

Assessment of Reward Management Practices on Organizational Commitment: A Case of Mumias Sugar Company Limited

Wilbrodah Mutsoli Muchibi*

Tutorial Fellow, School of Business and Economics, Mount Kenya University, Kenya

Corresponding authorWilbrodah Mutsoli Muchibi***Article History***Received: 15.07.2018**Accepted: 26.07.2018**Published: 30.07.2018***DOI:**

10.36347/sjebm.2018.v05i07.019



Abstract: Assessment of reward management practices on organizational commitment is an area that has drawn researcher's attention for years. However, most of the studies in this research area have been conducted in the developed countries, with fewer number of studies carried out in developing countries specifically in Kenya in the sugar industry. As a result this study sought to assess the influence of reward management practices on organizational commitment in sugar firms in Kenya: A case of Mumias Sugar Company Limited. Specifically the study sought to determine the influence of recognition on organizational commitment in sugar firms in Kenya and to determine the influence of merit pay on organizational commitment in sugar firms in Kenya. The study adopted descriptive survey research design. The target population of the study was 1689 respondents. The sample size was 313 respondents and consisted of two strata namely; 20 top level management and 293 unionisable employees. Stratified random sampling technique was used to select the sample population. Questionnaires were the main data collection tool. Data analysis was done using both quantitative and qualitative methods. The study found out that reward management practices are positively correlated with normative commitment. The study concluded that if employee's efforts are recognized by the management they are engaged and motivated to work harder. In addition, where appointments are based on merit, it contributes to employee's being commitment to attaining the set criteria. The researcher recommends to managers to consider reward management practices as influencers of organizational normative commitment.

Keywords: Reward Management Practices, Organizational Commitment, Recognition and Merit pay.

INTRODUCTION

Where there are more jobs with fewer people, organizations must provide a better workforce deal that will make employees to be committed in order to deal with dynamic state of global business that greatly influences how organizations position themselves for performance and profitability. According to Patricia and Shuster [1] the better workforce deal is one of total rewards that make-work more attractive and fulfilling. Organizations develop various reward practices to ensure that critical human capital resources are not only attracted but also retained and fully exploited for the benefit of the organization. The most common types of rewards used by organizations include merit pay, basic pay, performance based pay, Job design, incentives, benefits and development opportunities. WorldatWork [2] postulate that, there are five elements that constitute total reward which include compensation, benefits, work-life, performance & recognition and development and career opportunities. Research by Becker *et al.* [1] argue that, because organizations consider human capital one of the most salient organizational assets in establishing and maintaining a competitive advantage, many are investing considerable resources to support employee and organizational development activities such as reward management practices.

Reward is defined as the recognition of the contribution or achievement of individuals or groups by a financial payment or some form of non-financial recognition. Reward is one of the most important components of an organizations retention strategy. Armstrong [3] states that rewarding people involves reward management practices concerned with design, implementation and maintenance of reward systems that are geared to the improvement of organizational, team and individual performance. It includes both financial and non-financial rewards. It is imperative therefore those organizations develop and install reward strategies and practices that motivate staff to remain in the organization. Organizations should adopt the all-encompassing approach of total reward, as this is likely to provide a greater attraction

and retention to a greater number of employees. Reward is a critical motivator towards an employee's choice to remain in an organization.

STATEMENT OF THE PROBLEM

Over the last years, the sugar sector in Kenya has experienced an array of crisis including low productivity, low quality, sugar smuggling, capacity underutilization, lack of regular factory maintenance programmes, lack of fair competition, importation of cheap sugar into the country among others [4]. Mumias Sugar Company, Kenya's largest producer of the sweetener, is currently choking from an array of challenges including, mismanagement, employee performance related issues among them decreased levels of employee satisfaction and lack of employee commitment which on overall analysis have reduced the company's profitability due to poor performance [5]. Study done by Kehoe and Wright [6] indicated that high- involvement HRM practices reward management inclusive significantly enhances organizational commitment. Similarly, if these HRM practices are poor, they lead to counterproductive behaviours such as employee demotivation or poor performance, affecting organizational efficiency [7]. Therefore, this study sought to find out if there was any influence of reward management practices on organizational commitment context of Mumias Sugar Company Limited, Kakamega County, Kenya.

RESEARCH OBJECTIVE

The general objective of the study was to assess the influence of reward management practices on organizational commitment in sugar firms in Kenya, a case of Mumias Sugar Company Limited.

Specific Objectives

To assess the influence of recognition on organizational commitment in sugar firms in Kenya ii. To assess the influence of merit pay on organizational commitment in sugar firms in Kenya.

Research Questions

How does recognition influence organizational commitment in sugar firms in Kenya? ii. How does merit pay influence organizational commitment in sugar firms in Kenya?

JUSTIFICATION OF THE STUDY

This study hopes to generate new knowledge that will widen horizons of existing knowledge concerning the strategic importance of reward management practices for superior and sustainable organizational commitment in sugar firms in Kenya. Particularly the study findings will go a long way in assisting Mumias Sugar Company Limited Management in making rational decisions that are related to reward management practices. It is envisaged that the findings of the study will spur other researchers to conduct further research in other reward management practice.

LITERATURE REVIEW

Reward Management Practices

Reward management refers to all the benefits, financial and non-financial, that an employee receives through his or her employment relationship with an organization [8]. Research by William and Werther [9] revealed that the three main types of rewards that an individual obtains from his or her organization include extrinsic, intrinsic and social. 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, fringe benefits and promotional opportunities whereas 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 which include motivational characteristics of the job such as autonomy, feedback and participation in decision-making. Social rewards derive from interaction with other people on the job. They refer to 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 [9].

Reward is very important for employees since it is one of the main reasons why people work. According to Aswathappa [10], employees' living status in the society, loyalty, productivity and satisfaction are also influenced by the compensation. Research by Singh [11] revealed that employee compensation, particularly the performance based compensation system, resulted in better organizational performance in Indian firms. On the other hand, De Cieri and Kramar [12] stated that a high level of pay or benefit relative to that of competitors can ensure that a company attracts and retains high quality employees and that pay system has an important role in implementing strategies. Whereas Ryan and Sagas [13] postulated that, pay may be one way workers measure whether the time they spend and the effort they put into working are worthwhile. Chelladurai [14] confirmed discrepancy theory, that workers' satisfaction is a function of what they perceive their contributions and job requirements are and what they should receive in return; this is confirmed by one standard measure that an employee may use is what other workers within an organization receive. Employees will feel satisfied with their pay if what they are receiving equates to the time, energy, and effort they contribute, with relation

to what other workers receive. Whereas, if they feel that their efforts and contributions exceed the rewards from the organization and job, especially in pay, dissatisfaction may occur [13].

Recognition

Several studies revealed that the need for recognition is felt by quite a number of the workforce, regardless of the status or profession of workers [15]. Employee's recognition is a key aspect to preserving and promoting the identity of individuals, giving their work meaning, building their development and contributing to their health and well-being [16]. Recognition builds the growth, transformation and performance of the organizations. In employee satisfaction, honour and acknowledgement are known as important component.

Study by Khan, Farooq, and Ullah [17] on correlation between rewards and employee motivation in commercial banks of Pakistan found out that lack of acknowledgement and external honour on employees' work is important for systems moral excellence. The study focused on four types of rewards of which one was recognition which he tested through Pearson correlation. The results showed that recognition correlates significantly (0.65) with employee work motivation [17]. Employee satisfaction diminishes due to lack of recognition therefore it's necessary for management of organizations to recognize good work done by employees. This explains why the study is carried out to investigate recognition as a construct of reward management practices on organizational commitment on sugar firms.

Merit Pay

Merit pay plans are payments that recognize the level of employee individual performance. These plans theoretically form a link between pay expenditures and individual productivity and even when such linkages may not actually exist, the plans still communicate a useful message to employees [18]. Expectancy and reinforcement theories of motivation support the use of merit pay and states that managers must demonstrate to employees a close like between performance and reward. The attractiveness of merit pay lies in its transparent equity and its potential to stimulate high performance.

Merit pay helps an employer differentiate between the performances of high and low performing employees and reward the performance of the higher performers. It allows an employer to differentiate between the performance of the company as a whole and the performance of an individual [18]. While many merit pay programs also provide an overall reward that is distributed to all employees, to promote such values as team work, a portion of the available compensation is reserved for strong performers. Merit pay also provides a vehicle for an employer to recognize individual performance on a one time basis. This is useful for rewarding employees who may have participated in a one-time project such as implementing a new Human Resource Information System or opening up a new sales territory.

RESEARCH METHODOLOGY

The study adopted descriptive survey design. The survey design helped in ensuring relevant data was obtained from sampled population which could later be used to make generalizations on the target population. The target population was 1,689 as per the 2014 annual report and financial statement [5]. The sample size of the study was determined by use of Krejcie and Morgan [19] formula. The study specifically focused on 313 employees drawn from two different cohorts of 20 top management and 293 unionisable employees of Mumias Sugar Company Limited. Krejcie and Morgan[19] formula.

$$S = \frac{X^2 NP (1-P) \div d^2 (N-1) + X^2 P (1-P)}{1}$$

Where

S = Required sample size

X² = The table value of Chi-Square for 1 degree of freedom at the desired confidence level = .05 = 3.8416

N= The population size

P= The population proportion (assumed to be 0.50 since this would provide the maximum sample size)

d= The degree of accuracy expressed as a portion (.05) = 1.96

$$\begin{aligned} S &= \frac{(1.96)^2 * 1689 * 0.5 (1-0.5)}{(0.05)^2 * (1689-1) + (1.96)^2 * 0.5 (1-0.5)} \\ &= \frac{3.8416 * 1689 * 0.5 * 0.5}{0.0025 * 1688 + 3.8416 * 0.5 * 0.5} \\ &= \frac{1622.1156}{4.22 + 0.9604} \\ &= 313.12 \\ &= 313 \end{aligned}$$

The sample size for the study was 313 participants to whom questionnaires were provided.

Sampling Technique and Instruments

The study adopted stratified sampling technique since the target population involved individuals of different cohorts in Mumias Sugar Company Limited. According to Oso and Onen [26], stratified random sampling technique is used when the population of interest is homogeneous. It breaks the population into groups of similar characteristics. In this study the target population of interest was composed of various carders namely; top level management and unionisable employees.

Pilot Test

Cooper and Schindler [20] assert that a researcher should do a pilot test of data gathering tools before proceeding with the research. The reliability of the instruments was established using the Cronbach Alpha Coefficient tests. The Cronbach Alpha Coefficients for the questionnaires of employees was ($\alpha = 0.839$; $df= 9$), indicating high level of reliability. The researcher also sought voluntary information on improvement of the research instruments from the co-author to determine validity of the instruments.

Data Processing and Analysis

Data analysis is an examination of what has been collected and making deduction and inferences [19]. Before processing the responses, the completed questionnaires were edited for completeness and consistency. Data analysis was done by grouping data from questionnaires into various categories before being coded and analyzed. The researcher collected both quantitative and qualitative data. The descriptive statistical tools helped the researcher to describe the data and determine the extent to be used. The coded data was then fed into the IBM Statistical Packages for Social Sciences (IBM SPSS) Version 20 which generated the values of the coefficients in frequencies and percentages. Pearson Correlation Coefficient Analysis was done to determine the relationship between the variables.

RESULTS AND DISCUSSIONS

The study targeted 313 respondents but only 220 questionnaires were filled and returned hence the response rate stood at 70.28% which was considered as high enough to judge the study as having been successful. According to Mugenda and Mugenda [22], a response rate of 30% and above is sufficient, a response rate of 50% and above is good while a response rate of 70% and above is excellent for purposes of representation of findings from the sample to the entire population from which the sample was drawn.

Demographic results showed that there were more male 152 (69.1%) than female 68 (30.9%).A cross tabulation carried out between gender and education revealed that more male were educated than female. Traditionally in Kenya most male were better exposed to advance their education and achieve further training than female. In addition, the findings indicate that 88(40%) of the respondents had bachelor’s degree, 78 (35.5%) had diploma, 30(13.6%) had certificates, 20(9.1%) had masters and 4 (1.8 %) had PhD. Similarly, education level determines the position of the respondents in the company in that those with high level education were in management positions as seen in a cross tabulation between position and education.

Table – 1: Showing Cross Tabulation between Gender * Education

		Education					Total
		PhD	Masters	Bachelors	Diploma	Certificate	
Gender	F	0	10	24	18	0	68
	M	6	10	64	80	8	152
Total		6	20	88	98	8	220

Table-2: Showing Cross Tabulation between Position

							Total
		PhD.	Masters	Bachelors	Diploma	Certificate	
Position	TM	5	20	5	0	0	20
	UE	0	0	14	140	36	200
Total		5	20	19	140	36	220

* Education Education

TM= Top Level Management, UE= Unionisable Employees

Influence of Reward Management Practices on Organizational Commitment

In order to meet this objective, the practices were categorized into two perspectives of recognition and merit pay practiced by Mumias Sugar Company. In each perspective the respondents were asked to indicate how they felt and the results are shown in Table – 3.

Table-3: Reward Management Practices

STATEMENTS	SD f(%)	D f(%)	NS f(%)	A f(%)	SA f(%)
Reward management system is transparent	56(25.45)	56(25.45)	54(24.55)	16(7.27)	38(17.27)
Reward management system is well communicated	38(17.27)	52(23.64)	44(20)	46(20.91)	40(18.18)
Salary matches tasks given	40(18.18)	74(33.64)	28(12.73)	54(24.55)	24(10.91)
Recognition of efforts results to hard work	54(24.55)	20(9.09)	36(16.36)	54(24.55)	56(25.45)
Merit based pay is the reason for high commitment	60(27.27)	40(18.18)	54(24.55)	34(15.45)	32(14.55)
Appointments are based on merit pay	72(32.73)	62(28.18)	46(20.91)	32(14.55)	8(3.64)
Reward management system is transparent	56(25.45)	56(25.45)	54(24.55)	16(7.27)	38(17.27)

N=110; Strongly Disagree (SD=1), Disagree (D=2), Not Sure (NS=3), Agree (A=4), Strongly Agreed (SA=5)

The findings reveal that majority of respondents strongly disagreed 56(25.45%) that the reward management system was transparent and disagreed 52(23.64%) that the reward management system was well written down and communicated. Also they strongly agreed 56(25.4%) that they work harder as a result of recognition of their efforts. Majority also disagreed 74(33.64%) that the salary matches tasks given. In addition, they strongly agreed 56(25.45%) that recognition of their efforts makes them work harder and meet quality requirements. Also they strongly disagreed 60(27.27%) that merit based pay is the reason for their personal effort for high commitment and 72(32.73%) that all appointments in the Company are not based on merit.

Table-4: Results showing Pearson Correlation Analysis between Reward Management Practices and Organizational Commitment

		Reward Management Practices	Normative Commitment
Reward management Practices	Pearson Correlation Sig. (2-tailed)	1 .	.303(**) .001
Normative Commitment	Pearson Correlation Sig. (2-tailed)	.303(**) 0.001	1 Continuance Commitment
Reward management Practices	Pearson Correlation Sig. (2-tailed)	1 .	-.242(*) .011
Continuance Commitment	Pearson Correlation Sig. (2-tailed)	-.242(*) 0.011	1 .

** Correlation is significant at the 0.01 level (2-tailed)

There was a significant positive correlation between the reward management practices on employees normative commitment in the Company ($r=0.303$; $df=1$; $p=0.001$) as shown in Table - 5. This implies that if human resource management recognizes the efforts of the respondents at the work place, it makes them work harder and meet quality requirements. Also if the reward management system in Mumias Sugar Company is made transparent and payments made based on merit it improves employee moral making them committed to the Company. Similarly, there was a negative correlation between reward management practices on employees continuance commitment in the Company ($r=-.242$; $df=1$; $p=0.011$) as shown in Table - 5. Despite economic costs of pension accruals they still had view that given a better job they would still leave the Company.

Normative Commitment

The study further sought to understand the normative dimensions of organizational commitment of the respondents in Mumias Sugar Company. It was measured using a revised version of the six items by Meyer *et al.* [23] and the respondent’s opinion differed on the extent to which they were committed as shown in Table - 5.

Table-5: Showing Results on Normative Commitment

STATEMENTS	SDf(%)	Df(%)	NSf(%)	Af(%)	SA f(%)
People move from Company to Company too often	10(4.55)	44(20)	48(21.82)	92(41.82)	26(11.82)
Its morally correct to dedicate myself to this Company	20(9.09)	34(15.45)	26(11.82)	88(40)	52(23.64)
I would not leave the Company even if I got a better job	38(17.27)	90(40.91)	30(13.64)	42(19.09)	20(9.09)
Working because of loyalty and sense of moral obligation	38(17.27)	48(21.82)	34(15.45)	68(30.91)	32(14.55)
Loyal to the Company because my value are its value	32(14.55)	54(24.55)	32(14.5)	76(34.55)	26(11.82)
People move from Company to Company too often	10(4.55)	44(20)	48(21.82)	92(41.82)	26(11.82)

N=110; Strongly Disagree (SD=1), Disagree (D=2), Not Sure (NS=3), Agree (A=4), Strongly Agreed (SA=5)

The findings reveal that majority of the respondents 92(41.82%) were of a view that people move from Company to Company too often. Moreover, most of the respondents 88(40%) indicated that it's morally correct to dedicate themselves to the Company. In addition majority agreed 68(30.91%) that they continue to work for the Company because they believe loyalty is important and they feel a sense of moral obligation to remain and also the Companies value are its value. However, majority 90(40.91%) disagreed that they would not leave the Company if they got a better job. From the findings it implies that majority of the respondents feel that their sense of duty to the Company is matched by the Company feeling an obligation to take care of them in return.

SUMMARY OF RESEARCH FINDINGS

On the basis of the findings under this objective, respondent's respondent in affirmative that they feel that recognition of their efforts at the work place makes them work harder and meet quality requirements. They also indicated that the reward system was written down and well communicated. They indicated that appointments in the Company are not based on merit pay and as a result, merit based pay is not the reason for their commitment. In addition, the respondents indicated that the reward system at the Company is not transparent. Similarly, the findings indicated that there was a significant positive correlation between reward management practices on normative commitment of employees at the Company ($r=0.303$; $df=1$; $p=0.001$) as shown on Table - 5. Similarly, the findings indicated that there was a significant negative correlation between reward management practices and continuance commitment at the company ($r= -0.242$; $df=1$; $p<0.011$).

CONCLUSION

On the basis of this research objective, the study concludes that reward management practices have a significant impact on normative commitment. Correlation analysis conducted in this study showed a strong positive relationship between reward management practices on employee's normative commitment at the Company. This concludes that if employees' efforts are recognized by the management they are motivated to work harder. This concurs with the study by Pare and Tremblay [24] who found out that HRM practices such as employee recognition, competence development, and empowerment have a significant positive impact on organizational commitment among professionals. In addition, where appointments are based on merit, it contributes to employee's being commitment to attaining the set criteria. When employees perceive that the organization is committed to them and supportive of them, their trust in and commitment to the organization are stronger [25].

RECOMMENDATION

The management should recognize the efforts of each employee and support their development by promoting and appointing them from within based on merit. These actions help employees with normative commitment feel that their sense of duty to the Company is matched by the Company feeling an obligation to take care of them in return. In addition, they should design their benefit packages well which enhance the quality of working life and also help reduce employee turnover intentions. Similarly the managers should put emphasis on reward management practices to maintain the positive correlation seen between them and employees normative commitment to the Company.

REFERENCES

1. Becker BE, Huselid MA, Ulrich D. The HR scorecard: Linking people, strategy, and performance. Harvard Business Press; 2001.

2. WorldatWork (Organization). WorldatWork journal. Scottsdale, AZ: WorldatWork. 2000.
3. S. Armstrong M. *A handbook of Human Resource Management Practice*. (11thed.). London: Kogan Page. 2009.
4. Paiva KB, Granjeiro JM. Bone tissue remodeling and development: focus on matrix metalloproteinase functions. *Archives of biochemistry and biophysics*. 2014 Nov 1;561:74-87.
5. MSC Report 2014. *Impacts Report*. Marine Stewardship Council Delivering Employee Satisfaction Report dated 28 February, 2014. Mumias Sugar Company February-March 2014 Journal Vol.20 Issue 38.
6. Kehoe R and Wright P. The impact of high performance human resource practices on employees' attitudes and behaviors. *Journal of Management, Journal of International Studies*. 2010; 14:p. 37-54.
7. Lacity MC, Iyer VV, Rudramuniyaiah PS. Turnover intentions of Indian IS professionals. In *Information Systems Outsourcing 2009* (pp. 393-421). Springer, Berlin, Heidelberg.
8. Malhotra N, Budhwar P, Prowse P. Linking rewards to commitment: an empirical investigation of four UK call centres. *The International Journal of Human Resource Management*. 2007 Dec 1;18(12):2095-128.
9. William B & Werther J. *Human resource and personnel management* (5th ed.). New York: Mc Graw-Hill. 1996.
10. Aswathappa K. *Human Resource Management: Text and Cases*. Tata McGraw-Hill Publishing Company Limited: Delhi. 2008.
11. Singh K. Impact of HR practices on perceived firm performance in India. *Asia Pacific Journal of Human Resources*. 2004 Dec;42(3):301-17.
12. Kramer R, Bartram T, De Cieri H, Noe RA, Hollenbeck JR, Gerhart B, Wright PM. *Human resource management in Australia-strategy, people, performance*. Australia Pt. Ltd, North Ryde, NSW: McGraw Hill. 2011.
13. Ryan TD, Sagas M. Relationships between pay satisfaction, work-family conflict, and coaching turnover intentions. *Team Performance Management: An International Journal*. 2009 Jun 12;15(3/4):128-40.
14. Chelladurai P, Kerwin S. *Human resource management in sport and recreation*. Human Kinetics; 2017 Apr 13.
15. Saunderson R. Survey findings of the effectiveness of employee recognition in the public sector. *Public Personnel Management*. 2004 Sep;33(3):255-75.
16. Grawitch MJ, Gottschalk M, Munz DC. The path to a healthy workplace: A critical review linking healthy workplace practices, employee well-being, and organizational improvements. *Consulting Psychology Journal: Practice and Research*. 2006;58(3):129.
17. Khan KU, Farooq SU, Ullah MI. The relationship between rewards and employee motivation in commercial banks of Pakistan. *Research journal of international studies*. 2010 May;14:37-52.
18. Gomez-Mejia LR, Balkin DB. *Compensation, organizational strategy, and firm performance*. South-Western Pub; 1992.
19. Krejcie RV, Morgan DW. Determining sample size for research activities. *Educational and psychological measurement*. 1970 Sep;30(3):607-10.
20. Cooper J, Schindler M. *Perfect Sample Size in Research*. New Jersey. 2008.
21. Kothari CR. *Research methodology: methods and technology*. Press, Calcutta. 2004.
22. Mugenda A. *Research methods Quantitative and qualitative approaches* by Mugenda. Nairobi, Kenya. 2003.
23. Meyer JP, Allen NJ, Smith CA. Commitment to organizations and occupations: Extension and test of a three-component conceptualization. *Journal of applied psychology*. 1993 Aug;78(4):538.
24. Paré G, Tremblay M. The influence of high-involvement human resources practices, procedural justice, organizational commitment, and citizenship behaviors on information technology professionals' turnover intentions. *Group & Organization Management*. 2007 Jun;32(3):326-57.
25. Whitener EM. Do "high commitment" human resource practices affect employee commitment? A cross-level analysis using hierarchical linear modeling. *Journal of management*. 2001 Oct;27(5):515-35.
26. Oso WY, Onen D. *A general guide to writing research proposal and report*. Jomo Kenyatta Foundation.; 2009.
27. Zingheim PK, Schuster JR. Getting ahead in the reward game. *Strategy & Leadership*. 2001 Dec 1;29(6).