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**EFFECT OF REWARD MANAGEMENT PRACTICES ON ORGANIZATIONAL COMMITMENT IN STATE  
CORPORATIONS IN KENYA: A CASE STUDY OF KEFRI**

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**EFFECT OF REWARD MANAGEMENT PRACTICES ON ORGANIZATIONAL COMMITMENT IN STATE CORPORATIONS IN KENYA: A CASE STUDY OF KEFRI**

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**ABSTRACT**

Studies indicate that when employees are committed to organizations they work for they produce better outcomes for such organizations. Rewards are considered as one of the tools for enhancing organizational commitment. The pertinent issues of reward management practices that KEFRI could be facing are similar to what other research institutions are facing. This study therefore sought to investigate the effect of reward management practices on organizational commitment in KEFRI. In this regard, the study was guided by two specific objectives: to establish the effect of benefits administration and to find out what employees perceived as the base for rewards. This study adopted a case study research design using stratified sampling since data was gathered from a single source. The population was divided into sets or strata and which were mutually exclusive. The unit of analysis was the entire population of KEFRI employees, 1012 in number from which a sample of 100 was derived at from top management, middle and lower level staff. The study used questionnaires and interviews as the data collection instruments. The research carried out a pilot study to pretest and validate the instruments. Quantitative data collected were analyzed using SPSS (Version 22). Content analysis was used to test data that was qualitative in nature or aspect of the data collected from the open ended questions. The information was presented using tables, charts and in prose form.

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## **Background of the Study**

Human capital is regarded as a prime asset of any organization and it plays a significant role in ensuring sustenance of organizations. It pays greatly to invest in this important asset. Armstrong (2008) reaffirms that every organization needs to obtain and retain skilled, committed and well-motivated workforce using different incentive-based approaches, which may include rewarding of employees. Organizational commitment is a challenge that many organizations are facing with regard to productivity. Furthermore, organizations value commitment among employees who work for them because it is naturally assumed to reduce withdrawal behaviour, such as lateness, absenteeism and turnover. So it is doubtless values such as these that have potential consequences for overall organizational performance. In the current business dispensation, no organization can perform optimally unless each employee is committed to the organizations goals. Thus it was important to understand the factors that can enhance Organizational commitment so that organizations can create committed workforce. Many organizations realize that the performance of their workforce plays a significant role in determining their success or failure (Zheng, 2010). So it was vital for both employers and managers to know how to get the best from their workers. Armstrong (2010) also asserts that every organization needs to get and retain skilled, committed and well-motivated workforce using different incentive-based approaches, which may include rewarding of employees.

Commitment of employees to work has been found to have a strong relationship with competitiveness of (Obeidat, Taisir, Masa'deh & Ayman, 2013). There is high interest in studies that are concerned

with organizational commitment of employees within not only the private sector but also the public sectors, and that has been occasioned by the understanding that employees willingness to exert desirable effort is associated with organizational commitment of such employees (Varsha & Bhati, 2012). It is important that those in management positions recognize that in the current global outlook to economic activities, human resource management approaches can spell success or failure of an organization. This is because organizations, as systems with functional divisions are heavily dependent on employee's goodwill (Lumley, Alexander, Coetzee, Tladinyane & Ferreira, 2011). One tool that those in positions of leadership in organizations appreciate that it enhances the performance of employees is rewards. Rewards management should therefore be a concern for organizations whether in private or public sectors (Dahlqvist & Matsson, 2013).

According to Bimpitsos and Petridou (2012), organizations operate in an environment characterized by uncertainty, instability and change, which provoke the appearance of various forms of challenges. Vanhala and Stavrou (2013) argues that such environment includes many variables such as increased globalization, rapid technological change, and growing need for qualified employees and improved performance. These forces make organizations to try and exploit the resources at their disposal in order to achieve a competitive advantage (Savaneviciene & Stakeviciute, 2011).

Dominguez (2011) sees human resources as critical factors contributing to an organization's success, and therefore, effectively managing these resources is important to all organizations (Juhdi, 2011). Ortega-Parra and Sastre-Castillo (2013) argue that managing the human resources of an organization

requires the use of different practices that play a significant role in helping such organizations create and sustain the performance they desire, and more importantly influences the behaviours and also the attitudes of employees (Lew, 2011).

Chepkwony (2014) introduces reward systems as an important aspect of human resource management that is concerned with formulation and implementation of strategies and policies whose aim is to reward employees on the basis of fairness in line with particular values espoused by the organization. Nyandema and Were (2014) note that reward systems if properly administered can improve the quality of labour and performance on jobs, and the converse can lead to staff turnover and poor productivity of labour. Kathure (2014) found that workers are sensitive to the different types of rewards that are provided to them and respond in equivalent measure in terms of commitment to the organizations that they work for.

Wainaina (2015), concluded that employee benefits and employment terms have an impact on organizational commitment and that it is necessary for employers have a broad perspective in reward management administration. Wekesa, Namusonge and Iravo (2015) note that committed employees in the current business environment are an organizations source of competitive edge rather than the products it produces and therefore keeping such employees, highly productive and committed, ought to be a high priority for the organization.

Reward management practices include a range of benefits employees get in exchange for services they offer to organizations and may include; salaries and wages, awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or simple appreciations (Lotta, 2012). It is concerned with formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently

in accordance with their value to the organization. And that it consists of analyzing and controlling employee remuneration, compensation and many other benefits for the employees, and aims to create and efficiently operate a reward structure for an organization.

According to Muhammad, Irfanullah, Ghulam, Shadiullah, Allah, Farhatullah and Naseem, (2014) organizational commitment is a link, association, or bond of the employee with the institution, a psychosomatic state that distinguishes the individual's association with the institution with the proposition for the decision to carry on attachment to the organization. Organizational commitment is the relative strength of an individual's identification and involvement in a particular organization. Organization commitment is the employee's attachment to identification with and involvement in the organization (Meyer & Allen 1991) and is considered the type of commitment most relevant to voluntary turnover (Vandenberghe & Bentein, 2009). Glazer, Daniel, and Short (2004) notes two components of organizational commitment, which have received a lot of attention; that is affective and continuance commitment. Allen and Meyer (1990) define Affective Commitment as the emotional attachment and identification with one's organization and Continuance Commitment as commitment based on the employee's attitude towards leaving the organization, and that an employee with high continuance commitment is less likely to leave the organization because of costs involved with such a move.

According to Welty, Burton and Wells (2014) employees who have higher levels of organization commitment will be less likely to engage in job search behaviours as they would wish to stay associated with the organization to which they are committed and maintain a relationship with the employer who motivates and inspires them. Employees with higher levels of organizational

commitment will strive to work toward the benefit of the organization and have a desire to remain in their jobs because they have internalized the values of the organization (Meyer, Stanley, Herscovitch, & Topolnytsky, 2004).

A Corporation is a company or group of people authorized to act as a single entity and recognized as such in law around the world. Registered corporations have legal personality and are owned by shareholders whose liability are limited to their investment although shareholder do not naturally manage a corporation, but instead elect or appoint a board of directors to control the corporation in a fiduciary capacity (Science and Technology Act - CAP 250 - of the Laws of Kenya). According to State Corporations Advisory Committee (SCAC), guidelines ([www.scac.go.ke](http://www.scac.go.ke)), there are ten (10) State Corporations under research.

Kenya Forestry Research Institute (KEFRI) is a State Corporation, which was established in 1986 under the Science and Technology Act (CAP 250) of the Laws of Kenya to undertake research in forestry and allied natural resources. KEFRI's mandate is therefore to conduct research in forestry and allied natural resources to generate science-based knowledge, information, technologies and innovations for sustainable development and management of forestry and allied natural resources (KEFRI 2013). State Corporations also fall into classification A, B or C based on the parent ministry, revenue and size (Mathenge, 2011).

### **Statement of the Problem**

According to the United Nations (U.N.) and Food and Agriculture Organization (FAO) data (FAO, 2010), the change in Kenya's forest cover indicated that between 1990 and 2010, an average of 12,050 ha or 0.30% per year was being lost, in other words 6.5% of the forest or 241,000ha had been lost. At

that rate the country may eventually have to deal with the vagaries of deforestation. It is therefore important to understand factors that could be contributing to the trend (Wacheyel, Kuria & Musiega, 2013).

Studies indicate that organizational commitment of employees plays a highly significant role in the outcomes of organizational operations, studies also show significant influence of reward management practices on organizational commitment of employees, as a result rewards hold a prominent position among the manager's tools for achieving organization objectives (Ali & Ikhlas, 2014). This view is supported by Cherotich (2012), Ngugi, Mukulu, and Gachoka (2014), Maritim (2014) and Wangari (2014) who undertook studies which were concerned with job satisfaction, motivation, organizational commitment and turnover or retention of employees. So far, research has focused primarily on satisfaction of employees, such studies include Richardsen et al. (2006), Llorens (2006), Hakanen (2006), and Demerouti, Bakker, Nachreiner and Schaufeli (2001). There were however few studies (Mutua, 2011; Bunge 2013; Muuo, 2013; & Njanja 2013), which were carried out in Kenya on reward management and organizational commitment, particularly after the Salaries and Remuneration Commission came into being. Maritim (2014) in his study recommended that research can be carried out on other different variables on reward management practices other than retention of generation Y employees. KEFRI HR report, (2015), indicated 27 employees had resigned from the organization since the year 2010 to 2015. This study therefore, sought to fill this gap by testing effects of reward management practices on organizational commitment, and to understand elements of reward management practices that may not only attract but also retain experts, make them devoted, committed and loyal employees within key

state corporations like KEFRI. This study aimed to expand useful and practical knowledge with regard to employees' organizational commitment. The study focused on effects of reward management practices on organizational commitment among KEFRI employees.

### **Research Objectives**

The general objective of this study was to examine effect of reward management practices on organizational commitment in State Corporations in Kenya. The specific objectives were:

- To establish the effect of benefits administration on organizational commitment of employees in KEFRI.
- To find out what employees perceive as the base for rewards in KEFRI

### **LITERATURE REVIEW**

The success of any organization depends on among others, committed employees who are loyal to their organization. Commitment to an organization is as a result of good and better reward management practices. This chapter reviews theoretical underpinnings of the study, thereafter develops the conceptual framework, which depicts the independent and dependent variables followed by an empirical review.

#### **Theoretical Review**

This study focused on finding out whether there was a relationship between reward management practices and organizational commitment and the extent of the relationship, and therefore the theories that appropriately informed the study were the expectancy theory by Victor Vroom, the two-factor theory by Fredrick Herzberg, Abraham Maslow's hierarchy of needs theory, equity theory by Adams and the organizational commitment theory by Allen and Meyer.

#### **Expectancy Theory**

The expectancy theory assumes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and minimize pain. Wininger and Norman (2010), together with Lawler, Porter and Vroom suggested that the relationship between people's behavior at work and their goals was not as simple as was first imagined by other scientists. Vroom realized that an employee's performance is based on individual's factors such as personality, skills, knowledge, experience and abilities. The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that: There is a positive correlation between efforts and performance, Favorable performance will result in a desirable reward. The reward will satisfy an important need. The desire to satisfy the need is strong enough to make the effort worthwhile (Nzuve, 2009). The theory is based upon the following beliefs: Valence: Valence refers to the emotional orientations people hold with respect to outcomes [rewards]. The depth of the want of an employee for extrinsic [money, promotion, time-off, benefits] or intrinsic [satisfaction] rewards).

Management must discover what employees' value. Expectancy: Employees have different expectations and levels of confidence about what they are capable of doing. Management must discover what resources, training, or supervision employees need. Instrumentality: The perception of employees as to whether they will actually get what they desire even if it has been promised by a manager. Management must ensure that promises of rewards are fulfilled and that employees are aware of that. Vroom suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force, such that the employee acts in ways that bring pleasure

and avoid pain (Bernard, 2010).

### **Two-factor theory**

In 1959, Frederick Herzberg, a behavioral scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. (Dartey-Baah & Amoako, 2011). Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent or if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as dissatisfies or maintenance factors as they are required to avoid dissatisfaction (Lyria, Namusonge, & Karanja, 2014). These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include: Pay - The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain. Company Policies and administrative policies - The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc. Fringe benefits - The employees should be offered health care plans (Medicclaim), benefits for the family members, employee help programmes, etc. Physical Working conditions - The working conditions should be safe, clean and hygienic. The work equipment's should be updated and well-maintained. Status - The employees' status within the organization should be familiar and retained. Interpersonal relations - The

relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present. Job Security - The organization must provide job security to the employees.

Motivational factors- According to Herzberg, the hygiene factors cannot be regarded as motivators. (Stello, 2011). The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include: Recognition - The employees should be praised and recognized for their accomplishments by the managers. Sense of achievement - The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job. Growth and promotional opportunities - There must be growth and advancement opportunities in an organization to motivate the employees to perform well. Responsibility - The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability. Meaningfulness of the work - The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated. (Kibui *et al*, 2014).

### **Hierarchy of Needs Theory**

Maslow's hierarchy of needs is the most widely mentioned theory of motivation and satisfaction (Wehrich & Koontz, 2001). Building on humanistic psychology and the clinical experience, Abraham Maslow argued that an individual's motivational requirements could be ordered as hierarchy. Once a

given level of needs is satisfied, it no longer helps to motivate. Thus, next higher level of need has to be activated in order to motivate and thereby satisfy the individual. Maslow (1943), identified five levels of needs hierarchy: physical needs, (food, clothing, shelter, sex) safety needs which means physical protection, social needs which involves developing, close associations with others, self-esteem needs, that is prestige given by others and self-actualization, which is self-fulfillment and accomplishment through personal growth (Winger & Norman, 2010). Organization's therefore, must identify the needs that an employee has, at a particular time and try to satisfy them. They must also identify the needs that have already been satisfied and avoid over satisfying, thus creating lack of balance between the needs. It is argued by different writers, that if these needs are not met in their order, may affect employee performance, as they strain to meet their needs in different ways, example they may spend most of their time looking for greener pastures, where they will be paid more salary and gain other benefits. Safety is also very important to an individual at the work place, being comfortable with where you work, motivates you to work well and achieve your goals. Poor ventilation, lack of fire exits, poor maintenance of machines, lack of drainage, slippery floor, poor sanitation among others, are some of the problems that may affect employee safety at the work place as stipulated by the Government of Kenya, (OSHA, 2007). The Maslow motivation theory is typically represented by 5 steps: Physiological needs - such as hunger, thirst, and sleep. Safety needs - such as security, protection from danger and freedom from pain. Social needs - sometimes also referred to as love needs such as friendship, giving and receiving love, engaging in social activities and group membership. Esteem needs - these include both self-respect and the esteem of others, for example, the desire for self-confidence and achievement,

recognition and appreciation. Self-actualization - This is about the desire to develop and realize your full potential. To become everything you can be (Worlu & Chidozie, 2012).

### **Equity Theory**

The equity theory states that employees of organizations expect fairness when being given rewards for the work that they have done (Adams, 1965). Adams developed the equity theory after having carefully made observations on the tendencies of people making social comparisons concerning their earnings. The theory is an off-shoot of the Herzberg's job satisfaction theory and is linked to rewards management; it represents an important factor in employee's perception of reward structure in terms of fairness or unfairness. The equity theory basically refers to an employee's subjective judgment about fairness of the rewards provided in comparison to the inputs; effort, time, education, and experience they have applied and also when compared with that of other employees. The equity theory argues that if an employee perceives lack of fairness he will act to correct the unfairness by lowering his productivity, quality of work, resort to absenteeism and voluntary resignation. The argument is that people generally work well when they view the rewards given to them to be fair (Armstrong, 2012).

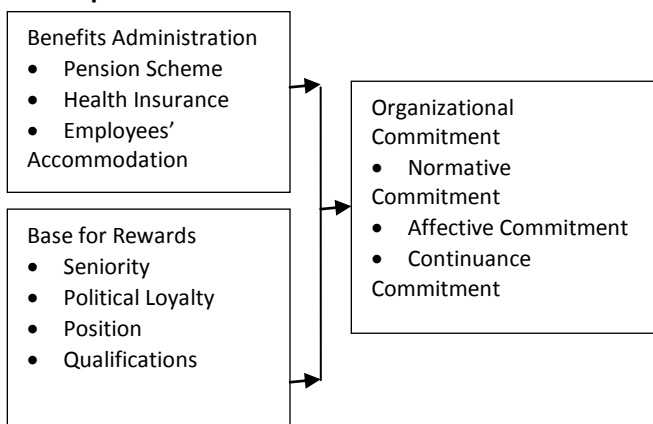
### **Organizational Commitment Theory**

Up to the present time, three approaches have been developed that define and measure organizational commitment: the calculative, attitudinal and multidimensional. The calculative approach by Howard Becker (1960) states that over time economic, social and other factors such as income, status, seniority and friendship tie people to a given line of activity and that threat of losing these along with a perceived unavailability of alternatives commits one to the organization. The attitudinal



approach states that employees feel committed to the organization as a result of being able to identify with the organizations' values and goals. The multidimensional approach on the other hand developed by Meyer and Allen (1984) include affective commitment, which is a about positive feelings of identification, attachment and involvement in organizations' work, and continuance commitment as the extent employees feel committed to their organization based on the leaving cost, while normative commitment is about employees feelings of obligation being the determinant of their decision to remain with the organization.

### Conceptual Framework



**Independent Variables**                      **Dependent Variable**  
**Figure 1 Conceptual Framework**

### Benefits Administration

Benefits administration refers to the pension schemes, health insurance and accommodation that an organization provides to its employees as part of job related incentives. In pension schemes, employees must pay a given amount into the system which is supplemented by the employer through average monthly wage calculations; it is aimed at providing financial security to employees when they retire. On the other hand, health insurance schemes are aimed at meeting the health

needs of employees on the job, and it may involve contribution of part of a worker's salary, on a monthly basis, to a national health insurance fund or on the other hand be provided by the employing organization as part of the job package, and in accommodation the employees are either provided with an housing allowance or housing facilities within the premises of the organization (Ruby, 2013). According to Uche (2014), a pension is a contract for a fixed sum which is to be paid regularly in installments to a pensioner on retirement from service, and a severance pay is a lump sum amount paid to the employee upon retirement, and in some instances an employer can develop a pension plan for its employees, which is referred to as an occupational pension, and some pension plans also possess insurance elements for the benefit of survivors. In most organizations, pension schemes are considered as an offer by management to employees in return for life long service, and Clement (2010) determined a relationship between employee satisfaction and pension payments, which indicates a greater likelihood for organizational commitment. Health insurance involves medical and surgical expenses of the employee that are paid for by the employer. It is a type of motivation and attraction of competent employees. It is an instrument used by the employers to lighten the financial burden of employees as far as health costs are concerned and to increase their motivation and commitment (Yousaf, Latif, Aslam & Saddiqu, 2014) In a study by Allender, Colquhoun and Kelley (2011) on various employees' welfare programs in institutions and its impacts on health behaviour and status of staff, in which data was collected through application of telephone interviews, self-administered mail questionnaires and personal interviews, 67% of the results showed that health promotion can attract and retain skilled staff. The research deduced that employee well-being schemes have positively impacted on service

delivery.

Okumbe (2010) noted that health insurance helps to keep the employees in good health with accrued benefits such as improved moral and loyalty, good public relations, reduced influence of unions and other interventions, and that the dollar return from such schemes is impossible to measure as far as levels of productivity is concerned, and additionally the organization is also able to acquire enhanced attractiveness such that competent personnel are less likely to leave.

Accommodation is a concern for every person more so workers who cover long distances to their work stations. The World Bank and the United Nation have together demonstrated a link between accommodation problems and productivity. Research indicates that there are positive economic and social benefits derivable when employers provide accommodation subsidies for their employees. Accommodation subsidies refers to systems of providing residential housing units for employees of organizations either within the organizations or outside on the account of the organization (Zheng, Sharan & Wei, 2010). When employers provide accommodation subsidies, they can lower transaction costs, reduce turnover rates, improve workers health, boost workers morale and enhance productivity. Providing accommodation subsidies has additionally been viewed as a strategic effort to enhance the organization image as well attracts talented people. A study in India found that accommodation and travel are critical issues affecting morale and job commitment of employees (Ondari, 2011).

### **Base for Rewards**

Base for rewards refers to the criteria used for rewards distribution and the employee's reaction to the distribution results; it entails an individual's subjective evaluation of the extent to which the environment they are working in is characterized by

supervisors and workmates in terms of self-serving behaviours (Phatsom, 2012). The construct base for rewards consists of elements such as seniority, political loyalty, position and qualification, which reflects the degree to which an individual views the environment he is working in as fair and just or unfair and unjust (Ting, 2014).

Previous studies demonstrate that base for rewards is often more predictive of a number of work attitudes and organizational commitment, and that the fairness of base for rewards itself seems to have more importance than the actual amount of compensation that is gotten by individuals (Jamal, 2011). Sušanj (2012) argued that the perception of justice and fairness produce a variety of positive work outcomes and generates greater levels of organizational commitment from employees. Panchanatham (2011) proposed several responses to base for rewards that includes exit, loyalty and voice. Bajpai (2010), suggests that employees who consider the organizations that they are working for have unequal practices and that it only promotes the interests of certain individuals may decide to leave physically or psychologically, and may even decide to stay but express dissatisfaction by engaging in unproductive activities, injurious behavior, put less effort in their work, delay certain assignments without justification and show no idea even when they are capable.

### **Organizational Commitment**

According to Muhammad, Irfanullah, Kundi, Shadiullah, Nawaz, Farhatullah and Yar (2014), organizational commitment is a link, association, or bond of the employee with the institution, a psychosomatic state that distinguishes the individual's association with the institution with the proposition for the decision to carry on attachment to the organization. Steers (1977) refers to organizational commitment as the relative strength of an individual's identification and involvement in a

particular organization. Organization commitment is defined as the employee's attachment to identification with and involvement in the organization (Meyer & Allen 1991) and is considered the type of commitment most relevant to voluntary turnover (Vandenberg & Bentein, 2009). Glazer, Daniel and Short (2004) notes two components of organizational commitment, which have received a lot of attention; that is affective and continuance commitment. Allen and Meyer (1990) define Affective Commitment as the emotional attachment and identification with one's organization. Affective commitment as the "desire" component of organizational commitment. An employee who is affectively committed strongly identifies with the goals of the organization because he / she "wants to". This commitment can be influenced by many different demographic characteristics: age, tenure, sex, and education but these influences are neither strong nor consistent. Affection for your job occurs when you feel a strong emotional attachment to your organization, and to the work that you do. You will most likely identify with the organization's goals and values, and you genuinely want to be there. It is influenced by factors such as job challenge, role clarity, and goal clarity, and goal difficulty, receptiveness by management, peer cohesion, equity, personal importance, feedback, participation and dependability.

Continuance commitment is the "need" component or the gains verses losses of working in an organization. The commitment is based on investments which are the gains and losses that may occur should an individual stay or leave an organization. An individual may commit to the organization because he / she perceives a high cost of losing organizational membership. It is based on the employee's attitude towards leaving the organization, and that an employee with high continuance commitment is less likely to leave the

organization because of costs involved with such a move, Allen and Meyer (1990).

According to Welty *et al.* (2014), employees who have higher levels of organization commitment will be less likely to engage in job search behavior's as they would wish to stay associated with the organization to which they are committed and maintain a relationship with the employer who motivates and inspires them. Employees with higher levels of organizational commitment will strive to work toward the benefit of the organization and have a desire to remain in their jobs because they have internalized the values of the organization (Meyer, Stanley, Herscovitch & Topolnytsky, 2004). Lamba and Choudhary (2013) view Organizational commitment as the individual psychological attachment to the organization, whereas commitment represents something beyond loyalty to an organization and involves an active relationship with the organization such that individuals are willing to give something of them in order to contribute to the organization well-being.

## **Empirical Review of Literature**

### **Benefits Administration**

There were few studies associated with benefits administration, but the nature of benefits administration has been shown to influence employee's attitudes and behavior (Umoh, Amah, & Wokocha, 2014). The level of satisfaction by employees with regard to benefits administration depends upon the quality and quantity of benefits coverage. Kamau (2014) suggests that employee's satisfaction with benefits administration is a function of the effectiveness and efficiency of processes that manage the benefits program.

Umoh *et al.* (2014) found that benefits administration improves the employees' performance and attracts applicants in the process of recruitment, in the study it was determined that benefits such as health, life and dental insurance,

maternity leave and child care provision, and retirement plans have a big impact on the performance and commitment of the employees. Ikeji, Nwosu, Agba and Ogaboh (2011) determined objectives of benefits administration as that of meeting the lowest physical and psychological needs of employees to enable them fully engage in work, to compete with other organizations at an equal footing and to provide social or welfare services. In the study by Ikeji et al. (2014) on the impact of benefits administration, it was found that there are five benefits, namely bonuses, dividends, pensions, individual annual vacations, paid leave and medical compensation, which give the greatest impact on the employees' performance.

#### **Base for Rewards**

Rokho (2013) in a study found that employee perception of base for rewards is positively associated with career satisfaction. Anttila (2014) observed that employees with higher levels of psychological fulfillment of fairness in administration of rewards are less likely to leave an organization. Zoran and Ana (2012) in a study of the relationship between fairness perception and organizational commitment found that perceived fairness significantly contributed to organizational commitment. Ting (2014) validated direct influence of base for rewards and organizational commitment of employees. And that for employees to have greater organizational commitment managers ought to demonstrate fairness in administration of rewards programs. Salles and Balassiano (2012) found that the perceived base for rewards is an antecedent of and a determinant of organizational affective commitment.

#### **Organizational Commitment**

Ortega-Parra and Sastre-Castillo (2013) identified three organizational commitment components that included the belief and acceptance of an

organization's values and goals, the willingness to assist and aid organizations and the desire to remain a member of an organization. Muhammad et al. (2014) investigated factors that affect the organizational commitment among bank officers in Pakistan and tested the effect of rewards; support received from supervisors; provision of opportunities for the development of careers; organizational support for family and favorable job conditions on organizational commitment. The approach followed required administration of questionnaires to 147 officers working in different bank branches in Lahore, Pakistan. Data collected was thereafter analyzed with SPSS version 20.

The study by Muhammad et al. (2014) revealed a higher correlation between different supporting factors and organizational commitment of bank officers and regression showed that all the factors: rewards; support received from supervisors; provision of opportunities for the development of careers; organizational support for family and favourable job conditions significantly predict organizational commitment. Lumley, Coetzee, Tladinyane and Ferreira (2011) explored the relationship between job satisfaction and organizational commitment of employees in the information technology environment. The objective of the study was to measure the effect of nine facets of job satisfaction, pay, promotion, supervision, fringe benefits, contingent rewards, operating procedures, co-workers, nature of work and communication on organizational commitment. Using a cross sectional survey of 86 employees at four information technology companies in South Africa, the study by Lumley et al. (2011) revealed, on analysis of data with Pearson-product moment correlations and stepwise multiple regression analysis, that pay, promotion, supervision, fringe benefits, contingent rewards, co-workers, nature of work and communication, in that order, positively

predict total organizational commitment. Subsequently the findings suggest significant relationship between job satisfaction and organizational commitment.

## **RESEARCH METHODOLOGY**

This chapter provides details about the methodology that was used to conduct the research. A research design is the structure of research. Orodho (2003) defines it as the scheme, outline or plan that is used to generate answers to research problems. The study adopted a case study design method. For purpose of this study the target population were stratified as top management, middle level management and lower level staff. Data available from KEFRI revealed 1,012 employees at the time of the study. The sample size calculated was 100 employees. Stratified random sampling technique was used to select the sample. The two major sources of data collection techniques that were used by the researcher included primary and secondary sources, and questionnaires were used to collect quantitative data. The questionnaires were designed and tested with a few members of the population for further improvements. This was done in order to enhance validity and accuracy of data to be collected. A pilot study was undertaken on 25 KEFRI employees to test the reliability and validity of the questionnaire. In the study, expert judgment of content validity was used. Cronbach's Alpha was used to measure the reliability of the instrument.

## **RESEARCH FINDINGS AND DISCUSSION**

This chapter described the analysis of data followed by a discussion of the research findings. The findings related to the research questions that guided the study. Descriptive and inferential statistical analysis was conducted based on each specific objective. A total of 100 questionnaires were distributed, a total of 74 questionnaires were

returned representing a response rate of 74%. The research findings indicated that benefits administration had a coefficient 0.882 while base for rewards had a coefficient of 0.540. According to study findings; majority of the respondents 27% had attained diploma education, 25% degree education, 22% had attained masters education while 1% were PhD holders. Most of the respondents represented by 51.4% have worked for the organization for over 15 years. 31.1% of the respondents had worked in the organization for 1 to 5 years; 13.5% had worked for 5 to 10 years while 4.1% had worked for 10 to 15 years.

### **Benefits Administration and Organizational Commitment**

#### **Extent to which the employee benefits affect organizational commitment**

It was noted that generally the respondents agreed to the statement that, the pension scheme acted as a retention strategy that motivated them, which was represented by an overall rating of 2.3. Similarly, the respondents agreed that health insurance cover provided by the organization motivated, attracted and retained them to work harder. However, the respondents were not sure if the employee accommodation scheme provided in their organization is beneficial to them.

#### **Satisfaction with benefits offered in the organization**

The respondents were asked whether they are satisfied with the benefits offered in their organization. Majority of the respondents 56% indicated that they were dissatisfied with the benefits offered in the organization while 44% indicated that they were satisfied.

#### **Satisfaction with benefits offered in this organization**

The recommendations were given by the respondents that they were dissatisfied with the

benefits offered: review schemes of service, support development of careers, build more staff houses. The respondent's views and findings of the study show agreement with studies by Zheng, Sharan & Wei, (2010), which found that employees that are provided with accommodation subsidies, turnover rates become lower, worker's health improve and morale is boosted as well as productivity, and that accommodation can enhance the organization image as well attract talented people. The findings are also conforming to the study in India, which found that accommodation and travel are critical issues affecting morale and job commitment of employees (Ondari, 2011).

#### **Base for Rewards on Organizational Commitment**

The respondents were asked to state what they think their rewards are based on. It is clear that a majority of the respondents were rewarded based on their qualifications. This was represented by 78%. 14% indicated that they were rewarded based on their position; 7% indicated they were rewarded based on seniority while 1% indicated they were rewarded based on their political loyalty.

#### **Ideal situation for reward**

Looking at the ideal situation for rewarding, most of the respondents were still for the idea that rewards should be based on qualification (70%); 16% of the respondents indicated seniority as an ideal situation for reward; 13% indicated position while 1% indicated political loyalty.

#### **Other factors that the rewards are based on**

Majority of the respondents 50.8% indicated that performance was a base for rewards in their organization; 23% indicated experience; 13.1% indicated competence while 4.9% indicated integrity as a factor which rewards are based on. The findings demonstrated that base for rewards was predictive of work attitudes and organizational commitment and that fairness seemed to have had more

importance than the actual amount of compensation that is gotten by the individual, and that is supported by findings of Jamal (2011), and Bajpai (2010) who noted that when employees perceive unequal practices in an organization they may decide to leave physically or psychologically and may even decide to stay but express dissatisfaction by engaging in unproductive activities. Furthermore, the findings also conformed to the equity theory.

#### **Organizational Commitment**

##### **Response on organizational commitment**

According to study findings; the respondents agreed that they were happy being members of the organization. They agreed that they enjoyed discussing about their organization with people outside this organization. They indicated they were not sure if they really felt as if the organization's problems were their own. They indicated that they were not sure if they thought that they could easily become as attached to another organization as they were to the current. They disagreed that they did not feel like 'part of the family' at their organization. They also agreed that the organization had a great deal of personal meaning to them; they disagreed that they did not feel a strong sense of belonging to their organization.

##### **Improving relationship with and support from co-workers**

The respondents were asked to say what should be done to improve relationship with and support from co-workers. The various responses include; one on one talked to management using line managers, regular retreats, frequent staff meetings and social welfare activities like football, team work and team building activities, address employees' grievances, mentorship programme and improves on communication.

##### **Opinions concerning compensation and welfare**

### **benefits of the organization**

The following highlights the respondents' opinions concerning compensation and welfare benefits of the organization: promotes efficiency in work, production of goods and services improves, compensation and welfare benefits well taken care of, not well structured and shorten the duration of processing benefits and still low and needs to be improved.

### **Normative commitment**

#### **Responses on normative commitment**

According to study findings; the respondents indicated that they were not sure that people these days move from company to company too often as indicated by a mean of 2.3. They disagreed that; One of the major reasons they continue to work in the organization is that they believe loyalty is important and therefore feel a sense of moral obligation to remain by a mean of 3.9; the indicated that they were not sure if Jumping from organization to organization does not seem at all unethical to them by a mean of 2.9. They also indicated that they were not sure if they do not believe that a person must always be loyal to his or her organization by a mean of 2.8.

The respondents disagreed that they were taught to believe in the value of remaining loyal to one organization by a mean of 3.5; they indicated they were not sure if things were better in the days when people stayed in one organization for most of their careers as indicated by a mean of 3.1. They indicated that they were not sure if they do not think that to be 'a company man' or 'company woman' is sensible as indicated by a mean of 3.2.

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presented summary of key findings, conclusions from the findings and recommendations made. The conclusions and recommendations drawn were based on each specific objective.

### **Summary**

Organizational commitment is a key component that enables organizations attains competitive advantage over others. The study was mainly idealised on the reasoning that human resources are a key resource for state corporations in Kenya, and their commitment is of utmost great importance because of the role the state corporations play in the economy and development of the nation. Therefore, the purpose of this study was to examine effect of reward management practices on organizational commitment in State Corporations in Kenya. The specific objectives of the study were; to establish the effect of benefits administration on organizational commitment of employees in KEFRI and to find out what employees perceive as the base for rewards in KEFRI.

#### **Effects of benefits administration on organizational commitment of employees in KEFRI.**

Employees in KEFRI felt that among the benefits offered in the organization, pension scheme acts as a retention strategy that motivates them to be more committed to the organization. They also felt that the health insurance cover provided by the organization attracts them and hence work harder towards achieving the organizational goals. In order for the staff to be more committed, the organization should review schemes of service, build more staff houses and support development of careers among its staff, this will boost their morale and hence more committed to the organization.

#### **What employees perceive as the base for rewards in KEFRI.**

The employees in KEFRI felt that their rewards were based on qualifications they had attained and also strongly believed that all rewards should be based on the qualifications. Seniority, performance, experience, competence and integrity should also be base for rewards when rewarding employees. If

all these were put into consideration when rewarding employees, they would feel appreciated, would work hard and would not desire to leave the organization.

### **Conclusions**

Reward management practices play a pivotal role in organizational commitment among employees. The factors that were analyzed include: benefits administration and base for rewards. The relevance of reward management practices include: -motivate, energize and direct behavior, change the way people think about work, attracts and retain high performing culture, boosts standards of living of the employees and the society where they live in, employees see money in what it can buy, employee satisfaction with pay is correlated with organization commitment and trust in management. Base for rewards should also be evaluated by the management in order to boost performance. The organization should base their rewards on performance and experience.

Benefits administration was used to motivate the employees so that they can be more committed. State corporations have to ensure to incorporate better benefits for their staff. The management of the state corporations should also ensure to offer their employees better benefits to motivate, attract and retain them in their organizations. This would ensure that employees worked hard to achieve the set organizational goals and objectives.

### **Recommendations**

On the basis of the summary of the findings and the conclusions, the following recommendations were made. The recommendations would help the various stakeholders who included, the management of KEFRI, the Government of Kenya, and various commissions (Public Service Commission, Salaries and Remuneration Commission) and also other sectors in Kenya. The recommendations that guided the study were based

on review of reward management practices and these are the recommendations: The study recommended that the management of KEFRI should put into consideration the use of benefits administration. The benefits that should be considered mostly are; review of schemes of service, support to development of career among staff and construction of more staff houses. The study also recommends that the management of KEFRI should improve on factors such as performance, experience and competence of employees when rewarding its employees. Other base for rewards should be on qualifications attained by employees as it motivates them to work more hard. The study also recommends that KEFRI needs to establish a reward management policy/system and involve employees in determining acceptable and affordable rewards based on achievement of performance targets and the organization's ability to pay or provide for these rewards. This can be done in liaison with the government agencies such as Salaries and Remuneration Commission and other state corporations in Kenya whose focus is research.

### **Suggestions for further research**

This study was limited to the effect of reward management practices on organizational commitment in state corporations in Kenya, and it brought out these four factors, benefits administration and base for rewards. Future researchers should focus on other variables that may have an effect on organizational commitment in state corporations such as organizational culture and leadership styles, involvement and participation, employee relations, empowerment, and performance contracting. This study was limited to state corporations in Kenya using KEFRI as a case study. A similar study could be carried out in other state corporations to find out whether the same results should be obtained.



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