

**ASSESSMENT OF FORMAL AND INFORMAL INSTITUTIONS  
AFFECTING EMPLOYEES' REWARDS FOR ENHANCING  
PERFORMANCE AMONG HIGHER LEARNING INSTITUTIONS IN  
ARUSHA, TANZANIA**

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**2020**

**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled: ***“Assessment of Formal and Informal Institutions Affecting Employees Rewards for Enhancing Performance among Higher Learning Institutions in Arusha, Tanzania”*** in partial fulfilment of the requirements for the Degree of Master of Human Resource Management of the Open University of Tanzania.

.....

Dr. Bukaza Chachage

(Supervisor)

.....

Date

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## DECLARATION

I, **Aquiline D. Kessy**, do hereby declare that this dissertation is my own original work and that it has not been presented to any other university or institution for a similar or any other degree award.

.....

Signature

.....

Date

**DEDICATION**

This dissertation is dedicated to my husband, Mr. Julius Lenguyana, my lovely sons Jeovanni, Ivan and Ian for their prayers, tolerance and support throughout my study.

## **ACKNOWLEDGEMENT**

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## **ABSTRACT**

This study assessed formal and informal institutions affecting employees' rewards for enhancing performance among higher learning institutions (HLIs) in Arusha, Tanzania. It was guided by three specific objectives pertaining to identifying formal and informal institutions governing employees' rewards, examining the role of these institutions in rewarding employees for enhancing performance and examining the strength of these institutions in governing employees' rewards. A multiple cases study design was adopted by involving five HLIs in Arusha with a population of 287 administrative staff from which 167 respondents were selected using a purposive sampling method. Research data was collected by administering structured survey questionnaire and analysed by descriptive statistics and correlation with the aid of STATA program version 11.2. The findings showed that both formal institution and informal institutions existed among HLIs as agreed by 97% and 68.7% of the respondents respectively. Further, this study showed that formal and informal institutions had great role in employee rewards and both revealed existence of strong positive correlation with enhancing employees' performance, which was represented by Spearman's correlation coefficients of 0.5093 and 0.5642 respectively. Moreover, the strengths of formal and informal institutions was high and showed very strong positive correlation and slightly weak correlation with enhancing employees' performance at the Spearman's correlation coefficients of 0.8093 and 0.4642 respectively.

**Keyword:** Formal and Informal Institutions, Employee rewards, employee

Performance and Higher learning Institution

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## **LIST OF ABBREVIATIONS**

ADE	Analysis for Economic Decisions
CIPD	Chartered Institute of Personnel and Development
TCU	Tanzania Commission for Universities
URT	United Republic of Tanzania

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Overview**

This chapter presents the backgrounds to the study, statement of the problem, research objectives, research questions, significance of the study, scope of the study, limitations of the study and the organization of the study.

#### **1.2 Background to the Study**

Employees constitute the perceived to be the very important and most valuable resources of any organization (Armstrong, 2011; Osabiya, 2015). The service sector organizations such as higher learning institutions (HLIs), which are labour intensive for example, depend entirely on employees for their performance in service delivery (Osabiya, 2015). Employees bring their own perspectives, values and attributes to organizational life, and when managed effectively enhances significantly the performance of the organizations (Mullins, 2010). Rewarding employees in recognition of their services, efforts and achievement are one of the common practices of the management of the organizations across the globe aiming at enhancing their performance (Khan, nd, Osabiya, 2015; Ngure and Waiganjo, 2017; Bernard, 2018).

According to Lubell (2011), reward practices differ among organizations due to existence of formal institutions such as rewards norms, routines and agreements between employer and employees of the organization and formal institutions such as reward policies, laws, regulations and procedure of the organization towards its employees. These institutions affect significantly reward practices of the organization

and account the success of the organization in using rewarding as the strategy of enhancing employee performance (Khan, nd; Mullins, 2010).

Globally, Chartered Institute of Personnel and Development (CIPD) indicate that rewarding employee is used by business organizations in the United States of America to enhance performance and retention of employees (CIPD, 2003). Bernard (2018) addresses that the American organizations which rewards employees satisfactorily experience superiors performances than their counterparts. Shabnaz and Kowshiki (2017) indicate that private commercial banks in Bangladesh have established reward practices for enhancing performance especially for middle level and non-management employees. In India, reward practices are the most cited strategies adopted by the organizations for enhance performance of employees (Kossivi, Xu, Kalgoa, 2016). It is argued that most employees tend to shift their jobs/organizations when they experience that rewards practices do not meet their expectations (Khan, nd).

In Africa, rewarding employees is a common practice among managers and leaders of the organizations (Akala, 2012; Nyanjom, 2013; Ngure and Wainganjo, 2017). Majority of the public sector organizations have been reforming their reward policies and laws to enhance performance of employees in service delivery (Analysis for Economic Decisions [ADE], 2013). Also, there have been considerable changes of values, culture and norms of the public sector rewards so as to ensure that employees appreciate that their services, efforts or achievements are rewarded, recognized or appreciated by the managers and leaders of the organizations (ADE, 2013).

Tanzanian organizations have been implementing several reforms of rewards system in response to the changes taking place in the business environment such as



competitions and globalization. These reforms have been resulting into significant changes of informal and formal institutions affecting rewards such as norms, routines and agreements between employer and employees of the organization as well as reward policies, laws, regulations and procedure (McLean, 2009).

The public sector organizations for example, have recently adopted the Public Service Pay and Incentive Policy requires employers to embrace total reward (a combination of current contractual and intangible rewards as well as future expectations such as pension and reemployment after retirement) as a strategy to attract and retain talented and highly performing employees (United Republic of Tanzania [URT], 2010).

The HLIs in Arusha in the specific content use reward practices as the mean to attract and retain highly performing academic and administrative staff in the provision of competitive and highly quality higher education services (Allen, 2009). For the superior performance of the HLIs in Arusha, the formal and informal institutions governing reward should tailored in a manner that employees perceive they are being rewarded in proportional to the service, efforts and achievements they contribute (Anderson, 2014).

This is a major challenge to the HLIs due to existence of great diversity of employees in terms of education, occupation and experience giving into the raise of different expectations of formal and informal institutions pursued by HLIs among employees (Bernard, 2008; Argote, 2009). It was from this situation the current study assessed the formal and informal institutions affecting employees rewards for enhancing performance among HLIs in Arusha, Tanzania.

### **1.3 Statement of the Problem**

The HLIs in Tanzania use reward practices as a strategy for attraction and retention of highly performing academic and administrative employees in delivering competitive and high quality higher learning education. For attracting and retaining highly performing employees, the HLIs should endeavour that they pursue formal and informal institutions governing rewards, which take in account the service, efforts and achievements contributed by employees. This could be a great challenge among the HLIs considering the diversity of their employees in terms of education, occupation and experience giving into the raise of different expectations of formal and informal institutions governing rewards among HLIs.

Earlier research by Bernard (2008) established that dissimilar people have diverse requirements regarding rewards. Some employees believe that financial reward satisfactory for their performance of the tasks assigned by employers of organizations. Other employee merely feels that they should be rewarded by non-financial incentives such as automobile, and residence for them to perform tasks assigned by the employers of the organization. Some other employee may perhaps have a preference holidays and nonmaterial incentives (Bernard, 2008).

McLean (2009) establishes that reforms of rewards system pursued by Tanzanian organizations led into new informal and formal institutions such as norms, routines and agreements between employer and employees of the organization as well as reward policies, laws, regulations and procedure. The resulting institutions are significantly affecting the practices of the organizations in rewarding employees for enhancing performance.

Khan (nd), approved that formal and informal institutions governing rewards do not guarantee performance enhancement of employees. This is because some employees experiencing that these institutions meet their expectations enhance their performance. Employees who perceive that formal and informal institution governing reward practices of the HLIs do not meet their expectations for the service; efforts and achievements would not enhance their performance (Khan, nd).

Although the above researchers acknowledged the effect of formal and informal institutions on employees rewards and performance enhancement as well, but none of the earlier researchers focused on the new institutionalism which embodies policies, laws, rights and regulations as the construct of formal institutions and traditions, behaviour, social norms and customs as the constructs of informal institutions specifically among HLIs in Tanzania.

In order to cover this research gap, the current study has taken the above constructs of new institutionalism for assessment of the role of the formal and informal institutions affecting employees' rewards for enhancing performance among HLIs in Arusha, Tanzania

### **1.3 Research Objectives**

#### **1.3.1 General Research Objective**

The general objective of this research was to assess the formal and informal institutions affecting employees' rewards for enhancing performance among HLIs in Arusha, Tanzania.

### **1.3.2 Specific Research Objectives**

In order to fulfil the general objective above, the study was guided by the following specific objectives:

- (i) To identify formal and informal institutions governing employees' rewards among HLIs in Arusha.
- (ii) To examine the role of formal and informal institutions in rewarding employees for enhancing performance among HLIs in Arusha.
- (iii) To examine the strength of formal and informal institutions governing employees' rewards among HLIs in Arusha.

## **1.4 Research Questions**

This study was guided by one general question and three specific questions stated below:

### **1.4.1 General Research Question**

What are the formal and informal institutions affecting employees' rewards for enhancing performance among HLIs in Arusha, Tanzania?

### **1.4.2 Specific Research Questions**

- (i) What are the formal and informal institutions governing employees rewards among HLIs in Arusha?
- (ii) What is the role of formal and informal institutions in rewarding employees for enhancing performance among HLIs in Arusha?
- (iii) What is the strength of formal and informal institutions governing employees' rewards among HLIs in Arusha?

### **1.5 Significance of the Study**

This study has useful contributions to the management of HLIs as it provides empirical data on the formal and informal institutions affecting rewarding enhancing performance of their academic and administrative staff in the delivery of competitive and high quality higher learning education services.

To policy makers and professionals, the study is very helpful in guiding the courses of actions, which should be pursued in the line of reward practices (both formal and informal) so as to enhance performance of employees in the HLIs.

To academicians and researchers, this study has significant contributions in covering the gap pertaining to the formal and informal institutions affecting rewarding employees for enhancing performance among HLIs. This is because the study serves as the potential document for acquisition of knowledge and understanding pertaining to the formal and informal institutions governing rewarding employees of the HLIs and the role of these institutions in rewarding employees for enhancing performance of the HLIs.

Besides to that, the study serves as the potential document for acquisition of knowledge and understanding pertaining to the strength of formal and informal institutions governing rewarding employees of the HLIs in Arusha.

### **1.6 Limitations of the Study**

The study conducted the assessment of the formal and informal institutions affecting rewarding employees for enhancing performance among HLIs based in Arusha region.

A total of only five HLIs were surveyed and hence the results are not capable of making generalization among the HLIs in Arusha and across the country. In line with this limitation, the researcher recommends extensive inquiries on the similar problem in other HLIs in Tanzania.

The respondents of this study were employees of the five HLIs in Arusha region who were selected using purposeful sampling method with prime regards of criteria of information richness, willingness to participate and accessibility. According to Field and Hole (2002) the research data obtained by involving samples selected using this method is inadequate for generalization to the entire population of the study. Therefore, the information, which was obtained, was not capable for generalization to the entire population of employees of the five HLIs which were surveyed. The researcher recommended further study using different approaches of sample selection to enhance generalization of the research data.

Lastly, the respondents of the study were employees of the five HLIs in Arusha. The information, which they gave, could have been biased in favour of their respective employing HLIs. Therefore, extensive researches are recommended to see whether or not the results of this study would be consistent.

### **1.7 Delimitations of the Study**

The current study was therefore delineated on assessment of formal and informal institutions affecting employees' rewards for enhancing performance among higher learning institutions (HLIs) in Arusha, Tanzania. The study adopted multiple cases study research design by involving four HLIs in Arusha region and was guided by

three specific objectives pertaining to identifying formal and informal institutions governing employees' rewards, examining the role of these institutions in rewarding employees for enhancing performance and examining the strength of these institutions in governing employees' rewards. The study population was 287 administrative staff of the four HLIs from which 167 respondents were selected using a purposive sampling method whereby the research data was collected by administering structured survey questionnaire and analysed by descriptive statistics and correlation with the aid of STATA program version 11.2. Finally, the results were presented using tables, numbers, frequency distribution and percentages.

## **1.8 Organization of this Dissertation**

This report is organized into five chapter whereby chapter one is sub-divided into several sections including background to the study, statement of the problem, research objectives, research questions, significance of the study, scope of the study, limitations of the study and organization of the dissertation. Chapter two is divided into literature review, conceptual definitions, theoretical review, empirical analysis, research gap and conceptual framework.

Chapter three includes, research strategies, survey population and area of the research, sampling design and procedures, variables and measurement procedures, methods of data collection, data processing and analysis, and expected results of the study. Chapter four includes data, presentation, analysis, interpretation, analysis, conclusion and recommendations and also suggestion for further studies. Chapter five includes summary of the research findings, conclusions, recommendations and suggestion for further studies.

## **1.9 Chapter Summary**

This chapter has introduced the study by elaborating critical issues pertaining to the formal and informal institutions affecting rewarding employees for enhancing performance among HLIs starting from general concepts followed by global, continental, national and local existence and practices of the study problem. This is followed by the statement of the problem, research objectives, research questions, significance of the study, limitations of the study, scope of the study and structure of the dissertation. Next is chapter two which presents the review of related literature.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Overview**

This chapter reviews and extract relevant concepts and information about the formal and informal institutions affecting rewarding employees for enhancing performance. These concepts and information are presented into two major subheadings namely; theoretical literature and empirical literature. The theoretical literature comprises the conceptual definitions by defining institutions, formal institutions, informal institutions, high learning institutions (HLIs), employees, rewards and performance.

After the conceptual definitions, there is theoretical review, which is based on the relevant theories guiding understanding of the major variables of the study. The theory is used to elaborate the relationship between formal and informal institutions, roles of formal and informal institutions, strength of formal and informal institutions. The empirical literature reviews the earlier researches on this research area and major findings. The conclusion of this chapter comprises the knowledge gap and conceptual framework, which guided the study.

#### **2.2 Conceptual Definitions**

This provides the definitions of institutions, formal institutions, informal institutions, HLIs, employees, rewards and performance.

##### **2.2.1 Institutions**

Institutions refers to the established laws, rules, conducts or practices (Allen, 2009). Normally, institutions is social rules elaborating what should be done and how should

it be done and by whom (Mullins, 2010). The current study relates these institutions with rewarding of employees and defines them as the established laws, rules, conducts or practices governing rewarding employees of the organizations.

### **2.2.2 Formal Institutions**

Formal institutions refer to the written constitution, laws, policies, rights and regulations enforced by official authorities (Berg, 2015). Allen (2009) views the formal institutions as the written or documented set of laws, policies, rights and regulations of the organizations. In the context of this study formal institutions are defined in the context of employee rewards as to mean the written policies, laws, rights and regulations governing rewarding employees of the organizations.

### **2.2.3 Informal Institutions**

Informal institutions refer to the social norms, routines, values, customs or traditions that shape the thoughts and behaviors of the society (Berg, 2015). Allen (2009) views the informal institutions as the unwritten or undocumented set of institutions. They are normally natural forces, which bind the thoughts and behaviours of individuals (Mullins, 2010). In this study, informal institutions are defined in the context of employee rewards to mean traditions, behaviors, social norms and customs governing rewarding employees of the organization.

### **2.2.4 Higher Learning Institutions**

Higher learning institutions (HLIs) refer to the organizations established by competent authorities and laws for the provision of higher education (URT, 2005). Based on the Universities Act of Tanzania, 2005; the HLIs are the academic institutions established

by the Universities Act for the provision of higher education and awards for degrees of Bachelor, Masters and Doctor. Tanzania Commission for Universities (TCU) is the registering, accrediting and regulatory authority of all HLIs in Tanzania (TCU, 2018). According to TCU (2018), there were 50 HLIs in Tanzania, which are under the private and public ownership.

The HLIs are interpreted by this study based on the Universities Act of Tanzania (2005). They comprise the academic institutions/Universities located in Arusha such as Arusha Institute of Accountancy (public), Arusha Technical College (public), Nelson Mandela African Institution of Science and Technology (public), Community Development Training Institute (public), Mount Meru University (private), Tumaini University, Makumira (private), St. Augustine University of Tanzania (private) and University of Arusha (private).

### **2.2.5 Employees**

Employees refer to the very important and most valuable resources of the organizations (Khan, nd, Armstrong, 2011; Osabiya, 2015). They work individually or collectively to realize the objectives of the organization (Armstrong, 2011). According to Employment and Labour Relations Act No.6 of the United Republic of Tanzania (URT, 2004), employees are individuals entered into contract with employer/organization. URT (2004) classifies employees basing on the nature of contracts of engagements as, permanent employees, employees engaged under contracts of specified period of time and employees engaged for performing special tasks.

For the purpose of this study, employee refers to any individuals engaged by the HLIs who is being rewarded for the service, effort or achievements. Based on the activities performed by the HLIs, employees were categorized as academic/teaching staff (engaged into teaching) and administrative staff (engaged into administration and other supportive services).

### **2.2.6 Rewards**

Rewards simply means anything legally given by the person designed as employer to in recognition of the service, efforts or achievements of the other person designed as employee (Armstrong, 2011). Rewards can be financial or non-financial factor given by employer to employee in return to his/her contribution on the performance and success of the organization (Mullins, 2010).

According to URT (2010), rewards refer to monetary and non-monetary as well as future expectations. The monetary reward is related to payment while non monetary reward is related to job security, career prospects, improved management, meaningful job content, appreciation of work done and improved working conditions. Future expectations are items such as pension and reemployment after retirement (URT, 2010).

Employees like many other entrepreneurs; they are inspired to perform higher when they perceive that rewards meet the services, efforts' or achievements they contributed in the organization (Mullins, 2010; Armstrong, 2011; Osabiya, 2018). Thus, formal and informal institutions governing rewarding employees among HLIs should be in a manner that employee feel that rewards meet their expectations.

### **2.2.7 Performance**

Performance refers to carrying out of a particular task measured against certain standards (Ntamamilo, 2016). Armstrong (2011) defines performance as the execution of task or job in orderly manner. These definitions imply that performance is measurable which can be by looking on the quality or quantity of the results. For the current study which was conducted among HLIs providing education service which is not quantifiable, performance implied execution of any activity connected with education services measured based on time of accomplishment or time spend in doing particular task or meeting deadline of the task by employees.

### **2.2.8 Theoretical Review**

The theoretical review of this study was anchored by two theories, namely Institutional Theory and Organizational Theory. These theories were selected based on the experience that they provide a framework to understand and explain the HLIs as the entities comprise employees, rewards practices by employer and formal and informal institutions governing the conducts and practices of the employers and employees of the HLIs.

#### **2.2.8.1 Institutional Theory**

Institutional Theory places institutions at the centre of the analysis of the planning and conduct of the organization (Berg, 2015). Based on this Theory, institutions are understood as given for granted beliefs, rules and norms shape the creation and diffusion of organizational forms, designing characteristics and practices. Compliance with the established institutions is considered to mean obtaining legitimacy, reducing

uncertainty and increasing the inadmissibility of the organization's actions and activities (Mullins, 2010).

The Institutional Theory extends to a notion that organizations do not operate in a vacuum instead they originate, exist and operate in a multitude of external influences such as cultural differences, legal requirements, conventions and standards and the demands posed by the diversity of actors. Efficiency of the organization should therefore depend on the extent which the organization takes in account the internal and external influences such as social norms, routines and culture as well established policies and regulations (Mullins, 2010).

Based on the Institution Theory, the organization can secure the best use of employees to enhance performance if it has adequate information about all set of institutions and takes them into account in designing and implementing rewarding practices (Berg, 2015).

#### **2.2.8.2 Organizational Theory**

This theory is perceived to be an area of study and research emerged from work in at least six disciplines namely; anthropology, sociology, psychology, social psychology, political science, and economics as well as three professional schools: business, education, and public administration (Armstrong, 2011). In the broadest sense, the author defined organization as study of the structure, functioning and performance of organizations and the behavior of groups and individuals within them. More specifically, organization is viewed as social structures created by individuals to support the collaborative pursuit of specified goals (Mullins, 2010).

Mullins (2010) considers organization theory as dealing with macro level analyses of intergroup relationships, organization wide concepts, and organization environment interactions. Thus, organization theory relies on the idea that the organization comprises people working together to achieve common objectives through a division of labor. It further argues that organization provides a means of using individual strengths within a group to achieve more than can be accomplished by the aggregate efforts of group members working individually (Mullins, 2010).

Business organizations are formed to deliver goods or services to consumers in a way that they can realize a profit at the conclusion of the transaction (Armstrong, 2011). Over the years, business analysts, economists, and academic researchers have pondered several theories that attempt to explain the dynamics of business organizations, including the ways in which they make decisions, distribute power and control, resolve conflict, and promote or resist organizational change.

One of the influential researches behind development of this theory was the Hawthorn Studies conducted under the direction of Harvard University researcher Elton Mayo in the mid-1920s and 1930s. The company wanted to determine the degree to which working conditions affected output. The results of the study demonstrated that innate forces of human behaviour may have a greater influence on organizations than do mechanistic incentive systems (Mullins, 2010). The legacy of the Hawthorn studies and other organizational research efforts of that period was an emphasis on the importance of individual and group interaction, humanistic management skills, and social relationships in the workplace.

Based on the ideas underlying the organization theory, organizations comprise people related to each other in formal and informal relationships that guide their behaviours and interactions in pursuing specified goals of the organization (Denison, 2000). The formal and informal relationships existing between and among people making up the organization have direct effect of the organization processes and activities. Behaviour and interactions exhibited by these people can stable state within the organization, which in turn foster or constrain the performance of individuals and the organization as the whole.

Denison (2000) considers culture as one of the stable states created through the behaviour and interactions among individuals and groups within the organization. He explored the effect of the cultural elements of people within the organization on the performance of the organization. His research established the Denison Model of organizational culture, which is frequently used among researches on the influence of organizational culture on the performance of the organization. This Model have four dimensions namely; involvement, consistency, adaptability, and mission.

Involvement included three constructs namely; empowerment (authority, initiative and ability to manage their own work), team orientation (values placed on working cooperatively toward common goals for which all employees fell mutually accountable) and capability development (continuous investment in the development of employee's skills in order to stay competitive and meet on-going business needs) (Denison, 2000).

Consistency constitute three constructs namely the core values of the University (sharing set of values which create a sense of identity and a clear set of expectations



among the members), agreement (ability to reach agreement on critical issues among members and coordination and integration (harmonization of various functions performed by individuals and groups of employees to work together and achieve common goals) (Denison, 2000).

Adaptability constitutes constructs such as creating change (ability of the organization to create adaptive ways to meet changing needs), customer focus (ability to understand and react to needs and expectations of the customers and anticipates their future needs) and organizational learning (receiving, translating, and interpreting the signals from the environment into opportunities for encouraging innovation, gaining knowledge, and developing capabilities (Denison, 2000).

Mission comprises the strategic direction and intent of the organization (clear strategic intentions and how everyone into it can contribute to achieving them), goals and objectives and its vision, that is, desired future state (Denison, 2000).

When you look at Horward (2010) concept of organization theory and Denision Model of organizational culture, you find that the organization consists of formal institutions which are spelled out policies, rules, procedures that govern behaviour and interactions among people as well as informal institutions which are informal and unwritten rules and standards of practices pursued by individuals, groups and the whole organizations in daily basis. These sets of institutions affect all processes and activities from individual level to organizational level including rewarding employees and subsequent performance (Denison, 2000). This ability of these institutions to foster or to constrain organization processes and activities is very important to the

current study which seeks to understand and explain the formal and informal institutions affecting employees' rewards for enhancing performance among HLIs.

## **2.3 Empirical Literature**

### **2.3.1 Formal and Informal Institutions Governing Employees Rewards**

Barzel (2012) identifies that informal institutions governing rewarding employees were the concrete rules, which followed during rewarding employees. The organizations worked under the unwritten rules, which shaped incentives in systematic ways (Barzel, 2012).

Crocker (2011) views that informal institutions arise in the situation that the formal institutions are effective. According to him, the goals of formal and informal actors normally tend to be in conflict. Informal institutions reconcile the interests of the key actors through formal arrangements and getting around formal rules. Also, informal institutions do not necessarily enhance performance among the employee of higher learning institutions but they can create stability and enable the functioning of the formal institutions.

Deci (2015) highlights that the managers and principals of the HLIs normally shape informal and formal institutions in a way that increase the performance of employees through their capacity to coordinate tasks, to achieve levels of cooperation, or to respond to changing market conditions. Cumming (2015) views that managers and principals of the HLIs are the agents shaping formal and informal institutions and hence, they play a great role in designing and implementing reward practices that promote performance.

Dalton (2009) asserts that to be successful nowadays, HLIs must play a number of different game using different goals and different rules. Some of these games generate income and others increase funding by attracting more students. Also, there are other games, which promote good work among employees and facilitate them to receive attractive awards.

Deci (2015) reports that contract employees of the HLIs are excluded from career paths involving reward and recognition. This means that reward and recognition among HLIs rests on professional boundaries between employment contracts and status/authority held by employees in the HLIs. To some employees of the HLIs, rewarding for teaching excellence may be of great importance but it is foreshadowed and compromised by the ongoing value in the HLIs (Deutsch, 2015). Deci suggested that it is important to understand how these policies are being implemented and how academic staff imagines these policies are being implemented.

### **2.3.2 Role of Formal and Informal Institutions in Rewarding Employees for Enhancing Performance**

Dore (2013) found that informal institutions play a better role in rewarding employees' performance in HLIs. Informal institutions could foster rewards on employee performance or they could undermine good practices in rewarding employees (Dore, 2013). Based in the Brazilian organizations, Dore established that effectiveness of the formal institutions was largely good, but informal institutions had different goals from the formal institutions and were used to get around what are seen to be overly restrictive formal institutions.

Durkheim (2013) pinpoints that lack of rewards among HLIs would facilitate poor performance of employee. The main objectives of rewards are to attract and retain employees, to motivate employees to achieve high levels of performance, and to elicit and reinforce desired behaviour of the employees (Durkheim, 2013). The researcher suggested that the HLIs should regularly implement financial reward practices to prevent employee disappointment and motivate them and secure their highest possible performance.

Ellickson (2011) identifies that use of monetary rewards in HLIs may not be a very good motivator while its absence may be a strong de-motivator. The financial rewards should be the instrumental value medium of exchange and while making rewarding practices such as recognition, status, self-esteem, and achievement the only motivators.

Frey (2007) reports that HLIs use of financial rewards to enhance performance of their employees. The financial rewards were provided and controlled by the HLIs and hence, did not benefit employees in the manner that employees expected to be. Based on Frey, employees of the HLIs could benefit from financial rewards if they experience that despite of lack of control financial rewards, the reward norm, routines, values, policies or regulations are equitable.

Millmore (2007) establishes that majority of employees of the organization demand monetary rewards for the services, efforts or achievement they contribute to the organization. Employee experiencing inadequate or scarcity of financial rewards engaged into the behaviour and conduct which maximize financial gain. It was

suggested that for the organization to enhance performance of employees through rewarding, reward practices should constitute extrinsic rewards such as marginal benefits, incentive payments, remuneration, promotion and intrinsic rewards such as feelings of accomplishment, recognition, job satisfaction or growth (Millmore, 2007).

### **2.3.3 Strength of Formal and Informal Institutions in Rewarding Employees for Enhancing Performance**

Formal and informal institutions facilitate administration of reward among the employee of the HLIs (Heart, 2008). However, these institutions may be the responsible for delays, rigidity and dissatisfaction among employees. Based on Heart (2008), a well-designed reward management can be rewarding for both the employee as well as the managers of the institution.

A report by Katz (2012) identifies that majority of managers are busy with day-to-day responsibilities as the result, they neglect potential interactions with employees. Katz used an example of potential interaction during planning and implementation of pay policy/level. In these stages, managers are expected to coach employees to be familiar with pay policy/level, which in turn affects their behaviours, values and development.

Formal and informal institutions are time consuming because they require managers to spend about an hour in writing performance appraisals (Katz, 2012). Depending on the number of employee evaluated, appraisal can take several hours to write the performance appraisals and meeting with all employee to review their overall performances.

Berg (2015) noted that formal and informal institutions discourage employee performance especially when they perceive that such institutions are not pleasant to their values and behaviour. For the reward practices to enhance performance of employees, the formal and informal institution must be encouraging and positive reinforced (Berg, 2015). It is advised that managers should document all issues, which need to be corrected, and all positive events which employee did throughout a year under review. The issues need to be corrected and positive events which employee did must be discussed and agreed upon by employee and their immediate supervisors.

## **2.4 Research Gap**

Several studies have identified that reward practices enhances employee performance. For instance, Dore (2013) contends that rewards plays potential role in enhancing performance of employees. Both intrinsic and extrinsic rewards are positively aligned with employee performance. Mullins (2010) approved that different employees have different needs about rewards. Some employees consider cash is adequate to fulfil their needs while others wants to material incentives like car, house, and some prefer holidays and some prefer nonmaterial incentives (Cohen, 2010).

Although the above researchers acknowledged the effect of formal and informal institutions on employees rewards and performance enhancement as well, but none of the earlier researchers focused on the new institutiolism which embodies policies, laws, rights and regulations as the construct of formal institutions and traditions, behaviour, social norms and customs as the constructs of informal institutions specifically among HLIs in Tanzania.

In order to cover this research gap, the current study taken the above constructs of new institutionalism for assessment of the role of the formal and informal institutions affecting employees' rewards for enhancing performance among HLIs in Arusha, Tanzania.

In order to realize this rationale, the current study were required to achieve three specific objectives pertaining to formal and informal institutions governing employees rewards among HLIs, role of formal and informal institutions in rewarding employees for enhancing performance among HLIs and strength of formal and informal institutions governing rewarding employees among HLIs in Arusha. Besides, the study was required to two sets of hypotheses, which stated as follows:

**H<sub>A</sub>** Available formal and informal institutions have positive relationship with enhancing employees' performance.

**H<sub>N</sub>** Available formal and informal institutions have negative relationship with enhancing employees' performance.

**H<sub>A</sub>** Strengths of formal and informal institutions have positive relationship with enhancing employees' performance.

**H<sub>N</sub>** Strengths of formal and informal institutions in HLIs have negative relationship with enhancing employees' performance.

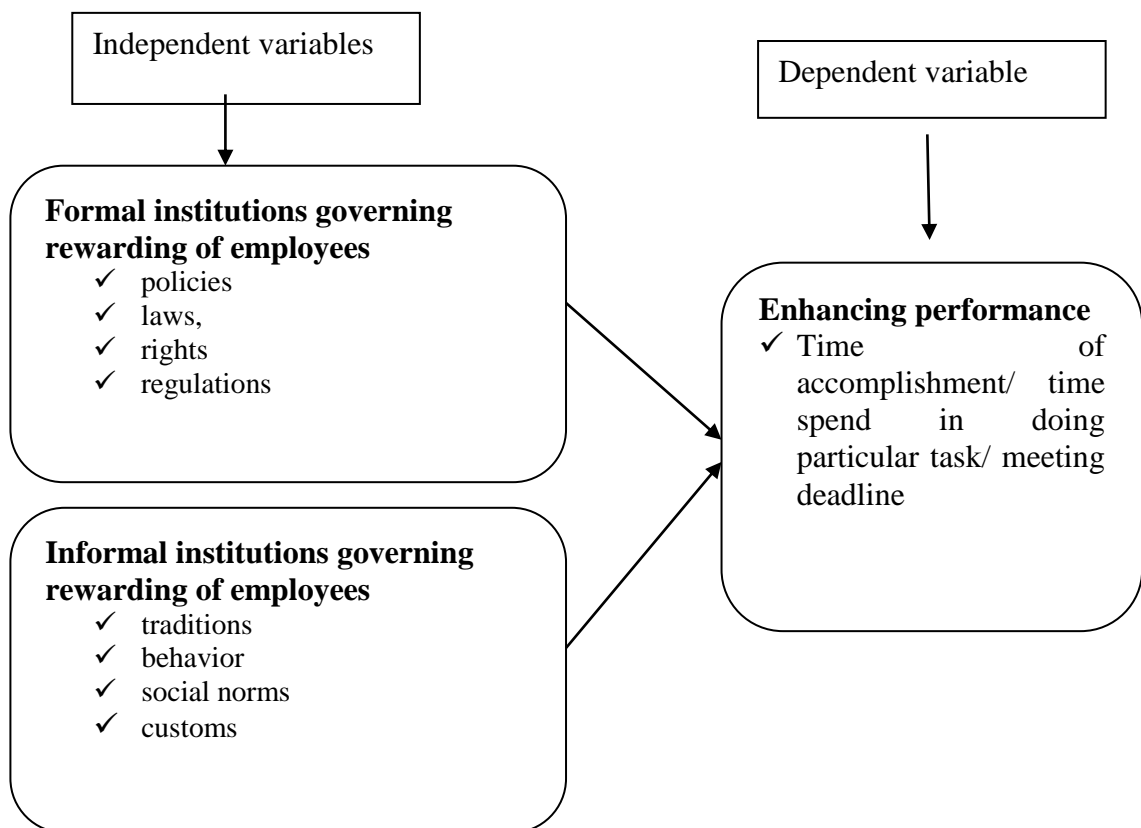
Whereby, 'A' stands for alternative hypothesis and 'N' stands for Null hypothesis.

## **2.5 Conceptual Framework**

The conceptual framework shown by Fig.2.1 organizes researcher's knowledge and understanding of the formal and informal institutions affecting rewarding employees

for enhancing performance among HLIs. This conceptual framework indicates relationship existing between variables based on the major objectives of the study and understanding of various literatures and theories reviewed by the researcher.

In this conceptual framework, the researcher assumes that improving employees performance is being dependent on two variables namely; formal institution governing rewarding of employees (policies, laws, rights and regulations) and informal institutions governing rewarding of employees (traditions, behavior, social norms and customs).



**Figure 2.1: Conceptual Framework**

Source: Researcher's own construct (2019)



**Table 2.1: Definitions of the Variables of the Conceptual Framework, Indicators and Scale of Measurements**

S/N	Variables	Category	Definitions	Indicators	Scale of measurements
1	Formal institutions	Independent	...written/ documented laws or practices governing rewarding of employees (Allen, 2009; Berg, 2015)	<ul style="list-style-type: none"> <li>Level at which reward policies, laws, rights and regulations of the HLIs promote employees performance</li> </ul>	Ordinal scale
2	Informal institutions	Independent	... set of unwritten laws or practices governing rewarding of employees (Mullins, 2010; Berg, 2015)	<ul style="list-style-type: none"> <li>Level at which reward traditions, behaviour, norms and customs of the HLIs promote employees performance</li> </ul>	Ordinal scale
3	Enhancing performance	Dependent	... improving execution of tasks by employees of HLIs (Armstrong, 2011; Ntamamilo, 2016)	<ul style="list-style-type: none"> <li>Time of accomplishment</li> <li>Time spend in doing particular task</li> <li>Meeting deadline of the task by employees</li> </ul>	Ordinal scale

Source: Researcher's own construct (2019)

## 2.6 Chapter Summary

This chapter was aimed to enhance acquisition of knowledge and in-depth understanding of the formal and informal institutions affecting rewarding employees for enhancing performance among HLIs. Different sorts of literatures materials have been used to extract useful information and concepts so as to establish the

relationships between and among variables and finally identification of research gap. The relevant concepts from literature reviews have been organized into definition of key terms, theoretical literature, and empirical literature and finally, it concludes by identifying knowledge gap and developing knowledge gap. The next chapter, which is chapter three of this dissertation, provides the research methodology of the study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Overview**

Chapter three presents the research design, population of the study, sampling and sampling techniques, sample size, data collection procedures, data analysis procedure, the reliability and validity precautions to be taken. Finally, it explains the ethical considerations that the researcher adopted into account of the study.

#### **3.2 Research Design**

The research design refers to a plan for addressing objectives and hypotheses (Yin, 2014). Research design ensures that all aspects of the study are well addressed and implemented. The research design also ensures that the evidence obtained enables the researcher to make sound conclusion from the study. According to Best (2010), there are three research designs in researches namely exploratory, descriptive and causal designs. This study adopted the descriptive multiple cases design which concerns with finding, describing and interpreting ‘what is’ by involving many cases to draw clearest possible picture about the phenomenon (Best, 2010).

Normally, this design does not aim at discovering new phenomena, but concerns with existing conditions or relationships, prevailing practices, beliefs, points of view or attitudes taking place, ongoing processes, effects that are making themselves felt or trend that are developing (Best, 2010). The use of this design was therefore most appropriate to study the formal and informal institutions among higher learning institutions (HLIs) and the ways that they affect rewarding employees for enhancing performance of the respective HLIs.

### **3.3 Area of the Study**

The study was conducted in Arusha region, which is located on the Northern Zone of the United Republic of Tanzania. The region has a number of established HLIs such as Arusha Institute of Accountancy (public), Arusha Technical College (public), Nelson Mandela African Institution of Science and Technology (public), Community Development Training Institute (public), Mount Meru University (private), Tumaini University, Makumira (private), St. Augustine University of Tanzania (private) and University of Arusha (private).

The study surveyed a total of five HLIs namely; Arusha Institute of Accountancy, Arusha Technical College, Nelson Mandela African Institution of Science and Technology, Community Development Training Institute and University of Arusha. The reasons for selecting Arusha region and the five HLIs by the study was influenced by presence of good communication system (tarmac roads) and public transport services which facilitated easy movement by the researcher and easy access HLI to HLIs.

### **3.4 Population Study**

Population refers to all items or objects that possess the characteristic or that have the knowledge of the phenomenon being studied (Yin, 2014). Population refers to the total group that the research focuses on (Cooper and Schindler, 2011). The population of this study comprised administrative staff of the five HLIs in Arusha who were 287 in total. This population was chosen because of their vast knowledge and experience about the formal and informal institutions governing rewarding among HLIs.

### **3.5 Sampling Technique and Sample Size**

#### **3.5.1 Sampling Technique**

According to Best (2010), sampling technique refers to the technique used to select representative population from the study population. Selection should be made by picking or involving individual members of the study population in accordance with the determined/desirable sample size (Yin, 2014). There are two common technique of sampling namely; probability techniques which use mathematical calculations thereby giving all individuals an equal chances of selection into the samples. The other is non-probability technique which relies on researcher's own knowledge, experience and motivations. It does not involve any calculation and hence, members have no equal chances of selection into the samples.

This study adopted non-probability sampling technique specifically purposive sampling method. This technique was considered because the researcher was motivated to include select employee into the samples basing their information richness, willingness to participate and convenience so as to maximize response rate. Also, this technique was considered very simple than the rest since it involved no technical calculations.

#### **3.5.2 Sample size**

A sample size (n) comprises a total of 167 employees of the HLIs which were determined with the aid of Taro Yamane formula of sample calculation at 95% confidence level and of precision 5%. This formula is very common in quantitative researches when total population (N) is known which for this study 707 employees was. Computation of sample size (n) using this formula is shown by equation:

$$n = N / [1 + N (e)^2]$$

Where:

n= required sample size;

N =Total employees in the required cadres;

e = allowable error (%) = 5% = 0.05

$n = 287 / [1 + 287(0.05)^2] = 287 / [1 + 0.7175] = 287 \div 1.7175 = 167$  employees. These employees were distributed into the five HLIs and administrative departments as shown in Table 3.1.

**Table 3.1: Distribution of Employees into the Samples among HLIs and Departments**

S/N	HLIS	Administrative Department	Number of employees
1	Arusha Institute of Accountancy	Academics and Admission	6
		Accounts and Finance	5
		Procurement and Supplies	4
		Estate and Assets Management	7
		Human resources and Administration	11
		<b>Subtotal</b>	<b>33</b>
	Arusha Technical College	Academics and Admission	6
		Accounts and Finance	5
		Procurement and Supplies	4
		Estate and Assets Management	7
		Human resources and Administration	11
		<b>Subtotal</b>	<b>33</b>
3.	Nelson Mandela African Institution of Science and Technology	Academics and Admission	6
		Accounts and Finance	5
		Procurement and Supplies	4
		Estate and Assets Management	7
		Human resources and Administration	13
		<b>Subtotal</b>	<b>35</b>
4	Community Development Training Institute	Academics and Admission	6
		Accounts and Finance	5
		Procurement and Supplies	4
		Estate and Assets Management	7
		Human resources and Administration	11
		<b>Subtotal</b>	<b>33</b>
5.	University of Arusha	Academics and Admission	6
		Accounts and Finance	5
		Procurement and Supplies	4
		Estate and Assets Management	7
		Human resources and Administration	11
		<b>Subtotal</b>	<b>33</b>
6.	Grand Total		<b>167</b>

Source: Researcher's own construct (2019)

### **3.6 Validity**

According to Cooper and Schindler (2011), validity refers to accuracy and importance of inferences, which are based on research results. The validity was increased by involving peers and some research experts in social science to review and provide their inputs how they considered the questionnaire to be accurately measuring all important aspects of the problem and whether or not the questions were measuring intended construct. Their opinions were useful in making amendments of the concepts, variables and questions thereby increasing validity of the questionnaires.

### **3.7 Reliability**

Reliability refers to the extent to which the scale produces constant results over time if repeated measurements are performed (Yin, 2014). Authors identify three types of reliability referred to in quantitative research: the degree to which a measurement, given repeatedly, remains the same, the stability of a measurement over time and the similarity of measurements within a given time period.

The Cranach's Alpha was calculated to check the internal reliability of the data, for employee retention. The value of the Cranach's as shown in the Table 3.2 for job security was  $\alpha = 0.774$ , employees rewarding system was  $\alpha = 0.850$ , that strength of the formal and informal institutions was  $\alpha = 0.877$ . Their standard value, is 0.7 to 0.8. Therefore it shows reliable data hence we can confidently continue apply different statistical analysis and further interpret the findings with confidence (Cooper and Schindler, 2011).

**Table 3.2: Reliability of the Questionnaire**

	<b>Input</b>	<b>Data Used</b>	<b>Data Deleted</b>	<b>Cranach's Alpha</b>
Formal and informal Institutions	5	5	0	.774
Role of the institutions	5	4	1	.850
Strength of formal and informal institutions	5	4	1	.877
Enhancing performance of employees	5	4	1	.853

Source: Reliability test of Pilot data (2019)

### **3.8 Data Collection Method**

The study used questionnaire as the primary source of data. According to Best (2010), questionnaire refer to set of written questions which given to the respondents for answering on their own time. The structured survey questionnaire with the closed ended questions was prepared in English version and was administered by the researcher to a total of 167 employees of the five HLIs in Arusha. This questionnaire is found in **Appendix I** of this dissertation.

The use of questionnaire was suitable because it given employees an ample time for answering the questions. This permitted them to concentrate into the questions thereby increasing accuracy and reliability of the answers.

All questions in the questionnaire were constructed using the Likert scale of five points. There were two parts in the questionnaire. The first part comprised questions regarding the profiles of the respondents while the second part comprised questions regarding the three objectives of the study. The respondents were required to answer by ticking in the appropriate boxes besides the questions.



### **3.9 Data Analysis**

According to Anderson (2014), data analysis refers to a technique used to make interpretations from the collected data through a systematic and objective identification of specific characteristics. In order to analyze the collected data, the current study used quantitative method with the aid of descriptive statistics and correlation analysis. The use of this method of data analysis, the current study assumed that social studies can be observed, recorded and effectively measured. The whole process data analysis involved the stages indicated in the following subsections:

#### **3.9.1 Data Coding**

The first step of data analysis involved coding all data/responses by assigning unique numbers as the tags on the profiles of the respondents and all data/responses obtained on all questions, which were designed to solicit data on the three objectives of the study. The coded data were recorded into the Microsoft Excel and transported into the STATA program version 11.2.

#### **3.9.2 Descriptive Statistics**

SPSS was commanded to analyse the entered data using descriptive statistics. The command was performed to analyse all data pertaining to the profiles of the respondents and all data pertaining to the first, second, third objectives of the study. The analysed the data were presented using frequency tables and percentages and explained in detail in Chapter four of this dissertation.

#### **3.9.3 Correlation Analysis**

The correlation analysis was used to measure the direction and strength of association between two variables and hence making detection of the nature of relationship

existing between formal institutions and information institutions with enhancing employee's performance. The Spearman's correlation coefficients were used to test the two sets of hypotheses by evaluating the strength of the correlation coefficients, which range between  $-1$  and  $+1$ . Normally the negative and positive values indicate the direction of the relationship between the variables and the correlation coefficient of 0 (zero) means an insignificant or no relationship between the variables (Nyaledzigbor, 2015).

### **3.10 Ethical Considerations**

Ethics influence the merit of people and, ultimately, the quality of the data obtained (Cooper and Schindler, 2011). Furthermore, the quality of research results can be threatened if the issue of ethics and ethical behavior is not addressed. The aim of the application of ethical procedures to research activities was to protect the rights and interests of all participants from harmful or adverse consequences (Best, 2010). The researcher applied the following to address ethical.

First, the researcher requested the authorization of the management of the authorities where the data was collected before the start of the study. Next, the researcher informed the respondents in advance that the research is for academic purposes and assured them that their confidentiality was maintained. During the data collection, the researcher was responsible in respecting the dignity; privacy and welfare of all participants. Also, data collection tools were designed to avoid any personal or organization identity of the respondents.

Adhering to ethical concerns helped the researcher to obtain sufficient and quality data for the study. The researcher behaved objectively during the collection and

analysis of the data. Furthermore, the collected data were represented as group aggregates rather than as individual analysis. In short, the importance of sound ethical practices has been addressed in this study not only to protect the interest of the participants, but also to allow the disclosure of information to be less constrained than it could be in a less secure environment.

### **3.11 Chapter Summary**

In this chapter has presented the research design, area of the study, target population, sampling technique and sample size. This was followed by sources of data and data collection methods, validity and reliability, data analysis reliability and ethical issues. This is followed by Chapter Four, which presents and discusses the findings of the study.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSIONS**

#### **4.1 Overview**

This chapter presents the discussion of findings on the formal and informal institutions affecting rewarding employees for enhancing performance among higher learning institutions (HLIs) in Arusha. The presentation considers primarily the field data on the profiles of the respondents and each study objective on which the data was gathered. This chapter therefore is organized into six subsections.

The first subsection is covers an overview of this chapter. The second subsection presents the profiles of the respondents. The third subsection represents and discusses the findings on the first objective of the study. The fourth subheading presents and discusses the findings on the second objective of the study. The fifth subsection presents and discusses the findings on the third objective of the study. The sixth subsection, which is the last, presents and discusses the findings on the three objectives of the study.

#### **4.2 Profiles of the Respondents**

A total of 167 respondents were required to complete the questionnaire by identifying the profiles in terms of sex, age, educational level and work experience. On the sex of the respondents, the results in Table 4.1 shown that the majority, 108 (64.7%) of the respondents were males and the rest 59 (35.3%) respondents were females. The study learned that employees of HLIs comprised males and females and inclusiveness of both males and females into the study was very useful because it enabled gaining opinions from different viewpoints.

On the age distribution of the respondents, Table 4.1 shows that majority, 73(43.7%) respondents were between 18 to 34 years old. This was followed by 56(33.5%) respondents who were between 35 to 44 years old. Also, there were a total of 38(22.8) respondents who were 45 years old and above. The results inform that the respondents of this study were in mature age groups and hence, their answers they gave would be logically acceptable due to their mental maturity.

On the education level of the respondents, Table 4.1 reveals further that there were a total of 101(60.5%) holders of Degree of Bachelor among respondents. This was followed by holders of Degree of Master who were 29(17.3%) respondents. Also, there were a total of 19(11.4%) respondents and 18(10.8%) respondents who were the holders of Diplomas and PhD respectively.

Having the respondents who were distributed into the education level above, it means that all respondents were literate. This increased their abilities to read and understand all questions into the questionnaire, which were into English. Also, it means that the respondents were very well knowledgeable about several aspects management of HLIs affecting their performance, which could have enabled them to provide accurate, true and reliable answers/data into this study.

Regarding work experience of the respondents, Table 4.1 shows that majority, 81(48.5%) respondents were between 1 to 5 years of work experience. This was followed by 58(34.7%) respondents who had less than a year of work experience and the rest, 28(16.8%) respondents had work experience from 6 years and above. This translated that about 109(65.3%) respondents worked for the respective HLIs for 1

year and above. Considering that work experience contribute significantly on the familiarity, understanding and mastering of different aspects jobs and management practices affecting the jobs of employees, having majority of respondents having such extensive work experience could have enabled to provide valid and reliable information pertaining to the formal and informal institutions affecting rewarding employees for enhancing performance among HLIs.

**Table 4.1: Sex, Age, Education Level and Work Experience of the Respondents**

S/N	Variables	Respondents (N) =167	Percentages
1	Sex	Male	64.7
		Female	35.3
		<b>Total</b>	<b>100</b>
2	Age group	18 to 34 years old	43.7
		35 to 44 years old	33.5
		45 years old and above	22.8
		<b>Total</b>	<b>100</b>
3	Education level	Diplomas	11.4
		Degree of Bachelors	60.5
		Degree of Masters	17.3
		PhD	10.8
		<b>Total</b>	<b>100</b>
4	Years of work experience	Less than 1 year	34.7
		1 to 5 years	48.5
		6 years and above	16.8
		<b>Total</b>	<b>100</b>

Source: Field data (2019)

#### **4.3 Formal and Informal Institutions Governing Rewarding Employees of the HLIs in Arusha**

In order to identify the formal and informal institutions governing rewarding employees of the HLIs in Arusha, the study involved a total of 167 respondents who were required to indicate the extent which they agreed or disagreed with the existence

of the formal institutions specifically policies, laws, rights and regulations and informal institutions specifically social norms, social customs, traditions and behaviors governing rewards. A summary of the results were as shown by Table 4.2.

Next, the respondents were required to indicate the extent which they agreed with each of the statement which described the manner which these institutions were reflected in the various employees rewards at the organization specifically; provision of long term contract to employees, provision of employees participation, deal with unfair termination, deals with term and conditions of employment, security of employment and performance enhancement were identified. A summary of the results were as shown by Table 4.3.

**Table 4.2: Formal and Informal Institutions Governing Employees Rewards**

Statements	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%
There are formal institutions particular policies, laws, rights and regulations that govern employees rewards at this HLI	127	76	35	21	5	3	-	-	-	-	167	100
There are informal institutions particularly traditions, behavior, social norms and customs that govern employees rewards at this HLI	105	62.9	13	7.8	9	5.3	35	21	5	3	167	100

Source: Field data (2020)

Based on the results in Table 4.2, majority, 127(76%) of the respondents strongly agreed that there were formal institutions particularly policies, laws, rights and regulations that governed employees rewards among the studied HLIs. Also, there were a total of 76(35%) of the respondents who agreed with this statement. The rest 5(3%) of the respondents were neutral (neither agreed nor disagreed with this statement). By relying on the majority, the current study established that there were formal institutions particularly policies, laws, rights and regulations that governed employees rewards among the studied HLIs.

**Table 4.3: The Manner which formal and Informal Institutions were Reflected in Employees Rewards among HLIs in Arusha**

Items	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%
Provision of long term contract to employees	122	73	35	21	—	—	5	3	5	3	167	100
Provision of employees participation	110	66	13	8	4	2.4	35	21	5	3	167	100
Deal with unfair termination	79	47	36	22	3	1.8	35	21	17	10.2	167	100
Deals with term and conditions of employment	55	33	24	14.3	7	4.2	4	2.4	104	62	167	100
Security of employment	102	61	32	19.2	—	—	30	17	3	1.8	167	100
Performance enhancement	109	75	45	14.4	—	—	4	2.5	20	12	167	100

Note: [Fr = Frequencies)

Source: Field data (2019)

Further, Table 4.2 reveals that majority, 105(62.9%) respondents strongly agreed that there were informal institutions particularly traditions, behavior, social norms and customs that governed employees rewards among the studied HLIs. Also, a total of 13(7.8%) of the respondent agreed with this statement. Meanwhile, there were 9(5.3%) of the respondents who were neutral (neither agreed nor disagreed with this



statement). On the contrary, a total of 35(21%) and 5(3%) of the respondents disagreed and strongly disagreed with this statement respectively. Based on the majority, the current study established that there were informal institutions particularly traditions, behavior, social norms and customs that governed employees rewards among the studied HLIs.

Based on Table 4.3, it reveals that respondents agreed that formal and informal institutions provided/were related with long term contract to employees, respondents strongly agreed with the statement were 122(73%), respondents who agreed were 35(21%), respondents who disagreed with the statement were 5(3%), respondents who strongly disagree with the statement were 5(3%).

Also respondents agreed that formal and informal institutions dealt with unfair termination of workers, respondents who strongly agreed with the statement were 79(47%), agreed were 13(8%), neutral were 4(2.4%) respondent who strongly disagreed with the statement were 17(10.2%).

Likewise respondents agreed that formal and informal institutions deal with terms of employment of the employees, strongly agree were 55(33%), agree were 24(14.3%), neutral were 7(4.2%), disagree were 4(2.4%) and strongly disagree were 104(62%). Also respondents agreed that formal and informal institutions provides security to the employees, strongly agree were 102(61%), agreed were 32(19.2%), disagree were 30(17%) and strongly disagree were 3(1.8%).

The findings are in agreement with Mullins (2010) who reported that long term of contract is the most important aspect of reward to employees performance. Also

Kurubone *et al.* (2014) revealed that employee involvement is the aspect of reward, which increase employee job satisfaction.

This result was also consistent with study by Irshad, (2013) on the aspects of rewards where organization's policies and practices feature most. Also, Shao and Liang (2013) revealed that good terms and condition of employment were very important factor of reward practices among large organizations.

Cohen (2010) reported further that where the rights of shareholders are contested by the state or where the rights of minority investors are threatened by expropriation, the objectives of investors or shareholders are contrasted with those agents in informal institutions such as the state or local party or the oligarchic shareholder who are threatening expropriation.

According to Croacker (2011) accommodative informal institutions arise in situations where formal institutions are effective but the objectives of formal and informal actors are in conflict. These informal institutions act to reconcile the interests of key actors with formal agreements, circumventing formal rules when they are not in line with the objectives of all actors.

#### **4.4 Role of Formal and Informal Institutions in Rewarding Employees for Enhancing Performance among HLIs in Arusha**

In order to realize the above objective, the study involved 167 respondents who were required to provide their opinions pertaining to the role of these institutions on the provision of health and safety at work, training and advancement, the provision of

good communication, retirement benefits, work flexibility and commitment of employees. The results were as shown in Table 4.4

Further, the study performed correlation analysis to detect the nature of relationship existing between formal institutions and information institutions as the independent variables with enhancing employee's performance as the dependent variable. Finally, the Spearman's correlation coefficients of each independent variable were used to tests, accept and reject the hypotheses which stated as follows: available formal and informal institutions have positive relationship with enhancing employees performance [ $H_A$ ] and available formal and informal institutions have negative relationship with enhancing employees performance [ $H_N$ ]. Spearman's correlation coefficients were as shown in Table 4.5

**Table 4.4: Role of Formal and Informal Institutions in Terms of Provision of Health and Safety at Work, Training and Advancement, Communication, Retirement Benefits, Work Flexibility and Commitment**

Items	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%
Facilitate healthy and Safety	122	73	35	21	–	–	5	3	5	3	167	100
Facilitate training and advancement	110	66	13	8	4	2.4	35	21	5	3	167	100
Facilitate good communication	79	47	36	22	3	1.8	35	21	17	10.2	167	100
Provision of retirement benefits	55	33	24	14.3	7	4.2	4	2.4	104	62	167	100
Encouraging work flexibility and commitment	102	61	32	19.2	–	–	30	17	3	1.8	167	100

Note: [Fr = Frequencies)

Source: Field data (2019)

Based on Table 4.4, it revealed that the respondents agreed that formal and informal institutions facilitate healthy and safety to workers, respondents who agreed strongly to the statement were 122(73%), agreed were 35(21%), disagree were 5(3%), strongly disagree were 5(3%).

Also, Table 4.4 shows that respondents agreed that formal and informal institutions facilitated training and advancement to workers, strongly agree were 110(66%), agreed were 13(8%), neutral were 4(2.4%), disagree were 35(21%), strongly disagree were 5(3%).

Further, according to Table 4.4, formal and informal institutions facilitates good communication between workers which involved strongly agree who were 79(47%) respondents in total, agreed were 36(22%), neutral were 3(1.8%), disagree were 35(21%) and strongly disagree were 17(10.2%).

Moreover, Table 4.4 indicates that formal and informal institutions aided provision of retirement benefit which involved strongly agree who were 55(33%) respondents in total, agreed were 24(14.3%), neutral were 7(4.2%), disagree were 4(2.4%) and strongly disagree were 104(62%).

The above results were in agreement with Ghanshash (2011) who suggested that, management should provide occupational health and safety to the employees with intention to make them capable of doing or performing job effectively. These findings are also in line with Muhoho (2014) research, which suggested that managers should offer employees as many training and advancement opportunities as possible with the

intention of increasing their skills, abilities and chances to perform or perform successful work. Also, Liang (2013) posted that work flexibility is very important for employee retention as it keep on motivating employees work hard for success in their life and organization in general.

**Table 4.5: Spearman's Correlation Coefficients between Formal Institutions and Information Institutions with Enhancing Employee's Performance**

<b>Variables</b>	<b>Spearman's correlation coefficients column 1</b>	<b>Spearman's correlation coefficient column 2</b>	<b>Spearman's correlation coefficient column 3</b>
Enhancing employees performance	1.0000	-	-
Formal institutions	0.5093	1.0000	-
Information institutions	0.5642	0.3811	1.000

Source: Field data (2020)

From Table 4.5, Spearman's correlation coefficient of formal institution is 0.5093; that is, the value is more towards +1. This reveals existence of strong positive correlation between formal institutions and enhancing employees performance. Likewise, Spearman's correlation coefficient of informal institution is 0.5642; that is, the value is more towards +1. This indicates existence of strong positive correlation between informal institutions and enhancing employees performance.

Based on the results in Table 4.5, the study accepted the alternative hypothesis which stated that available formal and informal institutions have positive relationship with enhancing employees performance. Meanwhile, the null hypothesis which stated that available formal and informal institutions have negative relationship with enhancing employees performance was rejected.

## **4.5 Strengths of Formal and Informal Institutions Governing Employees**

### **Rewarda**

In order to realize the above objective, the study involved 167 respondents who were required to provide their opinions pertaining to the strength of formal and informal institutions governing rewarding employees based on salary increases, compensation payments, incentive payment, indirect compensation and medical and insurance services. The results were as shown in Table 4.6.

Next, the study performed correlation analysis to detect the nature of relationship existing between the strengths of the formal institutions and information institutions as the independent variables with enhancing employee's performance as the dependent variable. Finally, the Spearman's correlation coefficients of each independent variable was used to tests, accept and reject the hypotheses which stated as follows: strengths of formal and informal institutions have positive relationship with enhancing employees performance [HA] and strengths of formal and informal institutions have negative relationship with enhancing employees performance [HN]. Spearman's correlation coefficients were as shown in Table 4.7

Based on Table 4.6, respondents agreed that formal and informal institutions facilitates salary increase, strongly agreed were 108 (64%) agreed were, 34 (20.3%), disagree were 14 (8.3%), strongly disagree were 11 (6.6%). Also, it reveals that respondents agreed that formal and informal institutions provide compensation payment to the workers, strongly agree were 111 (67%), agreed were 12 (7%), neutral were 2 (2.4%), disagree were 36 (22%), strongly disagree were 4 (2.4%).

**Table 4.6: Strengths of Formal and Informal Institutions Governing Employees Rewards**

Items	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%
Provision of salary increase	108	64	34	20.3	–	–	14	8.3	11	6.6	167	100
Provision of compensation payment	111	67	12	7	4	2.4	36	22	4	2.4	167	100
Provision of incentive payments	76	45.5	34	20.3	3	1.8	38	24	16	9.5	167	100
Provision of indirect compensations	55	33	23	23	13	4.2	11	6.5	61	64	167	100
Provision of medical and insurance services	100	60	34	20.3	–	–	19	11	14	8.3	167	100

Note: [Fr = Frequencies]

Source: Field data (2019)

Also Table 4.6 reveals that respondents agreed that formal and informal institutions provide incentive payments, strongly workers were, 76 (45%), agreed were 34 (20.3%), neutral 3 (1.8%) disagree 38 (24%) and strongly disagree were 16 (9.5%). Furthermore Table 4.6 indicates that respondents agreed that formal and informal institutions provide indirect compensations, strongly agree were 55 (33%), agree were 23 (13%) agree were 13 (7.8%) neutral were 6.5%), disagree were 11 (6.5%) and strongly disagree were 65 (38%).

Besides to the above, Table 4.6 reveals that formal and informal institutions provide medical and insurance services which, involved 100 (60%) strongly agree, 34 (20.3%) agree, 19 (11%) disagree and 14 (8.3%) strongly disagreed. The results in Table 4.6 were consistent with Calist (2015) who asserted that employees are strongly motivated by salary increase because of many different reasons such as need to provide the basic necessities of life and their relative, competitive salary package is the most influential

variable that contributes to employees retention the organization. Also the findings are in agreement with Anderson (2014) revealed that employee rewards has positive influence on employee retention.

Muhoho (2014) found that employees are strongly motivated by giving them medical benefit and life insurance because of many different reasons such as need to have security of their life and relative, provision of medical benefit and insurance is the most influential variable that contributes to employee retention in the organization.

**Table 4.7: Table 4.5: Spearman's Correlation Coefficients between Strengths of Formal Institutions and Information Institutions with Enhancing Employee's Performance**

<b>Variables</b>	<b>Spearman's correlation coefficients column 1</b>	<b>Spearman's correlation coefficient column 2</b>	<b>Spearman's correlation coefficient column 3</b>
Enhancing employees performance	1.0000	-	-
Strength of formal institutions	0.8093	1.0000	-
Strength of information institutions	0.4642	0.1000	1.000

Source: Field data (2020)

From Table 4.7, Spearman's correlation coefficient of the strength of formal institution is 0.8093; that is, the value is very far towards +1. This reveals existence of very strong positive correlation between strength of formal institutions and enhancing employees performance. Likewise, Spearman's correlation coefficient of the strength of informal institution is 0.4642; that is, the value is slightly towards 0. This indicates



existence of slightly weak positive correlation between the strengths of informal institutions and enhancing employees performance.

Based on the results in Table 4.5, the study accepted the alternative hypothesis which stated that strengths of formal and informal institutions have positive relationship with enhancing employees performance. Meanwhile, the null hypothesis which stated that the strengths of formal and informal institutions have negative relationship with enhancing employees performance was rejected.

**Table 4.7: Summary of the Findings**

SN	Assessment of formal and informal institutions affecting employees reward for enhancing performance in HLIs	(%)					Total D and A	
		FA	SA	N	SD	FD	FA+SA	SD+FD
1	Formal and informal Institutions	23.50	10.02	3.90	-	65.72	33.52	65.72
2	Role of the institutions	23.52	10.04	4.26	9.26	53.02	33.56	62.28
3	Strength of formal and informal institutions	10.28	6.76	24.28	6.78	52.02	17.04	58.80
4	Enhancing performance	14.02	4.02	15.26	2.26	64.52	18.74	71.96

Source: Field data (2020)

#### **4.6 Chapter Summary**

This chapter has covered the presentation and discussions of the findings based on the field data obtained on the profiles of the respondents, formal and informal institutions governing rewarding employees of the HLIs, role of formal and informal institutions in rewarding employees for enhancing performance of the HLIs and strength of formal and informal institutions governing rewarding employees of the HLIs. This is followed by Chapter Five which covers the summary of the study, conclusions, recommendations, policy implication and recommendation for further studies.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Overview**

This chapter summarizes this study pointing its objectives, the methodology and results. This is followed by the conclusions, recommendations, policy implication and recommendation for further studies.

#### **5.2 Summary**

This study focused to assess the formal and informal institutions affecting employees rewards for enhancing performance among higher learning institutions (HLIs) in Arusha, Tanzania. The study was guided by three specific objectives namely; to identify formal and informal institutions governing employees rewards among HLIs in Arusha, to examine the role of formal and informal institutions in rewarding employees for enhancing performance among HLIs in Arusha and to examine the strength of formal and informal institutions governing employees rewards among HLIs in Arusha.

A descriptive multiple cases design was adopted by involving a total of five HLIs in Arusha. A study population comprised a total of 287 of the administrative staff of the five HLIs and Taro Yamane formula was used to determine the samples of 167 employees of the five HLIs. These employees were selected using non-probability technique mainly, purposive sampling method. A structured survey questionnaire was constructed using the Likert scale of five points and was administered to all employees who formed the sample. The obtained data were coded by assigning

numbers as the tags and entered into STATA program version 11.2 where they were analysed using descriptive statistics and correlation and presentation of the results used frequency tables, numbers and percentages.

The findings of the current study on the formal and informal institutions governing employees rewards among HLIs in Arusha indicated that; the two sets of institutions existed among HLIs. The formal institutions included the policies, laws, rights and regulations pertaining to employee's rewards. Likewise, the informal institutions included the social norms, social customs, traditions and behaviours pertaining to employees rewards. These institutions stipulated the manner which the HLIs implemented various employees rewards specifically; provision of long term contract to employees, provision of employees participation, unfair termination, term and conditions of employment, security of employment and performance enhancement. This was indicated by response rates 94%, 74%, 69%, 47.3%, 70.2% and 89.4% respectively.

Regarding the role of the formal and informal institutions governing rewarding employees of the HLIs, the results showed that both formal and informal institutions aided the provision of health and safety, training and advancement, good communication, retirement benefits, work flexibility and commitment indicated by response rates of 94%, 74%, 89%, 47.3% and 80.2% respectively. Spearman's correlation coefficient revealed existence of strong positive correlation between both formal and informal institutions with enhancing employees performance represented by 0.5093 and 0.5642 respectively.

Moreover, regarding the strengths of formal and informal institutions governing employees rewards among HLIs, the findings reveals that both formal and informal institutions were adequately providing about salary increase, compensation payments, incentive payments, indirect compensation and medical and insurance services. This was indicated by response rates of 84.3%, 74%, 63.3%, 56% and 80.4% respectively. The Spearman's correlation coefficients revealed existence of very strong positive correlation between strength of formal institutions and enhancing employees performance represented by 0.8093. However, the Spearman's correlation revealed existence of slightly weak positive correlation between the strengths of informal institutions and enhancing employees performance represented by 0.4642.

### **5.3 Conclusion**

From the findings, the study concluded that formal and informal institutions governed rewarding employees among the five HLIs in Arusha. These institutions were based mostly on the provision of long term contract and performance enhancement among employees of the HLIs. The implementation of formal and informal institutions played significant role specifically in health and safety, good communication and work flexibility and commitment among employees of HLIs and both have strong positive correlation with enhancing employees performance.

The formal and informal institutions showed strengths in the rewarding employees of HLIs specifically by providing adequately salary increase and medical and insurance services to employees of the HLIs. In ensuring that the five HLIs retain their employees, the formal and informal institutions which governed rewards stipulated adequately about job security, good condition of work, good compensation packages

and attractive salaries. The strength of formal institution has very strong positive correlation with enhancing employees performance while the strength of informal institution has slightly weak positive correlation with enhancing employees performance.

#### **5.4 Recommendations**

In order the five HLIs in Arusha to modify their reward practices thereby enhance employee performance and retention; adequate provision should be made by the formal and information institutions on the long term contract and performance enhancement. The HLIs should also ensure that formal and informal institutions plays significant role on the health and safety, good communication and work flexibility and commitment among employees of HLIs.

The study recommends further that formal institutions should be strengthened more in manner that they adequately support salary increase and medical and insurance services to employees of the HLIs. Though, the HLIs should avoid strengthening the informal institutions pertaining to employees rewards such as reward traditions of the organization, rewards on behavior, rewards based on social norms and customs since all of them have slightly weak positive correlation with enhancing employees performance.

#### **5.5 Implications**

The implications of this study are that formal and informal institutions are very important aspects of rewarding employees of the HLIs. For the HLIs to adequately enhance performance formal and informal institutions need to be understood, their

role need to be recognized and their strengths and weaknesses should be adequately assessed and taken into account when making policies and their implementations in rewarding employees and enhancing performances of individuals, groups and organization at large.

### **5.6 Areas for Further Researches**

The findings of this study based only on five HLIs in Arusha and hence, the researcher recommends extensive inquiries of similar problem in other HLIs in Tanzania. Also, the respondents who gave information for this study were selected using purposeful sampling method as the result; the information, which was obtained, was not capable for generalization to the entire population of employees of the five HLIs in Arusha. Therefore, the researcher would recommend further study on similar research area using different approaches of sample selection to enhance generalization of the research data.

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## APPENDICES

### Appendix I: A Survey Questionnaire

Dear Sir/Madam,

I am a student pursuing a master degree at Open University of Tanzania (OUT). I am conducting research entitled, **Assessment of Formal and Informal Institutions Affecting Employees Rewards for Enhancing Performance among Higher Learning Institutions in Arusha Region**. The study is a part of my study and information you give will be treated with confidentiality and for the purpose of this research only. I request your voluntary support by providing required information on the questions in this questionnaire.

### PART ONE: PERSONAL PROFILE

Answer by ticking (✓) the right mark besides the number

1. What is your age?	Mark to suitable scale
18 to 34	1
35 to 44	2
45 and above	3

2. What is your gender?	Mark to suitable scale
Male	1
Female	2

3. What is your education level?	Mark to suitable scale
Certificate	
Diploma	1
First degree	2
Masters	3
PHD	4

4. How long have you worked with Arusha higher learning institutions?

Employment Status	Mark to suitable scale
Less than a year	1
1-5 Year	2
6 Year and above	3

## PART TWO: STUDY OBJECTIVES

Kindly tick in the appropriate boxes by rating each item/statement where: 1=strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=strongly Agree. Put a tick (v) in the appropriate box.

6. Formal institutions ((policies, laws, rights and regulations) and informal institutions (traditions, behavior, social norms and customs) governing rewarding employees of this University	Rating Scale				
	1	2	3	4	5
There are formal institutions particular policies, laws, rights and regulations that govern employees rewards at this University					
There are informal institutions particularly traditions, behavior, social norms and customs that govern employees rewards at this University					
These institutions are related with provision of long term contract to employees of the University					
These institutions are related with involvement and participation of employees in decision making at the University					
These institutions provides fairness of termination of employment among employees of the University					
These institutions provides retention of employees at the University					
These institutions are related with conducive terms and conditions of employment among employees of the University					

7. Role of formal and informal institutions in rewarding employees for enhancing performance at this University	Rating Scale				
I think provision of occupational health and safety motivate me to stay in the organization	1	2	3	4	5
Provision of training and advancement influence me to stay in the organization					
Provision of good communications influence me to					

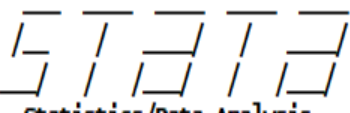
remain in the organization					
I believe provision of pension benefits influence me to stay in the organization					
Availability of job flexibility influence me to stay in the organization					
Presence of organizational commitment to the employees encourage me to remain in the organization					

8. Strength of formal and informal institutions governing rewarding employees at this University	Rating Scale				
	1	2	3	4	5
I believe salary increase motivate me to stay for a long period in the organization					
I believe reward generate as an important role for me to stay in the organization					
I think provision of incentive package influences stay with the organization for a long period of time					
Provision of indirect compensation such as paid holiday, paid for vocational influence me to stay in the organization					
I feel provision of medical benefit and insurance influences stay with the organization					

**Thank you so much for your cooperation**

## Appendix II: Spearman's Correlation Coefficients between Formal and Informal Institutions as Independent Variables and Employees Performance as Dependent Variable

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 (R)  
 Statistics/Data Analysis  
*Special Edition*

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### Notes:

1. (/m# option or -set memory-) 50.00 MB allocated to data
  2. (/v# option or -set maxvar-) 5000 maximum variables
- checking <http://www.stata.com> for update... host not found  
unable to check for update; verify Internet settings are correct.

. \*(3 variables, 167 observations pasted into data editor)

. **correlate var1 var2 var3**  
 (obs=167)

	var1	var2	var3
var1	1.0000		
var2	0.5093	1.0000	
var3	0.5642	0.3811	1.0000

### Appendix III: Data Collection Letter

#### THE OPEN UNIVERSITY OF TANZANIA

#### DIRECTORATE OF RESEARCH, PUBLICATIONS, AND POSTGRADUATE STUDIES

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Date: 30<sup>th</sup> of December 2019

To Vice Chancellors of Higher learning institutions,  
Arusha.  
Tanzania

#### RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an act of Parliament No. 17 of 1992, which became operational on the 1<sup>st</sup> March 1993 by public notice No. 55 in the official Gazette. The act was however replaced by the Open University of Tanzania charter of 2005, which became operational on 1<sup>st</sup> January 2007. In line with the later, the Open University mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you Ms. Aquiline D. Kessy pursuing Masters of Human Resources Management (MHRM). We hereby grant this clearance to conduct a research titled “Assessment of formal and Informal Institutions which Foster or Hinder Rewards on Employees Performance in the Selected Higher Learning Institutions in Arusha Region, Tanzania”. She will collect data at Arusha Region from 31<sup>st</sup> of December to end of January 2020.

In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O. Box 23409, Dar es Salaam. Tel: 022-2-2668820. We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

Prof Hossea Rwegoshora  
For: VICE CHANCELLOR  
THE OPEN UNIVERSITY OF TANZANIA