

**EFFECT OF ALTERNATIVE DISPUTE RESOLUTION PRACTICES
ON EMPLOYEE PRODUCTIVITY IN THE EXPORT
PROCESSING ZONES IN KENYA**

BY

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MASTER OF BUSINESS ADMINISTRATION (CORPORATE MANAGEMENT),

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**A DISSERTATION PRESENTED TO THE SCHOOL OF BUSINESS AND PUBLIC
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THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION
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NOVEMBER, 2017

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Student Name: Reg. No.:

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I do hereby confirm that I have examined the master's dissertation of Ephantus Mogere Otondi and have certified that all revisions that the dissertation supervisor recommended have been adequately addressed.

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ABSTRACT

Organizations have in the past failed to manage disputes within their staff. This has largely been due to lack of proper mechanisms within the organization that provide for the solving of the disputes that arise in the workplace. The effect of the organizations' failure has manifested itself in an increase of attendant man-days lost and industrial strikes. This has led to a general decline in the employee's productivity. Kenya's labour productivity growth declined from 4 per cent in 2007 to 1.4 per cent in 2012. Employee productivity is a significant indicator of an organization's competitive advantage. It is utilized to enable the organization make forecasts as to its future undertakings. Recognizing this, it is important for the organization to seek to manage the employees with a view to fostering their productivity. This study sought to establish the effect of employing alternative dispute resolution practices on employee productivity in the Export Processing Zone Enterprises. The study variables were negotiation, mediation, and arbitration and employee productivity. The study adopted descriptive research design and employed the stratified sampling procedure using a sample population of 400 that was determined using the Taro Yamane formula. Questionnaires were used to collect primary data which were validated using Cronbach's test. Data was collected using drop and pick process and was collected in a two week period. It was then analyzed by aid of Statistical Package of Social Scientists (SPSS). The findings were summarized using statistical measures of dispersion while data is presented using tables and figures. The study found out that negotiation, mediation and negotiation have a positive and significant relationship on employee productivity. This study thus recommends that Export Processing Zone companies need to adopt alternative dispute resolution mechanisms in general and in particular negotiation (since it had the largest coefficient to improve employee productivity within the workplace.

Keywords: Organization, Employee Productivity, Alternative Dispute Resolution, Negotiation, Mediation, Arbitration

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ACRONYMS AND ABBREVIATIONS

ADR: Alternative Dispute Resolution

EPZ: Export Processing Zone.

EPZA: Export Processing Zones Authority.

DEFINITION OF TERMS

Alternative Dispute Resolution: general term used to define a set of approaches and techniques aimed at resolving disputes in a non-confrontational way (Shamir, 2014).

Arbitration: The submission of disputes to one or more impartial persons for final and binding determination (Comsti, 2015).

Negotiation: process in which parties to a dispute discuss possible outcomes directly with each other (Shamir, 2014).

Dispute: includes any controversy or matter concerning terms or conditions of employment or the association or representation of persons in negotiating the fixing, maintaining, changing or arranging of terms and conditions of employment regardless of whether or not the disputants stand in the proximate relationship of employers and employees (Bernardi, 2015).

Mediation: Process where parties to a dispute invite a neutral third party to help them resolve their differences (Bercovitch, 2012).

Productivity: the rate at which a worker, a company or a country produces goods, and the amount produced, compared with how much time, work and money is needed to produce them (Esen, 2014).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Conflict in the workplace is seen as time-consuming and costly (CIPD, 2015). As Teague et al. (2012) point out, the employment relationship includes conflict management and finding the right mechanisms that can effectively manage conflict. Dispute resolution is often viewed as one of the most effective means through which organizations can use to manage conflict at low costs with high satisfaction for both parties. This is related to the underlying principle of dispute resolution that relates reconciling the parties involved as opposed to determining the winner in a conflict situation (Walker & Hamilton, 2011).

According to, Employment Tribunal figures (Ministry of Justice, 2015), there is an overreliance on formal institution in solving disputes. The resultant effect has been parties pursuing bringing the conflict to an end rather than reconciliation. The government of UK in their proposal to organizations promoted the need to work based conflict resolution mechanism that can best fit in an organization. This review offered cost-benefits to the UK tax payer, but was also claimed to offer more satisfactory outcome to the parties involved (Brubaker et al., (2014).

Many governments across the world have sought to move disputes out of tribunals, with South Africa been a leading light in Africa. The use of courts has been identified as problematic in South Africa since it gives justice to one party at the expense of another. The South African government has therefore promoted the use of alternative dispute resolution while viewing courts as the last resort incase ADR fails. ADR constitutes a broad range of approaches that covers those processes that involve third parties, such as the state or even private facilitators, or more innovative approaches which are designed and managed privately by the parties involved (McKenzie, 2015).

The ADR approach would also fit well with the notion of the interest-based rather than the rights based, as the most effective solution for workplace conflict (Muigua, 2012).

As much as ADR has emerged as an important conflict resolution mechanism, it is important to distinguish between binding and non-binding forms of ADR. Negotiation, mediation, and conciliation programs are non-binding, and depend on the willingness of the parties to reach a voluntary agreement. Arbitration programs may be either binding or non-binding. Binding arbitration produces a third party decision that the disputants must follow even if they disagree with the result, much like a judicial decision. Non-binding arbitration produces a third party decision that the parties may reject (Brown, 2013).

1.1.1 Export Processing Zones

The Export Processing Zones Authority was established in 1990 through the Export Processing Zone Act (Cap 517), for the promotion and facilitation of export oriented investments and the development of an enabling environment for investment in the export sector. The EPZA is a state corporation, under the Ministry of Industrialisation and Enterprise Development. EPZA, being a state corporation, is governed by The State Corporations Act (Cap 446) in addition to the EPZ Act. It thus adheres to the rules and regulations stated in both acts in addition to other relevant laws (Nabutola, 2013).

The EPZA is an umbrella body regulating and facilitating the operations of the various EPZ companies. It is with this backdrop that one has to find a way to cure the confusion that the labour force in the EPZ finds itself in. In labour intensive organizations like the EPZ (Export Processing Zones), the labour cost is the single largest cost that is incurred in the production cycle. The EPZ's are composed of labour intensive industries ranging from textile production, flower

processing and vegetable processing. These industries are predominantly export oriented as they produce their goods and services for the export market (Nabutola, 2013).

There have been in the recent past disputes affecting the EPZ companies originating from their workforce. This has primarily been due to the fact that employees in the EPZ are unionizable thereby attracting various trade unions to make forays into the EPZ program. The Trade Unions in their representation of the workers interests as per the signed collective bargaining agreements between themselves and the management of the specific EPZ companies do not employ effective dispute resolution practices as they have in the recent past resorted to illegal strikes and intimidation of the management of the companies so as to achieve their goals. These activities have led to the companies suffering losses going into millions of dollars. These incurred losses affect the companies' ability to sustain its existing workforce which has in turn led to the laying off of the employees. Alternative dispute resolution should be employed in the EPZ because effective and efficient dispute management will ensure that the company meets its targets in terms of production whilst at the same time ensuring that the issues arising in its workforce are adequately addressed (Nabutola, 2013).

1.1.2 Alternative Dispute Resolution

The term "alternative dispute resolution" or "ADR" is often used to describe a wide variety of dispute resolution mechanisms that are short of, or alternative to, full-scale court processes. The term can refer to everything from facilitated settlement negotiations in which disputants are encouraged to negotiate directly with each other prior to some other legal process, to arbitration systems or mini-trials that look and feel very much like a courtroom process. Processes designed to manage community tension or facilitate community development issues can also be included within the rubric of ADR (Brown, 2013).

ADR systems may be generally categorized as negotiation, conciliation/mediation, or arbitration systems. Although the characteristics of negotiated settlement, conciliation, mediation, arbitration, and other forms of community justice vary, all share a few common elements of distinction from the formal judicial structure. These elements permit them to address development objectives in a manner different from judicial systems (Brown, 2013).

Most fundamentally, ADR processes are less formal than judicial processes. In most cases, the rules of procedure are flexible, without formal pleadings, extensive written documentation, or rules of evidence. This informality is appealing and important for increasing access to dispute resolution for parts of the population who may be intimidated by or unable to participate in more formal systems. It is also important for reducing the delay and cost of dispute resolution. Most systems operate without formal representation (Brown, 2013).

It is for this reason that the researcher has chosen to tackle alternative dispute resolution practices as a factor directly affecting the employee's productivity in the EPZ. This is because the organization's adequate and efficient dispute resolution has a direct bearing on the employee's productivity as it creates a conducive environment within the organization ensuring that the management and the employees operate in an environment of harmonious relations leading to each of them attaining their goals within the organization (Nabutola, 2013).

1.1.3 Concept of Employee Productivity

Various factors have been posited as affecting productivity including but not limited to technical factors, production factors, organizational factors, personnel factors, finance factors, management factors, government factors, and location factors. These factors affect productivity at different points in the organization's chain process but they all contribute singularly to the organization's bottom line. Labour as a factor of productivity encompasses both the personnel and management

aspects. The labour of an organization is composed of its employees and the Oxford Advanced Learners Dictionary defines an employee as “a person who is paid to work for somebody” (Hornby, 2013).

An employee being paid for the work they do within the organization has to be addressed vis-à-vis the targets the organization seeks to achieve in each production cycle. This is to ensure that the organization does not incur losses as the employee might not be achieving the set targets because of various reasons. The reasons might range from the incapacity of the employee to deliver on the targets due to the technicality of the projects, the laziness of the employees, over-the-top targets set by the management, the lack of understanding of the different roles each employee should play towards each other or towards themselves and management and finally a failure to effectively address the disputes that arise within the workplace (Johnston, 2013).

1.2 Statement of the Problem

In spite of the fact that The Employment Act (2007) was enacted to improve conflict management at work places in Kenya, dispute resolution has remained a challenge to many different organizations within the EPZ leading to many employees continuing to suffer because of poor labour practices (Wako, 2014). The enactment of the Act brought with it a barrage of challenges to the existing employment regime at the time. There was a failure on the part of the government, the employer and the employee; as none of them sought to understand the different world they had woken up to. As a result, there was an information chasm that was created and subsequently exploited always to detrimental effect to each of the parties involved. The employer did not want to change their mode of operations as per the new Act, the government did not undertake to educate the population on the new Act and the employees wanted change overnight (Kippra, 2013).

Various studies have been conducted on ADR mechanism. Globally, Bollen & Euwema (2013), McKenzie (2012) and McKenzie (2015) have carried out studies on work place mediation. Brubaker et al., (2014) and Longe (2015) have carried out studies that focus on the effect of conflict resolution mechanisms. However, the existing studies have failed to establish correctly the effect of ADR on employee performance with the studies indicating mixed results, this shows the need for more studies, particularly in developing countries.

Studies have shown that to address the labour related disputes that have been occurring in EPZ zones, attempts have been made to adopt ADR mechanism as a solution to labour disputes (Nzuve, (2013) and Mkok (2011). Despite these attempts questions still abound as to the impact of ADR on employee productivity among EPZ firms. Therefore this study seeks to empirically determine the effect of alternative dispute resolution practices on employee productivity in the EPZ companies in Kenya with an aim of maintaining and bettering the productivity of the employees.

1.3 Research Objectives

The general objective of the study is to assess the effect of alternative dispute resolution practices on employee productivity within the Export Processing Zones companies in Kenya and the specific objectives are:

1. To find out the effect of mediation on employee productivity in the Export Processing Zones companies in Kenya
2. To determine the effect of negotiation on employee productivity in the Export Processing Zones companies in Kenya
3. To establish the effect of arbitration on employee productivity in the Export Processing Zones companies in Kenya.

1.4 Research Questions

1. Does mediation affect employee productivity in the Export Processing Zones companies in Kenya?
2. Does negotiation affect employee productivity in the Export Processing Zones companies in Kenya?
3. Does arbitration affect employee productivity in the Export Processing Zones companies in Kenya?

1.5 Significance of the Study

Because harmony within the organization is important for better performance, this study will be useful to the following parties: Export Processing Zones entrepreneurs as the Owners of the firms may use the findings of the study to improve the productivity of the employees. The company management can also make use of the findings to improve the human resource management policies thus giving them competitive advantage. Through the finding the employees through the unions may champion for ADR resolution mechanisms thus increasing their voice in employee relation.

The government through the Export Processing Zones Authority can also make use of the findings to develop policies and labour laws that can enhance ADR in EPZ's and other sectors thus improving job performance in firms. The study will also contribute to the knowledge on ADR in developing countries where such studies are still limited. In addition, the study will further the validation of organization justice theories in different contexts thus affirming its effectiveness.

1.6 Scope of the Study

The study will be limited to alternative dispute resolution variables namely mediation, negotiation and arbitration and their effect on employee productivity. It will involve three EPZ companies

which are Africa Apparels EPZ, New Wide Garments EPZ and Global EPZ Ltd. The study will target permanent employees and will take a period of three months.

1.7 Justification of Study

The researcher has chosen to tackle mediation, negotiation and arbitration as factors directly affecting the employee's productivity in the EPZ. This is because the employee's productivity is directly linked to the manner in which organizational disputes are handled within the workplace leading to employee retention or termination within the organization. Research into dispute resolution mechanisms in the workplace has traditionally been on the frequency of the alternative dispute resolution procedures within the workplace as opposed to their effect on the employee's productivity within the workplace (Nabutola, 2013).

This research study is important because it will propose mediation, negotiation and arbitration as effective dispute resolution mechanisms leading to policy changes within the EPZ program ensuring the betterment of the relationship of the employers, employees and trade unions as relates to their interactions and dispute resolution (Jackson, 2014).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review. The chapter covers the theoretical review which discusses the theories that guides the study. The chapter also covers the empirical review where existing empirical evidence is discussed. The chapter ends with a table showing the operationalization of the variables.

2.2 Theoretical Literature Review

The research will rely on the organization justice theory and human needs model. They are discussed in the sections that follow.

2.2.1 Organization Justice Theory

The theory of organization justice has its roots in legal justice where fairness and equity to all parties is the main emphasis. The theory of organization justice begun to take its roots in organizations after the Second World War, where employee rights begun to take centre stage in the industrial sector. Organization justice theory holds that the organization must put in place procedures that will be seen to promote fairness and equity in matters involving employee relations (Kruse, 2004).

In general, organizational justice theory holds that employees who believe they are treated fairly will be favorably disposed towards and engage in pro-social behaviors on behalf of the organization. This pro-social behavior will result in employee productivity since the employee will want to reciprocate to the organization. The other argument in organization theory is that the emphasis on organization industrial relationship should be based on promotion of core values, of which organization justice is one of them. (Barling and Phillips, 1993).

Organization justice is broadly viewed through procedural justice that refers mostly to how an allocation decision is made while distributive justice refers to the fairness of the decision outcome. Over the past decades, a number of arguments on organization justice theory have emerged. The first argument that has dominated organization justice theory is instrumental effects argument. This argument holds that interest in fair procedures is due to a belief that fair procedures lead to favorable outcomes. Further, that individuals posit no value for fair procedures independent of their association with fair outcomes. They suggested that the distribution of control among disputants and a third-party decision maker is the key procedural characteristic shaping people's views about the fairness of the procedures and that individuals view procedures as most fair when control is vested in the participants (Tyler, 1994).

Another argument that has dominated organization theory is the self-interest argument of the social exchange model. Blau (1964) posited that relationship formation is one of the basic problems of social interaction and which must be resolved in any organization. He further argued that to promote social interaction in organizations, trust must be inculcated and one way of promoting trust is through procedural justice (Konovsky & Pugh, 1994). In organizations, managers can have considerable impact on building trust through fair treatment on matters industrial disputes through alternative dispute resolution (Whitener et al., 1998). In contrast to the mentioned argument, group model justice is another argument that has been promoted as a way of giving justice to groups/teams in organization. This model has aptly been used in procuring organization justice to group related conflict (Tyler, 1994).

Various studies have been carried out on the role of organization justice theories in firms. From these findings, results show that when employee perceive that they are treated fairly they become more committed to the organization (Dittrich and Carrell, 1979; Farh et al., 1990;

Moorman, 1991). Conversely, a number of studies show that employee who perceive that they are being treated unfairly or that organization decisions are unfair tend to have less organizational commitment (Bies, 1987; Folger, 1993; Greenberg, 1989, 1990b; Sheppard et al., 1992).

From these studies, it has emerged that organizational theory fits in understanding the effect of alternative dispute resolution mechanisms on employee productivity. Organization theory provides the context to the study problem of increased labour disputes that arises due to the employees' feeling of injustice. The theory further provides solutions to organization justice by arguing for the use of justice mechanism in firms such as alternative dispute resolution. This theory will provide understanding to the use of ADR in Export Processing Zones and its effectiveness on employee productivity.

2.2.2 Basic Needs Theory

Maslow's Hierarchy of Needs Abraham Maslow first presented the five-tier hierarchy of needs in 1942 to a psychoanalytic society and published it in 1954 in *Motivation and Personality* (New York: Harper and Row). He identified that the most basic need emerges first and the most sophisticated need last. He suggested that people start at the bottom and put efforts to go up the needs hierarchy. When one need is fulfilled, it loses its strength and the next level of needs is activated. A satisfied need is no longer a motivator. The most powerful employee motivator is the need which has not been satisfied (Walsh, 2015).

According to Maslow, physiological needs are the things we require for survival, like, food, clothing, shelter, and sleep. In the corporate world, adequate wages represent such type of needs. Next level is of safety needs, which are necessary for physical and emotional security. Through job security, health insurance, retirement benefits, and safe working environments, these needs are

satisfied. Moving up to the third level is the social need, where people seek for love, affection and belonging (Dixon, 2012).

Employee relations at work in the organization is key in determining the employee sense of belonging, which is determined to the degree that employees feel that they are treated fairly and with justice. Alternative dispute resolution is one such way wherein the employees through mediation, arbitration and negotiation are granted fairness and equity. The theory argues that once the employees' sense of belonging is met then the desire for respect, recognition, accomplishment and worth comes. Employee sense of recognition and accomplishment only emanates when an employee perceives that he is treated fairly, and this related to employee productivity.

One of the pioneers of the human needs theory, Burton (2011), opines that "conflict is likely to be caused by the need for identity, recognition, security of the identity group and other such human, societal values", and so "facilitated" conflict resolution must aim at determining such human needs and values and then assisting parties "to deduce what alterations in structures, institutions and policies are required to enable the fulfillment of needs". In short, successful and final resolution of any conflict must involve satisfying those needs of the parties involved that are being frustrated by existing conditions and relationships.

An argument is made by Bercovitch (2012) stating that mediation is a voluntary and informal process in which the disputing parties select a neutral third party (one or more individuals) to assist them in reaching a mutually-acceptable settlement. Unlike a judge or arbitrator, the mediator has no power to impose a solution on the disputants; instead, the mediator assists them in shaping solutions to meet their interests. The mediator's role and the mediation process may vary significantly, depending on the type of dispute and mediator's approach.

The theory of basic needs is key to the study as it provides a framework to understand how alternative dispute resolution affects employee productivity. The management can fulfill such needs by matching the skill and ability of the employee to the job, by showing workers that their work is appreciated. Finally, the self-actualization needs, which are the desires to grow and develop up to ones fullest potential.

2.3 Empirical Literature Review

The research will analyze empirically the effect of mediation on employee productivity, the effect of negotiation on employee productivity and the effect of arbitration on employee productivity. They are discussed in the sections that follow.

2.3.1 Effect of Mediation on Employee Productivity

Modern organizations are dynamic and complex, made up of people with increasingly diverse backgrounds, opinions, values and expectations about work and many disputes could potentially be settled without the need to pursue a formal grievance procedure. A conflict management survey report (2011) showed that mediation seeks to provide an informal and speedy solution to workplace conflict, and it can be used at any point in the conflict cycle to improve performance (Vancouver, 2010).

Organizations are increasingly recognizing that mediation, has a particular resonance in the workplace. People are the key to organizational success and productivity, and negative conflict between individuals or groups of individuals can severely hamper an organization's drive for competitive advantage and reduce performance (Luthans, 2012). In 2008, a telephone interview survey of managers in 500 SMEs in the US to assess their experience of mediation showed that almost half of the respondents had resolved the issues using mediation and it had greatly improved performance by 42% (Luthans, 2012).

Conflict between individuals in the workplace can cost an organization if it is not managed directly, at an early stage (Luthans, 2012). The price organizations can pay for conflict goes beyond the costs of a tribunal claim. There are also the internal resources spent on discipline and grievance cases. In June 2012 the Department for Business, Innovation and Skills (BIS) announced the launch of a pilot scheme to train mediators in 48 SMEs, forming two networks, in Manchester and Cambridge. The mediation exercise had a 39 direct influence on management of conflict and improved performance in the mediator's organizations.

A study was done by Harris, Tuckman and (2012) on the impact of Mediation on Workplace Relationship Conflict and Return to Work Outcomes through document analysis techniques for literature between 1920 and 2012. Findings of the study indicated that mediation is a best practice that can assist to restore relationships that broke down in the organization. The importance of mediation was affirmed in the study through showcasing, the REDRESSTM, a successful workplace mediation program designed and implemented in USA and which has had a significant effect on organizational performance among USA firms. The study also concluded that REDRESSTM model can best apply as a mediation practice for both small and large firms.

A study titled "conflict management in corporate organizations; A study of UBA, FBN Plc, Enugu Branch" was conducted by Ndulue and Ekechukwu (2016) whose aim was to investigate the types, causes and effects of organizational conflicts in the organization as well as the strategies adopted in managing the conflicts in the bank. The study was conducted through survey research technology and survey research method was adopted for the study. The major findings of the study was that mediation produces good settlement rates and this therefore affects positively the company's performance.

One scholar, Gramberg (2006) in a systematic literature review study, sought to explore the forms of ADR used in workplace conflict resolution. The study found that most practitioners and managers use mediation and arbitration panel as their form of ADR mechanism. In addition, the study showed that work place mediation is differentiated for individuals and groups. Donelan (2012) adopted an approach similar to (Holsti, 2013) in their study of 50 major international disputes between 1945 and 1970. Examining their data, one finds that mediation was accepted and employed in 31 (62%) of the disputes. Judicial methods were employed in only 12 (24%) of the disputes, while United Nations intervention occurred in 42 (84%) of the disputes. Donelan (2012) citing methodological difficulties were unable to determine the extent of the use of negotiation, but it was thought to be the most commonly used method of dispute management.

2.3.2 Effect of Negotiation on Employee Productivity

A survey of more than 550 employees of large Canadian organizations (Rahim, 2012) revealed that employees wanted to feel involved in decisions that affect them by negotiating with managers before decisions were made. Employees equated negotiation with fairness since participation led to creation of shared values. The survey report concluded that the components of a high performance workforce included effective voice for employees in strategy and governance, contingent compensation, teamwork and employee involvement through negotiation in problem solving. It further cautioned employers to recognize that employees had clear expectations of their employers and, in turn, that employers actions were critical since employees needed to have ownership of Strategy if they are to fully realize organizational performance in Export Processing Zone companies and other institutions in Kenya. Negotiation played a key role especially in salary negotiations, performance appraisals and performance related rewards such as bonus.

A study was carried out by Rahim (2012) in Kenya on negotiation and its influence on the performance of commercial banks. The study found that negotiation had an influence on performance in the bank. For instance, negotiation was required before arriving at a compensation package agreeable by both parties. Moderate amounts of conflict would be expected in the process but this would barely hinder performance, if handled properly.

In a study conducted by Roche and Teague (2012) to analyze the diffusion of alternative dispute resolution in Ireland using survey research, the finding of the study indicated that ADR is practiced by a number of firms and that the practice of ADR among firms is significantly associated with adoption of HRM practices. The results further indicated that organizations that place more emphasis on people centered HRM policies are more likely to adopt ADR mechanisms such as negotiation. This study provides insight on the use of negotiation in firms. However, it failed of establish the effect of negotiation on employee performance.

Similarly Deborah Hann, Nash, and Heery (2016) sought to analyze the degree to which ADR is used as a conflict resolution mechanism in organizations. The results showed that the use of ADR as a conflict resolution mechanism is widespread among welsh firms, with mediation and negotiation dominating among the commonly used mechanism. The use of private forms of ADR was found to be associated positively with specialized HR managers and firms allowing trade unions. The presence of institutional actors such as specialist HR managers and recognized trade unions are found to be positively associated with more private forms of ADR.

A study on conflict management strategies used in secondary schools in Kisumu Municipality, Kisumu County (Okoth 2013) concludes that the conflict management strategies of negotiation used in secondary schools in Kisumu municipality are effective in increasing performance. Therefore, negotiation was key to corporate performance (Huber, 2001) since it helps

to secure a consensus in resolving task and process conflicts by making sure all members understand the reasons behind the compromises made by individual members. (Huber, 2001). A study by Dreu (2003) on task versus process conflict, team performance, revealed a strong relationship between conflict and team performance.

2.3.3 Effect of Arbitration on Employee Productivity

A study in Venezuela on the outcome of third party intervention on performance (Kazimoto, 2013) between the Venezuelan government and the opposition (DC), during the period 2002- 2013, showed that the most effective strategies used by third parties, dependent on the timing of the intervention and the stage of conflict, had an effect on performance. The general goal of a third-party intervention in this case arbitration, is to assist in a transformation of the conflict elements, change expression of conflict, alter degree of interdependence between the parties, change their perceptions or goals so they are not as incompatible, modify actual or perceived scarcity of resources, adjust actual or perceived interference by the opposing parties and increase performance.

In a study conducted by Kennett (2013) which investigated the role of arbitration panels in German employment relations. The study used logit model to analyze the data collected. From the results it was revealed that most organizations in Germany make use of arbitration panel to manage conflicts in organization. Further the study indicated through the regression model that the use of arbitration panel among firms is positively associated with positive employee attitudes and therefore improved employee performance. Foreign ownership of firms was established as not having any significant impact on the use of arbitration panels when compared to locally-owned firm, showing that arbitration is used by both local and foreign owned firms in Germany.

Mahony & Klaas (2008) in a survey sought to assess the efficacy of arbitration as an alternative dispute resolution mechanism. Findings from the study revealed that arbitration portend different outcomes to the firms. These outcomes the study suggested can be categorized as short-term outcomes and long-term outcomes. The immediate short term outcomes is work place justice to employees while long term outcome relates to employee performance and organization citizenship behavior.

In a study conducted by Longe (2015) to assess the effect of conflict management on employees' performance in a public sector organization, a case of Power Holding Company of Nigeria (PHCN). The study adopted a descriptive study design, with the data collected tested through correlation analysis and regression analysis. From the study results it was established that effective conflict management enhances employees' performance in an organisation. Additionally, the results of the study showed the important role that arbitration plays in employee performance, by asserting that there exists that positive association between arbitration and employee performance in public sector firms in Nigeria.

Similarly, Harris, Tuckman and Snook (2012) conducted a study using a qualitative case study methodology, to examine the approaches to dispute resolution adopted by owners and managers in small businesses and the operational realities that shape their handling of individual disputes. The findings revealed a support for early and informal conflict resolution, but also a lack of knowledge about ADR and what it can offer. The conclusion is that, whilst arbitration panel offers real benefits to small business employers their use in SMEs has not fully materialized.

A study by Mba (2013) investigated the relationship between conflict management and employees performance in Julius Berger Nigeria Plc, Bonny Island. A descriptive research design was used in executing the study whose targeted population were the non-managerial employees

and managerial employees of the company. Results from the data analysis indicated that significant relationship exists between employee arbitration practices and employee performance with no differences among non-managerial employees and managerial employees.

2.4 Research Gap

In Kenya, alternative dispute resolution is emerging as a new form of dispute resolution within the workplace. This is because of the new nature of the Act (Wako, 2014) and also the fact that parties to a dispute have traditionally believed that it is either they engage in litigation or they take to the streets. Research into alternative dispute resolution mechanism in the workplace have traditionally been on the frequency of the alternative dispute resolution procedures within the workplace as opposed to their effect on the employee's productivity within the workplace. Secondly, majority of the studies on the subject are concentrated in developing countries yet there has been a lot of labour unrests among EPZ companies in Kenya hence this study seeks to fill in that gap with a view to proposing alternative dispute resolution as a solution to these workplace disputes.

2.5 Research Hypotheses

H₀₁: There is no significant relationship between mediation and employee productivity in the Export Processing Zones companies in Kenya

H₀₂: There is no significant relationship between negotiation and employee productivity in the Export Processing Zones companies in Kenya

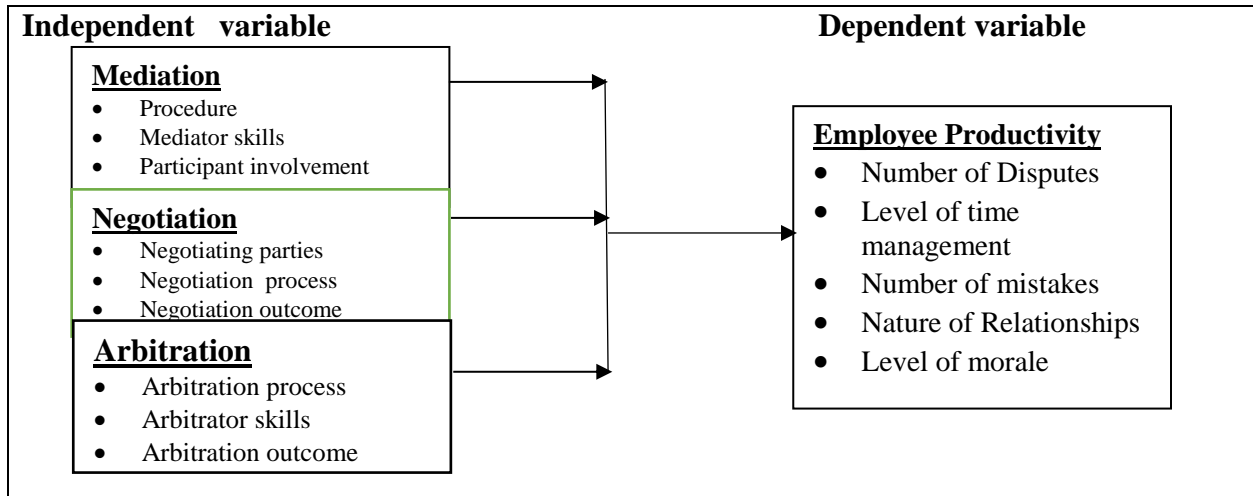
H₀₃: There is no significant relationship between arbitration and employee productivity in the Export Processing Zones companies in Kenya

2.6 Conceptual Framework

A conceptual framework illustrates the interaction between independent variables and the dependent variable in the study. It graphically or diagrammatically conceptualizes the relationship

between variables in the study (Mugenda & Mugenda, 2003). In this study the independent variables are; mediation of disputes, negotiation of disputes and arbitration of disputes while the dependent variable is employee productivity. This is illustrated in Figure 1.

Figure 1: Conceptual Framework



Source: Researcher (2016)

Figure 1 indicates that the independent variables (mediation, negotiation and arbitration) directly influence the dependent variable (employee productivity)

2.7 Operationalization of Variables

In order to convert the theoretical concepts into measurable units, the variables are operationalized as illustrated in table 1 below.

Table 1: Operationalization of the Variables

OBJECTIVE	VARIABLES	Indicator	QUESTIONNAIRE SECTION
To assess the effect of mediation on employee productivity in the EPZ organizations	Independent Variable Mediation	Procedure Mediator Skills Participant Involvement	Section B
To determine the effect of negotiation on employee productivity in the EPZ organizations	Independent variable Negotiation	Negotiating parties Negotiation process Negotiation outcome	Section C
To assess the effect of arbitration on employee productivity in the EPZ organizations	Independent Variable <u>Arbitration</u>	Arbitration process Arbitrator skills Arbitration outcome	Section D
Dependent Variable		Indicators	Questionnaire Section
Employee Productivity		<ul style="list-style-type: none"> ▪ Commitment levels ▪ Level of Satisfaction ▪ Number of strikes ▪ Level of morale 	Section F
Source: Researcher (2017)			

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that was employed in carrying out the study. It also contains the research design, target population, the sampling design, instrumentation and data collection, data analysis and presentation.

3.2 Research Design

The study adopted descriptive research design as the suitable design for this research because it allowed the researcher to answer what and how questions of the study objectives. Descriptive research design was also selected for the reason that it allowed the researcher to collect data within the shortest and lowest cost available. Descriptive studies are not only restricted to fact-findings, but may often result in the formulation of important principles of knowledge and solutions to significant problems (Tromp, 2013).

3.3 Population of the study

The aggregate of the elements in an area or unit makes up the population (Tromp, 2013). The population of this study are three EPZ companies namely, Africa Apparels EPZ Ltd, New Wide Garments EPZ Ltd and Global EPZ Ltd. These three companies were chosen for this study as the disputes between employers and employees which affected the employees' productivity occurred there. In addition, these three companies are among the first companies to introduce ADR mechanism thus would give information that would meet research objectives. (Nabutola, 2013). The employees and management of the three companies formed the respondents of the study since they are direct stakeholders in the dispute resolution exercise in the companies. According to the human resource records of EPZ (2017), the total number of management

employees in the three companies was 10,000. These employees and management also form the unit of analysis for the study. A summary of the population of study is presented in table 2.

Table 2: Number of Employees

No.	EPZ Company	Number of Employees
1	Africa Apparels EPZ Ltd numbering	1855
2	New Wide Garments EPZ Ltd numbering	6347
3	Global EPZ Ltd numbering	1798
Total		10000

Source: EPZ (2017): Human Resource Management

3.4 Sampling and Sampling Procedure

The sampling frame consisted of the management and employees of the three companies. The study adopted a stratified random sampling procedure. From the target population the employees were stratified into the three companies and a proportionate sampling applied for each stratum to give equal weight to each strata and a final sample size determined. Sample size was based on Taro Yamane (1964) formula for sample determination because it is simple to use and it also takes

care of large samples. The formula is given as: $n = \frac{N}{1+N(e)^2}$

Where n=Sample Size, N=Population Size (10,000), e= Level of precision (0.05 assumed)

$$\text{Hence: } n = \frac{10,000}{1+10,000(0.05)^2} = \mathbf{400}$$

Table 3 below presents the distribution of the sample size for the study

Table 3: Sample Size

No.	EPZ Company	Employees	Sampled	Percent
1	Africa Apparels EPZ Ltd numbering	1855	82	20.5
2	New Wide Garments EPZ Ltd numbering	6347	255	63.75
3	Global EPZ Ltd numbering	1798	63	15.75
Total		10,000	400	100

Source: EPZ (2017): Human Resource Records

3.5 Instrumentation and Data Collection

The questionnaire was the main data collection instrument which was preferred because it was able to reach many people at the same time. It is made up of structured and closed ended questions based on a five point Likert scale where 1=strongly disagree, 2=disagree, 3 =neither agree nor disagree, 4=agree and 5=strongly agree. It is comprised of five parts where part A=demographic information, part B=mediation mechanism, part C=negotiation mechanism, part D=arbitration mechanism and F=employee productivity. Data collection involved the use of drop and pick by the researcher and the questionnaires were collected after two weeks in order to give the respondents' adequate time to complete them.

3.5.1 Validity and Reliability of Research Instrument

The validity of the research instrument was ascertained by ensuring that the questions are constructed according to the objectives of the study. In order to test for validity, a pilot test was carried out using 10% of the sample in one of the companies which was excluded from the final sample and the results of the pilot were used to improve on the instrument content (Tromp, 2013). Reliability of the instrument was tested by subjecting the questionnaire items to a reliability test based on the Cronbach Alpha test of reliability. Ideally, the reliability level for acceptance should be 0.7 and above for the instrument to be considered acceptable. This was confirmed during the

pilot stage since the likert items for research objectives gave cronbach score above 0.7 (Tromp, 2013).

3.6 Data Analysis

Data Analysis was done using IBM SPSS Statistics version 20.0. Data analysis refers to examining what has been collected in an experiment and making deductions and inferences. It involves uncovering underlying structures; extracting important variables, connecting any anomalies and testing any underlying assumptions (Tromp, 2013). Data analysis involved the following three stages: data cleaning, data transformation and data analysis. Data cleaning involving checking for any missing values and incorrectly entered values and correcting them. Data transformation involved computing scores for the likert items to get an overall score for each objective and this was then used for data analysis. Data analysis was carried out through descriptive statistics that involved use of frequencies, means and standard deviation. Data analysis also include Pearson correlation analysis and ANOVA regression analysis. Results are presented in form of tables and figures. The analysis was empirically determined based on the following multiple regression model shown below under 3.7 model specification.

3.7 Model Specification

The independent variables in this research study are “mediation of disputes, negotiation of disputes and arbitration of disputes” and the dependent variable is “Employee Productivity” which will be guided by the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots \dots \dots (i)$$

Where:-

Y = Employee Productivity

β_0 = Constant, showing employee productivity in the absence of ADR

$B_1-\beta_3$ = Regression Coefficients

X_1 = Mediation

X_2 = Negotiation

X_3 = Arbitration

ε =Error Term

Before the regression analysis is done, data will be tested for normality. Normality test entails checking whether data collected is normally distributed based on OLS assumptions.

3.8 Ethical Consideration

This relates to the ethical aspects of the study. Researchers are obligated to develop an appropriate ethical framework to inform the ‘practice’ of research, since many ethical issues and dilemmas which arise cannot be easily anticipated. A commitment to quality in research demands a commitment from the researcher to the highest ethical principles and values. Such values should inform the design of the study, selection of methodology, data collection, analysis and reporting. The moral integrity of the researcher is a critically important aspect of ensuring that the research process and a researcher’s findings are trustworthy and valid (Sage, 2014).

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains vital breakdown of findings and discussion of the research findings. When writing this report, different aspects were used to present processed and analyzed data, descriptive statistics were used to analyze demographic characteristics of respondents and correlation and regression analysis was used to show the relationship between alternative dispute resolution mechanisms and employee productivity in the Export Processing Zone companies in Kenya. In relation to that, findings were interpreted and discussed, and then figures or tables were drawn to support the findings. Detailed discussions of the results were done based on research objectives and questions and similar findings were always cited wherever required. The data was presented and discussed with the help of tables and figures as a means of summarizing and clarifying the matter discussed in each finding with regard to the study objectives.

4.2 Response Rate

Out of the 400 sampled respondents, 360 respondents returned duly filled questionnaires. This means that the response rate of the study was 90% as shown in table 4. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% good and above 70% rated very well. Kothari (2004) also asserts that a response rate of 50% is adequate, while a response rate greater than 70% is very good. As such, the response rate of this study was deemed satisfactory.

Table 4: Response Rate

Response Rate	Frequency	Percentage (%)
Returned	360	90
Not Returned	40	10
Total	400	100

4.3 Missing Value Analysis

Missing value analysis of the data was carried out to understand the overall missing data patterns. From the missing value analysis, the results indicated that the missing values were less than 5%, the level whereby missing value data affect the performance of regression model (Table 5). This results indicate that the data was thus suitable for analysis as supported by Tabachnick & Fidell (2007). However before data analysis, multiple imputation method was used to replace the missing values thereby eliminating missing values in the data.

Table 5: Missing Value Pattern of Variables

Variables	Missing Percentages
Age	2.8%
Gender	2.2%
Education	1.4%
Level of Service	1.1%
Mediation	0%
Negotiation	2.2%
Arbitration	2.2%
Employee Productivity	2.3%

4.4 Descriptive Statistics Analysis

This section explains the demographic characteristics of respondents and that includes sex of respondents, level of education and years of experiences of the respondents working in the study area. This helped to know the kinds of respondents involved in the study and how these characteristics link with the study.

4.4.1 Gender of respondents

As shown in table 6 below, of the 360 respondents, 236 were female, 124 were male. This showed that 66% of the respondents were female, 34% of the respondents were male.

Table 6: Gender of respondents

Gender	Frequency	Percentage
Male	124	34
Female	236	66
Total	360	100

4.4.2 Age of respondents

Table 7 shows the distribution of respondents based on their age. It can be seen from the results that respondents aged 18-24 were 32.8%, respondents aged between 20-27 were 38.3%, respondents aged between 28-35 were 17.8% and respondents aged over 35 years were 11.1%.

Table 7: Age of respondents

Age	Frequency	Percent
18-24	118	32.8%
20-27	138	38.3%
28-35	64	17.8%
over 35	40	11.1%
Total	360	100%

4.4.3 Level of Education of respondents

Table 8 shows the distribution of respondents based on the highest level of education attained. It can be seen from the results that majority of the respondents 51.9% had up to certificate education, 36.1% had up to diploma education, 7.8% had up to degree level of education while 4.2% had up to post graduate level of education.

Table 8: Level of education

Level of education	Frequency	Percent
Certificate	187	51.9%
Diploma	130	36.1%
Degree	28	7.8%
Post Graduate	15	4.2%
Total	360	100%

4.4.4 Years of working experience with current employer sector

The study further established that 48% of the sampled employees had been with their current employer for less than five years, 43% of the sampled employees had been with their current

employer for more than five years but less than ten years and 9% of the sampled employees had been with their current employer for more than ten years. This is shown in table 9 below.

Table 9: Years of working experience with the current employer

Length of service	Frequency	Percent
1-5 years	171	47%
6-10 years	153	43%
over 10 years	36	10%
Total	360	100%

4.5 Independent Variables

The results of the statements that were used to evaluate the relationship between the independent variable and the dependent variable are discussed in this section.

4.5.1 Effect of Mediation on Employee Productivity in the Export Processing Zones in Kenya

There is a growing awareness of the complex relationship between workplace conflict and employee performance. Inappropriately managed workplace conflicts, particularly where there is an interpersonal aspect can wreak havoc on the relationship and negatively impact the delivery of organization goals.

The findings from this research suggest that 61% of the respondents agree that settlement of disputes in the workplace through mediation is appropriate and results in improved employee productivity. 29% of the respondents strongly agree that settlement of disputes in the workplace through mediation is appropriate and results in improved employee productivity, 4% were neutral on the subject matter while 3% disagreed with mediation as an alternative dispute resolution mechanism and 3% strongly disagreed with mediation as an alternative dispute resolution mechanism. These results imply that mediation as an alternative dispute resolution is esteemed

highly among employees in EPZ. According to (Bollen & Euwema (2013) this is because mediation offers disputants higher dispute control and the disputants decides the outcome. This findings concur with the results of McKenzie (2015) who found out that mediation is one of the common forms of alternative dispute resolution used by organization.

This is shown in table 10 below.

Table 10: Effect of mediation on employee productivity in the Export Processing Zones in Kenya

Mediation	Frequency	Percentage
Agree	221	61%
Strongly Agree	106	29%
Neutral	14	4%
Disagree	10	3%
Strongly disagree	9	3%
Total	360	100%

4.4.2 Effect of Negotiation on Employee Productivity in the Export Processing Zones in Kenya.

Negotiating is a complex process involving a high level skill. Negotiators use careful language to ensure that they do not add to a highly sensitive situation. Taking simple steps of negotiation as a method of resolving conflicts results in conflicts not escalating further and in turn improve their productivity since less time is used in negotiation and more productivity time.

The study suggests that 60% of the respondents agree that settlement of disputes in the workplace through negotiation is appropriate and results in improved employee productivity. 31% of the respondents strongly agree that settlement of disputes in the workplace through negotiation is appropriate and results in improved employee productivity. 4% were neutral on the subject matter while 3% disagreed with negotiation as an alternative dispute resolution mechanism and

3% strongly disagreed with negotiation as an alternative dispute resolution mechanism. These findings show that Negotiation is an effective alternative dispute resolution mechanism in Export processing zones. This is confirmed by Longe (2015) who argue that negotiation has a high success rate as an alternative dispute resolution mechanism and this he states is due to high control that it offers the different parties. This is shown in table 11 below.

Table 11: Effect of negotiation on employee productivity in the Export Processing Zones in Kenya

Negotiation	Frequency	Percent
Agree	215	60%
Strongly Agree	110	31%
Neutral	14	4%
Disagree	10	3%
Strongly disagree	11	3%
Total	360	100%

4.4.3: Effect of Arbitration on Employee Productivity in the Export Processing Zones in Kenya

Arbitration is a voluntary and consensual process and is widely used for the resolution of internal disputes. One of the key advantages of arbitration is its flexibility. Parties can choose the law governing the substance of the dispute, seat of arbitration and also make a range of other decisions that shape the jurisdictional scope. This study suggests 54% of the respondents agree that settlement of disputes in the workplace through arbitration is appropriate and results in improved employee productivity. 26% of the respondents strongly agree that settlement of disputes in the workplace through arbitration is appropriate and results in improved employee productivity. 11% were neutral on the subject matter while 6% disagreed with arbitration as an alternative dispute

resolution mechanism and 3% strongly disagreed with arbitration as an alternative dispute resolution mechanism. These findings attest to arbitration as one of the effective dispute resolution mechanism. This is because of what Kennett (2013) argues are the low-cost associated with arbitration as compared to litigation. These results contradict the findings of Menkel-Meadow (2015) who established that arbitration is not an alternative dispute resolution mechanism when compared to mediation and negotiation, since arbitration allow control of the process to move from parties involved to third parties. This is shown in table 12 below.

Table 12: Effect of arbitration on employee productivity in the Export Processing Zones in Kenya

Arbitration	Frequency	Percent
Agree	196	54%
Strongly Agree	90	26%
Neutral	38	11%
Disagree	25	6%
Strongly disagree	11	3%
Total	360	100%

4.6 Dependent Variable: Employee Productivity in the Export Processing Zones in Kenya

Employee Productivity in the Export Processing Zones in Kenya was the dependent variable of this study. This variable was measured by use of primary data which was the feedback from the respondents of the study. Information on this variable was extracted from the filled out questionnaires of the study.

This study suggests 57% of the respondents agree that settlement of disputes in the workplace through alternative dispute resolution mechanisms is appropriate and results in

improved employee productivity. 34% of the respondents strongly agree that settlement of disputes in the workplace through alternative dispute resolution mechanisms is appropriate and results in improved employee productivity. 3% were neutral on the subject matter while 3% disagreed with alternative dispute resolution as a dispute resolution mechanism and 3% strongly disagreed with alternative dispute resolution as a dispute resolution mechanism. The findings of the study confirm the key role of alternative dispute resolution mechanism in improving employee productivity in organization. This is in line with results of Olang (2017) who established that conflict management positively affect employee performance in organization. This is shown in table 13 below.

Table 13: Effect of alternative dispute resolution mechanisms on employee productivity in the Export Processing Zones in Kenya

Productivity	Frequency	Percent
Agree	204	57%
Strongly Agree	125	34%
Neutral	11	3%
Disagree	9	3%
Strongly disagree	11	3%
Total	360	100%

4.7 Validity and Reliability Analysis

Since the study was designed carefully using the descriptive research design approach, it can be inferred that the findings can be generalized for all Export Processing Zones Companies in Kenya hence they have external validity. Construct validity can be inferred from the fact that most of the regresses were significant and the overall regression model, as indicated in the ANOVA table, was also significant.

To measure the reliability of the data collection instrument, an internal consistency technique, the Cronbach's Alpha, was computed using SPSS. Table 14 below indicates that the research instrument was reliable since data obtained from all independent variable had a Cronbach's alpha of greater than 0.7. This means that the research data had relatively high internal consistency and could be generalized to reflect opinions of all possible respondents in the target population on the impact of alternative dispute resolution mechanisms on employee productivity in the Export Processing Zones companies in Kenya.

Table 14: Reliability Analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
.739	8

Note: The Cronbach's alpha value is closer to 1, which means the value is optimal hence we can say there is a high level of reliability, (73.9%) reliability.

4.8 Regression Analysis and Related Procedures

This part discussed regression analysis and the procedures related to it which were carried out on the data. These procedures include OLS regression and evaluation of the goodness of fit. Before carrying out the regression analysis. Assumption test were carried out with a focus on normality, linearity and homoscedasticity.

4.8.1 Normality, Linearity and Homoscedasticity

In order to examine the normality, linearity and homoscedasticity assumptions, a histogram, a plot of standardized residuals against predicted values of the dependent variable and a scatter plot are provided in Figure 2, 3 and 4 below. The study did not use skewness and Kurtosis values to establish normality

since it has been argued by Tabachnick and Fidell (1996) that kurtosis and skewness for sample more than 200 does not reveal much difference.

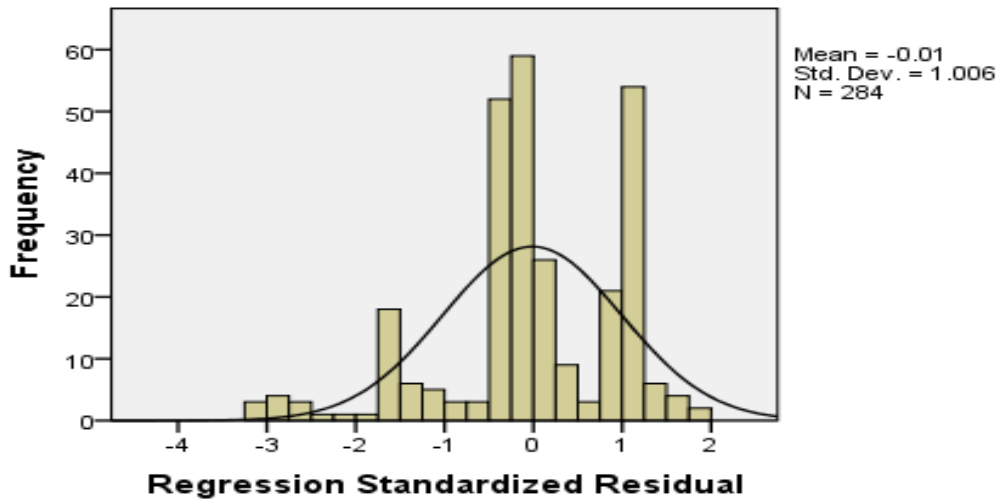


Figure 2: Histogram

Figure 2 indicates that the shape of the distribution with the bell-shaped histogram approximates to the normal distribution with no much kurtosis and thus the study shows that the data meets the assumption of normality.

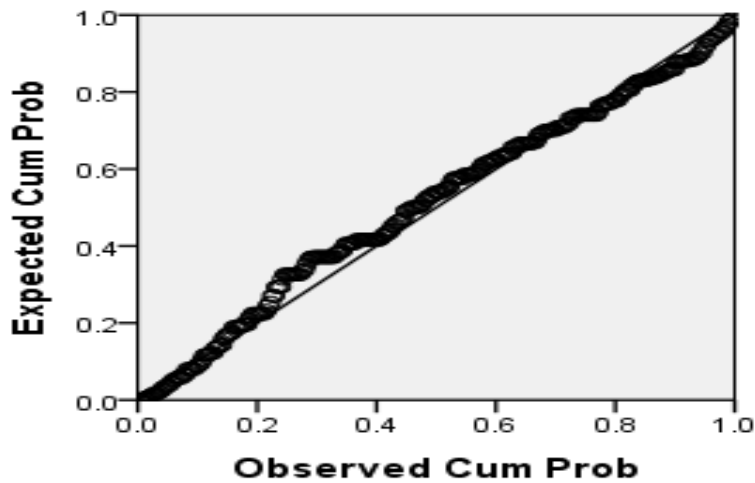


Figure 3: Normality Plot

Furthermore, points clustered around a straight line in a probability plot support the normality assumption of residuals, as shown in Figure 3. All the points in the normal P-P plots were roughly in a straight diagonal line from bottom left to top right. These results verify a normal distribution of errors in testing the model.

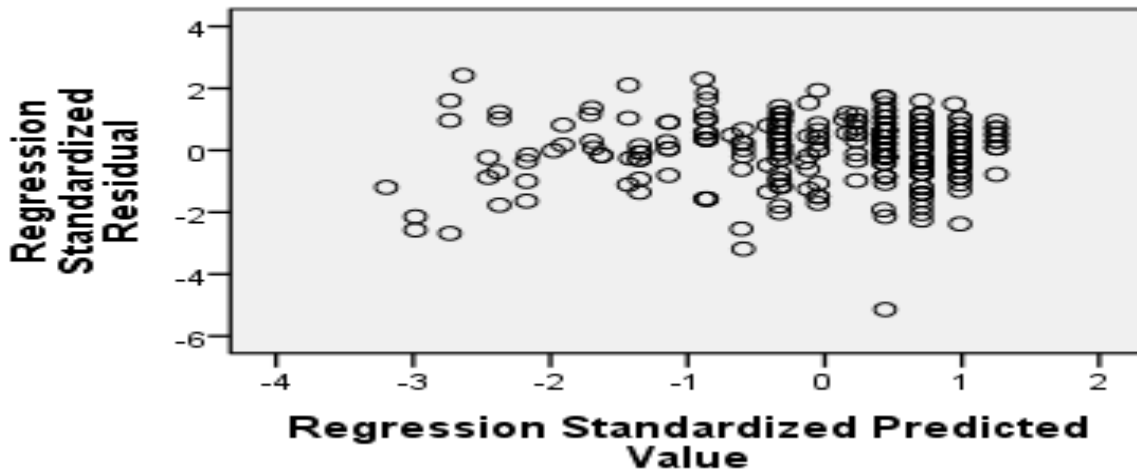


Figure 4: Scatter Plot

The scatterplot of standardised residuals in Figure 4 exhibits that most of the scores are concentrated in the centre along the 0 point (Pallant, 2001). If the residuals are randomly and evenly dispersed throughout the scatterplot, assumptions of linearity are met (Hair et al., 1998). Therefore, the assumptions of normality, linearity and homoscedasticity have not been violated in this statistical analysis.

Homoscedasticity is related to the assumption of normality because when the assumption of multivariate normality is met, the relationships between variables are homoscedastic and thus from figure 2, 3 and 4, it can be concluded that the assumption of homoscedasticity was met in the study.

4.8.2 OLS Regression Analysis

In order to quantify the relationship between the independent variables and the dependent variable, the researcher undertook an ordinary least squares regression analysis. Table 15 and table 16 below shows the results of the regression analysis.

Table 15: Descriptive Statistics

	Mean	Std. Deviation	N
Productivity	4.25	.711	360
Arbitration	3.98	.852	360
Negotiation	4.19	.713	360
Mediation	4.17	.695	360

Table 16: Coefficients

Model	Unstandardized	Standardized		t	Sig.
	Coefficients	Coefficients			
	B	Std. Error	Beta		
(Constant)	0.07	0.068		0.096	0.923
Arbitration	0.132	0.019	0.147	6.874	0.000
Negotiation	0.77	0.0249	0.774	32.489	0.000
Mediation	0.132	0.021	0.104	5.144	0.000

a. Dependent Variable: productivity

The regression analysis table shows that all the regressors had a positive impact on employee productivity in the Export Processing Zone companies in Kenya. Additionally, all independent variables were significant. The regression equation can therefore be restructured as:

$$Y=0.07+0.1327X_1+0.77X_2+0.132X_3$$

Where:

Y = Employee Productivity

β_0 = Constant, showing employee productivity in the absence of ADR

β_1 - β_3 = Regression Coefficients

X_1 = Mediation

X_2 = Negotiation

X_3 = Arbitration

ε =Error Term

4.8.3 Model Goodness of fit

Table 17 below shows the R^2 of the model as 0.925. This is an indication of a strong goodness of fit of the study data to regression analysis as the empirical model. The value of the R^2 means that 92.5% of the variability in the dependent variable (employee productivity) can be explained by variability of the companies' mediation strategy, negotiation strategy and arbitration strategy. The remaining 7.5% of variability can be attributed to other factors that are not included in the model. Adjusted R squared of 92.4% was established in the study. Adjusted R squared show the value of R squared after factoring the relationship effect among the independent variables. However, because adjusted R squared had negligible effect in the model, R squared was used in the study.

Table 17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.962 ^a	.925	.924	.224

a. Predictors: (Constant), mediation, arbitration, negotiation

4.8.4 Analysis of Variance (ANOVA)

The ANOVA Table is used to indicate whether the overall regression model is significant or not. Since the p- value of this study's Analysis of Variance was less than 5% (see table 18 below), we can deduce that the regression model was significant.

Table 18: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	240.473	3	80.158	1463.270	.000 ^b
	Residual	19.502	356	.050		
	Total	259.975	359			

a. Dependent Variable: productivity

b. Predictors: (Constant), mediation, arbitration, negotiation

4.8.5 Hypothesis Testing

Going by the results outlined in the regression table, we can see that all the independent variables were significant. The hypothesis of the study were as below:

H0₁: There is no significant relationship between mediation and employee productivity in the Export Processing Zones companies in Kenya

H0₂: There is no significant relationship between negotiation and employee productivity in the Export Processing Zones companies in Kenya

H0₃: There is no significant relationship between arbitration and employee productivity in the Export Processing Zones companies in Kenya

The results of the study showed that the effect of mediation as an alternative dispute resolution mechanism on employee productivity in the Export Processing Zones companies is significant. The strength of this significance was established to be strong as indicated by the p- value of 0.00. The results of the study showed that the effect of negotiation as an alternative dispute resolution mechanism on employee productivity in the Export Processing Zones companies is significant. The strength of this significance was established to be strong as indicated by the p- value of 0.00. The results of the study showed that the effect of arbitration as an alternative dispute resolution mechanism on employee productivity in the Export Processing Zones companies is significant. The strength of this significance was established to be strong as indicated by the p- value of 0.00. Therefore, the conclusion is to reject hypothesis one and two and three since the p-values in all the three objectives were less than 0.05.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of research findings, conclusions and recommendations on the effect of alternative dispute resolution mechanisms on employee productivity in the Export Processing Zone companies in Kenya.

5.2 Summary of Findings

Concerning the effect of mediation on employee productivity, the study findings showed that employing mediation as a dispute resolution mechanism is positively correlated with impact on employee productivity. This was indicated by p-value of 0.00 and r-value of 0.86. These findings imply that mediation holds great promise to improving employee performance as it offers disputants the earliest chance to resolve a conflict. According to Brubaker et al., (2014) mediation is a process that can be introduced at any stage of conflict so long as there is consent from both parties, this they argue improves productivity since it minimizes conflict duration, repairs relationships and encourage teamwork.

These findings show that process of mediation has the potential to be an effective method of improving employee performance by restoring relationship breakdown. These findings are affirmed by McKenzie (2015) and McKenzie (2012) who concluded that employee mediation positively affects employee performance. However, as opposed to his studies which establish a moderate relationship, this study showed a strong positive performance. This is explained by institutional context where mediation is applicable, as argued by Longe (2015) that institution characteristics can either improve or lower the effectiveness of mediation as an alternative dispute resolution mechanism.

On the effect of negotiation on employee productivity, the study results showed that employing negotiation as a dispute resolution mechanism has a positive and significant impact on employee productivity. This was proved by p-value of 0.00 and r-value of 0.93. These findings imply that employees perceived negotiation as fairness because participation in the negotiation process permitted the creation of shared values, a perception shared by the respondents of the study; therefore, negotiation supports high performance by facilitating the involvement of employees in decision making to create an enabling environment for employees to meet the quantified objectives in all areas of the organization. These findings coincide with results of the study done by Longe (2015) who concluded that negotiation has a significant relationship with employee commitment to organization.

The third research objective was to establish the effect of arbitration on employee productivity. From the results it was established that arbitration has a positive effect on employee productivity, as shown by p-value of 0.000 and r value of 0.695. This shows that arbitration has a strong relationship with employee productivity. This could be attributed to what Kennett, (2013) argues as the benefits of arbitration process, these benefits include the abilities of involved parties to have considerable amount of control over the process and the fact that the process is a private and consensual process. The end result of this process he argues is team building in an organization thus impacting positively on employee productivity (Menkel-Meadow, 2015). This implies that the use of employment arbitration portends benefits that result in increased employee performance among EPZ firms. These findings seem to confirm that arbitration panels seem to have an important function in managing conflict since they provide an outlet for venting and in the process resolving conflicts. Consequently, these findings corroborate with the proposition that any company involved in a dispute should always seek to employ alternative dispute resolution mechanisms to

resolve their disputes as this ensures that they maintain and improve on their employee productivity as suggested by Burton (2011). These findings are similar to the results of Walker & Hamilton (2011) who revealed in their findings that employment arbitration positively affect employee engagement and employee productivity.

The findings revealed that alternative dispute resolution enhance employee's performance in an organization as indicated with R^2 of 90%. This implies that the use of alternative dispute resolution in firms can lead to improvement in employee productivity. The analysis revealed that there is a significant relationship between alternative dispute resolution and employee performance and the findings was in conformity with the work of Ndulue and Ekechukwu (2016) and Mbu (2013) who found that there is a significant relationship between conflict management and employees' performance. However, these findings also contradict the findings of Muhammad and Maria (2013) and Henry (2009) who found insignificant relationship between conflict management and employees performance. The study also support the theory of organization justice and basic need theory which argue that as the needs of employees fairness is met by the firm, the employees level of commitment and productivity tends to increase.

5.3 Conclusion

This study validates previous scholars' assertions about the relationship between alternative dispute resolution and employee productivity. The study demonstrates that, alternative dispute resolution mechanisms when applied will positively influence the employee productivity. As such, Export Processing Zone companies need to embrace alternative dispute resolution procedures as dispute resolution mechanisms so as to ensure that they always sustain their employees' productivity. This corroborates (Risak, 2013) who pointed out that mediation promises efficient dispute resolution and high party satisfaction as well as social justice and conflict transformation.

It can be concluded that Export Processing Zone companies need to build their individual capacities in so far as the alternative dispute resolution procedures are concerned so as to have a competent pool of professionals to guide them in the event there occurs disputes within their companies. It can also be deduced that Export Processing Zone companies need to give alternative dispute resolution mechanisms a chance in solving their disputes. This is because most of the respondents were of the view that engaging alternative dispute resolution mechanisms has the desired effect on employee productivity. This corroborates (Podro, 2013) who stated that the advantage of using an informal approach in dispute solving means that there is greater flexibility in how it is used to suit specific circumstances, and the confidentiality of the process can offer a breathing space that allows more open and honest discussion.

The results of this research suggest that traditional forms of alternative dispute resolution practices still holds a major sway in employee relation. This is against the emergence of innovative alternative traditional dispute resolution in developed economies. The findings show that traditional approaches to dispute resolution are still effective ways of solving conflict in organization as right based approach.

Conclusively, it can be argued that negotiation has the biggest performance on employee productivity since this regressor had the largest coefficient. Thus Export Processing Zone companies are advised to employ negotiation as an alternative dispute resolution mechanism to solve their disputes. In view of this, the researchers rightly conclude that if the organization can effectively and efficiently manage conflict within its operation, this will lead to high level of organizational performance which will result into achievement of the organizational goals and objectives. Successfully managing conflict has a domino effect, allowing managers to create a workplace where employees can thrive.

In the context of the Export Processing Zone companies, the use of employment arbitration is appropriate, since it will help employers-employee avoid the use of litigation as a solution to their disputes considering the lengthy process that litigation takes in Kenya (Muigua, 2012). Thus the study recommends that employers in EPZ need to take a larger strategic view of conflict resolution and conflict management and recognize that arbitration is consistent with the values of teamwork and employee engagement that improve employee performance. As the correlation analysis reveals, there is evidence that employee arbitration is an important conflict management strategy that is associated with reducing tensions between employers and employees. Thus it can be concluded that employment arbitration goes a long way in managing conflicts in organization.

The study concludes that alternative dispute resolution is an effective way of conflict resolution among firms with which are not unionized, and portends better employee performance to such firms. This is key in EPZ considering that most firms are do not have unions within them as indicated by Farole (2011).

5.4 Recommendation

There is need for Export Processing Zone companies to increasingly innovate and adopt alternative dispute resolution mechanisms that have the highest impact on their employee productivity. There is need for Export Processing Zone companies to employ negotiation as a dispute resolution mechanism. The study recommends that organisations' should embark on training and retraining of its employees in the area of alternative dispute resolution so as to create a conducive working environment for the employees. This will reduce conflicting situations in the organization.

The study suggests that employers in Export Processing Zones should provide capacity building to staff with an aim to improving the mediation skills of employees since mediation tactics are crucial in successful mediation (Goldberg, 2007). The likelihood of reaching an agreement

improves when the mediator has a strong skill base and when disputants have a collaborative orientation.

Moving forward, this study recommends that it will be helpful if the employers in the EPZ adopted a position on alternative dispute resolution as a conflict management strategy. In light of the study findings the study suggested that there is need for single-employer agreements and collective employee agreement to include alternative dispute resolution as conflict resolution among EPZ firms. The study recommends that there is need for firms in the EPZ to adopt a mandatory and binding arbitration policy considering that employment arbitration has positive outcomes on employee productivity. The study recommends that the government needs to promote alternative dispute resolution among non-unionized firms since ADR is effective in improving employee performance in such firms as indicated through the study.

5.5 Areas for further research

There is need for more studies that will focus on the impact of alternative dispute resolution mechanisms on companies in other sectors. There is also need for more studies on an industry-wide scale to fully understand the impact of alternative dispute resolution mechanisms on employee productivity thus providing conclusive evidence.

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APPENDICES

Appendix A: Research Questionnaire

Dear Respondent,

RE: DATA COLLECTION

I am a student at KCA University pursuing a Master's Degree in corporate management. I am conducting a research study on the "the effect of alternative dispute resolution practices on employee productivity in the EPZ's in Kenya" to fulfill the requirements of the award of the master of business administration (corporate management). Your organization has been chosen to take part in the study. The information in the questionnaire will be treated as confidential and it is for academic purposes only. Your co-operation is highly appreciated.

Yours Sincerely,

Mogere O. Ephantus

EFFECT OF ALTERNATIVE DISPUTE RESOLUTION PRACTICES ON EMPLOYEE PRODUCTIVITY IN THE EXPORT PROCESSING ZONES IN KENYA

PART A (GENERAL INFORMATION)

Your Current Area of Employment.....					
In this section, kindly indicate your personal information as shown below.					
1	Gender	Male	Female	Others	
2	Age:	18-24	20-27	28-35	Over 35
3	Level of Education:	Certificate	Diploma	Degree	Post Graduate
4	Length of Service(Experience)	1-5 years	6-10 years	Over 10 years	

PART B(MEDIATION)

In this section please indicate to what extent you agree or disagree with the options given on mediation as an alternative dispute resolution mechanism in your organization using the scale below: **SD=strongly disagree, D=disagree, Neutral, A=agree and SA=strongly agree.**

	STATEMENT	SD	D	N	A	SA
5	You consider mediation as a suitable option in resolving disputes in your work place.					
6	You consider the procedure of mediation to be a very important component to make the process credible					
7	The skills of the mediator contribute so much towards the success of dispute resolution process					
8	Your participation in the mediation process is necessary in making the outcome acceptable					
9	You consider mediation strategy as the most important component of the ADR approach for your organization					

PART C(NEGOTIATION)

In this section please indicate to what extent you are or disagree with the options given on negotiation as an alternative dispute resolution mechanism in your organization using the scale provided. **SD=strongly disagree, D=disagree, Neutral, A=agree and SA=strongly agree**

	STATEMENT	SD	D	N	A	SA
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10	The discussions held during the negotiation process often lead to agreements					
11	A conducive environment during negotiation is one of the main factors that leads to credible outcome					
12	During negotiation, all parties involved defend their interests equally					
13	Negotiation mechanism ensures a win-win situation which gives participants more confidence					
14	You consider negotiation as the most important component among the ADR approaches.					
PART D (ARBITRATION) In this section please indicate to what extent you are or disagree with the options given on arbitration as an alternative dispute resolution mechanism in your organization using the scale provided. SD=strongly disagree, D=disagree, Neutral, A=agree and SA=strongly agree						
	STATEMENT	SD	D	N	A	SA
15.	Whenever the arbitration mechanism is used you are fully involved in the appointment process of the arbitrator					
16	The binding outcome of arbitration gives you confidence of participating in arbitration.					
17	Arbitration ensures that the dispute is adequately handled to every one's satisfaction					
18	Arbitration is a very common dispute resolution mechanism in your work place					
19	Arbitration mechanism is the most preferred approach of dispute resolution at your work place compared to other ADR components					
PART F (EMPLOYEE PRODUCTIVITY) In this section please indicate to what extent you are or disagree with the options given on employee productivity in your organization using the scale provided SD=strongly disagree, D=disagree, Neutral, A=agree and SA=strongly agree						
	STATEMENT	SD	D	N	A	SA
20	ADR has helped enhance employee productivity in your work place					
21	After ADR was used to settle the disputes in the work place, employees are more committed to their work					

22	After ADR was used to settle the disputes in the work place, the strikes in the work place are fewer					
23	After ADR was used to settle the disputes in the work place, employees have higher morale					
24	After ADR was used to settle the disputes in the work place, there is a higher level of satisfaction from employees regarding their work					

THANK YOU.