INFLUENCE OF EMPLOYEE REWARD ON INNOVATION PERFORMANCE OF DTS IN KENYA.

Grace Wanjiwu Njine, Dr. Joyce Nzulwa, Dr. Mary Kamaara and Dr. Kepha Ombui
Abstract

**Purpose:** The purpose of the study was to examine the influence of employee reward on Innovation Performance of DTS in Kenya.

**Methodology:** This study adopted a descriptive survey design. The sampling frame of this study was derived from the database of the SASRA. Multistage sampling was used to select the sample of the study. The population of the study was the 181 DTS’s operating in Kenya while the target population was 18 DTS’s. The respondents were individual management staff. A questionnaire was used to gather primary data. Secondary data was collected through review of published literature such as journals articles, published theses and textbooks. Information was sorted, coded and input into the statistical package for social sciences (SPSS) version 21.0 for production of graphs, tables, descriptive statistics and inferential statistics.

**Results:** The study found out that employee reward and innovation performance are positively and significant related (r=0.113, p=0.001).

**Unique Contribution to Theory, Practice and Policy:** It was recommended that both financial rewards (e.g. bonuses, pay, profit sharing) and Non-financial rewards (health insurance, holidays) be included in the employee reward human resource practice. This will lead to employee’s motivation to engage in creative activities and therefore high innovation performance will be registered.

**Keywords:** Employee reward, Innovation Performance, DTS.

1.0 **INTRODUCTION**

1.1 **Background of the Study**

The world is moving quickly from a production-based economy to an innovation-based economy (Huang, Yi-Chun & Wu 2010). Knowledge storage and application are the basis of economic growth and accumulated capital (Hsu & Fang, 2010). Crossan & Marina Apaydin (2010) define innovation as production or adoption, assimilation, and exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets.
Human resource management (HRM) practices have been defined in several aspects. Schuler and Jackson (2002) define HRM practices as a system that attracts, develops, motivate, and retains employees to ensure the effective implementation and the survival of the organization and its members. Besides, HRM practices is also conceptualized as a set of internally consistent policies and practices designed and implemented to ensure that a firm’s human capital contribute to the achievement of its business objectives (Delery & Doty, 2004).

Sanidas (2005) examined the links between SMEs, organizational innovations (OIs), and economic growth across OECD countries with particular reference to Japan and the USA. The study in these two countries revealed that the American economic survival and Japanese protracted economic downturn can be related to the existence of organizational innovation. The relative importance of SMEs in the two countries was only a contingent factor necessary but not sufficient for economic growth.

Many developing countries are recognizing innovation as a major source of modern productivity growth and presently constitute a central process of economic advancement.

In the context of Somalia, telecommunication industry has been considered as one of the most important industry in Somalia’s economy. The industry has full contribution in terms of technological innovation, unemployment reduction, and acting as a source of public contribution to the society. Every telecommunication company attempts to popularize its services, renew its products, and make innovations in order to became well known and gain the major part of the market.

As contended by Küpper, (2001), service innovation strategy has been aimed at highlighting any procedures and strategies in improving and enhancing business in terms of new services or patterns of service. Many telecommunication organizations in Mogadishu brought new services to the market by enhancing their business performance, growth, and innovation strategies to succeed their competitors. However, the focus on Innovation Performance particularly in developing countries is a relatively recent phenomenon.

Kenya has managed to achieve a higher level of competitiveness when compared to other African countries. In the Global Competitiveness Index, Kenya ranked 94 in 2006, one place down from its previous rank of 93 in 2006 (Porter et al, 2006). The country’s competitiveness seems to expand into the micro-economic area, displaying a rank of 68 for 2006 in the Business Competitive Index, five places up from rank 73 that Kenya occupied in 2005 (Porter et al, 2006). Kenya’s technological achievements are far from being realized and it is ranked at 68 out of a total of 72. Not only has the country not managed to branch out into newer technological areas, it has also not managed to diffuse old technology to large parts of its population, reducing with this the potential benefits that country nationals could derive from it (UNDP, 2008).

The SACCO movement in Kenya is reputed as the largest in Africa and among the top 10 globally (Wanyama, 2009). It has over KES 500 Billion in assets and a savings portfolio estimated at KES 378 Billion, the SACCO movement in Kenya constitutes a significant proportion of about 20% of the country’s savings. SACCOs have thus become vital components of Kenya’s economy and social development.
1.2 Statement of the Problem

In the Kenya Vision 2030, Kenya aims at raising savings and investment rates from 17% to 30% and reducing the share of population without access to finance from 85% to 70%. Ahmed and Shepherd, (2010) noted that countries like USA, Japan and some European that continuously innovate contribute significantly to economic growth. Sacco’s plays a critical role in the transformation of economy through mobilization of required savings and offering credit facilities. As part of Kenya Government reform process in the financial sector, SACCO Societies Regulatory Authority (SASRA) was established in 2008 with dual objectives of protecting the interests of Deposit taking Sacco’s (DTS) members, ensuring public confidence in the public towards the Sacco sector and spurring Kenya’s economic growth through the mobilization of domestic savings. However, despite of the increased regulatory reforms undertaken in the Sacco sub-sector in Kenya, performance of DTS’ is still poor.

SASRA statistics show that between 2014 and 2016, the regulator revoked operating licenses of 43 Deposit Taking Sacco’s due to severely undercapitalization, inability to meet members and third parties obligations leading to unsustainably high external borrowing (SASRA 2015; 2016). CBK in a survey conducted in 2013 and 2014 found out that in spite of Sacco’s wide geographical spread in the country, DTS’s lost 12% and 17% respectively of their market share to other financial service providers. This implies that DTS’s are threatened for survival as a competitive enterprise. Nyaga (2014) avers that many DTS’s are undercapitalized due to their low level of innovativeness. Cheruiyot (2012) found out that in order to gain competitive edge, increase capital, enhance efficiency and meet increasing demand of relatively cheaper loans by the members, DTS’s must embrace innovation; introduce new products and services, adopts new technology, improve business processes and increase operational efficiency. Human Resource (HR) is the most important asset for any organization as source of achieving competitive advantage. The previous innovation literature has been characterized by relatively scant attention being paid to HRM practices and how they influence innovation performance (Laursen and Foss, 2011). Most of the empirically-based literature since the mid-2000s has focused on the effects of complementary HRM practices, rather than the effect of individual HRM practices (Ennen and Richter, 2010).

Notably still, most of the literature reviewed linking HRM practices to innovation performance are drawn from developed countries context like the USA, Europe and Japan and the studies cannot be generalized to Kenya. Although there are other HRM practices that influence innovation performance, this study will focus on employee reward. This study therefore seeks to establish the influence of employee reward on innovation performance of DTS’s in Kenya.

1.3 Objective of the Study

The objective of the study was to examine the influence of employee reward on Innovation Performance of DTS in Kenya.
2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.2 Equity Theory

Equity theory first developed in 1969 by J. Stacy Adams focuses on determining whether the distribution of resources is fair to both relational partners. Equity is measured by comparing the ratio of contributions (or costs) and benefits (or rewards) for each person. Considered one of the justice theories, equity theory asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others. The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the employee for the organization.

The major strength of this theory is that, it recognizes that individual input such as education, experience and effort should be recognized in such a way that equity is achieved. It also shows that individual employees are part of the larger system (Ng’ethe 2013). This theory therefore guides in understanding what may influence teachers to leave in that they keep on comparing salaries of employees in other organizations in order to realize equilibrium between the inputs-outcome ratios.

In turn, this contributes to labor mobility within and outside deposit taking Sacco’s as employees seek to earn salaries equal to or higher than those of their counterparts in other financial organizations. The major weakness of this theory is the subjectivity inherent in the comparison process. There is a tendency in human nature to distort their inputs especially in regard to effort and hence become subjective when comparing (Beardwell, 2010).

2.2 Empirical Review

According to Bysted & Hansen, 2013 in their study on how this HRM practice influences innovation focused on the linkage between performance and reward. The research found a direct linkage between employees’ innovative performance and what they receive for this effort. The study categorized the reward into three type’s namely primary, secondary and organizational rewards, respectively, where also non financial benefits are included. The researched found that a financial reward has a direct relationship with innovation.

Zhang and Begley (2011) in their study proposed a positive relationship between financial and non financial rewards and innovation. Moreover, they assume that the home country of a company matters in the sense that the supposed positive influence of reward is stronger for Chinese 51 employees working in an American owned company in China than for Chinese employees working in a Chinese owned company in China. Their results confirm their hypothesis. Reward (financial, non-financial) has a significant positive relation to innovation performance.

Sanders (2010) hypothesized the same relationship they detected completely different results. Here, reward is subdivided into monetary rewards (e.g. bonuses, pay, profit sharing) and non monetary rewards (health insurance, holidays). Their findings revealed contradictive correlations. Satisfaction with monetary reward is significantly negative related to Innovation performance and
show no significant relationship between satisfaction with non-monetary rewards and innovation. The authors explain these results with an underpinning of the intrinsic motivation of employees. Their sample mainly consists of knowledge workers who are supposed to be rather intrinsically motivated. Extrinsic motivators like rewards can hinder their willingness to engage in creativity through a shift from a relational psychological to a transactional contract between them and their organization. This shift may thwart discretionary behaviors such as innovation work behavior.

Ramamoorthy (2005) alluded that the positive linkage between pay and Innovation performance is caused by fulfillment of the psychological contract between employees and their employer. In more detail, ‘met expectations’ refer to employees’ assessment and belief that his /her expectation has been satisfied through their work experiences. These expectations are unilateral, thus without explicit assurances of the employer. ‘Obligation to innovate’, in contrast, lasted on a mutual relationship between employees and their employer. When employers fulfill their obligations e.g. paying salary or bonuses, employees feel more obligated to give the organization value back in terms of discretionary behaviors such as Innovation work behavior.

The study found out those punishing employees by ignoring them for example for salary increase leads to feelings of stress, which in turn is argued to hinder employee’s motivation to engage in creative activities. According to the authors, implementing this HRM practice in such a way puts pressure on employees, leads to job dissatisfaction, and low morale, which in turn restrain employees to be innovative. Thus, the recognition and reward of employees’ effort seems to be an indispensable factor for encouraging employees, because it seems to be the basis for a mutual relationship.

3.0 RESEARCH METHODOLOGY

This study adopted a descriptive survey design. The sampling frame of this study was derived from the database of the SASRA. Multistage sampling was used to select the sample of the study. The population of the study was the 181 DTS’s operating in Kenya while the target population was 18 DTS’s. The respondents were individual management staff. A questionnaire was used to gather primary data. Secondary data was collected through review of published literature such as journals articles, published theses and textbooks. Information was sorted, coded and input into the statistical package for social sciences (SPSS) version 21.0 for production of graphs, tables, descriptive statistics and inferential statistics.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The number of questionnaires that were administered was 308 and a total of 296 questionnaires were properly filled and returned where as some of the respondents returned the questionnaires half-filled others refused to return them completely despite a lot of follow up. The response rate result is shown in Table 1.

Table 1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The response rate was 96.10% as shown on Table 1. This represented an overall success according to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Cooper and Schindler (2003) also argues that a response rate exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population. Based on these assertions, the response rate of 96.10% was adequate for the study.

4.2 Demographic Characteristics

This section consists of information that describes basic characteristics such as gender of the respondent, age, level of education, job position, and number of years worked.

4.2.1 Gender of the respondents

The respondents were asked to indicate their gender. Figure 1 shows the results.

![Gender of the respondents](image)

**Figure 1: Gender of the respondents**

Results in figure 1 show that 54% of the employees are males while only 46% are females. This implies that majority of people who works in Deposit Taking Sacco’s are males. This agrees with a study by Ellis, Cutura, Dione, Gillson, Manuel & Thongori (2007) that in spite of women being major actors in Kenya’s economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 74%:26%. Other studies that have identified male domination in the formal and informal sectors include Gakure (2001) and Gakure (2003).

4.2.2 Age of the respondents

The respondents were asked to indicate their age. Figure 2 shows the results.
Figure 2: Age of respondents

Results in figure 2 show that 36% of employees in Deposit Taking Sacco’s are aged between 26-35 years, 30% of the employees are aged between 18-25 years, 17% have their age between 35-44 years and 14% are between 45-55 years while only 3% are aged above 55 years. This indicates that majority of the people who work in Deposit Taking Sacco’s are young. According to the Population Situation Analysis Report for Kenya (2014) the trend of population growth for persons aged 24-34 years has increased from about 12% in 1999 to nearly 15% in the year 2009. Therefore the finding of this study reflects the current trend of the Kenya population indices.

4.2.3 Length of service

The respondents were asked to indicate the duration they have worked in the organization. Results are presented in Figure 3.
Figure 3: Length of service

Results in Figure 3 show that 42% of the respondents had worked in the Deposit Taking Sacco for less than 2 years, 17% had worked in the Deposit Taking Sacco for 2-5 years, and 24% had worked in the Deposit Taking Sacco for 6-10 years while 17% had worked in the Sacco for above 11 years. This implies that majority of the respondents had not worked in the organization for a long period. This finding is inconsistent with that of Ngui (2014) who found out that 65% of the respondents have worked in the sector for over five years, a period considered long enough for an employee to understand the operations of their respective duties. This finding is consistent with that of Randoy et al, (2006) who found out that one’s experience depends on the number of years of service in the sector involved. It is assumed that the longer one worked in an organization, the more they understand the organization and hence the higher the ability to articulate issues pertaining to the organization (Afande, 2013).

4.2.4 Level of education

The respondents were asked to indicate their highest level of education. Figure 4 shows the results.

Figure 4: level of education

Results in Figure 4 show that 7% of the respondents had their highest level of education being masters level, 66% of the respondents had their highest level of education being degree level, 24% of the respondents had their highest level of education being diploma level while only 3% had their highest level of education being secondary level. This implies that the employees working in the Deposit Taking Sacco are skilled for the job. In addition, regarding to this study, it means that the respondents were able to read the questionnaire on their own and thus better response achieved. This finding is inconsistent with that of Adegoroye, Oladejo & Moruf, (2012) who found out that firm performance depends on academic qualification.

4.2.5 Cadre

The respondents were asked to indicate their current cadre in the Sacco. Figure 5 shows the results.
Figure 5: cadres

The results in figure 5 show that 55% of the employees are at the entry level of job position 19% are middle level employees, 18% are managers or supervisors, 5% are support staffs while 3% are top managers. This indicates that most of the people in DTS in Kenya have not been trained enough to handle management positions.

4.3 Influence of Employee Reward on Innovation Performance of Deposit Taking Sacco’s in Kenya.

4.4.1 Reliability Results for Employee Reward.

The result for reliability test for employee reward is presented in table 2 below.

Table 2: Reliability Coefficient

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of items</th>
<th>Cronbach's Alpha</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Reward</td>
<td>7</td>
<td>0.755</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Table 2 shows that employee Reward was reliable since it had a cronbach alpha of 0.755 which was above the cut-off of reliability for the study. Therefore the internal consistency reliability of the measure was excellent. This indicates that the data was reliable since a Cronbach’s alpha coefficient value of 0.755 was obtained on the research variable. This was above 0.70 and an alpha coefficient higher than 0.70 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents’ opinions on the study problem.

4.3.2 Descriptive Statistics

Descriptive statistics was performed regarding to the responses on employee reward related statements. Results were presented in Table 3.
Table 3: Employee Reward

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>financial incentive in form of wages and salaries, bonus, retirement benefits, medical reimbursement enhances creativity and innovation in my DTS,s</td>
<td>4.1%</td>
<td>5.4%</td>
<td>6.8%</td>
<td>54.1%</td>
<td>29.7%</td>
<td>4.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Financial incentives plays a significant role in satisfying physiological and security/social needs</td>
<td>2.7%</td>
<td>5.1%</td>
<td>4.7%</td>
<td>41.6%</td>
<td>45.9%</td>
<td>4.2</td>
<td>1.0</td>
</tr>
</tbody>
</table>
Appreciation or praise for work done at my work place, influences my performance

<table>
<thead>
<tr>
<th></th>
<th>2.7%</th>
<th>2.7%</th>
<th>14.0%</th>
<th>27.7%</th>
<th>52.7%</th>
<th>4.3</th>
<th>1.0</th>
</tr>
</thead>
</table>

There is a well documented procedures on how peers nominate and recognize teammates for their contributions to the overall effort

<table>
<thead>
<tr>
<th></th>
<th>4.1%</th>
<th>23.5%</th>
<th>20.1%</th>
<th>36.2%</th>
<th>16.0%</th>
<th>3.4</th>
<th>1.1</th>
</tr>
</thead>
</table>

Healthy competition among the employees both at individual and group levels stimulate innovation

<table>
<thead>
<tr>
<th></th>
<th>5.4%</th>
<th>14.9%</th>
<th>18.2%</th>
<th>30.4%</th>
<th>31.1%</th>
<th>3.7</th>
<th>1.2</th>
</tr>
</thead>
</table>

In DTS employee compensation boosts employee’s morale and encourages them to put more efforts to their roles.

<table>
<thead>
<tr>
<th></th>
<th>0.0%</th>
<th>24.3%</th>
<th>2.7%</th>
<th>33.8%</th>
<th>39.2%</th>
<th>3.9</th>
<th>1.2</th>
</tr>
</thead>
</table>

Creating time to recognize employees who have new ideas stimulates Innovation performance

<table>
<thead>
<tr>
<th></th>
<th>9.5%</th>
<th>7.8%</th>
<th>2.4%</th>
<th>24.7%</th>
<th>55.7%</th>
<th>4.1</th>
<th>1.3</th>
</tr>
</thead>
</table>

**Average**

<table>
<thead>
<tr>
<th></th>
<th>3.9</th>
<th>1.1</th>
</tr>
</thead>
</table>

Results in table 3 revealed that majority of the respondents who were 83.8% (54.1%+29.7%) agreed that financial incentive in form of wages and salaries, bonus, retirement benefits, medical reimbursement enhances creativity and innovation in their DTS.s. 87.5% agreed that financial incentives play a significant role in satisfying physiological and security/social needs. The results also revealed that majority of the respondents who were 80.5% agreed that appreciation or praise for work done at their work place influences their performance. 52.2% agreed that there is a well documented procedure on how peers nominate and recognize teammates for their contributions to the overall effort.

Further 61.5% agreed healthy competition among the employees both at individual and group levels stimulate innovation. 73.0% agreed that in DTS employee compensation boosts employee’s morale and encourages them to put more efforts to their roles. The results also revealed that 80.4% agreed that creating time to recognize employees who have new ideas stimulates Innovation performance. Using a five point scale likert mean, the overall mean of the responses was 3.90 which indicates that majority of the respondents agreed to the statement of the questionnaire. Additionally, the standard deviation of 1.1 indicates that the responses were varied. The results herein imply that employee reward influence innovation.
Further, the respondents were asked to indicate to what extent employee compensation is used by their organization to enhance service delivery. The results are shown in the table 4.

Table 4: Employee Compensation

<table>
<thead>
<tr>
<th>Employee compensation</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>small extent</td>
<td>146</td>
<td>49.3</td>
</tr>
<tr>
<td>medium extent</td>
<td>103</td>
<td>34.8</td>
</tr>
<tr>
<td>large extent</td>
<td>47</td>
<td>15.9</td>
</tr>
<tr>
<td>Total</td>
<td>296</td>
<td>100</td>
</tr>
</tbody>
</table>

Results showed that 49.3% of the respondents indicated that employee reward is used to a small extent in DTSs, 34.8 indicated that employee reward is used to a medium extent, 15.9% indicated that it is used to a large extent. These results are contradictive to the findings of (Chew and Girardi, 2008) who found out that compensation and rewards are important factors for attracting and retaining competent employees in the organization.

4.3.3 Correlation analysis

Correlation analysis was conducted between employee reward (independent variable) and innovation performance (dependent variable). Results are presented in Table 5.

Table 5: correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>innovation performance</th>
<th>employee reward</th>
</tr>
</thead>
<tbody>
<tr>
<td>innovation</td>
<td>Pearson Correlation</td>
<td>1.000</td>
</tr>
<tr>
<td>performance</td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>_Employee reward</td>
<td>Correlation</td>
<td>0.341**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>1.000</td>
</tr>
</tbody>
</table>

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

The results in Table 5 indicated that there was a positive and a significant association between reward and innovation performance (r=0.341, p=0.000). Financial rewards, together with some level of work challenge, seem to influence an employee’s intention to remain in the workforce for a long time (Proper, Deeg and van der Beek 2009). People receive extrinsic e.g. pay bonuses, promotions, time off, special assignments, office fixtures, awards and verbal praise or intrinsic rewards (Goel 2008). Research found that a financial reward has a direct relationship with innovation. Zhang and Begley (2011) in their study proposed a positive relationship between financial and non financial rewards and innovation.
4.3.4 Regression Analysis

A logistic regression was used to model relationship between employee reward and innovation performance. The results presented in table 6 present the fitness of model used of the regression model in explaining the study phenomena. Employee reward was found to be explaining innovation performance. This is supported by coefficient of determination also known as the R square of 11.6%. This means that employee reward explain 11.6% of the variations in the dependent variable which is innovation performance. Results are presented in table 6

### Table 6: Model Fitness

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.341</td>
</tr>
<tr>
<td>R Square</td>
<td>0.116</td>
</tr>
<tr>
<td>Adjusted R square</td>
<td>0.113</td>
</tr>
<tr>
<td>Std error of the estimate</td>
<td>0.68329</td>
</tr>
</tbody>
</table>

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

### Table 7: Analysis of Variance

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>18.065</td>
<td>1</td>
<td>18.065</td>
<td>38.692</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>137.266</td>
<td>294</td>
<td>0.467</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>155.331</td>
<td>295</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variable is a good predictor of innovation performance. This was supported by an F statistic of 38.692 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level

Regression of coefficient results were presented in table 47

### Table 7: Regression of Coefficients

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.409</td>
<td>0.157</td>
<td>8.959</td>
<td>0.000</td>
</tr>
<tr>
<td>Employee Reward</td>
<td>0.254</td>
<td>0.041</td>
<td>6.220</td>
<td><strong>0.000</strong></td>
</tr>
</tbody>
</table>

28
Regression of coefficients showed that employee reward and innovation performance are related ($r=0.254$, $p=0.000$). Employee reward results showed that organizational rewarding practices and innovation performance were positively and significantly related ($r=0.254$, $p=0.000$). Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2013). The only way employees will fulfill the employers dream is to share in their dream (Kotelnikov, 2010). Reward systems are the mechanisms that make this happen.

Thus, the model for the study is:

Innovation performance = 1.409 + 0.254 X

Where,

$X$ = Employee Reward

4.3.5 Hypothesis Testing

The hypothesis was tested by using the ordinary least square regression. The acceptance/rejection criteria was that, if the $p$ value is greater than 0.05, the Ho is not rejected but if it’s less than 0.05, the Ho fails to be accepted. The null hypothesis was that employee reward does not have a significant relationship with innovation performance. The alternative hypothesis was that employee reward had a significant relationship with innovation performance.

Results in Table 7 above show that the calculated $f$-statistic of 38.692 was higher than the tabulated/critical $f$ statistic ($F_{a} = 0.05$). The findings were further supported by a $p$-value of 0.000. This indicated that the null hypothesis was rejected hence employee reward had a significant relationship with innovation performance.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study concluded that rewarding employees through financial incentives, compensation and praising them for work done boosts employee morale and encourages them to put more effort in their roles which in turn enhance innovation performance. Recognizing employees is key in stimulating innovation performance. These findings are in agreement with previous studies which indicated that reward is a tool used by management for recruiting, retaining qualified employees to reduce turnover and encouraging company loyalty.

The results of the study also showed that Bonus, pension pay and promotions have great impact on the success of the organization and may influence retention in the Deposit Taking Sacco’s. This is supported by earlier findings that stated that both financial and non-financial rewards should be given importance. It was also found out that financial rewards, together with some level of work challenge, seem to influence an employee’s intention to remain in the workforce for a long time by earlier studies. A study conducted revealed that rewarding employees with non-monetary...
rewards strongly predicts their inward motivation which can be seen by the length of service as compared to either group or individual monetary rewards.

From the regression results the study concluded that employee reward has a positive and significant effect on innovation performance.

5.2 Recommendations

It was recommended that both financial rewards (e.g. bonuses, pay, profit sharing) and Non-financial rewards (health insurance, holidays) be included in the employee reward human resource practice. This will lead to employee’s motivation to engage in creative activities and therefore high innovation performance will be registered.

REFERENCES


Huang, Yi-Chun & Wu (2010). Intellectual capital and knowledge productivity: the Taiwan biotech industry", Management Decision, 48(4)580 – 599
