EFFECT OF REWARD MANAGEMENT STRATEGIES ON ORGANIZATIONAL PERFORMANCE OF TERTIARY INSTITUTIONS IN KENYA: CASE OF SELECTED COLLEGES IN NAIROBI COUNTY

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ABSTRACT

The main objective this study was to determine the effects of reward management strategies on organizational performance of tertiary training institutions in Nairobi County. The study was guided by four specific objectives: to determine the effect of employees’ remuneration on organizational performance in Tertiary Training institutions in Nairobi County, Kenya, to examine the effect of employees’ performance recognition on organizational performance in Tertiary Training institutions in Nairobi County, Kenya to examine the effect of training and development of the employees on organizational performance in Tertiary Training institutions in Nairobi County, Kenya, to establish the effect of employee work life balance on organizational performance in Tertiary Training institutions in Nairobi County, Kenya. The study reviewed several theories of reward management as possible avenues towards a framework of understanding what reward strategies drive employees to organizational performance. It also conducted an empirical literature review in order to establish a link with similar past studies. A stratified random sampling technique was used to select a sample of 96 respondents from a target population of 238 institutions. The study adopted a descriptive research design. Structured questionnaires were used to collect primary data. Data analysis was carried out using both qualitative and quantitative techniques with the aid of SPSS while the main method of data presentation was frequency distribution and pie charts. The study found a significant relationship between the reward management strategies and organizational performance. The study concluded that better...
remuneration, performance recognition, training and development and work life balance are reward management strategies that have an influence on organizations performance. The study recommends that tertiary training institutions should: develop and maintain a training policy strategies for employees; establish a criterion for recognizing employee performance to ensure the whole process of reward management strategy is deemed fair employees; design an attractive remunerations scheme that will also enhance retention, creating awareness of the new reward management strategy of work life balance through seminars and short course for all employees; finally, the research study recommends a similar research study on the negative effects of reward management strategies to avoid a situation where they can backfire and bring exactly the opposite of the desired behavior.

**Keywords**: Reward management strategies, Organizational performance, Tertiary institutions

**INTRODUCTION**

Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being taken care of by their company. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees.

Markova and Ford (2011) mentions that the real success of companies originate from employees’ willingness to use their creativity, abilities and know-how in favour of the company and it is organization’s task to encourage and nourish these positive employee inputs by putting effective reward practices in place. Employee Development is an important function of Human Resource Management. Employee development means to develop the abilities of an individual employee and organization as a whole so; hence employee development consists of individual or employee and overall growth of the employee as when employees of the organization would develop the organization, organization would be more flourished and the employee performance would
increase (Elena, 2000). Workplace environment plays an important role towards the employees’ performance. It gives an immense impact to the employees’ either towards the negative outcomes or the positive outcomes (Chandrasekar, 2001). Over the last decades, the factors of workplace environment of workers have changed due to the changes in several factors such as the social environment, information technology and the flexible ways of organizing work processes (Hasun & Makhbul, 2005).

**Statement of the problem**

Economic growth is a key concern to any nation. Poverty reduction and empowerment of the citizens have been outlined as key element towards attaining economic growth and hence achieve the Vision 2030 (NESC, 2007). This is achieved through formal and informal skills acquisition which is necessary in ensuring a strong labor force that is productive thus ensuring poverty reduction. Informal skills in particular, contribute to 75% of labor workforce hence creating more jobs necessary for economic development thus empowering the citizens.

However, in-effective reward management among teaching staff in TVET has been experienced which in turn has had an impact on quality of training offered which affects the nature of labor workforce released to the market (Wilson, 2003). This therefore necessitates the need to design reward management strategies that facilitate the organizations strategic goals and the goals of individual employees to enhance performance. A study by (Nyerere, 2009) states that quality training, acquired through investment in employee reward management strategies influences the nature of informal and formal skills acquired at TVET.
Education has been identified as one of the key component in the social pillar of the Government’s strategy of Vision 2030 (GoK 2007). The quality of skills acquired through training in TVET institutions has great contributions towards the overall impact on economic growth. Research therefore aims at establishing the effect of reward management strategies on organizational performance in TVET institution in Nairobi County, Kenya.

**General Objective**

To determine the effect of reward management on organizational performance in Tertiary Training institutions in Nairobi County, Kenya.

**Specific Objectives**

1. To determine the effect of employees’ remuneration on organizational performance in Tertiary Training institutions in Nairobi County, Kenya.

2. To examine the effect of employees’ performance recognition on organizational performance in Tertiary Training institutions in Nairobi County, Kenya.

3. To examine the effect of training and development of the employees on organizational performance in Tertiary Training institutions in Nairobi County, Kenya.

4. To establish the effect of employee work life balance on organizational performance in Tertiary Training institutions in Nairobi County, Kenya.

**Literature Review**

This chapter focuses on the literature review. It presents the theoretical review and the conceptual framework. Finally, the empirical review of literature was presented along with the critique of the literature and the research gap.
Theoretical Framework

The theoretical framework is a foundation for the parameters or boundaries of the study. In this study theories which include Expectancy theory and Adam’s Equity Theory form the theoretical framework. The theories emphasize on the importance of reward to employees in order to improve their productivity which on the other hand will have an impact on the organizations performance.

Expectancy Theory

This theory is based on expectation that will bring to the work place and context in which these expectations are satisfied (Vroom, 1964). Vroom argues that what was important in motivating the work force was the perception of the link between effort and reward. This means that the management needs to demonstrate to employees that effort will be recognized and rewarded both financially and non-financial terms (Marchington & Wikinson, 2000). The importance of this theory is that it acts as a fund for management to establish schemes to reward behavior that can improve employees’ performance.

Adam’s Equity Theory

According to Fincham & Rhodes (1996), this theory focuses on the process of work and work environment and emphasizes on the role of individual cognitive process in determining the level of motivation. Employees are probable to compare the inputs they devote to the work with the outputs they receive from the organization. It’s certain that the staff want their needs satisfied, however, they also would like to be treated fairly by the organization. Once they feel they get less output than inputs, which means there isn’t a balance, employees tend to be unsatisfied and not motivated.

Conceptual Framework
According to Young (2009), conceptual framework is a diagrammatical representation that shows the relationship between dependent variable (organization performance) and independent variables (reward management strategies).

<table>
<thead>
<tr>
<th>Reward management strategies</th>
<th>Organization performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td></td>
</tr>
<tr>
<td>• Gross pay</td>
<td>• Financial</td>
</tr>
<tr>
<td>• Incentive pay</td>
<td>• Non-financial</td>
</tr>
<tr>
<td>Performance Recognition</td>
<td></td>
</tr>
<tr>
<td>• Issuing certificates</td>
<td></td>
</tr>
<tr>
<td>• Team building activities</td>
<td></td>
</tr>
<tr>
<td>• Lunches and dinners</td>
<td></td>
</tr>
<tr>
<td>Training and development</td>
<td></td>
</tr>
<tr>
<td>• Job advancement and promotion</td>
<td></td>
</tr>
<tr>
<td>• Leadership training</td>
<td></td>
</tr>
<tr>
<td>• Training in new Technology</td>
<td></td>
</tr>
<tr>
<td>Work Life balance</td>
<td></td>
</tr>
<tr>
<td>• Flexible working hours</td>
<td></td>
</tr>
<tr>
<td>• Psychological well being</td>
<td></td>
</tr>
</tbody>
</table>

**Independent Variables**

*Figure 2.1: Conceptual Framework*
Empirical Literature Review

Faruk & Ullah (2010) carried out a study on relationship between rewards and employee performance which was carried out through questionnaires; they found that there was a statistical significant relationship between remuneration and employee performance in an organization and therefore remuneration improves the overall performance of an organization.

According to Muray (2011) in a study on the effect of remuneration on performance of employees in nation media group Kenya, results showed that there is a positive relationship between employee remuneration and employees productivity. The study was carried out through qualitative research and 100 employees were administered with questionnaires and social statistical package of social sciences used to analyze the data. Research findings indicated that motivation especially through recognition had a great influence on the output of the business. The respondents confirmed that they were not satisfied with the remuneration only and said they would be more motivated by recognition and would end up performing better.

Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. The reward can be in the form of recognition and praise or a combination of both. Group Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010). In a study by Rizwan & Ali, (2010) they view that when effective rewards and recognition are implemented within an organization, favorable working environment is produced which motivates employees to excel in their performance. Employees take recognition as their feelings of value and appreciation and as a result it boosts up morale of employee which ultimately
increases productivity of organizations. Rewards play a vital role in determining the significant performance in job and it is positively associated with the process of motivation (Rizwan & Ali, 2010).

Abdulraheem (2014) carried out a research in Nigeria for Tertiary institutions and stated that In order to view and understand the achievement of educational objectives effectively and efficiently it is necessary to examine various concepts that might affect the system. Such concepts that relate to performance of staff in the work place include work life balance. Effective performance of workers will enhance the achievement of educational objective of the tertiary institutions and it is therefore important that factors that might affect this performance be addressed.

The rationale behind the concept of work-life balance is that everyone should have a good and complete life in which a sufficient amount of time is given to both work and non-work lives (Kesting & Harris, 2009). Kossek, Lewis, & Hammer (2012) stated that work life balance is associated with different notions such as conflict, integration and balance, crossover and such programmes on the provision of flexible work, diversity management and wellbeing outcome.

The concept of work life is a key issue in current academic debate, practitioners and government (Eikhof & Hawschlel, 2007). Work life balance is one of the most relevant Human Resource practices in relation to productivity and performance of the organization (Vidal & Legarra, 2012). According to Sturges & Guest (2004), there is growing aspiration of people to balance their work with other aspect of life. This is as a result of the growing responsibilities of both academic and academic support staff in an academic environment devoting long hours to work.
Research Methodology

The study adopted descriptive survey design. Descriptive survey design was selected because the study entailed asking a large number of people questions (in form of questionnaires) about their opinions and ideas, and even describe what the people say. The major purpose of descriptive survey research design is a description of the state of affairs as it exists at present (Kothari, 2003).

Target population

The study was conducted in Nairobi County, Kenya where there were two hundred and eighty two TVET institutions under the Ministry of Higher Education Science and Technology. The colleges are classified into Public Tertiary Training Colleges and Private Tertiary Training Colleges. There were eighteen Public Colleges and two hundred and twenty Colleges (TVET Report, 2013).

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Tertiary Training Colleges</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Private Tertiary Training Colleges</td>
<td>220</td>
<td>92</td>
</tr>
<tr>
<td>Total</td>
<td>238</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: TVET Report (2016)

Sample and Sampling Technique

The researcher adopted stratified sampling technique in selecting the sample for the study. Stratified random sampling is a procedure that is used to reduce chance variation between a sample and the population it represents (Cooper & Schindler, 2010). The technique produces estimates of overall population parameters with greater precision. Kothari (2004) state that the size of the
sample depends on the type of research design being used; the desired level of confidence in the results; the amount of accuracy wanted; and the characteristics of the population of interest.

A sample of 50% was taken of the population in each stratum to achieve a desired representation from the various sub groups in the population and also to ensure greater accuracy in the findings using stratified random sampling as indicated in table 3.2 below. The sample of 40% was considered a representative because it was at least of the population of interest. The goal of stratified random sampling was to achieve desired representation from various subgroups in the population (Mugenda, 2003).

**Table 3.2 Sampling Size**

<table>
<thead>
<tr>
<th>Population Stratum</th>
<th>Population</th>
<th>Sample</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Tertiary Training Colleges</td>
<td>18</td>
<td>40</td>
<td>8</td>
</tr>
<tr>
<td>Private Tertiary Training Colleges</td>
<td>220</td>
<td>40</td>
<td>88</td>
</tr>
<tr>
<td>Total</td>
<td>238</td>
<td></td>
<td>96</td>
</tr>
</tbody>
</table>

**Data analysis and presentation**

The qualitative data collected through the questionnaires was analyzed by identifying themes and patterns available from the respondents. The themes were further organized into coherent categories. The patterns and connections within and between categories were identified. Interpretation of the data was finally done which involved attaching meaning and significance to the analysis. The data was further analyzed using descriptive as well as inferential analysis.
procedures. Frequencies, percentages and means were calculated and presented in tables while the inferential statistical analysis was carried out using Pearson Correlation Coefficient.

The data collected was analyzed both qualitatively and quantitatively by use of inferential statistical tools and the Statistical Package for Social Sciences (SPSS) software as analytical tools. Correlation coefficient was used as statistical tool to determine the relationship between the Reward management components such as employee remuneration, performance recognition, training and development and work environment and the Organizational Performance in Tertiary Training institutions in Nairobi County, Kenya.

A regression model was applied to determine and establish the relationship between reward management and organization performance on selected institutions. \( \beta_0 \) is the variable that will contribute some effect to dependent variable without any influence caused by independent variables. The selected institutions apply reward management and the study would establish the effect of it on the organizations performance. The linear regression model used in the study was as follows:

\[
Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon
\]

Where:

\( Y \) = Organization Performance (Dependent variable) Measured in terms of ratings (1 to 5)
\( \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \) = Explained Variations of the Model.
\( \alpha \) =constant. It defines the level of organizational performance without inclusion of predator variables
\( \varepsilon \) = Unexplained Variation i.e. error term, it represents all the factors that affect the dependent variable but are not included in the model either because they are not known or difficult to measure.
X\_1 = \text{Remuneration}
X\_2 = \text{Performance Recognition}
X\_3 = \text{Training and Development}
X\_4 = \text{Work Life Balance}
\beta_0 = \text{Constant. It defines the level of Organization performance without inclusion of predictor variables.}
\beta\_1, \beta\_2, \beta\_3, \beta\_4, \beta\_5, = \text{Regression Co-efficient. Define the amount by which Y is changed for every unit change of predictor variables. The significance of each of the co-efficient was tested at 95 percent level of confidence to explain the variable that explains most of the problem.}

**Research Findings and Discussions**

Relationship between Reward Management strategies on Organizational Performance. The study proposed that there exist a relationship between remuneration, performance recognition, training and work life balance and organizational performance of tertiary institutions in Kenya. Correlation analysis was used to establish the strength of the relationship while regression analysis was used to come up with the model for forecasting purposes. Further hypothesis test was done to check on the statistical significance of the model parameters.

As shown in Table 4.13 majority of respondents agreed that remuneration to a great extent affect organizational performance with a mean score of 4.1667, performance recognition follows with a moderate extent as shown by a mean score of 3.8333, training and development with a mean score of 3.9762 and work life balance was the last one with a mean score of 3.3429.
Table 4.13 Descriptive statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td>4.1667</td>
<td>.61357</td>
</tr>
<tr>
<td>Performance recognition</td>
<td>3.8333</td>
<td>.63121</td>
</tr>
<tr>
<td>Training and development</td>
<td>3.9762</td>
<td>.83172</td>
</tr>
<tr>
<td>Work life balance</td>
<td>3.3429</td>
<td>.64047</td>
</tr>
</tbody>
</table>

Determining How Well the Model Fits

Table 4.14 is the Model Summary table. This table provides the $R$, $R^2$, adjusted $R^2$, and the standard error of the estimate, which can be used to determine how well a regression model fits the data:

Table 4.14 Model summary

<table>
<thead>
<tr>
<th></th>
<th>Std.</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted</td>
<td>Error of</td>
</tr>
<tr>
<td></td>
<td>$R^2$</td>
<td>$R^2$</td>
</tr>
<tr>
<td></td>
<td>.849</td>
<td>.721</td>
</tr>
</tbody>
</table>

As shown in Table 4.14 coefficient of correlation equal 0.849. This indicates a strong positive correlation between the independent variables and dependent variable. Coefficient of determination of 0.72 further shows that 72.1% of the variation in organizational performance of tertiary institutions in Kenya could be accounted for by the changes in remuneration, performance recognition, training and development and work life balance, leaving 27.9% unexplained (error term). This shows that independent variables strongly influence dependent variable. $F (6, 69) =$
12.497 > 2.69, \( p = .000 < .05 \) indicates that collectively all the independent variables significantly influence the dependent variable hence the regression model is a good fit of the data.

**Statistical Significance**

The \( F \)-ratio in Table 4.15 tests whether the overall regression model is a good fit for the data. The finding shows that the independent variables statistically significantly predict the dependent variable \( (p = .000 < .05) \). \( F (6, 69) = 12.497 > 2.69 \), indicates that collectively all the independent variables significantly influence the dependent variable.

**Table 4.15 ANOVA**

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>41.233</td>
<td>6</td>
<td>10.308</td>
<td>12.497</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>37.944</td>
<td>69</td>
<td>.825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>79.176</td>
<td>75</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Estimated Model Coefficients

The equation to organizational performance of tertiary institutions in Kenya (Y) from remuneration, performance recognition, training and development and work life balance was;

\[ Y = -0.255 + 0.470X_1 + 0.468X_2 + 0.465X_3 + 0.322X_4 \]

The regression coefficients specifically indicate that;

\( \beta_1 = 0.470 \); for every one unit increase in remuneration, performance of tertiary institutions in Kenya increases by 0.470 units other factors held constant.

\( \beta_2 = 0.468 \); for every one unit increase in performance recognition, performance of tertiary institutions in Kenya increases by 0.468 units other factors held constant.

\( \beta_3 = 0.465 \); for every one unit increase in training and development, performance of tertiary institutions in Kenya increases by 0.465 units other factors held constant.

\( \beta_4 = 0.322 \); for every one unit increase in work life balance, performance of tertiary institutions in Kenya increases by 0.322 units other factors held constant.
Table 4.16 Model Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.255</td>
<td>.864</td>
<td>.296</td>
<td>.769</td>
</tr>
<tr>
<td>Remuneration</td>
<td>.470</td>
<td>.214</td>
<td>.218</td>
<td>2.196</td>
</tr>
<tr>
<td>Performance recognition</td>
<td>.468</td>
<td>.281</td>
<td>.131</td>
<td>3.573</td>
</tr>
<tr>
<td>Training and development</td>
<td>.465</td>
<td>.207</td>
<td>.308</td>
<td>2.247</td>
</tr>
<tr>
<td>Work life balance</td>
<td>.322</td>
<td>.151</td>
<td>.262</td>
<td>2.132</td>
</tr>
</tbody>
</table>

Conclusion

From the findings of the study, it can be concluded that there is a direct and positive relationship between reward management strategies and organizational performance. Hence, if rewards strategies offered to employees were to be altered, then there would be a corresponding change in organizations performance. The study established that remuneration plays the larger part in influencing the organizations performance. Training and development strategy was also seen to have an impact on organizations performance. This is due to the fact that a good promotion strategy was based on the training acquired which had an influence on remuneration.

The study found that through employees’ performance recognition; Managers recognize excellent performers. This motivated employees to work hard, raises individuals’ effort towards work in the short term and encourages non performing staff to pull up their efforts and acts as a feedback mechanism in improving productivity. Work life balance being a new reward management strategy
had the least influence organizational performance though some employees felt that they had flexible working hours, managers were concerned with employee’s physical well-being and there is good work life balance in the institution. Finally, a well-managed reward management strategy is a contributor to high organizational performance. In addition, the employees’ responses to the study correspond to theories such as Expectancy Theory and Adams Equity Theory. According to the theories, managers must consider employee’s needs to fairly provide the appropriate reward management strategies.

**Recommendations**

Both public and private tertiary training institutions should establish a criterion for recognizing good performance to ensure the whole process of reward management strategy is deemed fair by all employees. This also gives employees information of behaviors and actions acceptable in the organization. Judging by the level of concern by the employees about their satisfaction with the type of the rewards given, then it is fundamental that the institute involves employees in identifying reward strategies that are appropriate to their individual needs. It is also important for tertiary institutions to create a culture that rewards information sharing since important networks, technical knowhow as well as vital operational details may be lost forever if not captured or shared. For any organization to succeed, training and development of all staff in form of courses, workshops, conferences and seminars should be vigorously pursued as a reward management strategy. From the findings, most employees both from the private tertiary training institutions and public tertiary training institutions want to learn more, enlarge their education, and become more valuable to their institutions. The tertiary institutions should therefore take advantage of that mindset to develop and maintain a training and development policy for all cadres of staff to create
lifelong learning opportunities since employees need to be continuously trained to acquire and improve their technical skills since technological, legal and other environmental and professional changes take place continuously.

The management of both private and public tertiary training institutions needs to learn more on this new reward management strategy in the work environment by creating awareness on the same through seminars and short course for all employees. The management should also make the employee work environment interesting and enjoyable by ensuring that they have a balance between their work life and personal life.

REFERENCE


