# INFLUENCE OF REMUNERATION STRATEGIES ON BUSINESS PERFORMANCE OF THE SUGAR INDUSTRIES IN WESTERN KENYA

**BY**

**MARSELLA A. OLUOCH**

**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS OF ARTS IN PROJECT PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI**

**2015**

## DECLARATION

This research project report is my original work and has not been presented for any award in any university.

Signature…………………………………………… Date………………………………

**Marsella A. Oluoch**

The research project report has been submitted for examination with our approval as the university supervisors.

Signature……………………………………………… Date…………………….

Prof. Charles M. Rambo,Ph.D.

Senior Lecturer,

Department of Extra Mural Studies,

University of Nairobi.

Signature …………………………………………… Date……………………..

Dr. Gideon Momanyi,Ph.D.

Senior Lecturer,

Department of Communication and Educational Technology,

University of Nairobi.

## DEDICATION

This research project report is dedicated to my late father Hon. Phares Olouch Kanindo for being my role model.

## ACKNOWLEDGEMENTS

My utmost gratitude goes to my supervisors Professor Charles Rambo and Dr. Gideon Momanyi for tirelessly and diligently guiding me through the whole research process. I acknowledge the University of Nairobi-Kisumu campus office administrator and library technicians for providing a conducive environment for study.

I also wish to recognize the support of my coursework lecturers. I am grateful to Dr. Raphael Nyonje, Professor Odundo Paul, Professor Omollo Ongati, Dr. Ouru John, Dr. Maria Onyango, Professor Onkware, Mr. Nyaoro Wilson and Mr. Ochieng Michael for their excellent facilitations which guided me throughout the course work and inspired my professional development.

I am greatly indebted to my dear friends and classmates in the Master Art in Projects Planning and Management course for their unwavering inspiration and continued support throughout my study period in terms of group work assignments, discussions and presentations during course work. Your ideas enabled me to conceptualize this study.

## TABLE OF CONTENTS

## LIST OF TABLES

## LIST OF FIGURES

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| CPS | Corporate Social Responsibility |
| GDP | Gross Domestic Product |
| HR | Human Resource |
| KSB | Kenya Sugar Board |
| KSI | Kenya Sugar Industry |
| TARDA | Tana and Athi River Development Authority |
| TCD | Tonnes Cane per Day |
| PRP | Performance Related Pay |

## ABSTRACT

The purpose of this study was to investigate the influence of remuneration strategies on the business performance of Kenya sugar industries in western Kenya region. The study was to be guided by the following objectives: To determine how total reward strategy influences the performance of the sugar industries in western Kenya, To assess how performance based reward strategy influences the performance of sugar industries in western Kenya, To establish how competence based reward strategy influences the performance of sugar industries in western Kenya and, To find out how traditional reward strategy influences the performance of sugar industries in western Kenya. The study adopted a descriptive survey design and applied both qualitative and quantitative approaches to research. The target population were full time staff from the four sugar industries in western Kenya: Sony, Mumias, Muhoroni and Nzoia. The total population is 1,318 ,using Krejcie and Morgan (2007) sample determination formular, the sample is determined as 274 .Stratified random sampling method was used to select the respondents. The test retest technique was used to ensure reliability of research instruments while validity was ensured through pilot testing and reviews. Data was analyzed through descriptive (frequencies and percentages) and inferential statistics (hypothesis testing using chi-square), the findings were presented as frequencies and percentage tables and cross-tabulations. Data analysis was be aided by a computer package; Statistical Package for Social Sciences (SPSS). The findings were that financial reward was preferred to non-financial rewards in the sugar. Majority of the respondents at 136(49.60%) had financial rewards included in their pay, 70(25.50%). The most common financial reward among the industries were basic pay given to 268(97.8%), leave allowance given to 258(94.2%) and pension allowance given to 224(81.8%) respondents. There was a strong significant relationship between total reward and business performance; p-value (N=274,C.I.=0.05) = 0.000.Fixed pay component is common in the sugar industry as said by 237(86.50%) of the respondents. It was established that there was strong significant relationship between performances based pay system and business performance; p-value (N=274,C.I.=0.05) = 0.000.Competency based reward system is minimally applied by the sugar industry, majority of the respondents at 156(56.90) were not paid based on their ability to undertake an assignment. There was a strong significant relationship between competency based pay system and business performance; p-value (N=274,C.I.=0.05) = 0.000.Traditional pay strategy is the most used in the sugar industry; most respondents at 236(86.1%) had their pay based on the job done. It was established that the relationship between traditional pay system and business performance was weak and insignificant, p-value (N=274, C.I.=0.05) = 0.211.It was concluded that the companies have not embraced total reward strategy; as a result its implementation has been done in piecemeal hence ineffectiveness in terms of enhancing business performance. Performance based reward strategy has not been consistently applied by the firms in the sugar industry; consequently its outcomes have not been realized. Competency based reward system is minimally applied by the sugar industry and the competency bands are rarely applied in the sugar industry. Traditional pay strategy is the most used in the sugar industry. The researcher recommends that: There is need for company specific assessment on the suitable remuneration strategies for adoption and implementation for better business performance outcomes, There is need for keener thought and consistency in the application of the remuneration strategies chosen by the companies and there is need for greater participation of staff in the formulation and implementation of the remuneration strategies.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Sugarcane is the world's largest crop with an estimated 23.8 million hectares under cultivation in more than 90 countries. The crop harvested in the year 2010 worldwide was 1.69 billion tons of sugarcane FAO (2011), with Brazil being the largest producer followed by India, China, Thailand, Pakistan and Mexico. Presently, sugarcane is produced in 127 countries in the world, out of which only 70% of the sugar produced is consumed in the country of production. Africa's share of global sugarcane production is around 5.7 percent, implying that sugar production is still low forcing many African countries to rely on sugar imports from other continents (Ominde, 1988).

Sugarcane growing in Kenya started in the early 1900's when it was introduced around Lake Victoria by Indian labourers who were engaged in the construction of the Uganda Railway, with the first factory being established at Miwani around Kisumu in the year 1923, followed by Ramisi in Kwale by 1927. After independence, the government embarked on aggressive policies of expansion with the objective of increasing sugar production to meet the growing national sugar demand and create rural employment to check the rural-urban migration. The government under the policies established more new sugar factories which included; Muhoroni (1966), Chemelil (1968), Mumias (1971), Nzoia (1978) and Sony sugar (1980) with other private factories also coming up (Amayo, 2008) such as West Kenya (1981), Soin Sugar Factory (2006) and Kibos Sugar and Allied Industries (2007), Butali Sugar Mills (2010), Trans-Mara Sugar Company (2011) and Sukari Sugar Mills (2011).

Currently the country has eleven operating factories with a daily crushing capacity of more than 30,570 tons of cane per day (TCD) and four licensed operational jiggery millers, namely: Lubao, Shajanand, Farm Industries and Homa Lime Jaggeries, with a combined capacity of about 300 TCD. But while quantitative expansion of the sugar factories may have been achieved, their performance is still rather low and the combined factories capacity does not meet the sugar needs of the country. According to KSI (2008-2012), the self-sufficiency in sugar has not been achieved and consumption continues to outstrip production and despite the sugar production growing from 368,970 tons in 1984 to 520,000 tons in 2012, there is still a shortfall and Kenya has continued to be a net importer of sugar with imports rising from 4,000 to 220,000 tons over the same period.

The importance of the sugar sector to the economy need not be over emphasized. The sugar industry is a major employer and contributor to the Gross Domestic product (GDP) and cane is one of the most important crops alongside tea, coffee, horticulture and maize (KSI, 2008-2012). The Kenya sugar industry is one of the major contributors to the agricultural sector which is the mainstay of the Kenyan economy as it is a source of income to more than 250,000 small-scale farmers who supply over 92% of the cane milled by the sugar companies and another six million Kenyans derive their livelihoods directly or indirectly from the industry (Amayo, 2008). As the KSB (2012) indicates, the industry employs about 500,000 people directly or indirectly in the sugarcane business chain from production to consumption. In addition, the industry saves Kenya in excess of USD 250 million (KSh. 19.3 billion) in foreign exchange annually and contributes tax revenues to the exchequer (Kegode, 2005). In the sugar zones, the sugar industry under factories Corporate social responsibility (CPS) contributes to infrastructure development through the construction roads and their maintenance, bridges and provision of social amenities such health, sports and recreation facilities (Amayo, 2008).

Moreover, the sugar industry also provides raw materials for other industries such as bagasse for power co-generation and molasses for a wide range of industrial products including ethanol. Molasses is also a key ingredient in the manufacturing of various industrial products such as beverages, confectionery and pharmaceuticals. By far, the largest contribution of the industry is its silent contributions to the fabric of communities and rural economies in the sugarcane belt (Amayo, 2008). According to KSB (2008), the sugar industry supports a livelihood of at least 25% of the Kenyan population and contributes about 15% of GDP.  Farm households and rural businesses depend on the injection of cash derived from sugarcane proceeds TARDA, (2008-2012) and the survival of small towns and market places is also dependent on the incomes from the same (Kegode, 2005). The industry is intricately weaved into the rural economies of most areas in Western Kenya. With these very important roles and the magnitude of the livelihoods that it supports, it is necessary that sugar factories achieve high performance to meet its various expanded roles. As Amayo (2005) pointed out, the industry needs to enhance its competiveness along the entire value chain to be in line with other sugar producing countries.

Performance is an accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillments of an obligation; in a manner that releases the performer from all liabilities under the contract (Moullin, 2007). But as a concept, performance is a subject open to wide variability as it is a somewhat imprecise word when it functions as a placeholder in research. Good performance is the criterion whereby an organization determines its capability to prevail (OCIO, 2007). Business performance management is a set of management and analytic processes that enables the management of an organization's performance to achieve one or more pre-selected goals. It is generally understood to consist of selection of goals; consolidation of measurement information relevant to an organization’s progress against these goals, and interventions made by managers in light of this information with a view to improving future performance against these goals (Mosimann *et al*., 2007; Wade & Ronald, 2001).

There are various strategies for ensuring high business performance and one such way is through effective remuneration management. Remuneration Management is concerned with the formulation and implementation of strategies the purpose of which is 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 and objectives. It concerns itself with the design; implementation and maintenance of remuneration systems which are policies, procedures, processes, practices. Remuneration policies and practices differ widely across organizations and discretion exists to choose among strategic options for implementation. The remuneration strategy adopted by an organization will have some considerable effect on both employee behaviors and performance of the organization. In this study, remuneration refers to a set of remuneration strategies adopted by an organization that offers a framework that facilitates the achievement of business performance management (Armstrong, 2006).

The amount and method of remuneration is very important to both the management and employees Mosimann *et al*. (2007) and Cokins (2009) concur that remuneration provides basic attraction to an employee to perform job efficiently and effectively and also leads to employee motivation. Salaries constitute an important source of income for employees and determine their standard of living. Mosimann *et al.* (2007) adds that it affects the employees' productivity and work performance. Remuneration management is important to management because remuneration is an important cost for doing business (in some "labour-intensive" businesses, payroll costs are over 50% of total costs); people feel strongly about it and it is also the subject of important business legislation e.g. national minimum wage**;** equal opportunities. According to Coveney (2010). It also helps attract reliable employees with the skills the business needs for success as well as retain employees – rather than them leave and perhaps join a competitor.

An effective remuneration management delivers benefits right across the whole enterprise: it maskers the staff to feel that the remuneration is well controlled (clear, fair, and process-oriented); the staff to be confident policy is being followed, that they can easily set budgets at company, department or manager level and can monitor the process in real time; and the Finance department to be able to keep track of budget versus spend during and after, and monitor this in real time with customized reports (Wade & Ronald, 2001). Further, it helps line management to know exactly what their budget is, with traffic lights allowing for overspend within reason (Paladino, 2007); and the senior management to see the business strategy controlling outcomes for remuneration such as performance pay, cost control. It is therefore important that remuneration be properly managed in order that it may positively influence the other sectors of an organization (Coveney, 2010).

Guided by Fredrick Herzberg's Two Factor Theory also known as the motivation-hygiene theory or intrinsic/extrinsic motivation, this study determined the influence of remuneration strategies on the business performance of Kenya sugar industries in western Kenya region. The two factor theory postulates that factors causing job satisfaction (and presumably motivation) are different from those causing job dissatisfaction. The satisfiers are called motivators and the dissatisfies' hygiene factors, using the term "hygiene" in the sense that they are considered maintenance factors that are necessary to avoid dissatisfaction but that by themselves do not provide satisfaction. This theory has been adopted because it identifies factors that cause dissatisfaction such as company policies, supervision, technical problems, salary, interpersonal relations on the job, and working conditions. This two-factor model of motivation is based on the notion that the presence of one set of job characteristics or incentives leads to worker satisfaction, while another and separate set of job characteristics lead to dissatisfaction. Thus, satisfaction and dissatisfaction are not on a continuum with one increasing as the other diminishes, but are independent phenomena. It is the link between pay and other remuneration approaches as a motivator and the theory that makes the two factor theory suitable for the study.

### 1.2 Statement of the Problem

The sugar industry in Kenya plays a very important role in the economy, by supporting directly or indirectly the livelihood over seven million (20% of pop) people through income generation, employment and its contribution to the GDP. The sugar industry has a high potential of producing more than one million tons of sugar while operating at 89% of its installed capacity and making her self-sufficient in sugar production, but currently the industry produces only 520,000 tons of sugar simply because it has continued to operate at less than 56% of its installed capacity and remuneration has been mentioned as one of the key contributors to the poor sugar factory performance (Wawire *et al.*, 2008). It is an acknowledged fact, that the extent to which remuneration is managed in sugar industries in western Kenya, and the congruence between remuneration strategies and performance management are not known, as no known comprehensive research has been undertaken on the subject matter, which makes it difficult to use remuneration strategies as a tool for achieving desired business performance.

Kenya is a member of the Common Market for Eastern and Southern Africa (COMESA) and its trade treaty allows duty-free movement of goods and services, including sugar between the member states. Kenya's sugar production costs is relatively higher than those of other sugar producers in the COMESA and it is expected that efficient sugar producers (Swaziland, Sudan and Malawi) in the block poses a major threat to the domestic sugar sector. As pointed out already, the industry needs to enhance its competiveness along the entire value chain to be in line with other efficient sugar producing countries and these calls for the effectiveness of the remuneration strategies employed in these sugar factories. An effective remuneration management system should deliver benefits right across the whole enterprise. It should make the staff to feel that remuneration is well controlled and that staff have confidence that the strategy is being followed, which may positively influence their performance. It is therefore important that remuneration be properly managed.

### 1.3 Purpose of the Study

The purpose of this study was to investigate the influence of remuneration strategies on the business performance of Kenya sugar industries in western Kenya region.

### 1.4 Objectives of the Study

This study was guided by the following objectives.

i) To determine how total reward strategy influences the performance of the sugar industries in western Kenya.

ii) To assess how performance based reward strategy influences the performance of sugar industries in western Kenya.

iii) To establish how competence based reward strategy influences the performance of sugar industries in western Kenya.

iv) To find out how traditional reward strategy influences the performance of sugar industries in western Kenya.

### 1.5 Research Questions

This study sought to answer the following research questions:

i) How does total reward strategy influence the performance of the sugar industries in western Kenya?

ii) How does performance based reward strategy influence the performance of sugar industries in western Kenya?

iii) How does competence based reward strategy influence the performance of sugar industries in western Kenya?

iv) How does traditional reward strategy influence the performance of sugar industries in western Kenya?

### 1.6 Study hypotheses

The study sought to test the following null hypotheses

i) $H_0$: There is no significant relationship between total reward and the performance of the sugar industries in in Western Kenya
ii) $H_0$: There is no significant relationship between performance based reward strategy and performance of sugar industries in western Kenya
iii) $H_0$: There is no significant relationship between competence based reward strategy and performance of sugar industries in western Kenya
iv) $H_0$: There is no significant relationship between traditional reward strategy and performance of sugar industries in western Kenya

### 1.7 Significance of the Study

The importance of the Sugarcane Sector to the economy need not be over emphasized. The industry directly supports approximately 250,000 small-scale farmers who supply over 92% of the cane milled by the sugar companies and another six million Kenyans derive their livelihoods directly or indirectly from the industry. The industry is intricately weaved into the rural economies of most areas in Western Kenya. With these very important roles and the magnitude of the livelihoods that it supports, it is necessary that sugar factories achieve high performance to meet its various expanded roles. It is hoped that study will provide information on the factors that has ailed the sugar industry in western Kenya and prescribe a remedy for its improved performance. It is also hoped that the study provides information that is useful to the factory heads and the management of the sugar industry in improved sugar production.

The study should produce information on the influence of remuneration strategies on business performance in the sugar industry. With such information, the sugar management committees and all persons charged with sugar management are well guided on the issues to focus on, so as to faster and better improve the business performance in the factories and in the region as a whole. The study should also be useful to the donors and other funders of sugar sector, and more so to the government as the largest funder of sugar sector. As a result of this study, donors, funders and the government should be informed on the specific remuneration strategies to fund disproportionately in order to effectively and efficiently produce sufficient sugar for Kenyans.

Henceforth, they should be empirically guided on the actual factors that have led to inadequate sugar production in the country, and be guided on the actual factors that they should focus on to improve the productivity of the sugar sector.

This is the only study that has so far focused on remuneration strategies and business performance in sugar industries in western Kenya in this manner. Other previous studies have merely described the factors that lower the business performance in the specific sugar factories, but they have not covered the entire western Kenya as a whole. Further, they have only described those factors, but have not measured the actual effect of those factors on the business performance as this study does with remuneration strategies. By this virtue, this study should produce hitherto unavailable data and thus act as a significant reference material to other researchers, students on sugar sector, and readers in general.

**1.8 Basic Assumptions of the Study**

Other factors such as politics, government policies, environmental factors, community factors and personal characteristics of managers as well as market forces could also affect the business performance of the sugar sector, if not controlled. However, the researcher was confident that apart from personal factors, the rest of the factors are fairly the same for all the sugar factories in the region. Because all sugar factories operate under the same government policies, and since all sugar factories in the same region also fall under the same political, environmental, and community factors, the study does not expect these factors to produce significant differences on the business performance. But the personal characteristics of managers was neutralized through randomization and should thus not create significant differences in the study results. The study therefore assumed that politics, government policies, environmental factors, community factors, personal characteristics of managers and market forces do not differentially contribute to business performance in sugar industries in Western Kenya region in this study.

**1.9 Limitations of the Study**

The major limitation of this study is its design. The best way to establish an influence is through experiments where variables are related in controlled settings (Cohen, 1988; Kothari, 1990). But the fact that the variables to be investigated in this study are activities that involve real farmers in real farming makes it unethical to subject them to controlled situations for the purpose of a study. Besides, even if this was possible, the researcher does not have the capacity to directly manipulate remuneration strategies because they are controlled by policies well beyond the researcher's influence. The alternative design is a survey, but a survey design cannot investigate effects from a cause-effect perspective. Hence, this study only provided insight into what the influence of remuneration strategies could be, but it cannot claim to have established the influence of remuneration strategies on the business performance: an experimental design is needed to achieve such a purpose. Therefore, generalization of the study to other populations should take into account this limitation. Nevertheless, the findings of the study are useful as pointers to what the influence is likely to be, and for exemplification and beginning of a debate.

### 1.10 Operational Definition of Terms

| | |
|---|---|
| **Remuneration Strategy** | This is the design ,development and implementation of a plan of action that is linked to organizational goals and objectives |
| **Total Reward** | This is a pay system that combinations both financial and non-financial rewards available to employees in exchange for their effort. |
| **Business performance management** | This is a set of management and analytic processes that enables the management of an organization's performance to achieve one or more pre-selected goals. |
| **Competence based reward** | This is a pay system that takes into account the skills, abilities and knowledge that an employee possesses and not according to the job or position he/she is currently holding. |
| **Performance based remuneration** | This is a pay system that takes cognizance of variable pay related to the concerned periods into consideration when determining additional earnings and premiums. |
| **Performance of sugar industry** | This is how well the sugar industry is doing in relation to **q**uantity of sugar produced per annum, quality of sugar per annum, Wage bill vis-à-vis income and Market competiveness. |

### 1.11 Delimitations of the Study

The study was delimited to remuneration strategies as currently practiced in Kenya sugar industries in western Kenya. The study is delimited to western Kenya because of its large number of sugar factories as compared to other parts of Kenya. It is therefore a unique area to study the influence of remuneration strategies on the business performance. Further, the study was delimited to human resource departments since they are the direct concerned with remuneration management.

### 1.12 Organization of the Study

This research project report is divided into three chapters. Chapter one is the introduction and describes the background and the problem of the study, the objectives, questions and hypotheses of the study. It also describes the significance, limitations and definition of significant terms used in the study. Chapter two presents review of related literature and it is organized under the concept of remuneration management, business performance management and sugar farming. Chapter three describes the methodology of the study with specific focus to research design, target population, sampling techniques, instrumentation, quality control, data collection and analysis procedures and ethical considerations. Chapter four presents data analysis results, interprets the findings of the study and discusses the findings in light with earlier findings. The analysis, presentations, interpretations and discussions of the findings are in accordance with the three objectives of the study. Chapter five presents a summary of the findings of the main study, conclusions, recommendations arrived at and contribution to knowledge base. It also gives suggestions for further research. There is also a section of references and appendices of the study.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter reviews literature related to remuneration strategies and business performance. It specifically examines the concept strategic remuneration and the types of remuneration strategies, and business performance management. It also discusses the theoretical and conceptual frameworks for the study.

## 2.2 The Concept of Strategic Remuneration

According to Frank (2008), strategic remuneration is about linking remuneration to organization performance. A crucial ingredient in the strategic remuneration mix is recognition of the uniqueness of organizations. This takes account of the fact that what may be appropriate in one organization, may not necessarily work for another (Armstrong, 2010). Strategic remuneration is about the development and implementation of strategies, Philosophies and the guiding principles that underpin them. A remuneration philosophy expresses what the organization believes should be the basis upon which employees are valued and rewarded. The Human Resource of an organization are the most valued assets because the individually and collectively contribute towards the organizations goals and responsibilities. Remuneration management is one of the wider responsibilities of Human Resource Management.

The remuneration system is one of the most underutilized and mishandled managerial tools for driving organizational performance as we must bear in mind that "Businesses must perform in the present to succeed in the future". The goal of any remuneration management program is to help attract; retain high quality people and motivate them hence obtain their commitment and engagement. There is need that the operate fairly by treating people justly in accordance with what is due to them:"The felt fair principle of Jacques (1961); operate fairly through employees understanding how the processes operate and how they are affected by them and lastly; function consistently- Decisions on pay do not vary arbitrarily without due course between different people or at different times. By redefining remuneration programmes as a strategic investment, and recognizing their potential to contribute to the achievement of organizational goals and objectives, an organization can successfully turn remuneration programmes to their competitive advantage. Remuneration strategies and processes flow from the business strategy.

### 2.3 Structuring Remuneration

Since there are various methods of remuneration available, a business should poses the Know-how on structuring the remuneration package it offers to its employees (Wade & Ronald, 2001). Remuneration methods are strategic thereby affecting the mission of the organization and the discretion exists on the various choices available among options. Being strategic about remuneration implies support of the business strategy through patterns of decisions that are crucial to the performance of an organization. There are factors about remuneration management that are strategic as not all remuneration decisions are strategic, most probably are not. One of the critical dimensions is that of strategic choice. A strategy refers to the overarching; long-term direction of an organization that is crucial to its survival and success. It may be intended or formally articulated in some plan or document or may emerge through patterns of decisions shown by the organization behavior hence strategies are both plans  for the future and patterns from the past (Mintzberg, 1987).

Deciding on which job evaluation plan to adopt and which merit increases grid to use are not strategic. On whether to link pay increases to individual performance or team performance and deciding the competitive positioning in the market have more strategic consequences. Coveney (2010) indicates that data on market rates can be obtained from local employment agencies and job centers; job adverts and industry associations (who often perform annual surveys of remuneration in an industry). As Wade and Ronald (2001) point out, whether a business pays MORE or LESS than the market rate is dependent on whether it needs above-average employees; whether it needs trained employees or is it prepared to invest in training beginners; or whether the skills wanted by the business are needed urgently.

According to Paladino (2007), it is also dependent on mobility of labour. Market Positioning i.e. level of pay relative to competitors- A lead, lag or meet; performance measures; congruency with other organizational systems; standardization of pay across sub-units; communication on the role of remuneration in organizational change, job satisfaction, pay differentials and placement of employees in the pay structure; basis for pay increases, legal compliance that is equal pay for work of equal value; role in HR- Strategy; Administrative style on the information to disclose to employees, employee participation in dispute resolution procedures are strategic. Assessing the remuneration strategy that is crucial to the performance of an organization is also strategic. Hierarchical factor is not confirmed as being strategic.

A form of pay is a proposed strategic perspective linked to the various elements of total compensation which includes financial and non-financial rewards gained from work or services performed. (Mosimann, Patrick & Meg,2007), financial rewards includes base pay, contingent pay, cash bonuses, long and short term incentives, shares, benefits such as pension, holidays, medical insurance etc. while non-financial rewards include work experience, training and development, career development and aspects of work environment i.e. recognition, achievements, job design, work/life balance, employee participation etc (Frank, 2008).

Another form of pay is performance related pay (PRP) which has a component of variable pay such as profit related pay, employee profit sharing schemes, gain sharing, company share option etc. which are either individual, group/tem based or organizational based. Another form of pay is competency based pay which is designed through development of competency maps or frameworks that focus on Knowledge, skills, attitude and behavior, competency ratings and a broad banding payment structure attached to these levels and lastly the evidence on competency achieved is required before it is linked to pay. This form of pay is strategic. (Heneman & Schwab 1984; Heneman (1986); Lawler (1981); Salter( 1973). The last form of pay is the traditional pay system characterized by job descriptions, job classification, performance appraisal that is not linked to pay. It has a tenure based salary structure that is linked to length of service, seniority, cost of living adjustment etc. In the end, a business should construct a remuneration structure that is simple, logical and fair.

## 2.4 Total Reward Remuneration Strategy

Armstrong, (2006) Total reward is the combination of financial and non-financial rewards available to employees. It is an integral element of remuneration management that combines financial and non-financial rewards given to employees in exchange for their efforts. Total reward is the value of all cash payments/ total earnings and benefits received by an employee. Manus and Graham (2003) mentioned that total rewards include all types of rewards- indirect as well as direct, intrinsic as well as extrinsic. A total reward strategy is a holistic approach aligning business strategy and people strategy. This reward strategy brings about maximum return and builds up employment brand, all of which create sustainable competitive advantage for organizations. Kaplan (2007), asserts that the aim of this approach is to maximize on the combined impact of a wide range of reward initiatives such as motivation, commitment and job engagement. Total reward strategies are vertically integrated with business strategies and horizontally integrated with other HR-Strategies.

Fernandez (1998) describes total reward as a reward strategy that brings additional components such as learning and development, together with aspects of the working environment, into the benefits package "The sum of the values of each element of an employee's reward package." Total rewards include everything the employee perceives to be of value resulting from the employment relationship. It is a plan for allocating rewards resources in a manner that directs the business to the successful execution of its objectives (Manas & Graham, 2002).As rightly stated by Deeprose (1994), effective reward system improves employee motivation and increases employee productivity which contributes to better enhanced organizational performance. It goes beyond standard remuneration by embracing the company culture, and is aimed at giving all employees a voice in the operation, with the employer in return receiving an engaged employee performance. In other words, total reward provides a broader view to treat everything what an enterprise can offer to its staff and everything what the employees can promise to their companies, which embodies the fundamental change of management thinking model of company high-level superintendents. In recent years, total reward has been becoming a more and more popular facet which has caught many scholars' attention.

As a part of human resources management practice, total reward has also been introduced into varieties of enterprises to improve their competitiveness so that they will have the abilities to survive in the global marketing warfare. Francis and Fernandes (1998) outlined the principal elements of total reward which include basic salary, variable pay, pension benefits, death-in-service benefits, long-term disability benefits, private medical insurance, vacation entitlement, company car schemes, share schemes, mortgage subsidies etc Patricia and Jay (2000a) made an analysis of total reward components which refer to individual growth, compelling future, total pay and positive workplaces. They hold that people work for more than just pay, they are also looking for an organization which has a powerful vision of where it is going and how it plans to get there, and they want to get individual growth in acquiring skills that prepare them to add value to the business. Lyons and Ben-Ora (2002) indicate that a total strategy may also include training, career development, coaching and other employee-related policies.

Tropman (2001) suggested that the concept of total compensation which he considered as “new new pay” be expressed in terms of an equation with ten variables. TC = (BP + AP + IP) + (WP + PP) + (OA + OG) + (PI + QL) + X, where TC= total compensation; BP = base pay, or salary; AP = augmented pay, that is, any one-time payment, even if received at regular intervals; IP = indirect pay; WP = works-pay, that is, employer-subsidized equipment, uniforms, and so on; PP = perks-pay, that is, special benefits—anything from accessories to employee discounts on company products; OA = Opportunity for advancement and increased responsibility; OG = opportunity for growth, both through on-the-job training and through off-site training and degree attainment; PI = psychic income, the emotional enhancements provided by the job itself and the setting; QL = quality of life, that is, opportunity to express other important aspects of life; X = any unique element that an employee wants that the workplace can facilitate.

Management must also recognize the fact that involving employees in the design of the total reward strategy increase their acceptance and commitment towards effective implementation. Wilson (1994) on the other hand, states that an effective reward strategy would impact positively on behavior when they are meaningful and valuable to employees based on the organization’s objectives and attainable goals, open and well-communicated to all and not based on competitive struggles within the workplace. The UK Cabinet Office (2007) outlines that in developing a total reward strategy, organizations must build a good understanding of the organization’s strategy, goals, capability to deliver and sustain changes in total reward practice and key measures of success.

**Table 2-1: A Model of Total Reward**

Transactional (Tangible)

| | |
|---|---|
| Pay<br>Base Pay<br>Contigent pay<br>Cash bonuses<br>Long-term and short term incentives<br>Profit sharing<br>Shares | Benefits<br>Pension<br>Holidays<br>Health Care<br>Time off<br>Other Perks |
| Learning and development<br>Workplace learning & Development<br>Training<br>Performance Management<br>Career Development | Work Environment<br>Organizational Core Values<br>Leadership<br>Employee participation/Voice<br>Job design<br>Work life balance<br>Work experience<br>Quality of working life |

Relational (Intangible)

Zhou,Qian,Henan,& Lei (2009) did a study on Total Reward Strategy and established that as a modern reward management method, total reward strategy has been used more and more by managers and scholars. Managers would gain remarkable profits for the organization they governed if they use the integrated total reward strategy properly. The strategy will not only improve the performance of staffs, act important role of decision making process of an organization, but also solve existing and potential compensation problems as well.

### 2.5 Performance Related Remuneration Strategy

Redman & Wilson (2001) paying for performance is; for many organizations at the heart of the remuneration strategy. Frank (2008) concur with Wade and Ronald (2001) that whilst the detail of real performance-related schemes varies from business to business, there are several common features: individual performance is reviewed regularly (usually once per year) against agreed objectives or performance standards. A base pay has to be established by the organization and subsequently supplement this with variable pay elements related to either individual, group/tem or organizational or still a combination of these. A key design decision is whether to pay the variable pay either as a lump sum or consolidated pat into the salary. In a pay for performance system, the base pay is not raised hence a signal to employees that the organization is paying for performance and not the job- it is paying the person. Organizations apply various schemes to this process namely: Profit sharing refers to any system whereby employees receive a proportion of business profits. Profit sharing is generally accepted as having many advantages, providing that all employees are able to participate (Mosimann *et al*., 2007). It is becoming popular because it creates a direct link between remuneration and performance; creates a sense of team spirit- helps remove ‘them and us’ barrier between managers and workers if all employees involved; and may improve employee’s loyalty to company (Frank, 2008). It also, as Dresner (2007) notes, makes employees more likely to accept changes in working practices if can see that profits will increase overall.

Commission is a form of piece-rate payment made to employees based on the value of sales achieved. It can form all or (more often) part of a remuneration package. Commission is, therefore, a form of “incentive remuneration” (Frank, 2008). Commission is a reward for value of work achieved. In most cases, the employee is paid a flat percentage of the value of the good or service that is sold. The rate of commission depends on the selling price and the amount of effort required in making the sale (Dresner, 2009). The main advantage of commission from an employee’s point-of-view is that it enables high performing sales people to earn huge amounts. The main advantage to the employer is that the payroll cost is related to the value of business achieved rather than just the amount produced. After all, businesses exist to sell goods and services for profit - not just to make things (Coveney, 2010).

However, there are several drawbacks with using commission payments: first employees may cut corners to make sales. For example, they may not explain the product or service in enough detail to potential customers, and the customers are misled and mis-sold. Secondly, high commission earnings enjoyed by some of the members of the team may be resented elsewhere in the business - particularly if the product actually depends on a team effort (Frank, 2008). As Cokins (2009) observes, it is difficult to change what proves to be an over-generous commission structure without upsetting and demoralizing the team. Lastly, as Wade and Ronald (2001) indicate, once commission payments have been made, the work force may lose some motivation until they begin to focus on the next payment (which might be up to 12 months away). Due to these disadvantages, Cokins (2009) points out that most businesses that use commission as an incentive payment method offer a basic remuneration plus a moderate commission level. In this way, if sales and profits justify the change, the commission rate can always be increased slightly.

Performance-related remuneration has grown widely in recent years – particularly in the public sector as part of a movement towards rewarding individual performance which reflects individual circumstances (Frank, 2008). But there are problems with performance-related remuneration: for example, there may be disputes about how performance is measured and whether an employee has done enough to be rewarded (Mosimann *et al*., 2007). Again rewarding employees individually does very little to encourage teamwork, and there is doubt about whether performance-related remuneration actually does anything to motivate employees. This may be because the performance element is usually only a small percentage of total remuneration (Wade & Ronald, 2001).

Business organizations prefer PRP remuneration because there is less tax on providing them but also because they cause a business less hassle and can help to differentiate the remuneration package (Paladino, 2007).One key differentiating distinction with these PRP schemes is that they are non-permanent and must be re-earned through the achievement of performance targets to qualify for any subsequent payments.

According to Rudman (2003) paying for performance is a big issue in contemporary human resources management; organizations have long believed that productivity improve when pay is linked to performance and payment by results systems and incentives are developed to support this belief. Studies have found a positive relationship between performance related pay and performance (Huselid, 1995; Dotty, 1996; Goel, 2008). Goel (2008) further argues that performance related pay is an effective motivator and conveys a clear message that high levels of performance are expected and will be rewarded. However they should not be distributed on the basis of narrow definition of the output of each individual, but also on the basis of appraisals of how well the individual contributes to the performance of the team, unit or company as a whole depending on the company structure.

**2.6 Competence Based Remuneration Strategy**

Boyatzis (1982) defined competency as an underlying characteristic of an individual which is causally-related to effective or superior performance. Competency is 'something which a person in a given occupational area should be able to do'. Competence is the ability of an individual to do a job properly. It is the combination of observable and measurable knowledge, skills, abilities and personal attributes that contribute to enhanced employee performance and ultimately result in organizational success. Brown and Armstrong's (1999) define competency-based pay can be defined as paying for the development and application of essential skills, behaviours and actions which support high levels of individual, team and organizational performance.

Knowledge is the cognizance of facts, truths and principles gained from formal training and/or experience. Application and sharing of one's knowledge base is critical to individual and organizational success. A skill is a developed proficiency or dexterity in mental operations or physical processes that is often acquired through specialized training; the execution of these skills results in successful performance. Competencies do not establish baseline performance levels; rather they are used to raise the bar on employee performance. They provide employees with road maps to increase their capabilities incrementally and reflect the organization's strategy; i.e. they are aligned to short- and long-term missions and goals. Competencies focus on how results are achieved rather than merely the end result. In this manner they bridge the gap between performance management and employee development and are an integral component of personal development plans.

Competencies can be broadly classified into three categories namely organizational competencies, job related competencies and personal competencies Organizational competencies are unique factors that make an organization competitive. Suff (2001), competency based pay is a system that in some way reward the use and the acquisition of competency while citing Armstrong and Baron, gives the following as some of the distinguishing features of competency-based pay:(1) It is based on an agreed framework of competencies: The starting point for any competency-based pay system will be a well-established competency framework. The first task in introducing a competency framework will be to conduct an analysis of what constitutes organizational success and how individuals contribute to that success. Hence Homan (2000) describes competency-based pay as a means by which ‘pay and recognition are used to communicate vision and values to employees and to reinforce desired behavior and performance. (2) It is not based on the achievement of specific results, such as targets or projects completed. However, it is concerned with the attainment of agreed standards of performance.

A competency framework is likely to combine both core competencies that are applicable to jobs across the organization and competencies that are specific to particular jobs. In most organizations competency frameworks contain both ‘soft’ or general behavioral competencies and technical/functional competencies, often known as ‘hard’ skills. One of these innovative strategies is the use of organizational and individual competencies to focus an organization on its critical success factors and to develop individual behavior that supports “core competencies.” Competency development at both the organizational and individual levels has been used to support organizational change in selection, development, human resources planning and performance-management systems. Organizations are discovering, however, that while many of these innovative processes, including the development of competency models, are useful in advancing their missions and achieving their goals, without the support of equally innovative compensation strategies, effectiveness is not as great as it might be (Tucker and Strickland 1991).According to Prahlad and Hamel (2005) who wrote the famous book *“Competing in the future”*, organizational competencies- a) Provide potential access to a wide variety of markets b) Make a significant contribution to perceived customer benefits of the end product c) Are difficult for competitors to imitate**.** Organizations need to focus their efforts in the area of their competencies and strengthen them and outsource the other activities. This is very important as these competencies are fundamental to the success of the organization. Some of the examples of successful businesses that have adopted the competency model into their organizational competencies include Sony-miniaturization, Phillips-optical media, Honda-engines, and Intel-microchip. A competency model can be used to develop specific job related competencies and come out with a competency dictionary. These competencies are organization specific as roles and responsibilities may vary from organization to organization even though the job title may be the same. Personal competencies are aspects of an individual they include the abilities of individuals to perform the activities within an occupation or function to the standard expected in employment.

These competencies include personal competencies like developing oneself, taking initiative, delivering results, showing commitment, and adaptability. Interpersonal competencies like influencing, relationship building, advising, team orientation, service orientation, cultural awareness, communication, and openness. Information oriented competencies like strategic thinking, business. Understanding, conceptualizing, innovation, processing, analyzing and comprehending. People management competencies like leadership, directing, building teams, facilitating performance, motivating, guiding people, and transferring knowledge. Competencies can also be classified in to Threshold and differentiating competencies. (Sharma, 2004) Threshold competencies are those competencies which a job holder needs in order to perform the job effectively. However these competencies do not distinguish the average performer from a superior performer. It is the differentiating competencies which are present only in superior performers which makes them excel in their respective roles or jobs and bring out outstanding performance. Quality orientation is a differentiating competency.

Chris (1996) investigated the relationship between competency-based pay and performance using a case study to determine that when competencies have been integrated into human resource practices such as recruitment and selection, training and, compensation and performance management, significant growth in terms of product distribution and profitability have been achieved by the three divisions of Holiday Inn Worldwide in America, Europe/the Middle East/Africa and Asia-Pacific. Furthermore, strong hotel occupancy levels are reported along with lower-than-average labour turnover rates.

### 2.7 Traditional Pay System

Traditional salary management model has its origins in the era of scientific management. The era of World War I to perhaps the Vietnam War. It was an era of industrialization and labour strife, workers were treated harshly with little concern for fairness. Time and motion studies were used to increase efficiency and optimize management systems (Rischer, 2013). Job descriptions were created as a way to document job requirements as these traditional programs focused on rewarding the job and not the person. Employees had no influence on their jobs. Salary systems were used as a way to control payroll costs. At the heart of this traditional system is a job evaluation system and usually for public employees a classification system whose purpose was to determine a jobs relative position in the internal hierarchy of jobs. The current paradigm of job evaluation is comparable worth and pay for equity. The traditional system is a highly bureaucratic management practice and motivation is by titles. (Schuster & Zeingheim, 1992) Base pay is a fixed amount of pay that traditionally has increased over the years to reflect inflation, length of service etc and may change upon promotion to a more responsible job. The strategy assumes length of service equates with experience. Yesterday's experience may be an impediment to change. The strategy also relies upon promotion for employees to grow their salaries and it is noteworthy to know that with flatter organization structures and non-availability of jobs, promotions are less available. It embodies the value of predictability, security and permanency which are not strategic to change. Permanency which employee's value is expensive.

The salary pay ranges are tenure based or annual salary increases granted either on seniority. Merit increases or a cost of living/market adjustment. Once an employee attains the top of the scale, they remain static in that scale until a job vacancy is available to enable the employee move to the upper scale range. Traditional salary ranges no longer work either practically or philosophically as these ranges tend to shift every year locking employees into the same section of the range rather than allowing them to move forward. Ranges fail to differentiate top performers from average performers and the performance appraisal system is just a formality whose outcome is not linked to pay. The traditional pay model makes organizations to become static i.e. job and work changes are not subject to frequent changes (Jahja & Kleiner, 1997). Organizations can no longer afford to pay employees whose performance does not support business strategies and organizational goals. The traditional pay systems are not practiced by many organizations now as in the past.

## 2.8 Business Performance Management

Business performance management is a set of management and analytic processes that enables the management of an organization's performance to achieve one or more pre-selected goals. It can also be referred to as "corporate performance management (CPM) and "enterprise performance management" (Wade & Ronald, 2001). Business performance management is generally understood to have three basic activities: (i) selection of goals; (ii) consolidation of measurement information relevant to an organization's progress against these goals, and (iii) interventions made by managers in light of this information with a view to improving future performance against these goals (Mosimann *et al.*, 2007; Wade & Ronald, 2001).

The business performance management has certain recognized critical success factors and effective business management should seek to instill such factor one such success factor is Buy-in and ownership**.** With any management initiative, if there is no ownership and buy-in, then the implementation is likely to fail or deliver very limited benefits. The same is true for business performance management. The top team in a company needs to spearhead the implementation. However, there is often buy-in at the top but little at the bottom of the organization. This indicates that business performance management is either seen as a top management initiative - often along the lines of "senior management is checking on us" or where the grass roots disagree with the measures and analysis performed. They point out that that to enable a successful business performance management implementation, it is vital that companies create pervasive buy-in and communicate the need and reasons for measuring and managing performance throughout the organization. In fact, they note that a lack of buy-in at the grass-roots level is often the result of a lack of engagement in the design and communication of the business performance management approach, as well as a lack of trust in the data quality or a lack of trust in how the data might be used. A closed-loop system, in which everyone understands the rationale of the business performance management approach and has access to the data, will help to eliminate this problem **(**Mosimann *et al.*, 2007).

According to Frank (2008), the other important success factor is motivation for business performance management. Most mature and successful implementations are those in which business performance management is introduced voluntarily by the company to improve its decision-making and to generate new insights and understanding that drive performance improvements. He argues instead, that if it is being introduced because of external needs to report (often the case in government organizations or highly regulated industries where central government or regulatory bodies force the reporting against targets), then there will be resistance. Involuntary reasons can also be internal - for example, internal quality departments or senior management teams are seen as forcing performance reporting and measurement.

According to Cokins **(**2009), there should also exist integration of operational and strategic approaches. He further points out that traditionally, key performance indicators have been used by organizations on two levels: first strategically - to monitor the execution of the strategic goals and objectives; and secondly, operationally - to monitor and improve operational performance. He feels that what many companies are struggling with is the alignment and integration of strategic and operational metrics. The operational measurement is too often still done without aligning it with the strategic measures and that this can therefore creates disconnect between the strategic priorities and the operational priorities. Organizations that generate higher levels of benefits are those that integrate a strategic and operational approach to business performance management. But as Mosimann *et al.* (2007) found out, companies that use key performance indicators only to measure and report operational performance report low levels of benefits. Companies that have strategic key performance indicators but do not align them with operational metrics also report low benefits. However, companies that integrate them and use strategic and operational key performance indicators and align them with strategy maps or mission and vision statements report the highest levels of satisfaction and benefits.

Another factor that has become a differentiator is the level of integration between traditional key performance indicators measurement and analytics. While key performance indicators measurement is more static with a focus on high-level indicators to monitor performance against high-level goals, analytics are more dynamic, using wider and larger data sets to challenge the business (the what, why and how questions). Those companies that report that they combine approaches such as key performance indicators and Balanced Scorecard approaches with business intelligence and analytics generate more benefits in the form of richer and more comprehensive business insights.

Time-focus of business performance management is also a key performance indicator. According to Wade and Ronald (2001), traditionally, performance data were used to report historic information, for example financial performance of the last quarter, success of the last marketing campaign or results from a staff survey. They note that more sophisticated approaches and the use of information technology allow companies to track performance much more in real time. With the emergence of sophisticated predictive analytics tools, companies can now look into the future. Predictive analytics take past and present data and apply statistical models to them to predict future trends, behaviors, sales, etc.

Another critical success factor for more mature and more successful business performance management implementation is ensuring data quality. The famous saying - garbage in, garbage out - sums up the problem. For good insights that lead to improved decisions that drive future performance, data that can be trusted is needed. It is no good putting in place sophisticated performance reporting and dashboard solutions if the underlying data are not reliable (Coveney, 2010).

One last indicator of business performance is business performance management technology. Technology to support business performance management activities has evolved tremendously over the past few years. Initially, the focus was on storing and reporting performance information using databases and dashboard solutions. More sophisticated approaches then allowed companies to create closed-loop systems that help to integrate operational and strategic performance data and align traditional performance measurement with analytics (Frank, 2008; Dresner, 2009). This as Frank (2008) notes allows companies to analyze the data and integrate performance reporting with, for example, financial management tools or other tools such as risk management or project management. Dresner (2009) feels that today’s sophisticated IT solutions provide integrated business performance management platforms with the ability to perform predictive and Big Data analytics and enable companies to visualize performance in interactive graphs and reports delivered to mobile devices over the internet. Wade and Ronald (2001) also confirm that studies have shown that using an integrated performance management and analytics suite generates the most benefits.

Performance is accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillments of an obligation; in a manner that releases the performer from all liabilities under the contract. As a concept, performance is a subject open to wide variability as it is a somewhat imprecise word when it functions as a placeholder in research (Mosimann *et al.*, 2007).

But performance measurement is the process of collecting, analyzing and/or reporting information regarding the performance of an individual, group, organization, system or component. It can involve studying processes/strategies within organizations, or studying engineering processes/parameters/phenomena, to see whether output are in line with what was intended or should have been achieved (Upadhaya, Munir & Blount, 2014). Neely, Adams and Kennerley (2002) defined performance measurement as the process of quantifying the efficiency and effectiveness of past actions. Moullin (2002, 2007) defines it as the process of evaluating how well organizations are managed and the value they deliver for customers and other stakeholders. Good performance is the criterion whereby an organization determines its capability to prevail (OCIO, 2007). In a more general sense, and as adopted in this study, performance measurement is estimating the parameters under which programs, investments, and acquisitions are reaching the targeted results. FEA (2005) correctly point out that while the Balanced Scorecard has become very popular, there is no single version of the model that has been universally accepted. The diversity and unique requirements of different enterprises suggest that no one-size-fits-all approach will ever do the job.

## 2.9 Theoretical Framework

This study was guided by Herzberg's Motivation (Two Factor) Theory. The two factor theory postulates that factors causing job satisfaction (and presumably motivation) are different from those causing job dissatisfaction. The theory is relevant to the study in that it postulates that the motivator and hygiene factors have a significant impact on the overall level of employee job satisfaction and hence organizational performance. Herzberg’s motivation-hygiene theory best explained the process of motivating employees in order to achieve better performance outcomes. The satisfiers are called *motivators* and the dissatisfiers *hygiene factors*, using the term "hygiene" in the sense that they are considered maintenance factors that are necessary to avoid dissatisfaction but that by themselves do not provide satisfaction. According to the two factor theory, there are six factors causing dissatisfaction and six factors causing satisfaction, listed in the order of higher to lower importance.

**Table 2-2: Factors influencing employee satisfaction**

| Leading to Dissatisfaction | Leading to Satisfaction |
|---|---|
| Company policy | Achievement |
| Supervision | Recognition |
| Relationship with boss | Work itself |
| work conditions | Responsibility |
| Salary | Advancement |
| Relationship with peers | Growth |

Herzberg argued that because the factors causing satisfaction are different from those causing dissatisfaction, the two feelings cannot simply be treated as opposites of one another. The opposite of satisfaction is not dissatisfaction, but rather, *no* satisfaction. Similarly, the opposite of dissatisfaction is *no* dissatisfaction. Herzberg further argued that there are two distinct human needs portrayed. First, there are physiological needs that can be fulfilled by money. Second, there is the psychological need to achieve and grow, and this need is fulfilled by activities that cause one to grow. From the above table of results, the factors that determine whether there is dissatisfaction or no dissatisfaction are not part of the work itself, but rather, are external factors. The motivator factors that determine whether there is satisfaction or no satisfaction are intrinsic to the job itself, and do not result from carrot and stick incentives.

According to Herzberg, intrinsic motivators such as challenging work, recognition, and responsibility produce employee satisfaction, while extrinsic hygiene factors, including status, job security, salary, and fringe benefits - if absent - produce dissatisfaction. This two-factor model of motivation is based on the notion that the presence of one set of job cha characteristics or incentives leads to worker satisfaction, while another and separate set of job characteristics lead to dissatisfaction. Thus, satisfaction and dissatisfaction are not on a continuum with one increasing as the other diminishes, but are independent phenomena.

If the motivation-hygiene theory holds, management not only must provide hygiene factors to avoid employee dissatisfaction, but also must provide factors intrinsic to the work itself in order for employees to be satisfied with their jobs. If management wishes to increase satisfaction on the job, it should be concerned with the nature of the work itself - the opportunities it presents employees for gaining status, assuming responsibility, and achieving self-realization. If, on the other hand, management wishes to reduce dissatisfaction, then it must focus on the job environment - policies, procedures, supervision, and working conditions. To ensure a satisfied and productive workforce, managers must give attention to both sets of job factors. If management wishes to increase satisfaction on the job, it should be concerned with the nature of the work itself – the opportunities it presents employees for gaining status, assuming responsibility, and achieving self-realization. If, on the other hand, management wishes to reduce dissatisfaction, then it must focus on the job environment – policies, procedures, supervision, and working conditions. To ensure a satisfied and productive workforce, managers must give attention to both sets of job factors.

Dartey and Amaoke, (2011) assess the application of this theory and state that combining hygiene and motivator factors can result in some scenarios thus: High hygiene + High Motivation is the ideal situation where employees are highly motivated and few have complaints. High hygiene + low motivation a situation where employees have few complaints but are not highly motivated. The job is then perceived as a paycheck. Low hygiene + high motivation, employees are motivated but have a lot of complaints- a situation where the job is is exciting and challenging but salaries and work conditions are not. Low hygiene + low motivation, the worst case scenario, unmotivated employees with lots of complaints. This theory may have a direct impact on business performance.

## 2.10 The Conceptual Framework

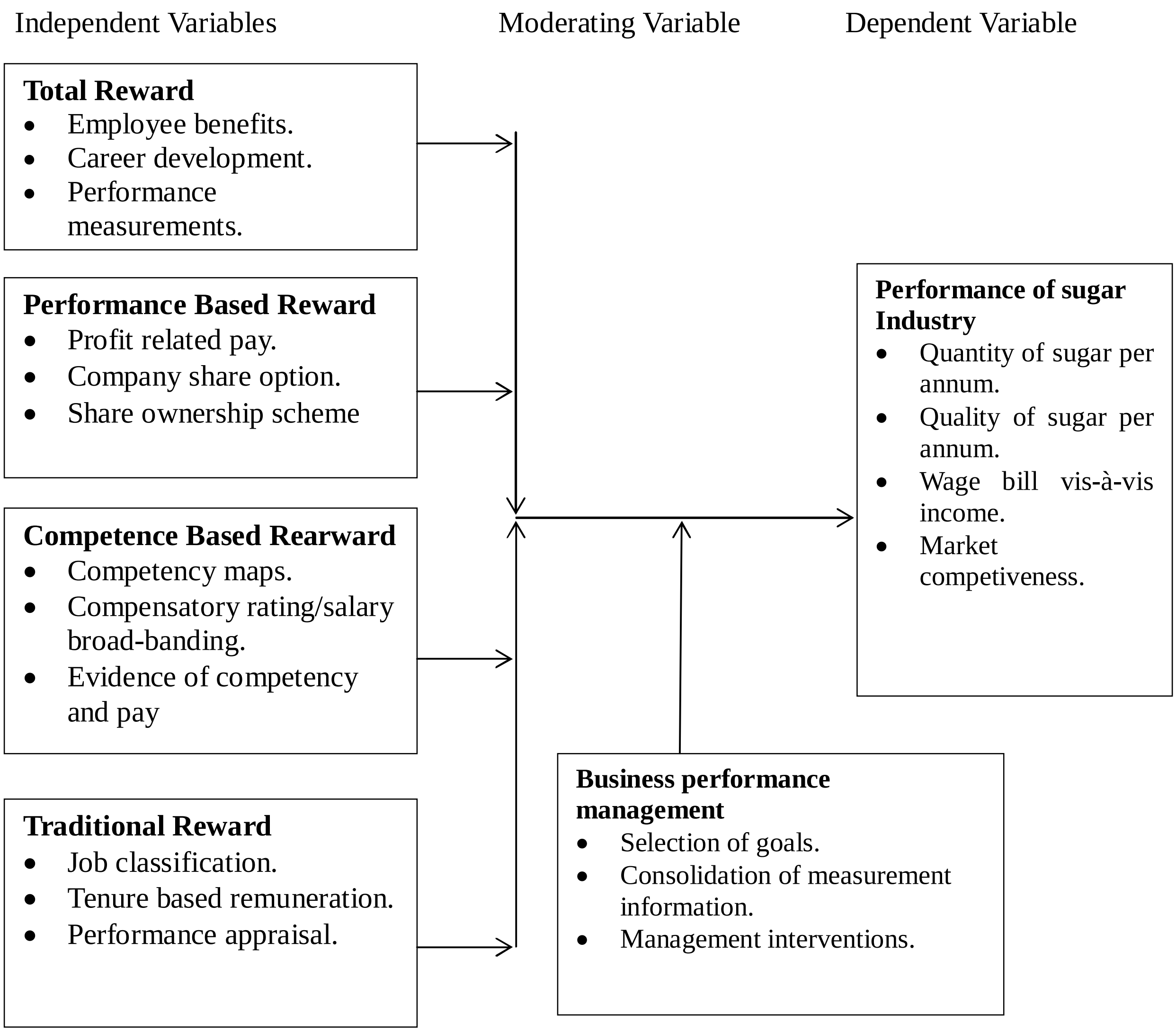


Figure 2.1: The conceptual framework.

The conceptual framework in figure 2.1 depicts the relationships between the independent variables and the dependent variables given a moderating variable. Remuneration strategies are the independent variables (IVs) while performance of sugar industries is the dependent variable (DV). Remuneration management strategies have been conceptualized as total reward, performance based reward, and competence based rearward and traditional reward. Total reward has further been operationalized as employee benefits, career development, and performance measurements; while performance based reward ash been conceptualized further as profit related pay, company share option, and share ownership scheme. Competence based rearward has been conceptualized as competency maps, compensatory rating/salary broad-banding and evidence of competency and pay, and lastly, traditional reward has been conceptualized as job classification, tenure based remuneration and performance appraisal. Performance of sugar industries which is the dependent variable has been conceptualized as quantity of sugar produced per annum, quality of sugar per annum, wage bill vis-à-vis income and market competiveness. Business performance management which is the moderating variable has been conceptualized as selection of goals, consolidation of measurement information, and management interventions.

The framework postulates that if remuneration strategies are effective i.e. if the total reward, performance based reward, competence based rearward and traditional reward systems are properly and appropriately used, then business performance will be high. In other words, there will be large quantities of sugar produced per annum, of quality, but there will be les wage bill vis-à-vis income and high market competiveness. But this relationship will be moderated by the business performance management techniques in place. Thus the manner in which goals are selected and the manner in which measurement information are consolidated and management interventions used could alter this relationship.

**2.11 Research Gaps**

This review has described the concept and common structures of remuneration used in most work organizations. It has shown that there are different modes of rewards systems that are suitable for different work organizations. Moreover, it has also shown that there are abundance of literature on performance measurements strategies and on their advantages and disadvantages. The review has also shown that there are varieties of business performance management strategies that rely on the different performance measurements, and that combinations between performance measurements and performance management techniques yield different results which are indicated by different success factors. However, the study has not revealed nor recollected any evidence of the relationship between remuneration management strategies and business performance. The influence of specific remuneration management strategies on business performance that are suitable for particular work organization, and the extent to which they can help a particular organization is not yet investigated. What are available are assessment of different reward systems and prevalence of each vis-à-vis work organization and the different performance and business management techniques. But link between these variables are not clear and is generally still unknown.

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter describes the methodologies that were used in conducting the study. It defines the research design, target population, sample size, and sampling procedures, sampling techniques, data collection instruments and procedures, and data analysis techniques, and provides justifications for their choices. Ethical considerations are also discussed.

## 3.2 Research Design

This study employed a descriptive survey research design. Surveys are used when manipulations are not possible, and when descriptions rather than explanations based on cause-effect relationships are desired (Amin, 2005; Kothari, 1990). Remuneration management strategies which are the main issues in this study are issues that the researcher does not have the capacity to change at will because they are controlled by organizational policies which are beyond the researcher's control. As such, they can only be described as they are and as they occur. It is this absence, or the inability to manipulate, and the intention to describe "events as they are" that makes the survey design ideal for this study. Cross sectional survey is an alternative to longitudinal survey which the researcher would follow only a few sugar factories over a long period of time. This would require more time and resources than the researcher can afford. Hence the adoption of cross sectional survey design, which allowed the researcher to collect data at one point in time.

## 3.3 Target Population

The target population for this study was all the 1,318 full time staff in four sugar factories in western Kenya: Sony, Mumias, Muhoroni and Nzoia. The four sugar factories were selected purposively because of their relatively poor business performance in the overall analysis as compared to other factories producing sugar in the region. Western Kenya has been selected because it has the largest number of sugar factories in Kenya. The population of the sugar factories are distributed as summarized in Table 3.1.

## 3.4 Sample Size and Sampling Procedures

This section describes the strategies to be used to identify the respondents for this study.

### 3.4.1 Sample Size

This study has used Krejcie and Morgan (1970) sample determination formula. Given a population of 1318 full time staff in the five sugar factories in western Kenya, the Krejcie and Morgan (Appendix V) points that a sample of 274 full time staff is adequate and representative. The sample of 274 respondents were selected as indicated in Table 3.1. The respondents were picked from all the departments in each factory

### 3.4.2 Sampling Techniques

This study used stratified random sampling, technique to select the individual members of the sample. Proportionate stratified sampling was used to determine the sizes of each sugar factory to be included in the sample. Since the sugar factories are mutually and exclusively, it was necessary to tap the different characteristics of each factory in the sample study. The sugar factories also divided into departments, and it was also be necessary to represent each of these mutually exclusive departments in the sample. Only stratified sampling can ensure the desired equitable representation, and account for the differences in the characteristics of each stratum in the population (Meredith, Walter & Joyce, 1966; Touliatos & Compton, 1988). Hence it was used for this purpose in this stage of the study. For each factory, the sub-sample size was determined as:

$$\text{Subgroup Sample Size} = \left(\frac{\text{Subgroup Population}}{\text{Total Population}}\right) \text{x Required Sample size}$$

For example, the sample size of employees in Sony Sugar was:

$$\text{Sony Sugar Sample Size} = \left(\frac{453}{1318}\right) \text{x } 274 = 94$$

The same procedure was followed for all the factories to obtain the sizes shown in Table 3.1. The same procedure was followed for each department in a factory.

Simple random sampling technique was used to select the 274 permanent employees from each factory to be studied. Simple random sampling, being a chance technique, ensured that all employees in each sugar factory are accorded equal and independent chance of being included in the sample. This equal and independent chances property ensured that the sample is random, and a fair representation of the population of the sugar factories in western Kenya. The permanent employees were selected at random, using random numbers technique, from a sampling frame of employees in each factory obtained from the human resources office from each factory.

Purposive sampling was used to select the Key informants. The 4 human resources officers, one from each factory was selected on purpose since they could provide special information as they are the ones accountable for the human resource functions of their sugar factories. They are therefore likely to be better placed to provide information on remuneration strategies than the rest of the permanent employees. The population of the sugar factories and the sample of the sugar factories in western Kenya were distributed as indicated in Table 3.1.

**Table 3-1: Distribution of the Factories in the Sample**

| | Factories in western Kenya | | | | |
|---|---|---|---|---|---|
| | **Sony** | **Mumais** | **Muhoroni** | **Nzoia** | **Total** |
| Population | 453 | 308 | 268 | 289 | 1318 |
| Sample Size | 94 | 64 | 56 | 60 | 274 |

*Source: Sugar Industry yearbook of statistics, 2014.*

From each factory, the researcher selected the human resource officers first, and the remaining position was filled at random on direct proportion.

### 3.5 Research Instruments

The study employed interview, questionnaire, and document analysis methods to collect data.

Interview data was collected through key informants' technique. Key informants' (or in-depth) interview, following the interview schedule in Appendix III, was used to collect data from the four human resource officers in each factory. These respondents are deemed to hold information on remuneration management strategies that other employees of the factory may not have, by virtue of their positions. In-depth interviews enabled the researcher to obtain detailed information on specific issues, and to collect information that are not directly observable. It also enabled the researcher to capture the stories behind respondents' experiences through pursuing in-depth information around an issue of interest raised by the interviewees. Due to flexibility inbuilt interviews, it also allowed on spot improvements, explanations, adjustments and variations to be introduced at various stages in the data collection process - following respondents' incidental comments - using facial and bodily expressions, tone of voice, gestures, reactions and feelings and attitudes. These considerations make interview the ideal technique for this category of respondents. Interview sought information on remuneration management strategies used in the sugar factories from the point of view of human resources officers.

The study used questionnaire (Appendix II) to collect data from the rest of the permanent employees. This study is concerned mainly with the views; perceptions and feelings on remuneration management strategies; and such variables cannot be directly observed. Secondly, the sample size of 322 respondents that were used in this study is also large, and given the time constraints, questionnaire was the ideal tool for collecting data. Further, a questionnaire is also the most suitable tool for survey research (Amin, 2005; Gay, 1987; Oso & Onen, 2009), which the study is. The study used self-constructed semi-structured questionnaires to enable the collection of quantitative data from the closed-ended sections, and qualitative data from the open-ended sections. The questionnaires had a section on the biographic information. There was a section on remuneration methods, on performance management and on performance.

Document analysis was used to collect unobtrusive information without interrupting the respondents. It was prudent to determine the quantity and quality of performance of each factory from existing records instead of obtaining such information from interviews or through questionnaires, to weed out exaggerated responses. Hence, performance data was collected through examining records of already available reports.

### 3.5.1 Piloting of Instruments

The researcher tried out the instruments on a small sample of 30 respondents to determine whether or not the study would produce the expected results, and to enable the researcher to detect problems or weaknesses that could be encountered during the main research, and therefore take precautions before the major study. The instruments was piloted at Kenya Sugar Research Foundation (KESREF) which is a separate organization within the sugar industry and not included in the main study. The researcher whilst pilot testing identified the participants through a simple random procedure. Once the instruments are administered, the researcher collected and codes all the responses 1. After two weeks, the researcher administered the same instruments to the same respondents. The instruments were then be collected and the responses coded 2. If they are different from the first response or 1 or are essentially the same as the first response, the researcher then determined the correlation index between the two sets of responses. If the correlation index is below 0.7, the items were improved and the same procedure repeated with another set of 30 respondents. The same procedure was repeated until a value of at least 0.7 is attained.

### 3.5.2 Validity of Instruments

Validity is the extent to which research instruments actually measure what they are intended to measure. It is a measure of the accuracy of the study (Oso & Onen, 2009). Validity of the instruments was ensured through use of experts who were the supervisors of the student at the University. The questionnaires, the interview guides, and the document analysis checklists were given to the two supervisors to evaluate and rate each item in relation to the objectives as not relevant or relevant on a 1 - 4 scale. Content validity index was be determined from the assessors agreement scale as

$$\mathrm{CVI} = \frac{n_{3/4}}{N}$$

where $n_{3/4}$ is the number of items marked 3 or 4 both supervisors, and N the total number of items assessed. The items were modified until a validity index of at least and an index of 0.76 was obtained. This showed that the data collection instruments were valid and measured what they purported to measure. An index of 0.70 is the least accepted value of validity in research (Oso & Onen, 2009).

### 3.5.3 Reliability of Instruments

Reliability is the extent to which instruments produce consistent and replicable data (Amin, 2005; Kothari, 1990). Reliability was ensured through a test-retest reliability technique. The instruments were administered to a convenient sample of 30 respondents in one factory chosen at random. After a period of 2 weeks, the same questionnaire was administered to the same respondents. In this study, Cronbach's Alpha, which is a reliability test that indicates how well items in a set are positively correlated to one another, were used to measure internal consistency. The formula was as follows:

$$\alpha = \frac{N \cdot \bar{r}}{1 + (N-1) \cdot \bar{r}}$$

As stated by Straub (1989), high correlations between alternative measures or large Cronbach's Alphas are usually signs that the measures are reliable. Cronbach's Alpha was computed in terms of the average interconnections among the items measuring the concept, and the closer the measure was to 1, the higher the internal consistency reliability (Independent variables on the dependent variable).The Cronbach's Alpha coefficient was computed , a positive coefficient of 0.84 was found, hence the instruments were reliable.

### 3.6 Data Collection Procedures

Once the proposal was accepted, the researcher sought permission from the university to process a research permit. Once the university permission is granted and obtained, the researcher applied for a research permit from the National Committee for Science, Technology and Innovation. Once the permit is obtained, the researcher also sought permission from the sugar factories, and from all other gate keepers at all levels involved in the management of sugar factories in western Kenya. Once the permits and permissions are obtained, the researcher proceeded to the field and collect data using the already designed instruments from the 322 respondents in the four sugar factories in western Kenya using questionnaires, interviews, and document analysis methods. Document review was conducted by the researcher in order to obtain secondary data. The questionnaires were administered by the researcher through a drop-wait-and-collect method. The researcher approached the selected respondents and request them to fill the questionnaires as she waits. The key informants' interviews were conducted by the researcher on appointment with the human resources officers. The key informants were traced in their offices and interviews conducted there.

### 3.7 Data Analysis Techniques

This study collected and analyzes both qualitative and quantitative data. Qualitative data was processed and analyzed using the thematic analysis technique, which was undertaken as an activity simultaneous with data collection. Data was organized along key thematic areas and summarized into daily briefs and field notes. The responses were described to produce interim reports, and areas that require additional information identified and the requisite data sourced.

Quantitative data was analyzed through descriptive statistics and inferential statistics. Descriptive statistics comprised; frequencies, percentages, cross-tabulations while inferential statistics comprised hypothesis testing using Chi-square tests. Qualitative data was analysed through content analysis. Quantitative analysis was aided by the SPSS software, and presented in tables and figures.

### 3.8 Ethical Considerations

The researcher took care of all ethical concerns in research. The researcher sought and obtains informed consent of all respondents at the institutional and at the individual level. The researcher did proceed until all the necessary research permits are obtained. The researcher protected the privacy of the respondents and the confidentiality of the information provided by the respondents. Any information collected will not be passed to third parties in any form whatsoever without express permission of the source. Further, and to avoid individual exposure, the researcher reported data as a pool in terms of sugar factories instead of individual respondent's data. Individual data was only reported with the permission of those respondents. Further, the researcher did not insist on the identities of the respondents as a precondition for participation in the study. Respondents had the freedom to withhold their identities. But even for those who provided their identities, the researcher did make them salient features in reporting findings. Finally yet importantly, the researcher remained objective and ensure that findings, conclusion and recommendations are based solely on data rather on personal feelings and prejudices. There was no fudging of results in any way whatsoever.

## CHAPTER FOUR

## DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

### 4.1 Introduction

This chapter analyses the data, presents the findings and give their interpretation. The findings are also discussed in light of previous studies that have been done on the topic. The analysis, presentation, interpretation and discussions have been done in relation to the study objectives.

### 4.2 Response rate

This section presents the response rate for the study as shown in Table 4.1

**Table 4-1: Response rate**

| Sample size | Respondents reached | Response rate |
|---|---|---|
| **132** | **122** | **92%** |

The sample size for the study was 274 respondents, all the respondents were reached and their views collected. This gives a questionnaire return rate of 100%. According to Mugenda and Mugenda (2003), 60% response return rate is recommended for a study. This study recorded 100% return rate which was considered adequate for the study.

### 4.3 Background information of the respondent

This section analyzed, present and interpret background information comprising; respondent's company, department, designation, age, and, level of education.

#### 4.3.1 Company of the respondent

The respondent were asked to indicate the name of their company, the responses are as shown in Table 4.2

**Table 4-2: Company of the respondent**

| | Frequency | Percent |
|---|---|---|
| MUHORONI | 57 | 20.8 |
| MUMIAS | 64 | 23.4 |
| NZOIA | 59 | 21.5 |
| SONY | 94 | 34.3 |
| Total | 274 | 100.0 |

Majority of the respondent at 94(34.3%) were from Sony,64 (23.4%) were from Mumias, Nzoia had 59(21.5) with Muhoroni having the least number of respondents at 57(20.8%).The numbers were derived from proportions of the total population, this was done to ensure representation in terms of responses gotten from the companies.

### 4.3.2 Department of the respondent

The respondents were asked to state their departments in the company, the responses were as shown in Table 4.3

**Table 4-3: Department of the respondent**

| | Frequency | Percent |
|---|---|---|
| Agronomy | 51 | 18.6 |
| Crop development | 6 | 2.2 |
| Economics and Biometrics | 6 | 2.2 |
| Finance | 30 | 10.9 |
| Human Resource | 27 | 9.8 |
| Marketing | 11 | 4.0 |
| Operations | 10 | 3.6 |
| Procurement | 29 | 10.6 |
| Production | 83 | 30.3 |
| Sales | 21 | 7.7 |
| **Total** | **274** | **100.0** |

Majority of the respondents at 83(30.30%) were in production unit, 51(18.60%) in Agronomy, 30(10.9%) in Finance, 29(10.60%) in Procurement, 27(9.80%) in the Human Resource, 21(7.70%) in the Sales, 11(4.0%) in Marketing, 10(3.60%) in the Operation with Crop development, Economics and Biometrics having the least number of respondents at 6 (2.20%).This shows good representation of the different departments that exist in the companies, it was important to have their views on how remuneration strategies affect the business performance in their companies.

### 4.3.3 Designation of the respondent

The respondents were asked to state their designation in their respective companies; the responses were as shown in Table 4.4

**Table 4-4: Designation of the respondent**

| | Frequency | Percent |
|---|---|---|
| Engineer | 10 | 3.6 |
| Finance Officer | 30 | 10.9 |
| Human Resource Manager | 6 | 2.2 |
| Human Resource Officer | 16 | 5.8 |
| Intern | 6 | 2.2 |
| Laboratory Technician | 20 | 7.3 |
| Logistic Manager | 10 | 3.6 |
| Operations Manager | 11 | 4.0 |
| Marketing Officer | 11 | 4.0 |
| Procurement Officer | 10 | 3.6 |
| Production Officer | 56 | 20.4 |
| Research Assistant | 53 | 19.4 |
| Sales Officer | 11 | 4.0 |
| Stores Assistant | 19 | 6.9 |
| Welfare Officer | 5 | 1.8 |
| Total | 274 | 100.0 |

Majority of the respondents at 56(20.4%) were production officers, 53(19.40%) were Research Assistants, 30(10.9) were Finance Officers, 20(7.30%) were Laboratory Technicians, 19(6.90%) were Store Assistants, 16(5.80%) were Human Resource officers, 11(4.0%) of the respondents were; Sales officers, Marketing officers and Operations Managers, 10(3.60%) of the respondents were; Engineers, Logistics Managers and Procurement officers, 6(2.20%) of the respondents were; Interns and Human Resource Managers with Welfare officers having the least number of respondents at 5(1.80%).

### 4.3.4 Age of the respondent

The respondent was asked to indicate their ages; the results are as shown in Table 4.5

**Table 4-5:Age of the respondent**

| | Frequency | Percent |
|---|---|---|
| 21-30 | 27 | 9.9 |
| 31-40 | 109 | 39.8 |
| 41-50 | 106 | 38.7 |
| 51-60 | 32 | 11.7 |
| Total | 274 | 100.0 |

Majority of the respondents at 109 (39.8%) were aged between 31-40 year, 106 (38.7%) were aged between 41-50, those aged 51-60 comprised 32(11.75%), a minority at 27(9.9%) were aged 21-30.

### 4.3.5 Gender of the respondent

The respondents were asked to state their ages and gender; the results are as shown in Table 4.6

**Table 4-6:Gender of the respondent**

| | Frequency | Percent |
|---|---|---|
| Male | 171 | 62.4 |
| Female | 103 | 37.6 |
| Total | 274 | 100.0 |

Majority of the respondent at 171(62.40 %) were male, with female having the least number of respondents at 103(37.6%).Since sampling within the department was randomly done, this is an indication that there is gender imbalance in the manner in which employees are employed in the sugar industries in Western Kenya. The explanation could be that most of the jobs are very mechanical in nature hence attracting most men professionals.

### 4.3.6 Level of Education

The respondents were asked to state their level of Education; the results are as shown in Table 4.7

**Table 4-7: Level of Education**

| | Frequency | Percent |
|---|---|---|
| Masters | 109 | 39.8 |
| Post Graduate Diploma | 27 | 9.9 |
| Bachelors | 28 | 10.2 |
| Diploma | 100 | 36.5 |
| Certificate | 10 | 3.6 |
| Total | 274 | 100.0 |

Majority of the respondent at 109(39.80%) had Masters degrees, 100(36.50 %%) had Diploma certificates, 28(10.20%) had Bachelor degrees, 27(9.90%) had Post Graduate Diploma with Certificate having the least number of respondents at 57(20.8%).

## 4.4 Total Reward Pay Strategy and Business Performance

This section analyses, presents, interprets and discusses information relating to the first objective of the study that was to determine how total reward strategy influences the performance of the sugar industries in western Kenya. Indicators of focus in this section will be on employee benefits, career development and performance measurements.

### 4.4.1 Involvement in design of remuneration strategy

The respondents were asked to state whether they are involved in the design of remuneration strategy in their companies, the researcher was interested to know whether the design process of remuneration strategy was done in a consultative manner. The results were presented in Table as shown in Table 4.8

**Table 4-8: Involvement in design of remuneration strategy**

| | Frequency | Percent |
|---|---|---|
| Yes | 16 | 5.8 |
| No | 258 | 94.2 |
| Total | 274 | 100.0 |

Majority of the respondent at 258(94.20%) said that they were not involved, those who said that they were  involved were a minority at 57(20.8%).This showed that there was minimal involvement and consultation of the employees in the sugar industry in the design of the remuneration strategy in the sugar industry in Western Kenya. The findings displays divergent view with the assertions of Wilson (1994) that management must recognize the fact that involving employees in the design of the total reward strategy increase their acceptance and commitment towards effective implementation. Wilson states that an effective reward strategy would impact positively on behavior when they are meaningful and valuable to employees based on the organization’s objectives and attainable goals, open and well-communicated to all and not based on competitive struggles within the workplace.

### 4.4.2 Forms of pay

The respondents were asked the forms of pay that they receive from their employers; the researcher was interested in knowing how the form of payment influences the business performance of the sugar companies. The results are as shown in Table 4.9

**Table 4-9: Forms of pay**

| | Frequency | Percent |
|---|---|---|
| Financial Rewards | 136 | 49.6 |
| Non-financial Rewards | 70 | 25.5 |
| Both | 68 | 24.8 |
| Total | 274 | 100.0 |

The respondents were asked to state whether their pay included; Financial Rewards, Non-financial Rewards or both, majority of the respondent at 136(49.60%) had Financial rewards included in their pay, 70(25.50%) Non-financial rewards included in their pay, with both having the least number of respondents at 68(24.80%).Nonetheless, there was consensus among the HRMs that total reward strategy has not been applied wholly in any of the companies. The HRM at Muhoroni Sugar Company Said:

> *"Our pay has both financial and non-financial rewards but we do not entirely apply the total rewards system hence business performance suffers."*

This finding is in line with the (Armstrong, 2006) assertion that total reward is the combination of financial and non-financial rewards available to employees. This is also supported by the views of Manus and Graham (2003) that total rewards include all types of rewards- indirect as well as direct, intrinsic as well as extrinsic.

### 4.4.3 Components of financial rewards

The respondents were asked to state what the financial reward included in their organization; the results were as shown in Table 4.10

**Table 4-10: Components of financial rewards**

| Financial Rewards | Yes | No | Total |
|---|---|---|---|
| Basic pay | 268(97.8%) | 6(2.2%) | 274(100%) |
| Leave Allowance | 258(94.2%) | 16(5.8%) | 274(100%) |
| Pension contribution | 224(81.8%) | 50(18.2%) | 274(100%) |
| Cash bonuses | 74(27.0%) | 200(73%) | 274(100%) |
| Dearth in service | 75(27.4%) | 199(72.6%) | 274(100%) |
| Contingent pay | 0(0%) | 274(100%) | 274(100%) |
| House allowance | 215(78.5) | 59(21.5%) | 274(100%) |
| Commuter allowance | 187(68.2%) | 87(31.8) | 274(100%) |
| Telephone allowance | 84(30.7%) | 190(69.3%) | 274(100%) |
| Shares | 64(23.4%) | 210(76.6%) | 274(100%) |
| Medical | 214(78.1) | 60(21.9%) | 274(100%) |
| Entertainment | 74(27%) | 200(73%) | 274(100%) |
| Life insurance | 70 (25.5%) | 204(74.5%) | 274(100%) |

Asked if their financial rewards included basic pay, majority of the respondent at 268(97.80%) said yes while 6(2.20%) said no. Asked if their financial reward included leave allowance, majority of the respondent at 258(94.20%) said yes while a minority at 16(5.80%) said no. Among the respondents, a majority at 224(81.80%) had their pension contribution included as part of their Financial rewards and those whose pension contribution were not included in the financial rewards being 50(18.20%). Majority of the respondents indicated that the cash bonus were not included in their financial rewards at 200(73.00%) while those who had cash bonuses included in the financial rewards were 74(27.00%). Majority of the respondent at 199(72.60%) did not had death-in-service included in their financial rewards, with those whose death-in-service included in their Financial rewards having least respondent at 75(27.40%).All the respondents at 274(100.00%) had no contingent pay included as part financial rewards. House allowance was mentioned by 215(78.50%) of the respondents as part of their financial reward, minority of 59(21.50%) said otherwise. Majority of the respondents at 187(68.20%) had commuter allowance included as a financial reward, 87(31.80%) did not have commuter allowance a financial reward. Telephone allowance was not included as a financial reward for 190(69.30%) of the respondents only 84(30.70%) of the respondents enjoyed such services. The respondents were asked to state if Shares was included in their financial reward, majority of the respondents at 210(76.60%) said no, only 64(23.40%) said yes. Majority of the respondents at 214(78.10%) said that that medical benefits were part their financial reward, 60 (21.90%) had a contrary opinion. Asked if entertainment allowance formed part of their financial reward, majority of the respondents at 200(73.00%) said no while 74(27.00%) said yes. Life insurance benefits was not included as a financial reward for majority of the respondents at 204(74.50%) only 70(25.50%) had it included. These findings are largely in agreement with those of Francis and Fernandes (1998) on the components of a total reward strategy, they outlined the principal elements of total reward which include basic salary, variable pay, pension benefits, death-in-service benefits, long-term disability benefits, private medical insurance, vacation entitlement, company car schemes, share schemes, mortgage subsidies.

#### 4.4.4 Non-financial reward as part of pay

The respondents were asked to state whether financial rewards were computed as part of their pay, the results were as shown in Table 4.11

Are your non-financial rewards computed as part of your pay?

**Table 4-11:Non-financial reward as part of pay**

| | **Frequency** | **Percent** |
|---|---|---|
| Yes | 27 | 9.9 |
| No | 247 | 90.1 |
| Total | 274 | 100.0 |

Majority of the respondents at 247(90.10%) said that their financial rewards were not computed as part of their pay, those whose non-financial rewards were included as part of their pay were a minority at 27(9.90%).

### 4.4.5 Non-financial rewards

The respondents were asked to indicate the non-financial rewards that were offered to them by their companies, the results are as show in Table 4.12

**Table 4-12: Forms of non-financial reward**

| Non-financial rewards | Yes | No | Total |
|---|---:|---:|---:|
| Corporate culture | 61(22.3%) | 213(77.7%) | 274(100%) |
| Time off | 140(51.1%) | 134(48.9%) | 274(100%) |
| Learning & Development | 223(81.4%) | 51(18.6%) | 274(100%) |
| Work experience | 146(53.3%) | 128(46.7%) | 274(100%) |
| Recognition | 74(27%) | 200(73%) | 274(100%) |
| Achievement | 87(31.8) | 187(68.2) | 274(100%) |
| Job design | 86(31.4%) | 188(68.6%) | 274(100%) |
| Work life balance | 39(14.2%) | 235(85.8%) | 274(100%) |

Majority of the respondents at 213(77.70%) did not have corporate culture as part of non-financial rewards while 61(22.30%) of the respondents had. Time off formed part of non-financial reward for 140(51.10%) respondents, those who did not have time off as part of non-financial reward were 134(48.90%). Asked to state whether Learning and Development was offered by their companies as a reward majority of the respondents at 223(81.40%) said yes while 51(18.60%) said no. Majority of the respondents 146 (53.30%) mentioned that work experience was rewarded, while those 128(46.70%) said it was not. Recognition was provided as work environment non-financial rewards by their companies as indicated by 200(73.00%) respondents 74(27.00%) had a contrary opinion. Achievement was provided as work environment non-financial rewards, majority of the respondent at 187(68.20%) affirmed this, 87(31.80%) said it was not provided. Majority of the respondent at 188(68.60%) said that job design was not provided as work environment non-financial rewards, only 86(31.40%) said it was provided. Work life balance was provided as work environment non-financial rewards by their companies to 235(85.80%) respondents except for 39(14.20%).These findings showed that there is some level of compliance and consistency among the companies with regard to the implementation of total reward pay strategy. The findings show a convergence with the assertions of Patricia and Jay (2000a) who made an analysis of total reward components and indicated that the components include: individual growth, compelling future, total pay and positive workplaces. Lyons and Ben-Ora (2002) also indicated that a total strategy may also include training, career development, coaching and other employee-related policies.

### 4.4.6 Performance measurements

The respondent were asked to indicate how their performance were measure, the results are as shown in Table 4.13

**Table 4-13: Performance measurements**

| Performance measure | Yes | No | Total |
|---|---|---|---|
| Key performance indicator | 52(19.00%) | 222(81.00%) | 274(100%) |
| Performance indicator | 88(32.10%) | 186(67.90%) | 274(100%) |
| Key result area | 47(17.20%) | 227(82.80%) | 274(100%) |

The results indicate that multiple methods have been used to measure result in the organizations, majority of the respondents at 222(81.00%) said they did not use key performance indicators, only 52 (19.00%) said they are used. On use of performance indicators another majority of the respondents at 186(67.90%) said they are not used to measure performance with only 88(32.10%) saying they are used. Majority of the respondents at 227(82.80%) said they did not key result areas to measure performance, only 47(17.20%) said they were used.

### 4.4.7 Achievement of performance metrics and it effect on pay

The respondents were asked to state what happens to their pay if they don't achieve their performance metrics, the results are as shown in Table 4.14

**Table 4-14: Achievement of performance metrics and it effect on pay**

| | Frequency | Percent |
|---|---|---|
| Yes | 16 | 5.8 |
| No | 258 | 94.2 |
| Total | 274 | 100.0 |

The respondents were able to indicate what happens to their pay if they do not achieve their performance metrics, majority of the respondents at 258(94.20%) would have no effect on their pay, whereas those who would have an effect on their pay were 16(5.80%).

### 4.4.8 Chi-Square tests between total reward pay strategy and business performance

A chi-square test was done to ascertain whether or not there is a significant relationship between total reward pay strategy and business performance of the sugar industries in Western Kenya. The test was done at 0.05 confidence interval. The results are as shown in Table 4.15

**Table 4-15:Chi-Square tests between total reward pay strategy and business performance**

| | Value | Df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 29.899[a] | 2 | .000 |

A chi-square test was done to test whether there is a strong significant relationship between total reward and business performance of the sugar industries in Western Kenya. It was established that there is a significant relationship between total reward and business performance; p-value (N=274,C.I.=0.05) = 0.000,chi-square value=29.899. The study therefore rejects the $H_0$ that there is no significant relationship between total reward and the performance of the sugar industries in in Western Kenya. This finding is in agreement with those of Zhou,Qian,Henan,& Lei,(2009) who established that managers would gain remarkable profits for the organization they govern if they used integrated total reward strategy properly. He goes ahead to explain that the strategy will not only improve the performance of staff and the company,acts important role of decision making process of an organization ,but also solve existing and potential compensation problems as well.

### 4.5 Performance Related Pay Strategy and Business Performance

This section analyses, presents, interprets and discusses information relating to the second objective of the study; to assess how performance based reward strategy influences the performance of sugar industries in western Kenya. Indicators of focus in section will be on profit related pay, company share option and, share ownership scheme.

### 4.5.1 Basic pay component that was fixed in the salary

The respondents were asked whether their pay have a basic pay component that is fixed, the results were as shown in Table 4.16

**Table 4-16:Basic pay component that was fixed in the salary**

| | Frequency | Percent |
|---|---|---|
| Yes | 237 | 86.5 |
| No | 37 | 13.5 |
| Total | 274 | 100.0 |

Majority of the respondents at 237(86.50%) said that their salary had fixed basic pay component, while a minority at 37(13.50%) said that they their salary did not have a fixed basic pay component. This finding is in line with the views of Mosimann *et al*. (2007) that in a pay for performance system, the base pay is not raised hence a signal to employees that the organization is paying for performance and not the job- it is paying the person.

### 4.5.2 Variable pay as a permanent feature in a pay slip

The respondents were asked whether the variable pay in their organization is a permanent feature of their pay; the results are as shown in Table 4.17

**Table 4-17: Variable pay as a permanent feature in a pay slip**

| | Frequency | Percent |
|---|---|---|
| Yes | 12 | 4.4 |
| No | 262 | 95.6 |
| Total | 274 | 100.0 |

Majority of the respondents at 262(95.60%) said that the variable pay is not a permanent feature of their pay, only 12(4.40%) said that the variable pay is not a permanent feature. This meant that the variable pay only came occasionally.

### 4.5.3 Additional pay and the profits the company makes

The respondents were whether the additional pay (variable) they get depends on the much their company receives in profits. The results are as shown in Table 4.18

**Table 4-18: Additional pay and the profits the company makes**

| | Frequency | Percent |
|---|---|---|
| Yes | 5 | 1.8 |
| No | 269 | 98.2 |
| Total | 274 | 100.0 |

The respondents indicated whether their additional pay depended on profits their company made, majority of the respondents at 269(98.20%) said that the additional pay never depended on profits gained by the company, with those whose additional pay depended on profits gained being 5(1.8%) respondents. These finding percent divergence opinion with that of Mosimann *et al.* (2007) that organization apply various schemes to this process namely: Profit sharing refers to any system whereby employees receive a proportion of business profits.

### 4.5.4 Levels upon which variable pay is offered

The respondents were asked to indicate the levels which the variable pay is offered, the results are as shown in Table 4.19

**Table 4-19: Levels upon which variable pay is offered**

| **Level of reward** | **Yes** | **No** | **Total** |
|---|---|---|---|
| Team performance | 0(0%) | 274(100%) | 274(100%) |
| Individual Performance | 11(4%) | 263(96.0%) | 274(100%) |
| Organizational performance | 10(3.6%) | 264(96.4%) | 274(100%) |

All the respondents at 274(100%) said the variable pay is not paid at team performance. Majority of the respondents at 263(96.0%) said that individual performance was not used to give the variable pay in their organization a minority at 11(4.0%) said individual performance is used to reward the variable pay. Variable pay was not paid on organizational performance as indicated by a majority of the respondents at 264(96.4%), only 10(3.6%) respondents variable pay was pegged given upon good performance by the organization. Majority of the respondents were paid on individual performance, Wade & Ronald (2001) noted that rewarding employees individually does very little to encourage teamwork, and there is doubt about whether performance-related remuneration actually does anything to motivate employees. They point out that this may be because the performance element is usually only a small percentage of total remuneration. Notwithstanding, all the HRMs said that performance based pay has not been applied as a remuneration strategy in their companies.

### 4.5.5 The variable components of pay

The respondents were asked to indicate what the variable pay included in their organization; the results were as shown in Table 4.20

**Table 4-20: The variable components of pay**

| Pay components | Yes | No | Total |
|---|---|---|---|
| Commission | 0(0%) | 274(100%) | 274(100%) |
| Employee profit sharing scheme | 0(0%) | 274(100%) | 274(100%) |
| Gain sharing | 0(0%) | 274(100%) | 274(100%) |
| Share ownership scheme | 0(0%) | 274(100%) | 274(100%) |
| Profit related pay | 0(0%) | 274(100%) | 274(100%) |
| Company shares | 0(0%) | 274(100%) | 274(100%) |
| Lump sum pay | 0(0%) | 274(100%) | 274(100%) |

All the respondents at 274(100.0%) said that the variable pay did not include commission employee profit sharing scheme, gain sharing, share ownership scheme, profit related pay, company shares, and Lump sum pay. These findings meant that the companies have minimally applied performance related pay and that most of the pay slips items are largely fixed and less variable in nature. The employees did not get any variable to have a share of the profit, Mosimann *et al*. (2007) said that profit sharing refers to any system whereby employees receive a proportion of business profits. Commissions also did not form part of the variable pay of the employees, Frank, (2008) observe that commission is a form of piece-rate payment made to employees based on the value of sales achieved. It can form all or (more often) part of a remuneration package.

### 4.5.6 Methods of offering variable pay

The respondents were asked about the methods that the organization use to offer them variable pay, the results is as shown in Table 4.21

**Table 4-21: Methods of offering variable pay**

| Method of offering pay | Yes | No | Total |
|---|---|---|---|
| Lump sum pay | 0(0%) | 274(100%) | 274(100%) |
| Consolidated pay included as part of the basic pay | 6(2.2%) | 268(97.8%) | 274(100%) |

None of the respondents mentioned lump sum pay as a method that the organization use to offer them variable pay, however, 6 (2.2%) mentioned that their organization use consolidated pay included as part of the basic pay while 274 (100%) were of the contrary opinion.

### 4.5.7 Mean of measuring performance

The respondents were asked how performance standards/targets are measured in their organizations. The results are as shown in Table 4.22

**Table 4-22: Mean of measuring performance**

| Means of measuring performance | Yes | No | Total |
|---|---|---|---|
| Key result areas | 75(27.4%) | 199(72.6%) | 274(100%) |
| Critical success factors | 11(4.0%) | 263(96.0%) | 274(100%) |

Majority of the respondents at 199(72.6%) do not use key result areas as a measure of performance standards, while those using key result areas as a measure of performance standards were 75(27.4%).Majority of respondents at 263(96.0%) do not use critical success factors as a measure to performance standards, with those who use critical success factors at 11(4.0%) of the respondents.

### 4.5.8 Frequency of reviewing performance targets

The respondents were asked to state how often the performance targets were reviewed; the results are as shown in the results are as shown in Table 4.23

**Table 4-23: Frequency of reviewing performance targets**

| Period | Frequency | Percent |
|---|---|---|
| Annually | 274 | 100.0 |

The respondents were able to state how often performance targets are reviewed in their organization, all the respondents at 274(100.0%) had their performance reviewed annually. This gave an indication that the companies had the performance targets of the employees reviewed on a yearly basis. This gives the companies and opportunity to have the objectives of the employees aligned with the company goal for optimal achievements.

### 4.5.9 Chi-Square tests between performances related pay strategy and business performance

A chi-square test was done to ascertain whether or not there is a positive significant relationship between performance related pay strategy and business performance of the sugar industries in Western Kenya, the test was done at 0.05 confidence interval. The results are as shown in Table 4.24

**Table 4-24:Chi-Square tests between performances based strategy and business performance**

| | Value | Df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 19.389[a] | 1 | .000 |

A chi-square test was done to test whether there is a significant relationship between performances based pay and business performance of the sugar industries in Western Kenya. It was established that there is a significant relationship between performances based pay system and business performance; p-value (N=274,C.I.=0.05) = 0.000,chi-square value=19.389.The researcher therefore fails to reject the $H_0$ that there is no significant relationship between performance based reward strategy and performance of sugar industries in western Kenya. This finding is in convergence with those of previous researchers, Rudman (2003) for instance noted that paying for performance is a big issue in contemporary human resources management; organizations have long believed that productivity improve when pay is linked to performance and payment by results systems and incentives are developed to support this belief. Studies have found a positive relationship between performance related pay and business performance (Huselid, 1995; Dotty, 1996; Goel (2008).

### 4.6 Competency based pay strategy and business performance

#### 4.6.1 Pay based on ability to undertake an assignment or task

The respondents were asked whether the organization pays them based on their ability to undertake an assignment or task. The results are as shown in Table 4.25

**Table 4-25: Pay based on ability to undertake an assignment or task**

| | Frequency | Percent |
|---|---|---|
| Yes | 33 | 12.0 |
| No | 156 | 56.9 |
| Not aware | 85 | 31.0 |
| Total | 274 | 100.0 |

Majority of the respondents at 156 (56.90) said they are not paid based on their ability to undertake an assignment in their organization, 85(31.0%) of the respondents not aware of the strategies that their organization uses to pay them, a minority of the respondent at 33(12.0%) said that their organization use their ability to undertake an as a basis for paying them. Going by the definition of Brown and Armstrong‘s (1999) definition that competency-based pay is paying for the development and application of essential skills, behaviors and actions which support high levels of individual, team and organizational performance, the findings show that the level of application of competency based pay is still very low.

### 4.6.2 Identification and documentation of core competencies

The respondents were asked whether core competency of their organization been identified and documented. The results are as shown 4.26

**Table 4-26: Identification and documentation of key competencies**

| | Frequency | Percent |
|---|---:|---:|
| Yes | 6 | 2.2 |
| No | 141 | 51.5 |
| Not aware | 127 | 46.4 |
| Total | 274 | 100.0 |

The respondents were able to state whether the core competency of their organization had been identified and documented, majority of the respondents at 141(51.5%) said they have not been identified and documented, 127(46.4%) of the respondents were not aware, while those who said that their organizational competencies have been identified and documented were at 6(2.2%).This is an indication that processes in the competency based pay are not being applied.

All the Human Resource Managers(HRM) mentioned that their organizations do not use the competency based pay strategy. The HRM for Muhoroni had this to say:

> *"We do not apply the competency based pay. However, it is important to note that the government is slowly introducing competency frameworks into its work systems through performance."*

This is in line with what the majority of the employees implied, there competency based pay has not been used but there are some small elements of it featuring in the remuneration systems especially of top managerial positions in the companies. Draganidis and Mentzas, (2006) observed that identification of the essential skills and knowledge workers must have, and defines the performance levels they must achieve, to demonstrate competency in a specific work segment or function while documentation describes the set of competencies particular to a position/ job/ occupational group/functional community.

### 4.6.3 Categories of competencies identified by the organization

The respondents were asked to state the types of competencies that have been identified by their organizations; the results are as shown in Table 4.27

**Table 4-27: Categories of competencies identified by the organization**

| Competencies identified | Yes | No | Total |
|---|---|---|---|
| Business competencies identified | 0(0%) | 274(100%) | 274(100%) |
| Technical competencies identified | 36(13.1%) | 238(86.9%) | 274(100%) |
| Professional competencies identified | 26(9.5%) | 248(90.5%) | 274(100%) |
| General behavioral competencies | 20(7.3%). | 254(92.7%) | 274(100%) |

All the respondents at 274(100.0%) said that the business competency had not been identified. Most of the respondents at 238(86.9%) said that the technical competencies had not been identified while at 36(13.1%) said that they have been identified. Professional competencies was mentioned by majority of the respondents at 248(90.5%) to have not identified in their organization, 26(9.5%) however said they have been identified. Most of the respondents at 254(92.7%) said that the general behavior competencies had not been identified in their organizations, 20(7.3%) of the respondents nonetheless said that they have been identified.

### 4.6.4 Pay rise upon achievement of required competency

The respondents were asked whether pay improved, once you achieve the required competency; the results are as shown in Table 4.28

**Table 4-28: Pay rise upon achievement of required competency**

| | Frequency | Percent |
|---|---|---|
| No | 142 | 51.8 |
| Not aware | 132 | 48.2 |
| Total | 274 | 100.0 |

Respondents were asked to state whether their pay improved once they achieved required competencies, most respondents at 142(51.8%) did not have their pay increase, with those who were not aware having least respondent at 132(48.2%).This was an indication that competency based pay was not popular among the companies Armstrong and Brown (1998) pointed out that Competency-based pay is a method that determines the amount an individual is paid based on competency or performance.

### 4.6.5 Integration of HR practices and competency based framework

The respondents were asked to indicate the extent to which other HR practices such as recruitment and selection, training and development, performance management, succession planning etc integrated with your competency based framework, the results are shown in Table 4.29

**Table 4-29: Integration of HR practices and competency based framework**

| | Frequency | Percent |
|---|---|---|
| High | 6 | 2.2 |
| Moderate | 6 | 2.2 |
| Very low | 16 | 5.8 |
| Low | 246 | 89.8 |
| Total | 274 | 100.0 |

Respondents were asked to state extent of HR practices in their organizations, most respondents at 246(89.8%) had low HR practices, 16(5.5%) very low HR practices, with moderate and high HR practices having least respondents at 6(2.2%) each. This was an indication that the integration of HR practices and competency based framework is still very minimal. This is contrary to the views of Tucker and Strickland (1991), that competency development at both the organizational and individual levels has been used to support organizational change in selection, development, human resources planning and performance-management systems. Organizations are discovering, however, that while many of these innovative processes, including the development of competency models, are useful in advancing their missions and achieving their goals, without the support of equally innovative compensation strategies, effectiveness is not as great as it might be.It is clear that the companies are loosing out, Byham, (2006) using of competency models in HRM. Integrate HR activities. In fact competencies are the common link among the majority of human resource subsystems. Donzelli *et al*., (2006) add that by linking human resources processes to desired competencies, organizations can shape the capabilities of its workforce and achieve better results and it may be possible for an organization to build ongoing snapshots of the overall knowledge capital and skills portfolio of its workforce.

### 4.6.6 Competency bands in the pay structure

The respondents were asked to state the competency bands that exist in their pay structure, the results are as shown in Table 4.30

**Table 4-30: Competency bands in the pay structure**

| | Yes | No | Total |
|---|---|---|---|
| High Achiever | 0(0%) | 274(100%) | 274(100%) |
| Expert | 0(0%) | 274(100%) | |
| Competent | 6(2.2%) | 268(97.8%) | 274(100%) |
| Application | 0(0%) | 274(100%) | 274(100%) |
| Novice | 0(0%) | 274(100%) | 274(100%) |

All the respondents at 274(100.0%) said that their organizations did not have high achiever, expert, application and novice competency bands. Majority of the respondent at 268(97.8%) said that they do not have a competent band with a minority at 6(2.2%) saying that they have.

### 4.6.6 Chi-Square tests between competency based pay strategy and business performance

A chi-square test was done to ascertain whether or not there is a significant relationship between competency based strategy and business performance of the sugar industries in Western Kenya, the test was done at 0.05 confidence interval. The results are as shown in Table 4.31

**Table 4-31:Chi-Square tests between competency based pay strategy and business performance**

| | Value | Df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 28.441[a] | 3 | .000 |

It was established that there is a strong significant relationship between performances based pay system and business performance; p-value (N=274,C.I.=0.05) = 0.000,chi-square value=19.389.

The researcher fails to reject the $H_0$ that there is no significant relationship between competence based reward strategy and performance of sugar industries in western Kenya. This finding is supported by that of Chris (1996) who investigate the relationship between competency-based pay and performance ,he used a case study to determine that when competencies have been integrated into human resource practices such as recruitment and selection, training and, compensation and performance management, significant growth in terms of product distribution and profitability have been achieved by the three divisions of Holiday Inn Worldwide in America, Europe/the Middle East/Africa and Asia-Pacific.

### 4.7 Traditional Pay Strategy and Business Performance

This section analyses, presents, interprets and discusses information on the fourth objective of the study; to find out how traditional reward strategy influences the performance of sugar industries in western Kenya. The focus areas that will be under discussions in this sub-topic are: Job classification, Tenure based remuneration and Performance appraisal.

#### 4.7.1 Pay based on job done

The respondents were asked if pay in their organization is based on the job that they do, the responses were as shown in Table 4.32

**Table 4-32:Pay based on job done**

| | Frequency | Percent |
|---|---|---|
| Yes | 236 | 86.1 |
| No | 38 | 13.9 |
| Total | 274 | 100.0 |

The respondents were able to indicate whether their pay was based on the job that they do, most respondents at 236(86.1%) ,with those not paid based on the job they do having the least respondent at 38(13.9%). This was supported by the sentiments from all the HRM that the companies largely apply the traditional pay strategy. The HRM for Mumias said:

> *“The company applies the traditional pay system. It is appropriate because it maintains employee harmony within the organization.”*

Asked why the company selected the strategy/ies from among the other strategies, the HRM for Muhoroni said:

> *"The system has been in use from time-immemorial and we only improve on allowances based on government directives."*

This meant that the companies have used the traditional pay strategies on the basis of compensation to the employees for the services that they offer to the employers. This implies that companies have not explored the option of using the traditional pay system for greater motivation of employees for improved performance. This is despite the findings of this study and the others that traditional pay strategy has potentials of enhancing business performance.

### 4.7.2 Job description that guides daily tasks

The respondents were asked if they had a job description to guide their tasks and activities, the results are as shown in Table 4.33

**Table 4-33: Job description that guides daily tasks**

| | Frequency | Percent |
|---|---|---|
| Yes | 233 | 85.0 |
| No | 41 | 15.0 |
| Total | 274 | 100.0 |

Most respondents at 233(85.0%) had job description that guides them on their daily tasks and activities, with those who did not had job description having the minority at 41(15.0%).

### 4.7.3 Classification of jobs

The respondents were asked if Jobs in their organization are classified in a hierarchy,the results are as shown in Table 4.34

**Table 4-34: Classification of jobs**

| | Frequency | Percent |
|---|---|---|
| Yes | 268 | 97.8 |
| No | 6 | 2.2 |
| Total | 274 | 100.0 |

The respondents were able to state whether their organization has jobs classified in hierarchy, most of the respondents at 268(97.8%) jobs in their organization classified in a hierarchy, with those organization without jobs classified in hierarchy having least respondent at 6(2.2%).

### 4.7.4 Salary growth

The respondents were asked if they attain the top of your scale and whether they remained static and cannot grow your salary, the results are as shown in Table 4.35

**Table 4-35: Salary growth**

| | **Frequency** | **Percent** |
|---|---|---|
| Yes | 263 | 96.0 |
| No | 11 | 4.0 |
| Total | 274 | 100.0 |

The respondent were able to indicate whether they remained static and cannot grow from ,majority of the respondents at 263(96.0%) they remain static and their pay cannot grow, with those whose pay doesn't remain static having least respondent at 11(4.0%). This meant that the salaries were largely constant for majority of the sugar factory workers; this could in effect negatively influence their self motivation and subsequently the organizational performance.

### 4.7.5 Practice of performance appraisal

The respondents were asked whether their organizations undertook performance appraisal, the results are as shown in Table 4.36

**Table 4-36: Practice of performance appraisal**

| | Frequency | Percent |
|---|---|---|
| Yes | 274 | 100.0 |

The respondent were able to indicate whether their organizations undertaken performance appraisal, all the respondents at 274(100.0%) had performance appraisal undertaken by their organizations. This was confirmed by the Human Resource Manager at Nzoia Sugar Company

> *"We apply the performance appraisal system. Employees also undertake self-appraisals. The performance targets were post-evaluated i.e. at the end of production and not before the production."*

The Human Resource Manager at Mumias Sugar Company said:

> *"The traditional performance appraisal systems are in use at Mumias Sugar Company."*

This meant that employers value performance appraisal as a way of assessing employee performance and enhancing continuous improvement which collectively influences the organizational business performance.

### 4.7.6 Link between performance appraisals and pay

The respondents were asked whether their performance appraisal results are linked to their pay, the results are as shown in Table 4.37

**Table 4-37: Link between performance appraisals and pay**

| | Frequency | Percent |
|---|---|---|
| Yes | 133 | 48.5 |
| No | 141 | 51.5 |
| Total | 274 | 100.0 |

The respondents able to indicate whether performance appraisal results were linked to their pay, majority of the respondents at 141(51.5%) did not have their appraisals linked to their pay, with those whose performance appraisal results linked to their pay being a minority at 133(48.5%).This was confirmed by the sentiments of the Human Resource Manager at Muhoroni:

> *"We apply performance appraisal at the end of the year. We have no performance management strategy. We do not link performance appraisal results to pay."*

This meant that the performance appraisal was used by the companies as an evaluation and grading exercise undertaken on all its employees annually, on the outcomes of performances based on the job content, job requirement, and personal behavior in the position. Employees' performance is evaluated for making developmental and career decisions.

### 4.7.7 Ways in which employees grow their salaries

The respondents were asked to indicate how they grow their salaries and the, the results are as shown in Table 4.38

**Table 4-38: Ways in which employees grow their salaries**

| Ways of growing salaries | Yes | No | Total |
|---|---|---|---|
| Annual Salary Increase | 236(86.1%) | 38(13.9%) | 274(100.0%) |
| Merit (Cost of living adjustment) | 142(51.8%) | 132(48.2%) | 274(100.0%) |
| Length of service | 143(52.2%) | 131(47.8%) | 274(100.0%) |
| Seniority | 163(59.5%) | 111(40.5%) | 274(100.0%) |
| Experience on Job function/role | 122(44.5%) | 152(55.5%) | 274(100.0%) |

Majority of the respondents at 236(86.1%) had annual salary increase, only 38(13.9%) of the respondents did not have a salary increase. Most respondents at 142(51.8%) had salary increase based on merit (COLA), with those not receiving COLA constituting a minority at 132(48.2%). Most respondents at 143(52.2%) indicated that they grow their salary based on their length of service, those who didn’t were 131(47.8%).Most respondents at 163(59.5%) had their salary grows based on seniority, with those whose salary doesn’t grow based on seniority being respondents at 111(40.5%).Most respondents at 152(55.5%) don’t have their salaries grow based on experience, with those whose salary grow based on experience being 122(44.5%).

### 4.7.8 Promotion and growth in pay

The respondent were asked to indicate whether promotion is the only way to grow their pay in this organization, the results area as shown in Table 4.39

**Table 4-39: Promotion and growth in pay**

| | Frequency | Percent |
|---|---|---|
| Yes | 258 | 94.2 |
| No | 16 | 5.8 |
| Total | 274 | 100.0 |

The respondents were able to indicate if to indicate whether promotion is the only way to grow their pay in this organization, majority of them at 258(94.2%) said yes while 16(5.8%) of the respondents said no. The findings converges the views of Schuster and Zeingheim (1992) that the traditional pay strategy also relies upon promotion for employees to grow their salaries and it is noteworthy to know that with flatter organization structures and non-availability of jobs, promotions are less available.

#### 4.7.9 Regularity of promotions

The respondents were asked to indicate the extent to which promotions readily available in their organizations, the results are as shown in Table 4.40

**Table 4-40: Regularity of promotions**

| | Frequency | Percent |
|---|---|---|
| Great extent | 6 | 2.2 |
| Moderate extent | 10 | 3.6 |
| Low extent | 258 | 94.2 |
| Total | 274 | 100.0 |

The respondents were able to indicate the extent to which promotions are readily available in their organizations, most respondents at 258 (94.2%) low extent, 10(3.6%) moderate extent, with great extent having least respondents at 6(2.2%).This finding also converges with the findings the views of Schuster and Zeingheim 1992) that it is noteworthy to know that with flatter organization structures and non-availability of jobs, promotions are less available.

#### 4.7.10 Performance appraisal methods applied by the different organizations

The respondents were asked to indicate the different appraisal methods applied in their organizations, the results are as shown in Table 4.41

**Table 4-41: Performance appraisal methods applied by the different organizations**

| | | Yes | No | Total |
|---|---|---|---|---|
| 1. | Performance Rating scale (1,2,3 etc) | 105(38.3%) | 169(61.7%) | 274(100.0%) |
| 2. | 360 degree feedback | 246(89.8%) | 28(10.2%) | 274(100.0%) |
| 3. | Checklist (Yes/No) | 26(9.5%) | 248(90.5%) | 274(100.0%) |
| 4. | MBO( Monitoring & Evaluation) | 16(5.8%) | 258(94.2%) | 274(100.0%) |
| 5. | Ranking(Excellent, average, poor, good) | 124(45.3%) | 150(54.7%) | 274(100.0%) |
| 6. | Peer appraisal | 113(41.2%) | 161(58.8%) | 274(100.0%) |

Majority of the respondents at 169(61.7%) said that performance rating scale is not applied in their organization, while 105(38.3%) of the respondents said it is applied. Majority of the respondents at 246(89.8%) said that 360 degree feedback performance appraisal method applied in their organization, 28(10.2%) said it was not applied. Majority of the respondents at 248(90.5%) had no checklist applied in their organization; those who had checklists applied in their organizations were 26(9.5%) respondents. Majority of the respondents at 258(94.2%) had no monitoring & evaluation applied, a minority of 16(5.8%) having it applied. Majority of the respondents at 150(54.7%) did not have ranking applied in their organization; those who said it is applied in their organization were 124(45.3%). Most respondents at 161(58.8%) had no peer appraisal applied in their organizations, 113(41.2%) respondents said they applied peer appraisals in their organizations.

### 4.7.11 Chi-Square tests between traditional pay strategy and business performance

A chi-square test was done to ascertain whether or not there is a significant relationship between traditional pay strategy and business performance of the sugar industries in Western Kenya, the test was done at 0.05 confidence interval. The results are as shown in Table 4.42

**Table 4-42: Chi-Square tests between traditional pay strategy and business performance**

| | Value | Df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 1.565[a] | 3 | 0.211 |

A chi-square test was done to test whether there is a significant relationship between traditional pay strategy and business performance. It was established that the relationship between traditional pay system and business performance is not significant, p-value (N=274,C.I.=0.05) = 0.211,chi-square value=1.565. The researcher fails to reject the $H_0$ that there is no significant relationship between traditional reward strategy and performance of sugar industries in western Kenya. The HRM for Nzoia Sugar Company was on point when asked whether traditional pay strategy enhances business performance, he said:

> *"We apply the traditional pay system but it does not enhance business performance however, it maintains harmonious industrial relations."*

This information therefore supports the quantitative tests on the significance of the relationships between the traditional pay system and the business performance. This also shows the convergence in opinion between the employees and the Human Resource department hence greater credibility.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents the summary of the findings of the study, conclusions recommendations arrived at and contribution to knowledge base. It also gives suggestions on areas for further research.

## 5.2 Summary of Findings

The first objective was to determine how total reward strategy influences the performance of the sugar industries in western Kenya. Financial reward was preferred to non-financial rewards in the sugar. Majority of the respondents at 136(49.60%) had financial rewards included in their pay, 70(25.50%) Non-financial rewards included in their pay, those who had both financial and non-financial components were the least at 68(24.80%). The most common financial reward among the industries were basic pay given to 268(97.8%) as compliance to worker compensation requirements, leave allowance given to 258(94.2%) and pension allowance given to 224(81.8%) respondents. The least used financial rewards were life assurance, received by 70 (25.5%) because of its minimal impact on employee motivation and contingent pay received by 0(0%) respondents. When the relationship between total reward and business performance was tested at 0.05 Confidence Interval, the relationship was found to be strong and significant p-value (N=274,C.I.=0.05) = 0.000,chi-square value=29.899. This means that total reward is important in explaining the business performance of the sugar industries in Western Kenya.

The second objective was to assess how performance based reward strategy influences the performance of sugar industries in western Kenya. Fixed pay component is common in the sugar industry,237(86.50%) said that their salary had fixed basic pay component, while a minority at 37(13.50%) did not have. On the other hand a majority at 262(95.60%) said that the variable pay is not a permanent feature of their pay, only 12(4.40%) had it as a permanent feature. Additionally, majority of the respondents at 269(98.20%) said that the additional pay never depended on profits gained by the company, with those whose additional pay depended on profits gained being 5(1.8%) respondents. The variable pay was mostly offered at the individual level as mentioned by 11(4%) and the level of organizational performance as indicated by 10(3.6%).The variable pay was not offered at the team level. When the relationship between performances based pay system and business performance was tested at 0.05 confidence interval, the relationship was found to be strong and significant p-value (N=274,C.I.=0.05) = 0.000,chi-square value=19.389 meaning that performance based pay is important in explaining variations in business performance among the sugar industries in Western Kenya.

The third objective was to establish how competence based reward strategy influences the performance of sugar industries in western Kenya. Competency based reward system is minimally applied by the sugar industry, majority of the respondents at 156(56.90) were not paid based on their ability to undertake an assignment, 85(31.0%) were not sure only a minority of the respondent at 33(12.0%) were paid based on their ability to undertake an assignment. Competency bands are rarely applied in the sugar industry; all the respondents at 274(100.0%) said that their organizations did not have high achiever, expert, application and novice competency bands. Majority of the respondent at 268(97.8%) said that they do not have a 'competent' band with a minority at 6(2.2%) saying that they have it in their pay structure. Identification and documentation of key competencies is not a common practice among the sugar companies. Majority of the respondents at 141(51.5%) said their key competencies have not been identified and documented, 127(46.4%) of the respondents were not aware, while those who said that their key competencies have been identified and documented were at 6(2.2%).Majority of the respondents at 142(51.8%) did not have a pay increase once upon achieving the required competencies, with those who were not aware having least respondent at 132(48.2%).
When the relationship between competency based pay system and business performance was tested at 0.05 confidence interval, a strong significant relationship was established p-value (N=274,C.I.=0.05) = 0.000,chi-square value=28.441 meaning that competency based pay system is important in explaining the variation in performance of the business performance of the sugar industries in Western Kenya.

The fourth objective was to find out how traditional reward strategy influences the performance of sugar industries in western Kenya. Traditional pay strategy is the most used in the sugar industry; most respondents at 236(86.1%) had their pay based on the job done, with those whose pay was not dependent on what they do having least respondent at 38(13.9%).Performance appraisal is applied in all the sugar industries to all the permanent employees. Nonetheless, performance appraisal results were linked to their pay, majority of the respondents at 141(51.5%) did not have their appraisals linked to their pay, only 133(48.5%) had performance appraisal results linked to their pay. Most respondents at 233(85.0%) had job description that guides them on their daily tasks and activities, with those who did not had job description having the minority at 41(15.0%).The jobs in the sugar industry are largely classified in hierarchies as said by most of the respondents at 268(97.8%) only 6(2.2%) said the jobs are not classified. When the relationship between traditional pay system and business performance was tested at 0.05%, it was established that the relationship was weak and insignificant, p-value (N=274, C.I.=0.05) = 0.211,chi-square value=1.565. This means that there traditional pay system is not important in explaining variations in business performance in the sugar industries in Western Kenya.

## 5.3 Conclusions

With regards to the first objective; to determine how total reward strategy influences the business performance of the sugar industries in western Kenya, the researcher concluded that the total reward influences business performance of the sugar industries. Nonetheless companies have not embraced total reward strategy; as a result its implementation has been done in piecemeal hence ineffectiveness in terms of enhancing business performance. The industries largely preferred the financial reward to non-financial rewards as a way of compensating the employees.

In relation to the second objective; to assess how performance based reward strategy influences the performance of sugar industries in western Kenya, the researcher concluded that performance based strategy influences the business performance of the sugar industries. Performance based reward strategy has not been consistently applied by the firms in the sugar industry because the industries have not discovered its potentials in promoting business performance; consequently its outcomes have not been realized.

On the third objective; to establish how competence based reward strategy influences the performance of sugar industries in western Kenya, the researcher deduced that competence based reward strategy influences the performance of sugar industries. Competency based reward system is minimally applied by the sugar industry and the competency bands are rarely applied in the sugar industry. Identification and documentation of key competencies is still very weak among the sugar companies.

With regards to the forth objective; to find out how traditional reward strategy influences the performance of sugar industries in western Kenya, the researcher concluded that traditional reward system does not influence business performance of sugar industries. Nonetheless, traditional pay strategy is the most used in the sugar industry. Performance appraisal is applied in all the sugar industries to all the permanent employees. However, performance appraisal results have not been used to enhance employee performance.

## 5.4 Recommendations

There is need for company specific assessment on the suitable remuneration strategies for adoption and implementation for better business performance outcomes.

There is need for keener thought and consistency in the application of the remuneration strategies chosen by the companies.

There is need for greater participation of staff in the formulation and implementation of the remuneration strategies.

There is need to for periodical a cost benefit analysis of the remuneration strategies for continuous improvement.

There is need to strengthen performance review mechanism of individual employees and the company as a whole.

## 5.5 Contributions to knowledge base

| Objective | Contribution to body of knowledge |
|---|---|
| **i)** To determine how total reward strategy influences the business performance of the sugar industries in western Kenya | It was established that there is a strong significant relationship between total reward and business performance; p-value (N=274,C.I.=0.05) = 0.000,chi-square value=29.899. Total reward influences the business performance based on whether the reward is financial, non-financial or both. Majority of the sugar industries preferred financial reward over non-financial rewards. The most common ways of rewarding the employees financially were basic pay given to 268(97.8%), leave allowance given to 258(94.2%) and pension allowance given to 224(81.8%) respondents. The least used forms of financial rewards were life assurance, received by 70 (25.5%) and contingent pay received by 0(0%) respondents |
| ii) To assess how performance based reward strategy influences the performance of sugar industries in western Kenya | It was established that there is a strong significant relationship between performances based pay system and business performance; p-value (N=274,C.I.=0.05) = 0.000,chi-square value=19.389 Performance based reward strategy was applied to a minimal extent among the sugar industries; majority of the respondents at 269(98.20%) said that the additional pay never depended on profits gained by the company, only 5(1.8%) respondents said that their additional pay depended on profits gained by the company. The variable pay was mostly offered at the individual level as mentioned by 11(4%) and the level of organizational performance as indicated by |

| | |
|---|---|
| | 10(3.6%).The variable pay was not offered at the team level. |
| iii) To establish how competence based reward strategy influences the performance of sugar industries in western Kenya | It was established that there is a strong significant relationship between competency based pay system and business performance; p-value (N=274,C.I.=0.05) = 0.000,chi-square value=28.441.Competency based reward system is minimally applied by the sugar industry, majority of the respondents at 156(56.90) were not paid based on their ability to undertake an assignment, 85(31.0%) were not sure only a minority of the respondent at 33(12.0%) were paid based on their ability to undertake an assignment. Competency bands are rarely applied in the sugar industry; all the respondents at 274(100.0%) said that their organizations did not have high achiever, expert, application and novice competency bands. Majority of the respondent at 268(97.8%) said that they do not have a 'competent' band with a minority at 6(2.2%) saying that they have it in their pay structure. |
| **iv)** To find out how traditional reward strategy influences the performance of sugar industries in western Kenya | It was established that the relationship between traditional pay system and business performance is weak and insignificant, p-value (N=274, C.I.=0.05) = 0.211,chi-square value=1.565. Traditional pay strategy is the most used in the sugar industry; most respondents at 236(86.1%) had their pay based on what they, with those whose pay was not dependent on what they do having least respondent at 38(13.9%).Performance appraisal is applied in all the sugar industries to all the permanent employees. Nonetheless, performance appraisal results were |

| | |
|---|---|
| | linked to their pay, majority of the respondents at 141(51.5%) did not have their appraisals linked to their pay, only 133(48.5%) had performance appraisal results linked to their pay. |

## 5.6 Suggestions for further research

The study established that there could be other factors affecting business performance other than pay to the employees, this study therefore suggest that a study be done on the moderating effect of employee motivation on the relationship between remuneration strategies and business performance of sugar industries in Western Kenya.

## REFERENCES


Cokins,G.(2004). Performance Management: Finding the Missing Pieces (to Close the Intelligence Gap),ISBN 978-0-471-57690-7

Cokins,G.(2009).Performance Management: Integrating Strategy Execution, Methodologies, Risk, and Analytics,ISBN 978-0-470-44998-1

Coveney, M.(2010).Strategy to the Max, FSN Publishing Limited,ISBN 978-0-9555900-6-1.

Dresner, H.(2009). Profiles in Performance: Business Intelligence Journeys and the Roadmap for Change,ISBN 978-0-470-40886-5

Dresner, H.(2007). The Performance Management Revolution: Business Results Through Insight and Action, ISBN 978-0-470-12483-3

FEA(2005). Consolidated Reference Model Document.Government Press,USA.

Food and Agricultural Organization(2011). World crop production statistics. *2011*

James,B. (April 1998). "The Great Sugar Shaft". *Freedom Daily*. The Future of Freedom Foundation. Retrieved 9 September 2014.

Baah,K.D., &, Amaoke, G.K.(2011). European journal of business management; ISSN 2222-1905 Vol.3 No.9 2011

Armstrong,M. (2006). A Handbook of Human Resource Management Practise, 10th edition; Kogan Page.

Manus, T. M., & Graham, M. D. (2003). Creating a total reward strategy, America Management Association, New York.

Mosimann, R. , Patrick, M.& Meg, D.(2007). The Performance Manager,ISBN 978-0-9730124-1-5

Moullin, M. (2002). Delivering Excellence in Health and Social Care, Open University Press,Buckingham

Moullin, M. (2007). Performance measurement definitions:Linking performance measurement and organisational excellence, *International Journal of Health Care Quality Assurance*,20(3),181-183.

Waire, N., Kahora, F., & ,Maina, P.  (2006). Identification and ranking of sugarcane production constraints in Kenya.

Neely, A.D., Adams, C. & Kennerley, M. (2002). The Performance Prism: The Scorecard for Measuring and Managing Stakeholder Relationships, Financial Times/Prentice Hall, London

Office of the Chief Information Officer (2007. Treasury IT Performance Measures Guide,U.S. Department of the Treasury.

Paladino, B.(2007). Five Key Principles of Corporate Performance Management, ISBN 978-0-470-00991-8

Frank, B., (2008)., Performance Leadership, McGraw-Hill, ISBN 0071599649

Upadhaya, B., Munir, R., & Blount, Y. (2014). Association between Performance Measurement Systems and Organisational Effectiveness. *International Journal of Operations & Production Management*, 34(7), 2-2.

Wade, D., & Ronald, R.,(2001). Corporate Performance Management. Butterworth-Heinemann, ISBN 0-87719-386-X

Boyatzis, R. (1982). The Competent Manager: A model for effective performance

Suff, P. (2001). 'The new reward agenda', *IRS Management Review* 22.

Homan, G. (2000). 'Skills and competency-based pay', *Strategic RewardSystems*, Thorpe and Homan (eds), pp. 287-301

Gary, H., &, Prahlad, C. K.(2005).Competing for the future, Tata McGraw-Hill publishing company limited.

Radha, R. S.(2004). 360 Degree feedback, Competency mapping and assessment centres, For personal and business development, Tata McGraw-Hill publishing company limited.

Gary, D.(2008).Human Resource Management, 10th edition, Pearson Education.

Singh, B. D.(2007). Compensation and Reward management, Excel Books.

Milkovich & Newman(2005). Compensation, 8th edition, Tata McGraw-Hill

Risher, H.(2013). Competency Based Pay:Emerging model for salary management, Fox Lowson.

Jahja, H. & Kleiner, B. H.(1997). Competency based pay in manufacturing and services sector, Fullerton.

Zhou,J,Qian,X.,Henan,Q.& Lei,X.(2009). Total Reward Strategy: A Human Resources Management Strategy Going with the Trend of the Times. *International Journal of Business and Management 4*(11),177-181.

Chris, A., (1996). How competencies boost performance. *Management Development Review,* *9*(3), 14.

Goel, D. (2008).Performance Appraisal and Compensation Management -A Modern Approach.New Dehli: Prentice Hall of India.

Huselid, M.A., (1995). The impact of human resource management practices on turnover,productivity and corporate financial erformance. *Academy of Management Journal,38* (4), 635 -670.

## APPENDIX I: Letter of Transmittal

Department of Extra Mural Studies
University of Nairobi
P. O. Box 825, Kisumu.

Ministry of Agriculture,
Kisumu, Homa Bay and Migori Counties
P.O. Box………..
Dear Sir/Madam

**RE: PERMISSION TO CONDUCT A STUDY ON SELECTED SUGAR INDUSTRIES**

I am a student of the University of Nairobi, pursuing a Master of Arts Degree in Project Planning and Management. I am currently undertaking a study on the influence of remuneration strategies on the business performance of Kenya sugar industries in western Kenya region.

The study will target full time staff from the four sugar industries in western Kenya: Sony, Mumias, Muhoroni and Nzoia. All ethical considerations pertaining to research will be observed. The purpose of this letter therefore is to inform and request your office to grant me permission to carry out the study in the County.

Yours faithfully,

**MARSELLA A. OLUOCH**

## APPENDIX II: Questionnaires for Permanent Employees

### 1.0 BACKGROUND INFORMATION

**1.1** Company Name: …………………………………………………………………………..

**1.2** Department: …………………………………..………………………………………

**1.3** Designation**:** …………………………………………………………………………

**1.4** Age in completed years:

………………………………………………………………………………….

**1.5** Gender Male ☐ Female ☐

**1.6** Level of Education:

Ph.D. ☐

Masters ☐

Post Graduate Diploma ☐

Bachelors ☐

Diploma ☐

Certificate ☐

Others (Please Specify)

……………………

## 2.0 TOTAL REWARD PAY STRATEGY

**2.1** Are employees of this organization involved in the design of remuneration strategy?

Yes ☐ No ☐

**2.2** What does your pay include;

Financial Rewards ☐ Non financial Rewards ☐ Both ☐

| | |
|---|---|
| i) What does your financial reward to staff in this organization include( Please Tick appropriately)Basic pay | |
| ii) Leave Allowance | |
| iii) Pension contribution | |
| iv) Cash Bonuses | |
| v) Death-in-service | |
| vi) Contingent pay | |
| vii) House Allowance | |
| viii) Commuter Allowance | |

| | |
|---|---|
| ix) Telephone Allowance | |
| x) Shares | |
| xi) Medical | |
| xii) Entertainment Allowance | |
| xiii) Life Insurance | |
| xiv) Others (Please Specify) ………………………… | |

**2.3** Briefly explain kinds of incentives(short term and/or long term) that are offered by your employer………………………………………………………………………………
…………………………………………………………………………………………..…
…………………………………………………………………………………………..

**2.4** Are your non financial rewards computed as part of your pay?

Yes ☐ No ☐

**2.5** What are the non-financial rewards offered by this company (Please tick Appropriately)

| | | |
|---|---|---|
| **i.** | Corporate Culture | |
| **ii.** | Time off | |
| **iii.** | Learning & Development | |
| **iv.** | Work Experience | |
| **v.** | **Work environment**<br>• Recognition<br>• Achievement<br>• Job design<br>• Work life Balance | |

| | | |
|---|---|---|
| **vi.** | Other; specify…………………… | |

**2.6** As an employee of this organization, do you understand the business strategy?

Yes ☐ No ☐

**2.7** Are the organization’s goals and objectives well communicated to **ALL** employees?

Yes ☐ No ☐

**2.8** To deliver on the business strategy, does **EVERY** employee have a performance Metrics?

Yes ☐ No ☐

**2.9** My performance is measured using one or **ALL** of the following?

| | | |
|---|---|---|
| i. | Key performance indicators | |
| ii. | Performance indicators | |
| iii. | Key result areas | |
| iv. | None of the above | |

**2.10** If you do not achieve on your performance metrics, does it affect your pay?

Yes ☐ No ☐

**2.11** Please comment on this statement “The only way to grow my pay is in this company is through achievement of my performance metrics”:

……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
…………

## 3.0 PERFORMANCE RELATED PAY STRATEGY

**3.1** Does your pay have a basic pay component that is fixed?

Yes ☐ No ☐

**3.2** Is the variable pay in this organization a permanent feature of your pay?

Yes ☐ No ☐

**3.3** The additional pay (variable) I get depends on how much profits the company makes?

Yes ☐ No ☐

**3.4** Variable pay is offered in this organization at the following levels?

| | | |
|---|---|---|
| **i.** | Team Performance | |
| **ii.** | Individual Performance | |
| **iii.** | Organizational Performance | |
| **iv.** | All of the above | |
| **v.** | None of the Above | |

**3.5** The variable component of pay in this organization includes the following(Please tick Appropriately)

| | | |
|---|---|---|
| **i.** | Commission | |
| **ii.** | Employee Profit Sharing scheme | |
| **iii.** | Gain sharing | |
| **iv.** | Share Ownership Scheme | |
| **v.** | Profit related pay | |
| **vi.** | Company shares | |
| **vii.** | Others Please Specify: ……………………………… | |

**3.6** Variable pay is offered in this organization using the following methods:

| | | |
|---|---|---|
| 1. | Lump sum pay but not as a component of basic pay | |
| 2. | Consolidated pay included as part of basic pay | |

**3.7** Performance standards/ targets are measured using the following:

Key result areas ☐ Critical success fac ☐

**3.8** How often is your performance targets reviewed?

Quarterly ☐ Bi-annual ☐ Annually ☐

**3.9** Please comment on this statement "The only way to grow my pay in this company is through the achievement of performance standards and targets"

……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

## 4.0 <u>COMPETENCY BASED PAY STRATEGY</u>

**4.1** The organization pays me based on my ability to undertake an assignment or task.

Yes ☐ No ☐ Not Aware ☐

**4.2** Have the core competency of this organization been identified and documented?

Yes ☐ No ☐ Not Aware ☐

**4.3** Which of the following categories of competency has the organization identified?

| | | |
|---|---|---|
| **i.** | Business competencies | |
| **ii.** | Technical Competencies | |
| **iii.** | Professional competencies | |
| **iv.** | General behavioral competencies | |
| **v.** | All of the above | |

**4.4** Is your pay improved, once you achieve the required competency?

Yes ☐ No ☐ Not Aware ☐

**4.5** To what extent are other HR practices such as recruitment and selection, training and development, performance management, succession planning etc integrated with your competency based framework?

Very high ☐ High ☐ Moderate ☐ Very low ☐ Low ☐

**4.6** The following competency bands exist in our pay structure?

| | | |
|---|---|---|
| **i.** | High Achiever | |
| **ii.** | Expert | |
| **iii.** | Competent | |
| **iv.** | Application | |
| **v.** | Novice | |

**4.7** Please comment of the statement: "The only way to grow my pay in this organization is through the acquisition of the required competencies?
…………………………………………………………………………………………
…………………………………………………………………………………………
………………………………………………………………………………………..

## 5.0 TRADITIONAL PAY STRATEGY

**5.1** Pay in this organization is based on the job that I do?

Yes ☐ No ☐ Not Aware ☐

**5.2** Do you have a job description to guide your daily tasks and activities?

Yes ☐ No ☐ Not Aware ☐

**5.3** Jobs in this organization are classified in a hierarchy?

Yes ☐ No ☐ Not Aware ☐

**5.4** Once you attain the top of your scale, do you remain static and cannot grow your salary?

Yes ☐ No ☐ Not Aware ☐

**5.5** Does your organization undertake performance appraisal?

Yes ☐ No ☐

**5.6** Are performance appraisal results linked to your pay?

Yes ☐ No ☐

**5.7** I grow my salary in this organization in the following ways? (Please Tick appropriately)

| | |
|---|---|
| **i)** Annual Salary Increase | |
| **ii)** Merit (Cost of living adjustment) | |
| **iii)** Length of service | |
| **iv)** Seniority | |
| **v)** Experience on Job function/role | |
| **vi)** All of the above | |
| **vii)** None of the above | |

**5.8** Promotion is the only way to grow my pay in this organization?

Yes ☐ No ☐ Not Aware ☐

**5.9** To what extent are promotions readily available in your organization?

Great extent ☐ Moderate extent ☐ Moderate extent ☐

**5.10** My organization applies the following performance appraisal methods( Please tick appropriately)

| | | |
|---|---|---|
| 1. | Performance Rating scale (1,2,3 etc) | |
| 2. | 360 degree feedback | |
| 3. | Checklist (Yes/No) | |
| 4. | MBO( Monitoring & Evaluation) | |
| 5. | Ranking(Excellent, average, poor, good) | |
| 6. | Peer appraisal | |

**5.11** My performance appraisal results are linked to my pay?

Yes ☐ No ☐ Not Aware ☐

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

## 6 BUSINESS PERFORMANCE

6.3 Is the quality and quantity of sugar produced by the industry worth the cost?

Yes ☐ No ☐

6.4 Does the industry meet is targeted production at possible minimum cost?

Yes ☐ No ☐

6.5 Does industry always produce quality sugar that meets quantity targets within the set timeframe?

Yes ☐ No ☐

7 **<u>CONCLUSION</u>**

7.3 Do you consider your organizations pay system to be effective i.e. it supports the achievement of business goals and objectives?
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………

7.4 What in your view would you like to see changed in your organizations remuneration system?………………..……………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………

**Thank you.**

**Enumerator…………………………………………………………**

**Signature………………………………………………**

**Date**…………………………………………………………………….

## APPENDIX III: Key Informant Interview with HRMs

Name of Company……………………………………………………………………………...

Position of the respondent in the Company …………………………………………………..

Completed years in current position……………………………………………………………

1. Which reward systems does the company use and how appropriate is it/they?
2. Why did the company select in the strategy/ies from other strategies?
3. Do you use total rearward strategy of pay here? Please explain how it is useful or why it is not relevant for your company?
4. Do you use performance based reward strategy of pay here? Please explain how it enhances business performance for your company.
5. Do you use competence based rearward strategy of pay here? Please explain how it enhances business performance for your company.
6. Do you use traditional rearward strategy of pay here? Please explain how it enhances business performance for your company.
7. How is performance of employees measured in the company? Please explain how it enhances business performance for your company.
8. What does business performance in your organization entail? Please explain how it enhances business performance for your company.

**Thank you.**

## APPENDIX IV: Document Analysis Checklist

**Company Name:** ………………………………………………………………………………

The following questions assess the performance of your industry over in the past financial year. Kindly read the questions and provide the responses in the appropriate units.

| | Question | Response in Ksh. and Tons |
|---|---|---|
| 1) | What was the value of your output in the last financial year? | |
| 2) | What was the cost of resources consumed in the last financial year? | |
| 3) | What was the cost of resources actually used in the last financial year? | |
| 4) | What was the value of resources budgeted to be used in the last financial year? | |
| 5) | How many production related activities did you plan for in the last financial year? | |
| 6) | How many of the planned activities were actually done within the financial year? | |

**Scale**

| | |
|---|---|
| 1(0-20) | **Poor** |
| 2(21-40) | **Fair** |
| 3(41-60) | **Moderate** |
| 4(61-80)) | **Good** |
| 5(81-100) | **Excellent** |

**OVERALL COMMENTS ON THE SUGAR INDUSTRY PERFORMANCE:**

…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………

**MEASURES**

1. **Productivity -** Actual Output/resources actually consumed
2. **Efficiency** - Resources actually used/resources budgeted to be used* 100
3. **Effectiveness -** Actual Output/Expected output* 100

## APPENDIX V: Sample Size for Finite Populations

| Population | Sample Size at Confidence = 95% | | | | Sample Size at Confidence = 99% | | | |
|---|---|---|---|---|---|---|---|---|
| | Margin of Error – Percent | | | | Margin of Error – Percent | | | |
| | 5.0 | 3.5 | 2.5 | 1.0 | 5.0 | 3.5 | 2.5 | 1.0 |
| 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| 20 | 19 | 20 | 20 | 20 | 19 | 20 | 20 | 20 |
| 30 | 28 | 29 | 29 | 30 | 29 | 29 | 30 | 30 |
| 50 | 44 | 47 | 48 | 50 | 47 | 48 | 49 | 50 |
| 75 | 63 | 69 | 72 | 74 | 67 | 71 | 73 | 75 |
| 100 | 80 | 89 | 94 | 99 | 87 | 93 | 96 | 99 |
| 150 | 108 | 126 | 137 | 148 | 122 | 135 | 142 | 149 |
| 200 | 132 | 160 | 177 | 196 | 154 | 174 | 186 | 198 |
| 250 | 152 | 190 | 215 | 244 | 182 | 211 | 229 | 246 |
| 300 | 169 | 217 | 251 | 291 | 207 | 246 | 270 | 295 |
| 400 | 196 | 265 | 318 | 384 | 250 | 309 | 348 | 391 |
| 500 | 217 | 306 | 377 | 475 | 285 | 365 | 421 | 485 |
| 600 | 234 | 340 | 432 | 565 | 315 | 416 | 490 | 579 |
| 700 | 248 | 370 | 481 | 653 | 341 | 462 | 554 | 672 |
| 800 | 260 | 396 | 526 | 739 | 363 | 503 | 615 | 763 |
| 1,000 | 278 | 440 | 606 | 906 | 399 | 575 | 727 | 943 |
| 1,200 | 291 | 474 | 674 | 1067 | 427 | 636 | 827 | 1119 |
| 1,500 | 306 | 515 | 759 | 1297 | 460 | 712 | 959 | 1376 |
| 2,000 | 322 | 563 | 869 | 1655 | 498 | 808 | 1141 | 1785 |
| 2,500 | 333 | 597 | 952 | 1984 | 524 | 879 | 1288 | 2173 |
| 3,500 | 346 | 641 | 1068 | 2565 | 558 | 977 | 1510 | 2890 |
| 5,000 | 357 | 678 | 1176 | 3288 | 586 | 1066 | 1734 | 3842 |
| 7,500 | 365 | 710 | 1275 | 4211 | 610 | 1147 | 1960 | 5165 |
| 10,000 | 370 | 727 | 1332 | 4899 | 622 | 1193 | 2098 | 6239 |
| 25,000 | 378 | 760 | 1448 | 6939 | 646 | 1285 | 2399 | 9972 |
| 50,000 | 381 | 772 | 1491 | 8056 | 655 | 1318 | 2520 | 12455 |
| 75,000 | 382 | 776 | 1506 | 8514 | 658 | 1330 | 2563 | 13583 |
| 100,000 | 383 | 778 | 1513 | 8762 | 659 | 1336 | 2585 | 14227 |
| 250,000 | 384 | 782 | 1527 | 9248 | 662 | 1347 | 2626 | 15555 |
| 500,000 | 384 | 783 | 1532 | 9423 | 663 | 1350 | 2640 | 16055 |
| 1,000,000 | 384 | 783 | 1534 | 9512 | 663 | 1352 | 2647 | 16317 |
| 2,500,000 | 384 | 784 | 1536 | 9567 | 663 | 1353 | 2651 | 16478 |
| 10,000,000 | 384 | 784 | 1536 | 9594 | 663 | 1354 | 2653 | 16560 |
| 100,000,000 | 384 | 784 | 1537 | 9603 | 663 | 1354 | 2654 | 16584 |
| 300,000,000 | 384 | 784 | 1537 | 9603 | 663 | 1354 | 2654 | 16586 |

**APPENDIX VI: Research Authorization**

**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION**

Telephone: +254-20-2213471,
2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date:

**15th October, 2015**

**NACOSTI/P/15/79239/7909**

Marsella Akinyi Oluoch
University of Nairobi
P.O. Box 30197-00100
**NAIROBI.**

**RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on ***"Influence of remuneration strategy on business performance of the Sugar Industry in Western Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Kisumu County** for a period ending **15th October, 2016.**

You are advised to report to **the Chief Executive Officers of selected Sugar Companies, the County Commissioner and the County Director of Education, Kisumu County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

Hussein

**SAID HUSSEIN**
**FOR: DIRECTOR GENERAL/CEO**

Copy to:

The Chief Executive Officers
Selected Sugar Companies.

The County Commissioner
Kisumu County.