

**AN ASSESSMENT OF THE FACTORS INFLUENCING THE
EMPLOYEES PERFORMANCE IN KENYA REVENUE AUTHORITY**

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GRACE MUMBI NDUNGU



**A Research Project Report Submitted To The Board Of Post Graduate Studies In Partial
Fulfilment Of The Requirement For The Degree Of Masters Of Business Administration
Of Faculty Of Commerce.**



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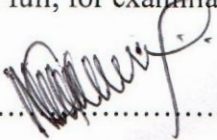
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DECLARATION AND RECOMMENDATION

DECLARATION

I declare that this research report is my original work and has not been presented, either in part or full, for examination or degree in this or any other University.



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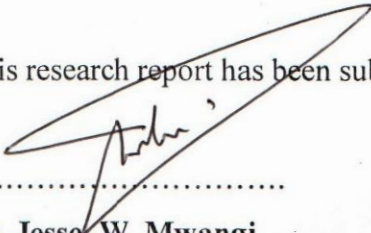
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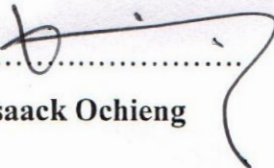
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DEDICATION

To my best friend and husband Wainaina and my beloved sons Alvin and David who have stood by my side all through and are the pillars of my life.

ACKNOWLEDGEMENT

I am grateful to God for giving me strength to accomplish this great task that mean so much to my career life. I would like to thank my supervisors Dr. J. Mwangi and Dr. I. Ochieng for their valuable guidance, suggestions and encouragement during the course of this research. I extend my gratitude to all my lecturers in the school of Business and Management for being there for me all through the entire course. I am also grateful to my first supervisor Mr. Henry Kombo for giving me direction and focus for my research work. I am greatly indebted to Mr. John Karimi, Dr. Njuguna Mwangi and all respondents for their cooperation, prompt responses and making the research burden bearable.

Finally I pay my tribute to my family mum, dad, brothers and sisters and greatly to my husband Wainaina and my sons Alvin and David for moral, material and financial support they accorded me and being the pillar of my studies. Without them, I would never reach this far.

ABSTRACT

The purpose of this study was to assess the factors influencing employees' labour productivity in Kenya Revenue Authority. In order to achieve this, the study used four research objectives which are; to establish the performance measurement system at KRA, to establish the organizational strategic factors that influences employees' performance at KRA, to establish training and capacity enhancement related factors that influences employees' performance at KRA and to establish the reward system related factors that influences employees' performance at KRA.

The research methodology that was employed is a descriptive survey design. The study employed systematic random sampling techniques to obtain the 351 required sample size. The data collections instruments was a structured questionnaire distributed to the employees and were later collected for further analysis. Factor analysis was used to establish the employees' performance measurement systems used by KRA to establish the factors that affect employees' performance. The processed information was presented using frequency tables, narratives and charts. The study came up with several recommendations among them the Kenya Revenue Authority should endeavor to provide more of the non-financial to the employees to boost their morale in performing their duties and for career growth and development. The study established that KRA had effective performance measurement system that they used to measure the employees performance at work place. The study established the organizational strategic factors that influence employees' performance at KRA were; KRA vision, mission, objectives, organizational culture and strategic directions and new work systems.

The study established that the training and capacity enhancement factors affected employees' performance.

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LIST OF ACRONYMS

CPA	Certified Public Accountants
CU	Corporate Universities
FSA	Flexible Savings Accounts
HR	Human Resources
HRO	Human Resource Officers
ICT	Information Communication Technology
ILM	Internal Labour Market
KRA	Kenya Revenue Authority
RARMP	Revenue Administration Reform and Modernization Programme
SPSS	Statistical Packages for the Social Scientists
SWOT	Strength Weakness Opportunity Threat
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The success of any business organization is usually measured by the activities it conducts to achieve its mission and goals. Outputs and their effects are the most visible aspects of an organization's performance (McNamara, 2008). The concept of organization performance however varies considerably as each interested group or stakeholders may hold different ideas of what counts. For instance, the management of a firm may define its performance in terms of its ability to achieve its objectives and the amount of profit generated annually. A donor or a government on the other hand may define performance in terms of an organization's beneficial impact on the target group. The performance of an organization is usually determined through an assessment exercise. The assessment may be planned and systematic or unplanned and implicit. Typical tools used during an assessment exercise are questionnaires, SWOT analysis, and diagnostic models along with comparisons to various "best practices" or industrial standards (Drucker, 1999).

There are no universally accepted indicators for measuring organizational performance. Each organization has a set of organizationally appropriate indicators and not all indicators have the same importance. The level of importance changes at times as the organization evolves. The following have been identified by McNamara (2008) as indicators of good performance: effectiveness, efficiency, relevance and financial viability. The effectiveness of an organization is the degree to which it moves toward the attainment of its mission and realizes its goals.

Effectiveness, however, is not a simple concept. The difficulty in analyzing effectiveness lies in the fact that many organizations make multiple statements about their missions and goals. Sometimes these statements are in the organization's charter, at other times, in their strategic documents. Organizations also face internal and external crises, and no organization is protected from becoming out of date, irrelevant, or subject to closure (Chang and Chen, 2002). An organization must be able not only to provide exceptional services but also to provide them within an appropriate cost structure. Performance nowadays is increasingly being judged by the

efficiency of an organization (cost per service, the number of outputs per employee, the number of outputs per person per year).

The success of an organization depends to a large extent on the performance of its employees. The term employees is used here to mean all staff (professionals, managerial, technical and support staff) engaged in any organizational activities. The human resource of an organization has been identified as its most valuable asset. This is particularly true if the people required to do the core work are highly trained individuals such as surgeons and rocket engineers. The performance of an employee is evaluated using appraisal interviews which are held once or twice a year. Performance appraisal is the process of evaluating an individual employee's job performance as a basis for making objective personnel decisions.

If a business, a government agency, a charitable organization or an educational institution is to reach its goals effectively and efficiently, ways of measuring staff performance must be found and implemented. Managers use appraisal reports to maintain and update profiles of employees in order to assess the availability of skills, interests and experiences and to identify departments with surplus or insufficient skills or employees. The reports can also form the basis for rewards, identification of skills on which employees need training or even reprimands.

There are many factors that contribute towards employees getting a job done effectively and efficiently. Stup (2003) noted that it is extremely important that the employees have the proper knowledge, skills and attitudes if they are to perform well in their jobs. These are not however the only factors that go into success of getting the job done. Factors that are external to the worker such as the working environment, standard operating procedures, equipment required for the tasks and the management style can have a big influence on how well workers perform in a job (Stup, 2003). Besides these, the employees need to feel that their work is meaningful and valuable. They need to know why their work is important and how it contributes to a greater accomplishment. This information is a powerful contributor to the internal motivation of the employee.

Feedback on performance and performance expectation also play a major role towards how an employee performs (Delaney and Huselid, 1996). Performance feedback is the guide which workers use to adjust work behaviour. Performance expectations on the other hand provide standards on every day performance of tasks. They specify at what level or rate workers should complete tasks in order to be on track for achieving long term production goals. Another

powerful tool that influences performance is compensation. Compensation is in the form of salaries, wages, bonuses or non-monetary rewards such as club membership, paid up vacations among others. Thorn-Hill and Stevens (2001) found out that there is a positive correlation between compensation and performance.

The Kenya Revenue Authority KRA is an organization that was established by an act of Parliament in 1995. The Authority is charged with collecting revenue (taxes) on behalf of the Government of Kenya. Its other responsibilities are assessment and administration of laws related to revenue collection. The authority is made up of 5 departments namely; Customs, Large Taxpayers Office, Domestic Taxes, Roads and the Support department. Each department is headed by a Commissioner. The performance of KRA at both firm and employee level is always of interest to the people of Kenya since the government depends almost entirely on revenue collected by the authority to finance its programmes (Kimunya, 2007).

The organization has a total of 3696 employees, out of this number 62% (2,291) are male and 38% (1405) are female (KRA, 2006). KRA relies on teams and groups made up of these men and women to perform its functions. Although currently there is a gender imbalance this will change soon as more females are joining the organization at all levels due to policy changes. Gender diversity at work has been found to be an asset as it promotes creativity and innovation. On the other hand it may be prone to conflict which can weaken cohesion and lead to low morale and poor performance.

The Revenue Authority has undergone major changes since 2004/5 when it started implementing the Revenue Administration Reform and Modernization Programme. (RARMP). The aim of the programmes was to eventually eliminate the perennial government budget deficits by creating structures that maximize revenue collection. Some of the changes brought in by the reform include:

- Use of ICT in management of revenue collection (The Simba System).
- Restructuring of the personnel management i.e. performance contracting
- Providing effective tax administration etc.

The Authority has realized improvements in revenue collection since 2004 which can be attributed to the reforms. The Authority has realized growth in annual revenue collection from KSh. 220 billion in 2002/3 to KSh. 275 billion in 2004/5 (KRA, 2007). Table 1 gives a summary of KRA's annual revenue collection by departments for the last 5 years.

Table 1: Annual Revenue Collection

DEPT.	2003/2004		2004/2005		2005/2006		2006/2007		2007/2008	
	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
CUSTOMS SERVICES	110,240	110,594	124,970	115,252	157,307	158,564	130,449	140,353	111,155	112,530
DOMESTIC TAXES	116,876	108,607	146,489	123,164	259,263	248,169	201,617	213,540	170,614	184,970
ROAD TRANSPORT	2,160	1,599	2,793	2,498	2,350	2,938	2,125	2,193	2,930	3,560
TOTAL	229,276	220,800	274,252	240,914	418,920	409,671	334,191	356,086	284,699	301,060

The Authority is still facing challenges in a number of areas such as funding its programmes, stake holders' resistance to reforms (introduction of VAT tax registers) and employees' remuneration. Other areas are timelines of legislative changes and revenue collecting departments failing to meet annual revenue targets (KRA, 2006).

1.2 Statement of the Problem

The Kenya Revenue Authority has been able to meet its overall annual revenue collection targets. The good performance has been attributed to structural reforms introduced in 2003/4. The reforms included contracting all employees in the supervisory level and above, computerizing the operations of the Authority, additional incentives as a way of boosting employee morale and productivity among others. However, for the last 2 years, the Authority has not been able to meet its revenue targets. An examination of the performance of the four revenue collecting departments however reveals that some of the departments rarely meet their annual revenue collection targets. The poor performance by certain departments has been of concern not only to the management of KRA but also to the government since it depends almost entirely on revenue collections by KRA to finance its programmes. The success of an organization depends

to a large extent on the performance of its employees. It is on the basis of this that the study will establish factors that influence performance of KRA's employees as a step towards finding solutions to failure to meet revenue collection targets.

1.3 Research Objective

The general objective of the study was to assess the factors that influence employees' performance in KRA.

The specific objectives were:

1. To establish the performance measurement system at KRA.
2. To establish the organizational strategic factors that influences employees' performance at KRA.
3. To establish training and capacity enhancement related factors that influences employees' performance at KRA.
4. To establish the reward system related factors that influences employees' performance at KRA.

1.4 Significance of the Study

The following are the expected benefits of the study: The findings can be used by the employees to evaluate their performance against their contribution towards the accomplishment of the organization objectives. The knowledge gained from study can assist KRA management to identify and address employee related areas that contribute to poor performance. Job seekers and employees can use the information in the research report to make informed decisions regarding KRA as an employer. The findings of the study can be used as baseline data by researchers and other players in the world of academics.

1.5 Assumptions of the Study

This study was carried out under the following assumptions:

Those who participated in the study would give honest responses to items that reflected the information stipulated in the questionnaires

1.6 Scope of the Study

The study was conducted among the KRA employees stationed at the Times Towers Nairobi. It involved 97 employees of all grades and departmental human resources officers drawn from the five departments of KRA.

1.7 Limitations of the Study

The study suffered from limitations inherent in studies that rely on self report method of data collection such as poor memory or the respondents misunderstanding items in the questionnaire. Controlled access to confidential KRA records was another limitation.

1.8 Definition of Terms

Compensation practices: The act of giving monetary and none monetary rewards to employees for the work they do.

Employee: The term means all staff (professionals, managerial, technical and support) engaged in any organizational activities. In this study the term employee means all members of staff of KRA

Factors: Things to consider which might influence or change the results of an activity or event.

Influence: A power affecting a person, a thing or a course of event especially one which operates without any direct contact or apparent effort.

Organization: Is a social arrangement which pursues collective goals which controls its performance. The arrangement has a boundary separating it from the environment. In this

Performance: The manner or quality of functioning. In this study, performance means the summation of all the activities that the employees of KRA engage in toward achievement of KRA's objectives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Performance

Pappas and Flaherty (2006) describe performance measurement as the process of quantifying action, where measurement is the process of quantification and action correlates with performance. They further propose that performance should be defined as the efficiency and effectiveness of action. Super (1957) distinguishes between five types of organizational performance indicators: cost, flexibility, speed, dependability and quality.

High-quality operations avoid re-work and customer dissatisfaction; fast operations reduce operational overheads and improve product delivery times; dependable operations can be relied on to deliver exactly as planned; flexible operations adapt to changing circumstances quickly; and low cost operations allow the company to sell their products at a competitive price and increase profitability.

Barney (1991) suggests that to be effective, organizational performance measures must be derived from strategic objectives to ensure that employee behaviour is consistent with corporate goals; the measures must provide timely, relevant and accurate feedback, from both a long-term and short-term perspective; measurement should be undertaken in ways that are easily understood by those whose performance is being evaluated; and that measurement should be accomplished by a limited number of performance measures that consist of both financial and non-financial measures.

Traditionally, the success of a company has been evaluated by the use of financial measures. Three of the most common ones can be explained as profit margins, Return on Assets (RoA) and Return on Equity (RoE). Profit margins measure how much a company earns relative to its sales. These measures determine the company's ability to withstand competition and adverse rising costs, falling prices or declining sales in the future (Ross et al., 1993). ROA determines the company's ability to utilise its assets. Return on equity (ROE) measures how well the company is doing for the investor (i.e. stockholders), since it tells how much income the investors are getting for their investments. Non-financial measures include time and quality.

Employee performance can be measured from the productivity perspective. Productivity can be defined as the relation of output (i.e. produced goods) to input (i.e. used resources) in the service transformation process. Two traditional types of index productivity measures can be distinguished, that is, partial productivity measures-ratios of output to one source of input, such as labour, capital, material or energy; and total productivity measures-ratios of total output to the sum of all input factors.

The advantage of partial productivity measures is that they are simple to understand and to measure in reality. The needed data are usually easy to obtain and partial productivity indices are not difficult to calculate. The most common partial productivity measure is without any doubt labour productivity, e.g. output per working hour or output per employee. It can also be very useful in feedback of performance to the workers, since these data are easy to understand and workers want to know how they are doing. Employee performance can also be rated on factor such as quality of output, cost effectiveness, innovativeness and ability to 'fit' in with firm culture and orientation.

2.2 Factors that Influence Performance

Level of education attained has repeatedly been linked to high levels of employee performance and career success. The returns from educational attainment in terms of compensation level are significant (Melamed, 1996). Education is also expected to influence one's beliefs concerning his or her marketability. According to human capital theory, "more educated workers have more options because they have increased their human capital investment" (Wayne, 1999). The importance of education is heightened due to the emergence of the modern knowledge worker.

A knowledge worker is a new kind of employee that is characterized by being paid not to create, produce or manage a tangible product and/or service, but rather to gather, develop process and apply information that generates profits for the enterprise. In order to motivate such workers, it is important to exercise selectivity in recruiting people with cognitive and intuitive knowledge, provide incentive pay, information sharing, training and skills development and the proper measurement of these practices that lead to a sustained competitive advantage and preservation of professional intellect. Intellectual capital consisting of knowledge, customer relationship and

expertise is becoming a critical resource for firms' viability and success as intellectual capital has a significant and substantive impact on business performance.

Relocation plays an important role in career advancement (Brett, 1997). Individuals often relocate for development, career enhancement and to remain employed (Landau, 1992). Willingness to relocate enhances a manager's value and can present a wider range of options beyond one's current employer. In turn, organizations tend to view willingness to relocate as an indicator of career commitment. Employees who relocate more often reach higher organizational levels than those who relocate less frequently (Brett, 1997). Consequently, those who will not relocate are often seen as less promotable while those who are willing to relocate are viewed as worthy of promotion.

Family status has been found to play an important role in individuals' career experiences (Tharenou, 1994). Through a chain of connections beginning with children in the home and extending to the spouse's willingness to relocate, managers' family status is linked to career advancement. The presence of children and the employment status of one's spouse influence the choices individuals make with regard to relocating. Owing to the disruption in their children's social ties that would occur in relocating, it is often argued that individuals with children are less willing to relocate than those without children (Brett, 1997).

Regarding family status, Brett (1997) further observes that similarly, because relocation issues are complicated when one is in two-career families, individuals with employed spouses may possess a more negative attitude toward relocating. Indeed, individuals with children and an employed spouse have been found to express less willingness to relocate. Thus, we expect the presence of children and an employed spouse to negatively impact one's willingness to relocate.

Accordingly, willingness to relocate may influence an individual's sense of marketability and thus influence their motivation and performance. Indeed, research has shown that individuals who are most willing to relocate see themselves as being more marketable (Veiga, 1983). Willingness to relocate is thought to favourably influence perceived marketability because employees who are willing to relocate can respond to opportunities in other geographic locations and, thus, have a significant advantage over those who refuse to relocate. Employees who are willing to relocate also give their employers more flexibility to respond to environmental changes and the importance of these mobile employees increases as others refuse to relocate (Brett, 1997).

Boundary spanning activities, i.e. the opportunity to interact with peers in other departments and firms, can be a significant source of job power, impacting career growth and success, and enhancing one's influence and visibility in the firm (Hulin and Roznowski, 1985). Without opportunities to take on challenging assignments, ambitious employees may fall behind in terms of visibility, social contacts, knowledge and skills development. They may also internalize negative evaluations and stereotypes and engage in self-limiting behaviours-for example, refusing a challenging job assignment or declining an opportunity for additional training and development (Ilgen and Youtz, 1986).

Veiga (1989) described career impatience as the extent to which employees are likely to be impatient with their career progress. Career impatience arises from the fact that differences associated with motivation have been argued to be an important factor in predicting career success (Wayne, 1999). Because individuals implement their self-concepts when making choices in their careers (Super, 1957), personality traits associated with aspirations and ambition have been argued to influence one's career (Tharenou, 1997). Similarly, in a study of boundary less careers, Eby et al (2003) found that a proactive personality was an important predictor of career success.

Accordingly, because relocation is often accompanied by opportunities for advancement, individuals who are highly impatient with their careers were the most willing to relocate for the sake of their careers (Veiga, 1983). In addition, individuals who are highly impatient with their careers may believe that they are the most attractive, or marketable, in the workplace. This is in line with McClelland's (1985) research on motivation, which suggests that the desire to get ahead drives individuals to focus on cues that will help them achieve. Because people who are marketable in the workplace are most likely to succeed (Veiga, 1983), individuals who are highly impatient with their careers may perceive themselves to be highly marketable. Career impatience may stimulate drive and high performance in an attempt to move forward.

Believing that one is marketable in the workplace can encourage an individual to seek out career enhancing opportunities. Moreover, individual marketability is an important criterion of career success in the era of boundaryless careers. It has been suggested that those who possess the most confidence in their abilities and understand their worth in the marketplace, are the most likely to advance in their organizations (Ragins and Sundstrom, 1989). Thus, individuals who see themselves as highly marketable are more likely to be selected for promotions because their

organizations recognize their value, and thus reward them with promotions in an effort to keep them committed to their organizations.

For example, it has been shown that individuals who believe that they are highly marketable move far more frequently in their organizations than those who do not believe they are marketable and this suggests that individuals who see themselves as marketable are more likely to fare better in a boundaryless career (Veiga, 1989). Thus, we expect that individuals who believe that they are highly marketable will receive the greatest number of promotions. Furthermore, as suggested by Young and Perrewé (2000), we also expect that individuals who strongly believe that their mentoring relationships are effective will receive the greatest degree of career enhancing outcomes.

There are also other practices which should improve employee performance, with little or no focus on other contingency factors. These include selective hiring, extensive training, and employment security, diffusion of information, team working, reduction of status differences, and performance related and incentive pay, among others. Boxall and Purcell's (2003) overview of "best practice" models shows that these tend to stress the importance of building employee ability through good recruitment and training, the role of strong financial incentives and the value of enabling employees to contribute their ideas through work design and indirect forms of employee participation.

Mentoring is a type of interpersonal relationship that influences performance. Individuals who have multiple mentors benefit from aid in the development of their careers in various ways. Mentors help their protégés gain exposure to powerful organizational networks through working with other managers and powerful executives. Indeed, it has been argued that mentoring influences career attainment because of the ability of mentors to give their protégés access to powerful organizational leaders. In addition, mentors often intervene for their protégés by endorsing them for promotions. Research on mentoring has shown that those who have mentors benefit from increased mobility and promotion rates (Whitely, 1991).

Recently, it has been argued that a crucial component essential to effective mentoring relationships is whether or not the protégé believes that the experience has been satisfying and successful. Thus, it is not the level of mentoring support that is relevant, but the unique evaluation of that support based on an individual's specific level of need or expectation for career assistance (Young and Perrewé, 2000). Therefore, it is expected that individuals who

believe that mentors have significantly aided their careers are more likely to be exposed to powerful networks and to receive promotions as a consequence of such supportive relationships.

Individuals' beliefs regarding their mentoring relationships are expected to impact their sense of marketability. Individuals in mentoring relationships are seen as being potentially more promotable than those individuals who have not been mentored (Wayne, 1999). In addition, research has shown that mentored individuals perceive themselves as more successful than those who have not been mentored (Turban and Dougherty, 1994). From these findings we see that mentoring impacts how valuable one perceives themselves to be in the workplace. Therefore, we argue that individuals who strongly believe that their mentoring relationships have been effective will believe that they are highly marketable in the workplace.

As individuals move up the organizational hierarchy, so too should their pay. Increases in management level can be expected to lead to increases in compensation because of the greater degree of responsibility that accompanies managerial advancement. Indeed, studies have found management level and compensation to be significantly correlated (Kirchmeyer, 1998). Therefore, the prediction is that management level will be positively related to compensation and will eventually influence performance.

Traditionally, the most frequently used method for managing people has been by controlling their compensation. Pfeffer (1998) demonstrated how high compensation activities produce economic success. Thorley-Hill and Stevens (2001) examined 161 publicly traded firms from 1991 to 1998 and found that incentive compensation was tied to performance. Organizational-based rewards positively and significantly affect long-term firm survival.

Delaney and Huselid (1996) found that incentive compensation is associated with both perceived high-quality organizational and market performance. In a similar vein, Singh (2004) found the importance of compensation to perceived organizational and market performance of 82 Indian firms. Studying group incentive compensation plans, Cooke (1994) observed the value added effect of a wage increase to be relatively high. Sanyal (2001) in a study of 37 US firms operating in China found that merit-based pay contributed to higher productivity levels.

Organizations, which strategically base their operations on enhancing employees' abilities, create and develop an Internal Labour Market, an intrinsic motivator to stay. An Internal Labour Market implies an exchange process, whereby managers who trust their employees are more likely to promote them, and in return, they expect to gain increased

performance (Pfeffer, 1994). Thus, organizations prefer to select current employees to fill open positions, rather than bringing in external candidates.

Empirical data also supports a link between an Internal Labour Market and organizational performance. Indeed, the opportunity for career development offered by an organization to its employees was found to correlate positively with organizational performance. Gaertner and Nollen (1989) found that the actual promotion rate is related to psychological commitment. In a similar vein, Ngo and Tsang (1998) in a study of 772 business executives in Hong Kong found that firms' ILMs had a positive effect on affective commitment.

2.3 Training and Experience

In recent years, there has been increased emphasis on the importance of institutions in influencing organizational traditions and practices Davidson F. (1996). This will result in pay being shaped not only by economic practices, but also by societal norms, values and rules. One of the most common HRMP that is tipped as a universal best practice is training. Pfeffer and Veiga (1999) mentioned extensive training as one of seven practices of successful organizations. Harel and Tzafrir (1999) found that the single HR practice that most influences perceived organizational performance is training. Hulin, C. L and Roznowski, M. (1985) studies of 25 semiconductor manufacturing revealed that statistical process control training for equipment operators resulted in significantly fewer defects in the produced products.

Delaney and Huselid (1996) found that training had a positive and significant effect on perceived organizational performance. Guerrero and Barraud-Didier's (2004) study of "high-involvement" practices follows this lead, as they found a significant link between training and organizational performance. Studying 568 Taiwanese companies, Huang (2001a, b) found that with better group effectiveness training, product and service quality as well as work motivation are higher than with inferior group effectiveness training.

Chang and Chen (2002) found a positive and significant relationship between training and employee productivity. He also noted the importance of training so that employees can perform their jobs more safely. One way to explain the importance of training to organizational performance is as an indirect relationship. A human capital perspective argues that training

increases organizational performance by increasing the problem solving skills of employees as well as their innovation abilities (Ragins, B. R. and Sundstrom E. (1989).

Huselid (1995) applied a factor analysis to his high performance work practices and obtained two groups of practices: employee skills and organizational structures and employee motivation. The first refers to practices that give the workers the knowledge, skills and abilities for them to put into practice in their jobs (i.e. rigorous selection, formal training, labour management teams, profit and gain sharing plans, worker participation, etc.). The second consists of a group of more specific practices, whose aim is to recognize and strengthen the desired conduct in the worker (i.e. performance appraisals, linking those appraisals closely with employee compensation and considering merit to be the criterion for promotion).

Training helps to transfer learning from the classroom to the work environment. Through formal and informal training, workers are conditioned on the best approaches for performing their duties. The need for 'on-the-job' training gave rise to the concept of corporate universities (CUs). Despite increasing attention being given to the role and development of CUs, the debate as to what constitutes a CU remains. A review of the literature reveals the two broad themes.

The first is the functional approach, where the CU focuses on day-to-day training issues. As Meister (1998, p. 29) notes "CUs are essentially the 'in-house' training facilities that have sprung up because of the frustration of business with the quality and content of post-secondary education on the one hand, and the need for life-long learning on the other. They have evolved at many organizations into strategic umbrellas for educating not only employees, but also secondary customers and suppliers. The key elements drawn from this approach are the focus on basic skills and the need to develop consistent and uniform knowledge, skills and ability across an organization, and its network of customers and suppliers, to ensure consistent quality of product and/or service.

The second theme is the strategic approach linked to the long-term development of the organization's human capital. Walton's definition emphasizes the strategic focus of knowledge creation and management across the whole organization when defining CUs. He states "The notion of a corporate university is becoming increasingly fashionable as an overarching designation for formal learning and knowledge creation activities and processes in an organization".

There are a number of common elements to both definitions, including: a focus on formal in-house training and development; and, an on-going investment to improve an organization's human capital. This is consistent with human capital theory, which links investment in the organization's key asset, employees, to increased productivity and sustained competitive advantage. However, the strategic approach emphasizes the enhancement of the firm's resource base by linking employees skill development with retention through incentives such as career progression, increased security and higher remuneration.

This is also consistent with the Resource Based View (RBV) of the firm where an organization retains and develops these resources in such a way that they become rare, valuable and difficult to imitate, further enhancing the organizations competitive advantage (Barney, 1991). From the RBV, the practical implication turns to how the quality of human capital can be developed and the role of human resources in assisting in building this competitive advantage (Boxall and Purcell, 2003).

This strategic focus on the management and development of human resources can be linked to the deliberate promotion of CUs as a catalyst for strategic human resource development. This has led to increased debate about the focus of CUs and analysis of their characteristics which add to building a competitive advantage. A critical element in determining this is the differentiation between the functional or strategic nature of CUs in terms of the type and depth of learning that takes place.

The functional approach reflects a uniform organizational training philosophy embedded in a scientific management culture of the standardization of basic knowledge and skills, and a cost reductive approach to the management of human resources (Chang P. L. and Chen W. L. (2002). The strategic approach sees organizations dependent on diverse knowledge creation and dissemination, underpinned by staff development and retention for competitive advantage. Organisations taking the strategic course will seek a long-term and diverse approach to managing and investing in their human resources, to ensure that appropriate training and development is available to all employees.

A common approach underpinning strategic CUs is the use of management development centers for the building of higher order skills and the exchange of information. To facilitate the development of this required level of learning in the CU, linkages with traditional universities may also be forged (Blass, 2000). At the other end of the spectrum is the hands-on skill building

and e-learning facilities approach which enables employees to undertake specific training as and when required or outside the normal work environment.

The management of learning and knowledge within organizations in a more complex and competitive environment reflects a key strategic role for CUs in the creation of competitive advantage. As such, the concept of the CU is identified as an emerging aspect of the field of strategic human resource development. In a dynamic environment, this means that the CU must strategically develop a diverse and adaptive approach, to ensure that each area within the organization has access to appropriate levels of training and development to meet diverse organizational objectives.

2.4 Attitudes towards Work

McClelland (1985) proposed that an employee's motivation to work is best understood when the respective attitude of that employee is understood. That is, the internal concept of attitude which originates from a state of mind, when probed, should reveal the most pragmatic information for managers with regard to the motivation of workers. Instrumentality refers to a person's perceptions that additional rewards will be obtained with increased performance. Again past career stage research has shown that career stage is related to instrumentality estimates although this work does not consider the interaction with pay mix.

Again, the notion of career development has changed dramatically. While, traditionally, careers were believed to evolve within one or two firms in a very linear pattern, today this is rarely the case. Due to increases in technology along with other environmental factors, firms have downsized and restructured in order to achieve greater flexibility. As a result, many workers have lost jobs and been forced to follow different career paths. Super's (1957) theory suggests that individuals reflect their self-concept through career choices that can be summarized in four stages: exploration, establishment, maintenance and disengagement.

Cron (1984) observes that people in the exploration stage are most concerned with finding a job where they feel comfortable. Commitment to the job and performance are likely to be low because they are still exploring career options. The challenge for human resources is to design a compensation and benefits plan that attracts new talent and encourages them to stay. Given the penchant by such employees for cash based rewards, a compensation mix that emphasizes strong financial rewards would be required. However, the firm's ability to "lock in"

these employees will be limited by high expectations as well as the ability to offer competitive benefits packages. Employees in establishment have begun to make a commitment to a certain occupation and are now concerned with consolidating in this particular occupation. As such, they tend to be higher performers and are also concerned with promotion opportunities. This places greater demand on the benefits package that should emphasize growth based incentives e.g. housing as well as increased wages and other benefits. Firms with a global presence can be able to provide other satisfaction drivers such as the opportunity to work in environments abroad which provide cross-cultural exposure. These tend to target the employees self esteem and pushes them towards the maintenance phase. Resource limitation, such as availability of funds, may hinder the ability of firms to offer the level of benefits expected and may result in employee attrition.

In the maintenance phase, they continue to perform at a high level, although desire for promotion diminishes. With these, it becomes increasingly important to maintain the employees focus and commitment to the company. Constraints at this stage include diminishing employee loyalty and a tendency to evaluate other options. Having acquired sufficient assets, the role of benefits as a performance motivator diminishes placing greater pressure on HR to design even more innovative and attractive benefits. Finally, workers in disengagement are characterized as "psychologically separating" from the job, are no longer committed to the career and tend to be lower performers. Such may even demonstrate apathy towards new emolument offerings in the context of "familiarity breeding contempt".

Cron (1988) found that employees in exploration have lower instrumentality estimates than those in establishment. Further, those in disengagement have lower instrumentality estimates than those in maintenance. The prevailing logic is that as a person becomes more involved with the job and the organization, they are likely to become internalized leading to stronger instrumentality estimates. Commitment and performance are higher in establishment and maintenance and lower in exploration and disengagement.

As earlier seen, these attitudes will impact on the responses towards compensation packages and affect their success. This is because people's levels of output performance are typically lower during exploration and disengagement and higher during establishment and maintenance (Cron and Slocum, 1986). Those in exploration and disengagement most likely do not feel confident that their effort is linked closely to output-based performance. Given that

ble pay is linked directly to output performance, employees in exploration and engagement are likely to have lower expectancy perceptions when the company's pay mix is centered around variable pay.

Expectancy refers to the peoples perceptions of the link between effort and performance. Expectancy estimates are higher in the higher performing career stages of establishment and maintenance (Cron, 1988). A pay mix high in fixed salary may communicate to the employee that the behavioral elements of the job (e.g. service to customers, paperwork etc.) are important elements of performance as well. Meanwhile, a pay mix focused mostly on incentives may convey that output equals performance. These expectations are fluid and keep changing in a dynamic job market, a fact that implies a continual evaluation of the compensation plan to match this with the reality on the ground.

If the company's pay mix consisted of mostly fixed salary, expectancies might change. However, the assumption here is that the pay mix is not focused solely on output performance, so the perceptions of performance, held by the employees, may be different. In the case of the higher performing employees in the establishment or maintenance stages, tying compensation to output performance is likely to result in perceived benefits. By defining performance in terms of output, the company promotes increased expectancy estimates among these employees.

Risk attitude is also a characteristic of an individual that is anticipated to have a moderating impact on compensation strategy. Aversion to risk varies across individuals (Yates and Stone, 1992). Some individuals are risk averse, others are risk neutral, and still others are risk seekers and preference for variable pay versus a fixed salary differs depending on risk attitudes (Cable and Judge, 1994). The focus on how risk preference leads to differing perceptions for certain pay designs leads to questions concerning how risk preference interacts with pay design to influence outcomes of the employee (Wiseman, 2000). Success in the implementation of compensation strategies depends on how well they address differing risk attitudes among individuals.

Valence refers to the emotional orientations people hold with respect to rewards such as pay, promotions or satisfaction (Lee, 1998). According to expectancy theory, rewards may be intrinsic to the salesperson (e.g. personal development) or they may be extrinsic rewards (e.g. salary increases, promotion and recognition). Valences for rewards influence the effectiveness of incentive compensation programs. Not surprisingly, an organization's pay policy or governance

structure may supersede the influence of an individual's career stage on valence for rewards. For instance, if an employee in the exploration stage of their career takes a sales position that offers a pay mix consisting solely of commission and other incentives, it is most likely that this salesperson would report a strong desire for lower order rewards (e.g. pay increases).

This employee is currently in a situation where incentives, and thus pay increases, are emphasized, so it is logical to expect them to desire pay increases. Conversely, if working for a company that offers a fixed salary, an employee may be more likely to report a desire for intrinsic rewards instead of pay increases. In this case, incentives are not stressed by the company; therefore, the desire for pay increase may be reduced. In short, the organization's pay mix, or other factors, may have more of a direct affect on employee's valences for pay increases. However, given the prevailing mood in the job market, it may sometimes be difficult for the firm to match its compensation policy with the current demand, resulting in disharmony and increased employee turnover.

Pappas and Flaherty (2006) conducted an empirical study of selected sales force with an aim of determining the influence of individual risk characteristics on the three motivation components of valence, expectancies and instrumentalities as defined above. Regarding valence, they found that commission by its very nature presents more risk for the salesperson and appeals to risk seekers. On the other hand, salary provides more security and less risk and thus appeals to the risk averse. A risk seeker is likely to have different valences for variable versus fixed pay than the risk averse. A risk seeker is expected to have a greater desire for rewards that are tied to performance, while a risk averse salesperson is expected to have a greater desire for rewards that are stable.

Thus, the employee's attitude toward risk is also expected to interact with the organizations pay mix to affect valences for pay increases. Ordinarily when a company institutes a pay policy focused on variable pay the desired result is to increase valences for pay increases. However, if the salesperson is risk averse, we expect that the variable pay policy may not result in the desired effect. Conversely, if the salesperson is a risk seeker, we expect that a variable pay policy will in fact result in increased valences for pay increases.

Unlike career stage, risk attitudes are not expected to have an impact on expectancies and instrumentalities. While an organization's focus on a certain pay mix communicates that output performance or behavioral performance is more or less important, a salesperson's natural

ation towards risk is not likely to matter. A salesperson's perceptions that added effort will result in higher performance will not change based on whether or not they seek risk. Thus, an interaction between risk attitudes and pay mix is not hypothesized for expectancies or mentalities.

Organizational justice is important in general terms because perceptions of organizational justice have been found to affect a number of behaviours and attitudes including organizational commitment, management satisfaction, pay satisfaction, leadership evaluation, job performance, job satisfaction and intent to quit, reactions to layoffs, reaction to criticism, reactions to organizational grievance systems and employee theft. Organizational justice is related to both procedural and distributive justice.

Distributive justice relates to the perceived fairness of outcomes or allocations that an individual receives which include employment benefits such as life insurance, long-term disability, health insurance, dental insurance and pensions. Procedural justice relates to perceptions of fairness regarding the methods, mechanisms, and processes used to determine outcomes (Folger and Cropanzano, 1998). Such procedures are those used when making benefit claims, designing benefit plans, communicating benefit information and making adjustments to benefit plans.

It is important to consider employee benefits when studying perceptions of distributive and procedural justice in compensation as they are a valuable, high profile form of compensation, representing a significant proportion of payroll costs. Employee benefits are often used to attract new employees, and pension plans can become an important factor in retaining employees in the latter stages of their careers.

Further, benefits may become a strategic issue when they are specifically designed or changed as part of an effort to move the organization in a new direction, recognizing that the employees who must achieve this redirection are critical to success. Tremblay (2000) showed that procedural justice is positively related to benefit satisfaction. Tremblay (1998) examined the effect of organizational justice on benefit satisfaction and found that communication was a strong predictor of benefit satisfaction and that the existence of a flexible plan was not sufficient, alone, to improve satisfaction.

2.5 Motivation and Employee Benefits

For many firms, employees provide a unique opportunity for a sustainable competitive advantage. They link the firm to its customers and often have access to divergent information from important customer groups. Furthermore, as unique human resources, they are less susceptible to imitation and more durable than other types of organizational resources (Barney, 1991). Given the important role they play, motivation of the employees is widely recognized as an essential component of firm strategy.

Performance-based pay schemes are implemented by firms in order to induce greater effort from their existing workforce (Gibbons, 1998) through increasing motivation and morale. As their name indicates, these pay schemes promote workers' productivity by compensating workers according to their work performance. To the extent that employment benefits may elicit improved work performance and productivity on the part of the worker, they may also function as an alternative type of work incentive. Nonetheless, while still promoting work effort, because employment benefits are not typically offered based on the worker's performance at the firm, they are only expected to induce the minimum level of effort required to keep a desirable job (Shapiro and Stiglitz, 1984) or to persuade workers to accept or stay at a particular job.

Conversely, as predicted by compensating wage theory, workers may be willing to accept lower wages in exchange for a job offering highly valued performance-based employment benefits. In the case of performance-based contracts, workers may be willing to accept a pay scheme that involves a higher volatility in earnings, such as a piece rate, in exchange for a higher rate of pay (Parent, 1999). With the growth of ever more complex compensation packages over the last three decades, the design and evaluation of performance-based compensation contracts have captured the attention of economists.

Theoretical developments based on agency theory have demonstrated the advantages of adopting a performance-based pay system in order to attract superior employees and induce greater effort from the existing workforce (e.g. Gibbons, 1998). Because increased productivity should be compensated with higher earnings, a natural way to gauge the effectiveness of implemented performance-based pay programs is through earned wages.

The compensating wage theory argues that employees are willing to accept lower wages in exchange for a job offering certain employment benefits (Olson, 2002). Using data collected in the US, from the National Longitudinal Survey of Youth (NLSY79) from 1988 to 1998,

Amuedo-Dorantes and Mach (2003) confirmed this through their finding that wages are traded in exchange for jobs offering insurance for both men and women.

They also observed that the offer of certain employment benefits, such as retirement benefits, was associated with higher, rather than lower, male and female wages. In these instances, the offer of retirement benefits seems to function as an alternative work incentive, possibly eliciting greater job attachment, work effort, and even more investment in firm-specific human capital, all of which would result in higher wages.

They also found out that the wage effects of both performance-based pay schemes and employment benefits differed by gender, illustrating the different value that men and women place on various aspects of their compensation packages. In particular, male wages were more responsive to both commissions and tips than female wages, while female wages appeared more responsive to bonuses than male wages. The observed gender differences may be a reflection of gender differences in risk preference that may be partially explained by the characteristics of these types of performance-based compensation contracts.

Commissions and tips are pay schemes based on individual job performance often observed in sales and service-oriented jobs, therefore, highly dependent on the employee interaction with clients. To the extent that the outcome of this interaction with clients is not easily foreseeable by the employee, commissions and tips have the potential of being more volatile and irregular than other performance-based incentives originating from the employee's individual performance.

Amuedo-Dorantes and Mach (2003) further found out that piece rates and commissions each raises male wages by a factor of 4% to 5%, while tips are accompanied by significantly lower wages. A key objective of their study was to analyze whether the offer of various performance-based pay schemes and employment benefits function as an alternative work incentive, eliciting greater effort and raising wages or was instead, accompanied by lower wages, as predicted by compensating wage theory.

As such, the differential effect of tips on wages reflects the lower wages (up to 11% lower) men are willing to accept in exchange for tips. In this respect, tips act as a compensating wage differential rather than as a work incentive. Among women, piece rates, bonuses, and other performance-based pay schemes raise female wages between 1% and 4% each and this would seem to reflect these as work incentives.

Organizational performance may also affect success of compensation schemes. Human resources (HR) professionals are continually in search of ways to motivate and reward employees in order to increase their motivation and performance using compensation. Recently, more emphasis has been on the use of variable compensation schemes, instead of fixed forms of pay (Greene, 2003) in order to increase employee productivity and thus firm performance. A distinct advantage is that variable pay costs “flex in sync” with revenues when the plan is well designed.

Variable pay schemes entail individual, group and firm level forms of remuneration such as bonuses, incentives, on-the-spot bonuses, profit sharing and various other pay-for-performance schemes. They essentially are based on a principle that suggests an individual’s pay should vary based upon performance (of the individual or organization). Fixed compensation tools, on the other hand, are preset, such as the traditional straight salary method of pay.

Variable pay can lead to an increase in motivation and employee performance largely due to the incentive effect that it has on employee behaviour. Also, when truly aligned with individual, group, or company performance, variable pay reduces profit volatility and enhances earnings stream for shareholders. The reduction in volatility leads to a reduction in the market risk and by reducing the market risk, the cost of capital of the firm is also reduced, thus increasing the economic value of the firm (Burke and Terry, 2004).

However, solely emphasizing the variable component of pay has its constraints. First, as the variable proportion of total compensation increases, many employees may demand higher levels of pay because of the extra risks they are taking (Rendell and Simmons, 1999). Second, employees in lower income brackets are less willing to subject their pay to a variable component. Thus, firms emphasizing the variable pay component in certain lower-paying jobs may have difficulty in attracting employees to those jobs and ultimately create more turnovers for those employees who do not desire a variable element in their compensation package.

Third, employees are not as willing to accept variable pay tools when they are implemented at the group level as opposed to the individual level due to the need for team work compromising individual standards. In other words, employees do not mind variable pay schemes, if they are ultimately in control. Therefore, group pay plans may produce some element of dissatisfaction, which could eventually translate into lower efficiency.

Fourth, variable pay plans tend not to be as attractive to those individuals who are older, risk averse, or who lack confidence in their ability to perform the job (Greene, 2003). Thus, at

least for firms that transition to some form of variable pay, various employees will likely leave, in turn creating sizeable turnover costs (i.e. recruiting and selection new employees, training new employees, etc). Consequently, depending upon how it is used, variable pay can create both gains and losses to the firm. The gains include higher future cash flows due to better performance, and lower cost of capital due to reduced operating leverage, market risk, and thus cost of capital. The losses include higher compensation costs, difficulty in attracting people in certain lower paying jobs, dissatisfaction with compensation packages by certain employees and higher turnover costs.

Director-level incentive compensation has been defined as the use of stocks, stock options and other equity-based compensation as an integral part of the director's compensation package (Chun-Keung and Ashok, 2004). Providing financial incentives to directors would force board members to recognize from the outset that their decisions affect their own wealth as well as that of other shareholders. Discouraging board members from selling this equity is important so that holdings will accumulate to a significant size over time generating "ownership exposure". Therefore, a key design feature of an effective director incentive plan is the imposition of restrictions on sale of the equity instruments awarded. Furthermore, directors should also be constrained from using financial derivatives to reduce their ownership exposure

There is a lot of support for pegging executive incentive compensation to director's (and firm) performance. Brickley (1985) suggest positive firm performance reactions at the issuance and announcement of general equity-based compensation plans. Tehranian and Waeglein (1985) also investigate the market reaction to introductions of short-term executive compensation plans. Their results also suggest that introducing executive stock options is positively associated with the announcement effects on stock price performance. Ding and Sun (2001) examine the impact of employee stock option adoption for Singapore companies and find that there is a positive Singapore stock market response associated with employee stock option announcement.

Research results suggest that employee motivation and performance are enhanced in the presence of a flexible benefit plan (Werther, 1986), and that flexible benefit plans may increase employee satisfaction (Tremblay, 1998). Haslinger and Sheerin (1994) conducted research in which they confirmed that employees are simply unaware of or do not understand the benefits they have. The level of understanding of benefits could affect measures of perceptions of

distributive and procedural justice and in turn, affects the employee's attitudes towards the firm and subsequent performance levels for both employee and organization.

Traditionally, benefit plans were aimed at meeting the needs of the nuclear family. However, the changing composition of the family unit from the nuclear family with one wage earner to a variety of family forms including singles, single parent families, blended families composed of two pre-existing single parent families, and double income families has created a wide variety of benefit needs. By the 1980s, exploding costs for health insurance and other benefits in the west led to increased interest in flexible benefits as a cost-containment vehicle (Barber, 1992).

As the labour force participation of women and the fraction of dual-earner households have increased dramatically in recent years, employers have responded by providing employment benefits, ranging from flexible scheduling to day care to parental leave, which support a balance between work and family life. However, employers' decisions to offer benefits are shaped not only by the demands of their employees, but also by how they believe the benefits package will affect their bottom line. When one US employer, the Owens Corning company, implemented a family benefits package in late 1994, its managers cited the results of a study that found that 82% of the respondents believed that work/life benefits will become increasingly important to ensure productivity and reduce absenteeism and stress (Rose and Ahrens, 1996).

Family-supportive benefits include paid family leave; unpaid family leave; flexible sick leave policies; compressed work weeks; other flexible scheduling arrangements; job sharing; sick child day care; on-site day care; subsidies for off-site day care; reserved slots (unsubsidized) in off-site day care; child care resource and referral service; and dependent care Flexible Savings Accounts (FSAs). Four areas in which family benefits are expected to affect productivity include increased morale, reduced turnover rates, low levels of absenteeism and recruiting effectiveness. Changes in morale may directly change productivity levels by altering the pace and quality of individual work; they may also have intermediate effects on turnover and absenteeism.

Reducing turnover decreases direct recruiting costs and the lost productivity in the workplace due to vacancies created as departing employees prepare to leave. Offering benefits packages that contain flexible scheduling or leave provisions could contribute to lower turnover if workers are no longer forced to leave jobs to take care of children or elderly parents. This applies to workers with long-term caretaking responsibilities as well as those who may

frequently find themselves absent or late when available child care does not match their work schedules.

Also a family supportive benefits package that is seen as meeting employees' personal needs might improve their morale and satisfaction with their employer. Flexible scheduling or child care provisions in a family benefits package also have the possibility to reduce absenteeism if employees are frequently absent because of conflicts between work and child care schedules (Baughman, DiNardi and Holtz-Eakin, 2003).

Finally, employers that offer family-supportive benefits may see turnover-related productivity gains because they do better in the recruiting process. Workers decide to apply for jobs not only because of total compensation levels, but based upon how well the mix of cash wages and offered benefits meets their needs. If many workers demand benefits like flexible scheduling, paid leave and child care, then companies that offer these benefits will have the largest pool of well-qualified applicants from which to hire. If this scenario is correct (and family benefits do help with recruiting), then productivity should rise for two reasons. First, higher quality newly-hired workers will improve productivity directly. Second, there will be a cost-savings effect of reducing the time needed to fill vacant positions.

Employers that provide family benefits incur costs; however, not only might employers expect to recoup costs through productivity gains, there are also likely to be associated cost savings in other forms of employee compensation. Two likely suspects are the sick and personal leave that most employers already offer employees and cash wages. A study of workplace absenteeism in the USA found that 21% of workers using sick time at work are in fact not ill, but are taking time away from the job to care for children or elderly relatives (Keller, 2000). This raises the possibility that when employers provide either leave or flexible scheduling that lets employees better manage work and family, they may find that employees use less of the sick or personal time offered to them. The extent to which there is a noticeable change in sick and personal time usage depends upon how much of these types of leave employer's offer to begin with and how flexible their time banking policies are.

The second major area in which one would expect to see a financial trade off associated with implementing a family benefits package is in wage compensation. When family benefits packages of some value are offered to workers, one would expect equal reductions in cash wages or other benefits to eventually be made by employers. In practice, however, employers are often

reluctant to provide additional employment benefits because they feel they bear the full cost. This wage/employment benefit argument is not unique to family benefits, but applies to health insurance, pensions, and all other benefits. Pauly (1999) addresses the issue in the context of employer-provided health insurance in the USA and notes that many employers do not believe that employees bear some of the cost of insurance through reduced wages, despite considerable empirical evidence to support the presence of wage/benefit tradeoffs.

Group medical insurance provides coverage under a single insurance contract (the master contract) issued to the employer. There are two advantages of group health insurance over individually purchased health insurance. First, most group health insurance plans do not require individual employees to provide evidence of insurability. Instead, underwriting emphasis is focused on the group of employees, thus reducing the likelihood of an employee being denied health insurance coverage. Second, the total cost of providing group health insurance per employee is usually less than the cost of purchasing an individual health insurance policy (McGaughey, Puleo and Casey, 2005).

Group dental insurance is usually offered independently of group health insurance coverage. Most group dental insurance plans cover routine preventive dental care (e.g. teeth cleanings twice a year) and diagnostic procedures (examinations and x-rays) as well as expenses associated with dental treatment (e.g. fillings, crowns, extraction of teeth, braces and treatment for gum disease). Group life insurance is usually offered to employees as group term life insurance payable upon the employee's death to the beneficiary designated by the employee. The amount of group term life insurance coverage is most commonly a multiple of the employee's salary or a specified dollar amount per employee.

Sick leave benefits are separate from short-term disability benefits and offer employees paid time-off due to personal illness. Most plans provide benefits that fully replace lost income due to personal illness. Some plans even offer paid-time off for employees to care for dependents. In a survey of multi-owner accounting firms, (McGaughey, Puleo and Casey, 2005) found that 65% of firms surveyed included leave for employees to care for dependents as part of formal sick leave plans. Most firms included maternity leave in the formal sick leave plan with only 14% of surveyed firms offering pay for maternity leave in excess of normal sick leave. The vast majority of employers have formalized sick leave policies. Employee eligibility and benefits payable are generally included in formal sick leave policies.

There are many different types of employer-sponsored retirement plans. Most retirement plans fall into one of two categories, defined benefit or defined contribution. A defined benefit plan uses pre-determined formulas to provide a fixed, monthly retirement benefit that is tied to the employee's pre-retirement level of pay and length of service. A defined contribution plan (or provident fund), on the other hand, requires the employer and employee to contribute a given percentage of the employee's salary to an individual employee account.

The employee selects where the money set aside is to be invested. The employee's retirement benefit is then based on the balance of his or her individual account at the time of retirement. A special type of provident fund is a cafeteria plan (McGaughey, Puleo and Casey, 2005) that allow employee input on how to allocate employer contributions among benefits offered. Employees participating in cafeteria plans have the opportunity to select the best benefits package for their individual needs instead of having to simply accept benefit decisions made by the employer.

Job-related educational assistance is a benefit that has gradually been withdrawn in Kenya owing to the liberalization of education and the large numbers of workers enrolling in tertiary education making it prohibitively expensive for firm's to offer this benefit. However, professional firms, such as accounting firms, have significant educational demands and requirements. Accounting firms often hire new employees who have not completed the Certified Public Accountancy (CPA) exam with the expectation that those employees will successfully complete the CPA exam within a relatively short period of time after employment. Many accounting firms provide newly hired employees assistance with the CPA exam by providing paid time off and paying for or reimbursing employees for the cost to take CPA exam review courses and the CPA exam. CPA licensure requires continuing professional education. Complying with mandatory continuing education requirements can be quite costly and time-consuming.

2.6 Management Styles

Authoritarian or autocratic management style occurs when managers view their position as license to enforce their authority onto co-workers. The manager's demeanour changes almost overnight from a team player to one of total domination. This manager acts as if the reason that

they were promoted is because of their superiority, and everyone else suddenly needs their direction. This is a good example of an authoritarian management style (Boxall and Purcell, 2003).

An authoritarian manager is someone who likes to take complete control of the operation without taking advantage of the skills of those around them. This person demonstrates in his/her actions that his/her decisions are the only ones that matter. The results of this kind of action are devastating to an organization. These actions will result in loss of production, poor morale and sometimes will result in destructive behaviour. This is one of the reasons that it is so difficult to move into management. The incumbent poses a risk to the organization that senior management is wise to take into consideration. Sometimes a situation will call for a direct style of management. Perhaps a tight deadline looms, or the project involves numerous employees and requires a top-down management approach. Here, a manager answers five questions for the employees: What? Where? How? Why? and When? Let them know what they need to do, how they're going to do it, and when they must be finished (Chapman, 2006). This style may seem cold and impersonal, but one still has an opportunity to be a motivating and accessible manager.

For example, when one assigns roles and responsibilities, provides helpful tips or shares experiences they encountered with a similar project. With this style, the manager need not be afraid to set specific standards and expectations. Their communication, therefore, must be detail-oriented, unambiguous and free of buzzwords and jargon. They also need to set clear, short-term goals like, "Your goal is to complete three reports a day." In addition, the manager must be willing and able to make decisions quickly. Midway through a task, for example, they may direct someone to switch from doing one thing to another. Let people know from the outset that this may occur; it will help them transition more smoothly. Make sure, as well, to reward and recognize jobs well done.

If a manager want to expedite a project and optimize a process for completing that project, managing by teamwork is the way to go (Cooke, 1994). When the manager motivates people to pool their knowledge, the results may exceed their expectations. Often, teams can tackle problems more quickly than what individuals can accomplish on their own. The give-and-take can create a process that one can replicate in other projects.

Remember that successful teamwork depends on coordinated efforts among the staff, as well as solid communication skills. Reports must be clear and concise. Presentations must

convey information that leaves nothing unanswered. Understanding logistics is critical, too. Probably most important, however, is the manager's willingness to credit the team for its success and independence, rather than the manager's savvy management skills.

Teamwork management style results in participatory management styles. This increases performance and decreases employees' negative behaviour. Batt's (2002) study of customer call centres found that employee participation in decision-making decreased the quitting rate. Employee involvement reduces workplace conflict and improves work life experiences. Kato and Morishima (2002) found that employee involvement practices, after a long developmental period, led to a significant 8-9% increase in productivity. Li (2004) found that participatory management has a positive effect on productivity of state-owned enterprises in China.

With respect to employee benefits, participatory management styles may allow employees to select what benefits they may prefer. In 1980, fewer than 20 major US employers offered flexible benefit plans, but by 1992, over 1,400 such plans had been implemented (Hewitt Associates, 1993). In a "flex" plan, employees choose from a variety of benefits offered by the employer in order to select benefits that meet their individual needs. The amount of choice in these plans varies considerably. The communication of flexible benefit plans is more comprehensive and more carefully examined by employees as they make their benefit selection decisions, relative to traditional plans.

In flexible benefit plans, employers provide a specified amount of money to each employee to spend on benefits. As a result, flexible benefit plans may provide a higher perceived value of benefits because employees become more aware of the value of their benefits in terms of both employer cost and coverage levels. By offering flexible benefit plans, employers are becoming facilitators rather than providers of benefits. Thus flexible benefit plans are consistent with the trend toward empowerment and more employee involvement in organizational decision-making.

Another management style is referred to as permissive management style (Kato and Morishima, 2002). It is important to distinguish this style from the participatory or teamwork styles. Permissive management style lacks in direction. The manager does not provide overall direction on issues. As such, there is a high possibility of things going wrong. This style is especially detrimental in conflict situations. The consequences to the organization can be hazardous.

The corollary style of management to the permissive style is the democratic style of management. Here, the manager optimizes on the skills of all the employees but also provides guidance and direction. The manager also intervenes in conflict situations and is prepared to take charge or rise to the occasion as the situation may demand. This style of management encompasses the directing style but is much more liberal in its approach.

2.7 Work Environment

According to McClelland (1985) workplace conditions constitute a 'hygiene' factor, improvements in which reduce job dissatisfaction. He stated thus: "Among the factors of hygiene, when the factors deteriorate to a level below that which the employee considers acceptable, then job dissatisfaction ensues. However, the reverse does not hold true. When job context can be characterized as optimal, we will not get dissatisfaction but neither will we get much in the way of positive attitudes. It should be understood that both kinds of factors meet the needs of the employees; but it is primarily the "motivators" that serve to bring about the kind of job satisfaction and the kind of improvement in performance that industry is seeking from its work force".

According to Herzberg (1968), the opposite of job satisfaction is not dissatisfaction, but rather a simple lack of satisfaction. In the same way, the opposite of job dissatisfaction is not satisfaction, but rather "no dissatisfaction". For example, consider the hygiene factor, work conditions. If the air conditioner breaks in the middle of a hot summer day, workers will be greatly dissatisfied. However, if the air-conditioner works throughout the day as expected, the workers will not be particularly satisfied by taking notice and being overly grateful.

Workplace conditions will also entail a consideration of how the worker interacts with colleagues. Interpersonal relations can be positive and complementary or negative and destructive. Whereas the former are beneficial to the firm and the individual the latter is harmful to both and merits more mention. Violence results when employees perceive no legitimate process to deal with frustrations. For many, the climate is one of "hopelessness" created by a world of diminished possibilities.

There are different kinds of stressors in the workplace: downsizing, rightsizing, poor management, lack of proper working resources or lack of training preparation cause employees to feel mistreated, victimized or overwhelmed. Other environmental stressors include family

dysfunction, inadequate income, lack of employment, racial oppression and the corrosive effects of alcohol and substance abuse.

In recessions, training and development departments experience budgetary cutbacks. One of the consequences will be to increase the number of employees within the organization who are under prepared to perform the changing aspects of their jobs. This will create a highly stressful environment in the workplace, the kind of environment ripe for violent responses of frustration by insecure employees.

In addition, mental factors such as discrimination and harassment may accumulate over time, and eventually an individual can snap. Therefore, violence can often be the result of cumulative traumas. Micro-traumas can be psychological as well as bio-mechanical. Violence in the workplace is often the result of a mental Cumulative Trauma Disorder (CTD). Stressful work conditions, inadequate security and unsatisfied customer complaints are further causes of violence on the job.

2.8 Equipment and Facilities

In order to perform and be productive, workers require the correct tools to enable them perform their duties. Often, workers' productivity will be as good as the tools that they are provided with to facilitate their work effort. In certain work environments, equipment and facilities can be crucial not only in doing the work but also in meeting occupational health and safety requirements. Where workers are liable to be exposed to say poisonous emissions in factories, then it is important to have safety equipment and facilities to reduce exposure (Wynne, 1997). These will contribute to increased health and less occupational risks.

In service environments such as insurance and banking, the context will be different. These types of work environments involve direct contact with the customer and involve information flows between the service provider and the consumer. Such environments tend to be technology intensive and require high levels of automation of routine functions in order to deliver maximum service quality. Such firms will therefore make heavy investments in information technology to enhance productivity and performance.

Again, the emergence of the knowledge worker places firms in a position where they must be responsive to the working needs of their employees. As seen before, a knowledge worker is a new kind of employee that is characterized by being paid not to create, produce or

manage a tangible product and/or service, but rather to gather, develop process and apply information that generates profits for the enterprise. Such workers will require value added systems that encourage creativity and innovation as opposed to those designed to deliver performance on routine functions.

In industry, the emergence of the quality movement has placed a great emphasis on tools to deliver performance on many fronts. This include conformance to customer expectations, reduced delivery times through time compression and also stakeholder satisfaction. In order to deliver on all these fronts, the demand is on investing in tools that will help meet all the requirements. The importance of the right kind to equipment and facilities, in the right numbers can therefore not be understated.

It is important to analyze work environments and design programs to control, eliminate, and prevent disease or injury caused by chemical, physical, radiological and biological agents or ergonomic factors that involve the impact of equipment design on a workers comfort or fatigue. Management can develop methods to predict hazards from experience, historical data, workplace analysis and other information sources. Then they identify potential hazards in systems, equipment, products, facilities, or processes planned for use in the future (Delaney and Huselid (1996).

For example, they might uncover patterns in injury data that implicate a specific cause such as system failure, human error, incomplete or faulty decision making, or a weakness in existing policies or practices. After reviewing the causes or effects of hazards, they evaluate the probability and severity of accidents or exposures to hazardous materials that may result. Then they identify where controls need to be implemented to reduce or eliminate hazards and advise if a new program or practice is required. As necessary, they conduct training sessions on health and safety practices and regulations to promote an understanding of new or existing processes. After implementation, it is important to monitor and evaluate the programs progress, making additional adjustments when needed.

To ensure the machinery and equipment meet appropriate safety regulations, it is imperative to examine and test machinery and equipment. Personal protective equipment, such as computer antiglare visors and repetitive strain injury measures are being applied in the workplace. Hazardous materials should also be stored correctly. They test and identify work

areas for potential accident and health hazards and help implement appropriate control measures, such as adjustments to ventilation systems (Ross, 1998).

2.9 Conceptual Framework

Figure 1 presents the relationship between intrinsic and extrinsic motivators and employee performance. Interpersonal relations such as the boundary spanning activities mentioned earlier motivate employees through creating powerful contacts in the firm and also offering mentoring opportunities. Again, the individual's personal life such as family status has been seen to reflect on their attitude towards performance factors such as relocation. This will ultimately affect their value to the firm and the nature of performance incentives offered to them. Organizational policy on issues to do with training and development, promotions and so on will influence the employee's perception of organizational and procedural justice.

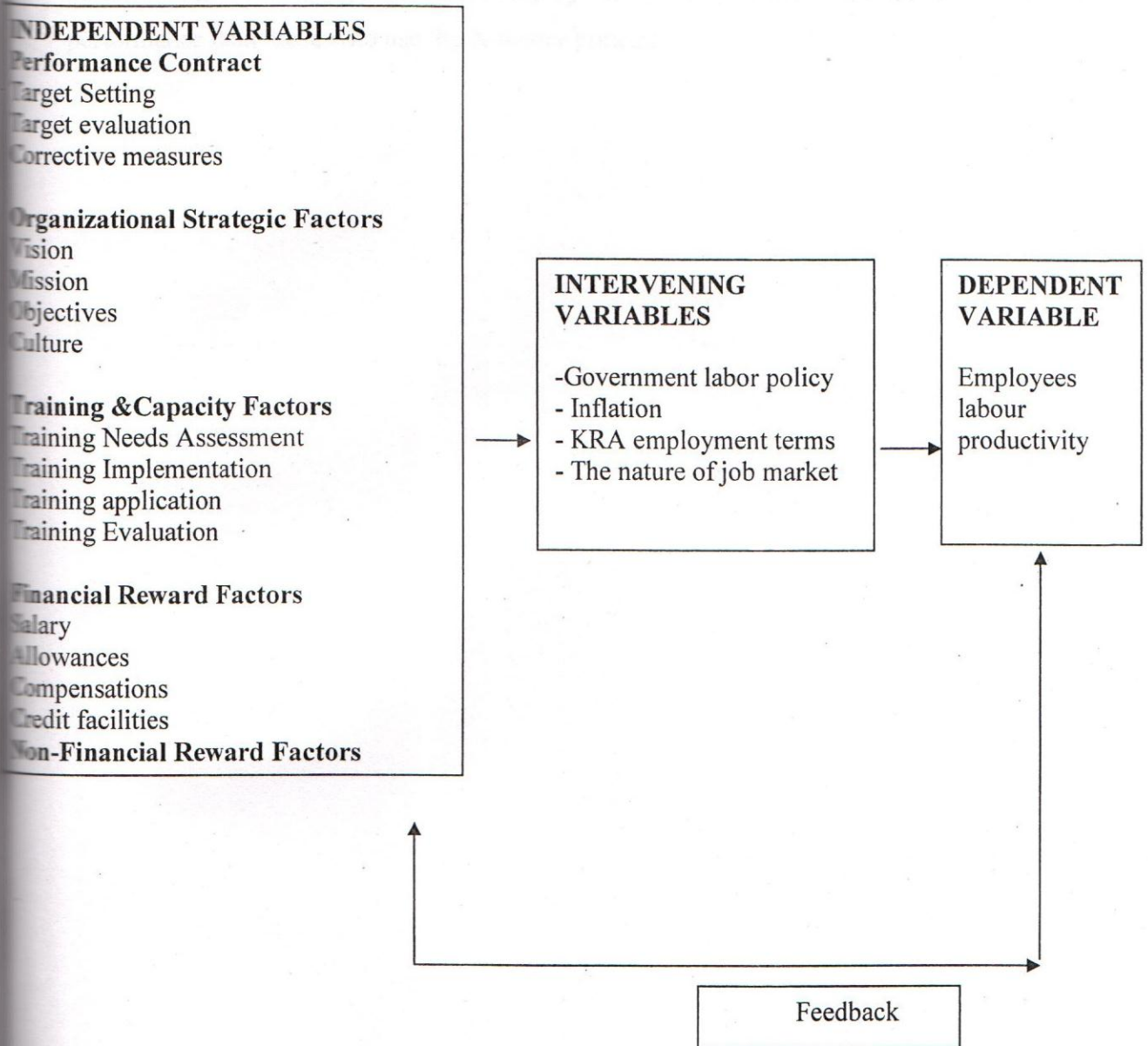


Figure 2: Conceptual framework

Source: Own

A fair perception will enhance motivation and performance while the opposite will stunt productivity and growth. Issue such as justice are basic needs that must be satisfied. Finally,

according to McGregor's (1960) X-Y theory, quality of supervision will determine employee performance. As seen, managers who employ the Y-theory principle are likely to elicit greater performance than those who use the X-theory principle.

3.1 Research Design

The study employed a descriptive survey design to collect data on the relationship between supervision quality and employee performance. The study was conducted in a public sector organization. The data was collected through a questionnaire survey. The questionnaire was designed to measure the quality of supervision and employee performance. The study was conducted in a public sector organization. The data was collected through a questionnaire survey. The questionnaire was designed to measure the quality of supervision and employee performance.

3.2 Target Population

The study targeted employees who were working in the public sector. The study was conducted in a public sector organization. The data was collected through a questionnaire survey. The questionnaire was designed to measure the quality of supervision and employee performance.

3.3 Sampling Size and Procedure

The study used a simple random sampling method to select the sample. The sample size was determined based on the population size and the desired level of confidence. The study was conducted in a public sector organization. The data was collected through a questionnaire survey. The questionnaire was designed to measure the quality of supervision and employee performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study employed a descriptive survey design. Surveys are used to gather systematically factual information necessary for decision making. It is an efficient method of collecting descriptive data regarding characteristics of a sample of a population, current practices, conditions or needs and preliminary information for generating research questions. Similarly it is a common method of studying individuals under natural conditions (Saunders M. Lewis, and Thornhill A. (2003). The results from a survey are generalized to the larger population from which the sample is drawn since it is logistically impossible to include the entire population in a study.

3.2 Target Population

The Kenya Revenue Authority had a labour force of 4,082 in its 5 Regions. Currently Kenya Revenue Authority has 5 regions responsible for revenue collections in their respective areas. Each region has officers working at different grades and in different tax collection points like; domestic taxes, customs and supportive business units.

3.3 Sampling Size and Procedure

Normally, it will be preferable to collect data from all the 4082 employees of KRA distributed in all the tax collection regions in the country. However, due to various constraints, sampling will be inevitable. A systematic random sampling technique will be used to select the respondents.

Sample size formula as provided in an article by James E. Bartlett and Joe W. Kotrlik titled Organizational Research: Determining Appropriate sample size in Survey Research was used to calculate the sample size for this study.

$$s = \frac{(z)^2(p)(q)}{(d)^2}$$

"s" = Sample size

"z" = Value of selected alpha level. In this study 0.25 in each tail = 1.96

"d" = acceptable margin of error for proportion being estimated = 0.05.

(p) (q) = estimate of variance = 0.25 maximum possible proportion (0.5) (1-0.5). This provides the maximum possible sample size.

$$s = \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2} = 384$$

Cochran's correction formula is used to calculate the final sample size.

$$s_1 = \frac{S}{1 + \frac{S}{n}}$$

Where S₁ = Required Sample size

S = uncorrected sample

N = Total target population

$$s = \frac{384}{1 + \frac{384}{4,082}} = 351$$

Given the target population of 4082 (351 KRA employees formed the sample for the study). Proportionate sampling in each of the areas of the KRA business regions were as shown in the table below.

Table 2: Sample Distribution by regions

Regions	Population	Derivative	Sample
Nairobi	2453	$n_1 = \frac{2453}{4082} * 351$	210
Southern	798	$n_1 = \frac{798}{4082} * 351$	69
Northern	177	$n_1 = \frac{177}{4082} * 351$	15
Rift Valley	262	$n_1 = \frac{262}{4082} * 351$	23
Western	392	$n_1 = \frac{392}{4082} * 351$	34
Total	4082		351

Source: Own

3.4 Research Instrument

The main data collection for the study was a structured questionnaire developed to address the objectives of the study. The questionnaire was designed to address the following issues related to employees labour productivity; labour productivity measurement, organizational strategic related factors affecting productivity, training and capacity enhancement factors, financial and non financial reward related factors .

3.4.1 Validity

Validity is the ability of an instrument to measure precisely what it is supposed to measure (Davidson (1996). The construct and content validity of the data collection tools were assessed by peers and experts from the Department of Business and Management, Egerton University. The relevance of the content used in the questionnaire in relationship to the objectives of the study was assessed using a cross-bridge matrix where by the items in the questionnaire were checked against the objectives to ensure adequate content coverage. Any improvement to the tools suggested by the experts was incorporated in the document before proceeding to the field to collect data.

3.4.2 Reliability

Reliability of an instrument is the degree of consistency with which it measures a variable (Mugenda & Mugenda, 1999). Both the employees and section heads' questionnaires were pre-tested in order to check their reliability. The pilot test was carried out using a sample of employees drawn from Nakuru Municipal Council Revenue department in order to avoid contamination. The Cronbach Alpha method was used too during the determination of reliabilities. . The method was appropriate for the study because it required a single administration of a test and is the most appropriate type of reliability for measures that contain a range of possible answers for each item of an instrument (Tuckman, 1994). The data collection tools were accepted since both the employees' pilot data yielded reliability coefficients of 0.7 above the critical value of 0.7.

3.5 Data Collection Procedures

Before proceeding to the field to collect data, permission to conduct the research was sought from the Kenya Revenue Authority. The questionnaires were distributed according to the sampling procedure used. Some of the questionnaires were delivered using courier services since the respondents were far from the researcher working place. The respondents were given ample time to fill the questionnaires which they did without any support. Lastly, the filled questionnaires were collected awaiting data analysis. The delivery and collection method was adapted to ensure high response and questionnaire return rate.

3.6 Data analysis

Data analysis involves organizing, accounting for and explaining the data; that is, making sense of the data in terms of respondents' definition of the situation noting patterns, themes, categories and regularities (Gay, 1992). The collected data was coded and a roster prepared. The final data sheet was keyed in a computer and analyzed using the Statistical Package for Social Science (SPSS) Version 12. Qualitative statistical techniques were used during the analysis. The researcher used principle component factor analysis to establish the factors related to the objective of the study. The factor analysis model used is as shown below.

$$X_k = b_{k1}F_1 + b_{k2}F_2 + \dots + b_{km}F_m + u_k$$

Where

$F_j, j = 1 \dots m$, are the common factors.

K is the unique components of variable X_1 .

The coefficient b_{ij} are the factor loadings.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND DISCUSSION

4.1 Socio-Demographic Characteristics of the Respondents

The study distributed a total of 351 questionnaire as per the sampling techniques used in the study. A total of 324 questionnaires were collected from the respondents making a return of 92.2% which the study found to be significant enough to establish the factors that influence employees' productivity at Kenya Revenue Authority.

4.1.1 Gender Difference among the Respondents.

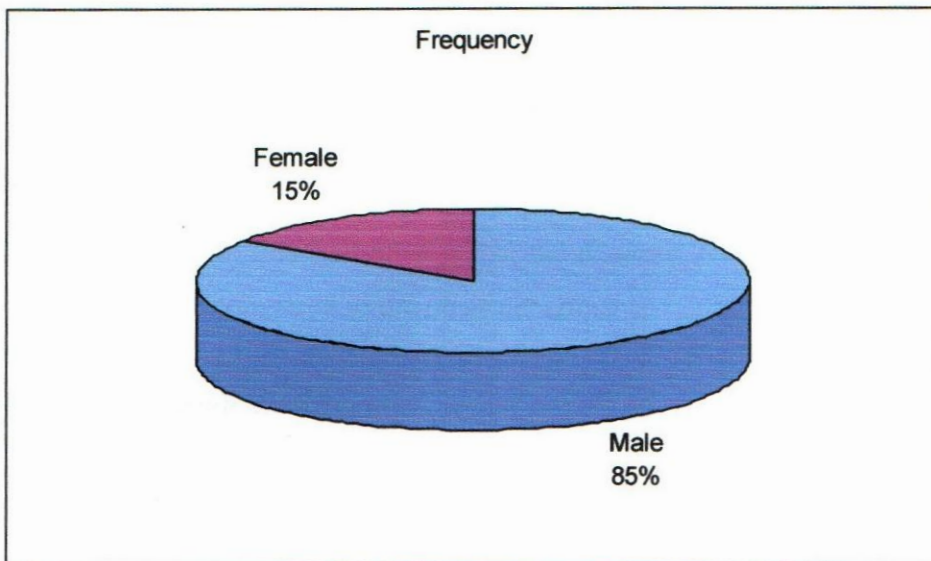


Figure 2: Gender difference among the Respondents

Figure 2 above was used by the study to analyze the gender parity among the employees at KRA. The study established that the majority of the respondents 85% were male compared to 15% who were female. This finding showed that employment at KRA was still dominated by men as opposed to the women. The authority needs to mainstream the female gender in its employment strategic plan in order to open more opportunities for the women to participate. The authority needs to work out the promotion of a balanced gender policy which is currently a

requisite by the United Nations Millennium Development goals on gender balance in developmental activities.

Table 3: Respondents Distribution by Departments

Department	Frequency	Percent
Domestic Tax	270.0	83.3
Customs	47.0	14.5
Large Tax office	6.0	1.9
Roads Transport	1.0	0.3
Total	324.0	100.0

Source: Field Data (2009)

Table 2 was used to analyze the respondents' distribution by the department where they worked. The study established that the majority of the respondents 83.3% were deployed in domestic tax department compared to 14.5% employed in the costumes department, 1.9% were deployed in the Large Tax Office department and 0.3% were in the Roads Transport department. The justification of this finding was that the domestic tax department had many tax payers and collection points compared to the other departments.

Table 4: Respondents Education level

Level	Frequency	Percent
College	221.0	68.2
University	77.0	23.8
High School	21.0	6.5
Secondary	5.0	1.5
Total	324.0	100.0

Source: Field Data (2009)

Table 3 above indicates that the majority of the employees working in KRA 68.2% had college education compared to 23.8% who had university degrees, 6.5% had high school and 1.5% had secondary school education. This finding showed that KRA is one of the parastatals where education was taken serious and that the majority had specialized skills from different college or university education.

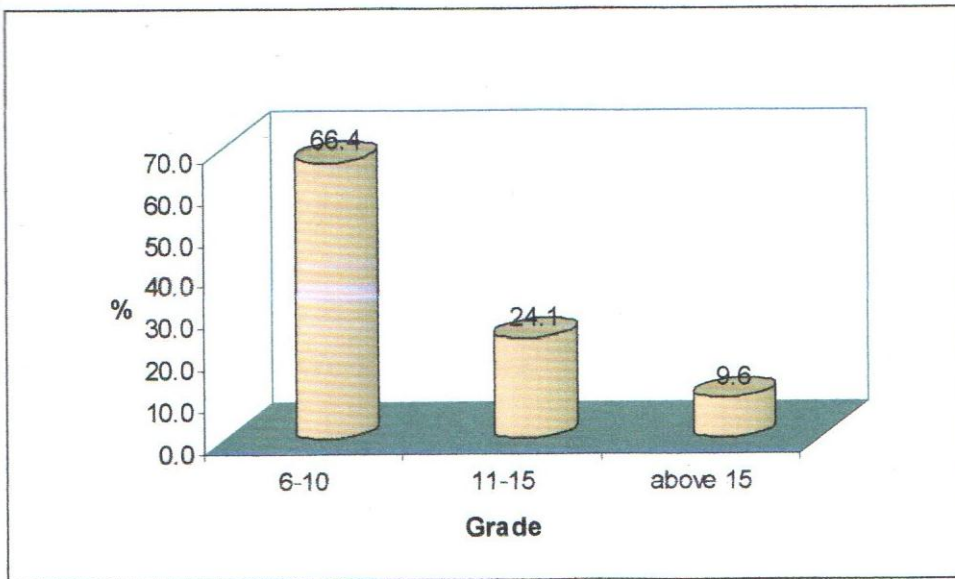


Figure 3: The Respondents Grades Cumulative Frequency

Figure 3 above illustrates that the majority of the respondents 68.4% in the study served KRA at a grade between 6-10, 24.1% were serving at a grade of 11-15 and 9.6% were serving at a grade 15 and above. This finding showed that the deployment pattern at KRA was based on the normal pyramidal model where those with lower grades were more than those with higher grades.

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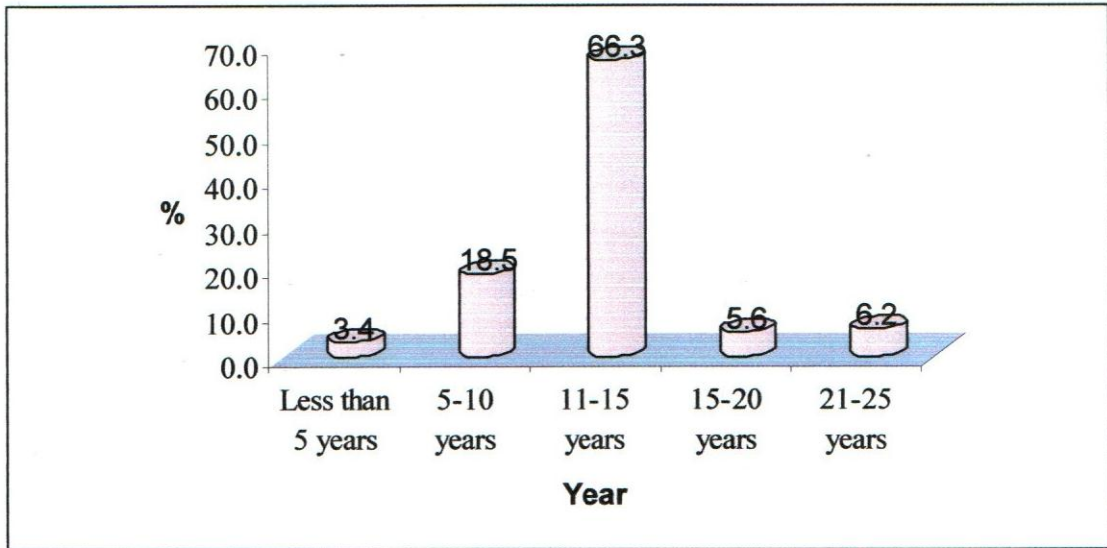


Figure 4: Respondents Work Experience

Figure 4 above was used in the study to analyze the distribution of work experience by the respondents. The study established that the majority of the respondents 66.3% had 11-15 years work experience, 16.5% had 5-10 years work experience, 6.2% had 21-25 years experience, 5.6% had 15-20 years experience and 2.4% had less than 5 years experience. This finding showed that the employees working at KRA had many years experience which is justified in enhancing their labour productivity for the benefit of the organization.

4.2 Performance Measurement by KRA Employees

The study in its first objective sought to establish the performance measurement system at KRA. The study in the design of the first objectives identified the following key issues in performance measurements; the use of performance contract by KRA, target settings, the use of target evaluation systems by KRA and deviation corrective measures taken by KRA.

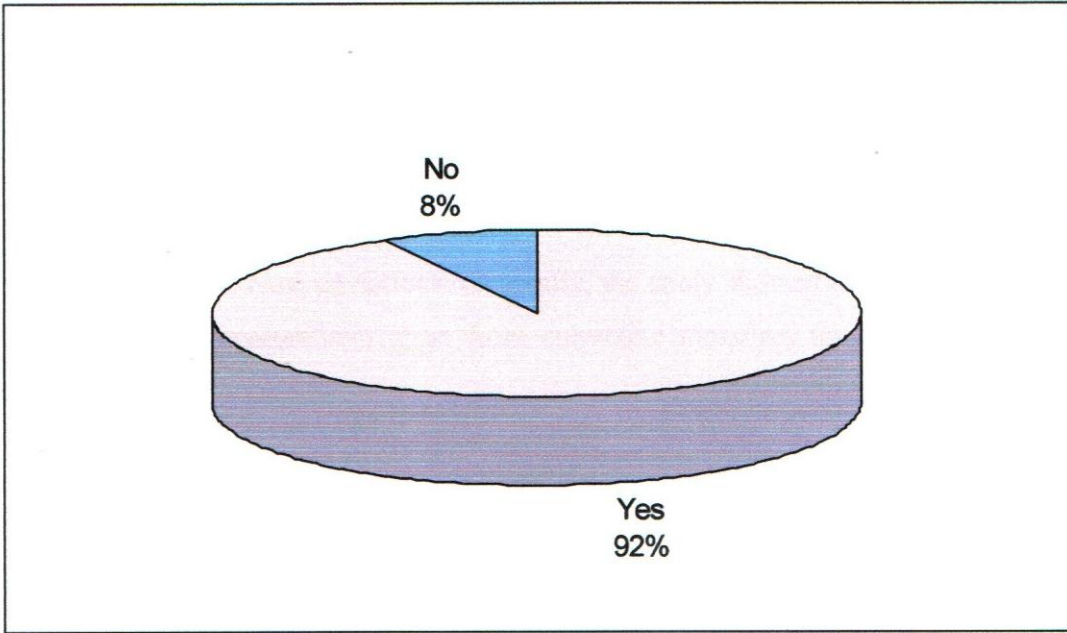


Figure 5: Respondents Views on the Use of Performance Measurement Systems by KRA

The majority of the respondents in the study 92% agreed that KRA has an established performance measurement system compared to 8% who disagreed on the existence of such a system as illustrated in figure 5.

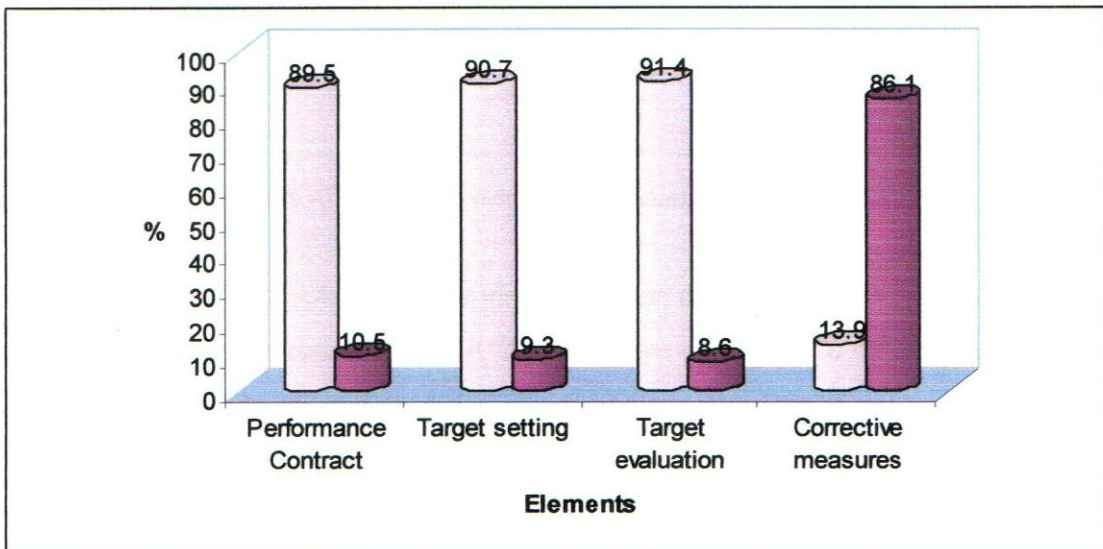


Figure 6: Respondents View on the use of the Elements of Performance Measurements

Figure 6 above was used to analyze the use of the elements of performance measurements by KRA. The study established that the majority of the respondents 89.5% agreed that KRA use performance contract as an element of performance measurement, 90.7% agreed that KRA use target to measure employees' performance, and 91.4% agreed that KRA use target evaluation as an element of performance measurement, 86.4% disagreed that KRA use corrective measures to address the performance deviations. Generally, the study showed that KRA has all the elements of performance measurement apart from corrective measures towards identified performance deviations.

4.2.1 Effectiveness of the Performance Measurement Systems at KRA

The first objective was to measure the effectiveness of the performance measurement systems at the Authority. Figure 4 below illustrates:

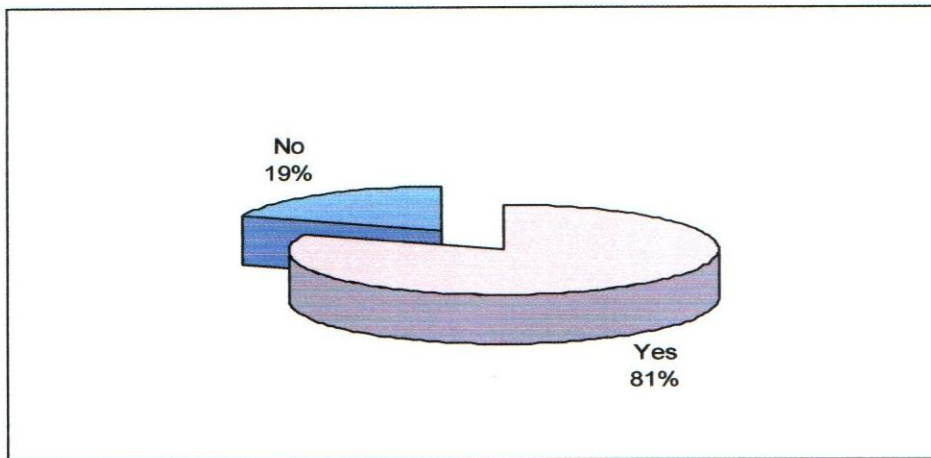


Figure 7: Effectiveness of Performance Measurement System at KRA

The study established that the majority of the respondents 81% agreed that the elements of performance measurement at KRA was effective compared to 19% who disagreed as it is diagrammatically shown in figure 7. The majority represented the middle management who seem to be keen on career growth.

4.3 The organizational strategic factors that influences employees' performance at KRA.

The second objective of the study was to establish the organizational strategic factors that influence employees' performance at KRA. The design of the second objective identified the following organizational strategic factors; KRA vision, mission, objectives, organizational culture and strategic directions, new work systems and the tax payers' satisfaction.

Table 5: Organizational Strategic Factors Affecting Employees Performance

Factor	GE	HE	FHE	ME	NE	Total
Vision	29.0	54.3	2.2	6.2	8.3	100.0
Mission	27.8	52.2	1.9	7.3	10.8	100.0
Objectives	27.5	54.0	1.9	8.0	8.6	100.0
Culture	27.2	51.9	3.4	8.6	9.0	100.1
Strategic direction	28.1	52.2	1.9	8.5	9.3	100.0
New work system	28.1	52.2	1.9	8.5	9.3	100.0
Tax payers Satisfaction	13.2	23.4	1.9	37.4	24.1	100.0
Average	25.8	48.6	2.2	12.1	11.3	100.0

Source: Field Data (2009)

Table 4 above was used to analyze the organizational factors affecting employees' performance in KRA. The table used the above presented likert scaling to analyze the respondents perception on these factors; No extent (NE), Mild Extent (ME), Fairly High Extent (FHE), High Extent (HE) and Great Extent (GE). The study established that the majority of the respondents 83.3% of the employees agreed that the KRA vision and strategic direction respectively affected their performance to a high extent, 80.0% of the employees agreed that the KRA mission affected their performance to high extent, 81.0% of the employees agreed that the KRA organizational objectives affected their performance affected their performance, 79.1% of the employees agreed that KRA organizational culture and new work systems highly affected their performance. Conversely, the majority of the respondents 61.5% agreed that the tax payers satisfaction mildly affected their performance. Generally, the majority of the respondents 74.4% of the employees agreed that the organizational strategic factors affected their performance compared to 23.4% who disagreed and 2.2% who observed that these factors fairly affected their

performance. The respondents who were not aware of the strategic plan of the organization are in the lower cadres who the literacy level is low.

The organizational strategic factors which were analyzed were; KRA's vision, mission, objectives, strategic direction, new work system and tax payers satisfaction. The factors were extracted based on the respondents view on these factors ranked on the Likert scale through a process called factors extraction. Once the factors were extracted, they were rotated to 3 principle components to find out the factors whose correlation coefficient was high. The analysis used varimax rotation which aimed at finding the factors with highest coefficient loading. Those with the highest coefficient were taken to be the factors that affected the employees' performance at KRA (See table below).

Table 6: Factor Analysis of the Organizational Strategic Factors

Factor	Factor Loading		
	1	2	3
Org-Vision	0.021	0.004	0.837
Org-mission	0.018	0.720	0.397
Org-objectives	0.885	0.006	-0.048
Org-strategic direction	0.826	0.061	0.091
Org-new work system	0.911	0.004	-0.017
Org - Tax payers satisfaction	0.041	0.717	-0.404

Source: Field Data (2009)

The study established that the highest loading variables in the analysis at the 3rd level of principle component rotation were organizational vision 0.837 and mission whose loading was 0.397. This finding therefore established that the respondents considered organizational vision as the single most main factor that affected their performance. The employees' performance was affected more by the KRA organizational vision as indicated in table 5 above.

4.4 Training and Capacity Enhancement related Factors

The third objective of the study was to establish the training and capacity enhancement factors that influence employees' performance at KRA. The study in its design used the following training and capacity enhancement factors: the training policy, the training schedule,

the training method, training environment, training evaluation, training follow up and training curricula used.

Table 7: Training and Capacity Enhancement Factors

Factor	GE	HE	FHE	ME	NE	Total
Training policy	76.2	23.2	0.6	0.0	0.0	100.0
Training schedule	30.9	65.1	0.3	2.5	1.2	100.0
Training method	63.3	27.5	0.9	3.4	4.9	100.0
Training environment	34.6	64.5	0.9	0.0	0.0	100.0
Training evaluation	73.5	25.6	0.9	0.0	0.0	100.0
Training follow up	51.2	44.8	0.3	2.2	1.5	100.0
Training curricula	78.7	20.4	0.9	0.0	0.0	100.0
Average	58.3	38.7	0.7	1.2	1.1	100.0

Source: Field Data (2009)

Table 6 above was used to analyze the training and capacity enhancement related factors affecting employees' performance in KRA. The table used the above presented likert scaling to analyze the respondents perception on these factors; No extent (NE), Mild Extent (ME),

Fairly High Extent (FHE), High Extent (HE) and Great Extent (GE). The study established that the majority of the respondents 99.4% of the employees agreed that the KRA the training policy used at KRA affected their performance to a high extent, 96.0% of the employees agreed that the schedule used training programming at KRA affected their performance to high extent, 90.8% of the employees agreed that the KRA training methods affected their performance, 99.1% of the employees agreed that KRA the training environment, evaluation and training curricula used at KRA highly affected their performance and 96.0% of the respondents agreed that training follow up highly affected their performance. Generally, the majority of the respondents 97.0% of the respondents agreed that the training and capacity enhancement factors affected their performance compared to 2.3% who observed that these factors fairly affected their performance.

The factors were extracted based on the respondents view on these factors ranked on the Likert scale through a process called factors extraction. Once the factors were extracted, they were rotated to 3 principle components to find out the factors whose correlation coefficient was high. The analysis used varimax rotation which aimed at finding the factors with highest coefficient loading. Those with the highest coefficient were taken to be the factors that affected the employees' performance at KRA (See table 11 below).

Table 8: Training and Capacity Enhancement Factors

Factor	Factor Loading		
	1	2	3
Training policy	0.108	0.215	0.721
Training schedule	0.194	0.715	-0.161
Training methods	0.283	-0.002	0.657
Training environment	0.748	-0.058	0.050
Training Evaluation	0.377	0.613	0.009
Training follow up	0.676	-0.280	0.246
Training Curricula	0.657	-0.242	-0.103

Source: Field Data (2009)

Table 7 illustrated that the study established that the highest loading variables in the analysis at the 3rd level of principle component rotation were training policy used 0.721 and training methods used whose loading was 0.765. This finding therefore established that the respondents considered training policy used and training schedule used as the single most main training and capacity enhancement factor that affected their performance. The employees' performance was affected more by training policy and methods used at the Authority.

4.5 The Reward System that Affect Employees Performance

The fourth objective of the study was to establish the reward system related factors that influence employees' performance at KRA. The designed reward system that the study analyzed included; the salary paid, the insurance cover, the loan facilities, allowance bonuses, mileage, housing scheme, recognition, interpersonal relationship, career advancement, nature of work, responsibilities, appropriate infrastructure and attitude towards work.

Table 9: The Rewards Systems Related Factors that Affect Employees Performance

Factor	GE	HE	FHE	ME	NE	Total
Salary	78.7	20.4	0.9	0.0	0.0	100.0
Insurance cover	78.7	20.4	0.9	0.0	0.0	100.0
Loan	78.7	20.4	0.9	0.0	0.0	100.0
Allowance	78.7	20.4	0.9	0.0	0.0	100.0
Bonus	71.2	16.7	2.6	9.5		100.0
Mileage	11.2	8.9	0.5	62.1	17.3	100.0
Housing Scheme	2.5	12.6	13.6	46.6	24.7	100.0
Recognition	2.5	12.6	13.6	46.6	24.7	100.0
Interpersonal relations	2.5	12.6	13.6	46.6	24.7	100.0
Career	2.5	12.6	13.6	46.6	24.7	100.0
Nature of work	78.7	20.4	0.9	0.0	0.0	100.0
Responsibilities	2.5	12.6	13.6	46.6	24.7	100.0
Infrastructure	78.7	20.4	0.9	0.0	0.0	100.0
Attitude towards work	78.7	20.4	0.9	0.0	0.0	100.0
Average	46.1	16.5	5.5	21.8	10.8	100.0

Source: Field Data (2009)

Table 8 above was used to analyze the reward system related factors affecting employees' performance in KRA. The table used the above presented likert scaling to analyze the respondents perception on these factors; No extent (NE), Mild Extent (ME), Fairly High Extent (FHE), High Extent (HE) and Great Extent (GE). The study established that the majority of the respondents 99.1% of the respondents agreed that the salary paid, insurance cover offered, loan facility availed to employees, allowances, nature of work done by employees, infrastructure that the employees use during work schedule and the employees attitude towards work affected the employees performance to a high extent, 77.9% of the respondents agreed that the bonus facility offered by KRA affected their performance to high extent. Conversely, the study established that the majority of the respondents 71.3% agreed that housing scheme, recognition, interpersonal relations and career advancement affected their performance just to a mild extent. Generally, the majority of the respondents 62.6% agreed that the reward system

related factors affected their performance compared to 32.6% who observed that these factors mildly affected their performance. Those with the highest coefficient were taken to be the factors that affected the employees' performance at KRA as tabulated in table 10.

Table 10: Factor Analysis of Reward Related Factors Affecting Employees Performance

Factor	Factor Loading		
	1	2	3
Salary	0.474	0.217	0.852
Insurance cover	0.899	0.200	-0.358
Allowances	0.474	0.217	0.825
Bonuses	0.474	0.217	0.852
Mileage	0.868	0.218	-0.371
Housing scheme	0.868	0.218	-0.371
Recognition	-0.297	0.936	-0.113
Interpersonal relations	-0.297	0.936	-0.113
Career advancement	-0.297	0.936	-0.113
Nature of work	0.869	0.120	-0.271
Responsibilities	-0.283	0.495	0.067
Appropriate Infrastructure	0.361	0.012	-0.277
Attitude towards work	0.085	-0.014	0.111

Source: Field Data (2009)

The study established that the highest loading variables in the analysis at the 3rd level of principle component rotation were salary paid to employees and bonuses whose loading were 0.852 respectively and allowances paid to the employees whose loading was 0.825. This finding therefore established that the respondents considered the employees' salaries, allowances and bonuses as the single most main reward systems related factors that affected their performance. The hypothesis that there is no significant difference in the reward system related factors that influence the employees' performance at KRA was rejected. The employees' performance was affected more by salary, allowance and bonuses paid by KRA as table 9 shows.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AN RECOMMENDATIONS

5.1 Summary

Employees performance at work place has drawn a lot interest from both academia and industry with an aim of the researchers trying to establish the factors that affect the employees performance in order to advise the industry productively, on the hand the industry tries to implement the best working performance systems with an aim of increasing the production and output efficiencies. The main aim of the study was to assess the factors that influence employees' performance in KRA. The study came up with many important findings that this section intends to present. The findings are presented in terms of the respondents' demographic characteristics, the performance measurement system at KRA, the organizational strategic factors that affect performance, the training and capacity enhancement factors that influence performance and the reward systems related factors that influence performance.

5.1.1 Respondents Demographic Characteristics.

First, the study established that employment at KRA was still dominated by men as opposed to the women. Second, the study established that the majority of the employees were working in the domestic tax department; this was because domestic tax department had many tax payers and collection points compared to the other departments. Third, this finding showed that the employees working at KRA had many years experience which is justified in enhancing their labour productivity for the benefit of the organization.

5.1.2 Performance Measurement by KRA

The study established that KRA had effective performance measurement system that they used to measure the employees performance at work place whose major elements were; performance contracting, target settings, target evaluation with corrective measures in place.

5.1.3 The organizational strategic factors that influences employees' performance at KRA

The study established the organizational strategic factors that influence employees' performance at KRA were; KRA vision, mission, objectives, organizational culture and strategic directions and new work systems. Out of the above factors, the study established that organizational vision affected employees' performance most.

5.1.4 Training and Capacity Enhancement related Factors.

The study established that the following training and capacity enhancement factors affected employees' performance; the training policy, the training schedule, the training method, training environment, training evaluation, training follow up and training curricula used. Out of the above factors, the study established that training policy at KRA affected employees' performance most.

5.1.5 The Reward System that Affect Employees Performance.

The study established that the following elements of reward system related factors influenced affected the employees' performance; the salary paid, the insurance cover, the loan facilities, allowance, bonuses, nature of work, appropriate infrastructure and attitude towards work. Out of the above factors, the study established that salary, allowance and bonuses paid by KRA affected employees the most.

5.2 Conclusion

The human resource in any organization is one of the most important resources that must be technically identified, deployed, nurtured and fully motivated in order for such organizations to enhance their performances which are some efforts that will make the organizations achieve their objectives. The study at its conceptualization sought to assess the factors that influence employees' performance in KRA. The study established that organization vision, the training policy used at KRA, employees salaries, allowances and bonuses are the factors that affect employees' performance most.

5.3 Recommendations and Further Research

From the findings and conclusion of this study, the following recommendations will be found important in relations to the factors that affect employees' performance. First, The Authority needs to main-stream the female gender in its whole employment strategic plan in order to open more opportunities for the women to participate. The Authority needs to work out the promotion of a balanced gender policy which is currently a pre-requisite by the United Nations Millennium Development goals on gender balance in developmental activities. Second, KRA need to continue enhancing their performance measurement system so that the Authority can get return on investment in its employees.

Third, the Authority should train employees the importance of making tax payers service satisfaction a priority in their performance endeavors. This is because the tax payers are the source of revenue for the entire Republic of Kenya in meeting its domestic budget without which the country will not be able to function. Fourth, the Authority should enhance more capacity through training in most cases link the trainings to the organizational objectives and employees performance. Such linkages will make the Authority achieve its objectives as well as improve on the employees' performance. Fifth, although the study identified mainly financial reward as a priority among the employees it is important to note that the non-financial reward are important for both the organization and the employees. The Authority therefore should endeavor to provide more of the non-financial to the employees in order to boost their morale in performing their duties. Such rewards should include but not limited to; recognition, interpersonal relations among the employees, career growth and development, responsibilities through promotions and leadership development.

The following related areas can be researched on to add up to the knowledge of what this study has achieved. First, there is a need to carry out a comparative analysis of the factors affecting employees' performance from both the public and private companies in Kenya. The finding from such a study will be able to make some useful comparisons on how these two adverse sectors address themselves to these factors which in turn will make the sectors to learn from one another and to grow up the employees' performance as an important emerging concept.

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Grace M. Njiru

APPENDICES

Appendix 1: Introduction Letter

Dear Sir/Madam

I am a graduate student at the School of Business and Management, Egerton University. In partial fulfilment of the requirements for the award of the degree, I am conducting a research titled *An assessment of factors that influence the performance of Kenya Revenue Authority employees*. You have been selected to assist in providing the required information as your views are considered important to this study. I am therefore kindly requesting you to fill this questionnaire. Please note that any information given will be treated with utmost confidentiality and will only be used for the purposes of this study.

Thank you.

Grace M. Ndungu

Appendix II: Employees Questionnaire

INSTRUCTIONS Kindly give an honest and accurate response to the items in the questionnaire

Section A: Bio-Data.

1. Gender Male () Female ()

2. Department
Customs () Domestic revenue () Large tax office ()
Roads () Support ()

3. Highest level education
Secondary; () High School () College () University ()
Other (specify)

4. Current grade: Grade 1-5 ()
 Grade 6-10 ()
 Grade 11-15 ()
 Grade 16 and above ()

5. How many years have you worked for the KRA?
Less than 5 years ()
5-10 years ()
11-15 years ()
15-20 years ()
21-25 Years ()
Over 25 years ()

Section B: Labour Productivity Measurement

1. Do you think KRA has any labour productivity measurement system?

Yes ()

No ()

2. The following describe the nature of a basic labour productivity measurement system.

Please tick the elements you think are in the KRA measurement system

Elements	(Please tick)
Performance contracts	
Target setting system	
Target evaluation system	

3. Do you think that the measurement system is effective and employees focus? If so, kindly tick the part you view on the effectiveness of the listed elements.

VE – Very Effective, E-Effective, U-Undecided, IE- Ineffective, LE- Least Effective

Elements	VE	E	U	IE	LE
Performance contracts					
Target setting system					
Target evaluation system					

Section B: Factors that influence performance of KRA employees

Please indicate the extent to which the factors in the table given below influence how you perform your duties and responsibilities at the KRA.. Use the scale provided. Scale: -

No extent (NE) Mild Extent (ME) Fairly High Extent (FHE)

High Extent (HE) Great Extent (GE)

No.	Factor	Extent to which it influences my work performance				
		GE	HE	FHE	ME	NE
Organizational Strategic Factors						
1	The vision of KRA influence my productivity					
2	The mission of KRA influence my productivity					
3	The objectives of KRA influence my productivity					
4	The culture at KRA influences my productivity					
5	The strategic direction influences my productivity					
6	New work system influences my productivity					
7	Tax payers satisfaction influences my productivity					
Training and capacity enhancement factors						
1	The training policy influences my productivity					
2	The training schedules influences my productivity					
3	Training methods used influences my productivity					
4	Training environment influences my productivity					
5	Training evaluation influences my productivity					
6	Training follow up influences my productivity					
7	Training curricula influences my productivity					
Financial Reward Related factors						
1	The salary paid to me influences my productivity					
2	The insurance cover influences my productivity					
3	The loan facility influences my productivity					
4	The allowances influences my productivity					

5	The end year bonuses influences my productivity					
6	The mileages paid influences my productivity					
7	The housing scheme influences my productivity					
Non-Financial Reward Factors						
1	Recognition given to me influences my productivity					
2	Interpersonal relationship influences my productivity					
3	Career advancement influences my productivity					
4	Nature of work influences my productivity					
5	Responsibilities given influences my productivity					
6	Appropriate infrastructure influences my productivity					
7	Attitude towards work at KRA influences my productivity					

(i) How do you rate your work performance? Excellent () Very Good () Good () Fair ()

(ii) What are other factors that influence your work performance?

.....

(iii) Give suggestions of what need to be done to improve your work performance

.....
