



Effect of Reward and Involvement on Employee Performance in Madison Insurance Company Kenya Limited

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Abstract

With the unpredictable business environment and intense business competition, the companies are required to reach certain standards by improving their performance to align with such great demands; otherwise, a lot of problems will surface, including running the risk to close down the business. This performance relates to the firm or individual level which sees the human resource becoming the most determining factor to achieve the organizations' objectives. The study established the effect of reward and involvement on employee performance in Madison Insurance of Company Kenya Limited. The study target population were 1540 employees of the Madison Insurance Company Kenya of which 154 were selected as the sample size. Descriptive statistics such as, mean and frequencies and inferential statistics such as regression and correlation analysis was used to perform data analysis. A multiple linear regression analysis model was used to test the relationship between the reward, involvement and employee performance. The study findings indicated that the reward and involvement have influence in the employee performance of insurance industries. There was a significant and positive relationship between employee rewards, employee involvement and employee performance. The study therefore recommended that insurance industries should invest in employee rewards and employee involvement.

Keywords: *Reward, Involvement, Employee performance, Insurance and Madison Insurance Company*

1.0 Introduction

1.1 Background of the Study

Employee performance can be said to be the effectiveness and efficiency to which employees of any given organization carry out their day to day duties in order to meet the management and

customer expectations, (Pierce, 2004). Employee Performance is the successful completion of tasks by a selected individual or individuals, as set and measured by a supervisor or organization, to pre-defined acceptable standards while efficiently and effectively utilizing available resource within a changing environment (Armstrong, 2009). Performance of the employee is considered as what an employee does and what he doesn't do. Employee performance involves quality and quantity of output, presence at work, accommodative and helpful nature and timeliness of output. According to the results of the study conducted by Yang (2008) on individual performance showed that performance of the individuals cannot be verified. Similarly, he asserts that organizations can use direct bonuses and rewards based on individual performance if employee performance is noticeable (Yang, 2008).

Carlson (2006) proposed five human resource management practices that affect performance which are: setting competitive compensation level, training and development, performance appraisal, recruitment package, and maintaining morale. Tessema and Soeters (2006) have carried out study on eight human resource practices including recruitment and selection practices, placement practices, training, compensation, employee performance evaluation, promotion, grievance procedure and pension or social security in relation with the perceived performance of employees. Therefore, it is concluded that these HR practices have positive and significant associations with the perceived performance of employees.

Employees are an important asset for good and effective performance in any organization. Indeed, Guest (1997), as cited by Armstrong (2009), stated that improved performance is achieved through the employees in the organization. Until the 1980s, performance was usually interpreted as the output of a combination of ability and motivation, given appropriate resources and hence motivating people became a key component of most management work (Torrington, 2008). Basing on the arguments of expectancy theory that employees expect a certain reward for their input in the organization and the influence this has on employee performance as depicted by the instrumentality theory, employee performance heavily rely on the kind of reward management practices used by their organizations.

The reward management practices thus have a direct relationship with employee performance, (Ahmad, 2010). The importance of reward management is heightened by its important role in enhancing employee performance. As a result, a special area of concern for Human resource managers has been the reward management and with special emphasis to its effect on employee performance, (Baptiste, 2008). Reward constitutes an important element in Human Resources Management. Reward Management is essentially about designing, implementing and maintaining pay systems which help to improve organizational performance, (Armstrong & Murlis, 2007). Reward management can also be said to be the process of developing and implementing strategies, policies and systems which help the organization to achieve its objectives by obtaining and keeping the people it needs and by increasing their motivation and commitment. The reward management system should thus be designed to support the achievement of the organization's strategies; it should be based on a philosophy of reward which matches the culture of the organization.

Madison Insurance Company Kenya Limited is a locally owned insurance company in Kenya. It was incorporated under Kenyan Laws in 1988 after a successful merger between Crusader Plc (1974) and Kenya Commercial Insurance Corporation. Its objective is to provide the best insurance products at the most reasonable prices and to offer unparalleled customer service to its customers. Madison Insurances investment strategy focuses on attaining superior long term yields on

investment through a well-diversified spread of assets. Its asset base is 10 billion, and growing further by developing a larger investment portfolio (Madison Annual Report, 2016).

1.2 Statement of the Problem

As the world increasingly becomes a global village, companies are faced with competition for quality product and service from all over the globe and they have to struggle to remain competitive and employers of choice to attract the best human resource. Madison Insurance Company is the most growing insurance company in Kenya though with high staff turnover according to AKI report of 2015. To avert this challenge, companies ought to have competent employees.

Employee performance is a sign of the capacity of a company to efficiently achieve independent goals (Venkatraman & Ramanujam, 1986). One of the elements that is assessable is the employees' performance through the level of their productivity. Several researches have been introducing various methods to evaluate organizational performance (Wong & Wong, 2007; Prajogo, 2007). This includes the quality, quantity, knowledge or creativity of individual towards the accomplished works that are in accordance with the responsibility during a specified period- in other words, the assessment systems must have some standard parameters that can be relied upon. This study sought to find out how reward and involvement affects employees' performance in Madison insurance Company

1.3 Specific Objectives

- i. To examine the effect of rewards on employee performance in Madison Insurance Company Kenya Limited.
- ii. To determine the effect of involvement on employee performance in Madison Insurance Company Kenya Limited.

1.4 Research Hypothesis

- i. H₀₁: There is no significant relationship between rewards and employee performance in Madison Insurance Company Kenya Limited.
- ii. H₀₂: There is no significant relationship between involvement and employee performance in Madison Insurance Company Kenya Limited.

2.0 Literature Review

2.1 Theoretical Review

The theories that supported the study include Abraham Maslow Theory of motivation and Taylor's Theory of Motivation. This are presented in figure 1.

2.1.1 Taylor's motivational theory

This theory was published by Frederick Taylor in 1911. According to Taylor's research, people worked purely for money. In the early years of the car assembly industry work on a production line was based on producing quantity and was repetitive. Workers were paid 'piece rate', that is, paid for every item produced. This approach of paying workers by results was good for the business. The outcome was greater production but gave little opportunity, encouragement or time for employees to think for themselves or be creative in what they did. This limited people's development and their use within the company.

Employees are more motivated if they feel content in their work. This often happens when their employer creates a good working environment where employees feel valued, generally through increased communication and being asked for their opinions. Employee motivation is also likely to be higher if the organization invests in its staff through training and development. In turn this enhances their knowledge, skills and their sense of job satisfaction. This theory is relevant to this study since it focuses on one way of rewards for motivating employees. Taylor's motivational theory informs reward, involvement and capacity building variable in studying employee performance at Madison Insurance Company.

2.1.2 Abraham Maslow Theory of Motivation

Abraham Maslow argued that humans are motivated by five essential needs. He formed a pyramid demonstrating these needs which he called the 'hierarchy of needs': At the bottom of the pyramid are basic needs, those that motivate people to work –food and shelter. Once these needs are met through pay, individuals want safety and security through, for example, good job conditions. Social needs refer to the need to belong, to be part of a group. Self-esteem may arise from a promotion. Right at the top is Self-fulfillment - the area for creativity, challenge and interest. Maslow suggested that achieving one level motivates us to achieve the next. The theory is applicable in the Madison Insurance Company because the company provides basic needs to the staff; a place of work, regular monthly pay and essentials. Facilities such as a recreation centers where the staff get to relax after work. Security needs; provides the security of formal contracts of employment as well as pension and medical schemes create a sense of belonging. It ensures health and safety in the workplace. Social needs; promotes team and group working at various levels; the department 'Steering Wheel' assesses individual and group work and enables staff to work as a team. Working conditions and a home-from-home ethos encourages long service. Self-esteem; emphasize self-respect and respect for others and praise for hard work, Its training and development, compensation and remuneration, selection and recruitment and career planning help to recognize individuals' contribution sand importance and celebrate achievement. Self-fulfillment; offers Personal Development Plans, recognition of skill s and talents, opportunity for promotion and career progression programme. The Options fast-track management programmes and provides a route for capable staff to reach higher levels.

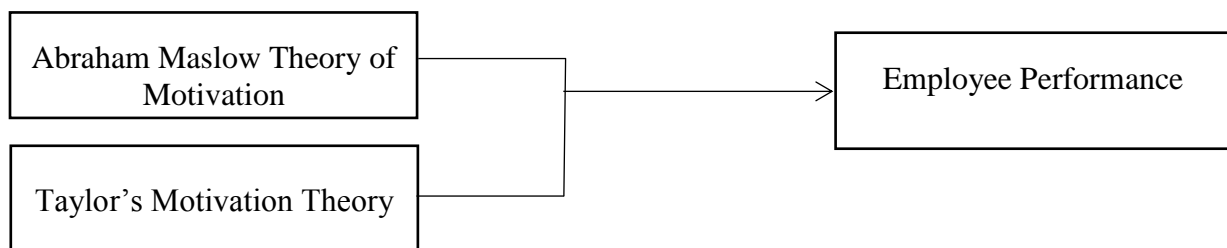


Figure 1: Theoretical Framework

2.2 Empirical Review

The reward system consists of all organisation components- including people, process, rules and decision making activities involved in the allocation of compensation and benefits to employees in exchange for their contribution to the organisation” Puwanenthiren (2011) also identified three main components of a reward system to include; compensation, benefits and recognition. These components encapsulate the total rewards in an organisation which include transactional and

relational rewards. Benefits are described as forms of value other than payment that are provided to employees for their contribution to the growth of the organisation. Benefits can come in two forms tangible and intangible benefits. Tangible benefits include contribution to retirement plans, life insurance, vacation pay, holiday pay, employee stock ownership plans, profit sharing and bonuses, etc. Intangible benefits on the other hand include, appreciation from a boss, likelihood for promotion, office space, etc. Compensation is described as base pay and or variable pay. Base pay is tied to the value of the job to the organization in relation to the market value and the expertise required to performing the job. While variable pay is based on the performance of the person in that role which include achieving set targets.

Hellriegel, Slocum and Woodman (1998), noted that “managers agree that tying pay to job performance is essential. However, the actual implementation of programmes designed to bring about such a relationship is often quite difficult” They further identified four reward systems in high-performance work setting to include gain-sharing/profit sharing, flexibility benefits, banking time-off and skill based pay. All these systems involve payment of cash to employees at various times for increasing productivity, reducing cost, or improving quality, depending on the goal of the organization at the time.

Markova and Ford (2011) mentions that the real success of companies originates from employees’ willingness to use their creativity, abilities and know-how in favor of the company and it is organization’s task to encourage and nourish these positive employee inputs by putting effective reward practices in place. Lotta, (2012) also contends that motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation.

Employee involvement influences many important work outcomes, such as absenteeism, turnover, performance and job satisfaction (Brown 1996). Chughtai (2008) uncovered a significant relationship between employee involvement and organizational citizenship behaviours. Rotenberry and Moberg (2007), citing Munene (1995), found a substantial, positive relationship between employee involvement and the conscientiousness component of supervisor-rated citizenship behaviour. Bandura (1977) argued that there is a strong correlation between employees’ self-efficacy and employee involvement. A relationship between employee involvement and job satisfaction was identified in Soong’s (2000) study. In general, many researchers consider employee involvement to be a primary determinant of organizational effectiveness (Pfeffer, 1994).

Employee involvement enables the organization to have a better insight about the way of functioning and where it can potentially make improvements that would be beneficial for both, the organization and the employees. Employee empowerment is considered an important contributor to organizational success. Much effort has been made to test the direct relationship between the level of employee empowerment and employee performance, and also, the job satisfaction and commitment. The findings show that there is a significant difference between the employee performance before and after the implementation of empowerment program. Among many dimensions of empowerment, delegation of authority has the strongest effect in improving the employee performance (Siami, and Gorji, (011). In another study, on a sample of 841 companies in Michigan, the findings suggest that employee participating programs contribute to firm’s performance, and this contribution is stronger in the unionized settings (Cooke, 2004).

2.3 Conceptual Framework

Mugenda and Mugenda (2003), define a conceptual framework a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. The study focused on reward, involvement and employee performance together with their indicators. The indicators were considered appropriate for measuring the respective variables (reward, involvement and employee performance).

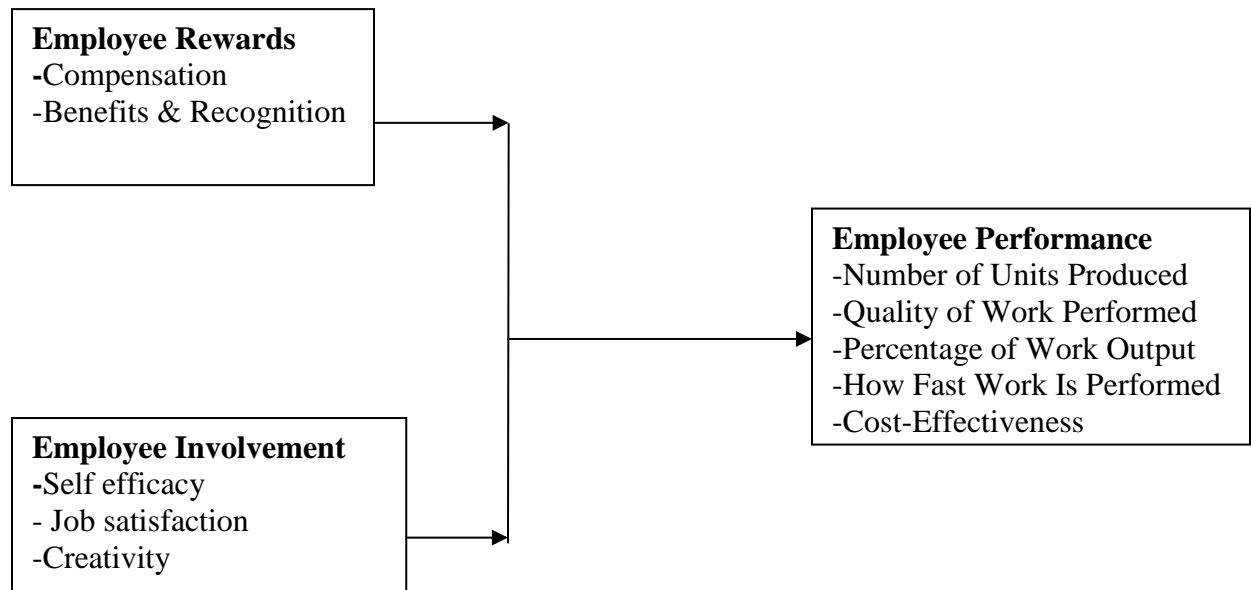


Figure 2: Conceptual Framework

3.0 Research Methodology

The study adopted a descriptive research design. The study target population were employees of Madison Insurance Company in all the twenty-three branches. The total employees and sales agents were 1540 of which 154 of the employees were selected as the sample size using simple random sampling technique. Questionnaires were used to obtain data, which was analyzed by the use of descriptive statistics. Correlation and multiple linear regression analysis model was used test the relationship between the reward and involvement affecting employee performance.

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

Where:

Y = Performance

X₁ = Reward

X₂ = Involvement

β₀ represents the constant

β_{1,2} are regression coefficients

e is error term

4.0 Results and Findings

4.1 Response Rate

A total of 154 employees were issued with the questionnaires, out of these, 132 questionnaires were properly filled and returned. This represented an overall successful response rate of 85.71%. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. 85.34% response rate was considered very good for the study. The result of the analysis of the respondents is presented in Table 1.

Table 1: Response Rate

Response	Frequency	Percent
Returned	132	85.71%
Unreturned	22	14.29%
Total	154	100.00%

4.2 Descriptive Statistics

4.2.1 Employee Reward

The study examined the effect of reward on the employee performance in of Madison Insurance Company Kenya Limited. The results of employee reward was presented in the table 2.

Table 2: Employee Reward

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Salaries and allowances stimulated me to be in the job	4.4%	6.7%	8.9%	51.1%	28.9%	3.9	1.0
Employees are attracted by merit based pay (Percentage increase in salary based on good performance permanently added on to the salary)	4.4%	11.1%	13.3%	35.6%	35.6%	3.9	1.2
Employee appreciation for better performance by the employer enhances employee motivation in this organization	11.1%	4.4%	17.8%	37.8%	28.9%	3.7	1.2
Annual salary review motivates employees to perform better	6.7%	8.9%	4.4%	57.8%	22.2%	3.8	1.1
Medical Insurance cover benefit attracts employee to the organization	0.0%	11.1%	6.7%	28.9%	53.3%	4.2	1.0
Average						3.9	1.10

According to results in Table 2, majority of the respondents who represented 51.1% of the respondents agreed that salaries and allowances stimulated them to be in the job, 28.9% strongly agreed, 8.9% were neutral, and 6.7% disagreed while only 4.4% strongly disagreed. In general, 80% agreed that employees were attracted by merit based pay, 71.2% agreed that employee appreciation for better performance by the employer enhanced employee motivation in organization, 66.7% agreed that annual salary review motivated employees to perform better, while 82% of the respondents agreed that Medical Insurance cover benefit attracted employee to the organization. On a five-point scale, the average mean of the responses was 3.9 which meant that majority of the respondents agreed with most of the statements; however, the answers were varied as shown by a standard deviation of 1.10.

4.2.2 Employee Involvement

The study determined the effect of involvement on the employee performance in of Madison Insurance Company Kenya Limited. The results of employee involvement are analysed in table 3.

Table 3: Employee Involvement

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Most employees are highly involved in their work	18%	4%	9%	11%	58%	3.9	1.6
Decisions are usually made at the level where the best information is available.	4%	16%	9%	40%	31%	3.8	1.2
Information is widely shared so that everyone can get the information he or she needs when it's needed	4%	4%	11%	40%	40%	4.1	1.0
Everyone believes that he or she can have a positive impact in the organization	4%	4%	9%	42%	40%	4.1	1.0
Business planning is ongoing and involves everyone in the process to some degree.	11%	4%	13%	42%	29%	3.7	1.2
Average						3.9	1.2

According to results in Table 3, 69% of the respondents agreed that most employees were highly involved in their work, 71% agreed that decisions were usually made at the level where the best information was available, 80% of the respondents agreed that information was widely shared so that everyone could get the information he or she needed when it was needed, 82% of the respondents agreed that everyone believed that he or she could have a positive impact in the organization, while 71% of the respondents agreed that business planning was ongoing and involved everyone in the process to some degree. On a five-point scale, the average mean of the

responses was 3.9 which meant that majority of the respondents agreed with most of the statements; however, the opinions were varied as shown by a standard deviation of 1.2.

4.3 Correlation Analysis

Pearson's correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed. The results in Table 4 indicated the association between the employee rewards, involvement and employee performance.

Table 4: Correlation Matrix

		Performance	Rewards	Involvement
Employee Performance	Pearson Correlation	1.000		
	Sig. (2-tailed)			
Employee Rewards	Pearson Correlation	.251**	1.000	
	Sig. (2-tailed)	0.003		
Employee Involvement	Pearson Correlation	.277**	0.017	1.000
	Sig. (2-tailed)	0.001	0.847	

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

Results in Table 4 presented the results of the correlation analysis. The results revealed that employee reward was positively and significant related with employee performance as supported by ($r=0.51$, $p=0.003$). The results further indicate that employee involvement was positively and significantly related with and employee performance as supported by ($r=0.208$, $p=0.028$).

4.4 Hypothesis Testing

Regression analysis was performed to establish the relationship between employee rewards, employee involvement and employee performance. Results were presented in table 4, 5 and 6.

Table 5: Model Fitness for the Regression

Indicator	Coefficient
R	0.590
R Square	0.348
Adjusted R Square	0.328
Std. Error of the Estimate	0.4053891

Results in table 5 indicated that employee rewards and employee involvement were found to be satisfactory variables in explaining employee performance of insurance industries. This was supported by coefficient of determination also known as the R square of 34.8%. This means that employee rewards and employee involvement explained 34.8% of the variations in the employee performance.

Analysis of Variance

Table 6: Analysis of Variance

Statements	Sum of Squares	df	Mean Square	F	Sig.
Regression	11.420	4	2.855	17.372	0.000
Residual	21.364	130	.164		
Total	32.784	134			

Table 6 presented the results on the analysis of the variance (ANOVA). The results indicated that the overall model was statistically significant. Further, the results imply that the employee rewards and employee involvement were good predictors of employee performance of insurance industries. This was supported by an F statistic of 17.342 and the reported $p < 0.05$ which was less than the conventional probability of 0.05 significance level.

Regression of coefficients results in Table 7 shows that employee rewards were positively and significant related with employee performance of insurance industries as supported by ($r = 0.236$, $p < 0.05$). The hypothesis was tested by using the ordinary least square regression. The acceptance/rejection criterion was that, if the p value is less than 0.05, the H_0 is rejected but if it's greater than 0.05, the H_0 is accepted. Results in Table 7 show that the p-value was $0.010 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant relationship between employee rewards and employee performance.

The results further indicated that employee involvement was positively and significantly related with employee performance as supported by ($r = 0.160$, $p < 0.05$). The hypothesis was tested by using the ordinary least square regression. Results in Table 7 show that the p-value was $0.000 < 0.05$. This indicated that the null hypothesis was rejected hence there is a significant relationship between employee involvement and employee performance.

Table 7: Regression of Coefficients

Variable	B	Std. Error	Beta	T	Sig
(Constant)	1.051	.382		2.754	.007
Employee Rewards	.236	.070	.237	3.349	.001
Employee Involvement	.160	.042	.274	3.858	.000

Thus the optimal model of the study was;

$$Y = 1.051 + 0.236X_1 + 0.160X_2.$$

Where

Y= Employee Performance of Insurance Industries

X_1 = Employee Rewards

X_2 = Employee Involvement

5.0 Conclusions

The study concluded that employees were not satisfied with reward plan used. Employees prefer monetary recognition like incentives and bonuses. It was noted that decision making was done by management only and employees only get to be involved during work plan, insurance product introduction and market establishment. Whenever employees were to make decisions whether at individual or group level, it was to be in consultation with management. The workers think that involving employees in decision making made them have confidence and ownership and hence trigger performance. Therefore they expected proper planning to have them involved in decision making and other crucial operational matters.

6.0 Recommendations

The management should consider integrating monetary recognition/reward into their plan to meet the desires of employees for increases performance. The integration should be well controlled to avoid loss and employee control. There should be balance between verbal and financial recognition like bonuses, incentives. It is the good thing for management to make decisions to remain in control but there should a room for those senior employees to be involved to have them air the concerns of their fellows. This way there will be that feeling of ownership that is very necessary for performance. Management need to know when to engage employees in decision making and when not to for proper functioning of the firm. There is more to be done in planning for employee's involvement that is very necessary for performance and productivity. Involvement to be done mostly by human beings to note the feelings and concerns of employees by direct interaction. Human interaction is necessary for getting direct feedback from the workers that can be important in proper planning that is very much needed.

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