

**REWARD MANAGEMENT PRACTICES AND EMPLOYEE
PERFORMANCE AT NAKUMATT HOLDINGS LTD**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI**

2014.

DECLARATION

I confirm that this research project is my own research work and has not been done or submitted in any other University.

.....

.....

Sign

Date

Betty Mkasia Bosco

(D61/72203/2011)

This research project has been submitted by my authority as the University supervisor.

.....

.....

Sign

Date

Supervisor

Dr. Mercy Gacheri Munjuri

DEDICATION

To my family members especially my husband Swaleh Kamau for his love and support, my daughter Nadia Kamau, my father Mr. John Bosco Semali for always pushing me to be the best that I can be and all those who supported me in the completion of this project.

Thank you and God bless you abundantly.

ACKNOWLEDGEMENT

I wish to thank the almighty God for his grace throughout this study. This study was made possible through the guidance and supervision of Dr. Mercy Gacheri Munjuri; I am greatly indebted to her. I wish to extend further appreciation to the University of Nairobi, School of Business for imparting in me knowledge to carry out this research. Special thanks to members of my families and friends for their patience and support throughout the period of this project.

ABSTRACT

The objective of this study was to establish the influence of reward management practices on the performance of employees at Nakumatt Holdings Limited. A total of 195 questionnaires were administered and the study managed to obtain 100 completed questionnaires representing 51.3% response rate. The questionnaires contained questions that addressed the objectives of the study. The collected data was edited and cleaned for completeness in preparation for coding. Once coded, the data was entered into the Statistical Package for Social Sciences (SPSS) for analysis. Descriptive statistics such as mean and standard deviation were used to analyze the data. Regression analysis was used to test the relationship between the variables under study in relation to the objectives of the study. Analysis of variance (anova) was used to confirm the findings of regression. The study concluded that both financial and no-financial rewards have a positive effect on the performance of employees at Nakumatt Holdings Limited. However, no-financial rewards had a greater influence since they involve rewards such as recognizing high achievers and excellent performers of the company and giving them promotion on merit, providing employees with a good working environment, offering employees training programs to its employees as well as giving them opportunities for career advancement and rewarding responsibilities. All this either equips the employee with the skills and motivation needed for excellent performance or creates a conducive environment for them to work. The study recommended that the management of Nakumatt Holdings Limited should carry out a benchmarking activity against the best players in the world as a way of improving their employee performance. The study also suggested that a similar research should be done in future but all the supermarkets in Kenya should be included so as to enable the researcher to draw adequate conclusions.

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LIST OF ABBREVIATIONS

LTD Limited

NHIF National Health Insurance Fund

SPSS Statistical Package for Social Sciences

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Reward management practices are essential towards achieving the organizational overall performance. Those employees with distinct performance expect that their exceptional contributions should be recognized and also appreciated by top management (Beer 2004). As Bowen (2005) asserts, doing more of reward and recognition are vitally important to boost morale and create goodwill between employees, managers and employers. Galbraith (2003) notes that effective reward management practices are aligned to motivate employees' performance that is consistent with the firm's strategy, attract and retain people with the knowledge, skills, and abilities required to realize the firm's strategic goals, and create a supportive working environment. Bretz et al (2002) assert that the prevailing performance of the employees can be uplifted by having a well developed performance appraisal, reward and the bonus system. So, the rewarding program itself should influence the employees' performance in a positive way as expected by the employer.

Beer (1984) points out that reward is a vital instrument in ensuring employee performance. A well rewarded employee feels valued by the person or people that he/she is working for. Rewarded employees are 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 honed and 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. The importance of rewarded

employees cannot be highlighted enough in an organizational context (Lotta 2012). Rewarded employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are not rewarded for their efforts (Hunter et al 1990). Luthans (2000) observes that reward is very significant towards employee performance. The author further explains that there are two types of rewards which are financial (extrinsic) and non-financial (intrinsic) reward and both can be utilized positively to enhance employee's performance. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts among others. Non financial rewards are non monetary/non cash such as a social recognition, praise and genuine appreciation among others and all these improve employee performance in the long run.

Lotta (2012) states that financial incentives are indeed effective in improving employee performance. Ojokuku and Sajuyigbe (2009) found out that financial incentives (pay satisfactions dimensions) have significant effect on employees' performance. But Perry et al (2006) discover that financial reward is not the most motivating factor and financial incentives have a de-motivating effect among employees (Srivastava 2001). Nelson (2004) notes that praise and recognition are the most efficient intrinsic reward that enhance employees' performance. Jensen et al (2007) see intrinsic reward as a tool that motivate employees to perform as expected.

Adams (1963) Equity theory focuses on determining whether the distribution of resources is fair to relational partners. Employees want to feel that their contributions and work performance are being rewarded and this influences their performance levels at individual

and company levels. In equity theory there are inputs and outputs, inputs are each participant's contributions to the relational exchange. They include; time, effort, loyalty, hard work, commitment, ability, adaptability, flexibility, tolerance, determination, enthusiasm, personal sacrifice, trust in superiors, support from co-workers and colleagues and skill among others. Outputs can be both tangible and intangible and they include a range of; job security, salary, employee benefit, expenses, recognition, reputation, responsibility, sense of achievement, praise, thanks and stimuli. On the other hand, Vroom (1964) Expectancy theory proposes that an individual will decide to behave or act in a certain way because they are motivated to select a specific behavior over other behaviors due to what they expect the result of that selected behavior will be. In essence, the motivation of the behavior selection is determined by the desirability of the outcome. Expectancy theory is about the mental processes regarding choice. This theory emphasizes the needs for organizations to relate rewards directly to performance and to ensure that the rewards provided are those rewards deserved and wanted by the recipients. It should be noted that both theories have an outcome element in the reward management process that prompts the aspect of employee motivation to work and this activates commitment and hard work which over all defines employee performance levels in regard to realizing the companies' targets.

Retail stores in Kenya do not have a very good history of paying their employees well. This is evident by the strikes witnessed in recent years by Tusky's and Nakumatt employees (Herbling 2013). This was also due to the fact that the employees were being prevented from joining unions which are responsible for defending employees rights. Uchumi employees had also once threatened to follow suit if their grievances were not

heard (Otuki 2013). These retail stores have since improved a lot in terms of how they reward their employees. They have included both monetary and non-monetary rewards for their employees to keep them motivated. For example, after the employees of these retail stores were unionized, the union was able to negotiate a salary increment for them.

1.1.1 Reward Management

Organizational rewards are financial and non-financial, that an employee obtains through his or her employment relationship with an organization (Malhotra et al 2007). There are three main types of rewards that an individual seeks from an organization; extrinsic, intrinsic and social (Williamson et al 2009). Extrinsic rewards are those provided by the organization, which do not come from the content of the job itself. They include tangible, material benefits such as pay in form salaries and wages, fringe benefits and promotional opportunities. Intrinsic rewards refer to the intangible benefits that arise from the content of the job itself and have consequences for the psychological development of the employee (Williamson et al 2009). They may include motivational characteristics of the job such as autonomy, feedback and participation in decision-making (Hackman and Oldham 2006). Social rewards derive from interaction with other people on the job. Social rewards are the extent to which positive interpersonal relationships, such as those with a supervisor or a co-worker, are available to the individual in the work environment.

In managing rewards of the organization employees can be given rewards in form of cash, 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 designed to enhance company performance by aligning

the interests of employees with the goals of the organization (Chin-Ju 2010). Huselid (1995) looks at reward as a system that contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and performance. Richard (2006) argues that effective reward management with good reward packages help to attract and retain employees. Some employees give importance to specific rewards and other attach to different rewards. It is important for the managers to understand the needs, expectations and desires of employees and offer those rewards which leads to satisfaction of the employees (Workineh & Shimels, 2010). Some of these rewards come in the form of job involvement, participate in decision making, job autonomy, task significance and recognition. These rewards have their merits in creating a highly satisfied workforce.

Lotta (2012) observes that an individual may be extrinsically motivated when an employee needs are indirectly met through the use of monetary rewards. Kanfer et al (2008) states that employees are constantly involved in a social exchange process wherein they contribute efforts in exchange for rewards. Employees compare the effort or contribution that they put in towards accomplishing a certain task and acquiring rewards in exchange for the former. Rewards are one of the loudest and clearest ways leaders of an organisation can send a message about what they consider important (Bozionelos & Wang 2007). A great deal of the way people behave is influenced by the way they are measured and rewarded. If managers want employees to work together in teams, they must set performance goals and reward them as team members.

1.1.2 Employee Performance

Employee performance is the quality that can be measured by percentage of work output; customer satisfaction that can be measured by the number of loyal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism or tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed their set targets, they are then considered to have performed well to achieve objectives (Hakala 2008; Armstrong 2010). Performance is measured in terms of some output produced such as the quality or quantity of job, job design and others. Job performance should be considered as a significant in order to achieve the organizational objectives (Gerhart and Milkovich 2002). Performance is measured through performance appraisal to measure the achievement of key performance indicators that may include achievement of targets, timelines among others.

It can be seen that employees' individual's performance has an impact on the organization's wider objectives, and it is thus imperative that every employee's performance should be managed. This process of performance management includes group assessments and peer reviews, as well as written reports (Hellriegel et al 2004). In recent years performance management systems have become more important because managers are under constant pressure to improve the performance of their organizations (Holloway, Francis and Hinton 1999). As the performance of organizations influence the organization's continued existence, it is therefore necessary to discuss the notion of managing this performance.

Amos et al (2004) explain that effective management of individual performance is critical to the execution of strategy and the organization achieving its strategic objectives. Performance cannot be left in anticipation that it will develop naturally, despite the employee's natural desire to perform and be rewarded for it. This desire needs to be accommodated, facilitated and cultivated (Amos et al 2004). In return for this performance, organizations extend themselves in various forms of acknowledgement (Foot and Hook 2009). Individual performance has become a topical issue in today's business environment, so much so that organizations go to great lengths to appraise and manage it (Armstrong and Baron 2008).

1.1.3 Nakumatt Holdings Limited

In the late 80's and early 90's, Kenya was mainly dominated by one supermarket namely Uchumi. However, other players have since come into action and this majorly include Nakumatt Holdings Limited the leading retail store, Tuskys, Ukwala (taken over by Tuskys), Naivas, Chandarana among others. Nakumatt holdings and other supermarkets are largely concentrated in major towns. Nakumatt has most of its branches in Nairobi with a fair share in other towns in Kenya and other parts of East Africa

The history of Nakumatt Holdings dates back to 1987 when it was started as a small shop and has over the years grown into a multimillion business empire with branches all over Kenya and the rest of East Africa. It used to be known by the name of Nakuru Mattresses and operated in Nakuru before changing its name to Nakumatt. It is the largest retail outlet in East Africa having branches in Kenya, Uganda, Rwanda and Tanzania. Nakumatt's stores formats range from supermarkets to hypermarkets which showcases

distinct world class shopping floor layout and amenities. Their formats include convenience stores, supermarkets and hypermarkets. They deal with the sell of different types of electronics, cosmetics, home and garden furniture, clothing and footwear, luggage and groceries. They have shaped and built business on the founding principle of providing a variety of affordable, quality brands as well as excellent and superior service to their customers. According to Nakumatt website, they have 18 branches in Nairobi which will be the study area. Nakumatt has about 5,500 employees and about 650,000 loyal customers that contribute to 70% of their turnover which is over \$450 million. The big number of employees requires proper reward management practices for appropriate levels of performance.

1.2 Research Problem

It is stated in reward management practices that, rewards are part of the exchange when workers exert effort to help in achievement and advancement of organizational objectives (Beer, 2004). Therefore the organization strives to give employees both financial and non financial rewards for the cause of performing as expected. Rizwan and Ali (2010) assert that when effective rewards 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 employee performance. Armstrong (2004) notes that non cash rewards can be used for the high level of performance of employees. If organization keeps balance between extrinsic and intrinsic rewards, it leads to high

employee performance. Adeoti et al, (2006) found that non financial rewards such as recognition, achievement, responsibility and personal growth have positive effect on employee performance. Providing skill variety, task significance, autonomy and feedback makes employee's job more meaningful. The intrinsic rewards such as Sense of meaningfulness, choice, competence and progress enhance the employee engagement with his work (Thomas, 2009).

Nakumatt Holdings Limited has in place financial and nonfinancial rewards that it gives to its employees and these include; salary, overtime pay, leave pay, medical benefits, promotions, shopping discounts and retirement benefits. However, employee reward management at Nakumatt Holdings has in the recent past experienced changes. The company was involved in a court tussle with the union because it had prevented its workers from joining unions for years. The court made a decision in favour of the union and agreed that employees should have a right to join the union. The union now bargains on behalf of the employees on various issues that concern them. It should be noted that Article 2(a) of the recognition agreement, mandates this union to enter into negotiations concerning rates of pay, overtime hours of work, method of wage and salary payment, paid leave, duration of employment, medical benefits, principles of promotion and other terms of employment for all unionisable employees. The signing of the recognition agreement was geared to improving employee and management relations to boost output for the supermarket chain which was the first in the country to open 24 hour stores. The firm had been locked in a trade dispute over the agreement for close to 13 years. Over time, Nakumatt Holdings Limited has had to alternate the various forms of employee benefits, it has had to give to its employees both monetary and non monetary benefits.

Some of the other benefits given to some employees of the company have been housing allowance, retirement and terminal benefits, leave and travelling allowances and redundancy packages. In the company's expansion efforts more employees were required to ensure effective execution of the companies' activities. To recruit such a big number of employees was a challenge. Thus Nakumatt re-strategized its rewards so as to motivate employees to continue working for the company. The company increased both financial and non financial rewards like end of year financial bonuses in form of cash to various categories of employees, shopping vouchers, promotions, employee of the year awards among others. This was largely done to encourage its employees to work towards achieving targets which are a yard stick to getting those benefits.

Several studies have been carried out on reward management and employee performance. Mutua (2011) examined Reward Management and Employee Performance in National Hospital Insurance Fund, Kenya and found out that the remuneration policies in the firm advocate for equal pay for equal work, there is no discrimination in rewards, advocates for internal and external equity in rewards, competitive reward structure, and performance based rewards. The findings also reveal that rewards have a positive influence on employee performance in NHIF. However, this study did not look at the different types of financial and non-financial rewards and its effects on employees' performance of which this study, intends to cover. Bange (2013) studied factors influencing reward at Safaricom Limited and found out that employees that are graded highly in the organization are rewarded better than those in the lower scale and empowerment of employees by giving them a greater say in decision making enhance employee commitment.

This study did not look at the relationship between rewards and employee performance in retail stores which this study intends to cover. Muuo (2013) researched on the influence of reward system on Organizational Performance in Public Primary Teacher Training Colleges in Nairobi Zone, Kenya and found out that reward system is an important aspect in an organization as it influences organizational performance. Also there was uneven distribution of recognition awards in the institutions. The study did not reveal to what extent, recognition which is a nonfinancial reward strategy, influences the performance of employees which this study will cover. Njanja et al (2013) researched on reward practices and employee performance at Kenya Power and Lighting Company and found that cash bonuses had no significant effect on employee performance. All these studies simply highlight the forms of rewards given but this study will go ahead to find out how or in what ways these rewards influence individual employee performance.

Where as many studies have been carried out on the relationship between reward management and employee performance in other sectors such as; banking and insurance among others, no similar study has been carried out among large retail stores in Kenya. The study seeks to answer the following research question; how do reward management practices influence employee performance at Nakumatt Holdings Limited?

1.3 Research Objective

To establish the influence of reward management practices on the performance of employees at Nakumatt Holdings Limited.

1.4 Value of the Study

The study will examine the various aspects of rewards given to employees both financial and non financial. The subsets in each of the rewards management practices has a particular effect towards employee performance in the company at both individual and organizational level,thus in theory, it is reflected that all rewards have an input and outcome aspect that is the most important in motivating the performance of employees. The findings of this study will therefore be important to current and future scholars who may need to research on reward management and employee performance in retail stores. This will help them expand their knowledge and also identify areas of further research.

The study will provide the management of Nakumatt Holdings Limited with the extent to which reward management influences employee performance in the company. Study findings therefore may bring out the key challenges that are facing employee reward process in the company. Based on the recommendations that will be made the management of Nakumatt Holdings Limited may use them to improve on the rewards currently given to employees. This may help in improving on the performance of employees.

As policy makers, government and regulators of the retail industry will also find the study useful because they will be able to know how policies they develop in regard to employee reward management affects employee performance in the retail industry. The policy makers will also gain insight into what challenges the players in the market face and how they are able to overcome the challenges and hence remain competitive in the market hence contribute to the development of the economy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the existing literature relating to reward management practices and how they affect employee performance in organizations. It contains the theoretical background of the study which brings forward the different theories that the study is based on. It also explains what are the reward management practices and employee performance in general. Lastly it shows the relationship between reward management practices and employee performance.

2.2 Theoretical basis of the study

This study is grounded on Adams (1965) Equity Theory and Vrooms (1964) Expectancy Theory. Equity Theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress, and that this distress leads to efforts to restore equity within the relationship. The theory focuses on determining whether the distribution of resources is fair to both relational partners. In any organization, an employee wants to feel that their contributions and work performance are being rewarded. If an employee feels underpaid then it will result in the employee feeling hostile towards the organization and perhaps their co-workers, which may result in the employee not performing well at work anymore. It is the subtle variables that also play an important role in the feeling of equity. Just the idea of recognition for the job performance and the mere act of thanking the employee will cause a feeling of satisfaction and therefore help the employee feel worthwhile and have better outcomes.

In equity theory there are inputs and outputs. Inputs are as each participant's contributes to the relational exchange. The inputs that a participant contributes to a relationship can be either assets entitling them to rewards or liabilities entitling to costs. Inputs typically include any of the following: time, effort, loyalty, hard work, commitment, ability, adaptability, flexibility, tolerance, determination, enthusiasm, personal sacrifice, trust in superiors, support from co-workers and colleagues and skill. When the ratio of inputs to outcomes is close, than the employee should have much satisfaction with their job. Outputs can be both tangible and intangible. Typical outcomes include any of the following: job security, salary, employee benefits, expenses, recognition, reputation, responsibility, sense of achievement, praise, thanks and stimuli. Equity theory consists of four propositions whereby; Individuals seek to maximize their outcomes.

Groups can maximize collective rewards by developing accepted systems for equitably apportioning rewards and costs among members. Systems of equity will evolve within groups, and members will attempt to induce other members to accept and adhere to these systems. The only way groups can induce members to equitably behave is by making it more profitable to behave equitably than inequitably. Thus, groups will generally reward members who treat others equitably and generally punish members who treat others inequitably. When individuals find themselves participating in inequitable relationships, they become distressed. The more inequitable the relationship, the more distress individuals feel.

According to equity theory, both the person who gets “too much” and the person who gets “too little” feel distressed. The person who gets too much may feel guilt or shame. The person who gets too little may feel angry or humiliated. Individuals who perceive that they are in an inequitable relationship attempt to eliminate their distress by restoring equity. The greater the inequity, the more distress people feel and the more they try to restore equity (Walster, Traupmann and Walster, 1978).

Vroom (1964) Expectancy theory proposes that an individual will decide to behave or act in a certain way because they are motivated to select a specific behavior over other behaviors due to what they expect the result of that selected behavior will be. In essence, the motivation of the behavior selection is determined by the desirability of the outcome. However, at the core of the theory is the cognitive process of how an individual processes the different motivational elements. This is done before making the ultimate choice. The outcome is not the sole determining factor in making the decision of how to behave.

Expectancy theory is about the mental processes regarding choice, or choosing. It explains the processes that an individual undergoes to make choices. This theory emphasizes the needs for organizations to relate rewards directly to performance and to ensure that the rewards provided are those rewards deserved and wanted by the recipients. Victor H. Vroom (1964) defines motivation as a process governing choices among alternative forms of voluntary activities, a process controlled by the individual.

The individual makes choices based on estimates of how well the expected results of a given behavior are going to match up with or eventually lead to the desired results. Motivation is a product of the individual's expectancy that a certain effort will lead to the intended performance, the instrumentality of this performance to achieving a certain result, and the desirability of this result for the individual, known as valence.

2.3 Reward Management Practices

Armstrong (2010) explain that reward management is concerned with the formulation and implementation of strategies and policies, aimed at rewarding people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward systems (reward processes, practices and procedures) that aim to meet the needs of both the organization and its stakeholders.

Reward management practice is one of the strategies used by human resource managers for attracting and retaining suitable employees as well as facilitating them to improve their performance. Therefore human resource managers must design reward structures that facilitate the organizations strategic goals and the goals of individual employees (Maund 2001). Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). Reward practices include; salaries and wages, awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or simple appreciations (Kotelnikov 2010).

Gerhart and Rynes (2003) explain that reward relates to pay, both fixed in the form of salaries and wages, and variable through schemes such as incentives and bonuses. Reward management practices have been conceptualized through the use of the ratio of base salary to short term bonus payments (Eisenhardt 2008; Bloom and Milkovich 2008). Others scholars have widened this simple ratio to examine the proportion of base pay to cash compensation, including short and long term incentives (Tremblay et al 2003; Burke and Hsieh 2006). Others have used the closely related area of bonus to cash compensation (Gomez-Mejia et al 2007; Elvira 2001).

The aggregate of financial and non-financial rewards that any employer offers are thus meant to attract, retain and elicit reciprocal performance of its employees. This aggregate has been described as the new pay (Schuster and Zingheim 2002) or total rewards. (Armstrong 2007) first defined as consisting of compensation, benefits and the work experience, with the latter component including acknowledgement, balance (of work and personal life), culture, learning and development as well as the work environment. The latest consists of five components; compensation, benefits, work-life, performance and recognition, development and career opportunities (World at Work 2007).

2.4 Employee Performance

Performance has been defined by Hellriegel et al (2001) as the level of an individual's work achievement after having exerted effort. Cummings and Schwab (2003) and Whetten and Cameron (2008) believe that performance is ultimately an individual phenomenon with environmental variables influencing performance primarily through their effect on the individual determinants of performance ability and motivation. It has

been widely accepted that effective organizations require effective leadership, and organizational performance will suffer in direct proportion to the neglect of this (Maritz 2005; Ristow et al 2009). Performance is identified or equated with effectiveness and efficiency (Neely et al 2005). The principal influence on the organization's performance is the quality of the workforce at all levels of the organization. The function that human resources can play in gaining a competitive advantage for an organization is empirically well documented (Brewster et al 2003). For organizations to accomplish their goals, they must continually look for better ways to organize and manage their work. There is a growing recognition that the primary source of competitive advantage is derived from a organization's human resources (Brewster et al 2003).

Employee Performance explains the manner in which managers ensure that employee activities and outputs are congruent with the organizations goals (Noe et al 2006). Kagari et al (2010) explain that employee performance is a means of getting better results from the whole organization or teams or individuals within it, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. Bernthal (2006) explain that employee performance involves; links to organizational strategy, setting individual performance goals, providing regular feedback on progress towards those goals, providing opportunities for improving, linking results and rewards.

Employee performance can defined as psychological contract (Stiles et al 2007). It is a concept referring to an employee belief regarding the terms and conditions of a reciprocal exchange agreement between that employee and the employer (Robinson and

Rousseau2004). Moncarz and Zhao (2008) explain that high performance work practices revealed that involving employees in decision-making, goals and the direction of an organization through participation in teams will help produce job satisfaction and reduce turnover. Employee satisfaction is one of the many factors in the organization which necessary needed to achieve good organization performance.

Deci and Ryan (1985) in the self-determination theory argue that financial incentives increase extrinsic motivation and reduce intrinsic motivation by undermining the need for autonomy and self-determination (Jordan 2006) that result into effective performance. Negative effects on intrinsic motivation only occur in confined conditions, for example when the reward is introduced once or has no relation to performance (Cameron and Pierce 2004). Indeed, Eisenberger and Cameron (2006) reported that financial incentives can increase intrinsic motivation if it is instigated by arises from interest in performing the task. On the other hand non-financial rewards such as learning and development and promotion have different effects on employee performance. Employees feel empowered when they get training support from the institutions they work for and this allows them to perform so as to be retained and enjoy the benefits. The link between employee training and improved performance on the job is, however, not automatic. It depends on how much of the skills acquired in training are applied on the job and how long this is sustained (Saks and Belcourt 2006). Employee promotion influence employees' performances since promotions come with various benefits. Many previous studies have found that promotional opportunities have a significant positive effect on employee performance (Zaccaro and Dobbins 2009; Quarles 2004; Wallace 2005).

2.5 Reward Management Practices and Employee Performance

In many organizations, reward management has been seen to be a vital instrument in employee performance (Guest, 2002). A well rewarded employee feels that they are valued by the company. Such employees are 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 honed and 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. Akerele, (2001) blamed the productivity of many employees on several factors; employer's failure to provide adequate compensation for hard work. 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.

The importance of rewarded employees is very significant towards employee performance among many companies (Lotta, 2012). Well rewarded employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of rewards (Hunter et al 2010). Entwistle (2007) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. The highly motivated employees serve as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals (Rizwan and

Ali, 2010). Employees who are effective and efficient are likely to be limited if they are not given appropriate rewards to Perform. Mendonca, (2002) looks at reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be encouraged to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected.

Reward management schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010). Huselid, (2005) looks at reward as a system (profit sharing) that contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and performance. La Motta (2005) is of the view that performance at job is the result of ability and courage. Entwistle (2007) assert that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. Freedman (2008) explains 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 and Ali, 2010).

Mehmood (2013) explains how rewards play a very big role in increasing employee performance and change the behavior of dissatisfied employees. A good reward system helps to improve organizational performance and also fulfills other objectives such as labour cost control, perceived fairness towards employees, legal compliance and enhancement of employee performance to achieve high level of productivity and customer satisfaction (Maire & Nick 2002).The reward practices in an organization should be effective as pointed out by (Carragher et al 2006).This is so as to retain the high performers in the organization and also equate reward with their productivity.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods and procedures that the researcher used to collect the data required and how the data was analyzed. It discusses research design, study population, sample design, data collection and finally data analysis and presentation.

3.2 Research Design

The study utilized descriptive cross-sectional survey design. According to Cooper and Schindler (2000), a descriptive survey design seeks to find out the who, how, what, where and when about something in particular e.g. a phenomenon. On the other hand cross-sectional survey design is the selection of a small sample from a bigger population to act as an inference. The reason for using descriptive cross-sectional survey is to enable the researcher to collect information from all respondents on their attitude and opinions with a view of exploring perceived relationships between reward practices and employee performance. This design was also used to provide a snapshot of how things are at a specific time. In this study, survey methodology helped in measuring variables and examining relationships among variables as recommended by Fowler (1993).

3.3 Study Population

Nakumatt Holdings Ltd has a total of 18 branches in Nairobi which was the study area. The study population comprised 18 branch managers, 18 supervisors and close to 1600 staff members. Managers, supervisors and members of staff are all in different

employment categories and thus their views will reflect different directions in terms of their rewards. This enabled the researcher to be able to know how rewards are distributed at different levels of employment and if they are fair or not.

3.4 Sample Design

The study used stratified random sampling technique to select the respondents. Stratified random sampling is a probability sampling technique where the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata. Stratified random sampling is used when the researcher wants to highlight a specific subgroup within the population. This technique is useful in the study because it ensured the presence of the key subgroup within the sample. With stratified random sampling, the researcher can representatively sample even the smallest and most inaccessible subgroups in the population. This allows the researcher to sample the rare extremes of the given population. With this technique, you have a higher statistical precision compared to simple random sampling. This is because the variability within the subgroups is lower compared to the variations when dealing with the entire population. Due to the fact that this technique has high statistical precision, it also means that it requires a small sample size which can save a lot of time, money and effort of the researcher.

Table 1: Number of participants per branch

Branch	Managers	Supervisors	Staff	10% of Staff
Nakumatt-Ronald Ngala	1	1	70	7
Nakumatt Lifestyle	1	1	100	10
Nakumatt Ukay	1	1	100	10
Nakumatt Galleria Mall	1	1	100	10
Nakumatt Ridgeways	1	1	80	8
Nakumatt TRM	1	1	110	11
Nakumatt Junction	1	1	110	11
Nakumatt Karen	1	1	90	9
Nakumatt Prestige/Ngong Road	1	1	110	11
Nakumatt Haile Sellasie	1	1	80	8
Nakumatt Highridge	1	1	80	8
Nakumatt City Hall	1	1	60	6
Nakumatt South B	1	1	60	6
Nakumatt Village Market	1	1	90	9
Nakumatt Embakasi	1	1	80	8
Nakumatt Express Wendani	1	1	90	9
Nakumatt Moi Avenue	1	1	80	8
Nakumatt Mega	1	1	100	10
TOTAL	18	18	1590	159

3.5 Data Collection Methods

The study utilized quantitative data collection methods. Primary data was obtained using questionnaires. Secondary data was sourced from reading literature in secondary sources. The data collection instrument was the questionnaire (Demographic data, Section A-Financial Rewards, Section B-Non-Financial Rewards, Section C-Challenges of reward management, Section D-Employee Performance). The study used a five-likert scale questionnaire which was administered to respondents. The study had one set of questionnaire that was constructed to capture all the necessary information from all

categories of respondents in respect to each objective of the study. The questionnaire was administered door to door since most of the respondents in this category are at each particular store. The likert scale was used since they are very flexible and can be constructed more easily than most other types of attitude scales (Amin 2005).

3.6 Data Analysis and Presentation

The collected questionnaires were edited and cleaned for completeness in preparation for coding. Once coded, they were entered into the Statistical Package for Social Sciences (SPSS) for analysis. Descriptive statistics such as mean, standard deviation, and frequency distribution were used to analyze the data. Percentages, graphs, bar charts and frequency tables were used for data presentation. Descriptive statistics was considered the most appropriate for this study as it helped to describe variables in central tendency and dispersion hence provides results required to meet the objectives of the study. The study used multivariate regression analysis to establish relationship between the independent variables and the dependent variable by use of the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where;

Y = Employee performance

X₁ = Financial Rewards

X₂ = Non Financial Rewards

β₀ = Co-efficient of the model

β₁ – β₂ = Beta Co-efficient of Determination

ε = Stochastic Error Term

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis, presentation, discussion and interpretation of the data collected from the administered questionnaires. The collected data was edited and cleaned for completeness in preparation for coding. Once coded, the data was entered into the Statistical Package for Social Sciences (SPSS) for analysis. Descriptive statistics such as mean and standard deviation were used to analyze the data. Regression analysis was used to test the relationship between the variables under study in relation to the objectives of the study. Analysis of variance (anova) was used to confirm the findings of regression.

4.2 Response Rate

Table 4.2: Response Rate

Response rate	Frequency	Percentage
Completed	100	51.3%
Incomplete	95	48.7%
Total	195	100

Source: Author, 2014.

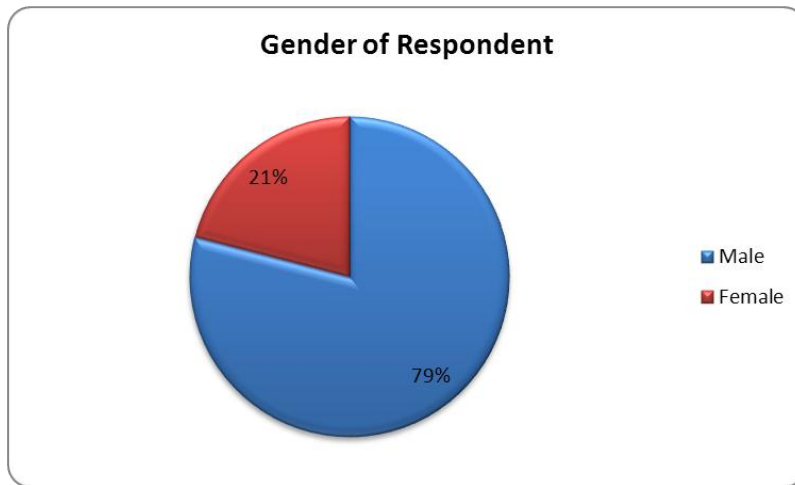
A total of 195 questionnaires were administered and the study managed to obtain 100 completed questionnaires representing 51.3% response rate. The questionnaires contained questions that addressed the objectives of the study. The objective of the study was to

establish the influence of reward management practices on the performance of employees at Nakumatt Holdings Limited.

4.3 Respondents Demographics

4.3.1 Gender of the Respondent

Figure 4.3.1 Gender of the Respondent



Source: Research Data (2014).

The researcher sought and obtained the gender details of respondents who participated in the research. Majority (79%) of the respondents were male while the female were 21%. This is an indication that the researcher observed gender balance in the administration of questionnaires. It also implies that Nakumatt Holdings Ltd observes gender balance in the recruitment of its employees. The study findings are as shown in Figure 4.3.1.

4.3.2 Level of Education

Table 4.3.2 Level of Education

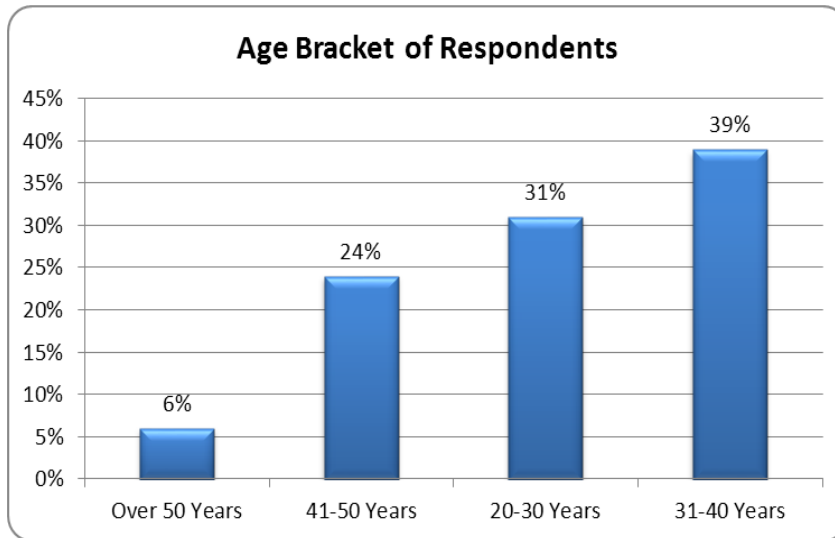
	Frequency	Percent
Diploma	60	60.0%
Bachelors	32	32.0%
Masters degree	8	8.0%
Total	100	100.0%

Source: Research Data (2014).

The respondents were requested to indicate their highest level of education. It is important to consider the level of education of the respondents because it has an impact on the way the respondents interpret the questions. The study found out that majority (60%) of the respondents had attained diploma level education while those with bachelor's level accounted for 32%. Those who had a master's degree level were the least at 8%. The study findings are shown in Table 4.3.2.

4.3.3 Age Bracket of Respondents

Figure 4.3.2 Age Bracket of Respondents

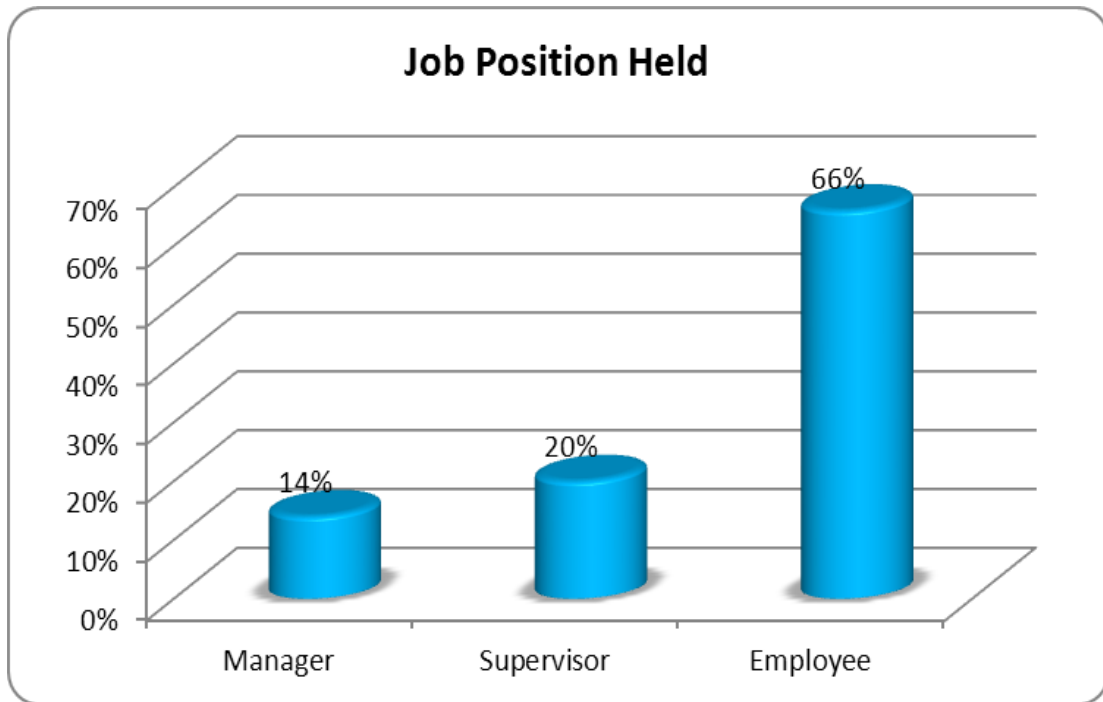


Source: Research Data (2014).

The study further sought to know the age bracket of respondents. The study established that most (39%) of the respondents were aged between 31-40 years followed by those aged between 20-30 years at 31%. Those aged between 41-50 years were at 24% while those over 50 years were the least at 6%. This indicates that the respondents sourced her views from diverse age brackets hence biasness was avoided. The results of the study are as shown in Figure 4.3.2.

4.3.4 Job Position Held

Figure 4.3.3 Job Position Held



Source: Research Data (2014).

The study further sought to know various job positions held by the respondents. The job positions held indicate that the responses were from those with hands-on experience in the company operations and were at a position to respond to the researcher's queries appropriately. In this study, employees accounted for the majority of respondents at 66% followed by supervisors at 20% and then managers at 14%. The job positions held by respondents are as shown in the Figure 4.3.3.

4.3.5 Years of Experience

Table 4.3.5: Years of Experience

	Frequency	Percent
5-7 Years	38	38.0
2-4 Years	34	34.0
Less than two Years	17	17.0
7 Years and above	11	11.0
Total	100	100.0

Source: Research Data (2014).

The study further sought to know the number of years the respondent had been working in their respective organizations. The study established that 38% of the respondents had 5-7 years of experience followed by those who had 2-4 years experience at 34%. Those with 7 years and above were the least at 11%. This indicates that the respondents were well experienced to understand what has been going on in the Nakumatt Holdings Ltd and how it may affect the present and the future of the organization. The results are shown by Table 4.3.5;

4.4 Reward Management Strategies, Policies and Procedures

In this section, the study sought to know the level of the respondents' agreement on various issues regarding reward management strategies, policies and procedures. The level of agreement was measured on a Likert Scale of 1-5 where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Not sure (NS), 4= Agree (A) and 5= Strongly Agree (SA). Interpretation was done as follows: 1-1.5: Strongly Disagree; 1.6-2.5: Disagree; 2.6-3.5: Not Sure; 3.6-4.5: Agree and 4.6 – 5.0: Strongly Agree. The results of the study are as shown in Table 4.4;

Table 4.4: Reward Management Strategies, Policies and Procedures

	Mean	Std. Deviation
There is a grade and pay structure in the organization	4.45	0.58
The organization conducts job evaluation from time to time	4.36	0.50
The organization has well constructed employee recognition programmes	4.29	0.83
There is a reward strategy in place which ensures the contribution people make to achieving organizational or team goals are valued, recognized and rewarded	3.34	0.93
Reward processes and practices are geared towards the improvement of organizational, team and individual performance	3.30	0.79
Employees are appreciated on efforts contributed to the organization	3.24	0.94
The company reward policies favor all employees	2.73	1.00
The organization conducts market analysis or salary surveys to be able to identify rates of pay in the labour market	2.65	0.83
Rewards are appropriate at each employee's level in this company.	2.48	0.97
The Reward policies ensure all employees in this company are well and effectively rewarded	2.42	0.99
Overall Mean	3.326	1.162

Source: Research Data (2014).

The study established that the most agreed on statement was that there is a grade and pay structure in the organization ($M= 4.45$, $SD= 0.58$). This indicates that the respondents agreed. The respondents also agreed on the statements that the organization conducts job evaluation from time to time ($M= 4.36$, $SD= 0.50$) and that the organization has well constructed employee recognition programmes ($M= 4.29$, $SD= 0.83$). On whether there is a reward strategy in place which ensures the contribution people make to achieving

organizational or team goals are valued, recognized and rewarded, the respondents were not sure ($M= 3.34$, $SD= 0.93$). The most disagreed on statements were that rewards are appropriate at each employee’s level in this company ($M= 2.48$, $SD= 0.97$) and that the Reward policies ensure all employees in this company are well and effectively rewarded ($M= 2.42$, $SD= 0.99$). This indicates that the respondents disagreed on these statements. However, there were variations in the responses given by respondents as indicated by the various standard deviations registered. Overall, the respondents were not sure ($M= 3.326$, $SD= 1.162$). on whether the strategies, policies and procedures used by Nakumatt Holdings Limited are appropriate for reward management.

4.5 Financial Rewards

Further, the study sought to know the level of the respondents’ agreement on various issues regarding Financial Rewards. The level of agreement was measured on a Likert Scale of 1-5 where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Not sure (NS), 4= Agree (A) and 5= Strongly Agree (SA). Interpretation was done as follows: 1-1.5: Strongly Disagree; 1.6-2.5: Disagree; 2.6-3.5: Not Sure; 3.6-4.5: Agree and 3.7- 4.5: Strongly Agree. The results of the study are as shown in Table 4.5;

Table 4.5: Financial Rewards

	Mean	Std. Deviation
Employees are assured of their pension pay	4.49	0.93
Employees are given over time pay for extra hours worked	4.14	0.62
Employees are privileged to access loans through the company arrangements	4.06	0.55
Employees are given shift working pay	3.89	0.68

The company gives staff annual financial bonus based on performance.	3.89	0.71
The company gives top up allowances to its staff members periodically	3.77	0.76
The company gives cash award for team performance periodically.	3.34	0.82
Employees are given cash gifts periodically	2.98	1.11
The company gives group bonus based on team performance	2.62	1.09
Employees are paid extra for the stores special clothes	2.37	0.94
Employees in this company are encouraged by timely pay	2.32	0.89
The company usually gives competence/skill based pay	2.32	0.69
Employees are given enough and appropriate salary	2.22	0.72
Employees are given sick pay allowance	2.12	0.82
The company gives cash bonus based on the surplus incomes generated in the company.	1.35	0.93
Overall Mean	3.09	0.817

Source: Research Data (2014).

The study established that overall, the respondents were not sure on whether financial rewards influenced employee productivity as evidenced by ($M= 3.09$, $SD= 0.817$). However, the respondents agreed ($M= 4.49$, $SD= 0.93$) that the employees are assured of their pension pay. On whether employees were given over time pay for extra hours worked, the respondents agreed ($M= 4.14$, $SD= 0.62$). The respondents also agreed that the employees are privileged to access loans through the company arrangements as evidenced by ($M= 4.06$, $SD= 0.55$). The respondents disagreed on the statements that: the company usually gives competence/skill based pay ($M= 2.32$, $SD= 0.69$); employees are given enough and appropriate salary ($M= 2.22$, $SD= 0.72$) and that employees are given sick pay allowance ($M= 2.12$, $SD= 0.82$). On whether the company gives cash bonus

based on the surplus incomes generated in the company, the respondents strongly disagreed ($M= 1.35$, $SD= 0.93$).

4.6 Non-Financial Rewards

The study also sought to know the level of the respondents' agreement on various issues regarding Non-Financial Rewards. The level of agreement was measured on a Likert Scale of 1-5 where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Not sure (NS), 4= Agree (A) and 5= Strongly Agree (SA). Interpretation was done as follows: 1-1.5: Strongly Disagree; 1.6-2.5: Disagree; 2.6-3.5: Not Sure; 3.6-4.5: Agree and 3.7- 4.5: Strongly Agree. The results of the study are as shown in Table 4.6;

Table 4.6: Non-Financial Rewards

	Mean	Std. Deviation
The company recognizes high achievers and excellent performers of the company.	4.65	0.56
Employees are given a good working environment	4.41	0.53
The company offers training programs to its employees.	4.36	0.65
The company gives its staff opportunities for career advancement (staff development).	4.30	0.67
Employees are given more rewarding responsibility in case of distinct performance	4.18	0.48
Staff members are always given promotion on merit.	4.11	1.22
The company usually organizes small non-cash awards (e.g., dinners, trips abroad) to its staff.	3.72	0.72
High achievers are given autonomy in decision making of the company	3.59	0.57
Staff members are given better office facilities to motivate them.	2.55	1.05
The company allows its staff to participate in decision making process in the company	2.27	0.93

Employees sponsored in professional courses like ACCA, CPA, CIPS, CIMA among others	2.23	0.74
Some employees are sponsored for further studies like masters	1.93	0.74
Overall Mean	3.525	0.738

Source: Research Data (2014).

The study found out that the respondents agreed that overall, Non-Financial Rewards influence employee performance at Nakumatt Holding Limited as indicated by ($M= 3.525$, $SD= 0.738$). The respondents strongly agreed that the company recognizes high achievers and excellent performers of the company as evidenced by ($M= 4.65$, $SD= 0.56$). The respondents also agreed that employees are given a good working environment ($M= 4.41$, $SD= 0.53$) and that the company offers training programs to its employees ($M= 4.36$, $SD= 0.65$). The respondents further agreed that the company gives its staff opportunities for career advancement (staff development) ($M= 4.30$, $SD= 0.67$). On whether the company allows its staff to participate in decision making process in the company, the respondents were not sure ($M= 2.27$, $SD= 0.93$). The respondents disagreed on the statement that employees sponsored in professional courses like ACCA, CPA, CIPS, and CIMA among others as indicated by following mean and standard deviation ($M= 2.23$, $SD= 0.74$). The most disagreed on statement was that some employees are sponsored for further studies like masters with means and standard deviation of ($M= 1.93$, $SD= 0.74$). The standard deviations indicate the extent to which the respondents' opinions varied.

4.7 Employee Performance

The study lastly sought to know the level of the respondents' agreement on various issues regarding employee performance. The level of agreement was measured on a Likert Scale

of 1-5 where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Not sure (NS), 4= Agree (A) and 5= Strongly Agree (SA). Interpretation was done as follows: 1-1.5: Strongly Disagree; 1.6-2.5: Disagree; 2.6-3.5: Not Sure; 3.6-4.5: Agree and 3.7- 4.5: Strongly Agree. The results of the study are as shown in Table 4.7;

Table 4.7: Employee Performance

	Mean	Std. Deviation
The organization provides training to improve on my performance	4.45	0.50
The organization communicates its performance expectations to me	4.35	0.48
I am very familiar with all the organizational objectives	4.31	0.63
I get feedback from my immediate supervisor about my performance	4.31	0.54
My job knowledge level is high	4.29	0.52
I achieve my performance targets	4.28	0.51
The organization provides me with sufficient resources for me to accomplish my performance targets	4.17	0.43
The organization involves me in target setting	4.12	1.01
My performance is always evaluated against organizational goals	3.60	0.92
Performance appraisals are always conducted in the organization	3.17	0.60
Performance appraisals are used by the organization to establish my training needs.	3.07	0.56
I am encouraged to participate in the generation of ideas	2.22	0.92
Overall Mean	3.862	0.635

Source: Research Data (2014).

Overall, the study established that the respondents agreed on employee performance as evidenced by the overall mean of ($M= 3.862$, $SD= 0.635$). The most agreed on statement was that the organization provides training to improve on employee performance ($M= 4.45$, $SD= 0.50$) followed by the statement that the organization communicates its performance expectations to the employees ($M= 4.35$, $SD= 0.48$) and then the statement

that the respondents were very familiar with all the organizational objectives ($M= 4.31$, $SD= 0.63$). The most disagreed on statement was that the respondents are encouraged to participate in the generation of ideas ($M= 2.22$, $SD= 0.92$). The standard deviations indicated that the responses were not clustered around the mean but were dispersed.

4.8 The Influence of Reward on Employee Performance

The study sought to establish the influence of reward management practices on the performance of employees at Nakumatt Holdings Limited. The researcher conducted a regression analysis to explain this relationship. The scores to be regressed were computed through factor analysis (data reduction) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS). The results obtained are presented and discussed below;

4.8.1 Model Summary

The research findings indicated that there was an overall positive relationship between rewards and employee performance. The findings are as shown in the tables 4.8.1 below;

Table 4.8.1: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.304 ^a	0.644	0.513	0.94148778
a. Predictors: (Constant), Non Financial Rewards, Financial Rewards				

Source: Research Data (2014).

In a model summary, the “R” value is used to indicate the strength and direction of the relationship between the variables. The closer the value gets to 1, the stronger the relationship. In this case the R= 0.304. This means there was an overall positive relationship between the variables albeit weak. The adjusted R-Square in the study was found to be 0.646. This value indicates that the reward management practices can explain 51.3% of the variance in employee performance. It is clear that Non-Financial Rewards and Financial Rewards contribute to a fairly significant extent to the level of employee performance is achieved at Nakumatt Holdings Limited. It therefore suffices to conclude that both financial and non-financial rewards are essential in enhancing the performance of employees in an organization given that only less than half (48.7%) of the performance variance cannot be unexplained.

4.8.2 Coefficients of Determination

The unstandardized coefficients of determination under the B column were used to substitute the unknown beta values of the regression model. The beta values indicated the direction of the relationship. A positive or negative sign indicates a the nature of the relationship. The significant values (p-value) under sig. column indicate the statistical significance of the relationship or the probability of the model giving a wrong prediction. A p-value of less than 0.05 is recommended as it signifies a high degree of confidence.

Table 4.8.2: Coefficients of Determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	-0.024	0.096		-3.245	0.0019
	Financial Rewards	0.095	0.154	0.100	5.618	0.0001
	Non Financial Rewards	0.215	0.158	0.219	2.358	0.0215
a. Dependent Variable: Employee Performance						

Source: Research Data (2014).

In this case, Financial Rewards registered a p-value of 0.0001 indicating that the influence on employee performance was extremely significant while Non Financial Rewards registered a p-value of 0.0215 indicating that the influence was statistically significant.

The equation for the regression model is expressed as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

$$Y = -0.024 + .095X_1 + 0.215X_2$$

Where;

Y = Employee performance

X₁ = Financial Rewards

X₂ = Non Financial Rewards

β₀ = Co-efficient of the model

β₁ – β₂ = Beta Co-efficient of Determination

ε = Stochastic Error Term

The results of the regression equation show that if all the rewards were rated zero, employee performance would be -0.024. However, all the predictors had a positive

relationship with the dependent variable. A unit increase in Financial Rewards would lead to improved performance by 0.095 while a unit increase in Non Financial Rewards would improve employee performance by 0.215. The Stochastic Error Term was assumed to be zero.

4.8.3 Analysis of Variance (ANOVA)

Analysis of variance was also done to establish the significance of the regression model.

Table 4.8.3 Analysis of Variance

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.393	2	4.196	6.734	.0019 ^a
	Residual	82.435	93	.886		
	Total	90.828	95			
a. Predictors: (Constant), Non Financial Rewards, Financial Rewards						
b. Dependent Variable: Employee Performance						

Source: Research Data (2014).

At 95% confidence level, a significant value (p-value) of 0.0019 and F-value of 6.734 was registered. This shows that the regression model has a probability of less than 0.0019 of giving wrong prediction. Hence, the regression model used above is a suitable prediction model for explaining how financial and non-financial rewards influences employee performance at Nakumatt Holdings Limited.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, discussions, conclusions and recommendations of the study. The chapter also presents the major limitations of the study and the suggestions for future research.

5.2 Summary of the Findings

The study sought to establish the influence of reward management practices on the performance of employees at Nakumatt Holdings Limited. The study found out that the respondents were neutral on whether the strategies, policies and procedures used by Nakumatt Holdings Limited are appropriate for reward management. The study also established that overall; the respondents were neutral on whether financial rewards influenced employee productivity at Nakumatt Holding Limited while the study found out that the respondents agreed that Non-Financial Rewards influence employee performance at Nakumatt Holding Limited. The research findings further indicated that there was a positive relationship ($R = 0.304$) between rewards and employee performance at Nakumatt Holding Limited. The result of the study also indicated that the value of adjusted R-squared was 0.513. This means that independent variables investigated in the study (financial and non-financial rewards) could account for or explain 51.3% of the dependent variable, employee performance. The remaining 48.3% can be explained by other variables which are not under study.

On previous studies, Mehmood (2013) explains that rewards play a very big role in increasing employee performance and change the behavior of dissatisfied employees while Maire & Nick (2002) argued that a good reward system helps to improve organizational performance and also fulfills other objectives such as labour cost control, perceived fairness towards employees, legal compliance and enhancement of employee performance to achieve high level of productivity and customer satisfaction. Carraher et al (2006) recommended that the reward practices in an organization should be effective so as to help in retaining the high performers in the organization and also equate reward with their productivity. This indicates that the findings of this research are in line with previous literature.

5.3 Conclusion

The study concludes that both financial and no-financial rewards have a positive effect on the performance of employees at Nakumatt Holdings Limited. However, no-financial rewards have a greater influence since they involve rewards such as recognizing high achievers and excellent performers of the company and giving them promotion on merit, providing employees with a good working environment, offering employees training programs to its employees as well as giving them opportunities for career advancement and rewarding responsibilities. All this either equips the employee with the skills and motivation needed for excellent performance or creates a conducive environment for them to work.

5.4 Recommendations

The management of Nakumatt Holdings Limited should come up with initiatives aimed at involving the employees in decision making as this will enable the management to understand what makes their employees perform or underperform.

The management of Nakumatt Holdings Limited should come up with a programme of sponsoring the top performing employees to pursue further studies of their interest as a way of encouraging continued improved performance.

The study further recommends that the management of Nakumatt Holdings Limited should carry out a benchmarking activity against the best players in the world as a way of improving their employee performance.

5.5 Limitations of the Study

The study mainly depended on the data provided by the respondents. This means that the accuracy of the data provided depended on the information provided. The respondents handled the problem by making follow-up calls to clarify any issues that were not clear.

Organizational information is usually proprietary and confidential. Most of the respondents approached were reluctant in giving information fear of being victimized. The researcher handled the problem by carrying an introduction letter from the University so as to assure them that the information will be treated as confidential and will be used for academic purposes only. The researcher also sought permission from the management of Nakumatt Holdings Limited to gather information from the employees.

Further, the respondents had busy working schedules in the supermarket which delayed the filling of questionnaires. The researcher had to exercise utmost patience and make extra effort in reminding respondents and making constant follow-ups so as to acquire sufficient data from respondents. This explains why only 51.3% of the respondents were able to complete the questionnaires.

5.6 Areas for Further Research

A future study should be done to establish the other factors that influence employee performance other than reward management practices.

A similar research should also be done in future covering all supermarkets in Kenya as this will serve to provide more generalized conclusions.

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APPENDIX I: QUESTIONNAIRE

Instructions

In each question, Please **tick** or mark with **x** the number in the provided options which you think is the rightful answer in your own opinion.

Respondents' Bio Data

Gender of respondent

1. Male ()
2. Female ()

Education level

1. Diploma ()
2. Bachelors ()
3. Masters degree ()
4. PhD ()
5. Others specify.....

Age of respondents

1. Below 20 years ()
2. 20-30 ()
3. 31-40 ()
4. 41-50 ()
5. Over 50years

In which category do you fall?

1. Manager ()
2. Supervisor ()
3. Employee ()

For how long have you been working in this company?

1. Less than 2 years ()
2. 2-4 years ()
3. 5-7 years ()
4. 7years and above ()

SECTION A

STRATEGIES, POLICIES AND PROCEDURES IN REWARD MANAGEMENT

For the following questions please tick the number of your choice

Key

1. Strongly disagree (SD)
2. Disagree (D)
3. Not sure (NS)
4. Agree (A)
5. Strongly Agree(SA)

STRATEGIES, POLICIES AND PROCEDURES OF REWARD MANAGEMENT

	Statement	Rating				
		SD	D	NS	A	SA
1.	The company reward policies favor all employees	1	2	3	4	5
2.	The Reward policies ensure all employees in this company are well and effectively rewarded	1	2	3	4	5
3.	Rewards are appropriate at each employee's level in this company.	1	2	3	4	5
3.	Reward processes and practices are geared towards the improvement of organizational, team and individual performance	1	2	3	4	5
4.	Employees are appreciated on efforts contributed to the organization	1	2	3	4	5
5.	There is a reward strategy in place which ensures the contribution people make to achieving organizational or team goals are valued, recognized and rewarded	1	2	3	4	5
6.	The organization has well constructed employee recognition programmes	1	2	3	4	5
7.	The organization conducts job evaluation from time to time	1	2	3	4	5
8.	There is a grade and pay structure in the organization	1	2	3	4	5
9.	The organization conducts market analysis or salary surveys to be able to identify rates of pay in the labour market	1	2	3	4	5

SECTION B

FINANCIAL REWARDS

For the following questions please tick the number of your choice

Key

1. Strongly disagree (SD)
2. Disagree (D)
3. Not sure (NS)
4. Agree (A)
5. Strongly Agree(SA)

FINANCIAL REWARDS

	Statement	Rating				
		SD	D	NS	A	SA
1.	Employees are given enough and appropriate salary	1	2	3	4	5
2.	The company gives staff annual financial bonus based on individual performance.	1	2	3	4	5
3.	The company gives top up allowances to its staff members periodically	1	2	3	4	5
3.	The company usually gives competence/skill based pay	1	2	3	4	5
4.	The company gives cash bonus based on the surplus incomes generated in the company.	1	2	3	4	5
5.	The company gives group bonus based on team performance of staff.	1	2	3	4	5
6.	The company gives cash award for team performance periodically.	1	2	3	4	5
7.	Employees are given cash gifts periodically	1	2	3	4	5
8.	Employees are given overtime pay for extra hours worked	1	2	3	4	5
9.	Employees are given shift working pay (for those who stand in for others)	1	2	3	4	5
10.	Employees in this company are encouraged by time rate pay	1	2	3	4	5
11.	Employees are paid extra for the stores special clothes	1	2	3	4	5
12.	Employees are assured of their pension pay	1	2	3	4	5
13.	Employees are given sick pay allowance	1	2	3	4	5
14.	Employees are privileged to access loans through the company arrangements	1	2	3	4	5

SECTION C

NON-FINANCIAL REWARDS

For the following questions please tick the number of your choice

Key

1. Strongly disagree (SD)
2. Disagree (D)
3. Not sure (NS)
4. Agree (A)
5. Strongly Agree(SA)

NON-FINANCIAL REWARDS

	Statement	Rating				
		SD	D	NS	A	SA
1.	The company offers training programs to its employees.	1	2	3	4	5
2.	The company gives its staff opportunities for career advancement (staff development).	1	2	3	4	5
3.	The company recognizes high achievers and excellent performers of the company.	1	2	3	4	5
4.	The company usually organizes small non-cash awards (e.g., dinners, trips abroad) to its staff.	1	2	3	4	5
5.	Employees sponsored in professional courses like ACCA, CPA, CIPS, CIMA among others	1	2	3	4	5
6.	The company allows its staff to participate in decision making process in the company	1	2	3	4	5
7.	Staff members are always given promotion on merit.	1	2	3	4	5
8.	Staff members are given better office facilities to motivate them.	1	2	3	4	5
9.	High achievers are given autonomy in decision making of the company	1	2	3	4	5
10.	Employees are given more rewarding responsibility in case of distinct performance	1	2	3	4	5
11.	Employees are given a good working environment	1	2	3	4	5
12.	Some employees are sponsored for further studies like masters	1	2	3	4	5

SECTION D

EMPLOYEE PERFORMANCE

For the following questions please tick the number of your choice

KEY

1. Strongly Disagree (SD)
2. Disagree (D)
3. Not sure (NS)
4. Agree (A)
5. Strongly Agree(SA)

EMPLOYEE PERFORMANCE

	Statement	Rating				
		SD	D	NS	A	SA
1.	I am very familiar with all the organizational objectives	1	2	3	4	5
2.	The organization involves me in target setting	1	2	3	4	5
3.	The organization communicates its performance expectations to me	1	2	3	4	5
4.	My performance is always evaluated against organizational goals	1	2	3	4	5
5.	I achieve my performance targets	1	2	3	4	5
6.	I get feedback from my immediate supervisor about my performance	1	2	3	4	5
7.	My job knowledge level is high	1	2	3	4	5
8.	Performance appraisals are always conducted in the organization	1	2	3	4	5
9.	Performance appraisals are used by the organization to establish my training needs.	1	2	3	4	5
10.	I am encouraged to participate in the generation of ideas for the organization	1	2	3	4	5
11.	The organization provides me with sufficient resources for me to accomplish my performance targets	1	2	3	4	5
12.	The organization provides training to improve on my performance	1	2	3	4	5

APPENDIX II: INTRODUCTION LETTER



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DATE: 2/9/2014

TO WHOM IT MAY CONCERN

The bearer of this letter ... BETTY MKASIA BOSCO

Registration No. D61/72203/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

