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Effect of Reward System on Telecommunications Industry Performance in Kenya

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Abstract

The study sought to determine the effect of the reward system on performance of telecommunication industry in Kenya. The research was anchored on expectancy theory and adopted both descriptive and correlation research techniques. Target population was 300 senior management employees of telecommunication firms in Kenya. The data was analyzed using descriptive statistics and regression analysis. The findings indicated that reward system had a positive and significant effect on performance of telecommunication industry in Kenya. The study concluded that reward systems contribute significantly to the performance of telecommunication industry in Kenya. From the results, the study recommended that telecommunication management should develop better reward systems since they offer an incentive for personnel training and development which enhances efficiency within the firm.

Keywords: *Reward, performance, telecommunications industry*

1.0 Introduction

Organizational performance is the ability of an organization to attain its goals by using resources effectively and efficiently (Pamela, Umoh & Worlu, 2017). It is the actual output or results of an organization as measured against its intended outputs, that is; goals and objectives. Organizational performance encompasses three specific areas of firm outcomes; financial performance (profits, return on assets, return on investment), product market performance (sales, market share), and shareholder return [total shareholder return, economic value added] (Amin, Ismail, Rasid & Selemani, 2014).

A system of employee reward is put forth by an organization to reward performance which motivates workers at personal or group levels (Biron et al., 2011). Commonly known as commissions, they can be either monetary in form or end up costing an organization. They are observed by managers as a crucial factor in motivating employees at a personal level (Armstrong & Baron, 2004). These rewards can also be used to attract and maintain competent workers, as it becomes very costly and time costly to find and hire new workers.

Organizations are focused on achieving better performance through the use of talented human resources. No matter the amount of technology and mechanization developed, human resource remains the singular most important resource of any success-oriented organization (Lawler, Benson & McDermott, 2012). Successful businesses are built on the strengths of exceptional people. Human Resource Management (HRM) has now gained significance and can therefore not be relegated to the background or left in the hands of non-experts. HRM practices can be defined as a set of organizational activities that aims at managing a pool of human capital and ensuring that this capital is employed towards the achievement of organizational objectives (Snape & Redman, 2010).

Problem Statement

Through the acquisition and development of a firm's human capital, human resource practices have been known to influence the employee's skills. An organization can achieve its core strategy when human resource practices are aligned accordingly. For there to be progress in an organization, it ought to use HRM to its capability to differentiate itself from other organizations with same competitive advantage (Harrison, 2012). It is from adopting a strategic attitude toward individuals that human resource strategies come about, generally a set of strategically defined objectives aligned with the business strategy, they are accomplished when managers inculcate people's leadership and guide them towards achieving these defined objectives (Al-Hawary & Nusair, 2017).

According to a study by Kamau (2015), smaller firms in the telecommunication industries are faced with a shortage of employees, thus they are unable to deliver the standard quality remuneration package as compared to larger firms, for example, Safaricom and Airtel, this is a low hit on this small telecommunication industries as they cannot outmatch bigger firms adopted competitive strategy, thus diminishing their overall performance. According to Nzuve and Nyaega (2013), in their study on the application of Balance Scorecard at Essar Telkom Kenya, they found out that when a firm is faced with poor recognition of employees and as well a shortage of capacity building programs then the organization goals are hampered. It is on this premise that this study sought to determine the effect of the reward system on the performance of Kenya's telecommunication industry.

Research Hypothesis

H_{o4}: Reward system has no significant effect on performance of the telecommunications industry in Kenya

2.0 Literature Review

Vroom (1964) created the expectancy theory and postulates conducting outcomes from cognizant decisions among choices the reason for which is to increase pleasure and restrict torment. The author found that the production of a worker depends, for instance, on personal factors such as personality, abilities, data, experience, and abilities. He said the result and inspiration are linked to the development of an individual.

The theory explains why more pay often leads to higher performance and why in other cases the connection is often not all that strong (Minbaeva et al., 2014). Inspiration is an element of the notion a laborer has about the likelihood that working harder will prompt higher execution and the likelihood that a higher outcome will result in more income. Theorists posit that the quality of an inclination to act in a particular manner relies upon the quality and anticipation that the action will be accompanied by a given result (Redmond, 2010).

In relation to this study, it implies that employees in the telecommunication industry need to acknowledge that they can accomplish what is requested of them and trust that if they put more endeavors into accomplishing targets, at that point they will get more rewards. The theory advanced the reward variable in this research.

Empirical Review

Ngui (2015) examined the effect of reward policies on commercial bank performance and adopted a mixed-method approach. From the analysis, the researchers discovered that reward strategies will positively influence the banks' performance. In addition, the research found that if banks decide to use both economic and non-financial benefits, the employees will be extremely motivated leading to engagement that will ultimately boost efficiency. The research, however, concentrated on commercial banks rather than telecommunications companies.

Khalumba (2012) examined the effect on the economic results of commercial banks in Kenya explained by their human resource management procedures. It was found that most banks did not have an efficient scheme of reward management, efficient human resource plans, efficient recruitment and selection procedures, efficient training and development programs, and career development programs.

In their research, Axelsson and Bokedal (2009) explored the effect of incentives at Volvo Car Corporation on motivating distinct generations. Unlike stocks and bonuses, the research results disclosed the non-monetary benefits and difficult work motivates managers. Titles give no motivation at all. Even so, growth opportunities are a motivating factor for both generations. The conclusion made was that there is a generational gap. The generations, however, regarded wages to be of excellent significance as well as non-monetary benefits. The suggestion for this study was the need for further studies into reward schemes and their effect on dimensions such as gender and phase of life.

In their article, Duberg and Mollen (2010) attempted to set up reward schemes in the healthcare and geriatric care industry. The study's goal is to determine whether the reward system affects healthcare quality. The research discovered that monthly wage was an important factor in the reward system; even you were seen creating a pleasant workplace with happy employees through rewards such as stocks and bonuses. This motivated and enhanced the efficiency of employees.

Oduor (2015) determined the effect on the performance of higher learning institutions resulting from total quality management. The finding of the study was that staff involvement affected organizational productivity through motivation. Additionally, the findings showed that leadership affected the performance of the organization through the motivation of employees; the study concluded that the motivation of employees significantly contributes to the performance of institutions of higher learning. The study recommended that institutions of higher learning should develop effective ways of motivating their employees.

Nnaji-Ihedinmah and Egbunike (2015) studied the effect of rewards on employee performance in organizations at the selected commercial banks in Awka Metropolis. The results indicated the presence of a relationship between rewards and employee performance and that there is a significant difference in the effects of intrinsic and extrinsic rewards on employee performance. The study agrees that there is a difference between the effect of intrinsic and extrinsic rewards on employee performance. The significant difference arises from the fact that intrinsic rewards increase the performance of employees and can sustain it over time. While extrinsic rewards like premium salaries and office space among others can attract employees to an organization but cannot keep them for a long time leading to high employee turnover.

3.0 Methodology

The study adopted both descriptive and correlation research designs. In all four telecommunications companies in Kenya, including Safaricom, Airtel, Telkom, and Equitel, the survey population was 300 senior management workers. In choosing managers from the four telecommunications companies, the research used proportional sampling. Using the Fisher formula, a sample size of 150 was reached. Using structured questionnaires, primary data was gathered. Data was analyzed using descriptive statistics and regression analysis.

4.0 Results and Discussion

Reliability of the Research Instrument

The reliability of the information collection instrument was evaluated using the internal consistency measurement of Cronbach Alpha. The results stated that the telecommunications industry's output had a 0.883 coefficient and the reward system had a 0.862 coefficient. All variables had alpha values above 0.7. Therefore, the research found that to capture the variables, the scales used in this research were accurate.

Table 1: Reliability Test

Variable	No of Items	Respondents	α=Alpha	Comment
Performance of Telecommunication Industry	6	15	0.883	Reliable
Reward Systems	6	15	0.862	Reliable

Descriptive Statistics of Reward System

The study assessed the effect of the reward system on telecommunications industry performance in Kenya. Using a five-point Likert scale, the research attempted to understand the amount of agreement between participants on different reward system statements.

Results in Table 2 showed that the majority of participants who were 73.8% (60.7% + 13.1%) agreed with the declaration that better reward systems offer an incentive for personnel training and development which enhances efficiency within the firm, 87% agreed that rewards and compensation foster employee motivation which allows for better workforce productivity while 86.2% agreed that rewards and compensation act as an incentive for employee retention which enhances the organization knowledge capacity.

Further, 86% of the respondents agreed that rewards and compensation foster employee performance which enhances the competitive edge of the firm hence market share, 64.5% agreed that the way the reward scheme is managed in the organization is fair; however, 59.8% disagreed that the organization values individual excellence over teamwork.

The general mean of the answers was 3.66 using a five-point Likert scale means, which suggests that the majority of participants agreed with the reward system statements. In addition, the standard deviation of 0.76 shows variations in the responses.

The results of the research mirror those of Agoi (2017), who found a high effect of rewarding leadership on employee satisfaction. Khalumba (2012) discovered that most commercial banks lacked efficient human resource plans, inadequate recruitment, and selection procedures, lacked efficient reward management schemes, lacked efficient training and growth programs, and career development programs. Duberg and Mollen (2010) discovered that wages were a significant element of the reward system, but incentives such as bonuses and shares were seen to create a pleasant workplace with happy employees. This motivated and enhanced the efficiency of staff.

The implication of the findings is that reward system influences performance of telecommunication industry in Kenya. A better reward system increases employees' productivity, which is likely to translate into an increase in the overall firm's performance. It also implies that the reward system is an important component of human resource management.

Table 2: Reward System

Statement	SD	D	N	A	SA	M	Std. Dev
Better rewards systems offer an incentive for personnel training and development which enhances efficiency within the firm.	0.0%	0.0%	26.2%	60.7%	13.1%	3.87	0.62
Rewards and compensation foster employee motivation which allows for better workforce productivity.	0.0%	0.0%	13.1%	66.4%	20.6%	4.07	0.58
Rewards and compensation act as an incentive for employee retention which enhances the organization's knowledge capacity.	0.0%	0.0%	13.1%	73.8%	13.1%	4.00	0.51
Rewards and compensation foster employee performance which enhances the competitive edge of the firm hence market share.	0.0%	0.0%	14.0%	59.8%	26.2%	4.12	0.63
The organization values individual excellence over teamwork	26.2%	33.0%	24.3%	12.1%	3.7%	2.34	1.11
The way the reward system is managed in the organization is fair	4.70%	18.7%	12.1%	45.8%	18.7%	3.55	1.14
Average mean score						**3.66**	**0.76**

Effect of Reward System on Organizational Performance

The research attempted to assess the effect of the reward system on telecommunications industry performance in Kenya. The model summary findings are presented in Table 3. The results stated that the reward system accounts for 68 percent of total changes in telecommunications industry performance in Kenya. This is indicated by an R square of 0.680.

Table 3: Model Summary

Indicator	Coefficient
R	0.824
R Square	**0.680**
Adjusted R Square	0.677
Std. Error of the Estimate	0.2447846

Table 4 presents the outcomes of the Analysis of Variance (ANOVA). The findings suggested a statistically significant general model. This was backed by the 222.843 F reported, which was higher than the 3.94 F critical value. Further supporting the outcomes was a recorded p-value of 0.000 which was lower than the standard probability of 0.05. The findings indicate that statistically significant is the model links the reward system to performance.

Table 4: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.353	1	13.353	222.843	.000[b]
Residual	6.292	105	.060		
Total	19.644	106			

The outcomes of the coefficients are shown in Table 5. The results showed a direct and significant connection between the reward scheme and telecommunications companies' performance in Kenya, backed by a p-value of 0.000 and a beta coefficient of 0.777. This means that a one-unit enhancement in the reward system would boost telecommunications firms ' efficiency by 0.777 units.

The results of the research mirror those of Agoi (2017), who found a high effect of rewarding leadership on employee satisfaction. Khalumba (2012) discovered that most business banks lacked efficient human resource plans, ineffective recruitment, and selection processes, lacked efficient reward management schemes, lacked efficient training and growth programs, and career growth programs. Duberg and Mollen (2010) discovered that wages were a significant element of the reward system, but incentives such as bonuses and shares were seen to create a pleasant workplace with happy employees. This motivated and enhanced the efficiency of staff.

Table 5: Regression of Coefficient

	B	Std. Error	t	Sig.
(Constant)	.913	.194	4.718	.000
Reward System	.777	.052	14.928	.000

The specific model;

$Y = \beta_0 + \beta_1 X_4 + e$

Performance of Telecommunication Industry= 0.913+0.777 Reward System

***H*$_{04}$**: *Reward system has no significant effect on performance of the telecommunications industry in Kenya*

The null hypothesis was that the reward system did not have a significant effect on telecommunications industry performance in Kenya. Table 5 showed that the calculated t value of 14.928 was higher than the critical t value of 1.96 at a significance level of 5 percent. The null hypothesis was thus dismissed and thus the reward system had a significant effect on the telecommunications industry's performance in Kenya.

5.0 Conclusion

In addition, the study concluded that reward system has a positive and significant effect on the performance of telecommunication industry in Kenya. The univariate regression results showed that reward system had a positive and significant effect on performance of telecommunication industry in Kenya. The overall regression results also found a positive and significant relationship between the two variables. Following the regression results, the null hypothesis of no significant effect of reward system on the performance of telecommunication industry in Kenya was rejected.

6.0 Recommendations

Based on the findings, the study recommended the need for telecommunication firms to strengthen their reward system aspects. In particular, the firms should develop better reward systems since they offer an incentive for personnel training and development which enhances efficiency within the firm. An attractive reward system also leads to employee motivation which allows for better workforce productivity. Further, an attractive reward system act as an incentive for employee retention which enhances the organization's knowledge capacity.

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