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INFLUENCE OF REWARD SYSTEM ON PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

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ABSTRACT

A reward system on organizational performance is typically a set of incentives that are offered to employees in order to encourage them to achieve certain goals or objectives. The specific nature of the rewards will vary depending on the organization, but they could include things like bonuses, raises, or even paid time off. Some possible rewards for state-owned corporation employees could include bonuses, salary increases, and promotions. Given the changes and efforts to redesign Kenya's state-owned enterprises, many still perform poorly. Kenya's state-owned commercial enterprises have lagged behind their private sector rivals. The purpose of this research was to determine the influence of reward system on performance of commercial State Corporations in Kenya. The study used a positivism research philosophy. The research study used descriptive research designs. The target respondents were three Managers from any department (Finance, HR, administration or marketing) within the commercial state corporation. Therefore, the target population was 165 respondents from 55 commercial state firms in Kenya. The study adopted a census all the 55 commercial state corporations. The study collected both primary and secondary data and utilized both qualitative and quantitative data. Statistical Package for Social Scientists (SPSS) was used to help in data analysis. Simple linear regression model, and multiple linear regression model were used to assess the relationship between the study variables. The findings indicated strong positive correlation coefficient between reward system and performance was R = 0.759. The coefficient of determination R2 = 0.576 shows that 57.6 percent of the variation in performance is accounted for by the changes in reward system, leaving 42.4 percent unexplained. Analysis of variance (F = 9.808, P-value = 0.003<0.05) established that the model is overall significant. Findings further indicated that reward system was individually statistically significant (β = 0.669, P-value = 0.003<0.05). The study revealed a strong positive correlation coefficient between reward system and performance of commercial state corporations in Kenya. The study therefore concluded that the reward systems have strong effect on individual's entrepreneurial behavior in the state firms. The study also recommended that, manager's rewards should be employed upon the unit of their work performance.

Keywords: *Reward system, Performance of Commercial State Corporations, Statistical Package for Social Scientists*

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INTRODUCTION

A reward system is a system that gives rewards to people who do something that the system wants them to do (Mandago, 2018). In Kenya, reward systems are used by commercial State Corporations to encourage employees to perform well. These rewards can be in the form of bonuses, commission, or other financial incentives (Indiya e al., 2018). The purpose of the reward system is to motivate employees to achieve the goals of the corporation. The use of a reward system in commercial State Corporations in Kenya can have a positive impact on employee performance (Ndungu, 2017)). The reward system can be used to incentivize employees to achieve specific goals or objectives, or to improve overall performance. The use of a reward system can also help to create a positive work environment, improve communication and collaboration, and increase employee satisfaction (Simon & Ronoh, 2017). It is possible that such a system may have had some positive effect on motivation and productivity among employees, it is difficult to gauge the exact extent of this impact. In addition, it is worth noting that other factors, such as the overall economic conditions in Kenya, may have had a more significant impact on the performance of these organizations (Kiprotich et al., 2019).

Entrepreneurs who properly reinforce and engage new revenues, financial resources and important decisions about partnerships and joint ventures in the strategic network of their companies. Almeida etal., (2021) indicate that entrepreneurs are not only information filters and interpreters, but are an integral part of the creation of opportunities when they invent part of what they are (Indrawan & Muntholib, 2021). On intrapreneurship in Australian companies by Holston and Kleiner (2017). They observed that the products measuring corporate entrepreneurship were loaded into not four but five variables, essentially breaking the measure of self-renewal into two different components. Profitability was closely associated with (negative) self-renewal and (positive) organizational support, while growth was found to be substantially and positively linked to both new enterprise projects and ecological munificence.

Nyanjom (2017) examined corporate entrepreneurship direction and the quest for advancing open doors in Botswana. The investigation looked to build up whether set up organizations in Botswana address, through the quest for innovative freedoms, the possibility of an enterprising business in the field of corporate entrepreneurship. The discoveries affirm that organizations with an inherently high CE direction benefit most from the use of innovation, which builds the pace of corporate innovation streams.

Zephaniah (2017) studied strategic determinants of intrapreneurial orientation at the Kenya institute of management, Kenya. The study also established that the main strategic determinants of intrapreneurial orientation are; management support, rewarding intrapreneurial effort, work discretion, time availability and organizational boundaries.

Statement of the Problem

Given the changes and efforts to redesign Kenya's state-owned enterprises, many still perform poorly (Bruno, & Rutto, 2017). In today's dynamic business environment, companies are constantly on the lookout for new markets in which to establish and grow their advantages over rivals. A company may appear more intrapreneurial in its pursuit of a stronger market position if it fosters intrapreneurship (Proactiveness, Innovation, Reward System, Competitive Aggressively, and Organizational Structure) (Mokaya, 2012). Kenya's state-owned commercial enterprises have lagged behind their private sector rivals. This study's overarching goal is to establish whether or not reward system influence the reward system on performance of commercial State Corporations in Kenya.

Objectives of the Study

This research aimed to examine the influence of reward system on performance of commercial State Corporations in Kenya. The research was guided by the following research hypotheses;

- **H_1:** Reward system has no significant effect on performance of State Corporations in Kenya.

LITERATURE REVIEW

Reward system on performance of commercial State Corporations in Kenya

Reinforcement involves development and use of systems that enhance entrepreneurial behavior which highlights significant accomplishments and encourage the pursuit of challenging work (Mmbaga, 2018). Holston and Kleiner (2017) further asserts that, the design of reward system should be based on clear goals, feedback, individual influence, and results. Competition shows up in writing as an essential forerunner to advancement and business endeavor in associations. Prize frameworks that move a demeanor of danger taking and development have been appeared to strongly affect person's enterprising conduct (Indrawan & Muntholib, 2021). Kadarusman and Herabadi, A. G. (2018) have grouped prize framework in various classes including monetary, status and force, profession and self-awareness, just as the mental sparks; self-realization, regard and social rewards, for example, fellowships and a feeling of having a place. As indicated by Holston, and Kleiner (2017), the accessibility of remuneration and assets is one of the significant variables that could support business endeavor. To make innovative practices in associations, administrators and pioneers ought to think about the part of remunerations and acknowledgments. Usage of reasonable rewards, for example, cash, advancements, etc spur representatives to assume liability in engrossing the dangers identified with pioneering practices. Mmbaga (2018) contends that development includes a scope of exercises which is touchy to asset designation measures. Assets in this sense contain the position to spend, admittance to the data required and smuggling time. What's more, Dvořáček and Kodrik (2021) note that to invigorate inventive practices, assigning fundamental time and cash are crucial for actualize the thoughts created by the imaginative representatives. Accordingly, the pioneers ought to give adequate subsidizing and different assets to empower advancement conduct. Furthermore, monetary or material rewards additionally have been demonstrated to have the impact on groundbreaking thoughts age and application. Furthermore, Bayassi-Jakowicka et al., (2021) additionally notice that one of the drivers of corporate business is rewards given to the well performing workers. Prizes can be regarding acknowledgment, examination or financial elements. Hence, to prevail with regards to advancing corporate business venture, rewards framework should be appropriately planned and organized in order to tempt and spur the labor force to act innovatively.

Despite the fact that business visionaries are profoundly characteristically inspired and want opportunity and admittance to corporate assets (aggregate information, experience, and devices) and learning encounters, they are additionally objective situated and look for remunerations, input, and acknowledgment. Urging the perfect individuals to act in the correct parts with an enterprising disposition to set out worth structure freedom should be established on a prize framework that is important and rousing (Idemobi et al., 2017). Taba (2018) accept that associations should compensate ambitious innovators impartially in the event that they wish to keep them from leaving and turning out to be outside business people who may shape another endeavor that contends straightforwardly against them. Pioneering pioneers unreservedly and oftentimes remunerate and perceive their workers from various perspectives, urging them to take considerably more activity. As indicated by Mmbaga (2018), the compensation for pioneering conduct ought to be seen extensively and estimated utilizing the accompanying four rules, for example acknowledgment given to the worker; the conventional examination measure; a proper expansion in occupation duties; and how much hindrances are being taken out.

Organization performance

Organization performance is the collective output of all individuals within an organization. It is the result of the coordinated efforts of all employees working together to achieve organizational goals (Holston & Kleiner, 2017). Some possible measures of organizational performance include financial indicators such as profitability and return on investment, as well as non-financial indicators such as employee satisfaction, customer satisfaction, and safety records. According to Pererva, et al. (2018), a company's chances of success improve if its leaders establish tangible goals, prioritize expansion, and ensure that their enterprise can successfully compete both in the near and far future. As a result, many startups and small businesses fail in their early years or struggle to survive because they didn't establish these connections (Oscar & Jared, 2019). There are a number of proposed metrics for evaluating a company's performance; nevertheless, the most appropriate ones should be chosen in consideration of the specifics of the company's strategy, the nature of the industry in which it works, and the level of competition present (Hvolby & Thrstenson, 2017).

METHODOLOGY

The study used a positivism research philosophy. The research study used descriptive research designs. Based on the recommendations of the Presidential Task Force on State Corporations, 187 state corporations in Kenya were included in this research (2013). 55 commercial companies were the focus of the research, with the top management serving as the unit of analysis. The target respondents were three Managers from any department (finance, HR, administration or marketing) within the commercial state corporation. Therefore, the target population was 165 respondents from 55 Kenyan state-owned businesses. All 55 state-run business corporations were included in the study's census. The research incorporated both qualitative and quantitative data, gathered through interviews and published sources. A data analysis program called Statistical Package for the Social Scientists (SPSS) was employed. Simple linear regression model, and multiple linear regression model were used to assess the relationship between the study variables.

RESULTS AND DISCUSSIONS

Response Rate

The researcher issued 165 questionnaires were issued to the 55 commercial state corporations. The questionnaires were administered electronically as well as through drop and pick later method. Out of the target of 165 respondents, the researcher received response from 148 respondents forming 89.97 percent response rate, this was deemed sufficient for analysis. The outcome was as shown in Table 1 below.

Table 1: *Response Rate*

	Questionnaires Administered	Questionnaires Filled And Returned	Percentage
Respondents	165	148	89.97

Descriptive Analysis for Reward System

The study found out that majority of the respondents agreed/strong agreed that; reward systems have strong effect on individual’s intrapreneurial behavior (agreed at 57.9% and strongly agree at 15.8%), manager’s rewards employees upon the unit of their work performance (agreed at 26.3% and strongly agree at 10.5%), manager increases employees’ responsibilities if he/she is performing well in work (agreed at 31.6% and strongly agree at 21.1%), managers encourage employees through nonfinancial rewards such as public praise and recognition (agreed at 36.8% and strongly agree at 10.5%) and manager gives special recognition to his employees if their work performance is good (agreed at 36.8% and strongly agree at 10.5%). The respondents were neutral in their opinions on statement; manager’s rewards employees upon the unit of their work performance (neutral at 47.4%), manager increases employees’ responsibilities if he/she is performing well in work (neutral at 42.1%) and managers encourage employees through nonfinancial rewards such as public praise and recognition (neutral at 42.1%).

Table 2: Descriptive Measures for Reward System

Opinions	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Std. Dev
Reward systems have strong effect on individual's intrapreneurial behavior		10.5	15.8	57.9	15.8	3.7895	.85498
Manager's rewards employees upon the unit of their work performance		15.8	47.4	26.3	10.5	3.3158	.88523
The manager increases employees' responsibilities if he/she is performing well in work.		5.3	42.1	31.6	21.1	3.6842	.88523
Managers encourage employees through nonfinancial rewards such as public praise and recognition		10.5	42.1	36.8	10.5	3.4737	.84119
The manager gives special recognition to his employees if their work performance is good.		15.8	36.8	36.8	10.5	3.4211	.90159

Descriptive for Organizational Performance

The study found out that majority of the respondents agreed/strong agreed that; employees have knowledge required to satisfy Customer needs (agreed at 21.1% and strongly agree at 5.3%), management has always ensured there is enough qualified and skilled professionals in the organization (agreed at 26.3% and strongly agree at 15.8%), organization has good structures that support upward employee growth through merit (agreed at 26.3%), organization has continual learning on how to do things better (agreed at 42,1 and strongly agree at 26.3%), organization employees' productivity and staff development has improved over the years (agreed at 15.8% and strongly agree at 21.1%) and organization has increased its market leadership as a result of improved business processes (agreed at 31.6% and strongly agree at 15.8%). The respondents were significantly neutral in opinion on the statement; organization has good structures that support upward employee growth through merit (neutral at 42.1%).

Table 3: ***Descriptive Measures for Non-Financial Performance***

Opinion	SD (%)	D (%)	N (%)	A (%)	SA (%)
Management has always ensured there is enough qualified and skilled professionals in the organization		21.1	36.8	26.3	15.8
Our organization has good structures that support upward employee growth through merit		31.6	42.1	26.3	
Our organization has continual learning on how to do things better.	5.3	10.5	15.8	42.1	26.3
Our organization employees' productivity and staff development has improved over the years.	15.8	31.6	15.8	15.8	21.1
Our organization has increased its market leadership as a result of improved business processes	5.3	15.8	31.6	31.6	15.8

The underlying hypothesis was formulated and examined:

H_{01}: Reward system has no significant effect on performance of State Corporations in Kenya

The objective examines the influence of reward system on performance of commercial state corporations in Kenya. This objective was anchored on the hypothesis (**$H0_{1)}$** that; Reward system has no significant effect on performance of commercial State Corporations in Kenya. The results of the association between[3] performance[3] and[3] reward system are presented in Table 4 and Table 5. The findings indicated strong positive correlation coefficient between reward system and performance was R = 0.759. The coefficient of determination R^2 = 0.576 shows that 57.6 percent of the variation in performance is accounted for by the changes in reward system, leaving 42.4 percent unexplained. Analysis of variance (F = 9.808, P-value = 0.003<0.05) established that the model is overall significant. Findings further indicated that reward system was individually statistically significant (β = 0.669, P-value = 0.003<0.05). Thus, the hypothesis that rewards system has no significant impact on performance commercial State Corporations in Kenya was rejected. Beta coefficient for reward system suggests that for every one-unit increase in reward system, performance of commercial State Corporations in Kenya increases by 0.669 units holding other factors constant. The predictive model of performance on reward system was of the form;

Performance = 0.662 + 0.669 Reward System

The study findings were supported by Gladys (2013) who posited that reward framework is a significant viewpoint in an association as it impacts authoritative execution. Further, Robina, Umar and Fahad (2013) uncovered that there exists unimportant and frail connection between compensation, reward and association execution. Anyway there exists moderate to solid connection among advancement and association execution. Results additionally show exceptionally huge and solid connection among acknowledgment and association execution. The most grounded and profoundly huge relationship exists among appreciation and association execution.

Table 4: Reward System and Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.759[a]	.576	.758	1.03615	.176	9.808	1	146	.003

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.530	1	10.530	9.808	.003[b]
	Residual	156.80	146	1.074		
	Total	167.30	147			

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	Upper Bound
1	(Constant)	.622	.761		.818	.418	-.909	2.154
	Reward System	.669	.214	.419	3.132	.003	.239	1.100

a. Dependent Variable: Performance

b. Predictors: (Constant), Reward System

The findings indicated strong positive correlation coefficient between reward system and financial performance was R = 0.419. The coefficient of determination R^2 = 0.176 shows that 17.6 percent of the variation in financial performance is accounted for by the changes in reward system, leaving 82.4 percent unexplained. Analysis of variance (F = 9.808, P-value = 0.000<0.05) established that the model is overall significant. Findings further indicated that reward system was individually statistically significant (β = 0.416, P-value = 0.003<0.05). Thus, the hypothesis that rewards system has no significant impact on financial performance commercial State Corporations in Kenya was rejected. Beta coefficient for reward system suggests that for every one-unit increase in reward system, financial performance of commercial State Corporations in Kenya increases by 0.416 units holding other factors constant. The predictive model of financial performance on reward system was of the form;

Financial Performance = 0.394 + 0.419 Reward System

Table 5: Reward System and Performance (ROA)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.419[a]	.176	.158	.91769809	.176	9.808	1	53	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.260	1	8.260	9.808	.003[b]
	Residual	44.626	53	.842		
	Total	52.886	54			

Coefficients[a]

Model		Unstandardized Coefficients: B	Unstandardized Coefficients: Std. Error	Standardized Coefficients: Beta	t	Sig.	95.0% Confidence Interval for B: Lower Bound	Upper Bound
1	(Constant)	.394	.132		2.985	1.000	.267	.467
	Reward System	.419	.134	.419	3.132	.003	.150	.689

a. Dependent Variable: financial performance

b. Predictors: (Constant), Reward System

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that there is a strong positive correlation coefficient between reward system and performance of commercial state corporations in Kenya. The study therefore concluded that the reward systems have strong effect on individual's intrapreneurial behavior in the state firms. The study also concluded that, manager's rewards employed upon the unit of their work performance. The study as well concluded that manager increases employees' responsibilities if he/she is performing well in work. Lastly, the study concluded that manager gives special recognition to his employees if their work performance is good.

This study therefore recommended that the reward systems have strong effect on individual's intrapreneurial behavior in the state firms. The study also recommended that, manager's rewards should be employed upon the unit of their work performance. The study also recommended that the organizational managers should increase employees' responsibilities when they are performing well in work. Lastly, the study recommended that organization managers should give special recognition to his employees if their work performance is good.

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