

**PERCEIVED RELATIONSHIP BETWEEN REWARD MANAGEMENT  
PRACTICES AND EMPLOYEE RETENTION IN INSURANCE  
COMPANIES IN KENYA**

**TERESAH WAIRIMU MWANGI**

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## DECLARATION

This research project is my original work and has not been submitted to any other university for the award of a degree or any other academic award.

Signed ..... Date .....

**Teresah Wairimu Mwangi**

**D61/60899/2013**

This research project has been submitted for examination with my approval as the university supervisor.

Signed ..... Date .....

**Dr. Florence Muindi**

**Department of Business Administration**

**School of Business**

**University of Nairobi**

## **DEDICATION**

This research project is warmly dedicated to my family and friends for their support and prayers and especially to my son Patrick Waweru for his great love and exceptional understanding and encouragement. God bless you all.

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I am grateful to the Almighty God for His sufficient grace that has seen me through this research project. My appreciation goes to my supervisor Dr. Florence Muindi for her professional guidance and encouragement throughout the period of the study. I thank all the respondents who spared their time to fill in the questionnaires and therefore made my study a success.

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## **ABSTRACT**

Reward management practices and employee retention are important components of human resource management practices. People are rewarded financially for the job they are in and may receive additional rewards related to the level of their performance, competence or their service in the job. They can also receive non-financial rewards such as recognition, praise or the opportunity to develop and learn new skills. This research was primarily carried out to establish the relationship between reward management practices and employees retention in Insurance Companies in Kenya. Descriptive survey design was used to demonstrate the relationship between variables. Primary data was collected through the use of a structured questionnaire by use of a Likert Scale. Data was analyzed using descriptive statistics, which comprised of frequencies, percentages, mean and standard deviation. The components explored were recognition of employee contribution to the organization, cash bonuses offered, communication of the reward policy, career advancement opportunities, work life balance, skills development opportunity, autonomy with which employees carry out assignments, benefits offered in the organization, financial assistance, personal needs and entitlements, personal security, pension scheme offered, share ownership offered, allowances and other benefits. The findings of the study revealed that offering employees' performance based pay and recognizing their contribution to the insurance company greatly influenced their retention. Share ownership and pension scheme offered to employees in Insurance Companies in Kenya were found to have a moderate effect on employee retention while allowances and other benefits (company car, car loan, petrol, mileage) were found to have little effect on employee retention. However, from the findings other reward management practices components explored had a considerable effect on employee retention in Insurance Companies in Kenya. The study concluded that there is a significant relationship between reward management practices and employee retention in Insurance Companies in Kenya. The study recommended that Insurance Companies in Kenya need to improve on their reward management practices in their employee management strategies to enhance employee retention.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>AKI</b>	Association of Kenya Insurers
<b>HR</b>	Human Resource
<b>IRA</b>	Insurance Regulatory Authority
<b>MMI</b>	Metropolitan and Momentum International
<b>NSE</b>	Nairobi Stock Exchange
<b>SD</b>	Standard Deviation
<b>SPSS</b>	Statistical Package for Social Science
<b>UK</b>	United Kingdom

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

In today's competitive business environment, organizations must adopt human resource management practices that enhance competitiveness, profitability and the wellbeing of employees. People and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a significant contribution to organizational success and as constituting a significant source of competitive advantage. Human resource management is a strategic and coherent approach to the management of an organization's most valued assets – the employees. This involves staffing, retention of people, reward management, performance management, talent management, change management, and taking care of exits from the organization. This means that the people working in the organization need to be well looked after from the moment of recruitment and selection to the moment they leave the organization (Armstrong, 2006).

Reward management practices and employee retention are important components of human resource management practices. A reward recognizes a person's contribution. People are rewarded financially for the job they are in (base pay) and may receive additional rewards related to the level of their performance, competence or skills (contingent or variable pay) or their service in the job (service related pay). They can also receive non-financial rewards such as recognition, praise or the opportunity to develop and learn new skills. Employee retention is a concerted action to retain talented people, but there are limits to what any organisation can do. A competitive reward to employees

helps improve their performance and commitment to the organisation and subsequently employees remain in the organisation for longer period (Armstrong, 2012)

Reward and retention can be explained using Vroom's Expectancy Theory. Vroom (1964) Expectancy Theory stresses and focuses on outcomes, and not on needs unlike Maslow and Herzberg. The theory states that the intensity of a tendency to perform in a particular manner is dependent on the intensity of an expectation that the performance will be followed by a definite outcome and on the appeal of the outcome to the individual. The Expectancy theory states that employee's motivation is an outcome of how much an individual wants a reward (Valence), the assessment that the likelihood that the effort will lead to expected performance (Expectancy) and the belief that the performance will lead to reward (Instrumentality). Today's workers have few qualms about leaving employers for greener pastures. This therefore means that reward management practices as one of the major human resource practices in an organisation should be continuously evaluated to establish its effect on employee retention. This study will therefore seek to investigate the relationship between reward management practices and employee retention in Insurance Companies in Kenya .

### **1.1.1 Concept of Perception**

According to Robbins (2004) perception can be defined as a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment. Perception is not necessarily based on reality, but is merely a perspective from a particular individual's view of a situation. In dealing with the concept of organisational behaviour, perception becomes important because people's behaviour is based on their perception of what reality is, not on reality itself. Perception is as

important as reality. What the employee perceives is generally what the employee believes and acts on. Wendell (1998) states that perception is a process of consciousness of an object. It is one of the means of valid knowledge in the world and consists in an inseparable relation of the perceptive consciousness with its content. According to his research, employee perception is a factor that can make a huge difference in the quality of the workplace and influence the employees' stay in the organization.

Negative perceptions of the company and the work environment can cause qualified employees to seek opportunities elsewhere. According to Parkinson (1990) positive employee perception of the organization portfolio is an important factor for the existence, growth and development of an organization. Employee perceptions are shaped by many factors, prominent among them organizational roles, supervisory styles, and communication styles. Schneider (1976) states factors that can impact employee perception include how well the employer communicates with employees, the nature of the working conditions, the policies and procedures of the business in general and how much trust and respect exists between managers, employees and fellow employees. The benefits paid and how they relate to the work assigned can also have a huge impact on the perception of an employee. He stated in his research that once all these factors have been catered for; there is a high chance of employee retention.

According to Reily and Sperling (1997) perceptions can be controlled to a considerable extent through effective supervision where the manager or supervisor maintains a constant explanation to the employee on the importance of the organizations objectives, its existence, growth and development. Bowen and Ostroff (2004) in their research argued that in order for Human Resource Systems to lead to desired performance, they

must elicit clear and shared perceptions of the work climate and behaviors that management expects supports and rewards. The study suggested that human resource outcomes depend on employee perceptions. The researchers build on the theory by focusing on employees' beliefs about why human resource adopts certain practices.

### **1.1.2 Concept of Reward**

Jackson, Schuler and Werner (2009) described reward as the whole range of elements which combine to make work rewarding and worthwhile. The trend towards viewing reward policies and practices as extending beyond the realms of payment has led to widespread interest in the concept of 'total reward' which involves managers viewing the way that they reward employees in the round taking equal account of both the tangible and intangible ingredients that together help to make work and jobs rewarding in the widest sense of the word. Agarwal (1998) explains the term reward as something that the organization offers to the employees in response of the work as well as performance and something which is desired by the employees.

Noe, Hollenback, Gerhart and Wright (2010) state that pay is a powerful tool for furthering the organisation's strategic goals. Pay has a large impact on employee attitudes and behaviours. It influences the kind of employees who are attracted to and remain with the organisation and can also be a tool for aligning current employee's interests with those of the broader organisation. From the employees' point of view, policies having to do with wages, salaries and other earnings affect their overall income and thus their standard of living. Both the level of pay and its seeming fairness compared with others' pay are important. Employees attach great importance to pay decisions when they

evaluate their relationship with the organization. Therefore pay decisions must be carefully managed and communicated.

According to Armstrong and Brown (2006) four distinct categories of rewards are identified. Individual category includes; base pay, contingent pay, bonuses, incentives, shares, profit sharing. Transactional category includes; pensions, holidays, healthcare, flexibility, other perks. Communal category includes; leadership, organizational values, voice, recognition, achievement, job design, work-life balance. Relational category includes; learning and development, training, career development.

### **1.1.3 Reward Management Practices**

According to Armstrong and Murlis (2004) reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organisation. It deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organisational, team and individual performance. The strategic aim of reward management is to develop and implement the reward policies, processes and practices required to support the achievement of the organisation's business goal. The specific aims include; create total reward processes, reward people for the value they create, align reward practices with both business goals and employee values, reward the right things to convey the right message about what is important in terms of expected behaviours and outcomes, facilitate the attraction and retention of skilled and competent people the organisation needs "winning the war for talent", help in the processes of motivating people and gaining their commitment and

engagement, support the development of a performance culture and also develop a positive employment relationship and psychological contract.

Torrington, Hall and Taylor (2008) state that different writers have different ideas about what exactly constitutes a strategic approach to the management of reward; most agree that it is primarily about aligning an organization's payment arrangements and wider reward systems with its business objectives. This means developing systems which enhance the chances that an organization's employees will seek actively to contribute to the achievement of its goals. If improved quality of services is the major business objective, this should be reflected in a payment system which rewards front-line staff who provides the best standards of services to customers. Alternatively, if increased productivity is sought, then an approach which rewards efficiency would be more appropriate. Choices in this area are not always as straightforward as this because organizations are obliged to compete with one another for good staff as well as for customers. The tighter the labour market becomes, the harder it is to recruit and retain the best qualified people and the more pressure there is placed on employers to develop rewards packages that suit employees as much as they suit their own needs.

Reward policy in an organization defines the key elements of reward management practices to be adopted. These practices must be aligned to the overall organizational strategy to help the organization achieve its organizational and individual goals. Jackson *et al* (2009) outlined employer objectives of reward strategies as a means of attracting, retaining and motivating employees as well as driving change, corporate reputation, affordability in terms of the limit of what can be done at any time, employee objective to maximize the reward they earn, purchasing power that determines the standard of living

which is an important consideration for most employees, fairness, rights to a share of the organization, recognition for employees contribution, compensation in terms of how reward package is made among others. Jones and George (2011) state that pay can be used to motivate people to perform behaviours that help an organization achieve its goals and it can also be used to motivate people to join and remain with an organization.

#### **1.1.4 Concept of Employee Retention**

Jackson *et al* (2009) state that retention includes all the activities an employer does to encourage qualified and productive employees to continue working for the organization. The objective of retention activities is to reduce the unwanted voluntary turnover by people the organization would like to keep in its workforce. Effective retention practices attract individuals to the organization and increase the chances of retaining them. They are also critical in supporting organizations' strategies, improving productivity, reducing labour costs in relation to cost of employee turnover, staying competitive since high employee turnover threatens an organizations' strategic competitiveness, company reputation which makes an organization a great place to work, easy to attract and retain best talent.

Parkinson (1990) defines employee retention as the efforts by which employers attempt to retain employees in their workforce. Organizations develop employee retention strategy with focus of gaining competitive advantage which is aligned with the overall organization strategy. The strategy calls for examining approaches that can be used to retain critical employees. Nurturing employee from new entrant, engagement and then to high performing and committed employees requires organization to understand requirements of positive work environment. Toracco (2000) stated that although

knowledge is recognized as one of the organizations most valuable assets, most organizations lack the supportive systems required to retain and leverage the value of knowledge. An organization may decide to develop a retention strategy based around benefits; however the most effective approach is to develop retention strategies around total reward. Whereas statistics in some instances suggest that an organization is facing stability and retaining employees by maintaining a low turnover, this may hide that fact that in the low turnover critical employees are leaving the organization. It is important therefore for organizations to identify the critical employees and fully understand their motivation to stay or leave.

According to Branham (2005) it is estimated that the costs associated with recruiting and training a new employee average between half and one and a half times the annual salary for the post in question, depending on the approaches used. Managers therefore seek to reduce the time and money spent on these activities by trying to ensure that people choose not to leave an organisation voluntarily in the first place. Gregg and Wadsworth (1999) indicate that staff turnover always rises when the economy is strong and jobs are plentiful because there are more opportunities available for people to change employers. Conversely, during recessions staff turnover falls because relatively few attractive permanent positions are advertised.

### **1.1.5 Insurance Companies in Kenya**

The Insurance Industry in Kenya is regulated by the Insurance Regulatory Authority (IRA), a semi-autonomous regulator. The Insurance Regulatory Authority is a statutory government agency established under the Insurance Act (Amendment) 2006, CAP 487 of the Laws of Kenya to regulate, supervise and develop the insurance industry. It is governed by a Board of Directors which is vested with the fiduciary responsibility of overseeing operations of the Authority and ensuring that they are consistent with the provisions of the Insurance Act. Insurance industry in Kenya has 49 insurance companies, 158 insurance brokers and 3788 insurance agents. Six insurance companies are listed in Nairobi Stock Exchange (NSE) and two are reinsurance companies. Insurance companies offer a wide range of products such as Life, Health and General Insurance, Pensions, Unit Trusts, Investment Planning, Wealth Management, Off-shore Investments, Retirement Planning, Discretionary Portfolio Management, Property Development and Private Equity (Insurance Regulatory Authority, 2015). The Insurance industry in Kenya operates under an umbrella body, the Association of Kenya Insurers (AKI), which was established in 1987. The Association is registered under the Societies Act, Cap 108 of the Laws of Kenya. AKI's mission is to provide, promote and champion excellence in the Kenyan insurance industry (Association of Kenya Insurers, 2014)

Kenya's insurance industry is expected to see increased consolidation as the sector gears up to the growing middle class and high foreign investor interest. The companies offered insurance services with a total of Sh130 billion in written premiums in 2013 and a total net profit of Sh14.5 billion in an industry where penetration is at 3.5 percent. Over the last few years the industry has continued to grow and several international insurance

companies have expressed interest in either buying stakes in existing Kenyan enterprises or setting up new subsidiaries owing to a steady economic growth and expanding middle class with higher disposable income who are increasingly taking up life insurance policy. With Kenya's growth of the oil and gas sector, the building of the railway, roads, the real estate sector, the growing of the middle class; all these sectors will need insurance.

Among the latest entries in the Kenyan market include South African-based Metropolitan and Momentum International (MMI Holdings) that acquired a majority stake at Cannon Assurance Limited in a deal worth Sh2.4 billion. Last year, United Kingdom company Prudential Assurance invested Sh1.5 billion in the Kenyan market with the takeover of Shield Assurance the life assurance arm of Blue shield Insurance. British American Investment Company (Britam) also bought out a 99 percent stake in Real Insurance Company Limited a deal worth Sh1.4 billion. In November, Kenya's Pan-Africa Insurance Holdings said it had entered an agreement that may lead to the purchase of a controlling stake in Gateway Insurance. UK financial services group Old Mutual plc through its subsidiary Old Mutual Holdings Limited is also purchasing 60.7 percent stake in UAP Holdings Limited. The Industry is projected to grow to Sh200 billion in written premiums by the end of 2015 and a market penetration of 6.5 percent in the next five years (Association of Kenya Insurers, Research 2015)

## **1.2 Research Problem**

One of the challenges facing organizations is to ensure the sustainability of an employee for longer period in a competitive and dynamic business environment. Retention of employees is of paramount importance as the success or failure of an organization

depends on the quality of employees. Toracco (2000) states that although knowledge is recognized as one of the organizations most valuable assets, most organizations lack the supportive systems required to retain and leverage the value of knowledge. He further contends that an organization may decide to develop a strategy based around benefits; however the most effective approach is to develop strategies around total reward. Whereas statistics in some instances suggest that an organization is facing stability and retaining employees by maintaining a low turnover, this may hide the fact that in the low turnover critical employees are leaving the organization. It is important therefore for organizations to identify the critical employees and fully understand their motivation to stay or leave. Monetary benefits such as incentives, perks, cash prize motivate the employees to a large extent and may influence them to stick to the organization. Torrington *et al* (2008) state that reward is clearly central to the employment relationship. To a greater extent than is the case in other areas of human resource practices, the management of reward is heavily constrained by the financial position of the organisation. In the case an organisation gets it wrong in reward management administration, there are bound to be negative consequences, because it can demotivate employees leading to the departure of good performers, higher absence rates, less effort and the deterioration of the organisation's employee relations climate.

According to Association of Kenya Insurers (2015) insurance industry in Kenya has witnessed tremendous growth through innovative products and innovative distribution channels such as Banc assurance. It's poised to continue its growth pattern with prudential management of insurers, regional expansion and local penetration of insurance products and new entrants. The growing opportunities in new products, innovative

distribution channels, acquisitions and investments calls for human resource strategies that ensure Insurance Companies in Kenya attract and retain employees for sustainability and to gain competitive advantage. Reward management is a major human resource strategy aimed at recognizing employee's contribution to the overall organisational strategy. Insurance Companies in Kenya are operating in a competitive environment that requires that they acquire and retain key labour to gain competitive advantage. This calls for the implementation of strategies that would help retain key employees in the company. To this extent therefore it's important to examine the perceived relationship between reward management practices and employee retention in Insurance Companies in Kenya .

Various studies related to reward management and employee retention have been carried out. Investigating the causes of staff turnover in private secondary schools in Kisumu, Otieno (2010) found that the rate of turnover was higher than expected and some of the contributing factors were; job security, low compensation, lack of representation in trade unions and poor working relationships. Thiriku (2013) in his study on perceived factors affecting employee retention in Safaricom Limited found that compensations equity as a perceived factor affecting employee retention required to be reviewed as the majority of the respondents gave a reply that there was pay inequality leading to lower rate of employee retention. The policy governing the level of compensation required to be improved to enhance a higher rate of employee retention. Mulwa (2010) researching on benefits as a factor that affect employee turnover in World Vision, recommended that a review of existing benefits plan was needed to address the staff expectations. Epimach (2014) in a survey on perceived influence of reward management practices in the

retention of generation Y employees at G4S Kenya Limited indicated a general dissatisfaction with reward management practices by generation Y employees at G4S. Based on the findings, generation Y employees at G4S have low commitment towards the company. This is supported by Wallace (2001) who indicated that generation Y workers were happily beginning their careers with the assumption that they will be changing jobs frequently. None of the above studies has focused on reward management practices and employee retention in insurance based companies in Kenya. This study therefore sought to answer the following question: What is the relationship between reward management practices and employee retention in Insurance Companies in Kenya?

### **1.3 Research Objective**

To establish the relationship between reward management practices and employee retention in Insurance Companies in Kenya

### **1.4 Value of the Study**

The management teams in Insurance Companies in Kenya will gain more understanding on issues of reward management practices and the impact on employee retention. This will help in improving their practices on matters of reward management.

Every organisation that considers employees as a valued asset will greatly learn from this study on areas of focus in reward management to enhance employee retention. The additional knowledge will help in improving strategy and policy formulation on issues of employee rewards.

The findings and recommendations of this study will also benefit the field of academics, scholars and research. This study will provide additional knowledge on various reward management practices in relation to employee retention, literature for reference when conducting related research projects and also areas that require further research.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section defines the foundation of the study by providing the theoretical framework of the study based on various theories, literature and studies that have been carried out and analyzed to provide deeper understanding on issues of reward management and employee retention.

### **2.2 Theoretical Foundation of the Study**

This study will be influenced by Expectancy theory (Vroom 1964, Porter and Lawler 1968). Expectancy theory developed by Porter and Lawler (1968) suggests that there are two factors that determine the effort people put into their jobs; First is the value of the rewards to individuals in so far as they satisfy their needs for security, social esteem, autonomy and self-actualization. Secondly the probability that rewards depend on effort as perceived by individuals' i.e. their expectations about the relationship between effort and reward. According to Vroom (1964) expectancy theory concentrates on the following three relationships: Effort-performance relationship: What is the likelihood that the individual's effort will be recognized in his performance appraisal? Performance-reward relationship: It talks about the extent to which the employee believes that getting a good performance appraisal leads to organizational rewards. Rewards-personal goals relationship: It is all about the attractiveness or appeal of the potential reward to the individual.

Cole and Kelly (2011) concludes that expectancy theory is a process theory which argue that individual motivation depends on the valence of outcomes, the expectancy that effort

will lead to good performance and the instrumentality of performance in producing valued outcomes. These three factors are based on individual's personal perception of a situation. Valence is the strength of the belief that attractive rewards are potentially available, Expectancy is the extent of the individual's perception or belief that a particular act will produce a particular outcome and instrumentality is the extent to which the individual perceives that effective performance will lead to desired rewards.

According to Vroom (1964) Valence is the significance associated by an individual about the expected outcome. It is an expected and not the actual satisfaction that an employee expects to receive after achieving the goals. Expectancy is the faith that better efforts will result in better performance. Expectancy is influenced by factors such as possession of appropriate skills for performing the job, availability of right resources, availability of crucial information and getting the required support for completing the job. Instrumentality is the faith that if you perform well, then a valid outcome will be there. Instrumentality is affected by factors such as believe in the people who decide who receives what outcome, the simplicity of the process deciding who gets what outcome, and clarity of relationship between performance and outcomes.

### **2.3 Reward Management Practices**

Reward management is an integral part of a human resource management approach to managing people. It is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organisation. Armstrong (2009) argues that reward management is concerned with the development of appropriate organizational cultures, underpinning

core values and increasing the motivation and commitment of employees. There is no such thing as best practice; there is only good practice which is best for the organization. What is best practice for an organization at one stage of its development may no longer hold as best practice in the future. Reward management is not only about money, it is also concerned with intrinsic, as well as extrinsic motivation; with non-financial, as well as financial rewards. This leads to several components of reward management such as strategic reward, job evaluation, market rate analysis, grade and pay structure as well as contingent pay (Ripley, 2002).

Reward strategy defines what the organisation intends to do in the long term to develop and implement reward policies, practices and processes that will further the achievement of its business goals. Mintzberg (1987) perceives strategy as a pattern in a stream of activities – it is not necessarily a rational and continuous process. Quinn (1980) believes that organisations typically construct their strategies with processes that are fragmented, evolutionary and largely intuitive. Changing, evolving, testing and improving as part of a continuing long-term process is the key to successful reward and recognition management (Brown, 2003)

According to Armstrong (2003) reward policies provide guidelines for the implementation of reward strategies and the design and management of the reward system. They are strongly influenced by the reward philosophy of the organisation. Reward policies are concerned with various factors that include; level of rewards that indicate whether the organisation is a high payer; the market rates and equity; the differential rewards that need to determine whether or not the organisation wants to pay for performance, competence or contribution and under what circumstances; Lastly,

flexibility must be considered in terms of the extent to which the reward processes should operate in response to fast-changing conditions.

The relative contribution of each employee is difficult to measure and therefore some acceptable assessment of each job should be made. The best-established way of tackling this problem is to use a form of job evaluation. Large scale survey by Thompson and Milsome (2001) confirm the continuation of the use of this approach in recent years and also provide evidence of further likely take-up in the future in both public and private sector. The maxim that “job evaluation is the one management tool that refuses to go out of fashion” thus continues to hold true. Job evaluation is a systematic process for defining the relative worth or size of jobs within an organisation in order to establish internal relativities and provide the basis for designing an equitable grade and pay structure, grading jobs in the structure and managing job and pay relativities. It enables a framework to be designed that underpins grading and therefore pay decisions. It’s particularly important as a means of achieving equal pay for work of equal value (Armstrong & Murlis, 2004)

Grade and pay structures provide a logically designed framework within which an organisation’s pay policies can be implemented if properly designed and maintained. A grade structure consists of a sequence or hierarchy of grades, bands or levels into which groups of jobs that are broadly comparable in size are placed. A pay structure provides a framework for managing pay. A grade structure becomes a pay structure when pay ranges or brackets are defined for each grade, band or level or when grades are attached to a pay spine (Armstrong & Murlis, 2004). Sturman, Kwortnik and Lynn (2011) view a grade system as a system where groups of employees are put on hierarchical arrangement based

on skills, experience and responsibility from which pay or reward boundaries are set. As a result pays of employees within the same grade are very close with a few differences due to other factors. In such a system, progression from one pay grade to the other is based on merit measured through a balance of experience, skills and performance. Apeyusu (2012) also argues that such a reward system gives employees a sense of fairness which according to Herzberg's theory is one of the motivators to employees as they feel accepted and appreciated in the organization.

Competitive pay levels and salary structures can only be developed and maintained if the external market is systematically monitored by a process of external benchmarking. Market analysis aims to compare external relativities. According to Armstrong (2006) to ensure that pay levels are competitive, it's necessary to track market rates for the jobs within the organisation, especially those that are particularly vulnerable to market pressures because of scarcity factors. Pay in the organisation should be in line with pay for comparable jobs in other organisations, otherwise the organisation may not be able to attract and retain competent employees. Once the going rate prevailing in the market is known the organisation can decide a higher or lower level for its employees without disturbing internal equity (Gupta, 2008). An organization that carries out an industry analysis in most cases sets its reward either at par with its competitors or above its competitors (Condly, Clark & Harold, 2005). Osterman (2006) argues that a reward at par with the competitors would keep the employees satisfied but not motivated as this would be the bare minimum to keep the employees from seeking higher rewards by moving to the competitors. The argument is that rewards lower than that offered by the market

would lower both employee satisfaction and motivation to work as employees would seek to move to the organizations that pay higher.

According to Armstrong (2006) employee benefits are elements of remuneration given in addition to the various forms of cash pay. The objective is to provide an attractive and competitive total remuneration package which both attracts and retains high-quality employees and increases the commitment of employees to the organisation. These benefits include; pension schemes, personal security in regard to health, financial assistance e.g. loans, personal needs e.g. leave/holiday, company cars and petrol, other benefits which improve the living standards of employees e.g. subsidized meals, mobile phone, and intangible benefits characteristic of the organisation which contribute to the quality of working life and make it an attractive and worthwhile place in which to be employed. The international Labour Organisation (1960) describes fringe benefits as “wages are often augmented by special cash benefits by the provision of medical and other services or by payments in kind that form part of the wage for expenditure on the goods and services. In addition employees commonly receive such benefits as holiday with pay, low cost meals, low rent housing and so on.

Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It's a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements (Armstrong & Murlis, 2007). It is argued that clarity of goals is key in enabling the employee to understand what is expected and the order of priorities. Goals themselves are seen to provide motivation and this is based on goal-setting theory originally developed by Locke

(1968) and further developed with practical applicability (Locke and Latham, 1990). Research suggests that for goals to be motivating they must be sufficiently specific, challenging but not impossible and set participatively. Performance management requires performance appraisal and the person appraised needs feedback on future progress.

The concept of total rewards emphasizes the importance of considering all aspects of reward as an integrated and coherent whole. All the elements of total reward – base pay, pay contingent to performance, competency or contribution, employee benefits and non-financial rewards – are deliberately linked together so that they are mutually supportive. WorldatWork (2000) defined total rewards as all of the employer's available tools that may be used to attract, retain, motivate and satisfy employees. This encompasses every single investment that an organisation makes in its employees and everything its employees value in the employment relationship. Armstrong and Brown (2001) outlines components of total reward as financial rewards (base pay, variable pay, share ownership, benefits) and non-financial rewards ( recognition, opportunity to use and develop skills, autonomy, career opportunities, quality of working life). The relational (intangible) components of total reward are as important as the transactional (tangible) components and are essential to enhancing the value of the transactional components. According to Murlis and Watson (2001) the monetary values in the reward package still matter but they are not the only factors. They also stress that total reward policies are based on building a much deeper understanding of the employee agenda across all elements of reward.

## **2.4 Factors Influencing Employee Retention**

Rewards are very important because they have enduring impression on employees and support the perception of employees that they are valued (Silbert, 2005). Company have objective to retain their valuable employee, pay is considered important factor for it (Brannick, 1999). Compensation is considered the most important factor for attracting and retaining talent (Willis, 2000). Fair wages are the foundation element of the implied and contractual bond between employers and employees, the underlying supposition being that monetary reward can persuade behavior (Parker and Wright, 2001). Organizations often offer high pay packages i.e. stock options, special pay, retention pay, gain share pay, performance base pay and bonus and so on for attraction and retention of talented employees of the market. The relationship of benefits with retention is another aspect of making people stay and is often investigated by researchers.

Taylor (2000) states that the management should make greater effort to ensure that they provide meaningful and realistic feedback of the employee performance; moreover stronger aspect is the management to instill to the employees a sense of commitment both in achieving continuous improvement in performance and having employees to fully participate in achieving their work, individual and organizational goals which lead to increased employee retention.

Research indicates training methods that engage workers with career challenges, advancement opportunities, work incentives, competitive wages/benefits, and supportive work environments are effective retention strategies for employees of any age (Eisen, 2005). Evidence supports the conclusion that access to regular training programs

enhances growth, prosperity, and retention for both employees and employers (Amble, 2006). Research study finds that, larger companies, high performance establishments and those organizations which spend more physical resources on training were usually more probable to retain their talent (Black and Lynch, 1996).

Eisenberger and associates (1990) suggested that employees view regarding organization is strongly concerned to their relationship with supervisor. If supervisor support, open communication and have good relationship with employees, the employees turnover intention are likely less and more engaged with organization (Greenhaus and Callanan, 1994). If the relationship among workers and supervisor is strong the worker will never seek new employment opportunity but stay in the organization and vice versa. Employees leave the leaders not jobs so leader support is also essential in this regard (Ontario, 2004). Individual skill recognition motivates positive behavior, ethics, teamwork, confidence, and growth in all employees (Redington, 2007).

Skills recognition (ranging from verbal praise to incentives/rewards) and learning opportunities (growth/development) enhance individual performance, effectiveness, and retention (Agrela, *et al.*, 2008). According to Walker (2001) compensation offer recognition, but non-monetary forms of recognition are also not ignored and important. Recognition from bosses, team members, coworkers and customer enhance loyalty. Employee participation in decision making and influence in actions are also important (Davies, 2001; Gold, 2001).

Job flexibility is vital for retaining employees of any age. Prenda and Stahl (2001) say that employees having job flexibility options report having higher levels of individual

commitment, concentration, satisfaction, productivity, loyalty, and mental capacity at any age. Pasewark and Viator (2006) places flexible work arrangement as a very important part of work family support that plays pivotal role in the retention of employees. Thompson and Prottas (2005) examined the relationship between employee turnover intention and organization support such as supervisor support, flex time work family culture and co-worker support etc, and they conclude that organization support reduced the employee turnover intention.

Yanadoria and Katob (2010) investigated the family support effects at workplace and concluded the statistical importance of relationship between work family support and employee retention, the recent research recognize that existence of family support within the organization reduce the turnover intention and help the retention of talented employees in the organization.

Work environment is considered one of the most important factors in employee's retention (Zeytinoglu & Denton, 2005). People strive to work and stay in those corporation that provide good and positive work environment, where employee feel that they are valued and making a difference (Ramlall, 2003).

Arthur (1994), states that when organizations seek to foster a philosophy of commitment then the likelihood of an employee searching for employment elsewhere is lowered. Commitment has a significant and positive impact on job performance and on workforce retention. The underlying belief is that a more committed employee will perform better at their job (Walton, 1985). Irshad (n.d) concluded that organizational justice (distributive justice and procedural justice) play pivotal role in employee

retention; it is revealed from study that, if organizations want to retain their prowess employees, they must follow fairness formula. Organizations should identify those benefits which have more influence on employee retention. Further, Organizations need to revisit their present benefits package to identify those benefits which are not useful in order to replace them.

## **2.5 Relationship Between Reward Management Practices and Employee Retention**

According to Price (2007) the reward or compensation that people receive for their contribution to an organisation includes monetary and non-monetary components. Remuneration does not simply compensate employees for their efforts but also has an impact on the recruitment and retention of talented employees. Newman and Milcovich (2001) state that among all types of rewards, monetary pay is considered one of the most important and significant factor in employee retention. Noe et al (2010) states that pay is a powerful tool for furthering the organisation's strategic goals. Pay has a large impact on employee attitudes and behaviours. It influences the kind of employees who are attracted to and remain with the organisation.

Sutherland and Canwell (2004), demonstrates that reward is the basic element, which indicates how much employees, gain by dedicating their time and effort towards the achievements of company objectives, therefore employers have the responsibility to design an attractive reward package to attract and retain valuable employees. Silbert (2005) forwarded the view that reward is important because it has an enduring impression on employees which, in turn, gives the employees an impression that they are valued in

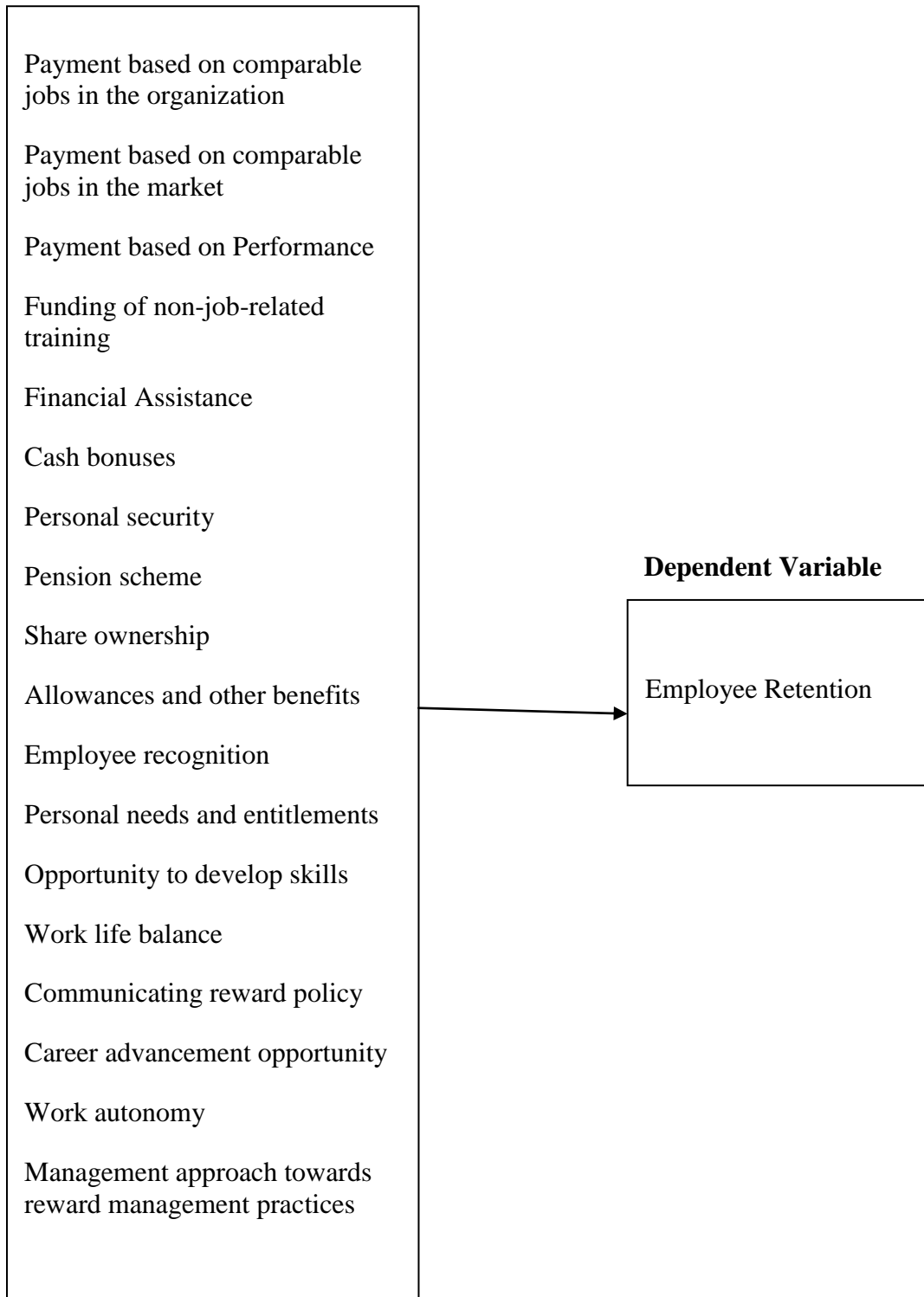
the organization. This leads to employee loyalty in the organisation and increases their chances of remaining in the organisation. Promotion as a component of reward enhances employee retention. There is a close and positive correlation between promotions and job satisfaction and which in turn helps in retaining employees. Eyster, Johnson and Toder (2008) state that job flexibility along with lucrative career options, is a critical incentive for all employees.

Messmer (2000) found that one of the important factors in employee retention is investment on employee training and career development. Organization always invests in the form of training and development on those workers from whom they expect to return and give output on its investment. According to Abraham (2007) rewards and recognition are crucial components to the success of any employee retention program because they confirm to the employee that their efforts are meaningful and appreciated. This can be through commending employee for work well done, commendation letters signed by top executives and service awards. Cappelli (2008) believes that retaining the organizations valuable employees has been very challenging for many organizations.

## **2.6 Conceptual Framework**

The conceptual framework presents the relationship between variables under study with reward management practices being the independent variable and employees' retention being the dependent variable.

## Independent Variables



**Figure 2.1 Conceptual Framework**

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section discusses the procedures and methods that were employed in carrying out the study. The section comprises of research design, target population, , data collection procedures and the method of data analysis.

### **3.2 Research Design**

Ogula (2005) describes a research design as a plan, structure and strategy of investigation to obtain answers to research questions and control variance. This study used descriptive survey design. Kothari (2004) states that descriptive studies are conducted to demonstrate associations or relationships between variables. The survey method was used to get detailed information on perceived relationship between reward management practices and employee retention.

### **3.3 Target Population**

According to Cooper and Schindler (2001), a population is the total collection of elements to which the researcher wishes to make inferences. This study targeted Insurance Companies in Kenya that are a total number of 49. The study was a census because the population is small.

### **3.4 Data Collection**

This study used primary data which was collected through the use of a structured questionnaire by use of a five point Likert Scale. The questionnaire comprised of two sections; Section A sought background data of the respondent, Section B sought data on reward management practices and employee retention. Respondents were heads of HR departments or such other officer with relevant knowledge in the area of the study. Drop and pick method was used to administer the questionnaire. Follow ups were made to enhance response rate.

### **3.5 Data Analysis**

Data analysis is a process of inspecting, cleaning, transforming and modeling data with the goal of identifying useful information, suggesting conclusions and supporting decision making (Creswell, 2009). Data collected during the study was quantitative data which was analyzed using descriptive statistics including the mean, standard deviation, frequencies and percentages. This was done using Microsoft Excel and Statistical Package for Social Science (SPSS). According to Mugenda (1999) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. Descriptive statistics enable the researcher to summarize and organize data in an effective and meaningful way. They provide tools for describing collections of statistical observations and reducing information to an understandable form. The results from the data analysis were presented by use of charts, graphs and tables.

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

### 4.1 Introduction

This chapter presents data analysis, findings, interpretation and presentation. Data was analyzed using descriptive tools where frequencies, percentages, mean and standard deviation were used to interpret the findings. The purpose of this study was to determine the perceived relationship between reward management practices and employees retention in Insurance Companies in Kenya .

### 4.2 Response Rate

The response rate indicates the questionnaires issued and the ones that were returned to the researcher for analysis. Table 4.1 indicates the response rate of the study.

**Table 4.1: Response rate**

Questionnaires	Frequency	Percent (%)
Distributed	49	100
Returned	37	76
Response Rate	37/49	76

The table above shows that 49 questionnaires were distributed and out of this 37 were returned. These represent 76% of the distributed questionnaires. This implies that the response rate was adequate. According to Kothari (2004) a sample size of 30 is adequate for a study. Therefore, the 76% (37) was adequate for this study.

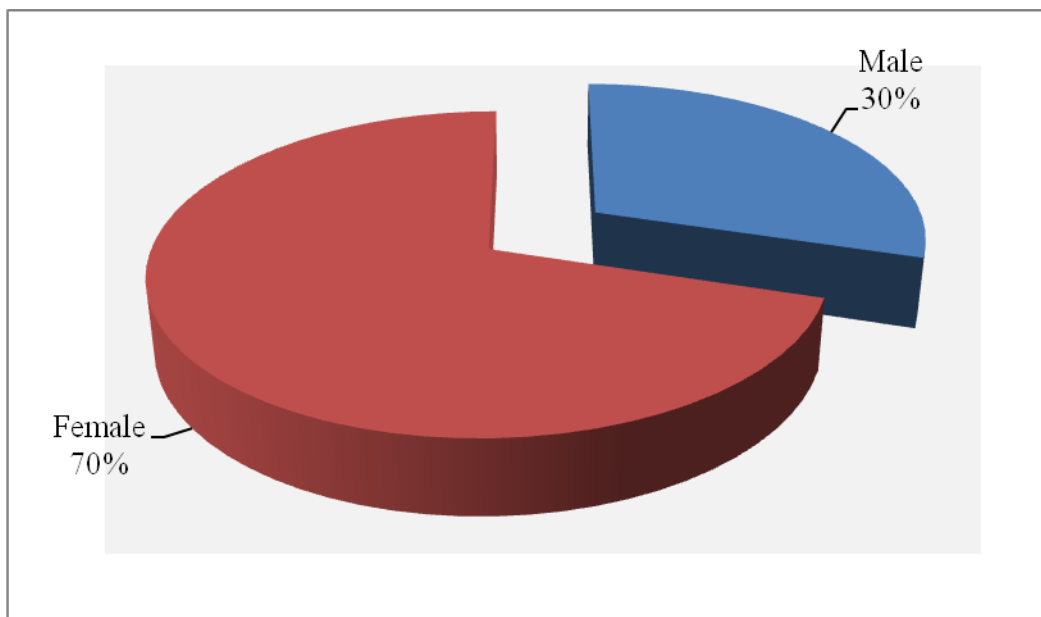
### 4.3 Demographic Information

This section sought to identify the demographic characteristics of the respondents including gender, age, position, length of service in the company, highest level of education, and level of management. These characteristics are important because they are known to influence perception of the respondents and their understanding of the content under research.

#### 4.3.1 Gender of the Respondent

This study sought to establish the gender distribution of the respondents. Gender is important in this study due to the significant gender differences recorded in perception and personality characteristics (Kring & Gordon, 1998).

The figure 4.1 below illustrates the gender distribution of the respondents.



**Figure 4.1: Gender of the respondent**

The figure above shows that majority (70%) of the respondents were female while the male constituted only 30% of the respondents. This indicates that majority of the HR managers in Insurance Companies in Kenya are female. Though the research did not focus on gender equity, the findings reflect that the response is biased towards females.

#### **4.3.2 Age of the Respondent**

This study sought to establish the age of the respondents as age has been associated with experience and perception which is important for this study. Table 4.2 shows the age distribution of the respondent.

**Table 4.2: Age of the respondent**

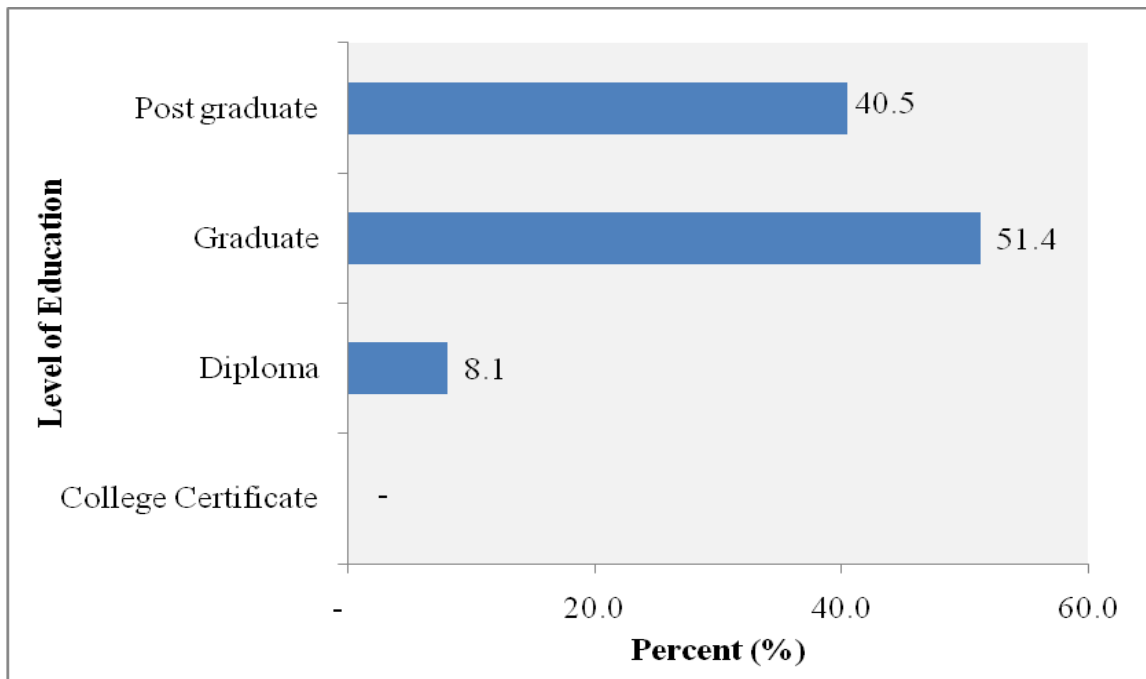
<b>Age Bracket (Years)</b>	<b>Frequency</b>	<b>Percent (%)</b>
18-24	2	5.4
25-34	14	37.8
35-44	16	43.2
45 and Above	5	13.5
<b>Total</b>	<b>37</b>	<b>100.0</b>

From the analysis, 43.2% of the respondents who participated in the study were aged 35 – 44 years, 37.8% were 25 – 34 years while 13.5% were aged 45 years and above. The rest (5.4%) were 18 – 24 years old. This implies that most of the HR managers working in the insurance industry in Kenya are in their middle age. This is an indication that the respondents had adequate experience significant for the understanding of the variables under study.

#### **4.3.3 Level of Education of the Respondent**

The study sought to establish the highest level of education of the respondents. Education levels include level of knowledge and skills that is important for understanding the

variables under study. The figure 4.2 below illustrates the level of education of the respondent.



**Figure 4.2: Level of education of the respondent**

Based on the analysis most (51.4%) of the respondents were graduates, 40.5% of them were post graduates, and 8.1% were diploma holders. There were no college certificate holders. This indicates that the human resource managers in the Insurance Companies in Kenya have university degrees. This therefore means that they were capable of understanding the concepts under study.

#### **4.3.4 Years Worked in the Organization**

The study sought to determine the number of years worked in the organization. This was an indication of their level of appreciation and application of the variables of the study in their organization. The table 4.3 illustrates the number of years the respondent has worked in the company.

**Table 4.3: Years worked in the organization**

<b>Years worked in the Organization</b>	<b>Frequency</b>	<b>Percent (%)</b>
5 and Below	17	45.9
6-10 years	11	29.7
Above 10 years	9	24.3
Total	37	100.0

Based on the analysis respondents who had worked for 5 years and below accounted for 45.9%, those who had worked for 6-10 years were 29.7%, while 24.3% of the respondents had worked for 10 years and above. This implies that the human resources managers in the Insurance Companies in Kenya are highly experienced. This indicates that they had adequate level of appreciation and application of the variables of the study in their organisation.

#### **4.3.5 Level of Management of the Respondent**

The study sought to establish the positions held by the respondents. This was an important indication of whether the respondents were at a level of decision making in regard to reward management practices though the study did not focus on reward management decisions. The table 4.4 below illustrates the level of management of the respondents interviewed, whether senior, middle or low level of management.

**Table 4.4: Level of management of the respondent in the organization**

<b>Level of Management</b>	<b>Frequency</b>	<b>Percent (%)</b>
Senior level	8	21.6
Middle level	22	59.5
Lower level	7	18.9
Total	37	100

Based on the analysis, most (59.5%) of the respondent were in middle management, 21.6% in senior management and 18.9% in lower management. This indicates that the HR managers in the Insurance Companies in Kenya were distributed in all levels of management. This implies that they had considerable ability to respond to the questions in the study.

#### **4.4 Reward Management Practices and Employees Retention**

This section presents the analysis of reward management practices in relation to employee retention. Reward management practices were the independent variable of this study. In order to determine the relationship it has with employee retention, it was important to establish the respondents' perception regarding the financial and non-financial components of reward management practices as illustrated in table 4.5 and table 4.6 below. There were 7 financial components and 7 non-financial components used to establish the relationship between reward management practices and employee retention in Insurance Companies in Kenya.

##### **4.4.1 Financial Reward Management Components and Employee Retention in Insurance Companies in Kenya**

This section sought to gather the opinions of the respondents in regard to financial reward management components and employee retention in Insurance Companies in Kenya . This is important in this study due to the significant differences in perception of different people with diverse personality characteristics. The relationship was measured using five point likert scale. It was rated as very great extent (5) to very little extent (1). A score of  $\leq 1.4$  was interpreted to mean very little extent, while a score 1.5 to 2.4 implied little

extent and 2.5 to 3.4 was interpreted to mean that the respondent was neutral. A mean score of 3.5 to 4.4 was interpreted to mean great extent while a score of 4.5 to 5 was interpreted to mean very great extent. A standard deviation of  $\leq 1$  was interpreted to mean that respondents had a consensus in the rating of the aspect while a standard deviation greater than 1 was interpreted to mean that the respondents differed in their perception about the aspect. Table 4.5 below indicates the responses on financial rewards and employee retention in Insurance Companies in Kenya.

**Table 4.5: Financial reward management components and employee retention in Insurance Companies in Kenya**

<b>Components</b>	<b>n</b>	<b>Mean</b>	<b>Standard Deviation</b>
Benefits offered in the organization such as: funding of non-job-related training,	37	4.1	0.8
Financial Assistance (Company loans, mortgage assistance, relocation packages, company discounts etc)	37	3.6	1.2
Giving employees cash bonuses motivate them to remain in the organization	37	3.6	1.1
Personal Security (Death-in-service benefits, personal accident cover, medical insurance, sick pay)	37	3.6	1.2
Pension scheme offered in the organisation	37	3.5	1.1
Share ownership offered in the organisation	37	3.5	0.8
Allowances and other benefits (Company car, loan, petrol, mileage etc)	37	2.4	1.2

Based on the analysis, majority of the respondents agreed ( $m=4.1$ ,  $SD=0.8$ ) that benefits offered in the Insurance Companies in Kenya such as funding of non-job related training

greatly influence employee's retention. Most of the respondents ( $m=3.5$ ,  $SD=0.8$ ) confirmed that share ownership in an organization influence employee retention. This implies that share ownership in Insurance Companies in Kenya influences employee's retention to a moderate extent. From the study financial assistance offered in an organization recorded a score of ( $m=3.6$ ,  $SD=1.2$ ). This implies that offering financial assistance to employees by Insurance Companies in Kenya influences employee's retention to a great extent. Based on the analysis, majority of the respondents agreed ( $m=3.6$ ,  $SD=1.1$ ) that giving employees cash bonuses influences employee's retention. This implies that giving employees' cash bonuses influences their retention to a great extent.

Most of the respondents agreed ( $m=3.5$ ,  $SD=1.1$ ) that pension schemes offered by the employer influences employee's retention. This implies that offering pension scheme to employees in Insurance Companies in Kenya influences their retention to a significant extent. From the analysis, allowances and other benefits (Company car, loan, petrol, mileage etc) had a score of ( $m=2.4$ ,  $SD=1.2$ ). This implies that allowances and other benefits influences employee's retention to a little extent. Personal security (Death-in-service benefits, personal accident cover, medical insurance, sick pay) scored ( $m=3.6$ ,  $SD=1.2$ ). This is an indication that most of the respondents agreed that personal security influences employees' retention to a great extent.

From the analysis, benefits offered to employees play an important role in employee's retention in Insurance Companies in Kenya. Further share ownership, financial assistance (Company loans, mortgage assistance, relocation packages, company discounts etc) also influences employee retention to a considerable extent. Employees who are offered cash

bonuses are likely to stay in the organization for long periods while offering employees personal security (Death-in-service benefits, personal accident cover, medical insurance, sick pay) and pension scheme significantly influence their retention. Lastly, according to the findings allowances and other benefits (Company car, loan, petrol, mileage etc) have a little effect on employee's retention in Insurance Companies in Kenya.

#### **4.4.2 Non-Financial Reward Management Components and Employee Retention in Insurance Companies in Kenya**

This section sought to gather the opinions of the respondents in regard to non-financial reward management components and employee retention in Insurance Companies in Kenya. This is important in this study due to the significant differences in perception of different people with diverse personality characteristics. The relationship was measured using five point likert scale. It was rated as strongly agree (5) to strongly disagree (1). A score of  $\leq 1.4$  was interpreted to mean strongly disagree, while a score 1.5 to 2.4 implied that the respondents disagree and 2.5 to 3.4 was interpreted to mean that the respondent was neutral. A mean score of 3.5 to 4.4 was interpreted to mean that respondents agree while a score of 4.5 to 5 was interpreted to mean strongly agree. A standard deviation of  $\leq 1$  was interpreted to mean that respondents had a consensus in the rating of the statement while a standard deviation greater than 1 was interpreted to mean that the respondents differed in their perception about the statement. Table 4.6 below indicates the responses on non-financial rewards and employee retention in Insurance Companies in Kenya.

**Table 4.6: Non-financial reward management components and employee retention in Insurance Companies in Kenya**

<b>Components</b>	<b>n</b>	<b>Mean</b>	<b>Standard Deviation</b>
Recognizing employees' contribution to the organization enhances their loyalty to the organization	37	4.7	0.7
Personal Needs and Entitlements (Holidays, leaves, career breaks, sabbaticals, counseling, social activities)	37	4.2	1.1
Giving employees opportunity to develop their skills encourage them to remain in the organization	37	4.2	0.8
Work life balance facilitated by the organization enhances employee retention	37	4.1	0.9
Communicating the reward policy to employees encourage them to stay in the organization	37	3.9	1.3
Career advancement opportunities available in the organization encourage employees to remain in the organization	37	3.7	1.2
Autonomy with which employees carry out assignments (determining own working systems and making own decisions) motivates them to continue staying in the organization	37	3.6	1.2

The above analysis indicate that majority of the respondents agreed (m= 4.1, SD=0.8) that recognizing employees' contribution to the organization enhances their loyalty to the organization. The respondents affirmed that availing personal needs and entitlements to employees' in Insurance Companies in Kenya motivate them to remain in the organization with a score of (m=4.2, SD=1.1). Regarding the communication of the reward policy, the score was (M=3.9, SD=1.3). This implies that majority of the respondents agreed that communicating the reward policy to employees in Insurance

Companies in Kenya encourage them to stay in the organization. Career advancement opportunities and employee retention score was recorded at ( $m=3.7$ ,  $SD=1.2$ ). This indicates that more than half of the respondents were of the view that career advancement opportunities available in the organization encourage employees to remain in the organization.

From the analysis, majority ( $m=4.1$ ,  $SD=0.9$ ) of the respondents asserted that work life balance facilitated by Insurance Companies in Kenya enhances employee retention. Majority ( $m=4.2$ ,  $SD=0.8$ ) of the respondents purported that giving employees' opportunity to develop their skills encourages them to remain in the organization. Most ( $m=3.6$ ,  $SD=1.2$ ) of the respondents agreed to the statement that; autonomy with which employees carry out assignments motivates them to continue staying in the organization.

Based on the study, majority of the HR managers in Insurance Companies in Kenya agreed that recognizing employees' contribution to the organization enhances their loyalty to the organization. Again where an insurance company in Kenya avails personal needs and entitlements to her employees, the employees are likely to be committed to the company. Employee's retention is likely to be higher in a company that communicates the reward policy to employees, offer career advancement opportunities, facilitate work life balance, and gives employees opportunity to develop their skills. Further an employee who is given autonomy at their work place is likely to be loyal to the organization.

#### 4.5 Basis on which Employees should be Rewarded

It was also important to understand the respondents' perception regarding the basis on which employees should be rewarded to encourage them to stay in the insurance company. This is important for this study in relation to equitable pay for employees.

Table 4.7 below shows the distribution of the responses.

**Table 4.5: Basis on which Employees should be Rewarded**

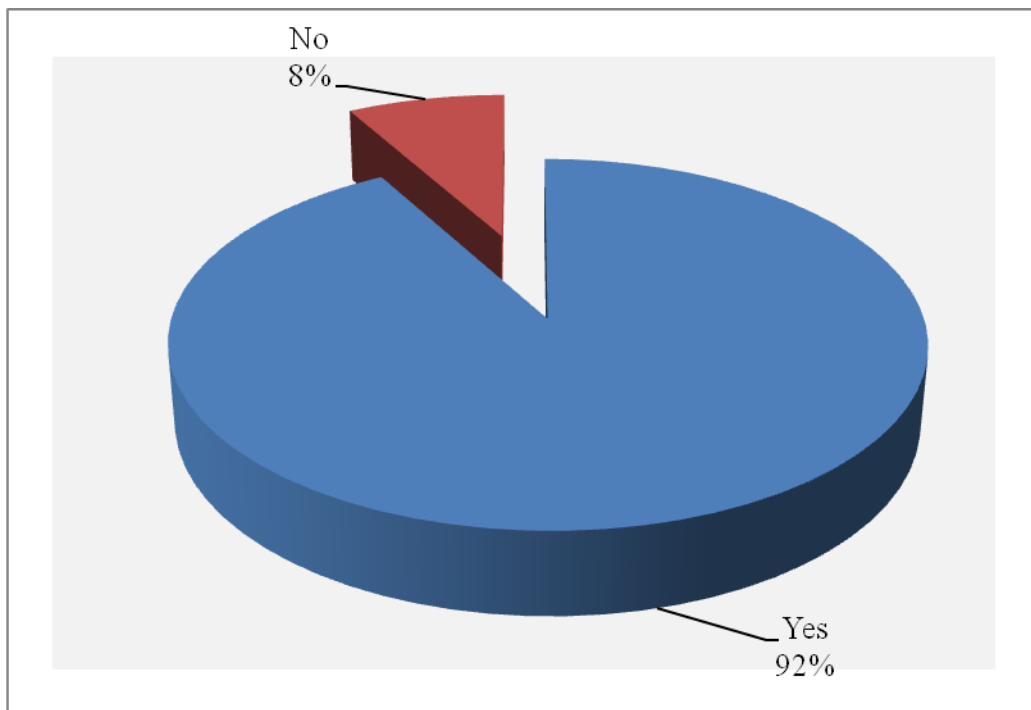
<b>Basis to reward employees to motivate them to remain in the company</b>	<b>Frequency</b>	<b>Percent (%)</b>
Payment based on comparable jobs in the organization	27	73.0
Payment based on comparable jobs in the market	23	62.2
Payment based on performance	31	83.8

Respondents gave multiple responses for the basis on which employees in the Insurance Companies in Kenya should be rewarded whereby they were allowed to give more than one response. From the analysis, an overwhelming majority (83.8%) of the respondents were of the view that payment should be on the basis of performance, 73% agreed that payment should be based on comparable jobs in the organization, while 62.2% were of the view that payment should be based on comparable jobs in the market. The analysis imply that Insurance Companies in Kenya should consider the three basis on rewarding employees but more emphasis should be on performance to encourage their stay in the company.

## 4.6 Management's Approach Towards Reward Management

### Practices and Employees Retention

The study sought to establish from the respondents whether management approach towards reward management can influence employee retention in Insurance Companies in Kenya. Employees view regarding organisation is strongly concerned to their relationship with supervisor and management style.



**Figure4.3: Whether management's approach towards reward management practices influences employee retention**

A vast majority (92%) of the respondents were of the view that management's approach towards reward management practices influences employees' retention, while 8% thought otherwise. This implies that management's approach towards reward management practices in Insurance Companies in Kenya affects employee retention in a great way.

This indicates that Insurance Companies in Kenya that apply reward management styles that are acceptable to employees are more likely to retain them.

#### **4.7 Discussion**

This section discusses the results in line with the objective of the study and the existing literature on the variables in the study including literature on relationship between variables. Findings indicated that an insurance company in Kenya that recognizes the contribution of her employees is likely to retain the employees. According to Abraham (2007) rewards and recognition are crucial components to the success of any employee retention program because they confirm to the employee that their efforts are meaningful and appreciated. The study confirmed that benefits offered in an insurance company in Kenya play an important role in employee's retention. Employees are likely to be committed to a company which gives cash bonuses to her employees. This is in agreement with Eisen, (2005) whose research indicated that training methods that engage workers with career challenges, advancement opportunities, work incentives, competitive wages/benefits, and supportive work environments are effective retention strategies for employees of any age. On their part, Newman and Milcovich (2001) stated that among all types of rewards, monetary pay is considered one of the most important and significant factor in employee retention.

According to Murlis and Watson (2001) the monetary values in the reward package still matter but they are not the only factors. Findings imply that employees are likely to remain in an insurance company in Kenya that communicates the reward policy to them. According to Armstrong (2003) reward policies provide guidelines for the

implementation of reward strategies and the design and management of the reward system. Further, insurance companies that offer career advancement opportunities are likely to retain their employees. This concurs with findings by Messmer (2000) who found that one of the important factors in employee retention is investment on employee training and career development. Organization always invests in the form of training and development on those workers from whom they expect to return and give output on its investment.

The study revealed that employees are highly committed and are likely to stay in an insurance company in Kenya that facilitates work life balance for their employees. According to Pasewark and Viator (2006), flexible work arrangement is a very important part of work family support that plays pivotal role in the retention of employees. A study by Thompson and Prottas (2005) examined the relationship between employee turnover intention and organization support such as supervisor support, flex time work family culture and co-worker support etc, and they conclude that organization support reduced the employee turnover intention. From the findings, there is indication that employees are more inclined to stay in an insurance company in Kenya that gives them opportunity to develop their skills. Findings implied that an employee who is given autonomy at their work place is likely to be loyal to the company. Prenda and Stahl (2001) stated that employees having job flexibility options report having higher levels of individual commitment, concentration, satisfaction, productivity, loyalty, and mental capacity at any age.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The purpose of this study was to establish the perceived relationship between reward management practices and employee retention in Insurance Companies in Kenya. This chapter provides a summary of the major findings of the study, draws conclusions, and makes recommendations. It also highlights the limitations of the study and suggests areas of further research.

### **5.2 Summary of the Findings**

In the study, questionnaires were distributed to HR managers of insurance companies, and a majority of them satisfactorily filled them, indicating an adequate response rate. Results on gender indicated that females comprised the majority of the study respondents. This indicates that the response was biased towards females. A majority of the HR managers were in their middle age. This implies that the HR managers had good experience that would enable them understand the variables under study. The level of education of the HR managers varied from diploma to postgraduate level, and none of them had a certificate level. This implies that the HR managers had good knowledge and skills, hence understood the content under study very well. Regarding the duration HR managers had worked in the insurance company, a majority of them had worked for more than 5 years. This meant that they had a good understanding of reward management practices and employee retention. The level of management of the HR managers was

distributed over senior, middle or low level of management. This implies that they had the ability to respond to the questions under study.

With regard to recognition of employees' contribution to the insurance company, majority of the Insurance Companies in Kenya strongly agreed that it encourages employee retention. This indicates that recognizing employees' contribution enhances their loyalty to the insurance company. From the findings, majority of the Insurance Companies in Kenya affirmed that giving employees' cash bonuses motivate them to remain in the insurance company. This is an indication that where an insurance company gives cash bonuses to her employees, the employees are likely to be committed to the company. Majority of the Insurance Companies in Kenya significantly agreed that providing financial assistance (company loan, relocation packages and company discount), personal needs and entitlements, personal security (death-in-service benefits, personal accident cover, medical insurance and sick pay) communicating the reward policy to employees, availing career advancement opportunities, facilitating work life balance, availing skills development opportunity, allowing autonomy with which employees carry out assignments influences employee retention in Insurance Companies in Kenya . This implies that these components play an important role in employee's retention in Insurance Companies in Kenya.

A simple majority of the Insurance Companies in Kenya alleged that share ownership and pension schemes influences employee retention to a moderate extent. This indicates that share ownership and pension scheme moderately determines employee's retention in Insurance Companies in Kenya. From the findings, allowances and other benefits (Company car, car loan, petrol, mileage) influence employee retention to a little extent in

Insurance Companies in Kenya. This implies that allowances and other benefits have a little effect on employee's retention in Insurance Companies in Kenya.

From the findings, an overwhelming majority of the Insurance Companies in Kenya were of the view that payment should be on the basis of performance, majority agreed that payment should be based on comparable jobs in the insurance company, while most were of the view that payment should be based on comparable jobs in the market. These findings imply that a company should consider the three basis but more emphasis should be on performance. A vast majority of the Insurance Companies in Kenya were of the view that management's approach towards reward management practices influences employees' retention, while just a few thought otherwise. This implies that management's approach towards reward management practices affects employee retention to a great extent in Insurance Companies in Kenya.

### **5.3 Conclusions**

The study examined the relationship between reward management practices and employee retention in Insurance Companies in Kenya. The results indicated that reward management practices had significant effect on employee retention in Insurance Companies in Kenya. However two subcomponents of reward management practices namely share ownership and pension schemes in the insurance company in Kenya influences employee retention to a moderate extent. This indicates that share ownership and pension scheme moderately determines employee's retention in Insurance Companies in Kenya. Further from the findings, allowances and other benefits (Company car, car loan, petrol, mileage) influence employee retention to a little extent in Insurance Companies in Kenya.

From the study rewards that employees receive for their contribution to an insurance company includes monetary and non-monetary components. Reward is seen as important because it increases the chances of employees to remain in the insurance company. From the study performance based pay and recognition of employees' contribution to the company have extremely significant influence on employee retention in Insurance Companies in Kenya. The study established a significant relationship between reward management practices and employee retention in Insurance Companies in Kenya

#### **5.4 Limitations of the Study**

According to Catherine, Gretchen & Rossman (2010) every research project has limitations and none is perfectly designed. Equally, limitations are potential weaknesses that are mostly out of control of the researcher. They are restrictions in the study that cannot be reasonably dismissed and can affect research design. Generalizing the findings of a case of the insurance companies will mean that the findings may be applicable to other industries. Generalization in this case is a limitation in that other industries could have factors which are only unique to them but are lacking in the Insurance Companies in Kenya and they may not be subjected to the study.

The study was limited to the structure of the questionnaire and so answers were confined within that schedule. This also applied to the questionnaires where quantitative data was collected in a structured format. This denied a chance to other opinions which may be outside the structure. Further filling and returning of the questionnaires was limited to the willingness of the respondents and time at their disposal.

## **5.5 Recommendations**

Given the findings and conclusions of the study the following are the researcher's recommendations; Insurance Companies in Kenya will need to understand the areas they need to emphasis on in order to improve on their reward management practices and enhance employee retention. More so they need to improve on policies governing the level of compensation and employee benefits by combining more than one basis for rewarding employees. Further they need to greatly improve on acknowledging employees' contribution to the company. This will help in encouraging employees to remain in the insurance company.

Generally, every organisation that considers employees as a valued asset should learn from this study on areas of focus in reward management practices to enhance employee retention. The additional knowledge of this study will help in improving strategy and policy formulation on issues of employee rewards to encourage employee retention.

The researcher recommends the use of the findings of this study by academias, scholars and researchers as a point of reference. The findings contribute to research interest on the relationship between reward management practices and employee retention and add to the body of knowledge. Rewards leads to employee's motivation and increases the chances of the employee staying in the company. According to Vroom's (1964) expectancy theory, expectancy that there will be intrinsic or extrinsic rewards and that these rewards will be of value determines the effort which leads to performance.

## **5.6 Suggestion for Further Research**

Further studies should be carried out on relationship between reward management practices and employees retention in other industries in Kenya, such as banking, manufacturing and agriculture just to mention a few. There is also a need to undertake research to investigate challenges faced in implementation of reward management practices in relation to employee retention in Insurance Companies in Kenya.

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# APPENDICES

## Appendix I: Questionnaire

### TOPIC: PERCEIVED RELATIONSHIP BETWEEN REWARD MANAGEMENT PRACTICES AND EMPLOYEE RETENTION IN INSURANCE COMPANIES IN KENYA

This questionnaire aims to collect data for this research purposes only and your response will be highly appreciated and kept confidential. The information you provide will be used for academic purpose only.

#### Section A: Background Data

Instructions: Please tick your answer in the relevant boxes

<b>1) Gender</b>	
a) Male	b) Female
<b>2) Age (Years)</b>	
a) 18-24	b) 25-34
c) 35-44	d) 45 and Above
<b>3) Level of Education</b>	
a) College Certificate	b) Diploma
c) Graduate	d) Postgraduate
<b>4) Number of years worked in this Organization</b>	
a) 5 and Below	b) 6-10
c) Above 10	
<b>5) Level of management</b>	
a) Senior Management	b) Middle level Management
c) Lower Level Management	

**Section B: Reward Management Practices and Employee Retention**

6. In your opinion to what extent do the following financial reward management components influence employee retention in Insurance Companies in Kenya?

**(5=Very Great Extent(VG); 4=Great Extent(G); 3=Neutral(N); 2=Little Extent(L); 1=Very Little Extent(VL). Tick Appropriately.**

<b>Components</b>	<b>VG(5)</b>	<b>G(4)</b>	<b>N(3)</b>	<b>L(2)</b>	<b>VL(1)</b>
Pension scheme offered in the organisation					
Share ownership offered in the organisation					
Benefits offered in the organization such as: subsidized meals, funding of non-job-related training					
Personal Security (Death-in-service benefits, personal accident cover, medical insurance, sick pay)					
Financial Assistance (Company loans, mortgage assistance, relocation packages, company discounts etc)					
Giving employees cash bonuses motivate them to remain in the organization					
Allowances and other benefits (Company car, car loan, petrol, mileage etc)					

7. To what extent do you agree with the following statements on the relationship between non-financial reward management components and employee retention in Insurance Companies in Kenya? **5=Strongly Agree(SA)**, **4=Agree(A)**, **3=Neutral(N)**, **2=Disagree(D)**, **1=Strongly Disagree(SD)**. Tick correctly

<b>Components</b>	<b>SA(5)</b>	<b>A(4)</b>	<b>N(3)</b>	<b>2(D)</b>	<b>1(SD)</b>
Communicating the reward policy to employees encourage them to stay in the organization					
Personal Needs and Entitlements (Holidays, leaves, career breaks, sabbaticals, counseling, social activities)					
Recognizing employees' contribution to the organization (through awards, promotion etc) enhances their loyalty to the organization					
Giving employees opportunity to use and develop their skills encourage them to remain in the organization					
Autonomy with which employees carry out assignments ( determining own working systems and making own decisions) motivates them to continue staying in the organisation					
Career advancement opportunities available in the organisation encourage employees to remain in the organisation					
Work life balance facilitated by the organisation enhances employee retention					

8. On what basis do you think employees should be rewarded to motivate them to remain in the Insurance Companies in Kenya?

Payment based on comparable jobs in the organization [  ]

Payment based on comparable jobs in the market [  ]

Payment based on performance [  ]

9. From your experience, do you think management's approach towards reward management practices influences employee retention in Insurance Companies in Kenya?

Yes [  ]      No [  ]

**Thank you for your time.**

## **Appendix II: List of Insurance Companies in Kenya**

1. AAR Insurance Kenya Limited P.O Box 41766 – 00100, NAIROBI
2. A P A Insurance Limited P.O Box 30065 – 00100, NAIROBI
3. Africa Merchant Assurance Company Limited P.O Box 61599 – 00200, NAIROBI
4. Apollo Life Assurance Limited P.O Box 30389 – 00100, NAIROBI
5. AIG Kenya Insurance Company Limited P.O. Box 49460 – 00100, NAIROBI
6. British-American Insurance Company (Kenya) Limited P.O Box 30375 – 00100, NAIROBI
7. Cannon Assurance Limited P. O. Box 30216-00100,NAIROBI
8. Capex Life Assurance Company Limited P. O. Box 12043 – 00400, NAIROBI
9. CFC Life Assurance Limited P.O. Box 30364 – 00100, NAIROBI
10. CIC General Insurance Limited P.O. Box 59485 – 00200, NAIROBI
11. CIC Life Assurance Limited P.O. Box 59485 – 00200, NAIROBI
12. Continental Reinsurance Limited P.O. Box 76326-00508, NAIROBI
13. Corporate Insurance Company Limited P.O. Box 34172 – 00100, NAIROBI
14. Directline Assurance Company Limited P.O. Box 40863 – 00100, NAIROBI
15. East Africa Reinsurance Company Limited P.O. Box 20196 – 00200, NAIROBI
16. Fidelity Shield Insurance Company Limited P. O. Box 47435 – 00100, NAIROBI
17. First Assurance Company Limited P.O. Box 30064 – 00100, NAIROBI
18. G A Insurance Limited, P.O. Box 42166 – 00100, NAIROBI
19. Gateway Insurance Company Limited P.O. Box 60656 – 00200, NAIROBI
20. Geminia Insurance Company Limited P.O. Box 61316 – 00200, NAIROBI

21. ICEA LION General Insurance Company Limited P.O. Box 30190 – 00100, NAIROBI
22. ICEA LION Life Assurance Company Limited P.O. Box 46143 – 00100, NAIROBI
23. Intra Africa Assurance Company Limited P.O. Box 43241 – 00100, NAIROBI
24. Invesco Assurance Company Limited P.O. Box 52964-00200, NAIROBI
25. Kenindia Assurance Company Limited P.O. Box 44372 – 00100, NAIROBI
26. Kenya Orient Insurance Limited P.O. Box 34530-00100, NAIROBI
27. Kenya Reinsurance Corporation Limited P.O. Box 30271 – 00100, NAIROBI
28. Madison Insurance Company Kenya Limited P.O. Box 47382 - 00100, NAIROBI
29. Mayfair Insurance Company Limited P.O. Box 45161 – 00100, NAIROBI
30. Mercantile Insurance Company Limited P.O. Box 20680 – 00200, NAIROBI
31. Metropolitan Life Insurance Kenya Limited P.O. Box 46783 – 00100, NAIROBI
32. Occidental Insurance Company Limited P.O. Box 39459 – 00623, NAIROBI
33. Old Mutual Life Assurance Company Limited P.O. Box 30059 – 00100, NAIROBI
34. Pacis Insurance Company Limited P.O. Box 1870 – 00200, NAIROBI
35. Pan Africa Life Assurance Limited P.O. Box 44041 – 00100, NAIROBI
36. Phoenix of East Africa Assurance Company Limited P.O. Box 30129 – 00100, NAIROBI
37. Pioneer Assurance Company Limited P.O. Box 20333 - 00200, NAIROBI
38. Real Insurance Company Limited P.O. Box 40001 - 00100, NAIROBI
39. Resolution Insurance Company Limited P.O. Box 4469 – 00100, NAIROBI
40. Shield Assurance Company Limited P.O. Box 25093-00100, NAIROBI
41. Takaful Insurance of Africa Limited P.O. Box 1811 – 00100, NAIROBI

42. Tausi Assurance Company Limited P.O. Box 28889-00200, NAIROBI
43. The Heritage Insurance Company Limited P. O. Box 30390 - 00100, NAIROBI.
44. The Jubilee Insurance Company of Kenya Limited P.O. Box 30376-00100, NAIROBI
45. The Monarch Insurance Company Limited P.O. Box 44003 – 00100, NAIROBI
46. Trident Insurance Company Limited P.O. Box 55651 – 00200, NAIROBI
47. UAP Insurance Company Limited P.O. Box43013 - 00100, NAIROBI
48. UAP Life Assurance Limited P.O. Box 23842 – 00100, NAIROBI
49. Xplico Insurance Company Limited P.O Box 38106 – 00623, NAIROBI

**Source : Insurance Regulatory Authority, 2015**