EXCHANGE

SECTOR	**NAME OF COMPANIES**	
Agricultural	Unilever Tea	Rea Vipingo
	Kakuzi	Sasini Ltd.
Commercial and Allied	Access Kenya Group Ltd.	Nation Media Group
	Car and General	Scan Group Ltd.
	CMC	Standard Group Ltd.
	Hutchings Biemer	TPS E. A (Serena) Ltd.
	Kenya Airways Ltd.	Uchumi Supermarkets
	Marshalls	
Finance and Investment	Barclays Bank	Jubilee Holdings Ltd
	CFC Bank	KCB Bank
	Diamond Trust	National Bank
	Equity Bank	National Industrial Credit
	Housing Finance	Pan Africa Insurance Hold.
	ICDC	Standard Chartered Bank
Industrial and Allied	Athi River Mining Ltd.	Kenol
	BOC Kenya	Kenya Power & Lighting
	Bamburi	KenGen
	British American Tobacco	Mumias Sugar
	Carbacid	Olympia Capital Holdings
	Crown Berger	Sameer Africa Ltd.
	E. A. Cables	Total
	E. A. Breweries	Unga
	Eveready East Africa Ltd.	
Alternative Investment Market Segment	A. Baumann	Williamson Tea
	City Trust	Kapchorua
	Eaagads	Kenya Orchads
	Express	Limuru Tea

APENDIX III: FREQUENCY OUTCOMES

Table 1: Number of Employees in the Organization

Statistics

Number of employees in your organisation

N	Valid	60
	Missing	0
Mean		1.92
Percentiles	100	3.00

Number of employees in your organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 50	20	33.3	33.3	33.3
	51-100	25	41.7	41.7	75.0
	101-500	15	25.0	25.0	100.0
	Total	60	100.0	100.0	

Table 2: Number of years Employed in Organization

Statistics

No of years you have been employed in the organisation

N	Valid	60
	Missing	0
Mean		2.00
Percentiles	100	3.00

No of years you have been employed in the organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 2 yrs	15	25.0	25.0	25.0
	3-10 yrs	30	50.0	50.0	75.0
	Above 10 yrs	15	25.0	25.0	100.0
	Total	60	100.0	100.0	

Table 3: Number of Years in position - Frequencies

Statistics

No of years you have been in your position

N	Valid	60
	Missing	0
Mean		1.92
Percentiles	100	3.00

No of years you have been in your position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 2 yrs	20	33.3	33.3	33.3
	3-10 yrs	25	41.7	41.7	75.0
	Above 10 years	15	25.0	25.0	100.0
	Total	60	100.0	100.0	

Table 4: Responsibility for Conducting Performance Appraisal

Statistics

Who is responsible for conducting the performance appraisal

N	Valid	60
	Missing	0
Mean		4.57
Percentiles	100	5.00

Who is responsible for conducting the performance appraisal

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Supervisor	26	43.3	43.3	43.3
	Department Manager	34	56.7	56.7	100.0
	Total	60	100.0	100.0	

Table 5: Frequency of Conducting Performance Appraisals

Statistics

How often are performance appraisals conducted in the organization

N	Valid	60
	Missing	0
Mean		1.67
Percentiles	100	3.00

How often are performance appraisals conducted in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Annually	40	66.7	66.7	66.7
	Quarterly	20	33.3	33.3	100.0
	Total	60	100.0	100.0	

Table 6: Linking rewards to performance

Statistics

		Is the performance appraisal carried out on	What would you say is the main purpose for the organization in conducting performance appraisals	Are rewards linked to	What specific information is used in liking rewards in linking rewards to performance
N	Valid	60	60	60	60
	Missing	0	0	0	0
Mean		3.00	1.92	3.00	1.83
Percentiles	100	3.00	3.00	3.00	3.00

Frequency Table

Is the performance appraisal carried out on

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Both	60	100.0	100.0	100.0

What would you say is the main purpose for the organization in conducting performance appraisals

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Help in decision making	25	41.7	41.7	41.7
	Indicate training needs	15	25.0	25.0	66.7
	Determine future use of an employee	20	33.3	33.3	100.0
	Total	60	100.0	100.0	

Are rewards linked to

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Both	60	100.0	100.0	100.0

What specific information is used in liking rewards in linking rewards to performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management Accounting Information	30	50.0	50.0	50.0
	Financial Information	10	16.7	16.7	66.7
	Performance Information	20	33.3	33.3	100.0
	Total	60	100.0	100.0	

Frequencies

Statistics

		Rank (iv) Peer Employee Information	Rank (iii) Performance Information	Rank (ii) Financial Information	Rank (i) Managment Accounting
N	Valid	60	60	60	60
	Missing	0	0	0	0
Mean		5.00	2.17	2.00	1.67
Percentiles	100	5.00	3.00	3.00	3.00

Frequency Table

Rank (iv) Peer Employee Information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Insignificant	60	100.0	100.0	100.0

Rank (iii) Performance Information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very significant	10	16.7	16.7	16.7
	More Significant	30	50.0	50.0	66.7
	Significant	20	33.3	33.3	100.0
	Total	60	100.0	100.0	

Rank (ii) Financial Information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Significant	10	16.7	16.7	16.7
	More Significant	40	66.7	66.7	83.3
	Significant	10	16.7	16.7	100.0
	Total	60	100.0	100.0	

Rank (i) Managment Accounting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very significant	30	50.0	50.0	50.0
	More significant	20	33.3	33.3	83.3
	Significant	10	16.7	16.7	100.0
	Total	60	100.0	100.0	