

**INFLUENCE OF INCENTIVE STRATEGIES ON FINANCIAL PERFORMANCE OF RETAIL
INDUSTRY IN KENYA: A CASE OF UCHUMI LIMITED**

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ABSTRACT

The purpose of this study was to analyse the influence of incentive strategy on performance of Retail Industry (Supermarkets) in Kenya. The study was guided by the following objectives, to: establish the influence of salary incentives on financial performance of retail industry in Kenya; assess the influence of merit incentives on financial performance of retail industry in Kenya; ascertain the influence of competency based incentives on financial performance of retail industry in Kenya and determine how work environment incentives influence financial performance of retail industry in Kenya. The study reviewed both theoretical and empirical literatures as guided by the specific objectives. Four theories, namely Equity theory, Agency theory, Competence Organisational Theory and The Two Factor theory guided the study. The conceptual framework was developed using four incentives: salary, merit, competency and work environment. The study adopted the descriptive research design and mixture of qualitative and quantitative methods of research approach. Using simple random sampling technique, a sample size of 106 was drawn from a target population of 144 staff at all strategy levels within Uchumi Ltd. Primary data was collected using structured questionnaire, analysed with Statistical Package of Social Science (SPSS) and findings presented using tables, charts and graphs. Study finding reveals as follows: salary based incentives has high significance influence on financial performance during strategy implementation, with a strong positive correlation ($r=0.713$) and 0.398 factor change in financial performance. Merit incentives has high significance influence on financial performance during strategy, with strong correlation ($r=0.72$) and 0.465 factor change in financial performance. Competency incentives has low and insignificance influence, with weak correlation ($r=0.472$) and 0.391 factor change in financial performance during strategy implementation. . lastly, work environment incentives has relatively low insignificance influence, with correlation of 0.362 and 0.242 factor change in financial performance during strategy implementation. . Study concludes that salary incentives has the highest influence followed by merit incentives, capacity and work environment incentives. The study recommended further analysis in factors leading to low influence of competency and work environment during strategy implementation.

Key words: *Salary based incentive, Merit based incentives, Competency based incentives, Work environment incentives and Organization's financial performance*

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