INFLUENCE OF NON-FINANCIAL REWARDS ON EMPLOYEE PERFORMANCE IN THE STATE CORPORATIONS IN KENYA

[1]Regina Wairimu Kamwenji, [2]Dr. Patrick Karanja Ngugi, PhD, [3]Dr. Mary Kamaara, PhD

[1, 2, 3] College of Human Resource Development

Jomo Kenyatta University of Agriculture and Technology

P.O BOX 62000-00200 Nairobi, Kenya

Abstract: **Kenya aspires to attain sustained and high growth in economy in line with employment by the government, creating wealth and reducing poverty to conform to 2030 vision. To achieve this, the public sector which is the biggest employer must monitor the performance of its employees. The main objective of the study was to establish the influence of financial rewards on Employee Performance in the State Corporations in Kenya. The study was guided by three theories which include; Abraham Maslow's, Hertzberg's, Vrooms' expectancy, scientific management, Adams Equity Reinforcement and goal setting theories. The study used descriptive and explanatory research designs and targeted 6 respondents from the 107 sampled state corporations totaling to 642. The study undertook a pilot study to pretest and validates the questionnaire. The probability and non-probability sampling was adopted and the study used stratified sampling and purposive sampling. The findings showed that non-financial rewards are a strong predictor of employee performance. The study recommends that state corporations in Kenya needs to establish a reward management policy/system and involve employees in determining acceptable and affordable non-financial rewards based on achievement of performance targets and the organization's ability to pay or provide for these rewards.**

Keywords: **Reward Management Practices, Non-Financial Rewards, Employee Performance, State Corporations.**

1. INTRODUCTION

This study sought to ascertain the influence of non-financial rewards on employee performance in the State Corporations in Kenya. Reward management practices are essential for achieving overall organizational performance. Notably, the realized good performance should further correlate with rewards since the exceptional employees expect the top management to recognize their efforts. As Davila, Epstein and Manzoni (2014) note, developing and implementing reward and recognition practices is imperative to boost morale, create goodwill between employees, and encourage the non-performers to improve. Hence, effective reward management practices should be aligned with the strategy of an organization to attract, motivate employees' performance, and retain staff with the skills, knowledge and abilities needed to achieve the strategic objectives of the firm.

Barney and Hesterly (2012) indicated that firms that utilize capabilities and resources to seize business opportunities and neutralize threats are likely to realize an increase in their net revenue or a decrease in their net costs or both or vice versa. On this note, threat neutralization, personnel motivation, and opportunity exploitation are realized through employing diverse incentive-based approaches that include non-financial rewards.

Julius and Olusegun (2012) conducted a study to assess the relationship and causality between job performance and reward system in Nigeria and indicated that rewards affected job performance. Further studies indicated that pay structure affects job performance among public servants in Ghana. It is important to note that compensation policy of a country leads to alteration in the level of salaries in different public institutions.

Differences in reward practices that involve monetary allowances exist in the Kenyan job market as indicated by the Kenya Institute for Public Policy Research and Analysis (2013). KIPPRA (2013) asserts that there have been wage differences between the private and the public corporations in Kenya where a wage premium is favored to the public sector. The assertion implies that the Kenyan State Corporations adopt numerous reward practices that can range from financial incentives, non-financial rewards, employee benefits, and allowances, as well as work life focus benefits. Irrespective, those employed by private entities have a higher wage premium compared to that of the civil servants. It is thus crucial and essential to establish the association linking practices of non-financial rewards and the performance of employees more so in Kenya state corporations. This study sought to establish the impact of non-financial rewards on employee performance in the state corporations in Kenya.

2. STATEMENT OF THE PROBLEM

Lack of a comprehensive reward management system in a majority of Kenyan state corporations has created dissatisfaction among employees leading to decreased staff morale and consequently decreased employee performance. The low compensation in non-financial rewards has led to national wide strikes of the public sector employees leading to decreased productivity (KIPPRA, 2013). The state corporations are marred by under-performance which in turn translates to losses and misappropriation of public funds with 21% of the corporations registering losses in 2011/12, 23% in 2010/11 and 31% in 2009/10. This is despite the fact that the wage bill in 2013 for 188 state corporations stood at over Kenya shillings131.2 billion with treasury financing Kenya shillings 60.34 billion (Government of Kenya [GOK], 2013).

This study gathered information and statistics attributed to non-financial rewards, compensation and performance in the state corporations to advice on strategies to improve performance for sustainability. The comparative information shall be a useful guide for the policy makers in alignment of the rewards and using the same to improve performance in the state corporations. This study therefore sought to establish the extent to which non- financial rewards influences employee performance and how the same can be adequately applied to improve employee performance in the State Corporations in Kenya.

3. OBJECTIVE OF THE STUDY

The general purpose of this study was to establish the influence of non-financial rewards on employee performance in the state corporations in Kenya.

Research Hypotheses

H_A: Non-financial rewards positively influence Employee Performance in the State Corporations in Kenya

4. LITERATURE REVIEW

Non -financial rewards have been defined as the non-monetary rewards which are extended to the employee by their employers in order to satisfy their needs such as recognition, advancements, achievement, responsibility, autonomy, influence and personal growth at the workplace (Leysen and Boydston, 2009).

These rewards comprise of the inherent or psychological rewards which emanate from the work that employees do, their associations and workplace environment (Nick, 2011). They include recognition and praise, feeling valued, job challenge and variety, job interest and job satisfaction. They are known for increasing intrinsic motivation among employees by raising their self-esteem at workplace. Benefits and pay are common financial rewards; however employee recognition and praise can be derived from both financial and non-financial rewards (DeCenzo & Robbins, 2010).

Non-financial rewards are substantial rewards provided and controlled by a firm and which do not necessarily benefit employees in monetary sense (Tabiu & Nura, 2013). It can therefore be concluded that employees are highly motivated by non-financial rewards such as employee recognition hence improving job performance. Recognition can be defined as approval, appreciation and acknowledgement of the positive achievement or behaviors of an individual employee or group of employees by the management or even the employer (Caligiuri *et al.*, 2010).

The biggest component of financial reward is the basic pay which reflects the minimum amount that is paid on specific job group, it represents the largest fixed labour costs for employers. Basic pay would constitute a fixed hourly or daily rate or monthly or annual rate others would include piece rate. Variable or contingent pay are the umbrella terms that are used to refer to forms of remuneration which are conditional upon the achievement of pre-determined objectives, related to the individual, group or organizational performance (Nick, 2011).

The main reason for recognizing employees is that empirical evidence suggests that motivated employees love their job and are positive about themselves hence employee recognition plays an important role in improving employee productivity and increase satisfaction (Vosloban, 2012). Recognition can include postcards or letters, memory items, posting names of employees of the month or year on the notice board (Tabiu & Nura, 2013).

For recognition to yield the preferred results, firms must allocate enough time and attention. According to Shields *et al*. (2015), non-financial rewards have a substantial impact on employee satisfaction and motivation as opposed to traditional financial rewards. Shields *et al.* (2011), asserts that the use of non-monetary rewards along with the financial rewards is essential since the reliance of monetary rewards encourages workers to focus on activities that only help them to earn immediate incentives rather than on finding long-term solutions such as professional growth. There are strong indications that the non -financial compensations and incentives engage and inspire in more ways beyond the capability of monetary incentives (Khaled *et al.*, 2015).

5. RESEARCH METHODOLOGY

The study used both the descriptive and explanatory designs as they encompass the quantitative and qualitative research designs. The method is practical in the current context because it is precise and accurate since it enables the description of events in a carefully planned way (Creswell & Plano, 2011). The study was carried out in the 178 state corporations in Kenya (ROK, 2012). The state corporations are categorized as commercial, regulatory, tertiary, research and service. The unit of analysis was the 2 top managers reporting to the Chief Executive Officer, 2 officers or assistant managers and 2 assistant officers.

In addition of primary data secondary data was also included to aid achievement of the objectives. Questionnaires are used to capture data or information from respondents and data considered secondary is taken from internet, libraries and other publications of the organization. The pilot study was conducted on 10% of the sample size of 107 state corporations which is 11 and therefore targeted 66 employees.

Data analysis took place at two levels – descriptive statistics level and inferential statistics level. Descriptive analysis aims at summarizing distributions and describing a set of data on variables of the study. This analysis was used to profile respondents. It was carried out by producing percentages, means and standard deviation and results were displayed in tables. Simple and multiple linear regressions were used to test the hypothesis. The Pearson correlation coefficient was used to determine the strength or degree of a relationship between the independent variable and the dependent variable (Sekaran, 2013; Ketchen & Bergh, 2014). All the statistical tests were conducted at 95 percent confidence level. P-value was used to ascertain the significance of each construct in the regression model. The variables were taken to be statistically significant if the p-value ≤ 0.05.

6. RESEARCH FINDINGS AND DISCUSSIONS

The questionnaires were self-administered to the top management in each state corporation who are considered to have the information relating to how reward management practices impact on employee performance. The researcher distributed 642 questionnaires, out of which 501 responded positively by filling and returning the questionnaires. This represented an overall positive response rate of 78.04%. The remaining 21.96% were unresponsive even after several follow-ups and reminders.

This study adopted a cut off Cronbach value of 0.7 which is considered a strong measure of reliability consistency (Creswell & Clark, 2017). In this study the alpha coefficients for non-financial performance was above the 0.7 thresh hold. Cronbach's alpha coefficient for non-financial rewards was 0.775. This was confirmation of reliability of the data used to draw conclusions from theoretical concepts.

Test of Hypotheses

Hypothesis was formed on the basis of the research objective; it was tested using simple regression analysis. The hypotheses was tested at 95 percent confidence level (α=0.05), hence decision points to reject or fail to reject a hypothesis were based on the p-values. Where $p<0.05$, the study failed to reject the hypotheses, and where $p>0.05$, the study rejected the hypotheses.

Interpretations of results and subsequent discussions also considered correlations (R), coefficients of determinations (R^2), F-Statistic values (F) and beta values (β). R^2 indicated the change in dependent variable explained by change in the independent variables combined. Further, the higher the F-Statistic, the more significant the model. The negative or positive effect of the independent variable on the dependent (either negative or positive) was explained by checking the beta (β) sign. The R-value shows the strength of the relationship between the variables, t-values represent the significance of individual variables. The findings are presented along study objectives and corresponding hypotheses.

The hypothesis formulated was that*; H_1: Non-Financial rewards positively influence Employee Performance in the State Corporations in Kenya.* This was tested through the simple linear regression analysis**.**

Table 1: Effect of Non-Financial Rewards on Employee Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.541[a]	.292	.291	.62234

a. Predictors: (Constant), Non-Financial Rewards

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	79.88	1	79.88	206.249	.000[b]
	Residual	193.27	499	.387		
	Total	273.15	500			

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.906	.143		13.331	.000
	Non-Financial Rewards	.583	.041	.541	14.361	.000

a. Dependent Variable: Employee Performance

The results in the model summary suggests that there exists a strong relationship between Non-financial rewards and employee performance (R=541). Coefficient of determination R^2=.292 implies that non-financial rewards influence employee performance by 29.2%. This is significant since p-value<0.05 at 95% confidence level.

The results shows that the overall model is significant (F=206.249, $p<0.05$) and the coefficient also shows that non-financial rewards contributes significantly on employee performance (β=0.583, t=14.361, $p>0.05$). This implies that non-financial rewards significantly influence employee performance and therefore the hypothesis that non-financial rewards do not significantly influence Employee Performance in the State Corporations in Kenya was nullified.

7. CONCLUSION AND RECOMMENDATION

The fourth objective of this study was to find out the influence of non-financial rewards on Employee Performance in the State Corporations in Kenya. The study established that most of the state corporations offered learning opportunities to employees. The learning opportunities give employees a greater understanding of their responsibilities within their role and in turn build their confidence. This confidence will enhance their overall performance to the benefit the organization.

The findings further noted that the organizations offered employment security to employees, opportunities for promotion to employees who excel in their performance as well as positive recognition to employees for job well done. When an organization recognizes employees' efficiency, it taps into the best way to motivate them and bring out their hidden talents. The study therefore concludes that recognition provides the desired results and therefore organizations need to commit the required attention. Managers need to create goals and action plans that recognize the behaviors and accomplishments to guide on rewards within the organization.

REFERENCES

[1] Abdulahi, M., Abdifatah, H., Kibru, B., & Kefyalew, G. (2015). Small holder camel milk production performance in Jigjiga District, Somali regional state, Eastern Ethiopia. *Journal of Veterinary Science and Technology*, *6*(6).

[2] Bergmann, T. J. (2001). Campensation Decision Making (2001). *Fort Worth, Scarpello*.

[3] Caligiuri, S.D., Tessema, M. T., Ready, K. J., & Embaye, A. B. (2010). The effects of employee recognition, pay, and benefits on job satisfaction: cross country evidence. *Journal of Business and Economics*, *4*(1), 1-12.

[4] Creswell, J. W. (2014). *A concise introduction to mixed methods research*. Sage Publications.

[5] Julius, A.A. & Olusegun, A. (2012).*Reward system as a predictor of workers job performance, The case of health workers in Lagos State, Nigeria.* International Journal of Business and Behavioral sciencies, 2,(11), 1-16

[6] Ketchen D. and Bergh D. (2014*), Research Methods in Strategy and Management*, Emerald Publishing Limited.

[7] Mehta, A. M. (2014). *Impact of monetary rewards on employee performance and job satisfaction An empirical study of the insurance sector of Pakistan.* Interdisciplinary Journal of Contemporary Research in Business, 5(11), 276.

[8] Nick, W. (2011).*An Introduction to Human Resource Management*; Sage

[9] Rees, G., & Smith, P. (2014). *Strategic human resource management: An international perspective.* Los Angeles: SAGE.

[10] Sekaran U. (2013), *Research Methods in Business: A Skill Building Approach*, 4^{th} Edition, John Wiley and Sons, USA.

[11] Tessema, M. T., Ready, K. J., & Embaye, A. B. (2013). *The Effects of Employee Recognition, Pay, and Benefits on Job Satisfaction: Cross Country Evidence*. Journal of Business and Economics, 4(1), 1-12.

[12] Yousaf S, Latif M, Aslam S, Saddiqui A.(2014). *Impact of financial and non financial rewards on employee motivation.* Middle-East Journal of Scientific Research; (10):1776-1786.