

Influence of Non-Financial Rewards on Employee Performance in the State Corporations in Kenya

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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 purpose of this study was to the influence of non-financial rewards on employee performance in the state corporations in Kenya. The study used descriptive and explanatory research designs and targeted 6 respondents from the 107 sampled state corporations totaling 642. The study undertook a pilot study to pretest and validates the questionnaire. 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 management of State Corporations in Kenya should develop programs of sponsoring the top performing employees to pursue further studies of their interest as a way of encouraging continued improved performance.

Keywords: *Non-Financial Rewards, Employee Performance, State Corporations*

1.0 Introduction

This study sought to ascertain the influence of non-financial rewards on employee performance in 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 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 alterations 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 private and public corporations in Kenya where a wage premium is favored by the public sector. The assertion implies that 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 civil servant. 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 state corporations in Kenya.

Problem Statement

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 although the wage bill in 2013 for 188 state corporations stood at over Kenya shillings 131.2 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 advise on strategies to improve performance for sustainability. The comparative information shall be a useful guide for the policymakers in alignment with 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 influence employee performance and how the same can be adequately applied to improve employee performance in the State Corporations in Kenya.

Objective of the Study

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

Research Hypothesis

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

2.0 Literature Review

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

Alhmoud and Rjoub (2019) assessed the impact of total pay, including external, internal, and social awards, on employee retention at Islamic banks in Jordan. A questionnaire was used to poll the study sample, which included 500 employees from major Islamic banks in Jordan. The partial least squares method was then utilized to evaluate the study hypothesis using the structural equation model. Employee retention is influenced by external, internal, and social benefits, according to the findings. Social benefits, it turns out, have the biggest impact on employee retention. The study focused on banking sector in Jordan thus presenting a contextual gap.

The impact of non-monetary incentives on employee productivity was explored by Khan, Waqas, and Muneer (2017). A questionnaire in the city of Faisalabad was used to investigate the personal experiences and opinions of employees of several courier firms. Employees' personalities are influenced by rewards, which encourage loyalty and strong performance. Employee performance and non-financial awards were found to have a substantial link, according to the findings. A contextual gap exists since the research was done in Pakistan which is a different environment from Kenya.

The impact of non-monetary incentives on job satisfaction in Pakistani private firms was researched by Akbar, Riaz, Arif, and Hayat (2018). Data was gathered using a self-management questionnaire. Correlation and regression tests were used to examine the data. The findings revealed that job happiness is boosted by recognition, flexible work arrangements, employee feedback, freedom, development chances, promotions, empowerment, a competitive work environment, and individual compensation preferences. Furthermore, it is thought that focusing on aspects that positively affect job satisfaction will boost employee performance and create a happy work environment, which will aid in increasing organizational productivity. There is a contextual gap because the study focused on private enterprises in Pakistan, while the current study looked at government agencies in Kenya.

Nabukeera, Bwengye, and Buwembo (2019) investigated the impact of non-monetary incentives on employee motivation and company performance in Uganda. The purpose of this research is to determine how non-monetary incentives influence employee performance. This study employed a descriptive research design. Non-monetary rewards and motivation had a correlation coefficient of 0.449 with a p-value of 0.000, showing a statistically significant association, but non-monetary rewards and performance had a correlation coefficient of 0.175 with a p-value of 0.081, indicating a negative relationship. There is a strong link between motivation and performance. As a result, while good management of non-monetary rewards boosts motivation, motivation has no direct impact on performance. The study presented a conceptual gap since it focused on corporate performance and not employee performance.

Ngatia (2017) investigated how recognition, career development, employee autonomy, and flexible working hours affected employee performance at the Muranga Drinking Water and Sewerage Company. This research employs a descriptive research design that incorporates both quantitative and qualitative research techniques. Employee freedom and performance were found to have a substantial link in this study. According to the research, employee recognition has a significant impact on employee satisfaction and productivity, and employees cherish

recognition as part of their remuneration package. Furthermore, this study discovered that when firms embrace career development as a primary means of improving employee performance, they achieve high levels of organizational effectiveness. Finally, the study discovered that flexible working hours provide employees with a lot of flexibility in how they conduct their tasks, while strong work morale can help keep stress away and make employees happy, which leads to better performance.

3.0 Methodology

The study used both descriptive and explanatory designs as they encompass the quantitative and qualitative research designs. The study was carried out in the 178 state corporations in Kenya with 642 respondents being sampled. 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. Questionnaires were used to collect primary data. Data analysis took place at two levels – descriptive statistics level and inferential statistics level. Descriptive analysis was carried out by producing percentages, means, and standard deviation, and results were displayed in tables. Simple linear regression was used to test the hypothesis.

4.0 Results and Discussion

Descriptive Statistics of Non–Financial Rewards

Non-financial rewards encompass the psychological or intrinsic rewards which stem from the work that people perform, their working relationships, and environment. Non-financial rewards include feeling valued, receiving praise and recognition of achievement, job satisfaction, job interest, challenge, and variety.

Results of the findings indicated that the statement with the highest mean was that the organization offers learning opportunities to employees with 86.6% agreeing, 5.9% disagreeing, and 7.5% being neutral with a mean of 4.00 and a standard deviation of .730. An employee who is given learning opportunities can perform more in their job. The opportunities give employees a greater understanding of their responsibilities within their role and in turn, build their confidence which enhances their performance and eventual corporate performance. Other statements with moderate agreement were that the organization offers employment security to employees with 79.6% agreeing, 7.5% disagreeing, and 12.9% being neutral with a mean of 3.85 and a standard deviation of .781.

On whether the organization offers opportunities for promotion to employees who excel in their performance, 69.3% agreed, 14.9% disagreed and 15.8% were neutral with a mean of 3.66 and a standard deviation of 1.627. 69.8% of the respondents agreed that the organization gives positive recognition to employees for a job well done with 13.5% disagreeing and 16.6% being neutral with a mean of 3.62 and a standard deviation of .901.

The statement that the organization encourages opportunities to form personal relationships had 65.7% of the respondents agreeing, 16.5% disagreeing, and 17.8% with neutral opinions having a mean of 3.52 and a standard deviation of .904. An organization recognizing employees' efficiency, taps into the best way to motivate them and bring out their hidden talents. While it's important to motivate employees, if rewards do not come after extra effort, the employees will lose their enthusiasm when they realize that there is no payoff. Additionally, recognition is priceless, status is much more than money, it increases employee loyalty, enhances performance, and generates greater success.

The statement that had the lowest mean was that personal relationships do not jeopardize employee performance with 47.6% disagreeing, 33.3% agreeing and 19.1% being neutral with a mean of 2.90 and a standard deviation of 1.069. These results indicate that some of the personal relationships in work area may jeopardize employee performance and this could suggest that there is a need for the organization to have policies to guide employee relations and interactions for improved employee performance. 46.2% of the respondents agreed with the statement that the learning opportunities are equally accessed by the employees with 40% disagreeing and 13.8% being neutral with a mean of 3.11 and a standard deviation of 1.089. The statement that promotion opportunities are fair and based on merit had 49.1% of the respondents agreeing, 20.2% disagreeing and 30.7% being neutral with a mean of 3.258 and a standard deviation of 1.002.

This study is in line with studies by Vosloban, (2012) that concluded that one valuable outcome and reason for recognizing employees is that people who feel appreciated are more positive about themselves and their ability to contribute can boost productivity and increase satisfaction. Managers need to create goals and action plans that recognize the behaviors and accomplishments that warrant rewards within the organization. A sincere word of thanks from the right person at the right time can mean more to an employee than a pay rise.

Further, Markova and Ford (2011) indicated that non-financial rewards are an important part of the reward mix and can play an essential role in motivating employees and attending to their well-being. Whilst financial rewards are purely hygiene factors, non-financial rewards address the basic psychological needs of employees and can unlock latent effort and greater organizational commitment. The employees suggested that personal development is key in the organization, promotion of staff through merit, and giving bonuses.

Further, commuter allowance should be based on rates within the confines of the organization. The organization should not be quick to punish but rather encourage employees through rewards. The result of the descriptive statistics is presented in Table 1.

Table 1: Non-Financial Rewards Manifestations

Items	(SD) %	(D) %	(N) %	(A) %	(SA) %	Mean	Std. Deviation
The organization gives positive recognition to employees for a job well done	3.0	10.5	16.6	60.7	9.1	3.62	.901
The organization offers employment security to employees	1.2	6.3	12.9	65.5	14.1	3.85	.781
The organization offers learning opportunities to employees	0.4	5.5	7.5	66.5	20.1	4.00	.730
The organization offers opportunities for promotion to employees who excel in their performance	4.0	10.9	15.8	59.2	10.1	3.66	1.627
The non-financial rewards offered to act as incentives for employees to improve performance	2.0	13.8	27.6	47.9	8.7	3.47	.907
The organization encourages opportunities to form personal relationships	2.8	13.7	17.8	59.6	6.1	3.52	.904

The learning opportunities are equally accessed by the employees	3.0	37.0	13.8	38.1	8.1	3.11	1.089
Promotion opportunities are fair and based on merit	6.9	13.3	30.7	43.0	6.1	3.28	1.002
The personal relationships do not jeopardize the employee's performance	3.7	43.9	19.1	25.6	7.7	2.90	1.069
Employees do not construe employment security as a scapegoat for performance	3.5	9.7	28.4	51.6	6.8	3.49	.889

Scale; SD =strongly disagree: D = disagree: N= neutral: A =agree: SA =strongly agree

Descriptive Statistics of Employee Performance

The real success of organizations originates from employees' willingness to use their creativity, abilities, and expertise in favor of the organization. The organization's task is to encourage and nourish these positive employee inputs by putting effective reward practices in place. The findings showed that the highest mean was that employees in the organization are aware of the organizational objectives, mission, vision, and objectives of the organization with a mean of 4.22 and a standard deviation of .516 with 96.1 % of the respondents agreeing, 0.45 disagreeing and 3.5% being neutral.

These results indicated that understanding the business mission statement helps give employee training purpose because it helps everyone to see how the course content benefits their personal career goals and the wider organization's mission. Other statements with high means of above 4.00 were that the work performed by employees is of high quality with 93.3% agreeing, 0.6% disagreeing, and 6.1% being neutral with a mean of 4.14 and a standard deviation of .528.

The statement that the rate of absenteeism by employees in the organization is low had 89.6% agreeing, 1.2% disagreeing, and 9.2% having a neutral opinion and with a mean of 4.09 and a standard deviation of .591.

The statement that the work performed by employees is of high quantity had 88.4% of the respondents agreeing, 2.3% disagreeing and 9.3% being neutral with a mean of 4.05 and a standard deviation of .611. 83.8% of the respondents agreed with the statement that the employees in the organization achieve their specified targets with 2.5% disagreeing and 13.7% being neutral with a mean of 4.00 and a standard deviation of .650. These results indicate that employees play a big role in determining an organization's success. When the employee workforce commits themselves to ensure that they work steadily and effectively the organization will realize its targets.

Statements with the lowest means were that the organization rewards the stakeholders arising from improved employee performance, with a mean of 3.65 and standard deviation of .875, and that employees in the organization usually meet deadlines while accomplishing their tasks with a mean of 3.95 and standard deviation of .728.

Employee performance positively impacts the return on investment with a mean of 3.96 and a standard deviation of .757. These results indicate that organizations should consistently reward employees and stakeholders after improving the organization's performance in a bid to motivate them to work harder.

This is in line with studies by Shahzad et al. (2012) which indicated that higher rewards would motivate employees as they would feel more appreciated than their colleagues of the same qualification working in other firms, this high satisfaction translates to higher performance.

The result of this study supports Burdbar and Nisar (2012) research that concluded that individual performance levels are a function of one's motivation and total job capability and therefore when both are high, performance will tend to be generally high.

Table 2: Employee Performance

Items	(SD) %	(D) %	(N) %	(A) %	(SA) %	Mean	Std. Deviation
The work performed by employees is of high quality	0.0	0.6	6.1	72.1	21.2	4.14	.528
The work performed by employees is of a high quantity	0.0	2.3	9.3	69.2	19.2	4.05	.611
Employees in the organization usually meet deadlines while accomplishing their tasks	0.0	4.9	14.7	61.5	18.9	3.95	.728
Employee performance positively impacts the return on investment	0.6	3.7	16.3	58.5	21.0	3.96	.757
The employees in the organization achieve their specified targets	0.0	2.5	13.7	65.2	18.6	4.00	.650
The rate of absenteeism by employees in the organization is low	0.2	1.0	9.2	69.1	20.5	4.09	.591
Employees in the organization are creative and innovative	0.4	0.6	19.6	60.0	19.4	3.97	.672
The employees in the organization are encouraged to appraise themselves	1.0	3.1	12.2	65.0	18.7	3.97	.724
Employees in the organization are aware of the organizational objectives, mission, vision, and objectives of the organization	0.0	0.4	3.5	69.8	26.3	4.22	.516
The organization rewards the stakeholders arising from improved employee performance	1.2	8.8	26.5	46.7	13.6	3.65	.875

Scale; SD =strongly disagree: D = disagree: N= neutral: A =agree: SA =strongly agree

Test of Hypothesis

Hypothesis was formed based on the research objective; it was tested using simple regression analysis. The hypothesis was tested at a 95 percent confidence level ($\alpha=0.05$), 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 a 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 with study objectives and corresponding hypotheses.

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

Table 3: 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	Standardized Coefficients	t	Sig.	
		B	Std. Beta			
1	(Constant)	1.906	.143	13.331	.000	
	Non-Financial Rewards	.583	.041	14.361	.000	
a. Dependent Variable: Employee Performance						

The results in Table 3 in the model summary suggest that there exists a strong relationship between non-financial rewards and employee performance ($R=0.541$). Coefficient of determination $R^2=0.292$ implies that non-financial rewards influence employee performance by 29.2%. This is significant since $p\text{-value} < 0.05$ at 95% confidence level.

The results show that the overall model is significant ($F=206.249$, $p < 0.05$), and the coefficient also show that non-financial rewards contribute significantly to employee performance ($\beta=0.583$, $t=14.361$, $p < 0.05$). 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.

The findings of this study were in line with the results made by Khan, Waqas, and Muneer (2017) who concluded that non-financial rewards and employee performance were significantly related. Similarly, the findings supported Akbar et al. (2018) findings that non-monetary incentives had a positive and significant relationship with employee job satisfaction. Additionally, according to Agwu (2013), non-monetary incentives such as learning opportunities, acknowledgment, offer of challenging occupations, and opportunities for career progression provide effective instruments for motivating personnel, which in turn leads to increased performance.

5.0 Conclusion

The study sought to find out the influence of non-financial rewards on employee performance in State Corporations in Kenya. The study established that most of the state corporations offered to learn 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 of 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 a 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 rewards within the organization.

6.0 Recommendations

The study indicated that most of the state corporations in Kenya offered learning opportunities to employees. The findings further concluded that these organizations offered employment security to employees as well as opportunities for promotion to employees who excel in their performance. Based on the conclusions, the study recommends management of State Corporations in Kenya develop programs of sponsoring the top performing employees to pursue further studies of their interest as a way of encouraging continued improved performance.

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