THE EFFECTS OF REWARD SYSTEMS ON EMPLOYEE SATISFACTION:
A CASE STUDY OF KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

by
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In partial fulfillment of the requirements for the degree of

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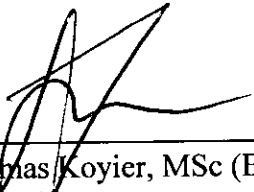
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In accordance with Daystar University policies, this thesis is accepted in partial
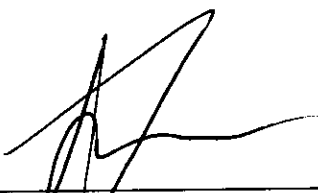fulfillment of the requirements for the Master of Business Administration degree

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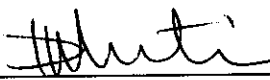Thomas Koyier, MSc (Business Administration)
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I declare that this thesis is my original work and has not been submitted to any other

college or university for academic credit.

Signed ……………………………….. Date …… 20|7|2012 …………….

Sarah Moraa Gitamo

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LIST OF ABBREVIATIONS

CRF	Coffee Research Foundation
d.f	Degree of freedom
HR	Human Resource
ICIPE	International Centre for Insect Physiology and Ecology
ICRAF	The World Agro-forestry Centre
ILRI	International Livestock Research Institute
KARI	Kenya Agricultural Research Institute
KEFRI	Kenya Forestry Research Institute
KEMRI	Kenya Medical Research Institute
KESREF	Kenya Sugar Research Foundation
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KIRDI	Kenya Industrial Research and Development Institute
p	Probability
PASW	Productive Analytical Software
TRFK	Tea Research Foundation of Kenya
UK	United Kingdom
US	United States

ABSTRACT

Reward systems are categorized in various forms as pay or salary, recognition and appreciation, empowerment and autonomy, and fringe benefits. Rewards need to be competitive enough in relation to compensating workers for their labour. By integrating the theories of motivation, this study assessed the effect of reward systems on employee satisfaction at the Kenya Forestry Research Institute (KEFRI). This research was based on the assumption that application of reward systems influences the behaviour and attitude of employees at Research Institutions in general and for this case KEFRI. One of the major problems facing research institutions in Kenya is the inadequate or lack of application of the reward systems, which leads to employee dissatisfaction. Labour productivity is greatly enhanced through appropriate application of reward systems. This situation provides the basis to assess the existing reward systems employed at KEFRI as a means of improving employee satisfaction and hence labours productivity. This research was therefore undertaken with the following three objectives in mind (i) to identify the existing types of reward systems in KEFRI; (ii) to determine the effects of reward systems on employee satisfaction; and (iii) to identify the limitations of KEFRI reward systems in employee satisfaction. The study targeted a population of 554 employees drawn from three of KEFRI's three Research Centres namely: KEFRI Headquarters, Muguga and Karura Regional Research Centres. The study sample was 111 employees across all cadres. A fully structured self-administered questionnaire and an interview guide were the standard data collection instruments for the respondents. The data was analyzed using descriptive and inferential statistics. In particular, frequencies, tabulation and chi-square were used as descriptive statistics. The study revealed that 84% of the respondents were aware of the existing types of reward systems while 16% were not aware, a factor mainly attributed to failure to read the KEFRI human resource manual, attend staff meetings and ignorance on the fact that awards seem to have improved significantly in the current year as compared with the last three years. It also revealed that through rewarding employees equitably, the organization's performance has been enhanced and employee commitment to the organization is more assured. The study also revealed that the application of reward systems influences the level of satisfaction of employees at KEFRI.

DEDICATION

This study is dedicated to my beloved husband and friend, Dr. Hezron Mogaka and our dear children, Ivy and Ian whose support was insurmountable and to whom precious family time was lost when I was undertaking the study. Surely without your support the study would not have been completed.

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

Introduction

Human capital is regarded as a prime asset of any organization and it plays a significant role in ensuring sustenance of organizations. It pays greatly to invest in this important asset. Armstrong (2008) reaffirms that every organization needs to obtain and retain skilled, committed and well-motivated workforce using different incentive-based approaches, which may include reward systems. According to Armstrong (2006), there are two classifications of rewards; intrinsic and extrinsic, with the former taking the non-financial form while the later takes the financial form.

Armstrong (2006) further states that, the range of intrinsic rewards spans from recognition to capacity development. Within the realm of specific intrinsic rewards are empowerment and autonomy, recognition of achievement, scope to use and develop new skills, training, career development opportunities, scholarship awards, time-off to study and high quality leadership. On the other hand, extrinsic rewards come in form of basic pay, employee benefit and contingent pay. Other forms of enhancing performance include tasks that motivate intrinsically and stand chances of or inherently satisfying the workforce. It is also evident that such tasks tend to be interesting and enjoyable.

Reward systems defined in the context of Kenya Forestry Research Institute

Armstrong (2006) defines reward systems as elements of reward management, which provide guidelines on approaches to managing rewards, both financial and non-financial. These systems play a role in evaluating the relative size of jobs and assessment of individual performances and procedures operated in order to maintain the reward

system and to ensure that it operates efficiently, flexibly and provide or guarantees value for money.

There is evidence that KEFRI values its human resource capital as part of institutional development as demonstrated by the well-developed procedures, guidelines, policies and practices in human resources management. These procedures and guidelines applied by KEFRI set the basic framework required to operationalize and implement the reward system. This is in line with Armstrong (2010) who defines reward systems as consisting of policies, procedures, processes and practices applied by business entities or otherwise. Relevant policies provide guidelines on approaches to manage rewards while practices operationalize or provide for financial and non-financial rewards. In addition, processes in this context are concerned with performance management while procedures are set in order to sustain the reward system.

The specific policies and practices in KEFRI currently in place are: schemes of service that provide guidance on the positioning of different cadres and qualifications required, salary structure for the different staff as per their job group, KEFRI Human Resource Manual which guides the human capital or Human Resource (HR) on the recruitment and appointment procedures, promotions, transfers and re-designation, salary scales, rules of conduct, staff training and development and employee performance evaluation and appraisal for promotion purposes. One may argue that KEFRI has established these comprehensive procedures to ensure fairness in staff performance management, improve performance of staff over the years as well as retaining the competent staff. In addition, this approach may motivate staff. This is an important procedure for enhancing labour productivity and hence returns to investment in research.

However, having these elaborate procedures in place may not necessarily imply that the workforce is fully satisfied. The effectiveness of incentive approaches depends on various factors, which include, the level of incentives provided, the expectations of the staff, staff perceptions, and the manner of application of such rewards. As Armstrong (2010) argues, reward systems consist of interrelated policies, practices, process, and procedures that combine to ensure that reward management is carried out effectively to the benefit of the organization and the entire workforce across the gender dimensions – the youth, the women, the men and any other groupings that may be considered as disadvantaged. It is therefore the permutation of these factors that determine the overall effect and influence of the reward systems on employees' performance as well as the perception of the organization on the value of the extra resources utilized in the pursuit to meet the organizational goals.

According to Porter, Bigley and Steers (2003), rewards should be based on performance and contributions to the organization's success so as to boost the morale of employees and provide an avenue for excellence. There is a clear understanding that application of reward systems has various benefits such as building a career around life goals and for one to achieve such benefits it is important to have a plan and time frame. It is also important to set one's own targets and strive hard to achieve them, based on what one wants to accomplish by having a mentor or a coach to carry out an assessment on a particular individual or get self-discovery books (Armstrong, 2006).

For the purpose of sustaining any reward system, Moorhead and Griffin (2010), suggest that, organizations need to consider their respective abilities to pay employees at certain levels, economic and labour market conditions and the impact of the pay system

on organizational financial performance. Organizations should therefore consider the relationship between performance and rewards as well as the issues of reward systems' flexibility, employee participation on the reward systems, pay secrecy and expatriate compensation.

Noe, Hollenbeck, Gerhart and Wright (2009) argue that reward systems contribute to high performance because they encourage people to strive for objectives that support the organization's overall goals. Reward systems include the performance measures by which employees are judged, methods of performance measured and other rewards linked to success. Human resource management plays an important role in developing and administering such reward systems. Therefore, it is important to involve the employees in organizational decision-making positions to understand employee behaviour and how to manage them for the performance of the organization.

According to Porter and Lawler (2003), one of the most important aspects of intrinsic rewards is job satisfaction. If an employee is not satisfied from what she/he does, her/his performance gets affected thus damaging the performance of the whole team and in turn, the organization. The influence or relationship applies not only at individual level but also even for some segments of employees in a collective manner.

According to Bloisi (2007), monetary reward is enough to attract the right people to the organization. However, it is perceived as an important instrument, which promotes equity among employees as well as an avenue for retaining the most competent and committed ones. Rewards ensure that organizations maintain competitive advantage and increase productivity and profitability.

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Background to the Study

There are a number of pre-conditions that are necessary in creating acceptability of reward systems in most organizations. Firstly, both the employer and the employees should first and foremost perceive the establishment and application of the reward systems positively. Secondly, reward systems should be developed through a team spirit and in consultative and participatory manner. Thirdly, every employee's views should be considered irrespective of the position in the organization, as a way of promoting a sense of ownership of the reward system. Since reward systems are for the benefit of both employees and employers, this study tended to focus also on the positive ways of enhancing employee satisfaction and productivity. The managers are responsible for linking the organizations production to employee reward systems to enable workers appreciate their work and be responsible. Thus, on this understanding, the study included the KEFRI management level.

According to Porter and Lawler (2003), effective reward systems are normally designed to fit well with the other design features of the organization as well as with its business strategy so as to contribute to the organization's mandate and core values. The ultimate goal is to develop an integrated human resource management strategy that considers encouragement of the staff as the corner stone of the entire reward system. This approach is most likely to attract the kind of people that can support an organization's business strategy and further encourage the staff to be more devoted to realizing the organization's mission. Reward system is therefore important for an organization's growth, job analysis, employee satisfaction and retention.

Reward systems can enhance productivity and provide a basis for reflecting on self-assessment and performance. It is important for employees to create action planners and manage their own career – this is an opportunity that is enshrined in effective reward systems. This will help employees to be focused with their work and meet their target and have high productivity. This implies that reward systems work better on situations where employees are self-disciplined and have minimal supervision. This encourages a self-regulating approach during the discharge of respective employee duties (Porter & Lawler, 2003).

There is also the aspect of job satisfaction, enrichment and job analysis. According to Porter et al (2003), high reward level leads to high satisfaction, which leads to lower employee turnover. Individuals who are currently satisfied with their jobs expect to remain so and thus have a greater propensity to remain working in the same organization. Nevertheless, not all turnovers are harmful to the organization's effectiveness. Organizations may benefit from losing poor performers and hence create an opportunity to employ more qualified staff that will be assets to the organization. Employee turnover and replacement of employees also allows evolution of new ideas and innovations on several institutional aspects.

According to Armstrong (2007), it is important to reward employees after acquiring additional skills and knowledge to motivate them through promotions of job enrichment because it leads to improved performance and high productivity. Porter et al. (2003) states that reward strategies can be linked with organizational strategies as vertical alignment fit between the reward strategy and the business strategy and horizontal alignment fit between reward strategy and HR strategies and policies.

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Armstrong (2007) further states that reward systems help to improve the quality of work, culture, values and management. It is generally recommended that no reward initiative should be under taken if it does not add value to the organization as a whole. Reward systems in most cases use vertical alignment. This means that business and reward strategies are in line with each other and reward strategy is defined in a way, which clearly explains how they will contribute to the achievement of the business plan. However, there are also some problems in achieving vertical alignment since (Armstrong, 2006) argues that it is possible to establish the strategic goals of organization but it may be more difficult to identify reward strategies that are specifically related to them or it could be that business strategies are not clearly defined.

More specifically over the years, the Kenya Government has embraced science, research and technology generation as important drivers of economic development and more so in achieving vision 2030 and other past targets. It is therefore in this context that the Government, through a series of Acts of Parliament, established research institutions in agriculture (Kenya Agricultural Research Institute – KARI, Tea Research Foundation of Kenya - TRFK, Kenya Coffee Research Foundation – KCRF and Kenya Sugar Research Foundation - KESREF), industrialization (Kenya Industrial Research and Development Institute – KIRDI), medical sciences (Kenya Medical Research Institute – KEMRI and School of Health Sciences, University of Nairobi), fisheries and marine eco-systems (Kenya Marine and Fisheries Research Institute – KEMFRI), policy analysis (Kenya Institute of Public Policy Research and Analysis - KIPPRA) and forestry with Kenya Forestry Research Institute (KEFRI) being the lead organization in undertaking scientific research, technology generation and innovations in this sector.

Vision 2030 recognizes the role of science, technology and innovation in a modern economy, in which new knowledge and information play central roles in boosting wealth creation, social welfare and international competitiveness (Government of the Republic of Kenya, 2007). In addition, the Government has over the years encouraged the establishment and presence of regional and international research institutions. Such centers include International Livestock Research Institute (ILRI), The World Agroforestry Centre (ICRAF), and International Centre for Insect Physiology and Ecology (ICIPE) among others. For these institutions to deliver their respective mandates, a well-motivated workforce is required not only in undertaking the research but also to ensure that generated technologies and innovations are put in the appropriate uptake pathways.

Brief background of Kenya Forestry Research Institute

Kenya Forestry Research Institute (KEFRI) is a state corporation, which was established in 1986 under the Science and Technology Act (CAP 250) of the Laws of Kenya to undertake research in forestry and allied natural resources. KEFRI's mandate is therefore to conduct research in forestry and allied natural resources to generate science-based knowledge, information, technologies and innovations for sustainable development and management of forestry and allied natural resources (KEFRI Strategic Plan, 2008-2012).

KEFRI's vision is *to be a centre of excellence in forest science through technology development, deployment and dissemination of scientific information.* Similarly, the mission statement of KEFRI is to conduct research and provide information and technologies for sustainable development of forest and allied natural

resources. The Institute has identified four core values namely: teamwork, integrity, partnership and, clean and healthy environment. The mandate is to conduct research in forestry and disseminate research findings; co-operate with other research bodies within and outside of Kenya carrying out similar research and establish partnerships with other organizations and institutions of higher learning in training and on other relevant matters of development (KEFRI Strategic Plan, 2008 – 2012).

It is evident that the Institute has strived to enhance the organization's human resource capacity through the application of different approaches including the reward system. Currently, KEFRI has developed a new Scheme of Service for staff to guide employee job placement and promotions. The main purpose of this scheme is to ensure that every employee is appropriately placed according to the respective qualifications and experience (Employee Satisfaction Report 2011). In addition, KEFRI has established an award scheme to recognize the hard working employees in various capacities to ensure that the organization's human resource function is developed and matches with market trends. However, there are gaps that need to be addressed on reward systems hence this research (Employee Satisfaction Report, 2011). The Report recommended that an urgent study be undertaken to unveil the effectiveness of the current reward systems among other issues. It is also important that an appropriate institutional structure is in place to enhance the effectiveness and efficiency of reward system.

The overall structure of the Institute is aimed at promoting efficiency and effectiveness of forestry research management. Key elements of KEFRI structure include the Board of Management that is appointed by the Minister for Forestry and Wildlife. The Board is charged with the overall responsibility of managing the Institute by

providing policies and other necessary procedures. The day-to-day management of the Institution is carried out by the Secretariat through the overall guidance of the Director. To promote efficient and effective running of the Institution, KEFRI has six regional research centres and seven sub-centres spread across the country with a total workforce of 945 staff consisting of 300 technical staff and 645 support staff (Osoro, 2010).

Statement of the Problem

Armstrong (2006) argues that a reward system is one of the most under-utilized and mishandled managerial tools for driving organizational performance. It is important to reward both short and long term achievements since the future growth and success of any organization depend on current success. Kerr (2008) states that, reward systems are some of the thorniest management problems, which an organization has to deal with particularly with demotivated employees. In the same vain, Cummings and Christopher (2008) explain that a reward system is an important part of an organization's design and must be aligned with the strategy, structure, and employee involvement in organizational-wide decision-making processes. This implies that a reward system is an important tool that top management of research institutions may use to improve employee motivation in more structured and better-understood ways.

In other words, reward systems seek to attract the most competent persons to join a research organization, in addition to keeping them committed to work for the benefit of the organization. Proper application of the rewards hence stands good chances of creating and maintaining high standards of performance across the staff cadres of any organization.

The human resource capital at the Kenya Forestry Research Institute consists of the directorate, the technical and scientific staff, administration, human resource management, finance and other support staff. This means that, the expectations on performance enhancement approaches are quite varied. To design an appropriate reward scheme that promotes teamwork and enhances employee satisfaction across KEFRI is a real challenge. The organization over the years has experienced employee dissatisfaction particularly from the scientific research core team. In addition, various staff over the years have petitioned the top management to consider revising the pay package and other related allowances.

Therefore, the application of the reward system that brings about satisfaction among all the staff still remains to be one of the biggest challenges in KEFRI as the Institution continues to experience lack of satisfaction among staff. It is therefore on this basis that there is the need to assess the effect of reward systems applied at KEFRI. Reward systems determine the labour productivity of rewarded employees in the organization by motivating them. It is important to find out the kind of reward systems that exist in KEFRI and their effect on employee satisfaction and overall performance on the organization.

Purpose of the Study

The purpose of the study was to assess the effect of reward systems on employee satisfaction in order to design or propose a more competitive reward system. The reward systems developed would motivate employees and thus attract qualified and highly skilled staff for high productivity.

Objectives of the Study

To address the aforementioned purpose, this research focused on the following three objectives

1.   To identify the existing types of reward systems in KEFRI.

2.   To determine the effects of reward systems on employee satisfaction at KEFRI.

3.   To identify the limitations of KEFRI reward systems on employee satisfaction.

Research Questions

This study was guided by the following three key research questions

1.   What are the existing types of reward systems in KEFRI?

2.   What are the effects of reward systems on employee satisfaction at KEFRI?

3.   What are the limitations of reward systems on employee satisfaction at KEFRI?

Justification

Reward systems have proven to be vital tools in improving employee satisfaction, attraction, retention and motivation. This study aimed to determine the reward systems applied in KEFRI so as to increase employee satisfaction. This is on the understanding that if research organizations in particular are to succeed, they have to employ proper and effective management tools on their human resource base. It is well established that reward system is a key factor in promoting the morale and performance of staff in either research or development organizations. These assertions are in line with Price (2007), who argues that rewards are an important feature of human resource management. Similarly, Porter and Lawler (2003), argue that it is also important to have competitive

reward levels to promote performance. This system should essentially satisfy the better performers and encourage them to stay with the organization as well motivating the rest of the staff to put more effort in delivering their respective job mandates.

Further, Torrington (2008), argues that reward systems if properly applied ensure that effective and efficient performers are recruited and retained given that they are continuously motivated positively. The aim is to reward people in such a way as to create a culture in which they are better prepared to work harder to help achieve the organizations' objectives and demonstrate discretionary effort. The reward package incorporates intrinsic motivators alongside extrinsic motivators. This, in many cases, results in employee empowerment, whereby employees are given greater control and freedom to choose how to contribute to the running and performance of the organization. To some extent, this approach also makes motivated employees to feel as being part of the decision-making process.

According to Armstrong (2004), promotions, career development and performance coaching are considered to be the most common form of formal recognition. A person who excels in his or her job is promoted by the organization to take up broader responsibilities and challenges. This recognition is in many a time accompanied with a higher pay.

Significance of the Study

The findings of the study informed Research Institutions that the process of designing competitive reward systems is important in attracting and maintaining employees who are qualified and highly skilled. Such caliber of workforce will certainly increase the research institutions' levels of productivity. It is generally accepted that in

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addition to attracting high performers, Research Institutions too should put in place mechanisms to continuously improve employees competence and as well as levels of confidence, which are key factors that influence performance standards. Reward systems are known to positively reinforce these factors. Therefore, the role of reward systems in these aspects need not be over-emphasized given that such systems too contribute in enhancing the existing employees' skills and in acquiring new skills. With such enhanced competencies, employees expand their ability to take on greater responsibilities, increase employability inside and outside the organization. Pearce and Robinson (2009) argue that it is also important to involve employees in strategy formulation because it improves their understanding of the productivity-reward relationship in every strategic plan and thus heightens their motivation. The contribution of this study therefore towards the design and implementation of rewards systems for research institutions may be summarized as follows:

1.   This being a case study, it would benefit other Research Institutions by providing important insights of the employees' needs with regard to the reward system, and thus enable such institutions develop a viable reward system to inspire employees.

2.   The top management of KEFRI would be able to identify the most efficient method of remuneration to be used in the organization for the achievement of the overall growth that also ensures value for money from KEFRI's perspective.

3.   The study would also contribute in the academic circles (thus enlarge the body of existing knowledge on the subject) by providing empirical evidence regarding the impact of reward systems on employee satisfaction and performance in a research institutional set ups.

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4. The researcher would gain new knowledge and understanding on the effect of reward systems on employee satisfaction, which would be very viable in the researcher's career development.

Assumptions

This study was undertaken with the following assumptions:

1. Data from respondents was readily available in conducting the study.

2. The employees as the key stakeholders gave their true opinion about the reward systems being applied in the Institution.

3. The use of effective reward systems impacted positively on employees of KEFRI and hence any recommendations arising from this study reinforced the system and improved its effectiveness.

4. The opinions of the respondents accurately reflected the actual importance of reward systems.

5. The respondents answered the questions in the questionnaire truthfully.

Scope of the Study

This study was limited to the staff of the Kenya Forestry Research Institute and the specific questionnaires were administered across all cadres in the organization with a logical selection of respondents from 20% of the three selected regional research centres, which were picked on the basis of cost-effectiveness of undertaking the study. It is important to note that all the centres of KEFRI have a uniform structure and hence the picking of the three does not by any chance bring into the survey any biasness that would

undermine the objectivity of the study. The cadres included, the top management, research scientists, administrators, human resource managers, and subordinate staff. This approach of administering the questionnaire across all the cadres in KEFRI was adopted on the understanding that all cadres of staff need to be motivated and rewarded. The three research Centres selected were: Muguga Regional Research Centre, Karura Regional Research Centre and KEFRI Headquarters, which are based in Nairobi.

Limitations and Delimitations

In the process of conceptualizing the study, the following were considered as key limitations and delimitations;

1. Information relating to human resources practices is always treated with sensitivity. This may cause difficulties in convincing the respondents on the importance of giving sincere answers to the questions. However, this was addressed by the researcher reassuring the organization of utmost confidentiality on the data collected and the use of emerging findings strictly for academic purposes.

2. The researcher having been an employee of KEFRI, would result to some sort of bias to the study. To avoid this biasness, therefore, a research assistant was recruited to administer the questionnaire.

Definition of Terms

In undertaking this study and interpretation and discussions of the results, the following definitions were adopted;

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Career Development

Career development is the upward movement and advancement of work roles. It enables organizations be more attractive to potential recruits and enhances the image of the organization by recognizing the employee needs. It encourages motivation and job performance as employees clearly discern the possibility of upward movement and progress in their work places and thus exploits full potential of the workforce (Torrington, 2008).

Creativity

Creativity is the ability to produce something new through imaginative skill, whether a new solution to a problem, a new method or device, or a new artistic objects or form. The term generally refers to a richness of ideas and originality of thinking (Meusburger, 2009).

Employee Performance

Employee performance is a rating system used in most corporations to determine the abilities and output of an employee. Performance is divided into five components: Planning, monitoring, developing, rating and rewarding (Armstrong, 2007).

Job Satisfaction

Job satisfaction is in regard to one's feelings or state-of-mind regarding the nature of their work. It can be influenced by a variety of factors, e.g., the quality of one's relationship with the supervisor, the quality of the physical work environment, and/or degree of fulfillment in the work (Locke, 1997).

Morale

Morale is the psychological state of a person as expressed in self-confidence, enthusiasm, and/or loyalty to a cause or organization. Morale flows from the people's conviction about the righteousness or worth of their actions and the hopes of high rewards (material or otherwise) in the future (Alexander, 1999).

Research Institution

Research Institution is a non-profit making organization, which deals with systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions that are of use to humanity and ecosystems particularly for the case of forestry research outfit.

Reward systems

Reward systems are the cornerstone of organization performance, experience has shown that they can be quite difficult to design and implement in ways that both employer and employees will view as mutually beneficial and satisfactory (Porter & Lawler, 2003).

Team Work

Teamwork is work performed by a team towards a common goal with the aim of improving on effectiveness and efficiency (Xyrichis & Ream, 2008).

Chapter Summary

This chapter has discussed the introduction and the background of the study, the problem statement and purpose of the study, research objectives and questions. The

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chapter has further discussed the justification, significance and limitations, delimitations, and assumptions of the study. Finally the chapter has covered definition of terms as used in the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter reviewed the theoretical framework and empirical review on rewards systems from different sources of literature. Mugenda and Mugenda (2003) describe review of literature to involve systematic identification, location and analysis of documents containing information and data related to the research problem being investigated. The literature review section therefore presented the relevant reviewed writing investigating the effects of reward systems on employee satisfaction in a Kenyan research institution context with special reference to KEFRI.

This summarized literature review helped to analyze and clarify some important issues that have been observed by other scholars in relation to this subject. The review also gave direction on gaps in this area, which the study focused on. The review ended with the conceptual framework, showing the relationship between the independent and dependent variables, and a summary of the literature review.

Prior research on reward systems has been confined to non-African countries, notably the United States (U.S.) firms and a number of key questions still remain unanswered (Boyd & Salamin, 2001). In the United Kingdom (U.K.), companies operate individual performance related pay schemes and a large growth in the incidence of skill and team-based pay (Conyon, Peck & Read, 2001). In a survey research conducted in China, remuneration determinants have been analyzed and the research results showed that the wage levels of employees were generally growing, but many problems remained in the primary distribution of these rewards (Fang-zhi, 2009). In effect, there is no

evident on adequate research that has been conducted on how the influence of reward system affects levels of satisfaction and hence performance within a research institution context and more particularly in Africa.

Porter and Lawler (2003) reported that, it is important to assess the quality and quantity of performance as compared with the rewards granted to the employees with one key question, are employees recognized, appreciated, satisfied, motivated, awarded bonuses, merits, given fringe benefits or look forward to meeting their targets? Without a potent incentive mechanism as above, it can be demoralizing for employees. Subsequently, this study investigates on ways to recognize employees, appreciate them so as to motivate them and award employees who have met their targets.

Reward systems are a wholesome motivator to employees and thus individuals need to be motivated so as to perform better. It also adopts a strategic approach that is aligned to the business and human resource strategies and is congruent with the culture of the organization. The policies and processes are reviewed, evaluated and modified in accordance with the changing needs of the business. It is also noted that employees are valued according to their contribution, skill and competence (Porter & Lawler, 2003). The level of employee satisfaction is a well-known predictor of voluntary turnover, and it is important to discover the types of rewards that are most dissatisfying to employees and therefore become the reason for employees to leave organizations. This may be achieved by conducting periodic job surveys (Herbert & Timothy, 2009).

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Definition of Reward Systems

According to Porter and Lawler (2003), reward systems are the cornerstone of organization performance, and experience has shown that they can be quite difficult to design and implement in ways that both employer and employees view as mutually beneficial and satisfactory. Nevertheless, Kirimi and Minja (2011) argue that human resources specialists should establish reward systems that recognize those that positively impact the process of change. The wins should be celebrated and those responsible should be recognized. Therefore reward systems encourage organizations to recognize their employees so as to motive them both intrinsically and extrinsically the same way Porter, Kirimi and Minja have suggested. It is important to recognize and appreciate employees so as to increase organization's performance and this implies that those employees who perform best get a higher pay and incentives as compared to those whose performance is less. However, there are situations that may call for the application of rewards to motivate the less performers.

However, according to Porter et al. (2003), organizations should come up with reward systems that satisfy the better performers and encourage them to stay with the organization. It should attract the achievement-oriented individuals because such employees tend to prefer environments where performance is rewarded.

Theoretical Framework

According to Krishnaswamy (2009), a theory is a set of asserted universal propositions communicated in a set of universal sentences, which are derived, by observation and empirical evidence. Kandula (2006) viewed motivational theories as the

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foundation for design, implementation and renewal of the reward-based performance management strategy.

This study drew and relied on motivational theories such as Maslow's Hierarchy of needs Theory, Equity Theory, Goal-setting Theory, Expectancy Theory and Efficiency Wage Theory. Beardwell and Claydon (2007) argue that the first level of Maslow's Hierarchy of needs theory is the basic human needs, which include: food, water and comfort. It is therefore paramount that organizations provide financial rewards to their employees to meet these basic but fundamental needs. The second level of the theory addresses itself to the safety needs where the desires for security and stability are key. In this sense therefore, organizations help to satisfy employee's safety needs through a package of benefits and thus motives employees. In the third level, employees need a friendship stimulating environment and one that creates a sense of belonging. It is at this point that appropriate support from organizations' management to employees that a sense of safety among the employees is created and maintained or managed as a way of promoting productivity both at individual and organizational levels.

The fourth level focuses on self-respect and respect from and for others. In this sense, organizations ought to ensure that employees secure self-respect as well as respect from others. Lastly, the fifth level is the self-actualization needs whereby the supervisor may help fulfill an employee's self-actualization needs by assigning tasks that challenge employees' minds while drawing on their aptitude and training. These five levels, through the application of reward systems may be achieved and sustained in a manner that would promote the productivity of various organizations in general and in particular research institutions (Beardwell & Claydon, 2007).

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The Maslow's theory helps employers to develop employee motivational strategies, which should be founded on finding out what motivates employees most. It shows how individuals are motivated in the workplace as a sense of achievement and an opportunity for personal growth and the hygiene factors such as money, working conditions, job security, quality of supervision and interpersonal relationships at work (Beardwell & Claydon, 2007).

There are other various and additional theories that are the basis for emphasis for effective reward management systems in the organizations. Such theories are equity theory, expectancy theory, goal-setting theory and the efficiency-wage theory. The performance-related rewards have motivational influence on employees.

Equity theory is one of the major inputs into job performance and satisfaction and focuses on the degree of equity or inequity that people perceive in their work situation, (Luthans, 2008). In a broader social exchange view, Luthans (2008) argued the more incentives that an organization provides to employees, the more employees reciprocates by becoming more effectively committed to the organization and by performing at higher levels. According to Mondy (2008), equity theory is one of the motivational theories that people use to assess their performance and attitudes by comparing both their contribution to work and the benefits they derive from it. In other words, the contributions and benefits of comparing motivational theories helps the organization select what suits them best. In contrast, when they feel unfairly treated compared to fellow colleagues in a similar position, they are prone to feelings of dissatisfaction and demotivation. In this case an employee evaluates job output and inputs with another similar position.

Further, Kandula (2006) reported in the goal setting theory employees are encouraged to participate in goal setting, determination of performance standards and defining performance evaluation methods themselves become motivational sources for higher performance. In a goal-setting activity, involvement itself becomes a bigger reward than monetary compensation.

The expectancy theory lays the foundation upon which individuals engage in behaviors are likely to lead to valued outcomes, as long as they perceive that they can successfully produce such behaviors. Thus, provided a financial incentive is perceived as valuable and increased performance is expected to lead to outcomes are believed to result in financial rewards, such rewards should enhance performance through increased extrinsic motivation and effort (Porter et al., 2003).

According to Efficiency theory, Armstrong (2006) argued that firms will pay more than the market rate because they believe high levels of pay will contribute to increases in productivity by motivating superior performance, attracting better candidates, reducing labor turnover and persuading workers that they are being treated fairly. In the same way a well-administered system of wage and salary payment will not only reduce the incidence of disruptive laxity and low morale, but will also go a long way in achieving the set goals of the organization. Armstrong (2008) observed, reward system as an integral part of the human resource management approach to managing people since it is strategic in the sense that it addresses longer term issues relating to how people should be valued for what they do and what they achieve.

The research study relied mainly on Maslow's theory while reference was drawn for the rest i.e. efficiency wage theory, the expectancy theory and the equity theory. The

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employees are perceived to perform more effectively and efficiently if at all the organization takes into consideration their request and needs. Employees in the organization tend to improve in their performance upon the increment of the salary and the award of the incentives and the rewards to the employees.

Empirical Review of Reward Systems

This section reviews a series of facets that constitute rewards systems as well as the likely outcome of such schemes when applied by organizations. Such facets include employee satisfaction, recognition and appreciation, financial benefits and promotions. The section lays the empirical basis on the reward system as well as proposing a conceptual framework that is applied in the study to underpin the need for reward system application as a way of enhancing a research institution's productivity.

Employee Satisfaction

Employee satisfaction is one of the most important attributes that organizations desire for their staff (Oshagbemi, 2003). Generally, employee satisfaction is closely linked to performance, organizational productivity and other aspects, including labour turnover. Eyupoglu and Saner (2009) studied the satisfaction levels of academies in North Cyprus and investigated whether rank is a predictor of their job satisfaction. Their results demonstrated that overall, the employee's rank contributed moderately to the level of job satisfaction. Four other job facets i.e. advancement, compensation, co-workers and variety were found to be correlated with job satisfaction among the twenty which were investigated.

Empowerment and Autonomy

Empowerment has been described as a venue to enable employees make decisions (Bowen and Lawler, 2002) and as a personal experience where individuals take responsibility for their own actions. Individuals in high-power distance societies have allowed inequalities of power and wealth to grow. The members of the high-power distance are mainly from the elite group. In contrast, individuals in low-power distance societies de-emphasize the differences between a citizen's power and wealth. In past studies Eylon and Au (1999); Robert, Probst, Martocchio, Drasgow, and Lawler (2000), have demonstrated and concluded that individuals from high-power distance cultures perform significantly better in the disempowered situation with respect to productivity than in the empowered situation. For the case of KEFRI, the high-power distance societies are the management team who are involved in decision-making process

Singh (2003) found that customer-contact employees experienced less role ambiguity when their discretionary powers increased. Empowerment led to quicker resolution of customer problems because employees did not waste time referring customer complaints to managers.

Recognition and Appreciation

Bourcier and Palobart (1997) highlight the importance of employee recognition as a source of motivation and satisfaction. When employees believe they have a well-defined place within the organization and their contribution is fully appreciated, they are more apt to dedicate themselves to their work and feel motivated to do their best. Motivation drives action, in some sense, and determines work behaviors. Recognition also fosters a feeling of competency and gives employees a certain sense of satisfaction.

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By contributing to employee satisfaction and motivation, recognition has a positive impact on company productivity and performance.

Financial Benefits

There are a growing number of managers within the private sector who now argue that, if employee performance results in enhanced organizational performance, then employees should hold a share in the overall organizational benefits received or achieved. In other words, they feel that workers should be appropriately and equitably rewarded for their effort (Ghosh, 2005). It has been observed when employees perceive that the only ones benefiting from their diligent efforts are the management team, shareholders, or other parties, they become discouraged that in turn affects productivity negatively.

To avoid this, some managers have introduced reward packages in which employees receive enhanced pay based on individual and/or group performance (Mathias& Jackson, 2004). However, the method of compensation does not appear to have an effect on employee satisfaction. For example, receiving incentive pay versus not receiving incentive pay appears to have little to do with satisfaction. Although the method of compensation does not matter, the amount of compensation does. The more financial compensation employees receive, the more likely they are to be satisfied.

Promotions

Internal promotion is generally seen as a critical way to retain key members of the workforce (Srivastava et al., 2008). Promotions may be based on specific agreed performance targets. This ensures that any promotion within an organization is

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objectively and transparently derived so to avoid discouraging other employees who may feel discouraged. Having recruited, developed and trained the 'right sort of people', it is unlikely that managers want to see these workers leave the organization before the cost of developing such staff is fully recouped. Firms can use promotions as a reward for highly productive workers, creating an incentive for workers to exert greater effort. Promotions will only be an effective mechanism for eliciting greater effort if workers place significant value on the promotion itself.

Conceptual Framework
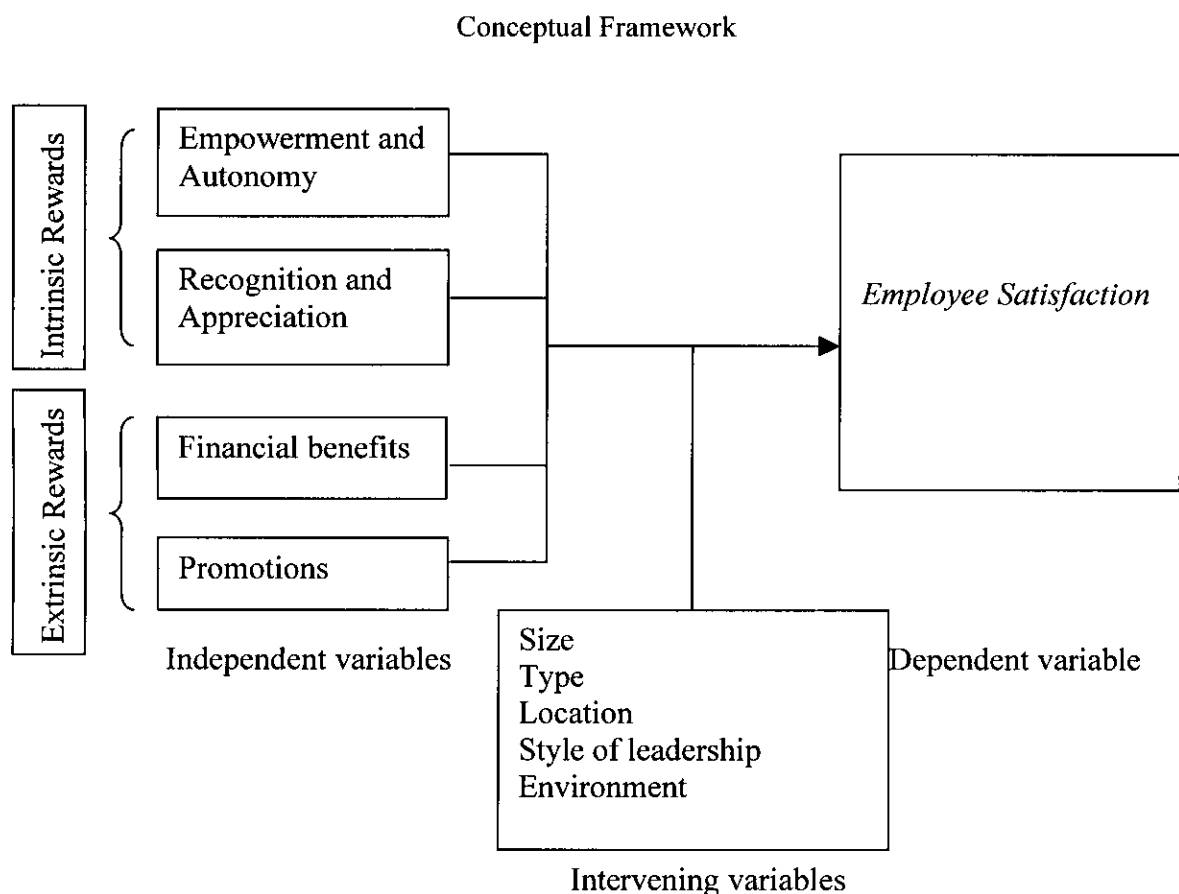
Figure 2.1: Conceptual Framework

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Chapter Summary

This chapter covered the theoretical framework and empirical review on rewards systems from difference sources of literature in relation to employee satisfaction. The researcher has given various definitions of reward systems in this chapter. This summarized literature review helped analyze and clarify some important issues that had been observed by others. The conceptual framework was also outlined in this chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter outlines the methodologies that were used in the research study. It describes the type of research design applied, the population of the research study, target population, sample size, sampling design, and finally pre-testing of the research study. It further describes the data collection instruments, procedures used in collecting the research data, research analysis and presentation of the research findings.

Rusell (2000) explains that research methodology applies to ways the researcher identifies and analyses problems and seeks answers to those problems. The author further argues that the success in the research largely depends on the researcher's specificity and clarity on what to find out and the best way to do it. According to Mugenda and Mugenda (2003), research methodology includes research design, population and sample, data collection procedures, data analysis procedures and measurement of variables.

Research Design

Chandran (2004) describes research design as an understanding of conditions for collection and analysis of data in a way that combines their relationships with the research to the economy of procedures. Further, Krishnaswamy (2009) suggested that research design deals with the detailing of procedures adopted to carry out the research study.

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To get an in-depth understanding on the research focus, both qualitative and quantitative methods were used. For the purpose of this study, quantitative data was collected from the employees of KEFRI.

White (2000) suggested that qualitative research is a descriptive, non-numerical way to collect and interpret information. It aims at investigating how people react, work, live and manage their daily lives. The approach as suggested by White (2000) served the study well since it sought to assess the effectiveness of the use of the reward system as a tool of motivating employees in an organization towards improvement of their performance. This is further reinforced by the fact that any level of satisfaction derived from a reward is mainly dependent on individual judgment.

According to Luck and Pocock (2000), an experimental research design may be defined as the actual trail of a proposed course of action or other hypotheses under consideration. Chandran (2004), on the other hand states that this design is appropriate to research situations that involve two or more concepts that are related and there is a need to study the relationship between them.

Crano (2002) affirms that descriptive studies are parts along the continuum from exploratory to causal. Chandran (2004) articulates that descriptive design is appropriate to describe and portray characteristics of an event, situation, a group of people, community or a population. It leads to a profile of development of a situation or a community of people by acquiring complete and possibly accurate information through interaction between the investigator and informants via questionnaires and interviews.

Kombo and Tromp (2006) argue that, the major purpose of a descriptive research is description of the state of affairs, as it exists. Kerlinger (2005) explains descriptive

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studies are not only restricted to fact-findings, but may often result in the formulation of important principles of knowledge and solution to significant problems. This implies that the research study was of much importance towards assessing the rewards system as a tool to be used by KEFRI towards enhancing effective employees' satisfaction, morale and performance. Descriptive designs are used in preliminary and exploratory studies (Bougie, 2009), while Orodho and Reuben (2002) asserts to allow the researcher to gather information, summarize, present and interpret it for the purpose of classification.

The descriptive research design was preferred in this study because it allowed analyses of different variables at the same time and it enabled the researcher to describe the factors, which affected the development and use of reward systems by KEFRI. The use of the descriptive research design leads to a better understanding of the phenomenon being studied and helped view issues and problems from the perspective of those being studied. Accuracy was particularly important in descriptive research in that the real information relating to the reward system by KEFRI was understood.

Population

According Mugenda and Mugenda (2003), population refers to an entire group of individual's, events or objects having a common observable characteristic. In this case, the population of the research study consisted of 945 employees (Human Resource Manual). These were employees from the KEFRI's six Regional Research Centres namely Muguga, Karura, Gede, Londiani, Kitui, Maseno and KEFRI Headquarters.

The target population is that population that the researcher studies, drawn from the total population and whose findings are used to generalize to the entire population.

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This study focused on KEFRI employees of the three Centres (KEFRI Headquarters, Karura and Muguga Centres) and they are divided into 5 strata namely: senior management, scientists, administrative staff, human resource staff, and subordinate staff, which had a target population of 554 employees.

Sampling Design

There are a series of sampling designs that have been applied in social science research. It is well understood that not all these designs are appropriate for all social science research. In addition, each of these designs has advantages and disadvantages depending on the nature of population, the research focus and overall context among others. The researcher used both the questionnaire and the interview schedule to collect the required data and information. This was based on identifying all the employees working in the KEFRI in the various departments. All employees from senior management to the support staff were targeted in the process of answering questions.

According to Breakwell (2006), there are two types of sampling design; probability and non-probability sampling. Probability sampling is based on the concept of random selection, which is a procedure that assures that each population or individual is given an equal chance of selection. Mugenda and Mugenda (2003), confirms that the advantage of this method of sampling include the selection of sample members being unbiased and the general acceptance that the method is fair. There are four common designs of probability sampling: simple random sampling, systematic sampling, stratified sampling and cluster sampling.

Nachmias and Nachmias (1992) described simple random sampling as a procedure that gives each of the sampling units of the population an equal chance of being selected because it involves assigning a unique identification on each item selected. It is also used to select a sufficient number of subjects in each stratum. Sufficient in this case refers to a sample that is large enough to be reasonably confident that the stratum represents the population (Trochim, 2006). For example a number is attached to each item in the sampling frame and then randomly selecting the number of units you require. Systematic sampling consists of selecting every sampling unit whereas units are listed in some order that bears the number of relationships to the topic under study. A starting point is then randomly chosen and thereafter the sample is determined using a sampling interval. Stratified random sampling involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup making it possible to make reliable estimates for each stratum as well as for the population as a whole (Cooper & Schindler, 2007).

It is used primarily to ensure that different groups of a population are adequately represented in the sample so that the level of accuracy in estimating parameters is increased and lastly the Cluster sampling is frequently used in large-scale studies because it is the least expensive sample design. The clusters are selected by a simple random sample or stratified sample. It also allows for the division of the study population into clusters and random sampling of everyone in those clusters (Gravetter & Forzano, 2009).

The researcher used stratified sampling whereby the population was divided into five strata namely; senior management, scientists, administrative staff, human resource staff, and subordinate staff. The researcher sampled from each stratum, using simple

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random sampling to arrive at a specific respondent selection of individual respondents. The number of questionnaires in each stratum was proportionately allocated to enhance heterogeneity of responses.

Sample Size

According to Huck (2009), sampling is the process of selecting a number of individuals for a study in such a way that the subjects selected represent the population. The study applied simple random sampling techniques by selecting 20% of the 554 target population of KEFRI which was 111 employees. This sample was in line with 10% - 50% guidelines by Mugenda and Mugenda, (2003) but the study used 20% of the target population thus a good sample size to make relevant statistical inferences.

Table 3.1: Population

Category	Target Population	Sample size selected
Senior management	24	5
Research Scientists	100	20
Administration Staff	150	30
Human Resource Staff	100	20
Subordinate Staff	180	36
TOTAL	554	111

Types of Data

According to Mugenda and Mugenda (2003), there are two types of data, namely, primary and secondary data. These two types of data were essential for the purpose of research study and helped in the process of addressing the research problem.

Primary data refers to the information a researcher obtains from the field directly, while secondary data refers to the information a researcher obtains from research articles, books, and journals (Mugenda & Mugenda, 2003). This research study used both primary and secondary data in the process of addressing the research problem under study.

Data Collection Methods

According to Mugenda and Mugenda (2003), in social science research, the most commonly used instruments are: questionnaires, interview schedules, observational forms standardized test and content analysis. Although the commonest research instrument is the questionnaire, however, there are disadvantages in using this method since the researcher cannot probe further questions to get further information and cannot control respondents that fill the questionnaire and the response rates (Babbie, 1990). The advantages of the questionnaire are that it saves time and it is economical in terms of money, it is convenient in that respondents can respond based on the contents, and it is easier to administer because each item is followed by alternative cause (Mugenda & Mugenda, 2003). Other disadvantages are that it confuses respondent to the nature of information required, it may discourage the respondents to the extent of discarding the questionnaire, and it may leave important information required in the research study (Mugenda & Mugenda, 2003). Therefore, since the advantages were more than the disadvantages, questionnaire was a better way of data collection.

The interview is another frequently used method of collecting qualitative data. Structured interview and in-depth interviews are the two types of interviews used in research evaluation by the researchers. In structured interviews emphasis is on obtaining

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answers to carefully phrased questions while in in-depth interviews, the interviewers seek to encourage free and open responses, and there may be a trade-off between comprehensive coverage of topics and in-depth exploration of a more limited set of questions. However, this method required a substantial amount of pre-planning, the quality and usefulness of the information is highly dependent upon the quality of the questions asked and there is a possibility that the presence of the researcher may influence the way a respondent answers various questions hence introducing biasness in the responses (Mugenda & Mugenda, 1999).

Mugenda and Mugenda, (1999) further state that an in-depth interview is a dialogue between a skilled interviewer and an interviewee. Its goal is to elicit rich, detailed material that can be used in analysis and such interviews are best conducted face to face, although in some situations telephone interviewing can be successful. Patton (2002) asserts that, the quality of the information obtained is largely dependent on the interviewer's skills and personality. In-depth interviews also encourage capturing of respondents' perceptions in their own words, a very desirable strategy in qualitative data collection. This allows the evaluator to present the meaningfulness of the experience from the respondent's perspective. In-depth interviews are conducted with individuals or with a small group.

However, the disadvantages of in-depth interview method are that it is expensive and time consuming, need well qualified and highly trained interviewers and also the interviewee may distort information through recall error, selective perceptions and desires to please the interviewer, flexibilities may result in inconsistencies across interviews.

Data for this study was collected using questionnaires and interview schedules, which were structured, based on the research objectives. The questionnaires contained mostly closed ended questions and a few open-ended questions. The questionnaires facilitated the determination of the relationship between the independent variables (reward system) and the effect they had on employee satisfaction as the dependent variables and the effect they have on the use of the reward system by the KEFRI. Secondary data was obtained to reinforce collected data from Internet, textbooks, brochures and journals covering the organization under study.

According to Harper, Laws, and Marcus (2003), a questionnaire is a written list of questions, either given or posted to respondents, who fill it by themselves. Information is gathered directly from people through a series of questions, many which are likely to offer the respondent some possible replies to tick.

Questionnaires are commonly used to obtain important information about the population. Each item in the questionnaire is developed to address a specific objective, or research question of the study. The researcher must also know how information obtained from each question item will be analyzed (Mugenda & Mugenda, 2003). The researcher primarily selected data, which was collected using the questionnaires.

Data Collection Procedure

Data collection was done using questionnaires and the interview schedule (Appendix II and III) from respondents. The researcher got permission from the management of KEFRI and a letter from Daystar University department of the postgraduate department as a confirmation of the purpose of the research. The researcher also got a permit from the National Council for Science and Technology to conduct the study.

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The researcher then administered the questionnaires and a brief introduction for the purpose of the research to the selected staff and collected the questionnaires within a period of two weeks.

The research study was conducted from the employees across the board working with KEFRI in all the various sections. The research questions focused on the existing types of reward systems in KEFRI, determined the effects of reward systems on employee satisfaction at KEFRI and the limitations of reward systems hindering employee satisfaction at KEFRI. The questionnaires administered were recorded in the process of determining the flow of distribution and making them ready for analysis.

Questionnaire Pre-testing

According to Harper et al (2003) for questionnaires to provide useful results, the questions must be both valid and reliable. Reliability measures the relevance of the questions included in the questionnaires and validity refers to whether the instrument is actually able to test what it is supposed to test.

Pre-testing enables the researcher to receive important feedback on how questions are to be recorded or restructured. The questionnaire needs to be pre-tested under field conditions before it is ready for the field (Lewin, 2005). It is very important for the researcher to pretest research instruments to enhance clarity of the instruments to be used. The purpose of enhancing clarity is to ensure collection of accurate information and to correct any deficiencies revealed during pre-testing exercise (Mugenda & Mugenda, 1999). The researcher pretested the questionnaires on selected employees of KEFRI in order to improve on clarity, validity and correct interpret of the questions. Finally, the

responses received from the questionnaires were attuned accordingly and any area needing adjustments were done.

Data Analysis Procedure

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making deductions and inferences (Kombo & Tromp, 2006).

Data editing was done to ensure that the data was free from inconsistencies and any incompleteness. After cleaning, the data was coded by developing a codebook and verifying the coded data. The data was entered in Predictive Analytical Software (PASW).

The data was analyzed using descriptive and inferential statistics. In particular, frequencies, tabulation and chi-square were used as descriptive statistics. Chi-square test was used to test/check for association variables. For instance, the study sought to determine association among demographic factors such age and gender, academic qualification and gender, work section and years of experience, work department and awareness of reward systems among others. Significant association was fixed at 5% level of significance ($p = <0.05$).

Non-parametric tests were used to determine the extent at which research questions/objectives were achieved. Kruskal-Wallis test based on the mean rank was used to determine significant differences among demographic factors and types of reward systems practiced at KEFRI as well as their effect on employee satisfaction. This test uses the principle of one-way analysis of variance. It computes ranks of dependent

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variable as influenced by independent factors. It generates mean ranks and significant differences ($p<0.05$) are detected by chi-square. The other non-parameters test used was Mann-Whitney v test when comparing two independent variables. This test uses the principle of t-test, it also computes mean ranks of dependent variable in relation with independent variables. Significant differences were detected at $p<0.05$. The results were presented in tables, pie charts and graphs. Statistical testes were also presented in tables. The data was analyzed using Predictive Analytical Software (PASW).

Ethical Considerations

Conducting the research in an ethical manner is critical and an important component in any research study (Ferrell, Fraedrich & Ferrell, 2008). The researcher recognized that the issue under study was sensitive because it involved the relationship between an employee and the employer. Therefore, there was need to protect the identity of the respondents as much as possible. This means that the questionnaires did not require the respondent's names or details that may reveal their identity.

Hence the term ethics has something to do with the expected practices of community and its individual members. It describes what a society believes to be right or wrong. In this study, it was ethical to have confidentiality. The names of the respondents were not disclosed. Mugenda and Mugenda (2003), states that ethics are norms governing humans thus play a critical role in maintaining harmony in the society.

Chapter Summary

This chapter has outlined the methodology used in the research. It has described the type of research design that was used, the target population, sample size, sampling design, pre testing and ethical consideration. It has further described the procedure used in collecting the research data as well as the data collection instruments, types of data, questionnaire pre-testing, ethical considerations and data analysis procedure.

CHAPTER FOUR

DATA PRESENTATIONS, ANALYSIS AND INTERPRETATION

Introduction

This chapter presents the empirical data collected using questionnaires, analyses

and interpretation of the findings on the types of reward systems applied by KEFRI,

effects of the reward systems on employee satisfaction, and shortcomings of KEFRI

reward systems. The study objectives included identifying the existing reward systems of

KEFRI, determining the effects of reward systems and the limitations of the reward

systems. The data is presented in form of tables, pie charts and graphs.

Response Rate

Eighty questionnaires out of 111 were completed and returned giving a response

rate of 72%, which is generally accepted in research and hence reasonable enough to use

for analyses, drawing conclusions and making recommendations. This is confirmed by

Mugenda and Mugenda (2003) who state that a 60% response rate is good for acceptable

statistical interpretation while a response of 30% and below is not acceptable.

Gender, Age and Academic Qualification

Gender in general terms refers to the social and cultural differentiation among

members of a given community. However, for the purpose of this study gender was

limited to males and females. The male employees formed 59% and female formed 41%

of the respondents. Of the respondents 61% were between 41 to 50 years (Table 4.1).

This indicated that the proportion of employee interviewed at KEFRI were relatively

advanced in age and better placed in providing information on reward systems.

Table 4.1:Age Category of Respondents

Age category	Frequency	%
21-30	2	3
31-40	11	14
41-50	49	61
>51	18	23
Total	80	100

The survey results showed that the highest academic qualifications of most employees were diploma 33% (26) and degree 37% (30) holders resulting to cumulative proportion of 70% (Figure 4.1) with the rest of staff being certificate holders and below. This indicated that the sample selected in this study was more likely to have deeper understanding and knowledge of the reward systems at KEFRI. Further, there was no significant association (p>0.05) between gender and academic qualification (Table 4.2). This implied that male and female employees had similar academic qualifications.
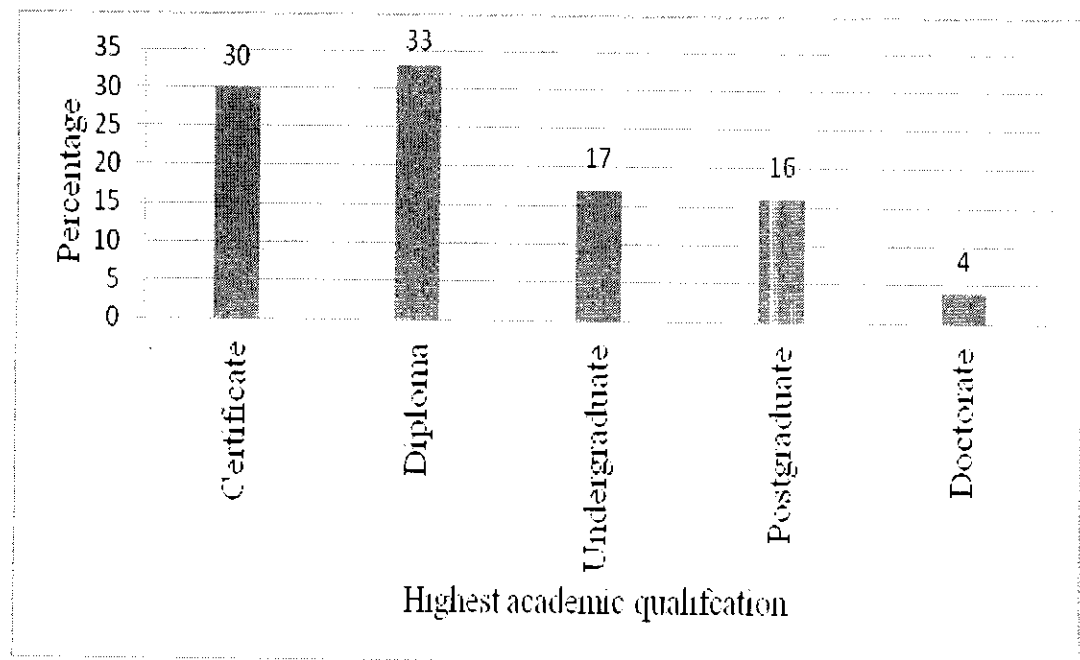
Figure 4.1: Highest Academic Qualification of the Respondents

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Table 4.2: Association between Gender and Academic Qualification of the Respondents

Gender	Highest level of academic qualification of the respondents					
	Certificate (%)	Diploma (%)	Undergraduate (%)	Postgraduate (%)	Doctorate (%)	Total (n)
Male	29	31	21	15	4	47
Female	33	33	12	18	3	33
Test statistics:χ^2 = 1.221; d.f = 4; p= 0.875						

Employee distribution across department, section and work experience at KEFRI

The proportion of respondents from research and development department was 45% (36) as compared to 55% (44) from the finance and administration. This indicated a fair representation of employees working in these two departments of KEFRI. Consequently, there was an even distribution of the sample selected across sections (in the two departments) as shown below.

Table 4.3: Distribution of Respondents across Work Section

Work section	Respondents	%
Research	20	25
Technical	16	20
Sub-total	36	
Supplies	7	9
Accounts	9	11
Human resource	10	13
Administration	14	18
Support	4	5
Sub-total	44	
Total	80	100

The results also showed that 80% (64) of the respondents had worked at KEFRI for more than 15 years (Figure 4.2). This provides a basis for an assumption that majority of staff have a long enough experience to provide reliable data and information on the reward system. The years of experience in each section were also skewed towards the

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range of over seven years. The Kruskal Wallis test based on the mean rank (Table 4.4) showed a significant difference (p<0.05) among working sections in the duration worked at KEFRI. This implied that the selected sample had rich and wide experience on the working environment of KEFRI. This provided appropriate information on issues raised in this study on reward systems and their effect on job satisfaction and their corresponding shortcomings.
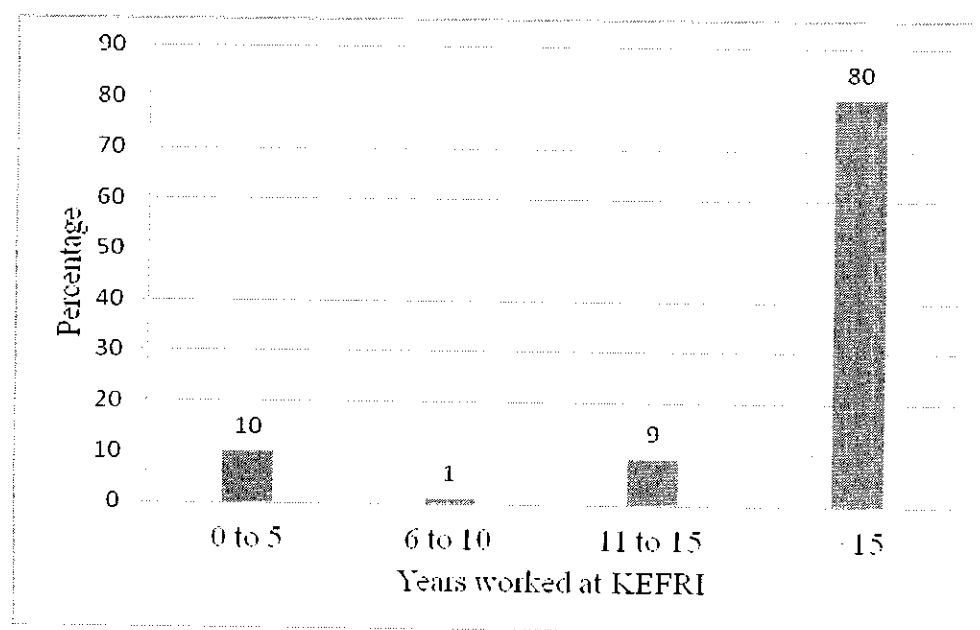
Figure 4.2: Duration/Work Experience at KEFRI

Table 4.4: Working Section and years of Experience at KEFRI

| Work section | Duration worked at KEFRI | | | | Total (n) | Mean rank |
	< 3 years (%)	3-5 years (%)	5-7 years (%)	> 7 years (%)		
Research	35	35	0	30	20	27.1
Technical	6	31	0	63	16	43.2
Supplies	14	14	0	71	7	44.8
Accounts	11	78	0	11	9	24.8
Human resource	0	10	10	80	10	55.8
Administration	0	31	0	69	13	46.5
Support	0	0	0	100	4	57.0
Test statistics:	Kruskal Wallis: χ^2 = 23.439; d.f = 6; p= 0.001					

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Awareness of Reward Systems at KEFRI

Eighty four percent of the respondents were aware of reward systems applied at KEFRI and the associate rewards (Figure 4.3). This showed that the reward systems at KEFRI were well popularized among the employees. However, the sixteen percent that were not aware may be attributed to failure to read the human resource manuals, poor attendance of staff meetings among others and also inadequate understanding on what a reward system entails.
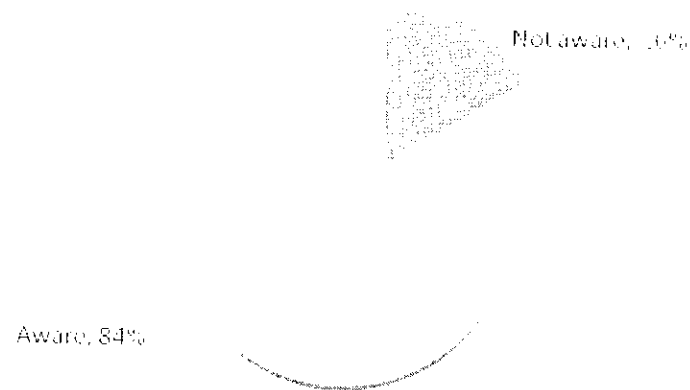
Figure 4.3: Proportion on Employees' Awareness about KEFRI Reward Systems

The level of awareness of KEFRI reward systems was not significantly different (p>0.05) and association with department (Table 4.5). These implied employees in the two departments were aware of various reward systems offered by KEFRI.

Table 4.5: Department of Respondents and Awareness of KEFRI Reward Systems

	Aware of KEFRI reward systems		
Work department	Yes (%)	No (%)	Total (n)
Research and Development	77	23	36
Finance and administration	89	11	44
Test statistics: χ^2 = 1.898; d.f = 2; p= 0.105			

Similarly, there were no significant differences and association (p>0.05) among the years of working experience and the level of awareness of KEFRI reward systems (Table 4.6). This implied that employees from both research and administration departments with limited and long work experience were mainly aware of the kind of rewards provided by KEFRI management.

Table 4.6:Duration (years) of Respondents and Awareness of KEFRI Reward Systems

Duration of work in years	Aware of KEFRI reward systems		
	Yes (%)	No (%)	Total (n)
0-5	100	0	6
6-10	100	0	8
11-15	86	14	7
>15	81	19	59
Test statistics: χ^2 = 1.610; d.f = 3; p= 0.657			

Types of reward systems applied by KEFRI

Of those who were aware of the reward systems, 39% identified capacity enhancement of employees as the most practiced rewards in the category of empowerment and autonomy. This was followed by delegation of duty. Unpaid leave and involvement of decision making were the least practiced by KEFRI management (Table 4.7).

Table 4.7: Types of Reward Systems on Empowerment and Autonomy Category

Types of reward systems	Frequency (n)	(%)
Involvement in decision making	28	19
Capacity enhancement	56	39
Unpaid leave	23	16
Duty delegation	37	26
*Total	144	100

* Total (n) is multiple response presentation

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Further analysis showed no significant association and difference (p>0.05) between KEFRI departments and rewards systems on empowerment and autonomy category (Table 4.8). This implied that employees from the two department showed that KEFRI management practices the specified types of rewards. According to Porter et al. (2003) organizations should come up with reward systems that satisfy better performers and encourage them to stay with the organization. It should attract the achievement-oriented individuals where performance is rewarded.

Table 4.8: Work Department and Types of Rewards on Empowerment and Autonomy

| Department | Empowerment and autonomy | | | | |
	Involvement decision making (%)	Capacity enhancement (%)	Unpaid leave (%)	Duty delegation (%)	Total (n)
Research and development	46	33	0	0	36
Finance and administration	34	47	3	11	44
Test statistics:	χ^2 = 4.228; d.f = 3; p= 0.238				

Similarly, there were no significant association and differences (p>0.05) among the years of experience and reward systems on the category of empowerment and autonomy (Table 4.9). This implied that employees with different years of work experience equally identified types of reward systems practiced by KEFRI.

Table 4.9: Years of Experience and Types of Rewards on Empowerment and Autonomy

| Work experience (years) | Empowerment and autonomy | | | |
	Involvement in decision making (%)	Capacity enhancement (%)	Mean rank	Total (n)
< 10	50	50	30	8
11-15	14	86	41.1	7
> 15	49	51	30.3	47
Test statistics:	χ^2 = 3.041; d.f = 2; p= 0.219 Kruskal Wallis: χ^2= 2.991; d.f = 2; p = 0.221			

Armstrong (2006) says that reward systems are categorized in various forms as pay/salary, recognition and appreciation, empowerment and autonomy, and fringe benefits. Rewards need to be competitive in relation to compensating workers for their labour. The types of rewards that employees recognized that are less than 20% practiced by KEFRI were incremental credits, nomination to committees and entertainment allowance among others (Table 4.10). This indicated that there is low perception by employees on the reward system practiced by KEFRI on the category of recognition and appreciation. As supported by Porter and Lawler, 2003 employees are valued according to their contribution, skill and competence. As per KEFRI's context these rewards are given to the management team who are categorized as director, deputy directors, centre directors and national programme coordinators who play the key role in the management of the institute and KEFRI's productivity.

Table 4.10: Types of Rewards on the Category of Recognition and Appreciation

Types of rewards	Frequency (n)	%
Nomination to committee	41	18
Incremental credits	41	18
Extraneous allowance	27	12
Entertainment allowance	36	15
Responsibility allowance	36	15
Study leave	33	14
Awards	20	9
Total	234	100

The results showed that less than 15% of each of the financial rewards were practiced by KEFRI management (Figure 4.4). Honoraria, special duty and acting and bicycle allowances were the least financial rewards practiced by KEFRI. This is evident

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as per Beardwell and Claydon (2007) who argue that organizations provide financial rewards to their employees so as to meet their basic human needs, which include food, water and comfort. Basic pay, commuter allowance, medical allowance, house allowance are the most used rewards applicable in KEFRI.
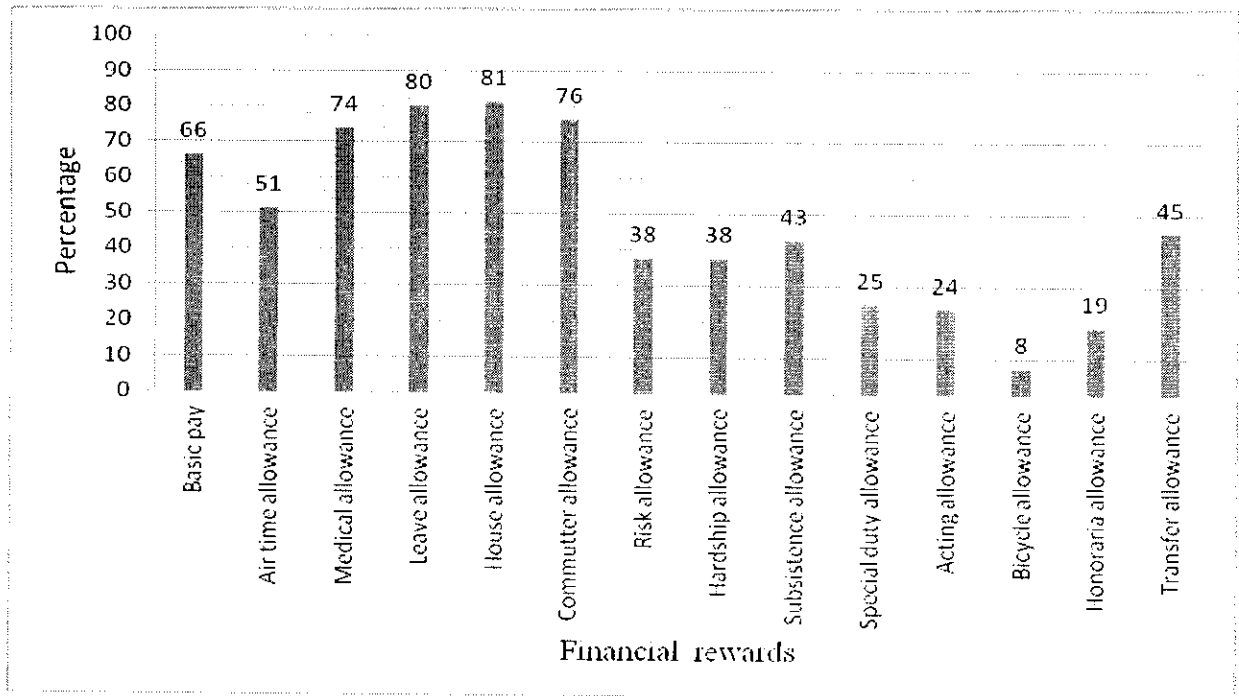
Figure 4.4: Types of Financial Rewards

The main promotional reward practiced by KEFRI was incremental credit (60%) followed by upward mobility (Figure 4.5). The better job prospects were the least identified reward on promotions, implying that employees were not effectively on vertical growth in their careers. This is likely to reduce their job morale and overall performance. This implies that promotions be done in timely manner as per the stipulations of the personnel manual. Cases where there are delays, the employee should be given a feedback on the status of his/her promotions within the time he/she due for promotions. Porter et al. (2003), affirms that financial incentive is perceived as valuable

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and increased performance is expected to lead to outcomes are believed to result in financial rewards; such rewards should enhance performance through increased extrinsic motivation and effort.
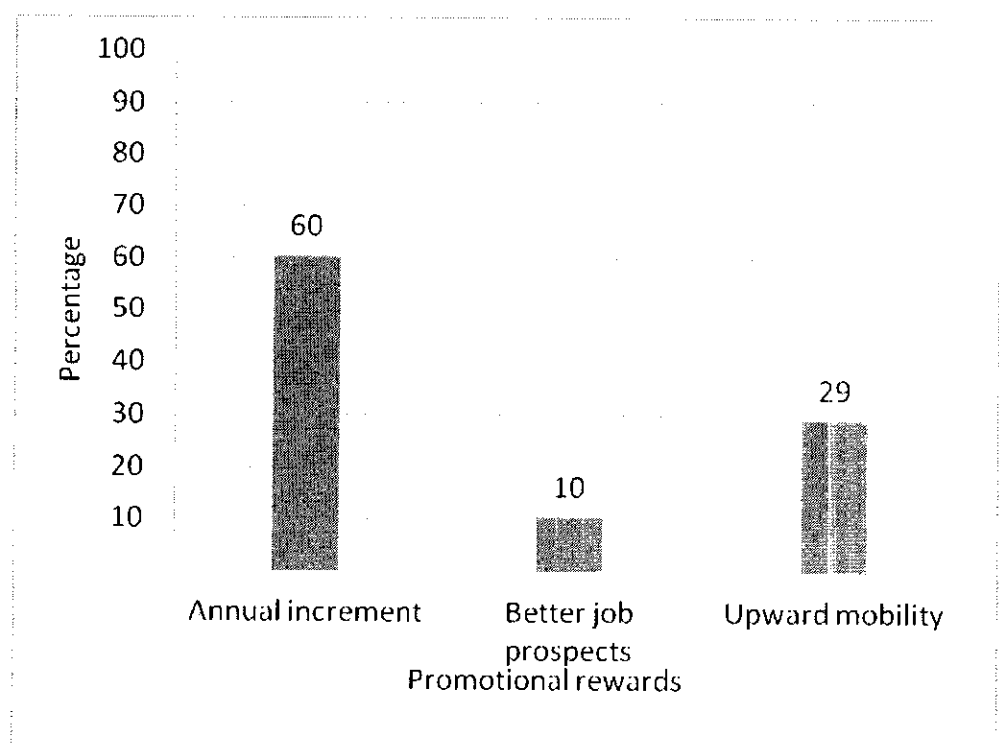
Figure 4.5: Promotional Rewards Practiced by KEFRI

Types of Rewards Received by Employees between 2009 and 2011

There were no significant differences and associations (p>0.05) among types of rewards employees received between 2010/2011 and 2008/2009 financial years (Table 4.11). This implied that the rewards were evenly distributed across the specified financial years. An honorarium was the least received reward in 2009/2010 financial year whereas awards were among the rewards with high proportion during 2010/2011 financial year even though the numbers of employees in these categories were small. On the contrast, annual increment, incremental credits, capacity building and nomination to committees were among the most frequent rewards received across the years. Rewards seem to have

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increased in the 2010/11 financial year. This was attributed by the introduction of commuter allowance, promotions, annual increment, airtime allowance, awards, nomination to committees and these increased the employee satisfaction rate. Kirimi and Minja (2011) similarly assert that human resource specialists recognize those that positively impact the process of change and the wins are celebrated.

Table 4.11: Types of Awards Received in the Last Three Financial Years

Types of awards received	Financial years			Total (n)	Mean rank
	2010-2011 (%)	2009-2010 (%)	2008-2009 (%)		
Capacity enhancement	43	32	25	44	176.1
Unpaid leave	50	25	25	4	167.4
Nomination to committee	58	26	16	38	147.9
Incremental credit	37	33	30	43	189.1
Extraneous allowance	53	23	24	17	162.1
Entertainment allowance	33	33	33	9	197.2
Responsibility allowance	43	21	36	14	187.4
Study leave with pay	57	14	29	14	161.9
Awards	88	12	0	8	94.0
Airtime allowance	58	16	26	19	158.6
Risk allowance	50	25	25	4	167.4
Hardship allowance	20	40	40	5	221.0
Subsistence allowance	41	32	27	22	181.3
Special allowance	25	25	50	4	224.8
Transfer allowance	0	25	75	4	282.1
Annual increment	36	32	31	99	191.2
Honoraria	0	100	0	1	206.0
Promotion	33	11	56	9	219.7
Test statistics: $\chi^2_{(association)}$ = 31.952; d.f = 34; p= 0.568; Kruskal Wallis; χ^2 = 22.599; d.f = 17; p= 0.163					

Overall, the mean score on fair provision of rewards at KEFRI was 2.69 out of five point scales. This implied that employees moderately agreed that reward systems were fairly awarded (Figure 4.6). On the five point likert scale, this may indicate that some rewards were not fairly awarded. This implies that employees felt that rewards were

not fairly awarded and lacked transparency and openness in promotions. It would be better if employees are communicated to and given feedback on their promotion status. For those who have been promoted, it would be better if the results are posted either on the website, notice boards or recognize them during Director's forum for transparency purposes. This would improve employee satisfaction and enhance productivity.
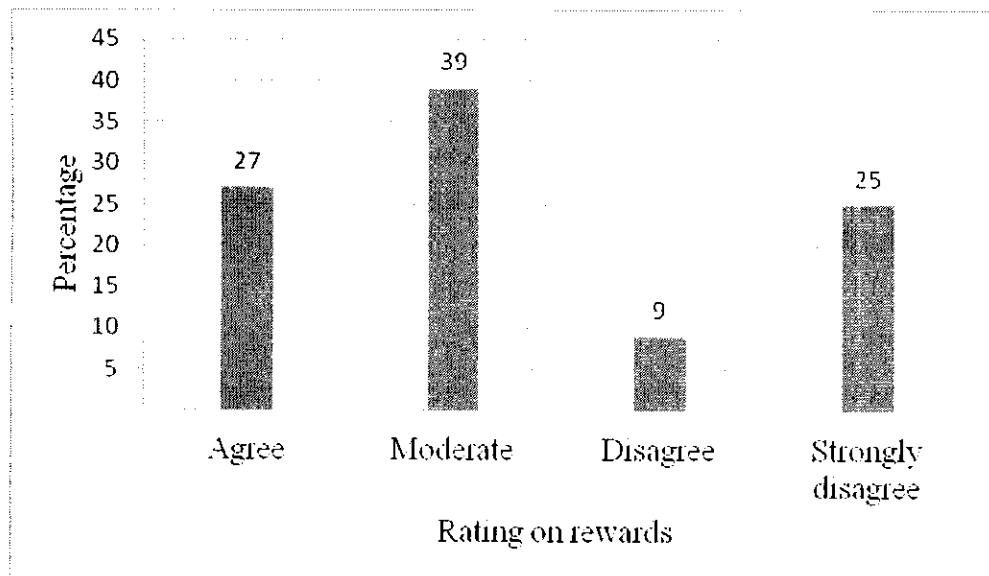
Figure 4.6: Rating of Agreement on whether Rewards are Fairly Awarded

Similarly, the results on whether KEFRI reward systems had achieved the objective of the institute was 41%. This implied the respondents moderately agreed that the practice of rewards systems was more likely to enable the institute attain her objectives (Figure 4.7). This is interpreted to mean that employees are moderately satisfied with the application of the reward systems thus the need to improve them. The organization would evaluate and modify in accordance with the changing needs of the business since employees are valued according to their contribution, skill and competence (Porter & Lawler, 2003).
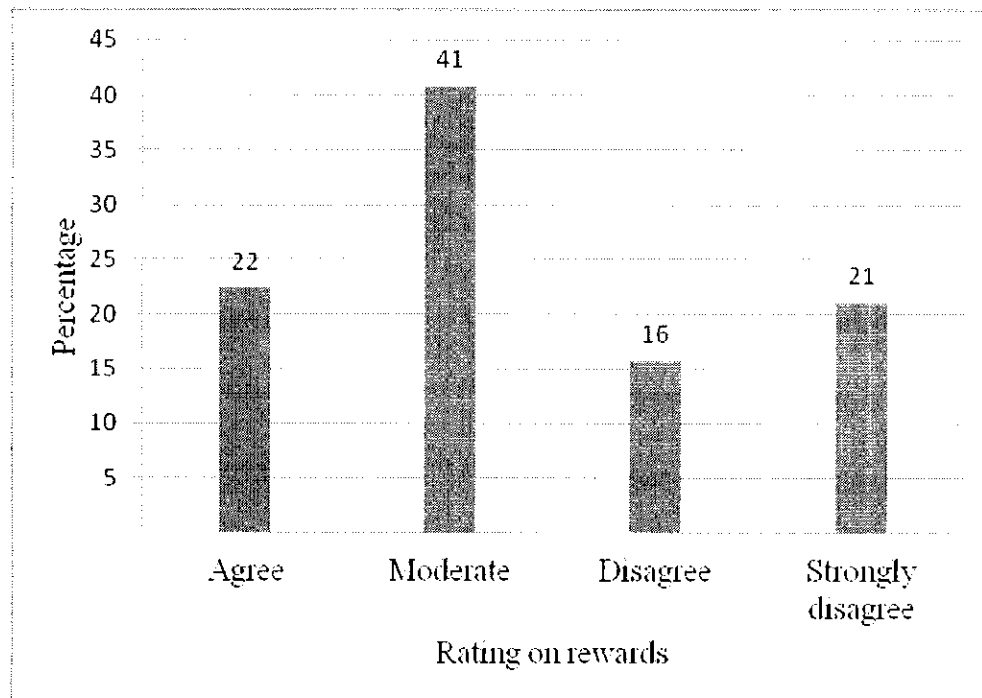
Figure 4.7:Rating of Agreement on whether Reward Systems will enable KEFRI Achieve its Objectives

Reward Systems and Employee Satisfaction

The results showed overall, employees moderately agreed that various reward systems have helped in improvement of job productivity, which implies that the Institute was more likely to achieve the targets especially the ones set during performance contracting. Similarly, enhanced innovation will improve the technical output of the staff, a desirable aspect especially in realization of Vision 2030. Widened network, enabled the Institute achieve its targets and enhanced self-esteem. In contrast, employees disagreed that rewards have motivated them to acquire new projects. This was similar to equity and fairness of rewards in enhancement of employees' satisfaction. This is justified by Mondy (2008) who attributes equity theory as one of the motivational theories that people use to assess their performance and compare both their contribution to work and the benefits they derive from it.

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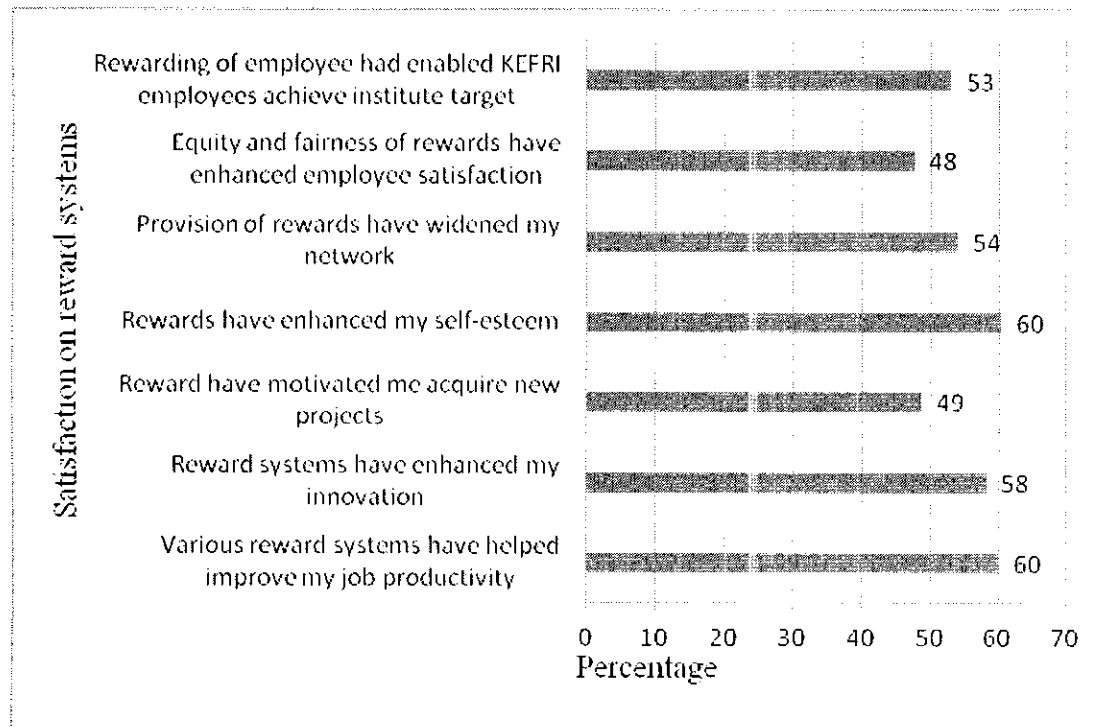
Figure 4.8: Overall Rating on Effect of Reward Systems on Employee Satisfaction

Overall, reward systems were rated that employees moderately agreed that rewards enhanced self esteem of employees (60%) followed by improvement of job productivity and innovation. The least (48%) was equity and fairness of rewards to enhance employee satisfaction (Figure 4.8). This implied that the overall satisfaction level on rewards was consistent with cumulative of 59% where respondents agreed and indicated sometimes that reward system enhanced employee satisfaction (Table 4.12).

Table 4.12:Reward Systems on Enhancement of Employee Satisfaction

Reward systems enhanced employee satisfaction	Frequency (n)	(%)
Yes	16	19
Sometimes	31	40
No	19	23
I don't know	14	18
Total	80	100

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Of those said yes, (67%) were satisfied on job performance, they felt recognized and rewarded (Table 4.13). Thirty three percent felt they were not satisfied and there was a failure to translate rewards into monetary gains. This showed overall, implementation of rewards positively affected employee job satisfaction.

Table 4.13: Implementation of Rewards Systems and Job Satisfaction

Extend at which rewards affected employee's job	Frequency (n)	(%)
Not satisfied	3	20
Satisfied because feel recognized and rewarded	10	67
Fairly satisfied	1	7
Failure to translate most rewards into monetary gains	1	7
Total	15	100.0

Consequently, (55%) agreed that reward systems enhanced employee satisfaction and indicated implementation of reward systems affected their job performance by raising their morale especially when there were salary increases. (20%) agreed that rewards have enabled them get in touch with officers (Table 4.14).

Table 4.14: Effect of Implementation of Reward System and Job Performance

Effect on job performance	Frequency (n)	(%)
Raises morale when there were salary increments	11	55.0
It has assisted get in touch with officers and worth over time	4	20.0
Lowly motivated hence poor performance	3	15.0
Moderately enhanced performance as some of regulation is attained among target staff	2	10.0
Total	20	100.0

The results further showed significant differences and associations ($p<0.05$) among measurement variables on the effect of reward systems in an organization aimed

at improving employee satisfaction. In particular, respondents agreed that reward systems have an effect on meeting productivity levels (74%), positively motivates employees to achieve goals (76%), encourages employees in gaining new skills (76%), supports organization's mission and vision as well as promotes employees satisfaction (74%). On the contrary, respondents moderately agreed reward systems encourages multi-tasking, responds to a problem appropriately, prepares employees for succession planning, clearly communicates goals to all members among others. Overall, variables of analysis on the effect of reward systems in an organization with an aim of improving employee satisfaction was between moderately agreed and agreed (Figure 4.9). This implied that employees agreed the positive effect rewards have towards their satisfaction.
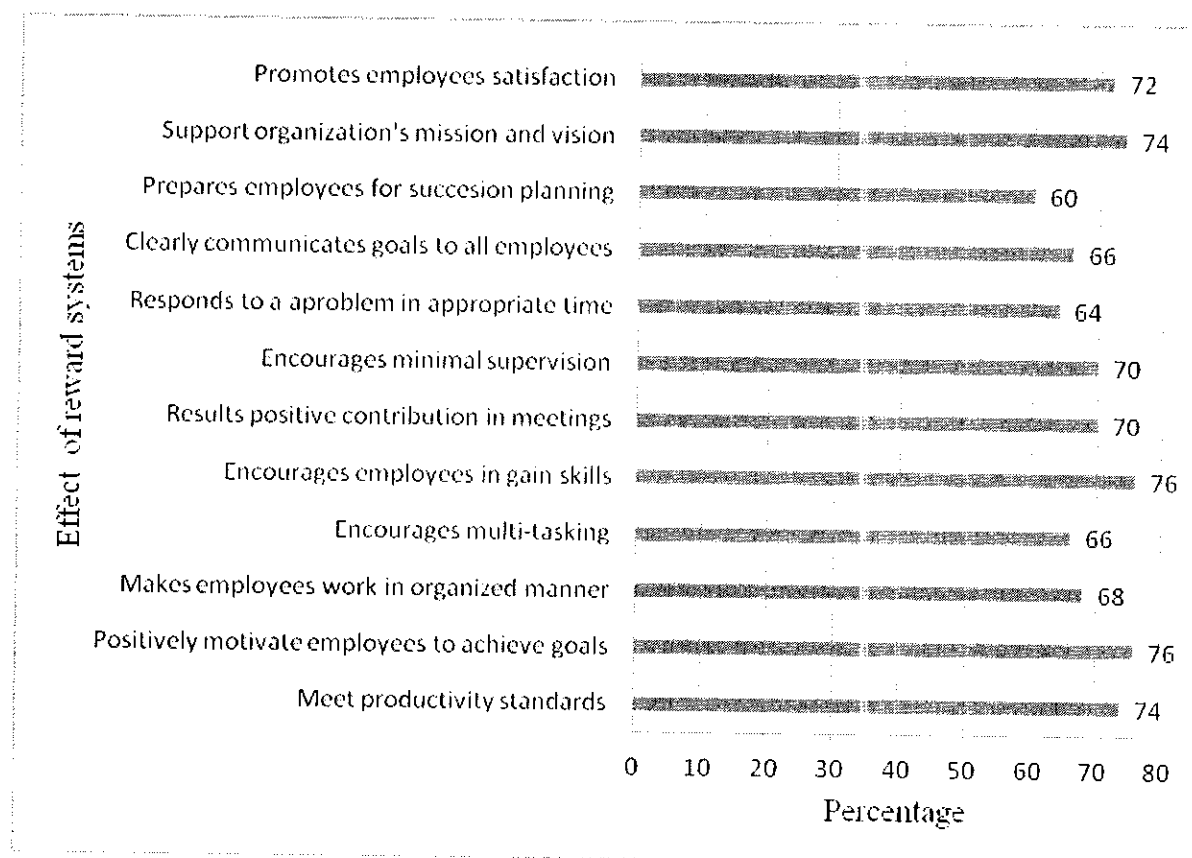
Figure 4.9: Effects of Reward Systems in Improving Employee Satisfaction

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Shortcomings of KEFRI reward systems

The results (Figure 4.10) showed over 60% of the respondents agreed there were problems among various categories of reward systems. Of the highest proportion (82%) among categories of reward system employees viewed as having problems was promotion followed by recognition and appreciation.
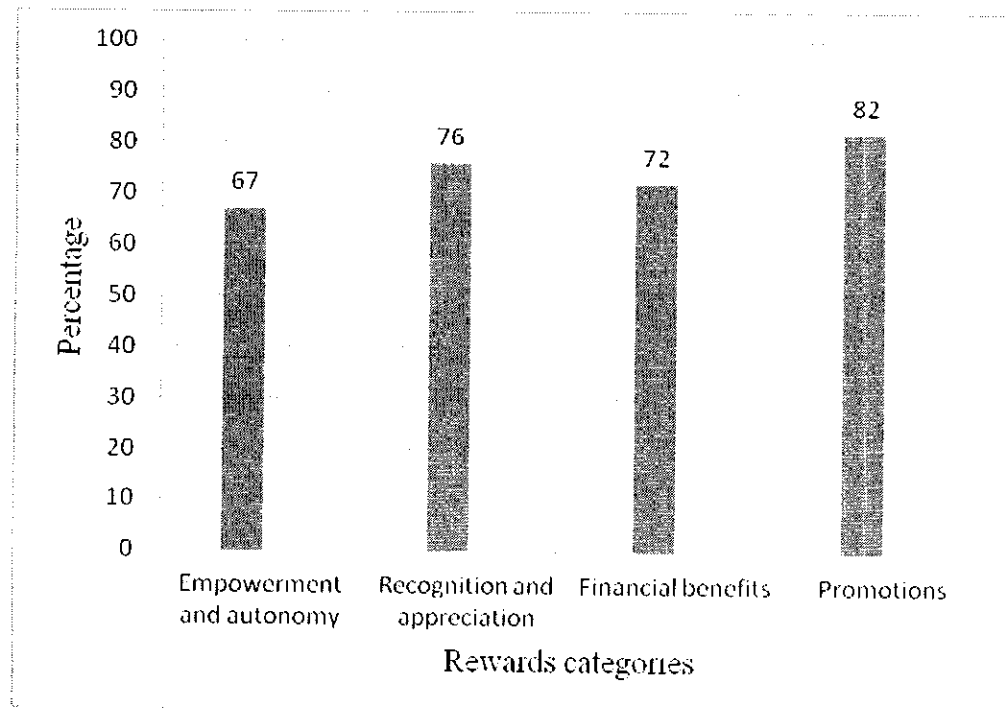
Figure 4.10: Problems Among Reward Systems at KEFRI

The key problems identified across categories of reward systems were; partiality (23%), delayed promotions (15%), lack of upward mobility (9%), nepotism (6%), no appreciation (9%) among the junior cadres, wide financial gaps demoralizing others among others (Table 4.15). This suggests that there were problems on the procedure sought for empowerment and autonomy, recognition and appreciation, financial benefits and promotions which need to be revised in order to retain the spirit of staff motivation policy, inclusive for all. This corresponds to Porter and Lawler (2003) who argue that it is

important to assess quality and quantity of performance as compared with the rewards granted to the employees. Employers should ask themselves whether employees are recognized, appreciated, satisfied, motivated, awarded bonuses or given fringe benefits so as to meet their targets.

Table 4.15: Problems Perceived with Reward Systems

Problems perceived among reward systems	Frequency (n)	(%)
Nobody is appreciated especially lower cadre	10	9
Gap on financial benefits is very high demoralizing others	9	8
Done how you know committee members	9	8
No teamwork across the cadre	4	3
Imprests are filled without surrendering the one due	1	1
A lot of partiality	27	23
Lack of proper human resources development policy	5	4
Lack of proper financial management policy	1	1
Lack of upward mobility	10	9
Allowances are too low	1	1
Lack of succession plan in places likely to create a vacuum	1	1
Most awards are in monetary terms	1	1
Wrongly set priorities decided upon by management	1	1
A lot of nepotism	7	6
Officer concern are not independent and empowered	3	3
Job description not clear-cut.	1	1
Delayed promotions	18	15
Delaying of government circulars	1	1
Management to devolve administration and not to supervisors	1	1
Working tools inadequate	1	1
Micro management	2	2
Head of cost centre to be allowed to change expenditure	1	1
Hard working people not singled out	1	1
Injustice	1	1
Employees take too long to be taken for further training	1	1
Total	118	100

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The key suggestions provided on how to overcome such problems included; rewards be on equal basis without overlooking junior cadres (17%), Instill proper mechanism to assist human resource department that lack the capacity (13%), human resources to activate timely promotions when due (19%), adherence to the new scheme of service (11%), cadres to have their junior representatives in committee meetings among others (Table 4.16). This implies that employers need to appropriately and equitably reward the efforts of their employees (Ghosh, 2005). Employees should be shareholders in their organizations and reap the benefits received and achieved.

Table 4.16: Suggestions on how to Overcome Problems Identified on Reward Systems

Suggestions on how to overcome	Frequency (n)	(%)
Be done on equal basis not over looking junior cadres	18	17
Narrow the gap of salaries between job groups	8	7
Cadres to have their junior representatives in committee meetings	11	10
Management should discipline non performers where necessary	3	3
Report should be written immediately after field work and made available	1	1
Instill proper mechanism to assist human resource department that lack the capacity	14	13
Strong financial management that allows prudent financial policy	3	3
Human resources to activate timely promotions when due	21	19
Allowances should be improved to motivate the staff	1	1
Succession plan to be put in place	1	1
Have no discrimination on awards	2	2
Respect recommendations of the immediate supervisors in all areas by Management	2	2
Officers responsible should be independent and well empowered	3	3
Job description to be made clear	1	1
Adherence to the new scheme of service	12	11
Provision of enough working tools	1	1
Independence	2	2
Head of coast centre not allowed to change votes	1	1
Hard working people to be identified and be fair	2	2
Employees to trained after three years	1	1
Total	108	100

The list of problems and suggested solutions were in tandem with employees' feeling on whether to maintain the reward systems, in particular 75% did not agree as compared to 25% who agreed. This indicated that a need to review the reward systems practiced by KEFRI in order to increase the satisfaction of employees. Various reasons were provided on why there is no justification to maintain the reward system. The main ones included; the reward system requires a proper committee that will gear the organization into free and fair rewarding, make it more efficient by recognizing achievement after training and also gained experience, the current system favours individuals and therefore retrogressive among others (Table 4.17). Luthans (2008) argued the more incentives that an organization provides to employees, the more employees reciprocates by becoming more effectively committed to the organization and by performing at higher levels.

Table 4.17: Reasons why KEFRI Should Maintain the Reward Systems

Reasons	Frequency (n)	(%)
Need to bridge the gap between top managers and lower cadres	2	5
Should improve and be diverse in rewarding staff	4	11
The reward system requires a proper committee that will gear the organization into free and fair rewarding	15	40
Make it more efficient by recognizing achievement after training and also gained experience	6	16
The current system favours individuals and therefore retrogressive	6	16
Urgent need of the service of reward systems	5	14
Total	38	100

In order to improve the current reward system, various options were suggested, namely; KEFRI management avoid rewarding committee in total but focus on individuals involved, sensitize the staff on how participate in the reward systems, committee to look

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for ways and means of ensuring transparency in the reward systems among others (Table 4.18). Porter et al. (2003), affirms that organizations should come up with reward systems that satisfy the better performers and encourage them to stay with the organization. Reward systems attract the achievement-oriented individuals because such employees tend to prefer environments where performance is rewarded.

Table 4.18: Suggestions on other Consideration for Reward Systems

Reward systems to be considered	Frequency (n)	(%)
Reward system to be based on performance not how well you are known	2	13
Committee to look for ways and means of ensuring transparency	3	19
Extraneous allowances should be improved as compared to the kind of work one does	2	13
Don't reward committee in total but reward individuals involved	4	25
Reward benchmarks should be set and adhered to for encouragement of creativity, production and hard work	1	6
The system is good but the staff should be sensitized on how to participate	3	19
The human resource department to be re-organized and officers to take over	1	6
Total	16	100

Suggestion on How to Improve Employee Satisfaction

The key suggestions provided were; all staff should be trained equally and fairly (31%), rewards based on the merit and education excellence that is not subject to bias (14%), better pay through better annual increment that cut across all cadre (10%) among others (Table 4.19). KEFRI management needs to adjust the salaries as per new scheme of service and implement the consultant recommendations. All staff should be trained equally and fairly after every three years for knowledge management. Promotions should be done in timely manner as per the stipulations of the human resource manual. Cases

where there are delays, the employee should be given a feedback on the status of his/her promotions within the time he/she due for promotions. Reshuffle staff so that employees can have a feel of how other stations operate. The theory of equitable payment proposes employees have an intuitive knowledge about their knowledge, skills and capacity to work, and compare them with their compensation to establish fairness (Kandula, 2006). According to this theory, when people feel fairly treated, they are most likely to perform better.

Table 4.19: Suggestion on Improvement of Employee Satisfaction at KEFRI

Suggestion on how to improve employees satisfaction	Frequency (n)	(%)
To listen to junior and staff implement their complains	2	5
Should identify staff strength and support them	3	7
Rewards based on the merit and education excellence that is not subject to bias	6	14
Employee paid as per the economic time so as to improve their satisfaction	1	2
Better pay through better annual increment that cut across all cadre	4	10
Borrow a leaf from other institutions	3	7
All staff should be trained equally and fairly	13	31
Motivation of employees and all things to be done overboard	4	10
Enhancement for training for higher skills	2	5
Have a medical scheme that is insurance based	2	5
Create extra post particularly for senior technical staff	1	2
Reshuffle staff within section /programme after working for five years	1	2
Total	42	100

Unstructured interviews were conducted with KEFRI top management with an aim to get information on reward systems and its effect on employee satisfaction. The information gathered from the interview from the KEFRI Management was analyzed

qualitatively using content analysis method. The deputy directors and national programme coordinators were interviewed and gave their comments.

On the existing types of rewards, the participants said that there existed the monetary and non-monetary rewards in the organization. The study found that the management of KEFRI gave a fair rating of the reward management system, citing that there was room for improvement. For the rationale of improving the satisfaction level of the employees, the management felt that the following areas required to be enhanced: allowances payable to the workforce, promotions of staff should be not be delayed, and more suitable training programmes granted to staff without biasness.

The study also revealed that the management lacked instruments for determination of a clear measure of employee's performance and competency in evaluating implementation of the reward systems. The findings further showed that the effect of reward system on employee satisfaction at KEFRI was evident in how operations were carried out and the results from the employees. Staff felt that management should compare with other research institutions and come up with modalities of improving the rewarding system. One of the ways is to organize interactive meetings with staff so as to identify reasons as to why staff are demotivated and discussed on how to improve on employee satisfaction. Staff appraisal be more interactive to enable staff speak out their mind on the challenges they face and discuss the way forward on how to improve productivity.

Generally, this is shown on the employee's commitment to achieving the organizations goals, as the management attributed performance and morale to the reward management system at KEFRI. An improvement on the rewarding system will enhance

self-esteem and KEFRI may consider incorporating a decentralized decision-making on reward systems so as to effect upholding the employee morale and performance. This would go a long way in encouraging teamwork, multi-tasking between numerous tasks, and preparing the staff for succession planning.

This study employed descriptive statistics to analyze the data obtained. Descriptive statistics involved the collection, organization and analysis of all data relating to some population or sample under study.

Chapter Summary

This chapter has presented an analysis and interpretation of the data collected from the respondents. From the analysis and in relation to the key objectives, it is evident that reward systems have an effect on employee satisfaction, which is very important to organizational output. Without well-rewarded staff, the organization cannot deliver its mandate effectively. This is so because rewards motivate staff to be better performers and through this, the organizations objectives are met. The work output of rewarded staff, the quality of work and the service delivery are enhanced if the employer meets employee's needs.

The findings indicated that 84% of the respondents were aware of the existing types of reward systems while 16% were not aware attributed due to failure to read the Human Resource manual, attend staff meetings and ignorance. Those who identified capacity enhancement were 39%, involvement in decision-making 19%, unpaid leave 16% and duty delegation 26%. In recognition and appreciation the staff awareness percentage was nomination to a committee 18%, incremental credits 18%, while in financial benefits, annual increment was 60%.

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The employees moderately agreed that the various reward systems helped in improvement of job productivity, enhance innovation will improve the technical output of the staff. Widened network helped achieve its targets and enhanced self-esteem. Contrary, the employees disagreed that rewards motivated them to acquire new projects. Similar to equity and fairness of rewards did enhance employee satisfaction. Findings also showed that awards seems to have improved significantly in the current years compared with the last three years.

Over 60% of respondents showed that there was a problem among various reward systems in KEFRI. 82% of the respondents viewed promotion as having the highest percentage of shortcomings followed by recognition and appreciation. Suggestions on how to overcome the shortcomings were reviewing of the reward systems at KEFRI. Some staff had stagnated in the same job group for very long period of time. This has not only reduced their morale of work but also denied them annual incremental credits likely to trigger low productivity. It is therefore recommended that the new scheme of service to upgrade such staff in order to improve work satisfaction. Most cited cases were technologists, technicians, scientists and auxiliary staff.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

In this chapter the researcher discusses the overall findings in line with the conceptual framework with the aim of answering the research questions as well as the research purpose. The chapter presents summary of the findings as presented in chapter four and uses these summaries to discuss the results, draw conclusions and make recommendations. The objectives of this study were to identify and analyse the existing types of reward systems in KEFRI; to determine the effects of reward systems on employee satisfaction at KEFRI; and to identify and analyse the limitations of KEFRI reward systems in employee satisfaction. This chapter is hence structured as follows: discussion, summary, conclusion, recommendations and possible area for further research.

Discussions

In objective one, it was evident that KEFRI employees were aware of the various reward systems practiced by the Institute. This may suggest that various mechanisms of information sharing, access to human resource documents, participation in staff meetings, feedback from management among other channels of communication were yielding clarity of reward systems at KEFRI. This will have a positive effect on job performance because employees will be working towards achieving any of the rewards. This concurs with Luthans (2008) who asserts that organizations provide rewards to their employees in order to try to motivate their performance and encourage their loyalty and retention.

There are different types of rewards practiced at KEFRI, these were financial, empowerment and autonomy, recognition and appreciation, financial and promotions.

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One fundamental issue on reward is that all employees at KEFRI received basic pay, commuter allowance, medical allowance, leave allowance and house allowance which were categorized as financials. Twenty percent (20%) of employees received responsibility allowance, entertainment allowances and subsistence payable to senior staff attending courses/training outside of Kenya.

Other rewards that employees did receive were hardship allowance, risk allowance, acting allowance, special duty allowance and extraneous allowance, which was categorized in the recognition and appreciation category. These are rewards paid to the Head of Departments who play a vital role in the management of the institute. Bicycle allowance and transfer allowance were the least received since the institute provides transport for staff on transfer and thus has replaced these two allowances.

The findings from the second objective on the effects of reward systems on employee satisfaction showed that employees met their productivity standards and were encouraged in gaining new skills and responded well to a problem in an appropriate time. It also indicated that performance improved with an increase in knowledge and skill, as well as experience and a committed workforce. Through rewarding employees equitably, the organization's performance is enhanced. Employee commitment to the organization is more assured. Similarly Mathis and Jackson (2004) concurs that the tasks and responsibilities that are outlined in the job description are used to determine the value of the job to reflect a logical, rational approach to compensating employees.

The results indicated that annual increment was the most well practiced reward in KEFRI compared to upward mobility and better job prospects. Seventy percent (70%) of staff were given annual increment than being promoted to higher levels. Most of the

employees at KEFRI received capacity enhancement, nomination to a committee, annual increment and study leave with pay. However, twenty percent (20%) received rewards on responsibility allowance, entertainment allowance, extraneous allowance and airtime allowance in the past three years. The findings indicate that employees felt that the rewards were not fairly awarded. The reasons being that the hard working employees were rewarded same as the non-performing staff. It was suggested that a proper reward system should be put in place to identify the hard working staff and reward them for their efforts. Luthans (2008) confirms that the more incentive that an organization provides to an employee, the more that employee reciprocates by becoming more effectively committed to the organization and by performing at higher levels.

As per the third objective, the researcher identified the shortcomings of the reward systems and observed that KEFRI had moderately achieved its objectives with the current reward system because the percentage of those who agreed was less than the percentage of those who disagreed. The theory of equitable payment proposes that employees have an intuitive knowledge about their rights, skills and capacity to work, and compare them with their compensation to establish fairness (Kandula, 2006). It was a clear indication that the reward systems of KEFRI need to be improved so as to achieve the organizations objectives.

Fifty nine percent (59%) of the staff were satisfied with the reward systems and thus has enhanced their satisfaction level and self-esteem was high. This includes the employees who recognized the reward to be of satisfaction at times. It has helped improve job productivity and widened networking with other Institutions and enhanced innovation. Employees believe that if rewards systems are implemented, it will raise their

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morale more especially if the salary is increased. KEFRI's reward systems has encouraged employees gain skills and they are positively motivated so as to achieve their goals and this has helped the organization achieve its vision and mission, encouraged participation in meetings and encourages minimal supervision.

Further findings implied that promotions were delayed and unfairly distributed and thus staff evaluation needed to be done annually and results communicated to staff without delay and should be fairly distributed. Armstrong (2006) states that firms will pay more than the market rate because they believe that high levels of pay will contribute to increases in productivity by motivating superior performance, attracting better candidates, reducting labour turnover and persuading workers that they are being treated fairly. Staff felt that they were not recognised and appreciated by their supervisors and that demotivated them.

While staff suggested that the human resource should activate timely promotions when due and adhere to the new scheme of service and should instill proper mechanism to assist the human resource since they lack capacity. Promotions should be fair across the board not to leave out the junior staff and the junior staff to have representatives in the committee meetings. The reward systems require a proper committee that will help the organization implement the rewards fairly and make it more efficient in recognition and achievement after training. They felt that the current system had favoritism and therefore biased.

The study revealed that the management of KEFRI felt that the reward system at KEFRI needed improvement in such terms as decentralization of decision making to hasten processes that enhanced staff morale and hence productivity. This should be done

while supporting the organization's mission and vision which are geared towards achievement of the organization's goals. Similarly Murtis (2007) has confirmed that the reward system should be concerned with the broader business issues the organization is facing and the general directions in which reward management must go to provide help in dealing with these issues in order to achieve long term business goals.

As earlier indicated, for the case of KEFRI, the high-power distance societies are the management team who are involved in decision making process. In the context of a research institution, recognition and appreciation is likely to foster the realization of the results as per the inspiration of the Institution. This implies better forestry-related technology generation and innovation, better dissemination of research findings, better publications and better capacity enhancement on the parts of scientific staff. Similarly, this implies better delivery of administrative and human resource services.

Conclusion

The study has demonstrated the need to reward staff effectively and the results of this study ensured that the research objectives were answered. On the first objective on identifying the existing types of reward systems in KEFRI the study found out that both monetary and non-monetary types of rewards existed at KEFRI. The monetary types of rewards were financials and allowances in money form and for the non-monetary there were rewards such as recognition and appreciation and empowerment and autonomy. This goes a long way in motivating employees and hence increasing productivity. The equality of applicability of these rewards to the employees is however questionable.

The second objective was to determine the effects of reward systems on employee satisfaction at KEFRI. Upon evaluating the effects of reward system on employee

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satisfaction in KEFRI, it was revealed that employees were moderately satisfied with the implementation of the current reward system and need some improvement. This will help motivate staff and eventually enhance employee satisfaction, and to address the third objective, to identify the limitations of KEFRI reward systems in employee satisfaction.

The study concluded that the reward systems was categorised as moderate since it did not satisfy each and every employee equally as few employees received entertainment and responsibility allowances. These allowances are payable to senior staff in managerial level and subsistence allowance for scientists attending courses/training outside Kenya. Delayed promotion, few better job prospects were experienced and there was moderate rating on the way rewards were awarded and staff were not in agreement that the reward system has helped KEFRI achieve it objectives. This means that the employees' morale was not at its best.

The evaluation of the effects of good reward system on employee satisfaction at KEFRI showed that knowledge, skill, and working experience gained in the work place increased employee satisfaction. In addition promotion, training opportunities and salary increment were rewards given to the employees of KEFRI brought about higher performance.

The reward systems employed in KEFRI, has a direct relationship with employee morale and performance in Research Institutions in Kenya as depicted in the findings of the study. Responses concerning morale and performance based on the reward system scored highly significantly where they were present and quite low where they were absent. Employees felt that inputs were fairly rewarded by outputs, and then generally the employees are happier in their work and more motivated to continue inputting at the same

level. In the same way, if the employees feel that their ratio of inputs to outputs is less beneficial than the ratio enjoyed by referent others, then they become demotivated in relation to their job and employer.

In conclusion, the reward system at KEFRI met productivity standards, required minimal supervision, and consistency of pay with responsibility, and supported business mission and vision, which were more on the organization goals achievement. The reward system had little effect on encouraging multi-tasking between several tasks, making a positive contribution to meetings, preparing employee for succession planning, positively motivating employee to achieve goals, incorporation of employee's ideas, encouraging employees in gaining new skill, and clearly communicating goal to all members. Compensation systems are an essential tool to link corporate goals such as customer orientation with individual and organizational performance (Tuzovic & Bruhn, 2005).

Recommendations

The following recommendations were based on synthesized results and discussions about the effects of reward systems on employee satisfaction.

1. Human resources implement the reward systems by applying the policies and procedures as stated in the human resource manual. This is important as the study found out that the equality of applicability of these rewards to the employees is however affecting job performance.

2. Promotions be awarded fairly and within the same financial year that employees are evaluated to avoid delay in granting promotions. This shall enhance employee morale as 82% percentage indicated that delaying of rewards is an impediment to a successful reward system.

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3. KEFRI ensure that the Human Resource Manual is reviewed and followed to the letter and employees are sensitised on the different reward systems that management practices to enhance employee satisfaction.

4. Schemes of service with competitive pay be implemented so as to increase employee satisfaction and increase production. The 80% of employees who have worked for many years have stagnated in the same job group and thus do not earn the annual incremental credit, which has triggered low morale and productivity.

Possible Areas for Further Research

This study focused on the effects of reward systems in KEFRI that enhance employee satisfaction. Further research could be done on comparative analysis with other research institutions on employee satisfaction since this study was only based in KEFRI. It is important to understand what the other research institutions are doing to motivate their employees and apply it in all research institutions.

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APPENDICES

Appendix I: Consent form

Dear Respondent,

REQUEST FOR RESEARCH DATA

I am a student pursuing a postgraduate degree at the School of Business, Daystar University, currently pursuing my research. The title of my study is: "The Effects of Reward Systems on Employee Satisfaction, a case study of Kenya Forestry Research Institute (KEFRI)". This study is proposed for the award of MBA Degree.

You have been selected to participate in this study as a categorical respondent at KEFRI. However, note that this is voluntary and you can decide not to participate or withdraw any time.

The questionnaire attached asks questions about your organization's role in using the reward system as a human resource tool to enhance motivation among employees.

Your honest participation will be highly appreciated.

PART I: GENERAL INFORMATION

SECTION A: DEMOGRAPHICS

1.   What is your gender?

            Male   [ ]   Female   [ ]

2.   Age

      21 -30   [ ]   41 – 50   [ ]

      31- 40   [ ]   51 and above [ ]

3.   What is your highest academic qualification?

      Certificate   [ ]   Undergraduate [ ]

      Diploma   [ ]   Postgraduate   [ ]

      Doctorate   [ ]

4.   (a)   Which Department do you work under?

      Research & Development   [ ]

      Finance and Administration   [ ]

      (b)   Which section do you work under?

      (i) Research   [ ] (ii)Technical [ ] (iii) Supplies [ ]   (iv) Accounts [ ]

      (v) Human Resource [ ]   (vi) Administration [   ] (vii) Support [ ]

5.   How long have you worked for the Kenya Forestry Research Institute?

      0 – 5 years   [ ]   6 – 10 years   [ ]

      11 – 15 years   [ ]   Over 15 years   [ ]

6.   Current Position held in KEFRI ....

7.   How long have you been working in your present capacity?

      Less than 3 years [ ] 3 to 5 years [   ]   5 to 7 years   [ ] Over 7 years [   ]

PART II: TYPES OF REWARD

8.   Are you aware of any rewards in KEFRI

      Yes   [ ]   No   [ ]

      If *yes*, which of the following rewards does KEFRI practice? Tick as appropriate

(a) Empowerment and Autonomy

Involvement in decision making		Unpaid leave	
Capacity enhancement (training)		Duty delegation by supervisor	

(b) Recognition and Appreciation

Nomination to a committee		Responsibility allowance	
Incremental credits		Study leave pay	
Extraneous allowance		Awards	
Entertainment allowance		Other	

(c) Financial Benefits

Basic pay		Risk allowance	
Airtime allowance		Hardship allowance	
Medical allowance		Subsistence allowance	
Leave allowance		Special duty allowance	
House allowance		Acting allowance	
Commuter allowance		Bicycle allowance	
Transfer allowance			

(d) Promotions

Annual increment		Upward mobility	
Better job prospects			

9.   In the last three (3) financial years, which of the following types of rewards have you received? Tick as appropriate.

Types of rewards	2010/2011	2009/2010	2008/2009
Capacity enhancement (training)			
Unpaid leave			
Nomination to a committee			
Incremental credits			
Extraneous allowance			
Entertainment allowance			
Responsibility allowance			
Study leave with pay			
Awards			
Airtime allowance			
Risk allowance			
Hardship allowance			
Subsistence allowance			
Special duty allowance			
Acting allowance			
Transfer allowance			
Bicycle allowance			
Annual increment			
Promotion			

10. In your own opinion, do you agree that KEFRI's reward systems are fairly awarded?

Strongly agree [ ]; Agree [ ]; Moderate [ ]; Disagree [ ]; Strongly Disagree [ ]

11. Do you agree that KEFRI reward systems have achieved/attained the Institute's objective?

Strongly agree [ ]; Agree [ ]; Moderate [ ]; Disagree [ ]; Strongly Disagree [ ]

SECTION B: EMPLOYEE SATISFACTION

12. Based on the reward systems at KEFRI indicate by ticking the appropriate number, 5 Strongly agree, 4 Agree, 3 Moderate 2 Disagree, 1 Strongly disagree in the following statements respectively.

	5	4	3	2	1
i) Various reward systems have helped improve my job productivity					
ii) Reward systems have enhanced my innovation					
iii) Rewards have motivated me acquire new projects					
iv) Rewards have enhanced my self-esteem					
v) Provision of rewards at KEFRI have widened my ʃnetworking					
vi) Equity and fairness of rewards have enhanced employee satisfaction					
vii) Rewarding of employees at KEFRI has enabled the Institute achieve its target					

13. Has Reward systems in your organization enhanced the employee satisfaction?

Yes [ ]; Sometimes [ ]; No [ ]; I don't know [ ]

(b) If *yes/sometimes* tell us the extend at which implementation of KEFRI rewards have affected your job

(i) Performance: _____

_____

(ii) Satisfaction:

_____

_____

14. To what extent do you agree with the following statements on the effect of reward systems in an organization? Kindly respond/tick all the questions, against each statement using (5 Strongly agree, 4 Agree, 3 Moderate, 2 Disagree, 1 Strongly disagree.) as applicable to you.

	5	4	3	2	1
i) Meet productivity standards					
ii) Positively motivate employees to achieve goals					
iii) Make employees work in an organized manner					
iv) Encourages multi-tasking between several tasks					
v) Encourage employees in gaining new skills					
vi) Make a positive contribution to meetings					
vii) Encourages minimal supervision					
viii) Respond to a problem in appropriate time					
ix) Clearly communicates goals to all members					
x) Prepares employees for succession planning					
xi) Support Organization's mission and vision					
xii) Promotes employees satisfaction					

PART III: SHORTCOMINGS OF KEFRI REWARD SYSTEM

15. (a) Are there any problems in the following categories of the reward systems

Category	Yes	No
(i) Empowerment and Autonomy		
(ii) Recognition and Appreciation		
(iii) Financial benefits		
(iv) Promotions		

*Check page 2 – 3 on the elements of each category.

(b) If *yes* in the above question, please tell us the problem.

Category	Problem	Suggestions on how to overcome
(i) Empowerment and Autonomy		
(ii) Recognition and Appreciation		
(iii) Financial benefits		
(iv) Promotions		

PART IV: SUGGESTIONS ON EMPLOYEE SATISFACTION

16.   (a) Should the organization maintain the reward systems as they are?

Yes   [ ]   No   [ ]

If *Yes/No* explain_____

_____

    (b)   Do you have any other suggestions of reward systems that the

organization can consider?_____

_____

  (c) Are there other suggestions as to how the organization can improve employee

satisfaction at KEFRI? _____

_____

Thank you for your cooperation.

Appendix III - Interview guide

1. How would you rate the reward systems of KEFRI?

   _____

   _____

2. What areas on reward system do you think requires to be improved?

   _____

   _____

3. In which ways has the reward system affected the employee satisfaction at KEFRI?

   _____

   _____

4. What key challenges have you faced in implementing the reward system process?

   _____

   _____

5. In your opinion, would you say that the reward system of KEFRI is effective?

   _____

   _____

6. Would you attribute employee satisfaction to the reward system at KEFRI?

   _____

   _____
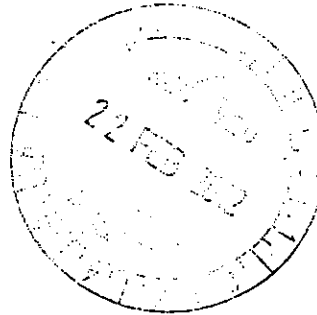
February 21st, 2012

The Director
Kenya Forestry Research Institute (KEFRI)
P.O. Box 20412 – 00200
Nairobi

Dear Sir/Madam,

RE: SARAH MORAA GITAMO– STUDENT NO: 09-0015

Sarah is a fully registered student in the School of Business & Economics at Daystar University. She has completed her course work towards a Master of Business Administration degree. She is now working on the research for her thesis.

Sarah's thesis topic is *'An assessment of reward systems on employee satisfaction in research institutions: A case study of Kenya Forestry Research Institute'.*

The purpose of my writing is to request that you give Sarah any necessary assistance to enable her to complete this important academic exercise.

We assure you that any information collected will be used strictly for academic purposes and will remain absolutely confidential. Upon completion of the research, Sarah's thesis will be available at our library.

We appreciate your support for our student towards the successful completion of her thesis research.

Sincerely,

Thomas Koyier
HEAD OF COMMERCE DEPARTMENT
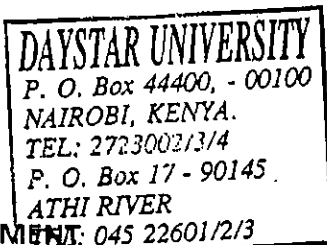
PAO (HR) provide necessary support that Sarah might request.

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When replying please quote

P.O. Box 30623-00100
NAIROBI-KENYA
Website: www.ncst.go.ke

Our Ref:

Date:

NCST/RCD/14/012/184

7th March 2012

Sarah Moraa Gitamo
Daystar University
P.O.Box 44400-00100
Nairobi.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *"An assessment of reward systems on employee satisfaction in research institutions: A case study of KEFRI,"* I am pleased to inform you that you have been authorized to undertake research in **Kenya Forestry Research Institute** for a period ending *30th June 2012.*

You are advised to report to **the Director, Kenya Forestry Research Institute** 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.

DR. M. K. RUGUTT, PhD, HSC.
DEPUTY COUNCIL SECRETARY

Copy to:

The Director
Kenya Forestry Research Institute
Nairobi.