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EFFECTS OF REWARD MANAGEMENT PRACTICES ON EMPLOYEE RETENTION IN TELECOMMUNICATION FIRMS IN KENYA

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Abstract

The most perpetual challenge in most organizations today is lack of a well-structured reward management and employee retention program. This has heightened the need for reward management programs in order to achieve employee retention in Telecommunication firms. The objective of the study was to determine the effects of reward management practices on employee retention in Telecommunication firms in Kenya. This study was informed by Expectancy Theory. Explanatory research design guided the study. The target population of this study was 519 employee of Telecommunication firms. The sample size was 226 respondents. The data was collected using self administered questionnaires. The data was analyzed using both descriptive and inferential statistics using SPSS 22. From the model, (R^2 = .663) shows that reward management practices account for 66.3% variation in employee retention in telecommunication firms. There was a positive significant relationship between reward management practices and employee retention in telecommunication firms ($\beta 1=0.751$ and $p<0.05$). Therefore, a unit increase in reward management practices led to an increase in employee retention in telecommunication firms. The study concludes that there is strong link between employee reward management practices and retention in telecommunication firms. The results of this study enabled a better understanding of the relationship between employee retention and reward management practices in telecommunication firms. Reward management have a high effect on employee performance such that the more efficiently an organization manages it rewards, the better the employees will perform. The study recommends that mobile phone services should now focus more on non-monetary rewards such as shorter working week; more work life balance and so on so that employees may not suffer fatigue and boredom due to routine.

Keywords: Reward, Management, Practices, Employee, Retention, Telecommunication

INTRODUCTION

Employee retention has become an increasingly recurring problem in many organizations today, as a result organization are working to design and put measures in place to address this recurring problem. Employee retention is a vital element in the survival and success of an organization and should be considered when developing strategies and business plans to ensure a competent skilled workforce that delivers the organization objectives and goals. The departure of key staff can have drastic impact on the performance of the organization and those employees likely to leave are usually the most valued ones (Armstrong 2006). Employee retention adds a competitive edge and ensures the organization is able to compete and meet market expectations.

Rewards are the returns to employee given by the employer in respect of work done. Expectation of receiving a desired reward motivates employees not only to put in more effort on work but also maintain employment contract in an organization. Studies have long shown that employees who are motivated and committed to the organization are less likely to quit (Ramlall, 2004). The factors of reward management have a great correlation with employee retention. Most of the organizations in public and private sectors rely on employment retention by the reward system which has been on-going research since long time. One (2007) argues that for most people, work is the primary source of income and financial security and an important indicator of status within the organization as well as society.

According to telecommunication firms' policies, the principles of employee's reward programs include; satisfying the actual or perceived personal needs of the employees, convincing the employees that the organization for which they work cares for their needs, provide a tax efficient mechanism in remuneration, meet the legal requirements of the nation, is consistent with both the strategic plans and compensation objective of the organization and the cost of benefits is calculable and provision is made of sound financing (Telecommunication firms, 2015). In this study we shall be trying to understand the perceived effects of reward management practices on employee retention at the Telecommunication firms.

Employee reward refers to all forms of pay going to employees and arising from their employment Dessler (2011), the phrase 'all forms of pay' in the definition does not include non-financial benefits, but all the direct and indirect financial rewards. Direct financial rewards consists of pay received in the form of wages, salaries, bonuses and commissions provided at regular and consistent intervals while indirect financial rewards includes all financial rewards that are not included in direct rewards and can be understood to form part of the social contract between the employer and employee such as medical cover, payment for time not worked, retirement plans, extra cash payments other than those based on performance, costs of subsidized café, among other such benefits. For total rewards strategy to work effectively, reward must be seen to be internally fair and equitable, industry competitive, and well communicated (Armstrong, 2007).

Jack and Adele, (2003) argue that employees need more money and more disposable income, and that employees view their income level as an indication of their worth to the organization and their field. Manus and Graham (2003) defined total reward as including all types of reward direct and indirect, intrinsic as well as extrinsic and each aspect of reward linked together and treated as an integrated and coherent whole. Research over the years, across many disciplines indicates that a combination of rewards offered by an employer represents a system of inducements where different reward elements drive different behaviors and outcomes. Patricia and Shuster (2001), asserts that better workforce deal is one of total rewards that make work more attractive and fulfilling. Here the emphasis is on people (in total). The very best talent is interested in partnering with business that provides a compelling future, individual growth, a positive work place and total pay. But this is not just free lunches and time off to attend classes. It involves exciting and interesting work, colleagues, and leaders.

Armstrong (2010) defined Reward Management as the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organization, departmental and team goals is recognized and rewarded. Armstrong and Murlis (2004) defined reward management as the process of formulating and implementation of strategies and policies that aim to reward people fairly, equitably and constantly in accordance with their value to the organization. Armstrong & Murlis (2007) notes the importance of direction as an element in a reward strategy, determines the direction in which reward management innovations and developments should go to support the business strategy, how they should be integrated, the priority that should be given to initiatives and the pace at which they should be implemented. Brown (2001) states reward strategy is ultimately a way of thinking that you can apply to any reward issue arising in your organization, to see how you can create value from it. Reward strategy sets out what the organization intends to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals.

Reward policy underpins reward practices. The policy defines the key elements of the total reward available for employees. The policy also defines the organizations orientation towards the labor market clearly stating how the organization wishes to benchmark itself versus the competition. The process however cannot be copied from the organization but needs to be designed, developed and grown within the unique environment of the organization Wilson

(2003). The policy also defines the maintenance requirements necessary to ensure that reward management remains relevant and properly aligned to overall organization goals.

Over the past decade, some new reward system practices have become popular in order to align reward systems with the important changes that are occurring in the way organizations are designed and managed. Michael Armstrong (2006), states that, Job evaluation provides the basis for achieving equitable pay and is essential as a means of dealing with equal pay for work of equal value issues. The reward system will consist of policies that will provide guidelines on approaches to manage rewards. Processes concerned with evaluating relative size of jobs (job evaluation) and assessing individual performance (performance management). Procedures operated in order to maintain the system and to ensure that it operates efficiently and provides value.

Markova & 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. Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010).

In this sense employee retention becomes a strategy rather than an outcome. Organizations strategists develop employee retention as a strategy with focus of gaining competitive advantage that is aligned to the overall organization's strategy. There are various high-performance environments that share a serious devotion to results after employees are retained. This calls for examining approaches that can be used to retain critical employees. Nurturing from entry level, a new hire and then to high performing and committed employees requires organization to understand requirements of positive work environment. Leighn (2002) defines employee retention as keeping those employees that keep the organization in business.

Abraham (2007), states that it is important that the organization hires the right employee and strives to safeguard them to avoid losing them. It is the duty of the organization to focus on reducing employee turnover with an aim of decreasing recruitment cost, training costs, accidents of new employees are often higher and so is wastage of resources. According to Hyman (2005) employee retention is crucial for one reason, and that is the cost of employee turnover, whether one measures the cost in terms of recruitment costs, loss of productivity, opportunity cost, or the knowledge and expertise lost when talented individuals leave these are all losses that could be saved by providing employees with the right reason to stay. Effective succession planning is dependent upon the ability to retain the best employees in any organization. This process enhances effective and efficient delivery of goods and services by organizations.

Statement of the Problem

Employees are important to any organization. They are asset for organization as they bring their intellectual capital, skill and experience with them in the organization and with all these three attributes they work for the organization and bring and help organization to become competitive in the industry. When employees are that much important to the organization, then organization must step forward to overcome the problem of employees by helping them to triumph over their job stress and make them so comfortable with the organization to retain them. This type of strategy will bring the win-win situation for both the organization and employees. Both will benefit from the environment more productively and efficiently.

Frost (2001) states that many professional organizations are in a dilemma as a result of the competition that is present in rewarding and retaining highly skilled workers because they fail to match the salaries being offered by their competitors or to offer more than their competitors. The challenge for many organizations today therefore is to come up with an efficient reward strategy for retaining these core employees for the success of the organization. According to Birt, Wallis and Winternitz (2004) the fundamental issue for organizations are to keep track of the ever-changing needs of employees so that they can become an employer of choice to employees. It is very imperative for organizations to have knowledge of these attributes so that they may be able to match their reward and retention strategy to the needs of the workforce.

Various studies have been done in relation to employee retention; Allen, (2000) did research on talent management as an organization strategy to increase the rate of employee retention and concluded that organizations need to analyze employee talents and abilities to align them to their roles and responsibilities assigned to them. Hosseini (2010) concluded that among the eight dimensions of quality of work life, pay fair and adequate pay size, integration and social cohesion, continuing security, the integration and development of human capabilities and career development opportunities, are related to employee retention. Pegg (2009), studied the impact of benefits on talent retention, motivation and productivity levels and concluded that organizations are to inform their people about the type of benefits on offer.

Telecommunication firms are being guided by government regulations and HR policies on its' reward management even though State Corporations are not associated with good pay.

While it may be considered that the salary attached to a post represents appropriate remuneration of its holder for proper and efficient performance of duties, the Authority offers additional payments to its employees in form of allowances and as part of employees' privileges, the Authority offers various staff benefits in the form of advances and loans to assist staff acquire basic facilities to enable them settle down while in service. The benefits are intended to attract, retain, and motivate competent workforce and prepare them for prosperous retirement (Telecommunication firms, 2015).

Most of the organizations in public and private sectors rely on employment retention by the reward system which has been on-going research since long time. Recently, research revealed that employee retention is enhanced by the compensation and reward system, Rashid and Zhao (2009).

Telecommunication firms have put in place various forms of employee rewards which are intended to attract and retain the most qualified staff. These include both financial and non-financial rewards such as salaries, bonuses, recognition, allowances among other benefits.

Locally, Maluti, et.al (2012) studied on impact of employee commitment on retention in state financial corporation in Kenya and found that there was no significant impact of employee commitment on employee retention. Otieno (2010) studied the causes of staff turnover in Private Primary Schools and recommended that employees should be compensated well as an indicator for management's appreciation of employees' contribution and abilities. Njoroge (2007) did a survey on factors influencing employee retention in manufacturing firms and concluded that employee retention is influenced by reward, work environment, career development opportunities and employee motivation.

While lower paying job roles experience an overall higher average of employee turnover, they tend to cost the company less per replacement than do higher paying job roles. However, they incur the cost more often. For these reasons, companies focus on retention strategies regardless of pay levels (Beam, 2009). Reducing employee turnover is a strategic and very important issue. No business can enjoy and sustain the success until it deals with this turnover problem efficiently and successfully. Most crucial issue is to lay the ground work for long-term commitment. Without valuable employees, a business cannot generate revenue and prosper. Every individual has a purpose to perform and without a single one, the picture becomes invisible to be successful in real manner. It is against this background that the study seeks to identify the effect of reward management practices on employee retention in telecommunication firms in Kenya.

LITERATURE REVIEW

Employee retention

Achieng' (2011), states that employee retention is the ability of an organization to retain its employees. According to her, many are times that organizations focus on the business performance at the end of year results but forget all the factors that influence employee retention needs to be enhanced for better performance. Knudson (2006), working conditions for any employee must be conducive to enable employee retention. His argument is that an organization would better invest on the employee working conditions other than spend in replacing employees who burn out and quit which increases the organization level of expenditure. Employee may quit on the basis that the performance management was unfairly conducted, Hodgetts and Hegar (2008).

Jackson and Werner (2009), behavior is goal oriented and that employees require to be given performance feedback so that they can evaluate and adjust their performance in light of the organization strategic objectives and goals articulated by the management. This calls for the management to set SMART objectives, managers to have timely evaluation of the employee performance so that the employees can adjust with an aim of meeting their individual objectives. According to their research, once the management process is continuous and goal oriented, then the employee feels a sense of participation hence satisfaction and in return they get retained within the organization.

According to Taylor (2000), the management should make greater effort to ensure that they provide meaningful and realistic feedback of the employee performance feedback; 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 place individual and organizational goals which lead to increased employee retention. Hodgetts and Hegar (2008), "Employees don't quit jobs, they quit managers." He estimates that 80 percent of turnover is driven by the environment a manager creates for an employee (compared to 20 percent resulting from issues with company culture). Because of this, any investments in training and development for your line managers are well-spent.

The success of any retention strategy is ultimately subject to the line managers' ability to deliver on initiatives put in place. According to Tucker (2003), "Whatever your company values, you have to be sure your managers are executing on it. Help them for them to help reduce turnover. Teach them how to empower employees to succeed and grow, rather than just drive performance." Which in turn increase in employee retention it's also critical to keep the line of communication about careers wide open between employees and managers, especially because career goals change over time.

Armstrong (2006), Rules and regulations are formulated for the benefit of the employees and thus should not be too rigid which increase employee retention. An organization must have employee friendly policies for the individuals to stay motivated that assist to increased employee retention. The management must take into consideration the genuine problems of the employees to make the organization a better place to work. According to him, the rules and regulation formulated by the employee must have a room to involve the employee to enable them recognize their input in their development leading to satisfaction thus the rate of employee retention is high. According to Armstrong, for employee to be comfortable in the workplace, the rules governing them must be clear and well explained to them to enable them to abide. Among those of the working conditions that affect the employee are; working space, lighting and security factors. Employers must utilize positive reinforcement methods while maintaining expected working conditions to maximize employee satisfaction leading to a high rate of employee retention.

Reward Management Practices

Employee reward refers to all forms of pay going to employees and arising from their employment."(Dessler 2011), the phrase 'all forms of pay' in the definition does not include non-financial benefits, but all the direct and indirect financial rewards. Armstrong and Murlis (2004 p3) defined reward management "as the process of formulating and implementation of strategies and policies that aim to reward people fairly, equitably and constantly in accordance with their value to the organization. It also deals with the design, implementation and maintain of reward processes and practices that are geared towards the improvement of organizational, team and individual performance".

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.

Consequently, reward management in this regard is concerned with the formulation and implementation of strategies and policies, the purposes of which are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward systems, reward processes, practices and procedures, that aim to meet the needs of both the organization and its stakeholders, (Berridge, 2001). Amstrong (2009) therefore argues that reward management is concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees. This results from the argument that there is no such best practice; there is only good practice which is best for the organization. Also, what is best practice for an organization at one stage of its development may no longer be best practice as it moves its life cycle.

Moreover, practices, which were effective when they were introduced, may degenerate as the organization evolves or it degenerates. Reward management is therefore 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).

Most organizations use different types of rewards. The most common types include basic pay, Job design, incentives and benefits, development opportunities and performance-based pay. According to Cox (2002) money is important because of the things it can buy and it also symbolizes an employee's worth. An organization reward practice is important because if managed effectively, money can improve motivation and performance. While pay and benefits alone are not sufficient conditions for high satisfaction, it is an indispensable measurement in job satisfaction evaluation. Noel (2007) argues that for most people, work is the primary source of income and financial security and an important indicator of status within the organization as well as society.

Reward strategy is a business-focused description of what the organization wants to do about reward in the next few years and how it intends to do it. It is a declaration of intent which establishes priorities for developing and acting on reward plans that can be aligned to business and human resource strategies and to the needs of people in the organization. Brown and Armstrong (2006) believe that reward strategy is ultimately a way of thinking that you can apply to any reward issues arising in your organization to see how you can create value from it. The aim is to support the corporate and human resource strategies and align reward policies and processes to organizational and individual needs. It provides a sense of purpose and direction and a framework for reward planning. Reward strategy constitutes a framework for developing and putting into effect reward policies, practices and processes that ensure that people are rewarded for doing the things that increase the likelihood of the organizations business goals being achieved. As Helen Murlis (2003) points out, reward strategy was characterized by diversity and conditioned both by the legacy of the past and the realities of the future

The task of developing a strategic reward framework for organizations is usually challenging but necessary to survive in the competitive market place. The process however cannot be copied from the organization but needs to be designed, developed and grown within the unique environment of the organization Wilson (2003). A well-designed incentive program rewards measurable changes in behavior that contribute to clearly defined goals. Employees should be aware of the relationship between how they perform and the reward they get. Organizations should apply performance management programs which assist in planning employee's performance programs, monitor performance by effecting proper measuring tools. Reward should be used as a way of strengthening good behaviors among employees as well as productivity. Hence reward should focus on reinforcing good behaviors. Employees could be awarded for working overtime, taking initiatives, reliability, exceptional attendance, and outstanding feedback and meeting deadlines.

Job evaluation is of fundamental importance in reward management. It is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities and provide the basis for designing an equitable grade structure and managing pay relativities, Michael Armstrong (2006). Job evaluation provides the basis for achieving equitable pay and is essential as a means of dealing with equal pay for work of equal value issues. In the 1990s and 1980s job evaluation fell into dispute because it was alleged to be bureaucratic, time consuming and irrelevant in a market economy where market rates dictate internal rates of pay and relativities. However, as the e-reward 2003 survey of job evaluation showed, job evaluation is still practiced widely and its use is extending, not least because of the pressures to achieve equal pay.

Job evaluation can be analytical or non-analytical. According to Michael Armstrong (2006), analytical job evaluation is the process of making decisions about the value or size of jobs, which are based on an analysis of the level at which various defined factors are present in a job in order to establish relative job value. The set of factors used in a scheme is called the factor plan, which defines all of the factors used and the levels within each factor. The two main types of analytical job evaluation schemes are point factor schemes and analytical matching. On the other hand, non-analytical job evaluation compares whole jobs to place them in a grade or rank order. They are not analyzed by reference to their elements or factors. The main non-analytical schemes are: job classification; job ranking, paired comparison ranking, internal benchmarking, and market pricing. The issue is how best to carry it out analytically, fairly, systematically, consistently, transparently and so far possible, objectively without being bureaucratic, inflexible or resource intensive.

It is an analysis of the finding of what the others are paying so that one can correctly price their jobs in relation to their competitors, Gary Dessler (2008). Herderson (2006) states that every employer conducts at least a telephone, newspaper or Internet salary survey. Employers use those surveys in order to determine the price of the benchmark jobs also based on a formal or informal survey of what comparable firms are paying for similar jobs. Survey also collects data on benefits, life insurance, sick leave and vacations to provide a basis for decisions regarding employee benefits. Salary survey can be formal or informal. Internet survey can be good for checking specific issues such as when a bank wants to confirm the salary at which to advertise a newly opened teller's job or if some banks are paying tellers an incentive, Nicholas Wade (2003).

The Chartered Institute of Personnel and Development (CIPD) define the concept of total reward thus: Total reward is the term that has been adopted to describe a reward strategy that brings additional components such as learning and development, together with aspects of the working environment, into the benefits package. It goes beyond standard remuneration by embracing the company culture, and is aimed at giving all employees a voice in the operation, with the employer in return receiving an engaged employee performance. World at Work, a not-for-profit organization that provides education, conferences and research on global human resources issues defines total rewards as all of the tools available to the employer that may be used to attract, motivate and retain employees.

Total rewards include everything the employee perceives to be of value resulting from the employment relationship. Total reward has the potential to assist employers, in a very powerful way, and help them align both their HR and business strategies. If we consider all the tools available that we can use to attract and retain, certain considerations come to mind Adam Sorensen (2010) Zingheim and Schuster (2000) comment that the conception of "total rewards" can be categorized in to four components: convincing future, encouraging workplace, individual growth and "total pay". Silverman and Reilly (2003) explained the total pay as the combination of basic salary, performance- based salary, benefits, and acknowledgment or feedback. Employees are in awe of the "total pay" that is devised around their task and needs.

Several alternatives available are basic salary to reward the workers continuing value; performance-based salary to highlighting the results; benefits to give safety from life and health vulnerabilities, in addition to vacation, identification and feedback. Advantage of a total reward package is increased flexibility. Flexibility allows businesses to develop programs that cater to the needs of its employee by combining transactional and relational awards, allowing the reward package to meet the different emotional and motivational rewards of employees (World at Work, 2007). Improved recruitment and retention is another advantage. Highly skills employees are in demand and, companies must find ways to attract and retain high performers. A comprehensive rewards package highlights the organization's commitment by showing the total value of the reward package. This commitment provides a competitive advantage to prospective employees as well as those employees contemplating leaving the organization (World at Work, 2007). Total rewards help reduce labour costs and the cost of turnover by promoting employee engagement and reaffirming trust within the organization.

Pay is an important feature of human resource management after all it is the main reason why people work. It is a sensitive and controversial area. Newman and Milcrovich (2001) states "Employees may see compensation as a return in exchange between their employer and themselves as an entitlement for being an employee of the company or as a reward for job well done." This brings us to types of grades and pay structures in an Organization. Armstrong and Helen 2004 goes ahead to describe grade and pay structures as tools that provide the framework for managing pay although grade structures are increasingly being used as a part of non-financial reward process by mapping career paths without any direct references to the pay implications. A grade structure consists of a sequence or hierarchy of grades or levels into which groups of jobs that are broadly comparable in size are placed (Armstrong, 2006).

Relationship between Reward Management Practices and Employee Retention

Willis (2001) asserts that reward is one of the crucial issues as far as attracting and keeping talent in organizations is concerned. The fundamental hypothesis is that money influences employee behavior through shaping their attitudes (Parker & Wright, 2001). The provision of a lucrative remuneration package is one of the broadly discussed factors of retention. Not only do rewards fulfill financial and material needs but they also provide a social status and position of power within an organization. In a past study, Allen, Shore and Griffeth (2003) reported that employers have to differentiate themselves from others through their compensation strategy in order to attract and retain quality employees. Therefore, an organization's compensation strategy should be able to attract the right quality of employees, retain suitable employees and also to maintain equity amongst the employees.

A valued employee is more likely to stay in employment than an unvalued employee is. Sutherland (2004) argues that reward systems ought to be a significant sphere of innovation for employers. The increasing diversity of the workforce, she states, suggests the need for more creative approaches to tailoring the right rewards to the right people. She concluded that recognition and reward are part of a more comprehensive effort at keeping workers or adopting good workplace practices, which can contribute to increased retention. Recognition programs are an important component of an employee retention plan. The importance of these kinds of program is rooted in theories of positive reinforcement. By saying ‘thank you’ to employees for a job well done or a ‘pat on a shoulder’ to show appreciation, an organization is reinforcing ideal behavior and encouraging more of the actions that will make it successful.

Shoaib, Noor, Tirmizi and Bashir (2009), recognize that employee rewards are very important since they have lasting impression on the employee and continue to substantiate the employees’ perception of their value to the organization they work for. Moreover, they contend that employees judge the quality of their job in the intrinsic satisfaction and the personal reward they earn from their work. Using intrinsic rewards to increase employee commitment and retention is achievable in all organizations. Sutherland (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. Shoaib et al. (2009), also attest that it is important for employers to know the value employees place in their reward systems and to formulate strategies that address equitable and adequate reward for their employees. When appropriate reward strategies are understood and embedded in the organization’s culture, productive employees remain (Shechtman, 2008).

Theoretical Framework

The expectancy theory was originally contained in the Valency–Instrumentality–Expectancy (VIE) theory formulated by Vroom (1964). In this theory, Valency stood for value, instrumentality was said to be the belief that if we do one thing it will lead to another while expectancy was said to be the probability that action or effort will lead to an outcome. This principle was borrowed as the foundation of valency theory that all actions are based on expectation of a favorable result. The modern expectancy theory thus states that all actions are based on the expectation of a favorable reward putting bi-polar pressure on organizational employee employer relationship. The first side is the pressure on management to reward employee to the expectations of their performance and the second to employees to perform to the expectation of the employers.

This theory was developed by Porter & Lawler (1973) into a model that follows Vroom’s ideas by suggesting that there are two factors determining the effort people put into their jobs namely the value of the reward to individuals in so far as they satisfy their need for security, social esteem, autonomy and self-actualization and the probability that reward depends on effort, as perceived by individuals. The theory thus asserts that the greater the value of a set of rewards, and the higher the probability that receiving each of these rewards depends upon effort, the greater the effort that was made in a given situation.

According to Vroom (1961), people will perform better if there is a desirable outcome or reward. The reward must be something that is not only desirable but also something that will make the effort exerted worthwhile (Borkowski, 2005). The organization must understand what types of things motivate their staff because what works for one individual may not work for another. Some individuals may be motivated by recognition from their supervisors while others may be motivated by bonuses or benefits. The more aligned employees' goals match the company's goals, the higher the employee retention rate. Expectancy theory further postulates that employees have a variety of expectations. Employees expect that management will provide them with information regarding their job and will train them adequately so that they can perform their roles effectively within the organisation.

Indeed, the expectancy theory is the extent to which an employee's goals match the company's goals. The more aligned these are, the higher the employee retention rate (Vroom, 1961). Mendonca, (2002) also sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. The expectancy theory details the relationship between performance and expectations and is given in two dimensions.

One dimension is the expectation of an employee of reward equal to the input on the organization and the other dimension is the expectation of the organization of an output by the employee equal to the reward given, (Porter & Lawler, 1973). This theory thus explains the delicate balance relationship between reward management and employee performance as seen where each depends on the other such that performance depends on reward while at the same time reward depends on performance. This thus becomes the basis on which reward management operates in using rewards to optimally influence employee performance.

RESEARCH METHODOLOGY

This research utilized explanatory research design. Explanatory research also aimed to understand phenomena by discovering and measuring causal relationships between variables. Explanation of why and how there is a relationship between two or more aspects of a situation or phenomenon was established by using explanatory design Earl (2010). The objective of explanatory research was to portray an accurate profile of persons, events or situations (Earl, 2010). Explanatory design approach builds on the assumption that the views obtained generate vital information on the research question thus, appropriate for this study.

The target population for this study was the staff of mobile service provider organizations in Kenya. The organizations included Mobile service providers. They were categorized from these organizations and its agencies. The study employed both probability and non-probability sampling designs. A stratified sampling design was used to select strata from the hierarchies of employees in the mobile service provider sector and then random sampling used to select the participants from every stratum of employees in the organizational structure. This guaranteed, in the long run, every possible sample selected with known and equal chance of participating (Joseph, 2012). The employees were categorized into Area Sales Managers, Trade development representatives, Customer Care employees (under organization) and Customer care staff (under contract) formed the stratum. From the stratum, proportionate sample was obtained and to sample the actual individuals as respondents. The researcher adopted Yamane (1973) model for determining the sample size where the population size is known.

$$N= \frac{N}{(1+Ne^2)}$$

N= population size = 519

n= sample size

e= standard error; acceptable level is 0.05.

= 519/ {1+519(0.05) (0.05)};

= 226 Respondents.

The sample size from each stratum was obtained using the proportionate sampling since the stratified random sampling design was adopted.

Questionnaires were used in collecting data for the study. The study used primary data which was obtained using structured questionnaires designed by the researcher based on the objectives of the study. The study used drop and pick method for the all the respondents with strategic points placed at the reception for the respondents to deposit their filled in questionnaires for collection by the researcher four days after administration. Five-point Likert scale was used to design the questionnaire.

Regardless of the research procedure used and the method employed, researchers need to critically assess to what extent it is likely to consistently measure what it ought to measure accurately. Cronbach's Coefficient Alpha was used to determine the reliability of the research instrument using SPSS V. 23 program. A reliability coefficient of 0.7 and above was assumed to reflect the internal reliability of the instruments (Fraenkel & Wallen, 2000). The entire questionnaire deemed as reliable after several typographical errors and omissions detected are corrected in the instrument confirming that it is sufficient to be used in the main study.

Validity is the extent to which a construct measures what it is supposed to measure (Zikmund *et al.,* 2010). Content validity is the most important validity test (Hair *et al.,* 2007). Validity was based on the extent to which a measurement reflects the specific intended domain of content. Validity is not quantified using statistical methods, meaning that validity is a qualitative measure. To ensure content validity, discussions was held with experts during the questionnaire formulation stage to ensure that the measures include an adequate and representative set of items that tap the content. Content validity of the instrument was determined by the researcher using expert judgment. Validity was done by discussing the items in the instrument with the lecturers from the department and colleagues. Advice given will help determine the validity of the research instruments.

After all data collected, the researcher conducted data cleaning, which involved identification of incomplete or inaccurate responses then correct them to improve the quality of the responses. This involved inspection and editing for completeness, coding and accumulation of missing data. The data was categorized, coded and entered in the computer for analysis using the Statistical Package for Social Sciences (SPSS). The data was then coded using Likert scale values corresponding to the number of options in the research question. The coded data was then analyzed using descriptive statistics such as mean scores and standard deviations. The mean scores gave the standardized response for each of the research questions and the standard deviation established the variation of the responses from the standardized response. Data from the questionnaires were recorded and descriptive analysis was performed to summarize the data. The direction and strength of the relationship between the independent variable (Reward Management practices) and dependent variable (employee retention) was examined using linear regression analysis. The interpretation of the results was based on the results used to draw conclusions concerning the significance of the findings.

RESULTS

Reward Management Practices

The objective of this study was to determine the effects of Reward management practices on employee retention in telecommunication firms. The Reward Management Practices are grouped into four categories including; Reward Strategy and Policy, Job Evaluation and Grading, Salary Survey and Total Rewards as indicated in Table 1. To achieve the objective of the study, the study used a 5-likert scale where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), 5= Strongly Agree (SA). Since the scale ranged from 1 to 5, therefore it means that the mean score given statement was guided by the following that; 1-5, Where 1-1.4 Strongly Disagree (SD), 1.5-2.4 Disagree (D), 2.5-3.4 Neutral (N), 3.5-4.4 Agree (A), 4.5-5 Strongly Agree (SA).

Majority of respondents strongly agreed they understood the telecommunication firms Reward Strategy (4.6) and that reward strategy promotes career progression (4.5). They agreed that reward strategy recognized superior performance (4.4) and were satisfied with the organization reward policy (4.4). It can therefore be concluded thin telecommunication firms have put Reward Strategy and Policy which it has ensured is well understood by the employees and also the reward strategy promotes career progression, recognizes superior performance and therefore the employees are satisfied with the telecommunication firms Reward Strategy and Policy.

The respondents strongly agreed that they understood the telecommunication firms job evaluation system, (4.5), the job evaluation recognized their job's true value (4.3), the pay and grade was commensurate with the job done (4.2) and there was equitable pay system in the company (4.3). The average score was 4.3; this indicates that Job Evaluation and Grading has a positive effect on employee retention in telecommunication firms. The analysis implies that, employees stated that they understand their Job Evaluation System, and that the job evaluation recognizes their job’s true value. Further the pay and grade are commensurate with the job done and that the pay system in telecommunication firms is equitable.

Majority of the respondents agreed that: one of the major reasons that they continue working for this organization is that they believe thin telecommunication firms pay is benchmarked to the market (4.7) and the pay was competitive (4.7). The respondents are satisfied with the pay (4.0), they are also satisfied with the insurance plan (4.3), phone allowance (3.8) and other benefits provided by the organization (4.1). They understood all types of benefits offered by telecommunication firms (4.1). The analysis above implies that one of the major reasons that employees continue working at the telecommunication firms pay is benchmarked to the market. The employees also believe that the pay is competitive and that they are satisfied with the pay, insurance plan and Phone allowance. Further they indicated that they understood all types of benefits offered by telecommunication firms and that they are satisfying.

Majority of the respondents strongly agreed that reward strategy promoted career progression (4.5) and total rewards in telecommunication firms recognized superior performance (4.4). Furthermore, respondents were satisfied with the reward (4.2), bonus (3.8), health plan (3.8) and car loan policies (3.9). The analysis above clearly indicates strong agreement that Reward Management promotes career progression in telecommunication firms, they further indicated that Total Rewards in telecommunication firms recognizes superior performance, that they are satisfied with the Reward Policy, bonus policy health plan and telecommunication firms car loan policy.

Table 1: Reward Management Practices

	Mean	SD
I understand our Reward Strategy	4.6	0.71
Reward strategy promotes career progression	4.5	0.70
Our reward strategy recognizes superior performance	4.4	0.81
I am satisfied with the organization reward policy	4.4	0.82
I understand our job evaluation system	4.5	0.65
The job evaluation recognizes my job's true value	4.3	0.72
My pay and grade are commensurate with the job I do	4.2	0.72
There is equitable pay system in the company	4.3	0.73
Our pay is benchmarked to the market	4.7	0.54
Pay is competitive	4.7	0.52
I am satisfied with the pay	4.0	0.73
I am satisfied with the insurance plan	4.3	4.03
I understand all types of benefits offered by our firm	4.1	0.75
I am satisfied with the phone allowance	3.8	0.76
The benefits provided by the organization are satisfying	4.1	0.82
Reward Strategy promotes career progression	4.5	0.78
Total rewards recognize superior performance	4.4	0.86
I am satisfied with reward policies at our firm	4.2	0.78
I am satisfied with the firm bonus policy	3.8	0.68
I am satisfied with our health plan	3.8	0.71
I am satisfied with our car loan policy	3.9	0.70
Mean	**4.3**	**0.9**

Employee Retention

In order to establish the perceived effects of reward management practices and employee retention, it is important to find out the level of retention in the firm. This section analyses the level of retention in respect to the established reward management practices in the organization. Respondents were asked to indicate their levels of agreement with pertinent questions posed to establish the level of retention in the organization, which has a significant impact on whether employees should stay or leave and Table 2 presents the findings. Most respondents strongly agreed that they are fully satisfied with the working conditions in telecommunication firms (4.5).

Additionally, performance management practices are applied to applied to the strategic goals and objectives (4.4), respondents also agreed that they have access to the line managers to argue their ideas and feedback (4.2), policies within the organization are friendly for them to stay motivated (4.2), The salary hike is directly proportional to the hard work they put (4.1), Performance management practices are participative and transparent (4.4), There is a good system to ensure proper feedback to employees (4.5), Proper supervision is maintained by the line managers to ascertain productivity (4.6), Corporate culture is aligned to career development (4.3), Performance rating is linked to overall performance (4.3), Objectives set are realistic and attainable (4.4), and thin telecommunication firms values their contribution (4.5).

Table 2: Employee Retention

The reason why I remain in this organization is because;	**Mean**	**SD**
I am fully satisfied with the working conditions in the company	4.5	0.64
Performance management practices are applied to the organizational strategic goals and objectives	4.4	0.61
I have access to the line managers to argue my ideas and feedback	4.2	0.79
The policies within the organization are friendly for me to stay motivated	4.2	0.86
The salary hike is directly proportional to the hard work I put	4.1	0.99
Performance management practices are participative and transparent	4.4	0.79
There is a good system to ensure proper feedback to employees	4.5	0.84
Proper supervision is maintained by the line managers to ascertain productivity	4.6	0.73
Corporate culture at the firm is aligned to career development	4.3	0.75
Performance rating is linked to overall performance	4.3	0.73
Objectives set are realistic and attainable	4.4	0.75
Telecommunication firms value my contribution	4.5	0.72
Mean	**4.4**	**0.77**

The employees agreed that they are fully satisfied with the working conditions in the telecommunication firms, that performance management practices are applied to the organizational strategic goals and objectives, that respondents have access to the line managers to argue their ideas and feedback, the policies within the organization are friendly for them to stay motivated, that the salary hike is directly proportional to the hard work they put. Additionally, respondents agreed that job evaluation in telecommunication firms is fairly practiced, performance management practices are participative and transparent. Respondents also agreed that there is a good system to ensure proper feedback to employees, proper supervision is also maintained by the line managers to ascertain productivity in telecommunication firms. Corporate culture is aligned to career development, performance rating is also linked to overall performance and objectives set are realistic and attainable.

The study deduced thin telecommunication firms use reward strategy and policy, Job evaluation and grading, Salary survey and Total rewards to a great extent. The study found out thin telecommunication firms has put Reward Strategy and Policy which it has ensured is well understood by the employees and also that the reward strategy promotes career progression, recognizes superior performance and therefore the employees are satisfied with the telecommunication firms Reward Strategy and Policy. It was further analyzed thin telecommunication firms employees stated that they understand their Job Evaluation System, and that the job evaluation recognizes their job's true value, the researcher found out that pay and grade is commensurate with the job done and that the pay system in telecommunication firms is equitable.

Relationship Between Reward Management Practices and Employee Retention

A linear regression model was used to explore the relationship between reward management practices and employee retention in telecommunication firms. The R^2 represented the measure of variability in employee retention in telecommunication firms that reward management practices accounted for. From the model, (R^2 = .663) shows that reward management practices account for 66.3% variation in employee retention in telecommunication firms. Therefore, the reward management practices predictor used in the model captured the variation in the employee retention in telecommunication firms as shown in Table 3.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.814[a]	.663	.662	.31627	.663	382.148	1	194	.000

a. Predictors: (Constant), Reward management practices

Analysis of Variance

The analysis of variance was used to test whether the model significantly fit in predicting the outcome than using the mean as shown in (Table 4). The regression model with reward management practices as a predictor was significant (F=382.148, p =0.000). This shows that there is a significant influence of reward management practices and employee retention in telecommunication firms. Thus, reject the null hypothesis that there is no effect of reward management practices on employee retention in telecommunication firms.

Table 4 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.224	1	38.224	382.148	.000[b]
	Residual	19.405	194	.100		
	Total	57.629	195			

a. Dependent Variable: Retention

b. Predictors: (Constant), Reward management practices

Regression Coefficients

In addition, the β coefficients for reward management practices as independent variable was generated from the model, in order to test the hypotheses under study. The t-test was used to identify whether the reward management practices as predictor is making a significant contribution to the model. Table 5 shows the estimates of β-value and gives contribution of the predictor to the model.

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.927	.163		5.690	.000
	Reward management practices	.751	.038	.814	19.549	.000

a. Dependent Variable: Retention

From the findings the t-test associated with β-values was significant and the reward management practices as the predictor was making a significant contribution to the model. The study hypothesized that there is no significant relationship between reward management practices and employee retention in telecommunication firms. The β-value for reward management practices had a positive coefficient, depicting positive relationship with employee retention in telecommunication firms as summarized in the model as:

$Y = 0.927+0.751x + \varepsilon$ …………………………….…………… Equation 4.1

Where: Y = Employee retention, X = Reward Management practices, ε = error term

The study findings depicted that there was a positive significant relationship between reward management practices and employee retention in telecommunication firms (β_1=0.751 and $p<0.05$). Therefore, a unit increase in reward management practices led to an increase in employee retention in telecommunication firms. Since the *p* value was less than 0.05 the null hypothesis (**Ho_1)** was rejected. Therefore, reward management practices had a significant influence on employee retention in telecommunication firms. This implies that for every increase in the reward management practices, there was a rise in employee retention in telecommunication firms.

There was a very strong positive statistically significant relationship between reward management practices and employee retention. This showed that reward management practices influence employee retention. This means that there is a strong relationship between reward management practices and employee retention in telecommunication firms. This is in line with Hertzberg two factor theories who contend that employees will stay in their work place so long as their needs are satisfied and are motivated that they was committed to their work hence increased retention in the organization. The result of this research has been proven by Zingheim & Shuster (2008) in which he found that reward practices impact positively on employee retention. Non-competitive reward practices have been identified as the main reason why employees leave their jobs (Barak et al., 2001).

Many studies (For example, Chan and Morrison, 2000; Ghiselli et al., 2001) have reported a significant relationship between reward practices and retention. Compensation plays significant role in attracting and retaining good employees, especially those employees who gives outstanding performance or unique skill which is indispensable to the organization. Telecommunication firms continuously do salary survey both internally and externally in order to benchmark on the pay package to standardize their offer in line of what their co-players are offering.

Career progression was also found to influence retention in telecommunication firms. This is in line with Smith & Rupp, (2004) who contend that proper career progression of staff motivates them to stay in one organization longer. The study shows bonus schemes is very positively linked to retention in telecommunication firms and is one of the most important factors in employee's retention. In conclusion, the analysis of the results showed the relationship between reward management practices and employee retention is very significant. All the parameters in the analysis measuring reward management practices and employee retention indicated a strong relationship.

CONCLUSION

The employees also believe that the pay is competitive and that they are satisfied with the pay, insurance plan and phone allowance, it was also analyzed that employees understood all types of benefits offered by telecommunication firms and that they are satisfying. From the findings the study concludes that there is strong link between employee reward management practices and retention in telecommunication firms. The results of this study enabled a better understanding of the relationship between employee retention and reward management practices in telecommunication firms.

It is important for the management to develop an employee retention practice and reward management practice policy, and total reward system whose benefits include pension scheme, life insurance, sabbatical leave, health insurance, workers compensation programs, transportation benefit, flexible work plan, educational fees, employee assistance programs, relocation benefits and recreational programs. In conclusion it can be seen from the findings that employees in telecommunication firms are retained as a result of effective reward management practices.

Reward management is hereby seen to have a high effect on employee performance such that the more efficiently an organization manages it rewards, the better the employees will perform. However, this should not be used in isolation as some reward management practices may not be financially viable on the long term if not complemented with other human resource practices such as job enrichment, organizational restructuring and job redesign.

RECOMMENDATIONS

The study recommends that mobile phone services should now focus more on non- monetary rewards such as shorter working week; more work life balance and so on so that employees may not suffer fatigue and boredom due to routine.

The telecommunication firms should adjust their policy on rewards to ensure that the priority given to the various reward management practices relate the magnitude of effect the practice has on employee performance as indicated in the current findings.

The change in practice should also involve the reorganization their use of strategic reward to have rewards for meeting each strategic objective as well as cumulative rewards for meeting a series of objectives. This would therefore encourage the employees to perform better in a unified direction in order to meet the strategic objectives.

The management should go through the categories of incentives, compensation management and performance incentive plans presented in this research study and on regular interval, give orientation through seminars on issues bothering on motivation.

LIMITATIONS OF THE STUDY

The research study does not claim perfection as it is faced with limitations inherent in the explanatory research design adopted. Respondents may decline giving the true information on their service industry for fear of outweighed by their competitor. Some respondents deliberately withhold or falsify information they give due to bureaucracy and secrecy within the mobile service industry resulting from competition.

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