REWARD SYSTEMS AND STRATEGIES FOR
ENHANCING EMPLOYEE MOTIVATION IN THE
PHARMACEUTICAL COMPANIES IN KENYA

BY

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STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: [Signature] ___________________________ Date: __12.11.02__
Catherine W. Ngaruiya (606242)

This project paper has been presented for examination with my approval as the appointed supervisor.

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Dean, School of Business

Signed: [Signature] ___________________________ Date: __19-11-2002__
for - Deputy Vice Chancellor, Academic Affairs
DEDICATION

This research project is dedicated to Alex my husband for his love and patience, to my parents for their support and encouragement and Daniel my son whose smile made it worthwhile.
ACKNOWLEDGEMENT

I wish to acknowledge the guidance, input and timely feedback of my supervisor Dr. G. K’Aol. I also want to thank all the respondents who willingly gave me the information to make this paper complete. I cannot forget to thank my sister Njoki for her assistance and my family members for their prayers all through this time I have been pursuing this degree. May God bless you all.
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LIST OF ABBREVIATIONS

PRP- Performance Related Pay
HRM- Human Resource Manager/ Management
HR- Human Resource
GSK- Glaxo SmithKline
PSK- Population Society of Kenya
APS- Approved Profit Sharing
SAYE- Save As You Earn
ESOPs- Discretionary Share Option Schemes and Employee Share Ownership Plans
UK- United Kingdom
ABSTRACT

The purpose of this research project was to investigate how rewards systems and strategies are used to enhance employee motivation in the pharmaceutical companies in Kenya. The study was guided by the following research questions:

I) What reward systems and strategies are used to enhance employee motivation in pharmaceutical companies in Kenya?

II) What factors are considered in the choice and design of reward systems and strategies in pharmaceutical companies in Kenya?

III) What problems are encountered in implementing reward systems and strategies in pharmaceutical companies in Kenya?

The information generated from this study contributes to the body of knowledge on employee motivation. Specifically, the information can be useful to HR managers and pharmaceutical companies in the formulation of reward strategies to motivate employees. The information can be used to enhance the existing strategies and hence improve on organization performance.

The research design was a survey and data was collected with an interview guide developed by the researcher on the basis of the research questions. The population of the study was pharmaceutical companies located in Nairobi. The target respondents were HR managers in the pharmaceutical companies. The data analysis tool was Microsoft Excel and data presented in the form of tables and figures.

The research findings revealed that pharmaceutical companies in Kenya used rewards as systems and strategies of enhancing employee motivation and performance. The results revealed that the companies used financial and non-financial rewards such as salary/wage, benefits, paid leave and training.

The study revealed that pharmaceutical companies in Kenya used set policy in the choice and design of reward systems and strategies. The study revealed these companies did not
consider equality of rewards as important while those that pursued this policy focus on benefits.

The results further indicated that employees were fairly satisfied with the rewards offered by the pharmaceutical companies. However, dissatisfaction existed in the areas of training and recognition awards. The study further revealed that current reward systems did not address appraisal and the variety of the reward schemes. Major difficulties that these companies face in implementation of equality of reward systems and strategies included high costs and absence of harmonization policy.

This study recommends that to enhance employee motivation and performance, pharmaceutical organizations in Kenya should increase the variety of rewards they offer to employees and involve employees more in reward decisions. Incorporating technology would increase flexibility of reward schemes and competitiveness. This study also recommends that pharmaceutical organizations in Kenya should incorporate harmonization policy in reward systems and strategies.
CHAPTER I
1.0 INTRODUCTION

1.1 Background of the Problem

Motivation has been described as one of the most pivotal concerns of modern organizational research (Baron, 1991). Research suggests that motivation affects organizational outcomes by shaping employee behavior. Specifically employing appropriate motivation strategies increases employee commitment and ensures employee active involvement in the organization to accomplish organizational goals (Huselid, 1995).

Katz and Kahn (1988) have posited that organizations need people in order to perform and stipulated three behavioral requirements in this regard: (1) People must be attracted not only to join the organization but to remain in it; (2) People must perform tasks for which they are hired and must do so in a dependable manner; and (3) People must go beyond this dependable role performance and engage in creative, spontaneous and innovative behavior at work. In other words, organizational effectiveness can only be realized when employees are motivated (Baron, 1991).

Research by Lengnick-Hall, C. A and Lengnick-Hall, M. L., (1990) suggests that most studies in this area mainly focused on financial measurement as an indicator of improved employee performance, however failed to explain the specific motivation strategies used and how they are related to performance.

Cook and Ferris (1986) are among the first scholars to make an attempt to explain this relationship by differentiating between short-term outcomes, including increased commitment and competence at the individual level, cost effectiveness of Human Resource function and a range of long-term outcomes including individual well being, organizational effectiveness and social well being as indicators of improved performance by a well motivated staff.
Reward systems and strategies are one way which organizations can use to motivate their employees to enhance their performance. When used appropriately both non-financial and financial rewards can reinforce business goals by communicating business values, promoting flexibility and maximizing on individual contribution to the organizational objectives (Armstrong, 2000).

The way in which employee rewards are managed is seen as a critical issue in strategic HRM for a number of reasons, first, it is a mechanism through which employers aim to elicit effort and performance, second, the actual pay system may require adjustment to enhance performance, and third it is often a significant part of the of the employers’ financial strategy (Hendry, 1994).

A study by Thompson (1998) found significantly higher levels of value added per employee in companies using defined HR practices in including the reward practices and applying them to a larger proportion of their work force. Perrin (1999) found correlations between business returns to share holders and certain pay practices, including a greater use of performance based pay and more open reward communications. This implies that reward systems and strategies are critical in communicating to employees of the organizational commitment to invest in them.

1.2 Problem Statement
Pfeffer (1994) points out that firms that adopt appropriate reward strategies to manage employees as a capital resource create an important source of competitive advantage for the organization. This is achieved by using rewards as systems and strategies that can communicate and reinforce business goals by giving the employees the incentive to pursue the goals of the organization (Perrin, 1999). According to Porter (1997) having the right rewards in place helps people make the right choices to support the business strategy. However, literature available on this issue tends to be prescriptive and fails to explain how reward systems can be used as strategies of enhancing employee motivation (Truss, 2001). For example Armstrong (2000) gives a description of reward systems and
practices and fails to explain how these practices are enacted in organizations as strategies that can enhance motivation of employees.

On the other hand Brown (2001) gives a prescriptive guideline on reward strategies but lacks the backup of investigative studies on how effective his suggestions are in contemporary workplace. Brown further adds that the problem is that written reward strategies are largely used in the HR community and not shared with the staff, or with line managers and this raises the question of their practical impact and 'ignoring their operation'. This study was designed to fill this gap of how reward systems and strategies are used to enhance employee motivation, the factors considered in the choice and design and the problems in the implementation of these systems and strategies in the pharmaceutical companies in Kenya.

1.3 Purpose of Study
The main objective of this study was to investigate how pharmaceutical companies in Kenya use reward systems and strategies to enhance the motivation of employees.

1.4 Research Questions
The study was guided by the following research questions:
I) What reward systems and strategies are used to enhance employee motivation in pharmaceutical companies in Kenya?
II) What factors are considered in the choice and design of reward systems and strategies in pharmaceutical companies in Kenya?
III) What problems are encountered in implementing reward systems and strategies in pharmaceutical companies in Kenya?
1.5 Significance of the Study
This study is significant to the following groups of people:

1.5.1 Pharmaceutical Companies
Since the business environment is highly competitive, pharmaceutical companies can use information and knowledge generated from this study to improve on company competitiveness by designing reward strategies in a manner that is suitable to the work processes and that will motivate their workforce.

1.5.2 Human Resource Managers
Information from this study can be used as a guideline to Human Resource managers in formulating reward systems and strategies for enhancing employee motivation. Moreover, information generated can be used to enhance the existing strategies of motivating employees in organizations.

1.5.3 Researchers
The study will contribute to the existing body of knowledge on motivation and hence can be used in subsequent research.

1.6 Scope of Study
This study focused on multinational and local pharmaceutical companies based in Nairobi with focus on HR managers who have the task of designing the reward strategies.

1.7 Definition of Key Terms

1.7.1 Motivation
A set of internal and external forces that initiate work related behavior determining its form, direction intensity and duration. It is a concept that deals with events and phenomena related to people in a work context (Kreitner and Kinicki, 1995).
1.7.2 Strategy
Future oriented plans for interacting with the competitive environment to optimize achievement of organization objectives (Porter, 1997).

1.7.3 Rewards
Rewards are incentives both monetary and non-monetary that motivate employees to pursue and achieve organizational goals (Brown, 2001).

1.7.4 Non-financial rewards
These are rewards that focus on the need people perceive to varying degrees of achievement, recognition, responsibility, influence and personal growth (Armstrong, 2000).

1.7.5 Financial Rewards
This is monetary recognition of people’s achievement in the shape of attaining high performance (Armstrong, 2000).

1.7.6 Incentives
These are reward systems that influence the productivity and performance of employees by motivating them (Brown, 2001).

1.8 Chapter Summary
This chapter has introduced the topic of study and has highlighted that the objective of this study was to investigate how pharmaceutical companies in Kenya use reward systems and strategies to enhance motivation of their employees. The study looked at reward systems and strategies, factors considered in design of these strategies and the problems encountered while implementing these strategies. The focus respondents of the study were the Human Resource managers.
CHAPTER II

2.0 LITERATURE REVIEW

2.1 Chapter Overview
The chapter will include a detailed discussion of reward strategies from the point of view of previous research studies. The text chapter is organized on the basis of the research questions: reward systems and strategies, factors considered in the choice and design of these systems and strategies and problems encountered in the implementation of these strategies. The chapter will first discuss major motivation theories that are related to reward systems and strategies.

2.2 Reward Systems and Strategies Tools

2.2.1 Reward and Motivation Theories

2.2.1.1 Maslow Hierarchy of Needs Theory
This is a theory formulated in 1954 by Abraham Maslow and postulate three fundamental ideas about employee motivation; firstly, that people have needs that influence behavior, secondly, that these needs are arranged from the most basic such as food and water to complex psychological needs such as self esteem and creative potential, thirdly that needs at the upper level of the hierarchy are activated once needs at the lower level are attained. This proposes that motivation is a function of five basic needs physiological, safety, social, esteem, and self-actualization (Kreitner and Kinicki, 1995).

According to Kreitner and Kinicki (1995) physiological needs are the most basic needs and include, food, shelter, clothing, sleep and sexuality. These needs are generally satisfied through fair wages and good working conditions. Security / safety needs include the need to be free of the fear of job loss, property, and the basic needs. Once the physiological and safety needs are satisfied, the predominant needs of an individual are the social needs that include the need for affiliation, acceptance, love and a sense of belonging. Esteem needs include the need for reputation, prestige and recognition. Other
important needs in this category include the need for self-confidence, respect and status. Self-actualization needs are the highest needs on the hierarchy and include the desire for self-fulfillment. If this need is met the result is creative performance, innovation and realization of one's human potential.

According to Kreitner and Kinicki (1995), Maslow's theory emphasizes that a satisfied need is not a motivator. Once a certain need is satisfied, the next level of need in the hierarchy becomes the motivator. If certain needs are not met the individual suffers from behavioral deficiency reflected in traits like, passivity, hostility, and refusal of responsibility. The implication of the hierarchy of needs theory approach in reward management is that for those employees on low wages and consequently operating at the lower end of the hierarchy, money may loom more as a motivator than those earning considerably more, whose needs are satisfied and have moved on to higher level needs.

2.2.1.2 Equity Theory
According to Fincham and Rhodes, (1996) this theory focuses on the process of work and the work environment and lays emphasis on the role of individual cognitive process in determining the level of motivation. They say that this theory postulates one important cognitive process involves people looking around and observing what efforts other people are putting into their work and the rewards that follow them and compare this with their own, this concern is a result of the human concern with fairness. When people perceive others enjoying a similar ratio of inputs (effort, qualification, skill level and qualification) to outcomes (pay, career advancement and fringe benefits) to themselves they experience equity. If employees perceive this ratio of input to outcomes as favoring other employees (underpayment) or themselves (overpayment) they experience inequality that is an unpleasant experience to motivate employees.

2.2.1.3 Expectancy Theory
This theory is based on expectations that people bring to the place of work and the context these expectations are satisfied (Vroom, 1964). Vroom argued that what was important in motivation the workforce was the perception of the link between effort and
reward. This means that the management needs to demonstrate to employees that effort will be recognized and rewarded both in financial and non-financial terms (Marchington and Wilkinson, 2000). Employees calculate whether there is a connection between their effort and performance (expectancy). They also calculate the probability that valued rewards (valences) would follow from high performance (instrumentality). The motivational force is attenuated by individual ability, traits, role perception and opportunities (Fincham and Rhodes, 1996).

The importance of this theory is that it acts as guide for management to establish schemes to reward behavior that can improve employee performance. Also this theory helps to explain why employees do not always respond in a desired way for it is not always they believe the managements’ word. For example, should the management announce plans of introducing new technology and reassure the employees that such a move will not lead to job losses, employees may not believe the management. The theory further implies that low motivation will be the product of jobs where there is little worker control and hence organization motivation systems should be clear on how behavior is rewarded. Moreover, tasks should be designed to satisfy employee needs through work and more importantly, the management should individualize the organization reflecting the different needs of its employees. Moreover expectancy theory implies that the management needs to demonstrate to employees that effort will be recognized and rewarded in both financial and non-financial terms (Marchington and Wilkinson, 2000).

2.2.1.4 Reward Systems and Strategies
Lawler (1994) is among the first scholars to describe rewards as a strategy, describing it as integrated strategy approach linking company strategy pay systems and employee behavior. Rewards are an important way of reinforcing business goals of the organization. Studies by Arthur (1994) and Delery and Doty (1996) have identified pay and reward as improving the performance of employees. Delery and Doty identified performance based compensation as the single strongest predictor of the performance of the firm. According to Perrin (1999) the most significant goals driving reward strategies include:
• Improving employee focus on achieving business goals
• Broadening employee competencies
• Focusing employees on customer needs
• Creating competitive advantage through the firm
• Reinforcing corporate values

Perrin (1999) further argues that reward strategy goals are to:
• Recruit, motivate and retain high performers
• Achieve and maintain market competitiveness
• Attract key talent into the organization
• Link pay to organization’s key success factors
• Pay each individual based on results
• Control fixed pay costs
• Manage reward on a total remuneration basis.

Brown (2001) asserts that, the decisions on rewards should take a strategic approach because such decisions continue the business status quo, secondly, reward strategies are connected with business strategies and finally, human capital is the source of sustained competitive advantage. Hence, decisions on rewards as other strategic decisions will require top management involvement and will impact on the long-term performance of the firm (Pearce and Robinson, 1997). Studies by Perrin (1994) and Thompson (1998) have indicated that particular long-term business strategies are associated with particular pay and reward practices. For instance, Perrin (1994) in a study amongst privatized Companies in the UK found that companies emphasizing on cost leadership strategy are less likely to adopt a high market stance, and more likely to relate pay to productivity.

In the recent years there has been a growing emphasis that reward management should be utilized as a strategic tool and not just a technique to recruit, retain and motivate staff, but also as a devise to manage corporate performance and influence corporate values and beliefs (Armstrong and Murlis, 1995).
2.2.1.4.1 Financial Rewards

Traditionally money was perceived as the only motivator, a study by Wallace and Szilaygi (1982) suggested that money serves the following reward functions:

- It can act as a goal that people generally strive for although in different degrees
- It can act as instrument that provides valued outcomes
- It can be a symbol that indicates the recipients’ value to the organization
- It can act as general reinforcer because it is associated with valued rewards that it takes the reward value itself.

Armstrong (1999) argues that many organizations perceive money as the most important motivator because it is directly or indirectly linked with the satisfaction of many needs including basic needs such as food, shelter and also status and this is the reason behind money being considered before taking a job or deciding to stay in one. Kohn (1998) however feels that no study has found a long term enhancement of quality of work as a result of any reward system. He based his argument on the fact that the more salient and reinforcing the reward is the more it erodes its intrinsic interest. Pfeffer (1994) adds that people work for money and meaning.

Bear, Spector and Lawrence (1985) are of the view that companies have developed a wide variety of compensation systems plus practices in order to achieve employee pay satisfaction and motivation. They say that fringe benefits are part of the compensation mix and will vary according from organization. However fringe benefits may not be cost effective but are important tool of attracting employees. To them a typical fringe benefit package may contain:

- Extra pay for time worked on holidays and weekends and shifts
- Non-production awards and bonuses such as safety awards and Christmas and yearly awards.
- Payments for the time not worked such as sick-days, vacations and religious holidays,
- Payment for employee health and security such as insurance pension fund contributions, payments and supplements to workman’s compensation.
• Prerequisites for top execution such as bigger offices, reserved packing and expense account arrangement.

They further argue that organizations should pay their employee based on performance for the following reasons:

1. Pay for performance motivates desired behavior
2. It helps attract and retain achievement oriented individuals
3. A pay for performance system leads to higher perceptions of equity and feelings of satisfaction.

Performance related pay (PRP) involves paying employees based on their performance of the job. Pay is linked to performance and measured by a number of specific objectives such as sale targets or customer satisfaction. PRP has advantages such as it is able to reward individual initiative; it adjusts to changes in the workplace and communicates the message that performance is critical. Other advantages of PRP include that it has retention ability and also creates a greater individual responsibility (Marchington and Wilkinson, 2000). A study by Mardsen and Richardson (1994) analyzed PRP in Inland Revenue with the Central justification as a motivator and found out that majority of employees supported PRP but 45% were hostile towards it. 52% believed that PRP helped to undermine the moral of staff and 62% saying it had caused jealousy between them. The main reason for the failure to motivate is the perception by staff that the allocation of the performance payments was unfair and corrupted. The following table summarizes the findings of the study:
<table>
<thead>
<tr>
<th>Has performance related pay led you to:</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the quality of your work</td>
<td>12%</td>
<td>80%</td>
</tr>
<tr>
<td>Increase the quantity of your work</td>
<td>14%</td>
<td>78%</td>
</tr>
<tr>
<td>Work harder</td>
<td>9%</td>
<td>71%</td>
</tr>
<tr>
<td>Work beyond the job requirements</td>
<td>21%</td>
<td>70%</td>
</tr>
<tr>
<td>Give sustained high performance</td>
<td>27%</td>
<td>63%</td>
</tr>
<tr>
<td>Improve your priorities at work</td>
<td>22%</td>
<td>64%</td>
</tr>
<tr>
<td>Show more initiative</td>
<td>27%</td>
<td>61%</td>
</tr>
<tr>
<td>Express yourself with greater clarity</td>
<td>13%</td>
<td>67%</td>
</tr>
<tr>
<td>Be more effective in dealing with the public</td>
<td>9%</td>
<td>68%</td>
</tr>
<tr>
<td>Improve your sensitivity towards colleagues</td>
<td>14%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: Mardsen and Richardson, 1994

Marchington and Wilkinson (2000) argue that there has been a growth in the field of financial participation by employees fueled by the following reasons:

1. Education based: Organizations are concerned with improving employee understanding of the organization position in the market place, its strategy and the importance of profits stimulating further investments.

2. Commitment based: Organizations concern with increasing employee commitment to and identification with the goals of the organization and enhancing employee loyalty to the employer.

3. Performance based: This is concerned with enhancing both employee and organizational performance and touches the areas of increasing cooperation to plans reducing absenteeism, improved productivity and efficiency. The argument is that employees with a stake in the overall success of the unit (plant or division) are more likely to work harder.
4. Recruitment based: This is concerned with attempts to attract and retain employee especially in a climate where competition between employers for high quality staff is strong.

5. Defensive motivations: This is concerned with other issues which may influence the position of the firm such as an attempts to deter trade unions from gaining recognition or limiting the development of trade union organization.

6. Paternalist – based: This is concerned with the willingness of employers to offer shares or other forms of financial involvement.

Marchington and Wilkinson (2000) group financial participation into three first is employee share ownership. This is where employee ownership is extended albeit to a small degree by using parts of profits generated to acquire shares for employees in the company. This category has four subcategories including; Approved Profit Sharing (APS); Save As You Earn (SAYE); Discretionary Share Option Schemes and Employee Share Ownership Plans (ESOPs) the principal point that binds such schemes together is the notion of share ownership as opposed to bonus.

Second is cash- based profit sharing. This is where a bonus is given to employees based upon the share price, profits or dividend announcement at the end of the financial year. The main problem of this scheme is that profits may fluctuate due to external forces and this maybe unfair to employees. The form these schemes take vary with organizations, some may offer cash payment or shares. The driving force of such a scheme is to associate employee effort with company success.

Third is Profit related pay. This is pay, which varies in relation to the movement in profits of the business. It is different from profit sharing in that it is not a bonus but part of the payment package and also it creates a systematic and regular pay link with profits unlike other schemes where payment is at the discretion of the directors.
Marchington and Wilkinson however assert that financial involvement has problems in that it does not link effort to reward in a clear manner, nor is the payment made at regular enough intervals to act as a motivator of staff. Moreover, since profits or share prices are affected by many factors other than employee performance it is difficult to conceive of this as a reward for effort.

Other than the cash payments Armstrong (2000) argues that pensions are a form of deferred pay and are the most widespread of all fringe benefits. He divides pension schemes into two, first are pension schemes where the level of pension is calculated as a percentage of the retiring individual final salary, the second are defined contribution money purchase schemes, where regular are made by employee and employer to a pension fund and the employee will receive pension on the basis of the value of the investment. Armstrong adds that the objectives of pensions are retention, attracting new staff improving employee relations, managing the time and manner employees retire. The problem with pensions is that from the employer they are more of welfare and often perceived as non-strategic.

Armstrong (2000) also mentions sick pay, cars, health insurance and holidays as important benefits and advocate for cafeteria benefits that emphasizes on flexibility and choice. The cafeteria system provides the staff with core benefits including salary and they are also offered a menu of other valued benefits such as company car, health insurance, and childcare from which they can construct a package of benefits up to a total value.

2.2.1.4.2 Non Financial Rewards

Rock and Berger 1991 argues that non-monetary awards are unique in that they motivate employees and also provide recognition that is important at the work place. He stipulates that these awards are important since

1. They supplement a fair compensation plan
2. They ease the transition to a gain sharing plan
3. They recognize outstanding performance
4. They work well with most employee population.

Adams categorizes non-monetary awards into five main groups:

1. Social awards
   These include pats on the back, training activities such as picnics and charity days and involvement

2. Merchandise
   These are given for improved performance and will include giving a certain percent of the employee salary annually as an award for improved performance.

3. Travel
   This includes trips awarded to an individual, family or group to motivate employees.

4. Symbolic awards
   These are also referred to as recognition awards and include T-shirts, bags, mugs, hats and photographs. Their financial value is small but has a great symbolic meaning and can also be used as sources of bringing awareness of the organization.

5. Earned time-off:
   This is off with pay in addition to paid time off due to sickness, vacation or disability; these are also part of the employment agreement.

Marchington and Wilkinson (2000) identified the following job characteristics as critical non-financial rewards that are involved in job satisfaction and motivation these include:

- Skill variety – the range of skills and talents required
- Task identity – the extent to which the completion of a whole piece of work is required.
- Task significance- the impact of the task on others
- Autonomy – Freedom and discretion in selecting methods and hours of work
- Feedback – clear information provided on performance

Marchington and Wilkinson (2000) argued that if jobs are designed in a way that increase the presence of these core dimensions three psychological states can occur:
• Experienced meaningfulness at work which is the result of skill variety, task identity and task significance
• Experienced responsibility for work outcomes which result in autonomy
• Knowledge of results of work activities, which is the result of feedback.

According to Marchington and Wilkinson, (2000) people don’t really work for money, they go to work for it but once the salary has been established their concern is appreciation and recognition of their contribution publicly without demeaning them. Crosby adds that providing praise for good work rather than criticism for poor work is important. Token prizes can also play a role in motivating employees as they have a symbolic worth even if they are low in financial value.

Pfeffer (1994) links participating to higher levels of satisfaction and increased productivity and argues that employees come to work motivated and interested but are soon alienated by rules and constraints that govern their working lives. Marchington and Wilkinson (2000) add that management fail to capture the interest of their staff partly because employee contributions are not welcomed and stress that employees should have the opportunity to satisfy their needs for involvement, autonomy and responsibility through work.

2.2.1.4.3 The Total Reward Strategy
The total reward strategy is increasingly becoming recognized and adopted in many organizations. This strategy considers both financial and relational (non-financial) rewards. The financial rewards include pay and benefits while the relational rewards include learning and development and the work environment (Brown, 2001). The total reward strategy is illustrated in the following table:
Beardwell and Holden, 2001 identify rewards from two dimensions: identifying rewards that are money related and rewards that are non-money related; and rewards that are group related (available to all or most staff) or rewards that are individual related as illustrated in the following diagram:
Types of Reward

Group-related

<table>
<thead>
<tr>
<th>Security-driven</th>
<th>Tradition-driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifetime jobs</td>
<td>Cost living increases</td>
</tr>
<tr>
<td>Corporate Prestige</td>
<td>Perks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employability-driven</th>
<th>Contribution-driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and development</td>
<td>Performance-related pay</td>
</tr>
<tr>
<td>Personal career plans</td>
<td>Merit bonus.</td>
</tr>
</tbody>
</table>

Source: Beardwell and Holden, 2001

2.2 Choice and Design of Reward Systems and Strategies

According to Lawler (1994) reward systems chosen can influence a number of areas that in turn can have an impact on organizational performance. First, rewards influence who is attracted to apply and work for an employer as well as determining who continues to work for him. Second, employees see rewards as signaling the importance the employer places on various activities and behavior, implying that reward systems have an impact on employee motivation and needs to be incorporated with the corporate behavior being sought. If rewards are tied too closely to annual performance, managers may not devote time for long-term objectives. Third, the way in which employees are rewarded has a major influence on corporate culture, for example reward benefits that provide benefits to long serving staff are likely to shape the existing culture into one where loyalty is seen as central to the corporate ideology. In contrast a system that rewards innovative behavior is likely to create an innovative culture. Fourth, cost is a key factor in the reward systems the employer may wish to achieve flexibility so that labor costs can be brought down if the organization is under financial pressure. Finally, the reward system can help define
the status hierarchy and decision making structure. For example, if rewards are related
directly to the position in the hierarchy, horizontal career management is unlikely to be
valued by staff, as they may perceive it as not being rewarded.

Reward schemes are neither universal nor generally applicable and yet it is important to
design schemes that suit the unique set of needs of the organization (Brown, 2001). Perrin
(1999) indicates that certain factors should be considered in the design of the reward
strategies these include:

- Introducing more flexibility and variability in to reward programs as compared to
control oriented and highly structured systems
- Moving from internally focused reward systems to more market driven rewards
- Reflecting a more flexible person based rather than a wholly job based rewards
approach
- Placing greater emphasis on variable pay rather than continuing with the base pay
‘obsession’
- Adopting a broader concept of relating rewards to contribution in their
organization rather than maintaining a narrow focus on paying only for individual
results
- Using a much wider variety or reward tools rather than narrow pay and benefits
focus
- Involving the line managers and staff more in reward issues rather than HR
function controlling the reward system

When considering the strategic designs of reward systems, Lawler (1994) suggests two
dimensions to consider. These are the structural content dimension (formal procedures
and practices) and the process dimension (communication and the decision process parts).
In relation to the structural dimensions the following factors should be considered:
1) Basis for rewards
The skill based pay is seen as more appropriate for those organizations that have flexible
and relatively permanent workforce oriented toward learning
2) Pay for performance
This incorporates the decisions that need to be made as pertains particular behavior to be rewarded and how it should be rewarded.

3) Market position
The market position influences the organizational climate and this is reflected in the reward systems.

4) Internal-external pay comparison
The management need to decide the extent to which they value the internal equity and this depends on the extent to which the organization wishes to have overall corporate identity or product differentiation.

5) Centralized-decentralized reward strategy
Those organizations with a centralized reward strategy usually have a corporate department that develops standardized pay and wage guidelines. This creates a feeling of internal equity and shared values. In decentralized systems the system is flexible to allow for local options.

6) Degree of hierarchy
The management can choose whether to employ a hierarchical approach to reward where people get paid according to position in the hierarchy and are also provided with symbols of their status such as titles.

7) The reward mix
This refers to the type of rewards given to the individuals (benefits, status, and symbols). The reward mix should reflect the culture the employer wishes to create and reinforce.

In relation to the process dimension Lawler contends that the emphasis should be in two main areas:

1) The communication policy
This entails the extent the employer wants to have an open or closed policy

2) The decision-making practices
This includes whether or not to involve the employees in the system design and administration. Involving employees helps acceptance of changes since there is a greater choice of legitimacy bestowed.
There are several factors that influence reward practices; firstly, the job size has traditionally been the main determinant of the pay (Curnow, 1986). This includes factors, as responsibility, level in organizational hierarchy, required knowledge, skills, external contacts, complexity of the job and decision-making. Secondly, individual characteristics such as age, experience, qualifications, special skills, contribution and performance, thirdly, labor market factors such as supply and demand of a particular skill, fourthly, product market conditions and the employer’s cost structure such as the firm’s position in the market, profitability and market strategies. Finally, the remuneration philosophy of the organization influences pay levels. An organization with the reputation of being a ‘good employer’ is likely to offer higher pay (Marchington and Wilkinson, 2000).

Armstrong (1999) perceives an employee reward system as consisting of policies, practices of rewarding employee according to their performance and contribution. He further states that a reward system is developed within the framework of the business strategies and constitutes a base pay, contingent pay (bonuses, incentives and promotions) and allowances (like overtime, traveling allowances). These he argues are intended to attain organizational goals by ensuring that the organization has competent, committed and motivated employees.

Marchington and Wilkinson (2000) contend that there is no right or wrong approach in the design and choice of reward system what matters is choosing a position which is supportive of the culture and systems which produce behavior necessary to achieve organizational effectiveness. This is illustrated in the following table:
<table>
<thead>
<tr>
<th>Reward system</th>
<th>Traditional</th>
<th>Participative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe benefits</td>
<td>Vary according to organization level</td>
<td>Cafeteria-same for all levels</td>
</tr>
<tr>
<td>Promotion</td>
<td>Decisions made by top management</td>
<td>Open posting for all jobs: Group decision making</td>
</tr>
<tr>
<td>Status symbols</td>
<td>Many, carefully allocated on the basis of job position</td>
<td>Few, low emphasis on organizational level</td>
</tr>
<tr>
<td>Pay</td>
<td>Hourly and salary Based on job performed</td>
<td>All salary Based on skills</td>
</tr>
<tr>
<td>Type of system</td>
<td></td>
<td>Group and organizational wide bonus</td>
</tr>
<tr>
<td>Base rate</td>
<td>Piece rate</td>
<td>Information availed to public</td>
</tr>
<tr>
<td>Incentive plan</td>
<td>Restricted distribution of information</td>
<td>Close to location of person whose pay is being set</td>
</tr>
<tr>
<td>Communication policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision making locus</td>
<td>Top management</td>
<td></td>
</tr>
</tbody>
</table>


Lawler (1994) adds that the reward system needs to fit the way the job is designed, the leadership style and the type of career tracks available in the organization and unless this kind of fit is available the organization will replete with conflicts.
Clear and agreed objectives are imperative in ensuring the effectiveness of the reward strategies and viability of the alternative decisions (Brown, 2001). Thompson (1992) stipulates that the reason for the failure of majority of the performance pay schemes lie not in their design, but in the absence of clear and agreed objectives. The form and detail of these objectives vary between organizations where in some organizations they are brief and generic while in others they are far-reaching and detailed (Brown, 2001). Brown summarizes the reward principles as including:

- Strategy driven- alignment with corporate and local business strategy
- Performance based- related to results
- Value based
- Market driven- reflect financial capability and competitiveness
- Flexibility- to environmental and business changes
- Recognition- openly recognize employee success
- Fair- be equitable
- Open- reward information should be openly communicated with employees

Strategic choices in incentive schemes are greatly influenced by the environmental context. For example the political and economic environments in UK have been important in the development of remuneration policies in organizations. In the recent times, government free market philosophies have influenced remuneration policies in the sense of shifting ideas from the concept of paying people for their performance to lowering rates of income tax and increasing taxation on fringe benefits. In addition, privatization, inflation and the rising standards of living have provided a greater scope of individualization of annual pay increases (Marchington and Wilkinson, 2000).

Beardwell and Holden (2001) argue that there should be a fit between HR strategies including the reward strategies with the business strategy to ensure that employees deliver their critical skills, performance and behavior with respect to business objectives and strategy. These way employees will be motivated to put effort into achieving business goals and will act in ways consistent with business strategy. Beardwell and
Holden add that the design of motivation strategies should be ‘appropriate’ or ‘integrated’ with the internal aspects of the organization that affect employee behavior such as the organization culture, structure and the external environment of the business.

Delery and Doty (1996) observed that a firm that actively pursues a fit between its HR strategies including the motivation strategies, and the business strategy has superior performance. According to Mabey and Salaman, (1995) this is because strategy alignment ensures that the management takes into consideration the dynamism of the business environment and the internal changes such as employee needs, employee training and development and the changes in the market structures. Ellig (1987) for example argues that there is a relationship between the life cycle of an organization and its reward strategies. In his view, the degree of importance of each compensation element depends on the market stage of the organization; a new business without enough capital will pay low but offer hope for high initial equity shares for its employees. As the company matures, pay, perks and benefits become important to its employees. Incase of a business decline, the firm will move towards high salaries, short-term incentives and benefits.

Becker and Gerhart (1996) however point out that it is difficult to specify what constitutes a good strategy alignment across firms but their opinion is that HR strategies including those of motivation should support business direction. According to Brown (2001) this can be achieved through:

- Describing as a first step the core components of the business strategy
- Defining the capability required by the organization to deliver on this on this strategy
- Drawing up the HR strategy to build and inculcate these requirements amongst staff
- Defining the HR strategies including those to motivate, goals and processes necessary to reinforce and recognize these requirements.

Brown adds that reward strategies must be flexible to suit a range of shifting situations and that organizations can never achieve the luxury of having achieved a high level of
alignment because business situations and environment change continually and hence creating the need for strategy and goal adjustment and reinforcement.

One of the key areas towards alignment of reward strategy with organizational goals is harmonization of benefits to remove status differentials like separate pension or sick pay provision as this sends out a message that some employee are second-class with a different set of rights (Marchington and Wilkinson, 2000). They postulate that harmonization is applied in:

- Payment systems and methods of payments
- Overtime and hours of work
- Shift premiums
- Actual times of work
- Clocking or other time recording procedures
- Sick pay schemes
- Holiday entitlement and holiday pay
- Pension arrangements
- Period of Notice (above the statutory minimum)
- Redundancy terms
- Lay-off/guaranteed week
- Canteen facilities
- Fringe benefits such as health insurance and company cars.

Marchington and Wilkinson (2000) add that it is not possible to make all employees equal but it is appropriate to eliminate money differences. This should touch areas of canteen benefits, working hours, sick pay, special leave and holidays. Some of the reasons behind harmonization included the rise in technology, which impedes flexibility, and harmonization is introduced as way of replacing old work habits. Legislation on sex discrimination and equal pay has narrowed differences between blue and white collar employee and extended rights such as maternity pay and changed in the employment structure which has increased routine of lower level jobs.
Marchington and Wilkinson (2000) further point out a number of potential pitfalls to harmonization. First, there maybe cost issues, it maybe expensive to equalize pay and other benefits, second, workers may be unwilling to see cashless pay as a benefit and third, as with many other management initiatives supervisors and middle managers are often wary of the insecurity and concern of their new responsibilities.

2.4 Problems in Reward Systems and Strategies Implementation

According to Perrin (1999) some of the notable difficulties experienced in the operation of reward strategies include:

- Ineffective communications;
- Lack support systems
- Poor performance management
- Rewards not matching with organization needs
- Lack of management skills and support

Brown (2001) however focuses on three problem areas namely;

1. Communications and involvement
2. Performance management
3. The management of change.

On communication and involvement Brown stipulates that a reward strategy can only work in practice if effective top-down communications means that people understand the focus of the strategy and the rationale of its components; what the scheme is meant to do, how it works and it’s effect on employee behavior. If the communication mode is "bottom-up" reward strategy can be effective if people are motivated by the rewards on offer and they get committed to achieve the business goals.

Studies by Perrin (1999) suggests that high performing companies are more open in their communications on reward issues and devote more effort to training first-line managers on pay and performance management; while Bowey (1995) found out that the degree of involvement during the design process and operation was more important than the type of plan, the type of openness and involvement contributes to the success of reward schemes as indicated in the following diagram;

26
Brown (2001) adds that organizations fail in the manner in which they communicate and involve staff and line managers in reward issues. Perrin (1999) in his study on European companies found out that fewer than one in ten organizations consulted their employees before implementing new or amended reward strategies and only 50% of these companies shared the strategy with line managers. Only 17% of the 460 organizations in the study regarded improving employee understanding of their pay and rewards as one of the most important reward strategy goals and only 22% saw increasing employee involvement as a strategic priority yet 82% were aiming to use rewards to improve their employees focus on key business goals. Focusing on employees the study found out that only 41% know
how their pay is increased per year. Brown then concludes that the reason for this situation lies in three problem areas:

1. Lack of attention to communications and involvement
2. Reliance on traditional and often ineffectual channels
3. Fear amongst employees to discuss reward issues and grievances with the management.

Brown (2001) further argues that problem areas for employees as far as reward strategies are concerned are mainly four:

1. Broad-banding – ‘they are taking away my promotion opportunities’
2. Competency pay – ‘so you are saying am not competent’
3. Merit pay – ‘you’re robbing Peter to pay Paul’
4. Flexible benefits – ‘they are worsening our package’

According to Brown (2001) these problems can be solved by first making a commitment to openly share reward information with the staff and involve them directly when considering and making changes second, audit the state of reward communications in the organization. This includes assessing the line managers’ skills in reward strategies. Third, involve the staff in the process of investigation and consult regularly during any reward change exercise. Fourthly, learn from other companies and conduct market research before designing reward strategies.

In regards to performance management Brown (2001) stipulates that it is the organization process that is critical to the effective implementation of Human relations and reward strategies. He outlines three problem areas:

1. Lack of good appraisal practice
2. Lack of funding for resulting pay increases and development actions
3. Management blaming the lack of employee understanding.

Despite these difficulties, performance management is critical to the delivery of many reward strategies, however an over emphasis on the reward and review practices and lack
of attention or conflict with the future improvement and development is a finding from a research on European companies by Perrin (1999) where 73% of companies linked their appraisal system to pay increases and rewards, with 81% using it for personal development needs and organizational goals. The problem of immediacy also arises. Most of the companies in the study complained that their system is a once-a-year ritual with objectives being set annually and by the time of assessment reaches these objectives have become irrelevant.

To eliminate the management performance problems Brown (2001) recommends the following actions:

- Focus on the process aspects;
- Prioritize performance management goals and focus on the main ones
- Allow for flexibility
- Involve employees more
- Focus on achievable improvement and allow sufficient time.

Focusing on the process aspects involves aspects such as manager training, employee training in the new process as and emphasizing the mutual responsibilities and benefits. Second, the organization should clearly spell out and prioritize the performance objectives and goals of reward schemes and then focus on delivering these few key priorities, the emphasis being on business goal alignment and employee development with the pay driven by the market and personal competence. This means that the budgeting and business planning processes need to be highly participative and include line management skills in identifying development opportunities for their staff rather than recommending training programmes.

Brown specifically stipulates that objectives of performance system should mainly be constituted by two components:

1. Performance review which is concerned with:
   - Reviewing past performance
   - Agreeing short term objectives and standards
• Supporting the achievements of business goals and short term performance
• Providing an equitable means of living pay to performance

2. Training educators and development which is focused on;
• Maximizing individual development and the achievement of potential
• Longer-term performance improvement growth
• Establishing and implementing individual development plans.

Perrin (1999) further adds that an organization should open their approach to performance management to achieve greater understanding and ownership amongst employees. He (Perrin) urges that the growth in 360-degree appraisal is one formal manifestation of this trend.

In regards to reward strategy as a change process Perrin (1999) asserts that reward strategies should evolve at a speed to suit the capacity of each organization setting. This means that reward strategies should develop capacity, competence and commitment and second the organization should treat the implementation of the reward strategy as a major change management exercise. Developing capacity involves building abilities to make change at the work place possible. Capability means that managers should be empowered to deliver the changes intended while commitment refers to the ability for staff supporting the changes and their effects (Brown 2001).

Perrin (1999) argues that organizations give priority to changes that are strongly aligned with their goals such as performance pay, but fail to consider the amount of effort that would be required to operate them and gain staff acceptance. He adds that the organization should treat the implementation of the reward strategy and its components as a major change management exercise and adds that the management should be ready to manage resistance whose sources include self interest, fear of pay reductions, power and political battles, cynicism and the demands of other initiatives and priorities. The idea is not to abandon the strategies but to plan and achieve progress given these realities and constrains.
Perrin (1999) further asserts that important considerations of the reward change process include, one considering the process implications of any reward scheme changes at an early stage in terms of level and nature of changes required in pay budgeting, pay administration and systems. Two, thinking about the various audiences for the changes this includes managers, professionals, employees and unions and the level of support that needed from them to make the changes happen, how to achieve their support and commitment.

Third, conducting a rigorous analysis of the gains and losses, costs and benefits of the changes from the perspective of all different groups involved.

2.5 Chapter Summary
This chapter has described reward systems and strategies from the view point of existing research and the text organized it terms of the three research questions, one the reward systems and strategies two, factors considered in the design and choice of these strategies and three the problems encountered in the implementation of these strategies.
CHAPTER III

3.0 METHODOLOGY

3.1 Chapter Overview
This chapter will describe the research design, the population and sampling, data collection tools and methods of data analysis and presentation.

3.2 Research Design
The research design was a survey. According to Williamson, Karp, Dalphin, and Gray (1977), a survey is a systematic attempt to collect information to describe or explain attitude or behavior of selected groups of people. A survey is characterized by the ability to reproduce a representative distribution or a cross section of the target population and it also uses large samples of population. Leavitt (1991) adds that surveys are inexpensive, easy to design, implement, interpret and are also empirical.

The reasons for choosing a survey design for this study were:

1) The population of study was large and hence a survey was the most appropriate method of producing a representative sample from the population of study.

2) It is easy to collect quantifiable data through a survey, which is subject to statistical manipulation.

3.3 Population and Sample
3.3.1 Population
The study focused on pharmaceutical companies located in Nairobi city. These are companies that:

- Manufacture and distribute human drugs
- Are subsidiaries of multinational or domestic pharmaceutical companies
- Promote and market human drugs

The target population of the study was Human Resource managers.
3.3.2 Sample

3.3.2.1 Sampling Frame

The sampling frame included a list of all pharmaceutical companies obtained from the Pharmaceutical Society of Kenya, which constitutes a total of 42 companies.

3.3.2.2 Sampling Technique

The study employed simple random sampling. According to Mason, Lind and Marchal (1999) this technique ensures that every item in the population has the same chance of being selected. A total of 30 pharmaceutical organizations were selected with every one of these organizations having had the same chance of selection hence increasing the representativeness of the sample and validity of information collected.

3.3.2.3 Sample Size

The following table summarizes the sample size of the respondents of the study:

<table>
<thead>
<tr>
<th>Company</th>
<th>Human Resource Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norvatis</td>
<td>1</td>
</tr>
<tr>
<td>Aventis</td>
<td>1</td>
</tr>
<tr>
<td>Roche</td>
<td>1</td>
</tr>
<tr>
<td>Lords</td>
<td>1</td>
</tr>
<tr>
<td>Philips</td>
<td>1</td>
</tr>
<tr>
<td>Surgipharm</td>
<td>1</td>
</tr>
<tr>
<td>Howse and McGeorge</td>
<td>1</td>
</tr>
<tr>
<td>Cadilla</td>
<td>1</td>
</tr>
<tr>
<td>PSK</td>
<td>1</td>
</tr>
<tr>
<td>Pfizer</td>
<td>1</td>
</tr>
<tr>
<td>Aventis Pauster</td>
<td>1</td>
</tr>
<tr>
<td>Europa</td>
<td>1</td>
</tr>
<tr>
<td>Medawa</td>
<td>1</td>
</tr>
<tr>
<td>Bexchem</td>
<td>1</td>
</tr>
<tr>
<td>Amirall Frodespharm</td>
<td>1</td>
</tr>
<tr>
<td>Sun Pharmaceuticals</td>
<td>1</td>
</tr>
<tr>
<td>Sanofi</td>
<td>1</td>
</tr>
<tr>
<td>C Melita</td>
<td>1</td>
</tr>
<tr>
<td>Rhino Kenya</td>
<td>1</td>
</tr>
<tr>
<td>Regal Pharmaceuticals</td>
<td>1</td>
</tr>
<tr>
<td>Cosmos</td>
<td>1</td>
</tr>
<tr>
<td>Warner Lambert</td>
<td>1</td>
</tr>
<tr>
<td>Schering</td>
<td>1</td>
</tr>
<tr>
<td>Aventis Pharma</td>
<td>1</td>
</tr>
<tr>
<td>Omaera</td>
<td>1</td>
</tr>
<tr>
<td>GSK</td>
<td>1</td>
</tr>
<tr>
<td>Eli Lilly</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>
The above table shows the number of companies selected. From every organization the HR manager was interviewed.

3.4 Data Collection Method

Data was collected using an interview guide that was developed by the researcher on the basis of the research questions. The interview guide had three parts, the first part had questions on what reward systems and strategies are used, the second part pertained questions on factors considered in the choice and design of these strategies, while the third part had questions on problems encountered in the implementation these strategies. The interview guide had mainly structured questions. These questions required the response of the respondent using own words and the respondent was guided by the interviewer through illustrated answers to ensure that the respondent understood the questions and responded appropriately.

3.5 Research Procedures

The data instrument was pre-tested by administrating it to 5 respondents randomly selected from the sample size to ensure that the questions devised were clear. The interview guide was then adjusted to enhance its clarity. The revised interview guide was administered through face-to-face interviews that lasted for approximately 30 minutes. To ensure that the study was within the stipulated schedule the researcher used one research assistant to collect data and also assist in its analysis. The research assistant was trained on the methods of communicating and interviewing respondents effectively.

3.6 Data Analysis Method

Data was analyzed using descriptive statistics; this is because the study obtained quantitative data that is analyzable in terms of averages and frequency distribution. The analyzed data was presented in tables, and pie charts and the presentation was organized in terms of the research questions. Data analysis was through Microsoft Excel.
3.7 Chapter Summary

This chapter has described the methodology that was used in carrying out the study. The research design was a survey chosen on the basis of its suitability and convenience to the study. The population, the sample size, the sampling technique, and the data collection instrument, have been described. The chapter has also highlighted that the research used primary data that was analyzed using Microsoft Excel and presented in form of tables, and pie charts.
CHAPTER IV
4.0 DATA ANALYSIS AND PRESENTATION

4.1 Chapter Overview
This chapter has presented data analysis collected from the field using the interview guide. The analysis has been organized according to the research questions namely; reward systems and strategies, choice and design of reward systems and implementation and presented in figures and tables.

4.2 Organizations and Respondent Demography
This section has presented organizational and respondent data including the work experience of respondents and size of the organization.

Table 1: Duration of Time Worked in Current Organization

<table>
<thead>
<tr>
<th>Length of Time Worked</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
</tr>
<tr>
<td>Less than 2 years</td>
<td>10</td>
</tr>
<tr>
<td>3-5 years</td>
<td>10</td>
</tr>
<tr>
<td>6-8 years</td>
<td>4</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

Table 1 shows the duration individual respondents have worked for the current organization. Thirty three percent had worked for less than 2 years and another 33% had worked between 3-5 years. Fourteen percent had worked for the current organization for periods between 6-8 years while 20% had worked for the current organization for more than 10 years.
Fig 1: Respondent's Work Experience From Other Pharmaceutical Companies

The results in Fig 1 show the distribution respondents' previous work experience from other pharmaceutical companies. Eighty percent had previously worked for other pharmaceutical companies and 20% had not previously worked for other pharmaceutical companies. This indicates that majority of respondents had vast experience in the pharmaceutical industry.
Fig 2: Position Held in Previous Pharmaceutical Company

The results in Fig 2 show the position that respondents previously held in other pharmaceutical companies. Forty six percent of respondents held managerial positions while 32% worked as salespeople only 22% held other positions.

Fig 3: The Size of the Organization

Fig 3 shows the size of organizations that the respondents' work for. Sixty percent of organizations had employees below 15 while those organizations with 15-30 employees
were 20%. Those with 45 employees were also 20%. This shows that most of pharmaceutical companies are small in size.

4.3 Reward Systems and Strategies
This section has presented and analyzed data on reward strategies and systems used by the pharmaceutical companies in Kenya.

Fig 4: Consideration of Rewards as a Tool for Improving Employee Performance in Organizations

Fig 4 shows whether pharmaceutical organizations considered rewards as a tool for improving employee performance. The results of the study showed that all organizations considered reward as important in improving employee performance implying that all pharmaceutical organizations used rewards to enhance employee motivation and performance.
Table 2: The Role of Rewards in Pharmaceutical Organizations

<table>
<thead>
<tr>
<th>Role</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracts high performing employees</td>
<td>12</td>
</tr>
<tr>
<td>Retains employees</td>
<td>14</td>
</tr>
<tr>
<td>Enables employees pursue organizational goals</td>
<td>22</td>
</tr>
<tr>
<td>Supports organizational goals</td>
<td>12</td>
</tr>
<tr>
<td>Any other</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68</strong></td>
</tr>
</tbody>
</table>

Table 2 shows the roles that rewards played in pharmaceutical organizations. Eighteen percent of respondents used rewards as a tool for attracting high performing employees while 20% of organizations used rewards to retain employees. Thirty two percent of organizations used rewards to enable employees to pursue organizational goals and 18% used rewards to support organizational goals. Other roles represented 12%. This information indicates that rewards played important roles in enhancing employee motivation in the pharmaceutical companies.

Table 3: Type of Financial Rewards Offered in Pharmaceutical Organizations

<table>
<thead>
<tr>
<th>Financial Reward</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary/Wage</td>
<td>32</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>30</td>
</tr>
<tr>
<td>Incentives</td>
<td>10</td>
</tr>
<tr>
<td>Annual/periodical bonus</td>
<td>24</td>
</tr>
<tr>
<td>Any other</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Table 3 shows the type of financial rewards offered in pharmaceutical organizations. Thirty two percent of organizations gave their employees salary/wage as financial reward while 30% offered fringe benefits such as car and medical allowance. Ten percent offered incentives and 24% offered annual/periodical bonuses. Other financial rewards such as the 13th cheque occupied 4%. This indicates that salary/wage and fringe benefits were the popular financial rewards, as compared with incentives and periodical bonuses.

Table 4: Type of Non-Financial Rewards Offered in Pharmaceutical Organizations

<table>
<thead>
<tr>
<th>Non-financial Reward</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
</tr>
<tr>
<td>Training</td>
<td>20</td>
</tr>
<tr>
<td>Work autonomy</td>
<td>14</td>
</tr>
<tr>
<td>Paid leave</td>
<td>22</td>
</tr>
<tr>
<td>Recognition Awards</td>
<td>10</td>
</tr>
<tr>
<td>Any other</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>

Table 4 shows the type of non-financial reward offered in pharmaceutical organizations. Twenty nine percent of organizations trained their employees while 20% gave their employees work autonomy. Twenty two percent gave paid leave and 14% had recognition awards as non-financial rewards. Other non-financial rewards such as paid vacations abroad represented 6%. This shows that training was the most common non-financial reward compared to work autonomy and paid leave.
Fig 5: Type of Performance Based Strategies in Pharmaceutical Organizations

Fig 5 shows the type of performance-based strategies used in pharmaceutical organizations. Fourteen percent of organizations gave commissions while 43% of the organizations gave piece rate. Other performance-based strategies like bonuses given on the basis of attaining individual sales target were also represented by 43%. This shows that commissions were not a common performance based strategy compared to piece rate and others like bonuses.

Table 5: Type of Incentives Offered by Pharmaceutical Companies

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>4</td>
</tr>
<tr>
<td>Stock ownership</td>
<td>6</td>
</tr>
<tr>
<td>Annual/Periodical bonuses</td>
<td>14</td>
</tr>
<tr>
<td>Any other</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
</tr>
</tbody>
</table>
Table 5 shows the type of incentives offered in pharmaceutical organizations. Fifteen percent of pharmaceutical organizations offered profit sharing plans and 22% offered stock ownership. Fifty-two percent of organizations gave annual/periodical bonuses while other incentives offered represented 11%. This shows that bonuses are the most used incentive while profit sharing is the least used in the pharmaceutical companies.

4.4 Choices and Design of Reward Systems and Strategies

This section has presented data on the factors considered in the choice and design of reward strategies in the pharmaceutical companies.

Table 6: Factors Influencing the Type of Reward in the Pharmaceutical Companies

<table>
<thead>
<tr>
<th>Factor</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job type performed</td>
<td>16</td>
</tr>
<tr>
<td>Employee qualifications and experience</td>
<td>8</td>
</tr>
<tr>
<td>Labour supply/demand in the market</td>
<td>4</td>
</tr>
<tr>
<td>Organization remuneration policy</td>
<td>26</td>
</tr>
<tr>
<td>Any other</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62</strong></td>
</tr>
</tbody>
</table>

Table 6 shows factors that influence the type of rewards offered by the pharmaceutical companies in Kenya. Those organizations influenced by the job performed constituted 26% while those that considered employee qualifications and experience comprised 13%. Those that considered demand/supply of labour in the market comprised 6% while 42% of the organizations were influenced by the organization remuneration policy. Other factors like the environment of business constituted 13%. This indicated that most pharmaceutical organizations had a set policy on the type of reward they offered.
Fig 6: Organization Consideration of Importance of Equal Rewards

Fig 6 shows the distribution of organizations in considering equality of rewards they offered. Seventy seven percent of organizations did not consider equality of rewards as important while 33% considered equality of rewards as important. This shows that majority of pharmaceutical organizations did not consider harmonization of rewards as important.

Table 8: Areas where Equality of Rewards is Applied

<table>
<thead>
<tr>
<th>Area</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal pay for equal job</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Equal working hours</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Equal benefits</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Equal incentives</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 8 shows areas in which pharmaceutical organizations applied equality of rewards. Twenty percent of pharmaceutical organizations considered equal pay for equal job as
important and another 20% of organizations considered equal working hours as important. Forty percent of organizations applied equality policy in benefits. Another 20% of organizations had equal incentives. These results show that harmonization of benefits was the most common practice as compared to harmonization of equal pay for equal job, equal working hours and equal incentives.

Table 9: Factors that Influence Decisions on Equal Rewards

<table>
<thead>
<tr>
<th>Factor</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
</tr>
<tr>
<td>Adhering to statutory regulations</td>
<td>4</td>
</tr>
<tr>
<td>Equal employment policy</td>
<td>4</td>
</tr>
<tr>
<td>Use of technology</td>
<td>-</td>
</tr>
<tr>
<td>Company competitiveness</td>
<td>20</td>
</tr>
<tr>
<td>Any other</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
</tr>
</tbody>
</table>

Table 9 shows factors that influenced decisions on equal rewards in pharmaceutical companies in Kenya. Thirteen percent of organizations were influenced by statutory regulations while another 13% were influenced by the equal employment policy. Sixty eight percent were influenced by company competitiveness while 6% were influenced by other factors. This shows that organizational policy on equal employment was the predominant factor that influenced decisions on equal rewards.
4.5 Problems in Reward Strategy Implementation

Data presented in this section gives information on problems encountered while implementing reward strategies and systems.

Table 10: Extent of Employee Satisfaction with Rewards Offered

<table>
<thead>
<tr>
<th>Reward</th>
<th>Not Satisfied</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
<td>%</td>
</tr>
<tr>
<td>Basic wage/</td>
<td>8</td>
<td>27</td>
</tr>
<tr>
<td>Salary</td>
<td>8</td>
<td>27</td>
</tr>
<tr>
<td>Benefits</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Incentives</td>
<td>16</td>
<td>53</td>
</tr>
<tr>
<td>Training</td>
<td>14</td>
<td>53</td>
</tr>
<tr>
<td>Recognition</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Awards</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Autonomy</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paid leave</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 10 shows the extent to which employees were satisfied with the rewards offered by the pharmaceutical companies. In the category of basic salary/wage, 27% of the respondents interviewed felt that employees were not satisfied. Fifty three percent felt that employees were fairly satisfied while 20% felt that employees were satisfied with rewards offered. However no respondent felt that employees were very satisfied with the wage/salary the organization offered.
In the category of benefits, 27% of the respondents were of the view that employees were not satisfied with benefits offered while 33% felt that employees were fairly satisfied. Thirteen percent felt that employees were satisfied and none felt that employees were very satisfied with the benefits the organization offered.

In work autonomy three percent were of the view that employees were not satisfied while 34% felt that employees were fairly satisfied. Forty percent were of the view that employees were satisfied while 13% felt that employees were very satisfied with work autonomy at the organization. In the category of paid leave none felt that employees were not satisfied and 20% felt that employees were fairly satisfied. Forty percent felt that employees were satisfied and another 40% felt that employees were very satisfied with the paid leave offered by the organization.

The above information shows that majority employees were fairly satisfied with rewards offered by the pharmaceutical organizations in Kenya. However, in training and recognition awards employees were not satisfied. In work autonomy and paid leave majority of employees were satisfied. This indicated that rewards schemes offered in the pharmaceutical companies satisfied employees but were not sufficient to create high levels of satisfaction.
<table>
<thead>
<tr>
<th>Area</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informing employees on how their pay is computed</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Choice of benefits</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Open communication on benefits &amp; pay</td>
<td>20</td>
<td>31</td>
</tr>
<tr>
<td>Variety in pay and incentives</td>
<td>22</td>
<td>34</td>
</tr>
<tr>
<td>Any other</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>64</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 11 shows areas that need to be addressed to enhance employee satisfaction with rewards offered. Nineteen percent of the respondents felt that there should be more information to employees on how their pay is computed while 13% felt that decisions on the choice of benefits should be let to employees. Another 31% felt that the variety of pay and incentives offered should be increased. Other reasons were represented by 3%. This information shows that the respondents were of the views that open communication and more variety on the rewards offered were areas that needed to be addressed most by the management to enhance the satisfaction of employees with rewards offered.
Fig 7 shows the distribution of respondents on whether the management took into consideration employees’ view while making decisions on reward systems and strategies. Seventy seven percent felt that the management took into account employees’ view while 33% felt that the management did not take into account employees’ view on decisions regarding rewards. This shows that majority of Human Resource Managers interviewed felt that the management took into consideration employee view while making decisions on rewards.
Fig 8: Areas not Addressed by the Current Reward Scheme

Fig 8 shows the perception of respondents on whether their organizations current reward scheme had areas it did not address. Eighty percent felt there were areas that had not been addressed while 20% felt that there were no areas that had not been addressed by the current reward scheme. This indicates that there were areas that had not been addressed in the current reward scheme of pharmaceutical companies.

Table 12: Specific Areas Not Addressed

<table>
<thead>
<tr>
<th>Area</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Periodical appraisal of reward scheme</td>
<td>14</td>
</tr>
<tr>
<td>Variety of reward scheme</td>
<td>16</td>
</tr>
<tr>
<td>Involvement of employees in Reward Decisions</td>
<td>18</td>
</tr>
<tr>
<td>Organization policy towards reward scheme</td>
<td>12</td>
</tr>
<tr>
<td>Any other</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
</tr>
</tbody>
</table>
Table 12 shows specific areas not addressed by the current reward scheme. Twenty three percent felt that the reward scheme lacked periodical appraisal and 26% were of the view that the current scheme lacked enough variety. Another 29% were of the view that employees should be more involved in reward decisions while 19% felt that the organization policy towards rewards did not address rewards appropriately. Other reasons such as consideration of the current business environment were represented by 3%. This indicated that most organizations did not address appraisal of their reward schemes, the variety of the scheme and involvement of employees.

Table 13: Difficulties Encountered while Enacting Equality Policy on Reward Schemes

<table>
<thead>
<tr>
<th>Difficulty</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
</tr>
<tr>
<td>Increase in costs</td>
<td>18</td>
</tr>
<tr>
<td>Lack of employee support</td>
<td>2</td>
</tr>
<tr>
<td>Lack of top management support</td>
<td>6</td>
</tr>
<tr>
<td>Absence of such a policy in the organization</td>
<td>16</td>
</tr>
<tr>
<td>Any other</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
</tr>
</tbody>
</table>

Table 13 shows the difficulties that pharmaceutical organizations experienced while enacting policies on equal rewards. Four percent of respondents indicated that they lacked the support of employees. Thirteen percent indicated that they did not have top management support while 35% indicated that their organization lacked the equality policy on rewards. Other reasons where represented by 4%. This shows that most organizations lacked policy on equal rewards since they did not consider equality as important. The other major obstacle was increase in costs in implementing equal reward scheme policy.
4.5 Chapter Summary

This chapter has analyzed data collected from the field using the interview guide and presented it in the form of figures and tables. The results of the study revealed that pharmaceutical companies in Kenya used both financial and non-financial rewards to motivate their employees. In the design and choice of reward systems and strategies this study revealed that pharmaceutical organizations have set policy and did not consider harmonization of rewards as important. The results also revealed that the management felt that employees were fairly satisfied with rewards offered though areas that needed to be reviewed include training and recognition awards. Regarding problems encountered in reward strategy implementation the study results showed that major obstacles were the lack of organizational policy on harmonization and increased costs while enacting the equality policy.
CHAPTER V

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Chapter Overview
This chapter highlights discussion, conclusions and recommendations of the research. The chapter has been organized according to the research questions. The chapter will begin by giving a brief summary of the research problem, the purpose of the study and methodology of the study. Then move on to discuss the major findings of the study after which it will give the conclusions of the study and recommendations.

5.2 Summary of the Research
The summary has described the problem statement, purpose and the methodology of the study.

5.2.1 Research Problem
According to Pfeffer (1994) firms need to adopt appropriate reward systems and strategies to create a competitive advantage of the firm through enhanced employee performance. Porter (1997) further asserts that the right rewards reinforce business goals and enable employees to support these goals. However literature available on this issue is confined to descriptive analysis of reward systems and strategies and lacks the support of investigative studies. A good example is Armstrong (2000) and Brown (2001) who focused on describing effective reward strategies without supporting their work with investigative studies. Brown points out that the major problem is that most literature ‘ignores the operation of reward strategies’ and hence lack the backup of supportive studies. This study was designed to fill this gap by investigating how pharmaceutical companies in Kenya to enhance motivation of their employees use reward systems and strategies.
5.2.2 Purpose of the Study

The study was designed to investigate how reward systems and strategies are used to enhance employee motivation in the pharmaceutical companies in Kenya. The study was guided by the following research questions:

i) What reward systems and strategies are used to enhance employee motivation in pharmaceutical companies in Kenya?

ii) What factors are considered in the choice and design of reward systems and strategies in pharmaceutical companies in Kenya?

iii) What problems are encountered in implementing reward systems and strategies in pharmaceutical companies in Kenya?

5.2.3 Research Methodology

The research design was a survey chosen on the basis that the population of study was large and a survey provided the most representative data. The target population was all pharmaceutical companies located in Nairobi. The sampling technique was simple random sampling and data was collected through an interview guide that consisted of questions formulated and organized on the basis of the research questions. Data was analyzed through Microsoft Excel and presented in the form of tables and figures.

5.2.4 Major Research Findings

The study revealed that pharmaceutical companies in Kenya used financial and non-financial rewards systems and strategies to motivate their employees. In the choice and design of these strategies pharmaceutical companies used set organization policy on remuneration and this denies the reward scheme flexibility, participation of employees and the design of strategies that are market driven.

The results of the study also revealed that pharmaceutical companies in Kenya did not consider equality of rewards as important and those companies with such a policy focused on benefits. The results further revealed that these companies did not use technology in the design of their reward schemes.
The results revealed that the management of pharmaceutical companies felt that their employees were fairly satisfied with rewards offered. However, the results of the study indicated that certain areas such as appraisal, variety and design of market-driven reward systems and strategies of the current reward scheme needed to be addressed.

The study also revealed that pharmaceutical companies in Kenya experienced increase in costs while enacting the equality policy. The major obstacle in efforts to harmonize rewards was the absence of such a policy in these organizations.

5.3 Discussions of Findings

The discussion of findings consist an analysis of major research findings organized on the basis of research questions.

5.3.1 Reward Systems and Strategies

The study revealed that pharmaceutical organizations in Kenya used rewards to attract and retain high performing employees. This is similar to studies done by Lawler (1994) and Perrin (1999), which revealed that reward systems and strategies are important in motivating employees and enhancing their performance as well as attracting and retaining employees.

The study revealed that money is not the only financial reward offered, pharmaceutical organizations in Kenya give fringe benefits such as car, medical care and pension plans. This concurs with a study by Bear, Spector and Lawrence (1985) that postulated that to achieve optimum motivation levels, organizations offer a variety of compensation systems. Other important rewards used by pharmaceutical organizations are non-financial rewards such as paid leave. This means that pharmaceutical companies are increasingly using the total reward strategy to ensure employees are motivated. This involves pay, benefits, incentives and learning and development.
5.3.2 Choice and Design of Reward Systems and Strategies
The study revealed that the main factor in the design and choice of reward systems and strategies is organization remuneration policy. Few organizations considered individual employee qualifications or experience as important factors. This shows that most organizations have set policy on rewards denying the scheme flexibility and minimizes the ability of the scheme to be market driven.

The study revealed that most organizations did not consider equality of reward systems and strategies as important thus contradicting (Brown, 2001) view that rewards should be equitable. The decision not to consider equality of rewards as priority could be based on the fact that the supply of labour in Kenyan economy surpasses its demand and hence organizations enjoy this privilege. However those organizations that pursued equal reward policy mainly focused on equal benefits and not on equal working hours, incentives or equal pay for equal job. Implying that pharmaceutical companies reward schemes focused on the job and base pay rather than individual contribution.

The results of the study revealed that there were no organizations that considered technology as a factor in equality of rewards but emphasis is laid on organizational competitiveness. This implies that technology in Kenyan business environment is still a neglected factor and does not contribute much to achievement of reward strategy goals. Marchington and Wilkinson (2000) argue that organizations should minimize money differences between employees. However pharmaceutical companies in Kenya make little attempt to harmonize their reward systems and strategies.

5.3.3 Problems Encountered in Reward Strategy Implementation.
The study revealed that the management is of the opinion that their employees are fairly satisfied with the most reward systems and strategies offered. Paid leave policy has created levels of high satisfaction while training and recognition awards need to be addressed to increase employee satisfaction with the non-financial rewards. The study further revealed that other areas that need to be addressed to enhance the effectiveness of reward schemes in the pharmaceutical organizations include increasing the flexibility and
variety of pay and incentive schemes and encouraging more open communication with employees on benefits and pay.

Despite involving employees in reward decisions, the study revealed that majority of current reward schemes did not address key areas like appraisal of reward scheme, variety of scheme and designing more market and environment driven systems and strategies. Perrin (1999) argues that reward strategies should evolve at a speed to suit the capacity of each organization and its operating environment. However pharmaceutical companies have a deficiency in appraising and adjusting their reward schemes to maintain a balance with the changing environment of business.

The study revealed that major difficulties experienced by pharmaceutical organizations while enacting policies on equality included increased costs of harmonization of reward systems and strategies. The lack of equity policy in most pharmaceutical organization also was a major obstacle in efforts to harmonize rewards and this could explain why most companies did not pursue harmonization of rewards.

5.4 Conclusions
In regards to reward systems and strategies, this study concludes that pharmaceutical companies in Kenya use rewards as systems and strategies to enhance the motivation of employees. These companies use the total reward strategy, which encompasses both financial and non-financial reward systems and strategies with emphasis on salary, benefits, paid leave, and bonuses. However employees are not satisfied with rewards like training, recognition awards and incentives offered by the organizations. This implies that pharmaceutical companies in Kenya need to address these areas to improve on the effectiveness of the reward schemes they offer.

Regarding factors considered in the choice and design or reward systems and strategies this study concludes that, pharmaceutical companies in Kenya primarily have set organization policy on remuneration to determine rewards for their employees. This denies the reward schemes the flexibility to adapt to changing environment of business
and also makes these schemes lack variety. Moreover, pharmaceutical companies in Kenya do not consider harmonization of reward systems and strategies as priority and hence do not look for a fit between reward strategy and business strategy. Those that pursued the equality policy focused mainly on benefits and not on working hours, incentives and pay. The study also concludes that pharmaceutical companies in Kenya do not consider technology as a vital factor in the design or harmonization of reward systems and strategies.

Regarding problems encountered in reward strategy implementation, the study concludes that the current reward schemes need periodical appraising to update them to the current internal and external business environment and make them flexible and market driven and hence increase the satisfaction of employees with rewards offered in the pharmaceutical companies in Kenya. Moreover this study concludes that to increase the satisfaction of employees with the rewards offered, training and recognition awards need to be reviewed and areas that employees feel are not addressed appropriately incorporated in the training scheme.

5.5 Recommendations
5.5.1 Recommendations for Practice
The results of this study revealed that reward systems in the pharmaceutical companies in Kenya lacked flexibility and variety and needed to be appraised regularly so as to ensure that they evolved at the same pace with the changing environment of business. To enhance flexibility of reward systems and strategies pharmaceutical companies in Kenya should increase the variety and flexibility of reward systems and strategies. One-way to do so is to incorporate employee views in reward decisions. Moreover, pharmaceutical companies in Kenya should incorporate the use of technology to increase competitiveness of their reward systems and strategies as this can enhance organizational competitiveness and increase employee satisfaction with rewards.

The study also revealed that pharmaceutical companies in Kenya did not encourage open communication with employees. The study recommends that these organizations should
encourage more employee participation in reward decisions. This will enhance their level of satisfaction in rewards offered and increase their motivation and performance.

The findings also revealed that pharmaceutical companies did not harmonize their reward systems and strategies. This study recommends that these organizations should pursue harmonization policy. Efforts to harmonize reward systems and strategies will ensure that major discrepancies that exist in rewards offered to employees are reduced and thus enhance employee satisfaction and motivation.

The results of the study also revealed that pharmaceutical companies in Kenya did not review their training policies. This study recommends that these companies should review their training policies and incorporate those areas that employees feel are not addressed by the current training scheme. Other areas that will need review include recognition awards and incentives offered by these organizations.

5.5.2 Recommendations for Further Research
As already disclosed pharmaceutical companies in Kenya do not consider technology as vital in enhancing their reward systems. This study recommends that studies need to be done on how organizations can use technology to enhance reward systems and strategies. Such studies would also generate awareness and information on how technology can be used to enhance reward strategies and their appropriateness to a dynamic business environment.

Another area that research could be done is on harmonization of reward schemes and why organizations do not consider equality of rewards as important. Such studies would help identify ways to reduce discrepancies in employee rewards and establish ways through which organizations can achieve a fit between business strategy and reward strategies.
REFERENCES


INTERVIEW GUIDE

INTRODUCTION
The purpose of this study is to investigate reward systems and strategies used by pharmaceutical companies in Kenya to enhance employee motivation. The importance of this study is to provide information that can be used by the pharmaceutical companies while designing reward systems and strategies that can enhance the motivation of their employees and also it can be used to improve existing systems and strategies to enhance employee performance. Information will be treated confidentially.

I) GENERAL INFORMATION

1. How long have you worked for the current organization?
   i) Less than 2 years □
   ii) 3–5 years □
   iii) 6–8 years □
   iv) Above 10 years □

2. Have you previously worked for other pharmaceutical organizations?
   YES □    NO □

2 b. If YES specify the position held
   i) Manager □
   ii) Salesperson □
   iii) Any other-------------------------
3. What is the size of the organization?

   Below 15 □ 15-30 □ 30-45 □ above 45 □

II) REWARD SYSTEMS & STRATEGIES
4. Does the company consider rewards as a tool for improving the performance of employees?
   YES □ NO □

4b. If yes, specify the important role rewards play in the organization
   i) Attracts high performing employees □
   ii) Retains employees □
   iii) Makes employees pursue organizational goals □
   iv) Supports the organization/corporate goals □
   v) Any other---------------------------------------------- □

5. What type of financial rewards does your organization use?
   i) Salary or wage □
   ii) Fringe benefits (car, pension, medical care) □
iii) Incentives (profit sharing, stock ownership) 

iii) Annual bonuses

v) Any other

6 What type of non-financial rewards does the organization provide?

i) Training

ii) Work autonomy

iii) Paid leave (sick, maternity)

iv) Recognition awards 
    (Employee of the year, titles)

v) Any other

7 Which of the following performance based strategies does the organization use?

i) Commissions

ii) Piece rates

iii) Any other

8 What type of incentives does the company provide for its employees?

i) Profit sharing plans
ii) Stock ownership

iii) Annual/periodical Bonuses

iv) Any other

III) CHOICE AND DESIGN OF REWARD SYSTEMS AND STRATEGIES
9 Which factors influence the type of reward offered by the organization?

i) The type of job employees perform

ii) Employee qualifications and experience

iii) Labour supply/ demand in the market

iv) Organization remuneration philosophy

v) Any other

10 Does the company consider equality of reward systems for all employees important?

YES  NO

10 b If yes, what areas is this applied in?

i) Equal pay for equal job

ii) Equal working hours
iii) Equal benefits

iv) Equal incentives

v) Any other------------------------

11 What influences decisions to make rewards equitable for all employees in the organization?

i) Adhering to statutory regulations

ii) Equal employment policy

iii) The use of technology

iv) Company competitiveness

v) Any other------------------------
IV) PROBLEMS IN REWARD STRATEGY IMPLEMENTATION

12 To what extent are employees satisfied with financial and non-financial rewards offered by the organization?

<table>
<thead>
<tr>
<th></th>
<th>Not Satisfied</th>
<th>Fairly Satisfied</th>
<th>Satisfied</th>
<th>Very Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Basic salary / wage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii) Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii) Incentives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv) Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v) Recognition awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi) Work Autonomy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii) Paid leave</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13 Which areas of reward systems in your organization should be addressed to enhance employee satisfaction and performance improvement?

i) Informing employees how their pay is computed

ii) The choice of benefits
iii) More open communication about the benefits and pay

iv) More variety in benefits and incentives

v) Any other

14 Does the management take into account employee views when making decisions concerning pay and other benefits in your organization?

YES □ NO □

15 Are there areas you feel that the current reward scheme does not address?

YES □ NO □

15 b If YES specify these areas

i) Periodical appraisal of the reward scheme

ii) Variety of the reward scheme

iii) Involvement of employee in the reward scheme decisions

iv) The organizations' policy towards reward scheme

v) Any other
16 What difficulties does the organization experience while enacting policies concerning equality of pay systems for all employees?

i) Increase in costs

ii) Lack of support from employees

iii) Lack of top management support

iv) Absence of such a policy in the organization

v) Any other---------------------------------------------
# Research Budget

<table>
<thead>
<tr>
<th>Cost Items</th>
<th>Cost (Ksh)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Proposal Development</strong></td>
<td></td>
</tr>
<tr>
<td>• Research Assistance fee</td>
<td>10,000.00</td>
</tr>
<tr>
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<tr>
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<td><strong>3. Data Analysis and Report Writing</strong></td>
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<tr>
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<td>30/9/2002</td>
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<td>4. Presentation</td>
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