EFFECTS OF REWARD MANAGEMENT ON EMPLOYEE PERFORMANCE IN HOTELS IN NORTH COAST, KENYA

NDEDE HEYS OKOTH

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2014

DECLARATION

STUDENT'S DECLARATION

I declare that this research project is my original work and has not been presented for Examination or Academic purposes in any other University or College.

……………………………… …………………………….

Signature Date

STUDENT: NDEDE HEYS OKOTH

D61/60855/2010

SUPERVISORS DECLARATION

I confirm that this project has been submitted for examination with my approval as the university Supervisor.

……………………………………... ……………………………..

Signature Date

SUPERVISOR: MS FLORENCE MUINDI

LECTURER,

UNIVERSITY OF NAIROBI

DEDICATION

I dedicate this research project to my mum Agnes Akinyi Ndede and brother Austine Ochieng Ndede

ACKNOWLEDGEMENTS

I owe my gratitude to many individuals and groups who have supported me in one way or another in this research work. First and foremost, my supervisor Florence K. Muindi whose guidance and advice has been instrumental throughout this research project. I also appreciate my colleagues at work; class mates especially group members, all lecturers and my family members for their understanding and support. May the Almighty God bless all of you.

ACRONYMS AND ABBREVIATIONS

BSC	Balanced Scorecard
HRM	Human Resource Management
SERVQUAL	Service quality
SERVPERF	Service performance
TQM	Total Quality Management
VIE	Valency–instrumentality–expectancy

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Basing on the arguments of expectancy theory that employees expect a certain reward for their input in the organization and the influence this has on employee performance as depicted by the instrumentality theory, employee performance heavily rely on the kind of reward management practices used by their organizations. The reward management practices thus have a direct relationship with employee performance, (Ahmad et al, 2010). This is more desirable in the hotel industry in Kenya especially at a time when insecurity is affecting tourism and the industry calling for the industry to really market itself and gain strategic edge over the other tourist destinations. The industry is highly standardized thus the only left competitive tool in the quality of service offered by employees which is determined by employee performance. It is on this background that a study on effect of reward management on employee performance in the hotel industry in Kenya was carried out with an aim of optimizing employee performance in the industry as a means of gaining competitive edge over other destinations. The objective of the study was thus to determine the effect of reward management on employee performance in the hotel industry in Kenya. Therefore, the study used a descriptive cross sectional survey design which would give the quantitative relationship between the reward management practices employed and employee performance at a particular point in time to be used for generalization to other times. The study targeted the beach Hotels in North coast Kenya given that the industry is saturated in the area. Given that the study was a survey, there was no need of sampling and the study thus used all the 27 beach resorts in North Coast, Kenya. The study used primary data which was collected using structured questionnaires administered using the drop and pick method. The collected data was then sorted for validity and reliability and coded then quantitatively analyzed using mean and standard deviation. This was done independently for each of the variables. This was followed by a correlation analysis. The study found high correlation between reward management and employee performance. The study however found that as much as there was a reward policy in place, it was fairly weak as the reward strategies that have very high correlation with employee performance such as grade structure, performance appraisal and strategic reward were weakly implemented but concentration was on contingent pay and equal pay which have a relatively weaker correlation with performance. A recommendation was thus made for the hotels to change their reward policies in order to align the reward management practices based on their respective correlation to employee performance. The researcher also recommended for a study to establish the combination of various strategies that would optimize employee performance with emphasis of the proportion to which each strategy is to be used as well as a study to explore the modalities of applying job/grade structure in the hotel industry.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Reward management is seen as largely about managing expectations, which is what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. In addition, it is the process of developing and implementing strategies, policies and systems which help the organization to achieve its objectives by obtaining and keeping the people it needs and by increasing their motivation and commitment, is of utmost importance to firms today because recent developments in the business world have seen to it that people have become a firm's most valuable resource. This arises from the fact that competition has moved from the fixed resources to the human resources and specifically the intangible resources. As a result, employee performance has been of concern to organizations in the current competitive environment since it is now commonly accepted that employees create an important source of competitive advantage for firms, (Armstrong & Murlis, 2007). The importance of reward management is heightened by its important role in enhancing employee performance. As a result a special area of concern for Human resource managers has been the reward management and with special emphasis to its effect on employee performance, (Baptiste, 2008). Efforts have therefore been made by human resources management theorists to try to establish the relationship between reward management and employee performance in various sectors of the economy. Expectations are built into the employment relationship, the starting-point of which, from the reward point of view, is a undertaking by an employee to provide effort and skill to the employer, in return for which the employer provides the employee with a salary or a wage, this then raises the performance of the employee whose expectations would have been met, (Armstrong & Taylor, 2014).

The expectancy theory details the relationship between performance and expectations and is given in two dimensions. One dimension is the expectation of an employee of reward equal to the input on the organization and the other dimension is the expectation of the organization of an output by the employee equal to the reward given, (Porter & Lawler, 1973). This theory thus explains the delicate balance relationship between reward management and employee performance as seen where each depends on the other such that performance depends on reward while at the same time reward depends on performance. This thus becomes the basis on which reward management operates in using rewards to optimally influence employee performance. The theory is supported by instrumentality theory which states that employees work for specific instruments giving a range of instruments to be used as rewards ranging from monetary, recognition and promotion, (Berridge, 2001). Instrumentality theory thus forms the basis of reward management which entails selecting the best reward instrument to be used at any given time and the duration and schedule in which it is to be used as well as the complementing reward instruments coming up with a reward policy and strategy to optimize employee performance.

The study is conducted in the hotel industry as it has adopted an extensive reward management framework to increase employee performance, (BMI, 2013). This framework can thus form the basis of analysis for application to various industries.

1.1.1. Reward Management

Reward constitutes an important element in Human Resources Management. Reward Management is essentially about designing, implementing and maintaining pay systems which help to improve organizational performance, (Armstrong & Murlis, 2007). Reward management can also be said to be the process of developing and implementing strategies, policies and systems which help the organization to achieve its objectives by obtaining and keeping the people it needs and by increasing their motivation and commitment, . The reward management system should thus be designed to support the achievement of the organization's strategies; it should be based on a philosophy of reward which matches the culture of the organization.

Consequently, reward management in this regard is concerned with the formulation and implementation of strategies and policies, the purposes of which are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward systems, reward processes, practices and procedures, that aim to meet the needs of both the organization and its stakeholders, (Berridge, 2001). Amstrong (2009) therefore argues that reward management is concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees. This results from the argument that there is no such best practice; there is only good practice which is best for the organization. And also that what is best practice for an organization at one stage of its development may no longer be best practice as it moves its life cycle.

Moreover, practices, which were effective when they were introduced, may degenerate as the organization evolves or it degenerates. Reward management is therefore is not only about money, it is also concerned with intrinsic, as well as extrinsic motivation; with non-financial, as well as financial rewards. This leads to several components of reward management such as strategic reward, job evaluation, Market rate analysis, grade and pay structure as well as contingent pay, (Ripley, 2002).

1.1.2 Employee Performance

Employee performance can be said to be the effectiveness and efficiency to which employees of ant given organization carry out their day to day duties in order to meet the management and customer expectations, (Pierce et al, 2004). It can also be said to be the level to which the employees apply their skills, knowledge and attitudes towards achieving the desired results and meeting the specified objectives, (Rehman, 2009). Bohnstedt & Larsen, (2008) points out that employee performance is often indirectly measured using aspects of employee behavior at work such as speed, courtesy, etiquette, precision, time management, consistency and influence on other employees.

It is on this basis that Hashim (2000) suggests that the measure of employee performance is the determination of financial profitability and growth attributed to the individual employee as a contribution to the firm. This is supported by Berridge (2001) who argue that the common measures of organizational performance such as profit margin, return on assets, return on equity and return on sales can be attributed to each individual as a contribution. This argument may not however work on the service industries such as the hotel industry where employee performance is seen more on the quality of service delivers to the customers thus subjective to customer perception and satisfaction as given by the expectancy theory.

Employee performance however does not become an abstract concept but a concrete concept that can be measured using both SERVQUAL and SERVPERF models. SERVQUAL in this regard means to measure the scale of quality in the service sectors. This service quality framework highlights the main requirements for delivering high quality service. It measures the gap between customer expectations and experience. The SERVPERF score represents the perceived performance on the components of service quality, (Hashim, 2000).

1.1.3 Hotel Industry in Kenya

In Kenya, the hotel industry is one of the major industries that play an important role the country's socioeconomic development. Whereas the performance of hotels is hinged on provision of quality service to customers, the challenge is to improve employee performance in order to facilitate that endeavor. Therefore, job satisfaction plays a key role in the hotel industry. Moreover, the industry is vital in the Kenyan economy given its role in the tourism industry considered as the spinal cord of the Kenyan economy. The hotel industry also offers a wide range of support to other pillars of the economy such as agriculture, infrastructure and research and development. This support is given in terms of the conference facilities used majorly for seminars, workshops, dissemination of information, training as well as accommodation which is an integral part of the functionalities within the industries, (BMI, 2013).

The hotel industry in Kenya is more concentrated at the Kenyan coast due to the tourist effect where most tourist hotels and beach resorts are located along the coastal strip. As much as there are big and prestigious hotels in Nairobi, Kisumu, Eldoret and other major towns, a majority of the hotels are saturated along the Coastal strip, (Kenya Tourist report, 2013). These hotels are further divided into two zones namely the South coast Hotels mostly saturated in Ukunda, Diani towards Lungalunga and the North Coast hotels stretching from Mtwapa to Malindi with concentration in Watamu and Malindi. The highest concentration of beach resorts is in North Coast making the location the most Ideal location for conducting a study concentrating in Hotels.

1.2 Research Problem

An analysis of the current trends show that most reward management decisions are based more on social and political processes rather than academic information on the merit of the reward management decision, (Chen & Hsieh, 2006). Besides, reward management is seen as one of the most effective ways of increasing employee performance as depicted in the expectancy and instrumentality theories that reward management touch on the very aspects of employee performance such as their expectations and behavioral tendencies towards their work, (Tahir et al, 2013).

Moreover, the hotel Industry in Kenya plays a very important role in the country’s economic development in terms of foreign exchange, government revenue and provision of employment and business opportunities. This is heightened by the importance of tourism as one of the key backbones to the Kenyan economy to which the hotel industry is the spinal cord, (Kenya Tourism Report, 2013). The industry has thus come up with an extensive reward management policy and practice that needs to be studied in an attempt to determine the effect of reward management on employee performance.

There have therefore been various studies attempting to explain effect of reward management on employee performance. However most of these studies (Lynn et al 2009; Amstrong et al, 2009; Mbaya, 2013 and Mzera, 2012) are more concentrated on reward rather than reward management with the studies on reward management more concentrated in the banking industry (Aktar et al, 2012; Cherotich, 2012 and Jepngetich & Njue, 2013) and processing factories (Ahmad et al 2010 and Mansor et al 2012). Moreover, the study by Mokaya (2013) showed that hotels in Kenya used reward to retain talents and high performing employees. This study will therefore give a detailed outline of reward management by specifically narrowing down on each reward management practice and determine its relative effect on employee performance to enable mangers prioritize the reward management practices to use for optimal employee performance.

1.3 Research Objective

The objective of the study was to determine the effect of reward management on employee performance in the hotel industry in Kenya.

1.4 Value of the Study

The study would be of great importance to the managers in the hotel industry as well as other industry in designing policies on improving employee performance as well as policies on employee reward. This is because the findings of this study will enable them understand the factors surrounding reward management and specifically its effect on employee performance in the hotel industry in order to make informed policies aimed at improving employee performance in the industry.

The study would also be of great help to the Human resource academic field and practitioners as it will give new empirical evidences and further theoretical elaborations. This will in turn expend the depth of available knowledge on reward management and its effect on employee performance. This will also shape the human resource practice across various firms in regards to aligning reward management to the need to optimize employee performance.

Finally, the study would be of importance to future scholars as it will form foundation for their future studies in related field. This will be from the empirical literature availed for review by the research report which will be in the library. The study will also give suggestions for further studies which will guide the future scholars in selecting their topics for research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter defines the foundations of the study by detailing the theoretical framework guiding the study before establishing the empirical foundation for the relationship between the two variables of the study that is reward management and employee performance.

2.2 Theoretical Review

Various theories explain the impact rewards have on employee performance laying emphasis on the role of reward management in the exercise. These would thus be the theories that would form the foundation of the present study.

2.2.1 Expectancy Theory

The concept of expectancy was originally contained in the Valency–Instrumentality–Expectancy (VIE) theory formulated by Vroom (1964). In this theory, Valency stood for value, instrumentality was said to be the belief that if we do one thing it will lead to another while expectancy was said to be the probability that action or effort will lead to an outcome. This principle was borrowed as the foundation of valency theory that all actions are based on expectation of a favorable result. The modern expectancy theory thus states that all actions are based on the expectation of a favorable reward putting bi-polar pressure on organizational employee employer relationship. The first side is the pressure on management to reward employee to the expectations of their performance and the second to employees to perform to the expectation of the employers.

This theory was developed by Porter & Lawler (1973) into a model that follows Vroom's ideas by suggesting that there are two factors determining the effort people put into their jobs namely the value of the reward to individuals in so far as they satisfy their need for security, social esteem, autonomy and self-actualization and the probability that reward depends on effort, as perceived by individuals. The theory thus asserts that the greater the value of a set of rewards, and the higher the probability that receiving each of these rewards depends upon effort, the greater the effort that will be made in a given situation. But, as Porter and Lawler emphasize, mere effort is not enough. It has to be effective effort if it is to produce the desired performance.

Sturman et al (2011) further argues that as much as the strength of expectations may be based on the strength met expectations have on improved performance as among the employees. He therefore proposes that reward management is about understanding the expectations of the employees and meeting these expectations to ensure their performance keeps on improving.

Expectancy theory thus explains the effects rewards and to an extension rewards management has on employee performance. This theory will thus be used in the study to explore the various reward management practices used and how they fit in the scheme of expectations of the hotel industry employees and further how these expectations shape the actions of these employees which would translate to their performance.

2.2.2 Instrumentality Theory

Instrumentality can be defined as the belief that if we do one thing it will lead to another. In its crudest form, instrumentality theory stated that people work only for money, though this early version has been modified with time. The theory emerged in the second half of the 19th century, when the emphasis was on the need to rationalize work and to concentrate on economic outcomes. At the time, the theory assumed that employee performance is tied to the direct relationship between rewards and penalties to performance, (Condly et al, 2005). From this basis, it is seen that the theory has its roots in the scientific management methods of Taylor & Muchinsky (1976), who wrote and the assertion that It is impossible, through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in their pay.

At present, instrumentality theory is based on the principle of reinforcement, which states that, with experience in taking action to satisfy needs, people perceive that certain actions help to achieve their goals while others are less successful. Success in achieving goals and rewards therefore acts as a positive incentive and reinforces the behavior, which is repeated the next time a similar need emerges. Conversely, failure or punishment provides negative reinforcement, suggesting the need to seek alternative means of achieving goals. This process has been called the law of effect, (Tahir Et al, 2013).

2.3 Empirical Literature on the Effect of Reward Management on Employee Performance

In any competitive business environment, both locally and globally, it is common for companies to offer employees attractive, lucrative and competitive remuneration packages. These are directly linked or inter-related to improving individual’s job competency, retaining high achievers and finally achieving the organizational performances and goals. An attractive remuneration package has been a norm of any employment contract. The appraisal and rewards systems for employees are now closely linked to the performance measurement indicators of the companies. If such reward does not commensurate with their job performance, this can lead to low motivation and high attrition, finally affecting service delivery (Thum & Sardana, 2012).

Remuneration and rewards are thus very important to ensure that adequate benefits and rewards packages can significantly increase the motivation of an individual to increase their work performance. Rewards systems have traditionally been designed to attract and retain productive employees as well as to motivate them to increase their effort and output towards achieving the organizational goals (Phillips and Fox 2003). Reward has therefore been seen to be a vital instrument in employee performance. This is because a well rewarded employee feels valued by the company. The employee is thus encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being taken care of by their company thus increasing employee performance, (Condly et al, 2005)

Moreover, Markova & Ford (2011) mentions that the real success of companies originate from employees' willingness to use their creativity, abilities and know-how in favor of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place. Lotta, (2012) also contends that motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation.

Mendonca, (2002) also sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010).

According to Armstrong (2000), reward strategy is the policy that provides specific directions for the organization to develop and design programs which will ensure its rewards the performance outcomes supporting the achievement of its business goals. Furthermore, reward strategy gives specific direction to how the company will design its individual reward programs. This rises from the fact that a reward strategy is seen as the deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub-units and individuals are directed toward the achievement of an organization's strategic objectives.

Total reward could be used to manage and motivate people by thoroughly understanding the relative significance placed on the various aspects of the reward proposition and applied the well-designed total reward strategy effectively. According to Armstrong & Stephens, (2006) total reward is seen as the combination of both the financial and non-financial rewards made available to the employees. It includes all type of rewards, direct and indirect, as well as intrinsic and extrinsic. Each aspect of rewards is being linked together as an integrated and rational whole. Chen & Hsieh (2006) have shown the trend of reward method is changing from a simplex to a multiplex context due to the rapidly changing environment. The adoption of total reward system is believed to help in retaining the best worker and ensure the organization stay in a best positioned for future success. This is depicted into five elements that are compensation, benefit, work-life, performance and recognition, and development and career opportunities; they also take into concern of the external influences on a business, such as legal or regulatory issues, cultural influences and practices, and competition

In addition, equal pay system is seen as a reaction to the job analysis and the grade pay structures which are seen by the low paid groups as a demotivator from a feeling of being less valued than their colleagues in the same organization. The system thus proposes a flat rate pay for all employees known as equal pay, (Bloom, 1999). The system however has a weakness whereby more skilled and experienced employees would feel despised by getting the same pay as the other employees. This would thus go against the expectancy theory as the said employees had specific expectations based on their level of education and level of experience, (Pierce et al, 2004)

This system was however modified as a result of this dissatisfaction by Phillip's (2009) proposal that brought in an aspect of allowances and bonuses for the more skilled and experience employees as well as employees with greater responsibilities to bridge the dissent gap. In the hotel industry, such a system would first address equity of employees before making adjustments to various employees based on their levels of competence. The system also has a weakness that putting everyone at par gives no incentives for employees to work harder and attain higher rewards than others, (Theen & Heng, 2012). This thus becomes the weakest system of reward.

Furthermore, job analysis can be said to a process in which information about jobs is systematically collected, evaluated and organized. Data about each job but not about every person is gathered in an organization. It can also be said to be a descriptive process of breaking down a specific job into its component by using a collection of tools and techniques to establish job requirements. Statt, (2004) asserts that the job description outlines the job tasks, duties and responsibilities and serves as a guide for the recruitment and selection process going forward In general, a job description can be seen as relating to all the technical, administrative and managerial aspects of the job, the job title, job summary, job duties, tasks and outputs.

Amos et al., (2004) adds that job specification deals with the personal aspects of the job and education or qualification background, skills, knowledge and ability. In a layman human resources term, the job description can be associated with the hard issues whilst the job specification may focus some soft issues. Job evaluation is another aspect of job analysis which is a systematic procedure to determine the relative worth of jobs. Although different approaches to job analysis exist, there is a general feeling that job analysis should consider the responsibilities, skill, knowledge, abilities and working conditions inherent in the job in order to determine which jobs are worth more to the organization than others, (Markova & Ford, 2011)

Ojiambo (2012) argues that this would become a better means of determining employee reward as it covers all aspects of the job and the employee such as the employee academic qualifications and level of experience and skills as well as the level of performance the employee is expected to attain. This is balanced with the importance of the task in the organization to come up with a fair reward for the employee. This is in agreement with the equity theory which states that employees often desire to get from their organizations value perceived to be equivalent to their input in term of academic qualification, skills and experience as well as the value of the task they do to the overall organization objectives.

Furthermore a grade/pay structure reward system is a reward practice which comes up with different pay schemes for different professions in the same organization such s accountants, stewards, kitchen staff, drivers, security personnel, sales team and craftsmen earning different pay schemes which are uniform within the specific job specification, (Ripley, 2002). Apeyusu (2012) also argues that such a reward system gives employees a sense of fairness which according to Herzberg's theory is one of the motivators to employees as they feel accepted and appreciated in the organization. Wekesa & Nyaroo (2013) however argue that the reward system leads to some form of friction within employee circles leading to clubs of super employees and across department sabotages where a group of employees feel less valued than a more rewarded group and constantly engage in negligence of duty either to express displeasure or from a feeling that the group rewarded more should do more work thus they should do less work.

Besides, grade structures are needed to provide a logically designed framework within which an organization's pay policies can be implemented. Structures enable an organization to determine where jobs should be placed in a hierarchy, to define pay levels and the scope for pay progression and provide the basis on which relativities can be managed, equal pay can be achieved and the processes of monitoring and controlling the implementation of pay practices can take place. A grade and pay structure is also a medium through which the organization can communicate the career and pay opportunities available to employees (Armstrong & Murlis, 2005).

Sturman et al (2011) views a grade system as a system where groups of employees are put on hierarchical arrangement based on skills, experience and responsibility from which pay or reward boundaries are set. As a result pays of employees within the same grade are very close with a few differences due to other factors. In such a system, progression from one pay grade to the other is based on merit measured through a balance of experience, skills and performance. Some institutions give more prominence to experience for promotion while a few give prominence to additional educational qualification while most organizations base their promotions on performance.

Cherotich (2012) argues that promotions to the next grade in most organization is through a competitive interview where employees have to show evidence of higher performance than their colleagues competing for the same promotion in order to qualify for the promotion. Sandilyan et al (2012) also asserts that grade structure provides promotion as a very strong motivation for employees to perform highly and attain the non-cash rewards such as recommendations, testimonials, certificates and other non-cash tangible awards which they accumulate to give them a better chance in promotion to the next job grade. Mokaya et al (2013) adds that grade system is a source of non-ending rewards since employees remain motivated at all times and are out for opportunities to shine and attain a recognition which they would keep in order to attain a promotion. Wekesa & Nyaroo (2013) also argue that this is a super reward as it gives value to all the other rewards especially the tangible non cash rewards.

(Mzera, 2012) however argues that this form of reward would only be a motivator to self-driven employees who would be driven to attain the higher grades as the employees who are comfortable with their present grade however low would not be motivated to perform highly as a way of getting promotion to the next grade as seen in the civil service in Kenya where some employees don't seek promotion to the next grade and sit comfortable in their entry grade till they retire. Such employees would therefore need other reward schemes to motivate their improved performance.

On the other hand, the principle of contingent pay is the wage incentive which ties an employee's financial reward directly to performance which in this case is measured by output by paying the employee a fixed rate per unit of output made by the employee. In the service industry the base rate is often expressed in terms of input such as rate per given period of time. Osterman (2006) also modified the contingent pay structure to include rate as expressed in job rating units. According to Bohnstedt (2008), banks put high value on sales and service and for this reason performance-based management systems are used, increasingly tying remuneration to performance, with a differentiated reward system. The system works very well with production plants where output is very tangible and quantifiable and with sales teams where volume of sales is easy to determine but not in the service industry such as the hotel industry, (Freeman, 2011).

Cherotich (2012) however found this system quite impractical to use given that output is a result of so many intervening variables and not an adequate measure of employee performance. This would thus motivate employees who work hard but produce low yield due to factors beyond their control and would encourage employees who are not equally hard working but produce high yields due to circumstantial factors. Tahir Et al (2013) also argues that tying rewards to output in the hotel industry would not be realistic to the environment of the industry since most of the services in the industry depend on the patronage of the hotels.

Finally, a market rate reward system is where an organization does an industry analysis to determine what the other players within the industry and more specifically its competitors gives as a reward to its employees in order to determine how to reward it employees. Such an organization in most cases sets its reward either at par with its competitors or above its competitors, (Condly et al, 2005). Osterman (2006) argues that a reward at par with the competitors would keep the employees satisfied but not motivated as this would be the bare minimum to keep the employees from seeking higher rewards by moving to the competitors. The argument is that rewards lower than that offered by the market would lower both employee satisfaction and motivation to work as employees would seek to move to the organizations that pay higher.

Rehman (2009) asserts that higher rewards would motivate the employees as they would feel more appreciated than their colleagues of the same qualification working in other firms and this high satisfaction would be translated to higher performance. Besides on organization paying higher rewards that other in an industry becomes an employer of choice thus there is high competition of prospective employees who would wish to be employed by the organization. This puts pressure on the existing employees Cherotich (2012)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines process followed in the study by giving the research design, population, data collection and analysis procedures.

3.2 Research Design

This study adopted a descriptive cross sectional survey. Cross-sectional surveys are studies aimed at determining the frequency or level of a particular attribute in a defined population at a particular point in time, (Lotta, 2012). Cross-sectional surveys are also useful in assessing practices, attitudes, knowledge and beliefs of a population either the entire population or a subset thereof is selected, and from these individuals, data are collected to help answer research questions of interest, (Kothari, 2004).

3.3 Research Population

The study targeted all Beach resorts within North Coast. This is because North coast has the highest concentration of beach resorts which are located relatively close to each other making the study manageable in terms of time and scope. The study therefore targeted a total of 27 beach hotels in North coast as identified by the association of hoteliers – Kenya, (Kenya Tourist report, 2013).

3.4 Data Collection

The study used primary data which was obtained using structured questionnaires entailing question items on reward management and employee performance. The questionnaire used was based on likert scale. This design of questionnaire is preferred by Kothari (2003) due to its objectivity and precision thus accuracy in analysis. The study used drop and pick method for the all the respondents with strategic points placed at the reception for the respondents to deposit their filled in questionnaires for collection by the researcher four days after administration.

3.5 Data Analysis

The collected data was first sorted for completeness, reliability and consistency which was done through analysis of internal reliability and internal consistency. This involved physical sorting of the returned questionnaires to remove the incomplete ones then checking for related questions to determine the internal reliability as well as going trough specific questions for each of the questionnaires to determine the consistency margins thus discarding questionnaires not falling within the margins. The data was then coded using likert scale values corresponding to the number of options in the research question. The coded data was then analyzed using descriptive statistics such as mean scores and standard deviations. The mean scores gave the standardized response for each of the research questions and the standard deviation established the variation of the responses from the standardized response.

The step then allowed for a Pearson’s product moment of correlation. At this stage, the independent variable which in this case was reward management index to be used as the X variable and the Dependent variable which in this case was employee performance to be used as the Y variable to determine the correlation coefficient which indicated the nature of the relationship between the two.

The correlation used the model

$Y = \beta_1 X_1, \beta_2 X_{2,} \beta_3 X_{3,} \beta_4 X_{4,} \beta_5 X_5, \beta_6 X_{6,} + \partial$

Where

Y is employee performance

β is the coefficient of correlation

X_1 is Reward Policy

X_2 is Strategic Reward System

X_3 is Equal Pay

X_4 is Grade/Structure

X_5 is Contingent Pay

X_6 is Market Rate Reward System

∂ is the constant.

In this model, $\partial = 0$

Pearson Product Moment Correlation is a measure of correlation or linear dependence between two variables giving a value between +1 and -1. This statistic is called a correlation coefficient (r). Pearson Product Moment Correlation was thus used to test the relationship between reward management and employee performance. The findings of the study were then presented in figures and tables. This would allow for easier analysis and dissemination.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter entails the findings from the analysis of the collected data. The chapter first gives the demographic characteristics of the respondents, before giving the analysis of mean and standard deviation of the responses to the questionnaire items arranged in line with the study objectives before finally giving the correlation analysis findings.

4.2 Response Rate

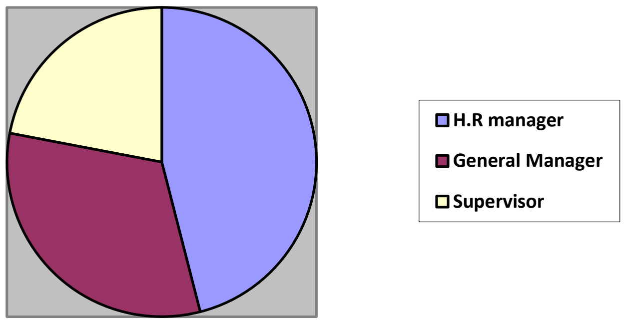
Out of the 27 questionnaires dispatched, all the 27 were returned dully filled giving a response rate of 100%. Given that this is well within the acceptable response rate for a survey (Baruch & Holtom, 2008), the questionnaires were thus sorted and analyzed as entailed in this chapter.

4.3 Demographic Characteristics of the Respondents

The demographic characteristics of the respondents was analyzed and given below. This was done purposely to determine the suitability of the respondents to provide the needed information for the validity of the study.

4.3.1 Designation of the Respondents

Figure 4.1: Designation of the Respondents

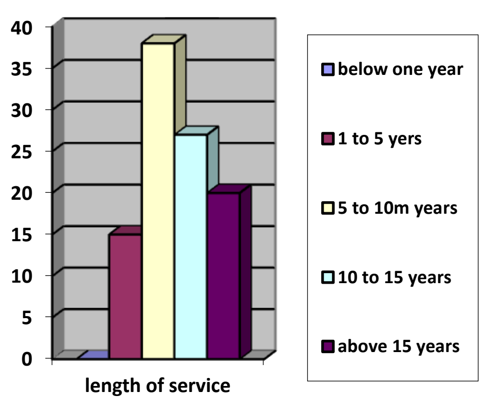


Source: Researcher (2014)

Figure 4.1 above shows that the study used 46 % HR managers, 32% General managers and 22% Supervisors. This is because the study specifically targeted HR managers of the hotels. However, in some hotels, the questionnaires were responded to by general managers and supervisors due to the busy schedule of the Hr managers and some who were out of station on official duty. This thus shows the respondents were adequately aware of the information sought by the study.

4.3.2 Length of Service of the Respondents

Figure 4.2: Length of service of the Respondents

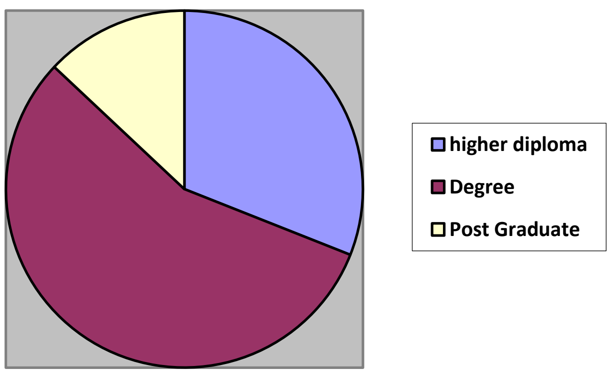


Source: Researcher (2014)

Figure 4.2 above shows that 38% of respondents had taken 5 – 10 years working on the hotel and 27% had taken 10 – 15 years of service. It is also seen that 20% had taken above 15 years and 155 1 – 5 years. That figure also shows that no respondent had taken below one year of service ion the hotel. This therefore means that all the respondents were fit to respond to the questionnaire items as all of them had served in the hotel long enough to have sufficient information relating to reward management in the hotel as well as employee performance.

4.3.3 Academic qualifications of the Respondents

Figure 4.3: Academic qualifications of the Respondents



Source: Researcher (2014)

Figure 4.3 above shows that 31% of the respondents had higher diploma qualification, 56 % had degree qualification s and 13 5 had post graduate qualification. It is therefore evident that the respondents had sufficient academic qualifications to respond to the questionnaire items.

4.4 Reward Management

The objective of the study was to determine the effect of reward management on employee performance. To determine this, the study had first to determine the extent to which reward management is conducted. This was achieved by breaking down reward management into its components namely reward policy, strategic reward, equal pay, grade structure, contingent pay and market rate reward system. The analysis was done using likert scale of 1 to 5 where five means strongly agree and 1 means strongly disagree.

4.4.1 Reward Policy

Table 4.1: Reward Policy

Item	Mean	Standard deviation
The hotel has a documented reward policy	4.296296	0.456623
The employees are paid well	3.666667	0.720082
The reward of employees is systematic	4.333333	0.666667
Reward Policy index	4.098765	0.413903

Source: Researcher (2014)

Table 4.1 shows that the respondents agree that the hotels have documented reward policy (mean 4.296, standard deviation 0.457), the reward is systematic (mean 4.33, standard deviation 0.667) and the hotels pay well (mean 3.667, standard deviation 0.72) though the agreement is fairly weak on the item on the hotels paying well. This thus shows that the hotels have documented reward policy, have systematic employee reward and pay employees well. This thus shows that the hotels effectively use reward policy as a reward management practice

4.4.2 Strategic Reward

Table 4.2: Strategic Reward

Item	Mean	Standard deviation
The pay of employees depends on their performance	3.740741	0.749943
Employees are rewarded based on management objectives	4.259259	0.698813
The hotel rewards in recognition of series of achievements	4.37037	0.776895
Each strategic objective has a reward for being met	3.37037	0.986882
Strategic Reward index	3.935185	0.454365

Source: Researcher (2014)

Table 4.2 above shows that the respondents agree that the hotels reward in recognition of series of achievements (mean 4.37, standard deviation 0.78), the employee reward is based on management objectives (mean 4.2593, standard deviation 0.699) and that the pay of employees depend on their performance (mean 3.741 standard deviation 0.75). The respondents were however neutral on whether each strategic objective had a reward for being met. This thus shows that the hotels reward in recognition of series of achievements, the employee reward is based on management objectives and the employees are well paid. However, not all strategic objectives have rewards for being met but almost half. This thus implies that the hotels effectively used strategic reward as a reward management practice but for not having a reward for meeting each strategic objective.

4.4.3 Equal Pay

Table 4.3: Equal pay

Item	Mean	Standard deviation
The reward of employees is within a very close range	4.592593	0.561694
Employees in the same department get the same range of pay	3.888889	0.684935
Employees of the same professional qualification get the same range of pay	4.222222	0.628539
Equal Pay	4.234568	0.324764

Source: Researcher (2014)

Table 4.3 shows that the respondents strongly agreed to the item that reward of employees is within a very close range (mean 4.5926, standard deviation 0.562). the respondents also agreed that employees of the same professional qualification qualifications get the same rate of pay (mean 4.22, standard deviation 0.63) and that employees in the same department get the same range of pay 9mean 3.89, standard deviation 0.68). This therefore means that the reward of employees is within a very close range; employees within the same qualification and those in the same department have very close. This means that the hotels effectively use equal pay as a reward management practice.

4.4.4 Grade Structure

Table 4.4: Grade structure

Item	Mean	Standard deviation
The employees are spread into job groups	4.555556	0.496904
The job groups are based on professional qualification	2.925926	0.766228
The job groups are based on experience	2.777778	0.628539
Promotion to the next job group is based on performance	3.592593	0.680918
Employees of the same job group earn similar rewards	4.222222	0.566558
There are wide differences in reward across different job groups	4.703704	0.456623
Grade Structure index	3.796296	0.315359

Source: Researcher (2014)

Table 4.4 above shows that the respondents strongly agreed that there are wide differences in reward across different job groups (mean 4.56, standard deviation 0.45) and that the employees are spread into job groups (mean 4.704, standard deviation 0.457). The respondents also agreed that the employees of the same job group have similar rewards (mean 4.22, standard deviation 0.57) and that promotion to the next job group is based on performance (mean 3.59, standard deviation 0.68). The respondents are however neutral on the fact that the job groups are based on professional qualifications as well as that the job groups are based on experience. This means that employees are spread into job groups and that there are wide differences in reward across different job groups, employees in the same departments as well as those with the same job group have similar rewards. It is however not clear whether the job groups are based on experience or whether the job groups are based on professional qualifications. It can therefore be inferred that the hotels effectively use grade structure as a reward management practice. However, there seems to be no clarity on the basis used on structuring the job groups.

4.4.5 Contingent Pay

Table 4.5: Contingent Pay

Item	Mean	Standard deviation
The hotel pays for overtime	4.148148	0.75541
The hotel pays special allowances where need arises such as mileage, airtime and night outs	4.666667	0.471405
The hotel has bonuses based on productivity	4.62963	0.482904
The hotel has incentives for the employees	3.740741	0.515866
The hotel gives additional benefits for their employees	4.62963	0.482904
Contingent pay index	4.362963	0.538853

Source: Researcher (2014)

Table 4.5 shows that the respondents strongly agree that the hotels pay special allowances where need arises such as mileage, airtime and night outs, (mean 4.67, standard deviation 0.47) the hotels have bonuses based on productivity (mean 4.63, standard deviation 0.483) and that the hotels give additional benefits for their employees (mean 4.63, standard deviation 0.483). The respondents also agreed that the hotels pay overtime (mean 4.15, standard deviation 0.76) and that the hotels have incentives for their employees (mean 3.74, standard deviation 0.52). This indicates that the hotels pay special allowances where need arises such as mileage, airtime and night outs, have bonuses based on productivity, give additional benefits for their employees, pay overtime and have incentives for their employees. It is thus seen that the hotels very effectively use contingent pay as a reward management practice.

4.4.6 Market Rate Reward System

Table 4.6: Market Rate Reward System

Item	Mean	Standard deviation
The hotel pays the employees higher than what the other hotels pay their employees	3.518519	0.876456
The hotel has more incentives for its employees than other hotels	3.592593	0.913247
The hotel has a system in place to ensure it rewards higher than the other hotels do	2.481481	0.299657
Market Rate Reward system index	3.197531	0.596694

Source: Researcher (2014)

Table 4.6 shows that the respondents agreed that the hotels pay the employees higher than the other hotels (mean 3.59, standard deviation 0.91) and that the hotels have more incentives than the other hotels (mean 3.52, standard deviation 0.88). The respondents however disagreed that the hotels have a system in place to ensure that they reward higher than the other hotels (mean 4.704, standard deviation 0.457). This means that the hotels reward higher than other hotels though there is no system in place to ensure the consistency of the practice. It therefore shows that the hotels use market rate reward system as a reward management practice. However, the hotels do not have a system in place to streamline this.

4.5 Employee Performance

Table 4.7: Employee performance

Item	Mean	Standard deviation
Employees serve diligently	4.703704	0.456623
Employees serve speedily	3.851852	0.590273
Employees are sensitive to customer requirements	3.481481	1.499886
Employees are understanding to customers and management	3.222222	1.448712
Employees serve with fairness and justice	3.37037	0.948611
Employees have team work	4.703704	0.456623
Employees meet their desired targets	4.666667	0.471405
Employees serve with a human face	3.962963	0.6929
Employees respond adequately to challenges faced by the customers	3.148148	0.649997
Employees are firm in their service	4.703704	0.456623
Employees maintain high professionalism	4.444444	0.496904
Employees maintain decorum and etiquette at all times	4.37037	0.617531
Employees handle difficult situations calmly	1.62963	0.482904
Employees are security conscious	4.814815	0.388448
Employee performance index	3.933862	0.254161

Source: Researcher (2014)

Table 4.7 shows that the respondents strongly agreed that the employees are security conscious (mean 4.81, standard deviation 0.39), firm in service (mean 4.7, standard deviation 0.46), have team work (mean 4.7, standard deviation 0.46), meet their targets (mean 4.67, standard deviation 0.47) and serve diligently (mean 4.7, standard deviation 0.46). The respondents also agreed that the employees maintain decorum and etiquette at all times (mean 4.37, standard deviation 0.62), maintain high professionalism (mean 4.44, standard deviation 0.5), serve with a human face (mean 3.96, standard deviation 0.69) and serve speedily (mean 3.85, standard deviation 0.59). the respondents are however neutral on whether employees respond adequately to challenges faced by customers (mean 3.15, standard deviation 0.65), serve with fairness and justice(mean 3.37, standard deviation 0.95), are sensitive to customer requirements (mean 3.48, standard deviation 1.5) and are understanding to customers and management (mean 3.22, standard deviation 1.45). The respondents also however disagreed that employees handle difficult situations calmly (mean 4.7, standard deviation 0.46). This therefore indicates that the employees perform highly with special focus on security, firmness in service, team work, meeting of targets, diligence in service, decorum and etiquette, high professionalism, serving with a human face and speed. There is however a fair level of adequate response to challenges faced by customers, service with fairness and justice, sensitivity to customers' requirements and understanding to customers and management. It is however also seen that the employees do not handle difficult situations calmly.

4.6 Correlation

Table 4.8: Correlation

Item	Multiple R	R Square	Adjusted R Square	Standard Error	Significance
Grade Structure	0.869734	0.756437	0.813086	0.0306	0.007854
Performance appraisal	0.858401	0.736853	0.797627	0.0063	0.010029
Strategic reward	0.832182	0.692527	0.762355	0.0274	0.004567
Contingent Pay	0.797106	0.635378	0.716242	0.0201	0.010988
Market rate Reward System	0.79287	0.628643	0.710757	0.015	0.01001
Reward Policy	0.773685	0.598589	0.686137	0.0072	0.01443
Equal pay	0.752091	0.565641	0.658866	0.0171	0.007626
Reward management	0.811882	0.659153	0.735518	0.01767	0.009358

Source: Researcher (2014)

Table 4.8 shows that there is a strong correlation between reward management and employee performance given by a correlation coefficient of 0.66. The highest correlation is seen in Grade structure followed by performance appraisal, strategic reward and contingent pay as well as market rate reward system. Having a reward policy and using equal pay also have fairly high correlation with employee performance. In each case, the significance is below 0.05 thus the results from the sample are a true reflection of the entire population. This finding can thus be said to be true about all hotels thus there is high correlation between reward management and employee performance in the hotel industry in Kenya

4.7 Discussion of Findings

The study shows that the two items that the hotels have concentrated on in their reward management such as contingent pay and equal pay have a relatively low correlation with employee performance. The same assertion was made by Phillips and Fox (2003) who indicated that for employee performance to be optimum, the reward management practices must be blended in line with the magnitude of their effect on employee performance thus practices with the highest effect on employee performance should be given higher priority for the performance to be optimum. This clearly coincided with the findings on employee performance which is still not optimum in the industry due to the order of priorities given to the reward management practices. This therefore implies that the reward policy as used in the hotels is fairly weak.

The finding of the study that the hotels have documented reward policy which is used effectively as a reward management practice and that there is a high correlation between reward policy and employee performance is in line with the study by Chen & Hsieh (2006) who also found a high correlation between reward policy and employee performance across different industries in India. This implies that the relationship is universal across industries and across different geographical settings

It can also be seen that true to the argument advanced by Amos et al (2004) that strategic reward has a high correlation to employee performance, the study found that strategic reward indeed has a high correlation to employee performance. The study however found out that each strategic objective did not have specific rewards for being attained. This is however explained by Wekesa & Nyaroo (2013) who asserts that this needs not be the case where there is a specific reward for a series of achievements which enables grouping of different strategic objectives to earn a single reward item. This is the strategy used by the hotels as the study found that the hotels reward a series of achievements.

The hotels are also seen to be effectively using equal pay as a reward management practice as advocated for by Phillip (2009). This is also seen to be having high correlation with employee performance as seen in the study by Theen & Heng (2012) that indicated a high correlation between equal pay and employee performance in Malaysian Insurance Companies.

The spreading of employees into job groups and that have wide differences in reward, as well as having similar rewards for employees in the same departments and those in the same job group was detailed in the study by Ojiambo (2012) who drew the illustration from the civil service and discovered that the hotel industry has an almost similar system. The study however discovered that this system as practiced in the hotel industry has a major weakness in that the membership of the job groups is neither clearly documented nor having a clear basis of classification such as experience or academic qualifications as advanced for by Armstrong & Murlis (2005).

The study also shows that the hotels pay special allowances where need arises such as mileage, airtime and night outs, have bonuses based on productivity, give additional benefits for their employees, pay overtime and have incentives for their employees. This was advanced as a response to Bloom’s (1999) criticism of equal pay policy as a factor that would discourage performance by more skilled or experienced employees their increased productivity would not be seen to result into increased reward. This then led Pierce et al (2004) to advance for contingent pay which will give the incremental reward for special kinds of jobs and increased skills and experience.

The study also shows that the hotels have poorly used the market rate system where each hotel comes up with its own reward for the employees leading to huge discrepancies between rewards of different hotels. As much as this is advocated for by Osterman (2006), a study by Rehman (2009)This affects performance of employees in t indicates that this is not easily attainable over long term as each hotel will strive to give higher rewards until a level where it becomes financially not viable leading to decline in employee performance from such a time. Cherotic (2012) therefore recommends that the hotels should collude to have similar basic rewards and compete on contingent rewards.

The analysis on employee performance therefore shows that the employees perform highly with special focus on security, firmness in service, team work, meeting of targets, diligence in service, decorum and etiquette, high professionalism, serving with a human face and speed. There is however a fair level of adequate response to challenges faced by customers, service with fairness and justice, sensitivity to customers’ requirements and understanding to customers and management. It is however also seen that the employees do not handle difficult situations calmly. These are the spectrums given by Bohnstedt & Larsen (2008) as measures of employee performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with the summary of the findings as indicated in chapter four and providing an exploratory discussion of the findings in relation to the literature review. This is followed by recommendations and suggestions for further study.

5.2 Summary

The respondents used in the study were of the required designations, had sufficient academic qualifications and had served in the hotel long enough to have sufficient information relating to the hotels reward management practices as well as the employee performance in the hotels. The responses given were thus sufficient and study valid.

The study found out that the hotels have documented reward policy, have systematic employee reward and pay employees well. This thus shows that the hotels effectively use reward policy as a reward management practice

It also showed that the hotels reward in recognition of series of achievements, the employee reward is based on management objectives and the employees are well paid. However, not all strategic objectives have rewards for being met but almost half. This thus implies that the hotels effectively used strategic reward as a reward management practice but for not having a reward for meeting each strategic objective.

Moreover, the study showed that the reward of employees is within a very close range; employees within the same qualification and those in the same department have very close. This means that the hotels effectively use equal pay as a reward management practice.

It was also seen that employees are spread into job groups and that there are wide differences in reward across different job groups, employees in the same departments as well as those with the same job group have similar rewards. It is however not clear whether the job groups are based on experience or whether the job groups are based on professional qualifications. It can therefore be inferred that the hotels effectively use grade structure as a reward management practice. However, there seems to be no clarity on the basis used on structuring the job groups.

Finally, the analysis revealed that that the hotels reward higher than other hotels though there is no system in place to ensure the consistency of the practice. It therefore shows that the hotels use market rate reward system as a reward management practice. However, the hotels do not have a system in place to streamline this.

The study also went ahead to give the order of priority given by the hotels on the reward management practices basing on the rate to which each practice is applied. It found out that implies that the hotels use contingent pay, equal pay, reward policy, strategic reward, grade structure and market rate reward system in that order of priority.

The analysis on employee performance indicated that the employees perform highly with special focus on security, firmness in service, team work, meeting of targets, diligence in service, decorum and etiquette, high professionalism, serving with a human face and speed. There is however a fair level of adequate response to challenges faced by customers, service with fairness and justice, sensitivity to customers' requirements and understanding to customers and management. It is however also seen that the employees do not handle difficult situations calmly.

The correlation of the reward management and employee performance analysis thus showed a hierarchy in correlation from grade structure, performance appraisal, strategic reward, contingent pay, market rate reward, reward policy and equal pay. This gives an overall high correlation between reward management and employee performance.

A comparison of the priority given to each reward management practice and the correlation each practice has on employee performance indicates that the reward management practices given higher priority by the hotels have lower correlation to employee performance than while the ones with high correlation to employee performance are given lower priority by the hotels.

5.3 Conclusion

Reward management is hereby seen to have a high effect on employee performance such that the more efficiently an organization manages it rewards, the better the employees will perform. However, this should not be used in isolation as some reward management practices may not be financially viable on the long term if not complemented with other human resource practices such as job enrichment, organizational restructuring and job redesign.

5.4 Recommendations

The researcher thus makes the following recommendations for policy and practice.

The hotels should adjust their policy on rewards to ensure that the priority given to the various reward management practices relate the magnitude of effect the practice has on employee performance as indicated in the correlation analysis section of this study. The policy should also be adjusted to ensure that the hotels come up with harmonized rewards which would be applicable to all employees across all the hotels. This would be achieved by collusions and collaborations of the HR Departments in the various hotels to ensure relative uniformity in the rewards. This practice has been successful in most of the industries such as transport, manufacturing and construction.

The hotels should also change their reward practice in order to embrace grade structure by formally entailing designated job groups in their pay rolls. The job groups should be arranged in a hierarchal structure form the lowest to the highest job group and rewards pegged on the job groups. Employees should also have their job groups indicated on their letters and pay slips to make them understand the differences in their rewards. This would ensure the employees are keen on promotion to the next job group to attain higher reward. If this is then pegged on performance, the employee performance will improve. The change in practice should also involve the reorganization their use of strategic reward to have rewards for meeting each strategic objective as well as cumulative rewards for meeting a series of objectives. This would therefore encourage the employees to perform better in a unified direction in order to meet the strategic objectives.

5.5 Recommendations for further study

Based on the findings of the study, the researcher recommends for he the following studies to be conducted**.**

A study needs to be conducted to establish the combination of various strategies that would optimize employee performance especially the proportion to which the techniques are to be used. This is because the study has realized that optimal employee performance depends on systematic and harmonized use of a number of techniques such as reward management, on the job training as well as other HR practices related to employee performance. Such a study should thus come up with the desirable mix of all the techniques for optimum employee performance.

In addition, a study needs to be carried out to determine the best way of applying job grade structure in the hotel industry. Since this will be a new feature on the hotel industry reward policy as the study shows it is not currently in place, a study to give the feasibility and schedule of the practice by drawing comparisons and lessons to areas where the job group is strongly entrenched like the Kenyan Civil service would be needed first before the practice is put in place in the hotel industry

Finally, a study should also be conducted to determine the effect of reward management on other aspects of employee behavior such as organizational commitment.

REFERENCES

Aduwa S.E., & Iyamu, E. O. (2005). Lecturers' Perception of Student Evaluation in Nigerian Universities. *International Education Journal*, *6*(5), 619-625.

Ahmed R. (2010) Performance appraisal politics and employee turnover intention. *Jurnal Kemanusiaan*, (16), 1-11.

Aktar S, Sachu M. K, and Ali E, (2012) The Impact of Rewards on Employee Performance in Commercial banks in Bangladesh, *Journal of Business and Management*, 131-143

Amos C. K., Yee, R. W., Yeung, A. C., & Edwin Cheng, T. C. (2004). An empirical study of employee loyalty, service quality and firm performance in the service industry. *International Journal of Production Economics*, *124*(1), 109-120.

Apeyusu P. (2012) the Impact of Reward Systems on Corporate Performance: A Case of Ghana Commercial Bank Ltd., *Unpublished Commonwealth Master of Business Project*, Kwameh Nkurumah University

Armstrong M. (2000) Performance management. *Human resource management*, 69-84.

Armstrong M. (2009), *Armstrong's handbook of reward management practice: Improving performance through reward*. Kogan Page Publishers.

Armstrong M. & Murlis, (H. 2007), *Reward management: a handbook of remuneration strategy and practice*. Kogan Page Publishers.

Armstrong, M., & Taylor, S. (2014). *Armstrong's handbook of human resource management practice*. Kogan Page Publishers.

Baptiste, N. R. (2008). Tightening the link between employee wellbeing at work and performance: A new dimension for HRM. *Management Decision*, *46*(2), 284-309.

Baruch Y. & Holtom, B. (2008), Survey response rate levels and trends in organizational research. *Human Relations*, *61*(8), 1139-1160.

Berridge C. (2001) Reward Learning; Reinforcements, incentives and expectations, *The Psychology of Learning and Motivation*, vol. 40 pgs 17-31

BMI (2013) Kenya Tourism Report 2013, *Business Monitor International*

Bloom M. (1999) The performance Effects of Pay Dispersion on Individuals and organizations, *The Academy of management Journal* Vol 42 No 1 pgs 25 - 40

Bohnstedt, K. D., & Larsen, J. K. (2008), The search for excellence in Construction industry. *Performance Improvement Quarterly, 23(1) pp. 127-142*

Cherotich C. (2012) The effect of Reward on Job satisfaction among Employees of Banks within Nakuru Municipality, Kenya, *Unpublished MBA Project*, Kabarak University.

Chen & Hsieh (2006) Key trends of the total reward system in the 21st century, *International Journal of Social Sciences and Entrepreneurship , 4*(1), 115-124

Condly S. Clark E & Harold D (2005) The Effects of Incentives on Workplace Performance, *Performance Improvement Quarterly, 16(3) pp. 46-63*

Corby, S., White, G., & Stanworth, C. (2005). No news is good news? Evaluating new pay systems. *Human Resource Management Journal*, *15*(1), 4-24.

Dalton, M. (2003). Boosting morale and improving performance in the nursing setting. *Journal of Nursing Management*, *15*(8), 811-816.

Freeman J (2011) Paying for Performance, *Interdisciplinary Journal of Contemporary Research in Business,* vol. 3, No. 6. 75-89

Graham S. & Weiner B. (1996) *Theories and Principles of Motivation*, Springer

Guest D. (2002). Human resource management, corporate performance and employee wellbeing: Building the worker into HRM. *Journal of Industrial Relations*, *44*(3), 335-358.

Hashim J. (2000), Human resource development practices as determinant of HRD climate and quality orientation. *Journal of European Industrial Training*, *30*(1), 4-18.

Jepngetich, M. & Njue, J. (2013). Strategies used by hotels in talent retention: A study of star rated hotels in Nairobi. *International Journal of Social Sciences and Entrepreneurship , 1* (3), 652-663.

Kothari C. (2004), *Research Methodology: Methods and Techniques (2nd Revised ed.)*New 23 Delhi, New Age International (P) Ltd

Lotta V. (2012), Returns to inventors. *Review of Economics and Statistics*, *94*(4), 1173-1190.

Mannion R., & Davies, H. T. (2008). Payment for performance in health care. *Bmj*, *336*(7639), 306-308.

Mansor M. F, Borhannuddin S. N & Yusu B. N (2012) Effect of reward towards job performance among Chemical based employees, *International journal of Business Today and Tomorrow* Vol 2 No. 12 pgs 173 - 181

Markova, G., & Ford, C. (2011). Is money the panacea? Rewards for knowledge workers. *International Journal of Productivity and Performance Management*, *60*(8), 813-823.

Mbaya, I. M. (2013). The Influence Of Job Satisfaction On Performance Of Teachers In Public Secondary Schools In Nairobi County, *Doctoral dissertation*, University of Nairobi.

Mendonca, M. & Kanungo, R. N. (2002), *Employee withdrawal behavior* (pp. 71-94). Springer US.

Mokaya S., Musau J., Wagoki J. and Karanja K. (2013), Effects of organizational work conditions on employee satisfaction in the hotel industry in Kenya, *International Journal of Arts and Commerce*, 634 - 651

Mugenda O. and Mugenda G. (2003), *Research methods: Quantitative and qualitative approaches*. African Centre for Technology Studies.

Mzera U. J, (2012)The Effect of Strategic value based Management on performance of organizations in coast Province, *International Journal of Business and Social Science*, 283 - 296

Obong'o S. (2009) Implementation of performance appraisal in Kenya: Employee perspective, *unpublished seminar paper*, Nairobi

Ojiambo F. (2012) customer perceptions of the quality of service offered by hotels in Watamu, *Interdisciplinary Journal of Contemporary Research in Business*, vol. 1, No. 3, pgs 164 - 171

Osterman P. (2006) The Wage Effects of High Perfrormance work Organizations in manufacturing, *Industrial labor relations review*, Vol 59 No. 2 pgs 187 – 204

Phillips E. (2009), Effect of Tenure on Teacher performance, *Interntional Journal of Education and Research Vol. 2 No. 1 January 2009*, 72-85

Phillips, L., & Fox, M. A. (2003), Compensation strategy in transnational corporations. *Management Decision*, *41*(5), 465-476.

Pierce et al (2004) Effects of Pay Level on organizational based Performance *Journal of Occupational and Organizational Psychology (2004), 77, 307–322*

Porter S. L., & Lawler III, E. E. (1973), Expectancy theory and job behavior. *Organizational Behavior and Human PerformuMeasance*, *9*(3), 482-503.

Rehmanm M. S. (2009) *Impact of Job Analysis on Job Performance*, Springer

Ripley D. (2002) Improving Employee performance: Moving Beyond Traditional HRM, *The International Society of Performance Improvement*, 37-49

Ruzita J. (2007), Performance Measurement practices of public sectors in Malaysia, *Interntional Journal of Education and Research*, 41-53

Sandilyan P. R., Mousumi M., Amitabh D, and Manojit M (2012) Effect of Remuneration and Rewards on Employee Perfromance: A study of selected hotels in West Bengal, *International Journal of Business Economics and Management Research.*, Vol 6 No. 3, 54 - 61

Sturman C. Kwortnik R. & Lynn M. (2011) Voluntary tipping and selective attraction and retention of Service Workers in the United States *International Journal of Human Resources Management*

Tahir A., Mehmood S, & Ramzan D, (2013) Managing Performance through Reward System, *Journal of education and Research for Sustainable Development*, 12-24

Taylor, M. S. & Muchinsky, P. M., (1976). Intrasubject predictions of occupational preference: The effect of manipulating components of the valence model. *Journal of vocational behavior*, *8*(2), 185-195.

Theen Y. & Heng B. (2012) The Reward Strategy and performance Measurement (Evidence from Malaysian Insurance Companies, *International Journal of Business, Humanities and Technology Vol. 2 No. 1, 63-75*

Thum, W. Y., & Sardana, G. D. (2012). A case study of service desk's performance measurement system. *International Journal of Commerce and Management*, *22*(2), 103-118.

Trevor J. A. Buck, T., Liu, X., & Skovoroda, R. (2006). Top executive pay and firm performance in China. *Journal of International Business Studies*, *39*(5), 833-850.

Vroom, V. H. (1964), *Work and motivation*, Springer

Wekesa J. n & Nyaroo S. (2013) effect of compensation on performance of public secondary school teachers in Eldoret municaipality, Kenya, *International journal of Scientific and Research Publications* Vol. 3 No. 6, 15-23

APPENDICES

Appendix I Research Questionnaire

INTRODUCTION

This questionnaire is to be used for a study to determine the effect of performance management on employee performance in the hotel industry in Kenya. The respondents to this questionnaire have been selected randomly and the responses given will be treated with utmost confidentiality. Do not write your name anywhere in the questionnaire.

Part A: Bio Data (Tick where appropriate).

1. Name of Hotel……………………………………………….
2. Designation ……………………………………………….
3. Length of service

   Below 1 year ☐ 1 – 5 years ☐ 5-10 years ☐

   10-15 years ☐ Over 15 years ☐

4. Academic qualifications

   A Diploma ☐ B. Higher Diploma ☐ C. Degree ☐

   D. Post Graduate Diploma ☐ E Masters ☐

PART B: Reward management

	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
The hotel has a documented reward policy					
Employees are paid well					
The reward of employees is systematic					
The pay of employees depend on their performance					
Employees are rewarded based on management objectives					
The hotel rewards in recognition of series of achievements.					
Each Strategic objective has a reward for being met					
The reward of employees is within a very close range					
Employees in the same department get the same range of pay					
There are special allowances for certain kinds of responsibilities					
The employees are spread into job groups					
The job groups are based on professional qualification					
The job groups are based on experience					
Promotion to the next job group is based on performance					

Employees of the same job group earn similar rewards					
There are wide differences in reward across different job groups					
The hotel pays for overtime					
The hotel pays special allowances where need arises such as mileage, airtime and night outs					
The hotel has bonuses based on productivity					
The hotel has incentives for the employees					
The hotel gives additional benefits for their employees					
The hotel pays the employees higher than what the other hotels pay their employees					
The hotel has more incentives for its employees than other hotels					
The hotel has a system in place to ensure it rewards higher than the other hotels do					

PART C: Employee performance

1) Give your view on the following statement about employees in your hotel?

Employees in my hotel	5 Strongly agree	4 Agree	3 Somehow agree	2 Disagree	1 Strongly disagree
Serve diligently					
Serve with the needed speed					
Are sensitive to customer requirements					
Are understanding					
Serve with fairness and justice					
Have team work					
Meet the desired targets					
Serve with a human face					
Are firm					
Respond adequately to challenges faced by customers					
Maintain high professionalism					
Maintain decorum and etiquette at all times					
Handle explosive situations calmly					
Are security conscious					

Thanks for your time and have a nice day

Appendix II: list of Beach Hotels in North Coast Kenya

1) Barracuda Inn Resort
2) Blue Bay Cove
3) Jacaranda Beach Resort
4) Kenya Residence
5) Lonno Lodge Hotel
6) Medina Palms
7) Ocean Sports Resort
8) St Thomas Mawe Boutique hotel
9) St Thomas Royal Palm
10) Surf Breaker
11) Tembo Village Resort
12) Temple Point Resort
13) Turtle Bay Beach Resort
14) Villas Watamu Resort
15) Watamu Adventist Beach Resort
16) Emerald flamingo Beach Resort and Spa
17) The Monalisa hotel
18) The Beaumont Hotel
19) Mtwapa Country resort

20) Merry Villa

21) Prestige Apartments and Hotel

22) Global African Apartments and Hotel

23) Dan Park Hotel

24) Topville Hotel Mtwapa

25) Broadway Apartment

26) Diwani Guest House

27) Mnarani beach Hotel

Source: Kenya Tourist report, 2013