

**EFFECTS OF EMPLOYEE
INCENTIVES ON EMPLOYEE
PERFORMANCE IN PRIVATE
UNIVERSITIES IN KENYA: A CASE
OF KABARAK UNIVERSITY**

BY

EMILY TUMWET

ABSTRACT

.Human resource management is the strategic approach to the management of an organizations most vital asset, the people who contribute to the achievement of the **objectives of the organization**. Employee incentives **constitute some of the high performance work practices** used by organizations to improve knowledge, skills, and abilities of current and potential employees, increase motivation and enhance retention of quality employees. Need for-empirical study, to **determine the influence** of these incentives on employee performance. The study examined the relationship between specific employee incentives to employee performance in private Universities in Kenya. The study population was all the employees of Kabarak University, -a census study was carried out .The study involved use of structured questionnaire. The **analysis** of the collected data was done by use of Mann Whitney U test, factor analysis and Chi-square, and presented using descriptive statistics in frequency tables and charts. Financial and nonfinancial incentives are applied to a great extent to motivate the employees.

Financial incentives that are perceived to have significant influence on employee motivation include: salary, insurance financing, retirement benefits, performance based rewards, etc. **Among the non-financial** incentives with significant influence on performance were: creativity at work, organizational goals, challenging tasks, opportunity for personal development, autonomy and responsibility, teamwork, job security, professionally stimulating environment, opportunity to set performance goals, predictable work life, opportunity to lead, training and development and flexible policies. **Recommendations** include; the need for top management of organizations to design effective incentive schemes that comprise a mix of financial and non-financial incentives, with non-financial incentives being key, supplemented by financial incentives. The findings are vital for policy makers in human capital intensive organizations such as universities and managers in general.

Background of the Study

Issue of consistency, frequency and provision of employee incentive schemes is one of vital research area in the realm of Human resource management. Human resource management basically concerns itself with some **key objectives** that an organization needs to achieve, such as performance objective among others (Torrington 2008). -that cross-section of work done, contain conclusions that the use of high performance work practices such as employee incentives can improve knowledge, skills, abilities of current and potential employees, increase motivation and enhance retention of quality employees while encouraging non-performers to leave the firm. Use of incentives is one of the work policies that are essential in the quest for the achievement of defined goals in an organization, **specifically performance goals. Employee incentives here refer to an element of payment linked to the working performance** of an individual or working group as a result of prior arrangement (Wang and Barney 2007).

Armstrong (2010), employee performance refers to the **outcome, accomplishment of work as well as the results achieved, which is linked to the strategic goals of the organization, customer satisfaction and economic contributions.** Armstrong continues to indicate that **performance has to be managed by taking systematic action** to improve organizational, team and individual performance; where individual performance management process is associated with both financial and non-financial incentives. He concludes that Organizations are obliged to meet the needs of their stakeholders, in this case employees, by rewarding their employee equitably according to their contribution.

According to (Wang 2007) managing individual performance in organizations has traditionally centered on assessing performance and enhancing incentives, where **effective performance is seen as the result of the interaction between individual ability and motivation**, this goes hand in hand with performance goals. It is worth noting that the higher employee morale and drive, the greater the chances that a company will not only keep the best employees but will also motivate talented employees to perform at optimum levels and reward in form of employee incentives has its magnitude of contribution to performance and productivity. **-concluded that use of various employee incentives to improve work performance is in most cases ignored, not of priority or at best assumed to be handled with existing pay and benefit.** However, research work is yet to be done to determine the magnitude of influence of the various incentives on employee performance. This draws the need to investigate the effects of specific incentives to employee performance in an organization. **In Kenya, we have two categories of universities**, public and private universities. Public universities are owned and funded by the state. Private universities are owned by private individuals or organizations and some are religious based. Its funding is majorly tuition fees from students and sponsors. Kabarak University is one of the twenty three private universities in Kenya. It was established on 16th October 2000 and chartered on 16th May 2008. It is situated 20 km from Nakuru town, along Nakuru- Eldama-Ravine road. It is a growing institution that has expanded in terms of number of employees, faculty programmes number of students and campuses. KABU was established as a private university with the **following objectives**: To provide a holistic education with Christian liberal arts foundation, that will enable the student to develop **intellectually, spiritually, physically and socially**. Among others-

Objectives

The **main** objective of this study was to investigate the effects of employee incentives on employee performance in private Universities.

Specifically, the study sought to address the following objectives;

- To characterize the incentives that are used in Kabarak University.
- To examine the perception of employees on the use of incentives in Kabarak University.
- To establish the effects of employee incentives on employee performance in Kabarak University.

The study was guided by the following research questions:

- What characterizes incentives used in Kabarak University?
- What is the perception of the employees on the use of incentives in Kabarak University?
- What extent do employee incentives influence employee performance in Kabarak University?

Justification/ Significance of the Study

➤.-useful to other private universities, public universities, private entities, policy makers and generally managers of institutions. It adds value to the existing knowledge on motivational incentives and hence enriches work performance practices. The study sought to investigate the magnitude in which incentives impact on employee performance and its recommendations are significant in tackling related issues in private universities. Other researchers will benefit from the same and will act as a basis for further investigation. Suggestions can be modified and applied in other institutions

Statement of the Problem

The performance of an employee **depends on the strength** of employee incentive schemes used in an institution. An employee incentive is given accordingly, to encourage the behavior and work done. The trend of growth and establishment of private universities in Kenya is on an increasing proportion since most people find them **less expensive**, an **alternative to seeking higher education abroad**. Kenyan private universities are young and experience stiff competition among themselves and from the public Universities, hence there is need to **remain competitive by retaining high quality manpower among** other strategies. The psychological literature on employee motivation states that motivational incentives can produce better employee performance. In essence, few of these studies are supported by an explanation of how incentives in work place affect employee performance (Torrington 2008). Kabarak University has a number of employee incentives in place; however, there is scanty empirical study to determine the influence of these incentives to employee performance. Employee performance is measured through, service delivery, productivity, creativity, complains and turnover. The purpose of the study was to investigate specific employee incentive schemes in Kabarak University and their influence to employee performance.

LITERATURE REVIEW

(Iqbal, 2009) – Hrm strives to achieve orgnal goals & that of employee/- through effective personnel policies,procedures

(Stajkovic, 1997)-incentive is a reward for a specific behavior designed to encourage that behavior-noted that money is the most preferred form of motivation

(Ritchie 2004)- money may not motivate particular employee to greater effort but will **seriously demotivate if paid less the rate of the job. – prolonged discrepancies in earning will undermine effectiveness & commitment**

(Condly, 2003) –incentives can significantly increase work performance when they are carefully implemented-measure performance

(Robinson & Decenzo 2007).-Milne (2007)-

Wales, 2010)-(Dambisya, 2007).-

(Ramlall, 2007) -

Stajkovic (1997) -

(Dessler, 2011)-

(Iqbila, 2009)-

(Naila 2009). -

(Shahzad, 2008) -

(Zitzewitz 2009) -(Kay and Putten 2009).-

Theoretical Framework: Maslow's Motivational Theory

Graham (1998) and Armstrong, (2006) expounds on Maslow's motivational theory which categorizes human needs: **Physiological** Graham (1998) states that in the work environment, the **fundamental purpose of a wage or salary is to provide the means of satisfying basic needs.** Security or safety needs, the need for protection against danger and the deprivation of physiological needs, work environment, the wish for security of tenure, the existence of restrictive practices and many aspects of Trade unionism. All such show how employees try to satisfy needs of this kind. Social needs the need for love, affection, and acceptance as belonging to a group. Esteem or ego needs a position of authority, company car, an office carpet, or special type of overall. Self –actualization or fulfillment, the need to develop potentialities and skills or become what one believes one is capable of becoming. It involves skilled operation, professional workers and managers.

Armstrong (2006) the **hierarchy of needs reveals that people tend to satisfy their needs in a certain order of precedence, for instance a manager** who receives a substantial salary and thus adequately satisfy lower needs regards status symbols like a well furnished office as important, but a former manager who has been unemployed for a long time will eventually take any available job that brings a reasonable income, even though it is of low status. Armstrong, puts it in different words, that when a lower need is satisfied, the next highest becomes dominant and the individuals attention is turned to satisfying this higher need, an indication that the need for self-fulfillment however can never be satisfied, referring man as a wanting animal.

METHODOLOGY

❖ **Research Design-** A cause effect research design - analyzing the research problem. This is because the study involved investigating the possible influence of the independent variables to dependent factors hence establish the relationships.

❖ **Population-** All employees

❖ **Instrumentation-** questionnaire

❖ **Analysis-** Descriptive statistics , The Mann Whitney U test and factor analysis were used to evaluate the extent of use or application of the different types of incentives and their influence on performance, similar results were shown using Chi-square test. The test was carried out at 0.05 level of significance- Factor analysis was used to generate the proposition that there are only a few factors underlying the employee incentives used to uncover relationships among many variables. This allows numerous inter correlated variables to be condensed into fewer dimensions, called factors

RESULTS AND DISCUSSIONS

❖ **Background Information-staff**

levels/junior,middle,senior,mgt-gender-educational level,graduate 33%-age,31-40yrs,50%-mean years of service,length of sevice

❖ **Characterization of Incentives- financial / non-financial-Incentive Schemes and Job Performance**

❖ **Factor analysis-**

Noted that from other studies -that money used without other employee motivational incentives does not guarantee better performance.-there4 variety of incentives to apply simultaneously

Sufficient evidence that employees at kabu perceived that non-f lead to higher performance compared to financial incentives.

-we need to investigate more on the list of non-f incentives that register high performance

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study aimed at investigating the effects of employee incentives to employee performance in private universities. The results show that **both** financial and non-financial incentives are used and perceived in terms of importance, almost equally at Kabarak University. In relation to employee performance, results show that many employees in private universities believe incentives influence employee performance. **Incentive type**, influence performance differently when applied to the employee as evident herein identified as security, perquisites, consolidated pay, basic pay, traditional compensation, job content, career progression, responsibility, recognition, flexible benefits, participation and communication. Employees too **believe that non-financial incentive schemes will lead to higher performance compared to financial incentives.**

5.3 Recommendations

On the basis of the findings and conclusions of the study, the following recommendations were made and may be crucial in designing effective employee incentives in private universities. **Effective and good employee incentives** schemes should be designed to include **a mix of both** financial and non-financial incentives. **Incentive type** would influence performance differently when applied to the employee. Managers will therefore need to strategically identify incentives that lead to high performance among the employees. Non-financial incentives are **key** in employee incentive schemes, financial incentives **supplement** the same. Incentive schemes would be more effective when implemented **consistently and with equity.** This would work with **organizational policies and structures supported by the top management.**