

**THE IMPACT OF REWARDS ON EMPLOYEE RETENTION IN PRIVATE  
UNIVERSITIES: A CASE OF MOUNT KENYA UNIVERSITY  
ADMINISTRATIVE STAFF, THIKA CAMPUS**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT FOR THE  
REQUIREMENTS FOR THE DEGREE OF MASTER IN HUMAN  
RESOURCE MANAGEMENT OF THE OPEN UNIVERSITY OF  
TANZANIA**

**2015**

## **CERTIFICATION**

The undersigned certifies that has read this work titled: The Impact of Rewards on Employee Retention in Private Universities: A Case of Mount Kenya University Administrative Staff, Thika Campus and hereby recommend for acceptance in partial fulfillment of the requirements for master's degree in Human Resource Management of The Open University of Tanzania.

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.....  
Date

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.....

Signature

.....

Date

## **DEDICATION**

To my late father, Mr. Josphat Maina Mwihi for his dedication to educate his children.

Comment [u1]: Follow OUT guidelines on what to appear on preliminary pages and how.

## **ACKNOWLEDGEMENT**

First and foremost I give all the glory to God who is the source of life, knowledge and wisdom for giving me the opportunity to pursue this course. Secondly, my appreciation goes to the Open University of Tanzania and the College of Human Resources Management for the collaboration that enabled me to enroll for a master's degree. In particular my appreciation goes to the Dean, Dr. Proches Ngatuni for his enthusiasm in taking the group through the sessions. Profound gratitude goes to the Principal of the College of Human Resources Management, Ms. Margaret Kinyanjui and the Deputy Principal Mr. Harry Mege, without their support and encouragement, I would not have made it this far.

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## **ABSTRACT**

The purpose of this study was to advance the understanding of the impact of rewards on employee retention in private universities; a case of Mount Kenya University Administrative staff Thika Campus. The study was guided by three objectives: – identifying the reward in place at MKU, establishing the perceptions of administrative staff towards rewards and determining the impact of rewards on job commitment. Through the use of survey study design, the study targeted 150 administrative staff of MKU Thika Campus. Stratified random sampling technique was used where the population was divided into groups, based on each level they belonged to. Within each group, a simple random sample was performed to select the sample. A questionnaire was used to collect data for the study as well as an interview guide. A pilot test was performed on the research instrument to ensure validity and reliability by use of Cronbach's alpha reliability coefficient (at least 0.7). Validity was ensured through the data collected. The data was analyzed using quantitative and qualitative research techniques with the help of SPSS and was presented into frequency distributions, charts, tables, means and percentages. Chi-square test and Pearson's correlation were performed to establish relationships among study variables. Regression analysis was done to establish the impact of independent variables on the dependent variable. The study revealed that there was a relationship between the independent variables and the dependent variable. The study concluded that there is a relationship between rewards and employee retention. The study recommends that the university should consider reviewing both financial and non-financial rewards. Also, the university should consider having an effective staff development programmes for administrative staff.



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LIST OF ABBREVIATIONS CHE Commission of Higher Education

ICT	Information Communication & Technology
JKUAT	Jomo Kenyatta University of Agriculture & Technology
MKU	Mount Kenya University
SPSS	Statistical Package for Social Sciences
UCTH	University of Calabar Teaching Hospital

## CHAPTER ONE

### 1.0 INTRODUCTION

#### 1.1 Background to the Problem

Human resources have always been central to organization and have taken the role in building a firm's competitive advantage (Snell, 2004). This makes reward management the most important function of human resource management in any organization (Ivancevich, 2004). According to Oyir, *et al.* (2015), every reward system is based on the assumption that rewarding employees would attract, retain and motivate workers. Thus any system that fails to achieve these would be considered as an ineffective reward system.

According to Ivancevich (2004), rewards in any given organization have many objectives including attracting most applicants that enables an organization to recruit the best qualified staff. Rewards tend to encourage valuable staff members to remain with the organization as they feel satisfied when they compare their rewards with those received by individuals performing similar jobs in other organizations. Rewards help in maintaining equity among employees, which gives the perception of fairness in the distribution of rewards among the employees.

Remuneration constitutes the single largest operating cost of an organization and therefore; it should be designed and assessed from a cost-benefit perspective while it should also comply with legislative requirements. The employer has the obligation to reward employees in any employment relationship. The private universities are not exceptional to this and therefore, they must seek to attract, retain and motivate employees towards achieving their objectives. In Sub-Saharan Africa, private university education dates to the 1980s and there are about 200 private universities in the continent. This makes up to about 22 percent of all the students pursuing higher education in the continent. In Kenya, the



tremendous growth in private universities was experienced in late 1980s and 1990s due to a significant shift in government expenditure priorities from social programmes to the economic sector in order to spur growth (Daily Nation, Wednesday March 27, 2013).

Mount Kenya University (MKU) is one of the 15 accredited private universities in Kenya. In 1996 the precursor of the University, the Thika Institute of Technology was founded as a Computer Outreach Program. This was a time in Kenyan history when the development of Information Communication Technology (ICT) both Mobile Telephony and Computer Technology had started gaining an upward momentum in rural and urban centres ([www.mku.ac.ke](http://www.mku.ac.ke)).

In the year 2000, the Institute developed into a commercial college offering management and computer training programmes. Later in the year the Ministry of Education Science and Technology recognized the institute as a full-fledged institution of higher learning and granted it a full registration approval ([www.mku.ac.ke](http://www.mku.ac.ke)). In order to remain relevant with the training needs of the society, the institute initiated training programmes in the fields of paramedical, Information Technology, and Business and Entrepreneurship education in the year 2002. In the year 2005 the Institute became the first private institution in Kenya to be allowed to train Pharmaceutical Technologists by the Pharmacy and Poisons Board of the Ministry of Health ([www.mku.ac.ke](http://www.mku.ac.ke)). In the year 2006 the Commission for Higher Education (CHE) validated and approved the institute's request for collaboration with JKUAT to offer both Diploma and Degree programmes. The Institute continued to work closely with the Commission for Higher Education in line with the stipulated guidelines for establishing a privately funded university ([www.mku.ac.ke](http://www.mku.ac.ke)).

After fulfilling all the requirements as stipulated in the guidelines of establishing a privately funded university (1989 rules), the Commission for Higher Education issued MKU with the authority to establish a full-fledged privately funded university with Thika Institute of Technology as its precursor. On January 26, 2011 the University was awarded a Charter by the Government of Kenya at a ceremony presided over by the retired President Mwai Kibaki. ([www.standardmedia.co.ke](http://www.standardmedia.co.ke)).

Mount Kenya University being a young and fast growing university cannot afford to ignore the need to reward its employees fairly and equitably with a view of retaining its efficient and experienced workers for overall performance of the institution. It is therefore important for the university to know what kind of rewards would be attractive to its staff, those that would motivate them to work hard and also create a sense of commitment to the university's mission and vision. This study therefore, seeks to establish the impact of rewards on employee retention among the administrative staff of Mount Kenya University, Thika Campus.

### **1.2 Statement of the Problem**

Motivated employees make an organization to be more competitive and consequently marketable (Wambui, 2014). Managers and top level authorities are constantly met with the issue of retaining employees, and there is a wealth of evidence that worldwide, retention of skilled employees has been of serious concern to managers in the face of ever increasing high rate of employee turnover (Armstrong 2010). In addition, highly skilled employees are often poached by other organizations that can provide them with better remunerations and other benefits (Wambui, 2014).

In Kenya, there are thirty nine (39) universities, eight are public while thirty one (31) are private, fifteen of which are fully accredited (Daily Nation, March 27, 2013). All these universities fetch

employees from the same market and thus, it becomes very crucial for every university to look out to attract and retain the best employees in-order to have a higher competitive edge. This is of particular interest because in the knowledge-based industries, success depends on people-embodied know-how which includes knowledge, skills and abilities that are imbedded in an organization's members (Snell, 2004).

From 2013 to date, Mount Kenya University has been experiencing high staff turnover, both from the teaching and administrative staff. Records from the directorate of human resources indicate that twenty three (23) staff members left the organization within the last six months. Among these, twelve (12) were administrative staff. There was however no literature explaining reasons for such high turnover rate, this study was proposed under these grounds. This study sought to investigate the impact of rewards on retention of staff in private universities with reference to administrative staff of Mount Kenya University in Thika Campus.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The general objective of this study was to investigate the impact of rewards on staff retention among the administrative staff of Mount Kenya University in Thika Campus.

#### **1.3.2 Specific Objectives**

1. To identify the rewards in place at Mount Kenya University in Thika Campus.
2. To establish the perceptions of administrative staff towards the rewards available in relation to employee retention at Mount Kenya University in Thika Campus.
3. To determine the impact of rewards on job commitment among administrative staff at Mount Kenya University in Thika Campus.

## **1.4 Research Questions**

### **1.4.1 General Research Question**

The general research question for this study is what impact do rewards have on the retention of administrative staff of Mount Kenya University in Thika Campus?

### **1.4.2 Specific Research Questions**

1. What are the rewards currently in place at Mount Kenya University in Thika Campus?
2. What are the perceptions of administrative staff towards the rewards available in relation to employee retention at Mount Kenya University in Thika Campus?
3. What is the impact of rewards on job commitment among administrative staff at Mount Kenya University in Thika Campus?

## **1.5 Significance of the Study**

This research is important to the management of the Mount Kenya University. It will enable the university management to have information regarding the impact of rewards offered among its administrative staff. This should assist the university with the basis of coming up with proper mechanisms of improving rewards, thus enjoy the benefit of staff retention, motivated staff as well as increase the level of commitment to the organization.

The research will also benefit other private universities since the effects investigated may be a replica of their own employees, thus help them improve on staff rewards and enjoy the benefits of staff retention. The findings will provide the policy makers with viable opportunities to revise policies related to retention of staff such as policies on salaries. The staff would had an opportunity to air their views regarding the rewards offered to them by the University, therefore used it as a

channel to communicate to the management. The study will also be of benefit to other students as a point of reference for their studies in future.

## **1.6 Organization of the Project**

**Having looked at the various research issues in this chapter, the following chapter shall give the literature review. This will help in understanding the basis for rewards, from the theoretical point of view as well as the various studies carried out by different authors. This shall then lead to chapter three which describes the research methodology used in the study. Chapter four will focus on the descriptive and inferential data analysis while chapter five will discuss the research findings and recommendations of the study.**

**CHAPTER TWO**

## **2.0 LITERATURE REVIEW**

### **2.1 Introduction**

This chapter shall look at the conceptual definitions of the key terms used in the study, the critical review of supporting theories that have been developed and proceed to look at the various studies carried out that are related to the current study. This will lead to identification of the research gap and the conceptual framework of the study. The theoretical framework shall follow and then a conclusion of the chapter.

## **2.2 Conceptual Definitions**

### **2.2.1 Rewards**

In this research, rewards may be referred to as pay, money or compensation. According to Jones, George, Hill (2000), rewards refer to how an organization's pay incentives compare in general to those of other organizations in the same industry, employing similar kinds of workers. This includes employees' basic salaries, pay raises and bonuses. It is determined by factors such as the characteristics of the organization and the job and the level of performance.

Intrinsic rewards are the satisfactions one gets from the job itself. They are self-initiated rewards such as pride in one's work, having a feeling of accomplishment or being part of a team. On the other hand, extrinsic rewards include money, promotions and fringe benefits. There are external to the job and come from outside the source, the management (Robbins and ReCenzon, 2004).

Money is an economic value. It is important to employees for purchase of goods and services. Money has a status symbol for those who have it and can thus save it, spend it conspicuously, or give it away generously. Money represents to employees what their employer thinks of them. It is also an indication of one employee's status relative to that of other employees (Newstrom, 2002). Money helps people attain both their basic and upper-level need satisfaction. It is through the pay that the employees see a reflection of how management views their contribution to the organization (Luthan, 2004).

Money is the most obvious extrinsic reward. It provides a means of achieving different needs and sets people in different grades in employment. Badly designed and managed pay systems cause job dissatisfaction. Reward should clearly relate to effort and the level of responsibility. People should

not receive less money than they deserve compared to their fellow workers (Armstrong, 2006).

### **2.2.2 Employee Retention**

This is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Retention is defined as “an obligation to continue to do business or exchange with a particular company on an ongoing basis” (Roy, 2015).

### **2.2.3 Performance**

Armstrong (2004) defines performance as the record of outcomes achieved or a record of the person’s accomplishments on a task or job. He views as performance both behaviours and results. Behaviours emanate from the performer and transform from abstraction to action. Behaviours are outcomes in the product of mental or physical effort applied to tasks. It thus means how well someone performs at his or her work. The ability to accomplish the duties and responsibilities assigned satisfactorily.

### **2.2.4 Commitment**

Commitment refers to the relative strength of an individual’s identification with and involvement in a particular organization (Armstrong, 2009). This means that the employee associates him/herself with the organization and would therefore continue serving in the organization for a long time.

## **2.3 Critical Review of Supporting Theories on Rewards**

### **2.3.1 Pay and Motivation**

Motivation is the set of attitudes and values that predisposes a person to act in a specific goal-directed manner. It is an invisible inner state that energizes human goal-oriented behavior, that is, the direction of the behavior and the strength of the behaviour (Ivancevich, 2004).

Several motivation theories have particular relevance in designing reward or incentive plans. According to *Vroom's motivation theory*, a person's motivation to exert some level of effort depends on three things: *expectancy* that his or her effort will lead to performance, *instrumentality*, that is, the perceived connection between successful performance and obtaining the rewards, and *valence* which represents the perceived value the person attaches to the reward (Dessler, 2005). According to this theory, if employees do not expect that effort will produce performance, they are not motivated. The employee generally views instrumentality as the extent to which job performance will lead to desirable outcomes such as pay increase, promotion and greater job security (Hirschfeld, *et. al.*, 2002). The employees must see the instrumentality of their efforts; they must believe that successful performance will lead to getting the reward. The reward given must be of value to the employee. Thus, the employer should take individual employee preference into account, by using extrinsic and intrinsic rewards that make sense in terms of the specific behaviour you want to encourage (Dessler, 2005).

Edward Deci underscores the potential downside of relying on extrinsic rewards which he states may backfire. He states that intrinsically motivated behaviours are those that are motivated by the underlying need for competence and self-determination. Extrinsic rewards may at times detract from the person's intrinsic motivation. Dessler, 2005 states that extrinsic and intrinsic motivation stems



from different needs, thus it would be unwise to try to institute a single financial incentive plan without considering how the firm will address the employees' intrinsic needs. Thus, an organization needs a reward strategy for the specific behaviours driven by extrinsic motivation and a recognition strategy for those behaviours driven by intrinsic motivation.

*Behaviour modification/reinforcement theory by Skinner* helps to understand behaviour and its consequences. Managers use this theory by using behaviour modification, that is, changing behavior through rewards or punishments that are contingent on performance. This theory indicates that behaviour that lead to positive consequences or rewards tends to be repeated while behaviour that leads to negative consequences tends not to be repeated. This way, a manager can change the behaviour of a worker by providing the right kind of reward or punishment (Dessler, 2005).

Employees should be encouraged to perform through provision of rewards that they value in a timely and fair manner. Such rewards could be based on benefits, pay or promotion. Ivangevich et al. (2004) says that performance is linked to rewards. Organizations give rewards such as pay, promotion or recognition to employees. Employees consider them as important and they offer their good performance. However, these rewards need to be evaluated in order to distribute them equitably among the employees.

Wayne (2010) argues that a manager has to ensure effective performance through three key elements: goals, measures and assessment. Goals direct attention to the specific performance in question, mobilize effort to accomplish higher levels of performance and foster persistence for higher levels of performance. The leaders should set specific and challenging goals that are clear of what is expected thus lead to high performance. These goals ought to be measured in order to know

to what extent they have been accomplished. For instance, the reduction of wastage or defective parts produced.

Performance has also to be assessed in terms of appraisal. Regular assessment of progress towards goals focuses the attention and efforts of an employee, thus boosts performance.

Wayne (2010) continues to say that the leader or supervisor should eliminate any obstacles that hinder performance. This can be done through provision of adequate facilities or resources for a job to be done right and on time. Such obstacles such as outdated equipment, delay in receiving supplies, ineffective work methods should be eliminated. Effective tools of work should be provided to allow the employee reach the challenging set goals to avoid frustrations.

Armstrong argues that for an employee to perform, certain agreements have to be laid out by the employer or leader. These agreements are based on objectives and standards of performance which focuses on the results to be achieved in terms of targets and standards. Another important aspect is the performance measures and indicators that deal with the assessment of the extent to which the objectives and standards are achieved. Competency assessment is also important as it shows how the various levels of competency will be assessed as well as the evidence useful in assessing competency. It is also important for the organization to focus on the core values/operational requirements as they check on the quality, customer service, team work and employee development (Amstrong, 2004).

Shoaib, *et. al.*, (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 organizations they work with. 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 designing an attractive reward package to attract and retain valuable employees. Shoib *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.

### **2.3.2 Pay and Employees' Satisfaction**

Satisfaction is an evaluative term that describes an attitude of liking or disliking. Pay satisfaction refers to an employee's liking for or dislike of the employer's compensation package that include pay and benefits (Ivancevich, 2004). According to *Frederick Herzberg's theory of motivation*, two sets of factors influence work behaviour: dissatisfiers, that is, hygiene factors and satisfiers, that is motivators. The hygiene factors relate to the context of jobs and include pay, working conditions, supervision, etc. Motivators include factors such as achievement, recognition, responsibility, advancement, growth and work itself. Herzberg notes that when hygiene factors e.g. salary and incentive pay are inadequate, employees become dissatisfied (Ivancevich, 2004). However, adding more of these hygiene factors is an inferior way to try to motivate someone because lower level needs are quickly satisfied.

Instead of relying on hygiene factors, the employer should be interested in creating a self-motivated workforce through motivator factors. This is achieved through giving challenging jobs and providing

feedback and recognition, making the job intrinsically motivating (Dessler, 2008). Herzberg's hygiene theory proposed that the opposite of job satisfaction is not dissatisfaction but just the absence of satisfaction, neither is the absence of dissatisfaction necessarily positive satisfaction. He reached the conclusion that pay simply prevents workers from being demotivated (Ivancevich, 2004).

Ng'ethe (2014), concurs with Herzberg's theory by indicating that extrinsic factors such as remuneration and leadership and intrinsic factors such as training and promotion influence employee retention in an organization. Employees in today's life are on the lookout and as soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. Employee turnover is one of the largest though widely unknown costs an organisation faces. Employee turnover costs companies 30% to 50% of the annual salary of entry-level employees, 150% of middle-level employees, and up to 400% for upper level, specialized employees (Dubey, 2010, as found in Roy, 2015). On average a company losses approximately 10 million Kenya shillings with every 10 managerial and professional employees who leave the organization (Asingo, 2014).

Many organizations have now recognized that human resources play an important role in gaining a competitive advantage in today's highly competitive global business environment. While all aspects of managing human resources are important, retention continues to be an essential human resource management activity that helps organizations in their quest to achieve their goals and objectives (Kwenin, et al., 2013).

It is the responsibility of the employer to retain their best employees. A good employer should know how to attract and retain its employees. This is in support of the behavior modification theory that

indicates that a manager can change the behavior of a worker by providing the right kind of reward to attract and retain them in the organisation. Employees are the backbone of an organisation. Hence, the retention of the employees is an important tool in keeping the organisation on track. Thus, organisations need to make strategies to retain the most valuable employees for the longer period of time.

According to Hirschfeld, *et. al*, the employer should come up with a reward system that will increase the performance of employees. This is in reference to Vroom's motivation theory that states that a person's motivation depends on expectancy, instrumentality and valence. Competitive environment of the business has changed not only the business world but also the minds of the individuals. Every organisation is interested to make their organisation fittest from such a competitive environment. Only loyal, skilful, and experienced employee can make the business successful and can tackle the tough situation of the business environment (Roy, 2015). Hence organisations should ensure that both intrinsic and extrinsic factors are met in accordance with Herzberg's theory to ensure that employees are fully rewarded for their input in the performance of the organization.

#### **2.4 Empirical Analysis of Relevant Studies on Rewards and Retention**

Over the years, many people have undertaken various studies that are related to the current study across the world, including Kenya which are discussed in this section. Ndudzo (2012) in the study, an assessment of factors that influence the attraction and retention of senior academic staff at the Zimbabwe Open University found that there are several factors which attract or de-motivate senior academic staff at the university. These include shortage of work related resources, inadequate research support, unfulfilled contractual benefits and low recognition of the contribution of senior academic staff in areas of decision making. The study concluded that senior academic staff were not

motivated solely by financial rewards, but they also sought satisfaction of higher level needs. These include recognition and self-esteem.

The study recommended that the University should improve in the provision of basic office space, furniture and research support services. The University should also foster an organizational culture that recognizes the contribution of senior academic staff on vital academic and administration related decisions. their study, “*effects of reward system among health care workers performance: a case study of University of Calabar teaching hospital Calabar, Nigeria*, Oyir, et al. (2015) found out that monetary reward had a positive impact on employees’ performance while non-monetary rewards had a negative effect on employees’ performance. The study recommended that management of UCTH should boost the morale of their employees through fair and equitable reward system. The study recommended that management should be effective with monetary rewards like bonuses and fringe benefits to encourage the workers improve performance.

Kwenin *et al.*, (2013) found out that when organisations’ reward systems are adequate, it does not only lead to equity, but increase retention. The findings again showed that job satisfaction and favourable human resource policies have positive link with retention. Gungor (2011) in a study “relationship between reward management system and performance of employees” besides considering the role of motivation as a moderating factor evaluated the relationship between applied plans of reward management systems and performance of employees of 12 banks in Istanbul. The results showed that there was a positive and significant association between reward management system and employees’ performance and there was a positive and significant association between reward management system and motivation.

Aguinis and Gottfredson (2013) in a study “What monetary rewards can and cannot do: How to show employees the money” found that for human performance, which cash rewards and for what reason can or cannot lead to improvement of employees’ performance. Indeed, this study presented some recommendations enabling the managers and other organizational decision makers to find what time and for which reason cash reward system is successful in increasing motivation and performance of employees (Aguinis and Gottfredson, 2013).

Another study was carried out by Tippet, *et.al* (2009) to investigate Employee Rewards and Motivation in Non Profit Organisations in Australia. The research sought to investigate how intrinsic rewards compared to extrinsic rewards are perceived as sources of motivation for employees of non-for-profit organizations. The research findings indicated that employees of the non-for-profit organizations were motivated by intrinsic rewards than the extrinsic rewards. They emphasise that the value of an extrinsic reward such as bonus as a motivator reinforces the intrinsic reward of feeling that what they achieved was worthwhile and make them feel connected. Thus, leading to extrinsically motivated behaviour such as performance as a result of individuals believing that the activity for which the bonus was received is socially significant, and valued by their colleagues, and leads to a sense of belonging.

Bayissa, *et.al.* (2010) carried out a study of Jimma University on Academic Staff Reward System, involving 150 members of the teaching staff. The study was done out of concern of high turnover of the academic staff. The study sought to find out the overall academic staff reward system and also the effectiveness of the reward system offered. The findings of the study indicated that there was inefficient administration, lack of recognition and appreciation, absence of participation in decision-

making, unsatisfactory financial rewards and poor performance evaluation among the teaching staff. However, job security, job freedom and opportunity for growth were available at Jimma University.

In their study on Factors Affecting Female Lecturer Retention in Private Higher Institution in Perak in Malaysia, Bakar, *et. al.* (2015) found out that workplace diversity, workplace recognition and rewards and work life balance have a positive effect on job satisfaction among female lecturers, while workplace environment has no significant effect on their job satisfaction. The research also found that job satisfaction has a significant effect on female lecturer retention. Among all the factors, workplace diversity had the highest effect on female lecturer satisfaction. This implied that diverse workplace with variety of ethnic, education level and job position influenced female lecturer satisfaction.

According to Bakar, *et al.* (2015), lecturers in a university teach and also carry out other administrative services. This needs more commitment from the staff. This leads to higher rate of turnover among lecturers in private universities. In addition, better offer from other institutions such as higher salary, compatible workload and better opportunity for career advancement might also contribute to this problem. The higher rate of turnover among lecturers in university may affect the productivity and efficiency of the company in future. It gives a bad reputation to the institution and students may also lose confidence and choose to go to other private universities that might have a better reputation. It is clear that turnover of experts and knowledgeable person can reduce the performance of knowledge-based organization.

Maritim (2014) carried out a study to investigate the perceived influence of reward management practices on retention of generation Y employees at G4S Kenya limited. He identified the reward



management factors that influence retention as reward strategy, reward policies, job evaluation, salary survey, total rewards and grade and pay structure. The research revealed that generation Y employees at G4S perceived reward management practices as none competitive and did not encourage retention. Reward management practices, job satisfaction, organizational commitment, organizational culture, person organization fit and turnover intention all played a significant part in the retention of generation Y employees.

Lack of understanding of reward management practices by generation Y employees at G4S Kenya did not support retention. Generation Y employees perceived reward as non-competitive. Many of the generation Y employees were not satisfied with the work environment, career advancement opportunities and work life balance. The findings recommended that reward management practices be enhanced and benchmarked to the market in order to enhance retention of generation Y employees at G4S Kenya. Asigo (2014) found out that employees did not leave the organization because of dissatisfaction with employee reward. It was also clear that pension scheme gave a feeling of power by having some control over planning for retirement, reduced worry about one's family security and determined the employees' intention to remain in the organization. The study also established that sabbatical leave reduced monotony on jobs, reduced stress on jobs, enhances knowledge and led to employee retention.

It was revealed that health insurance helped to reduce the cost of hospitalization, protected the employees against any uncertainty, improved health outcome and helped to retain employees in the organization and increase concentration at work. This improved productivity. The study further found that flexible work plan helps to motivate and retain employees, improve morale, led to increased productivity and helped to improve attendance hence high performance. The study found

that educational programs enabled employees to gain skills, led to enhanced productivity and retention of employees in the organization. The study further established that inadequate rewards are the main reasons employees leave the organization. Other reasons are inequity in reward administration and non-involvement in reward decision.

Kamunge (2014) carried out a study to establish the effect of total reward management on employee retention among the employees of the Kenya Vision 2030 Delivery Secretariat. The study found that compensation, work-life balance, training and career growth have positive impact in employees' decision to stay or leave an organization. However, a poor compensation structure and lack of career growth were seen to be the components that have the most profound impact on employee retention at Kenya Vision 2030 Delivery Secretariat.

Karanja (2012) in his study of effects of reward system on employee performance investigated the staff of Cooperative Bank of Kenya Headquarters, which consisted of 156 employees. He mainly sought to find out the role of rewards in improving staff performance through motivation, employee creativity, job satisfaction and good team work in employee performance. The result of the study indicated that all these variables had a positive and significant effect on employee performance, thus urging the employer to enhance the reward system in order to raise employee performance.

Kioko (2005) in his research on *Motivating Employees Without Money, a Case of Fintech Group* found that money and monetary rewards remained the preferred employee motivator. However, he also found out that managers needed more than monetary rewards to motivate them to work harder. He recommended that employees be viewed individually with different needs and motivators. Thus,

the employer should avail a range of reward options available for employees to make a selection, which should include both intrinsic and extrinsic rewards.

Terera and Ngirande (2014) in a study to determine the impact of rewards on employee retention among nurses in a selected hospital in the Eastern Cape Province of South Africa, employee rewards lead to employee retention but they do not result in job satisfaction. It is also clear that job satisfaction also results in employee retention. The study concluded that employee rewards and job satisfaction are very important dimensions when it comes to employee retention. This means that compensation is a major factor that employees consider when making the decision to leave or remain in an organisation.

Ahmad, *et. al.* (2015) carried out a study on human resource practices and employee retention in the banking sector of Pakistan. The study was based on compensation, benefits, career development and working environment. The results indicated that the salary package is most important in the organization which can also motivate or attract the employees. Roy (2015) in a study on Employee Retention Factors in the Indian Banking Industry reveals that more than 80% from public and 60% private sectors bank employees are satisfied with human resource practices followed in the company. However, 20 and 40 percent employees of public and private sectors banks were not satisfied and they wanted to join new assignments when they got better opportunities.

Kiragu (2013) investigated the factors that influence retention of nurses in Aga Khan University hospital, Nairobi. Specific objectives were to find out how compensation practices, Career development, work environment and performance recognition influence retention of nurses. A sample of 70 respondents was selected by stratified random sampling from a target population of 350 nurses. Results indicated that remuneration, medical and house allowances and salary

increments were important compensation factors in retention of nurses in Aga Khan University Hospital.

The type, size and location of Aga Khan University hospital, leadership style of management, interaction between nurses, patients and administration were important in environment factors influencing retention of nurses. Availability of useful in service education and opportunities for promotion are important in nurse's career development while monetary and non monetary rewards were crucial in performance recognition factors influencing retention.

Njoroge (2007) in her study sought to establish factors related to employee retention in manufacturing firms in Nairobi. 96 manufacturing firms from different sectors were used in the study. The results of the study revealed that most of the employees consider organizational culture and job satisfaction as the key factors that influence employee retention.

Ng'ethe (2014) carried out a study to establish determinants of academic staff retention in Kenyan public universities. Specifically, the objectives of the study were to establish whether the extrinsic factors (leadership style and remuneration) and intrinsic factors (training and promotion) influenced retention of academic staff, and the moderating effect of personal characteristics (age and education level) on academic staff retention. The study revealed that leadership style negatively influenced academic staff retention. This study therefore brought to the fore, the role of leadership and their leadership style in academic staff retention. The findings also indicated that promotion influenced academic staff retention. In the presence of leadership style, training and promotion, remuneration did not influence academic staff retention.

#### **2.4.1 Reward Policies**

According to Armstrong (2005) one of the reward policies is the market rate policy where the organization pays according to the prevailing market rates. The organization needs to engage in salary surveys in order to determine market rates. Another Such organizations will be found engaging in salary surveys to determine market rates. Another policy is the below market policy where organizations choose to pay below the prevailing market rates. This is usually supplemented by the payment of non-financial rewards so as to make any business sense.

The above market policy ensures that the organization first carries out a survey in the market and then set its pay structure slightly above the market rate. The aim of this policy is to attract and retain good talent. (Armstrong, 2005). A differential policy ensures that the pay policy is to vary depending on an individual's or team's performance. On the other hand, the flexibility policy is one that the organization does not adopt any particular strategy but remains flexible and adapts any current company and employee needs. An organization needs to ensure that it has in place a reward policy that is affordable, legal in terms of considering the minimum wage set by the government as well as consider the trade unions input. An organization should also consider the economic state of the country to accommodate the cost of living standards of the employees and also consider the market value of the job both internally and externally (Armstrong, 2005).

## **2.5 Research Gap**

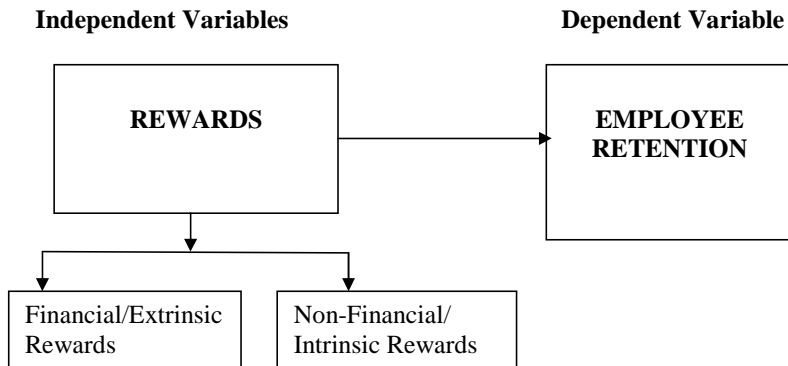
From the foregoing literature review, one notes that there are several studies on retention carried out in universities. Studies by Bayissa, *et. al.* (2010), Ndudzo (2012), Ng'ethe (2014) and Bakar, *et. al.* (2015) were all based on retention of university teaching staff. None of these studies researched on the administrative staff working in the universities.

The literature also reveals three studies carried out on retention of staff in the banking sector by Karanja (2012), Roy (2015) and Ahmad, *et. al.* (2015). Kiragu (2013), Terera and Ngirande (2014) as well as Oyir, *et al.* (2015) researched on staff retention among nurses in the hospital setup. The rest of the studies are based either in the government sector or business oriented environments. Based on the above given literature, it is evident that there is need to carry out research on the retention of administrative staff working in the universities. Unlike the situation in other non academic organizations where all the employees are administrative and are given priority, in academic institutions preference is given to the academic staff who are viewed to be the core employees of the institutions.

Administrative staff are considered as support staff to supplement the needs of the academic staff. Therefore the research carried out on the impact of rewards on retention of administrative staff in non-academic institutions may not represent the views of the administrative staff in academic institutions. Since past research has been carried out on academic staff in universities alone, there is a need to research on the impact of rewards on retention of administrative staff in universities. This research therefore aims to investigate the impact of rewards on retention of administrative staff in private universities, a case of Mount Kenya University, Thika Campus.

## **2.6 Conceptual Framework**

Both salaries and benefits take up the biggest expense in an organization and therefore, both employer and employee must work towards meeting the operating costs for cost-effectiveness (Ivancevich, 2004). Employees who perceive that they are well rewarded will tend to remain with the organization, perform better and are more committed to the organization's vision and mission. Below is the conceptual framework of the study.



**Figure 2.1 Conceptual Framework**

**Source:** Author, developed for the study (2015)

## 2.7 Theoretical Framework

Adam's equity theory will be used as a foundation to this study. The theory indicates that a major determinant of an employee's productivity and satisfaction arises from the degree of fairness or unfairness that an employee perceives in the workplace, in comparison with others (Ivancevich, 2004). A person compares her own ratio of perceived outcomes to perceived inputs to the ratio of a comparison other. Thus, employees evaluate their pay by comparing it with what others get paid, and their work attitudes and behaviours are influenced by such comparisons (Hollenbeck, 2006).

This theory helps to explain how two people with the same experience, job title, job responsibilities and pay may have different perceptions of fairness. One employee may be entirely satisfied with the pay and the other may feel cheated and act accordingly. In order to reduce these feelings, the dissatisfied employee would change the quality or quantity of his or her input. This will result to increased absenteeism, lower work quality and quantity or may quit the job (Ivancevich, 2004).

Based on this theory, then there is need to find out if the rewards offered at Mount Kenya University to the administrative staff has an effect on their intention to leave or stay with the organization.

Below is a schematic diagram of this theory:

Source: [www.leanmanagement.com](http://www.leanmanagement.com)

## **2.8 Chapter Summary**

The chapter has analysed different theories regarding rewards and retention. Literature that has been reviewed by different authors over the years has been explored in order to have a view of what others have already investigated on the study. This has helped identify the research gap in this area of study. This leads to the next chapter that gives the research methodology to be used for the study.



## **CHAPTER THREE**

### **3.0 MATERIALS AND METHODS**

#### **3.1 Introduction**

This chapter shall discuss the research methodology. It will look into the research design which will give way to the survey population and area of study. The sampling design and procedures, as well as the variables of the study and their measurement will be laid out. Data collection method, data processing and analysis shall give way to the expected results of the study.

#### **3.2 Research Design**

According to Allison *et al.*, (2000), a research design includes planning of the research procedure as well as the procedure for data collection and analysis. Cooper and Schindler (2003) say that research design is the blue print for fulfilling objectives and answering research questions. A descriptive survey study is appropriate in establishing relationship between variables and in facilitating collection of current information. This research adopted a descriptive survey research design. The descriptive survey design enables collection of discrete numerical data from the population in order to provide factual descriptive information.

Descriptive survey is also appropriate for the study because it enables one to collect data at a particular point in time. It is also appropriate for this study since it enables the researcher to establish the perceptions of the administrative staff towards rewards in the university as well as the impact of rewards on job commitment among the administrative staff.

### 3.2.1 Focus Population

A population is any set of persons or objects that possesses at least one common characteristic (Barton, 2001). The target population consisted of 150 administrative staff at Mount Kenya University in Thika Campus. The target population was thought accessible and representative on which the results of the study would be generalized. The target population in MKU – Thika Campus consists of assistant registrars, examination officers, marketing officers and administrative assistants.

**Table 3.1 Distribution of Focus Population**

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Assistant Registrars	20	13
Examination Officers	15	10
Marketing Officers	20	13
Administrative Assistants	95	64
<b>Total</b>	<b>150</b>	<b>100</b>

**Source:** Human Resources Department (2015)

### 3.2.2 Area of the Research

This research was based at the Mount Kenya University main Campus in Thika. The Campus is located along General Kago Road, 1.5 kilometers from Thika Town centre ([www.mku.ca.ke](http://www.mku.ca.ke)). The researcher was interested to carry out the research in Thika Campus due to its accessibility and locality. The Campus also houses the largest number of employees and would therefore be suitable for the study for validity and reliability purposes.

### 3.3 Sampling Design and Procedures

Sekeran (2003) describes sample as a subset of the population. It comprises of some members selected from it that is some of the elements of the population form the sample. Also it is defined as a segment of the population selected for investigation.

The researcher used stratified random sampling method as the sampling procedure. According to Mugenda & Mugenda (2003), the goal of stratified random sampling is to obtain desired representation from the various subgroups in the population. In this sampling procedure, the subjects were selected in such a way that the existing subgroups in the population were reproduced in the sample. The researcher used stratified random sampling because the population was heterogeneous and the researcher wanted each member of the target population to have an equal chance of participating in the study. Sample size was picked by use of stratified method where the stratum was divided with the population in each stratum. A sample size of between 10% - 20% of the population suffices in survey studies (Babbie, 2005). The sample size used in the study was 50% of the population.

This researcher obtained a list of all the respective departments and sections of staff from the Human Resources Department. According to Gall, *et. al.* (2007), the general rule in quantitative research is to use the largest sample possible. A large sample gives the researcher confidence that if another sample of the same size is to be selected, findings from the two samples would be similar to a high degree.

### **3.4 Methods of Data Collection**

This research used questionnaires and interview schedules as tools to collect data from respondents. Questionnaires are printed forms that ask the same questions from all individuals in the sample. The respondents record a written response to each questionnaire item at their own convenience, answer the questions in any order, take their own time and may skip questions, thus, control the process of data collection (Gall, *et. al.*, 2007). The questionnaires in application in this research are structured

or closed-ended. This type of questionnaire allows the respondent to select the answer that best describes their situation from all possible alternatives (Gall, *et. al.*, 2007). However, open-ended questions were provided in the questionnaire to allow the respondents to include any other comments they needed to express through the questionnaire. According to Fowler, 1995, an interview schedule is the guide an interviewer uses when conducting a structured interview. It has two components: a set of questions designed to be asked exactly as worded, and instructions to the interviewer about how to proceed through the questions.

In an interview schedule, the questions appear in the order in which they are to be asked. The questions are designed so they can be administered verbatim, exactly as they are written. The questions need to communicate not only what information is being asked of respondents but also the form or the way in which respondents are supposed to answer the question (Fowler, 1995).

The researcher sought permission from the Human Resources Director to obtain the necessary sample frame of staff from the Staff Statistics documents. The researcher further sought permission to administer questionnaires from their respective heads. The researcher, with the help of two research assistants, issued the questionnaires to the staff guided by a checklist indicating their respective departments and sections. The researcher agreed with the respondents that the questionnaires would be collected within two days. Interviews were scheduled with the School Registrars and the Deputy Director, Human Resource Planning according to their availability in their offices.

#### **3.4.1 Validity of Research Instruments**

After designing the questionnaire, reliability analysis was done to ensure measurements were reliable for the research. According to Leedy & Omrod (2005), a pre-test usually refers to a small-

scale trial of particular research components that allows for the identification of potential problems with the instrument. To ensure the internal validity of data analysis, a pre-test using the questionnaire was tested on five employees in the pilot study at MKU who were not included in the main study to determine whether it would collect the intended information.

The validity of instrument is the extent to which it does measure what it is supposed to measure. According to Mugenda & Mugenda (2003), validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the variables of the study. The research instrument was validated for content and face validity. To ascertain content validity, the researcher consulted internal control expert (supervisor) to review the instruments for content coverage.

### **3.4.2 Reliability of Research Instruments**

Reliability is the ability of a research instrument to yield consistent results or data after repeated trials (Mugenda & Mugenda, 2003). The study used Cronbach Alpha ( ) model for internal consistency based on average inter-item correlation to test scaled items since it is majorly in likert form. Mugenda & Mugenda (2003) further have provided an alpha score of 0.80 to be satisfactory for reliability tests. Cronbach's alpha reliability coefficient normally ranges between 0 (if no variance is consistent) and 1 (if all variance is consistent). The closer the coefficient is to 1.0, the higher the correlation of the items in a measure (Sekaran, 2006). In addition, Sekaran (2006) state that an alpha ( ) score of 0.70 or higher is considered satisfactory. The test of reliability was calculated using the SPSS software.

### **3.5 Data Processing and Analysis**

Data analysis is an application of reasoning to understand, clear and interpret the data or information that has been collected through the questionnaires (Zikmund, 2003). Therefore, data collected through the questionnaire was analyzed statistically by using the Statistical Package for Social Science (SPSS Version 20.0). Besides, it also enabled the researcher to present the data better through graphical presentation (e.g. bar chart, histogram). SPSS was also used to test the relationship between the independent variables and dependent variable using inferential methods such as Pearson Correlation analysis and Multiple Regression analysis.

The research used both secondary and primary data. Secondary data was based on the information obtained from textbooks, journals and articles reviewed in the literature. Primary data was collected from the field study through self-administered questionnaires to the staff under study. The variables measured were rewards, retention and job commitment aspects as reflected in the conceptual framework. The researcher used the Likert scale to obtain the responses. The responses were ordered in a way to indicate the presence or absence of the characteristics that was measured (Mugenda & Mugenda, 2003). The qualitative data both from the open-ended questions in the questionnaires and from the interview questions were integrated with the quantitative findings in the discussions.

#### **3.5.1 Descriptive Analysis**

Descriptive analysis is where raw data are transformed into a form that will make it easier for the researcher to understand and interpret, rearranging, ordering and manipulating data to provide descriptive information. It is used to determine the main tendencies of the variables. Certain measures like mean, mode, standard deviation and range are forms of descriptive analysis used to

describe the sample data matrix in such a way as to portray the typical respondent and to reveal the general patterns of responses (Burns & Bush, 2006). This is where all the information was presented in tables and pie chart form to make it easier for the researcher to understand the content of the data collected. In this research, the descriptive analysis was conducted to gather the details about the four personal particulars of the respondents such as gender, age, professional qualifications and years of service at Mount Kenya University.

### **3.5.2 Inferential Analysis**

Correlation Coefficient is a statistical measure of the co-variation, or association, between two variables. It is used to reveal the magnitude and direction of relationship. According to Hair *et al.*, (2007), the number representing Pearson correlation is referred to as a correlation ( $r$ ). It ranges from -1.00 to +1.00, and zero representing absolutely no linear relationship between two variables. If the value of  $r$  is +1.00, there is a perfect positive linear relationship. Besides that, there is a perfect negative linear relationship if the value of  $r$  is -1.00

The Pearson's correlation coefficient analysis helped the researcher to better understand whether there was a relationship between dependent variable and independent variables. By using this analysis, the strength of relationships between variables was analyzed by the researcher. It is therefore used to measure whether there is a significant relationship between independent variables and dependent variable.

Multiple linear regression analysis is an extension of bivariate regression analysis which allows the simultaneous investigation of the effect of two or more independent variables on a single interval scaled dependent variables (Zikmund *et al*, 2010). It allows researchers to examine which independent variables have the most significant influence on the dependent variable. To understand

the relationship between the multiple independent variables and the single dependent variable, the researcher can examine the regression coefficients for each independent variable. Therefore, Multiple Regression Analysis was used to investigate the effects of rewards on employee retention in private universities and to determine the strength of the predictor variables on employee retention.

The equation for employee retention is expressed in the following equation:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon_i$$

Where:

$Y$  = Employee retention

$\beta_0$  = Constant (coefficient of intercept)

$X_1$  = Rewards

$\beta_1$  = the effect (positive or negative) of the  $X_i$  variables on employee retention, and

$\epsilon_i$  = the error term reflecting other factors that influence employee retention.

### **3.7 Expected Results of the Study**

The researcher expected to receive at least 75% of the responses from the questionnaires issued. It was expected that all the questions would be answered so that all the elements of the variables under study were fully exhausted to capture the relevant feedback for analysis. The researcher expected that this feedback would give sufficient evidence to address the issue of rewards in relation to retention of staff as a true reflection of the feelings of the staff under study. This would mean that the right conclusion and recommendations would be derived from the research.

### **3.8 Ethical Issues**

The researcher was permitted by the supervisor from Open University of Tanzania to conduct the research. Further authorization was sought from the Human Resources Department at Mount Kenya



University. The researcher introduced herself and explained the purpose of the study prior to administering the data collection instrument to the respondents. The data collected from the respondents was used for academic purposes only and not for any other purpose. The information pertaining to the respondents was used in a way that guaranteed their confidentiality.

## CHAPTER FOUR

### 4.0 FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

This chapter contains results of the study as follows; firstly it describes the demographic characteristics of the sampled respondents from Mount Kenya University. It is important to provide such a description for a clear understanding of the respondents included in the study. The chapter also discusses the results of central tendencies measurement of constructs. Statistical analyzes used to answer the research questions are presented herein and were carried out using means, frequencies and percentages; exploratory analysis and Chi-Square test. Regression analyses were used to establish the impact of rewards and employee retention.

#### 4.2 Response Rate

The researcher had a population of 150 respondents. However, only 75 respondents participated through their responses in the research survey. This represented 50% of the population. According to (Babbie, 2005), a sample size of below 20% of the population suffices in survey studies. Having 75 (50%) respondents was sufficient for the study as it was within the acceptable percentage.

#### 4.3 Descriptive Statistics

The research discusses the respondent's demographic profile and central tendencies measurement of constructs.

##### 4.3.1 Respondent Demographic Profile

**4.3.1.1** The study was interested in the following demographics were gender, age, education level and years of service in the organization. **Gender of Respondents**

The respondents were requested to indicate their gender and the data obtained in this respect were analyzed statistically and the results are summarized in Table 4.1 below.

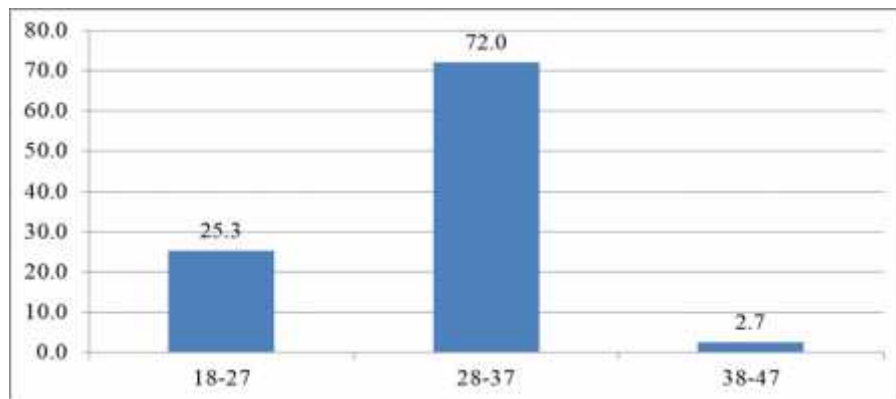
**Table 4.1: Gender of the Respondents**

Category	Frequency	Percent
Male	25	66.7
Female	50	33.3
<b>Total</b>	<b>75</b>	<b>100.0</b>

Source: Survey data, 2015

The data displayed in Table 4.1 shows that female respondents were more than the male respondents. This means that data was collected from a well represented sample in terms of gender.

#### 4.3.1.2 Age of the Respondents



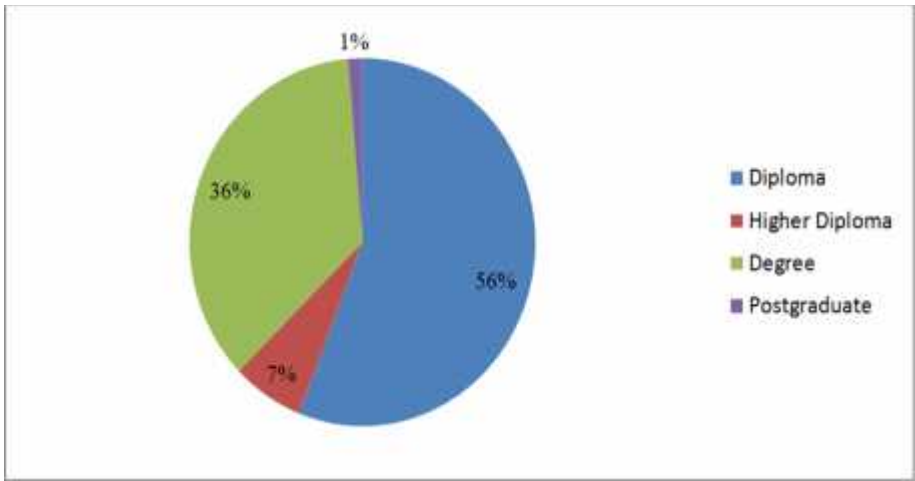
**Figure 4.1: Age of the Respondents**

Source: Survey data, 2015

Figure 4.1 shows age group of the respondents. It shows that the majority of the respondents fall under the age group category of 28 - 37 years old (accounted for 72% or 54 respondents), followed by the age group of 18 - 27 years old (25.3% or 19 respondents), and 38 – 47 years old (2.7% or 2 respondents). None of the respondents was aged between 48 – 57 years old.

#### 4.3.1.3 Professional Qualifications of the Respondents

Figure 4.2 shows the professional qualifications of the respondents.



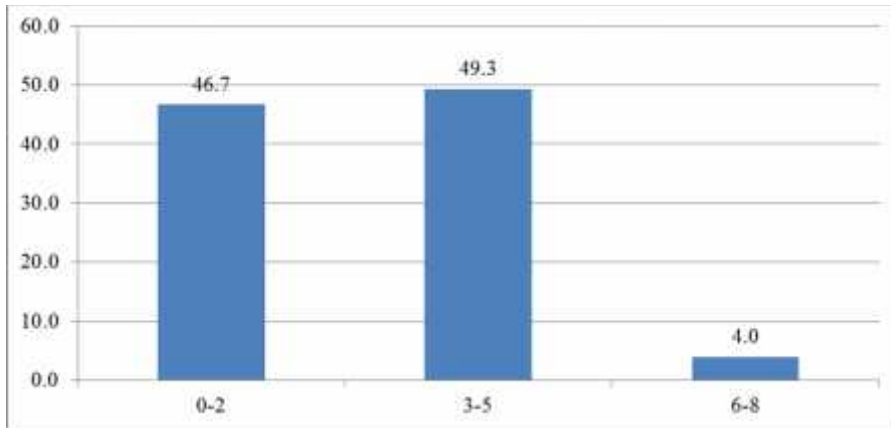
**Figure 4.2: Professional Qualifications of the Respondents**

**Source:** Survey data, 2015

Figure 4.2 shows that majority of the respondents are diploma holders (56% or 42 respondents), followed by degree (36% or 27 respondents), higher diploma (7% or 5 respondents), and postgraduate (1% or 1 respondent). None of the respondents had a certificate qualification.

**4.3.1.4 Years of Service of the Respondents**

Figure 4.3 shows the years of service of the respondents



**Figure 4.3** Years of Service of the Respondents

**Source:** Survey data, 2015

Figure 4.3 shows that the highest proportion of respondents with 3 to 5 years of service to the university (49.3% or 37 respondents), followed by 0 to 2 years (46.7% or 35 respondents), respondents with 6 to 8 years of service were the lowest at 4% or 3 respondents. None of the respondents had worked for more than nine years.

### 4.3.2 Central Tendencies Measurements of Constructs

Measurement of central tendencies was used to discover the mean scores for the five interval-scaled constructs. Most of the questions were asked using a 5-point Likert scale with a few open ended questions. A total of 26 questions with particular mean score were obtained from the SPSS output.

#### 4.3.2.1 Rewards on Employee Retention

The percentage, mean and standard deviations of responses for each of the items for rewards on employee retention are shown in Table 4.2.

**Table 4.2: Central Tendencies Measurement of Constructs: Rewards on Employee Retention**

Items	HS (%)	S (%)	MS (%)	D (%)	VD (%)	Mean	St. D
a. Basic Salary	36	21.3	37.7	5.3	-	2.12	0.972
b. House allowance	17.3	25.3	48	9.3	-	2.49	0.891
c. Travel allowance	29.3	24	33.3	13.3	-	2.31	1.039
d. Overtime allowance	42.7	37.3	14.7	5.3	-	1.83	0.876
e. Leave allowance	33.3	33.3	24	9.3	-	2.09	0.975
f. Gratuity	37.3	18.7	34.7	9.3		2.16	1.040

**Source:** Survey data, 2015

**Key:**

HS = Highly Satisfied  
 S = Satisfied  
 MS = Neutral  
 D = Dissatisfied  
 VD = Very Dissatisfied  
 St. D= Standard Deviation

Majority of the respondents (42.7%) agreed that they were highly satisfied with the overtime allowance they received, while 14.7% were moderately satisfied. 37.7% of the respondents agreed that they were moderately satisfied with the basic salary paid in the university while 36% were highly satisfied. 17.3% were highly satisfied with the house allowance offered by the university while 48% were moderately satisfied. 24% of the respondents were moderately satisfied while 33.3% were highly satisfied with the leave allowance offered at Mount Kenya University. A further 29.3% of the respondents were highly satisfied with the travel allowance while 33.3% were moderately satisfied. Finally, 37.3% of the respondents agreed that the university offered a good gratuity package while 34.7% were moderately satisfied.

The item with the highest mean (mean=2.49) was “house allowance”, followed by “Travel allowance” with a mean of 2.31. The item with the lowest mean was “Overtime allowance” with a

mean of 1.83. Gratuity” had the highest standard deviation (1.040) while “Overtime allowance” had the lowest standard deviation of 0.876.

The administrative staff indicated that the basic salary had remained stagnant since they were employed and they had not received any annual increment over the years of service. Some of them felt that overtime payments were not paid as stipulated in the HR policy, thus not fairly distributed.

#### 4.3.2.2 Perception of Financial and Non-financial Rewards on Employee Retention

**Table 4.3: Central Tendencies Measurement of Constructs: Perception of Financial and Non-financial Rewards on Employee Retention**

Items	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	St. D
The salary I earn is adequate to meet my desired needs and aspirations	-	4	18.7	45.3	32	1.95	0.820
I am satisfied with the amount of remuneration I earn compared to other employees in other private universities	-	10.7	17.3	36	36	2.03	0.986
The remuneration in this university is competitive	1.3	10.7	25.3	16	46.7	2.04	1.132
I am satisfied with the amount of remuneration I receive for my work	-	9.3	18.7	24	48	1.89	1.021
Salary adjustment in this university is regular	-	-	13.3	29.3	57.3	1.56	0.721
I am provided with a medical cover for self and dependants	36	54.7	5.3	2.7	1.3	4.21	0.776
I have promotion opportunity in this university	4	22.7	37.3	13.3	22.7	2.72	1.169
I have the opportunity to benefit from the staff development programme	10.7	18.7	26.7	10.7	33.3	2.63	1.393
My efforts in service delivery are recognized and appreciated in this university	10.7	12	28	20	29.3	2.55	1.318
I am given adequate leave days	22.7	41.3	16	9.3	10.7	3.56	1.244

**Source:** Survey data, 2015

**Key:** SA = Strongly Agree  
A = Agree  
N = Neither Agree or Disagree  
D = Disagree  
SD = Strongly Disagree  
St. D = Standard Deviation

Majority of the respondents (45.3%) disagreed that the salary they earn is adequate to meet their desired needs and aspirations while 18.7% neither agreed nor disagreed with this statement. 36% of the respondents strongly disagreed that they are satisfied with the amount of remuneration earned compared to other employees in other private universities while 17.3% neither agreed nor disagreed. Majority of the respondents (46.7%) strongly disagreed that the remuneration at MKU was competitive while 25.3% neither agreed nor disagreed. 57.3% of the respondents strongly disagreed that the salary adjustment in the university is regular while 13.3% neither agreed nor disagreed. 54.7% of the respondents agreed that they are provided with a medical cover for self and dependents while 5.3% of the respondents neither agreed nor disagreed.

The item with the highest mean of 4.21 is “I am provided with a medical cover for self and dependants”, followed by “I am given adequate leave days”. The item with the lowest mean of 1.56 is “Salary adjustment in this university is regular”. “I have the opportunity to benefit from the staff development programme” had the highest standard deviation of 1.393 while “Salary adjustment in this university is regular” had the lowest standard deviation of 0.721.

The qualitative data indicated that although the leave days were sufficient, MKU being a private institution ought to improve on the number of leave days given beyond the minimal number provided by law. They felt that their counterparts in other private universities enjoyed more leave days. They further felt that the staff development programme was provided for in the University Statutes and schedules but was not being implemented accordingly to benefit the staff for capacity building.



### 4.3.2.3 Rewards on Job Commitment

**Table 4.4: Central Tendencies Measurement of Constructs: Rewards on Job Commitment**

Items	HA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	St. D
I am given the opportunity for career development	17.3	14.7	28	36	4	2.95	1.173
I am offered flexible working schedules	26.7	21.3	16	34.7	1.3	2.63	1.250
I participate and get involved in decision making	36	25.3	17.3	20	1.3	2.25	1.187
There is freedom and discretion in the work I perform	20	25.3	25.3	26.7	2.7	2.67	1.155
I am given more responsibilities	16	29.3	29.3	17.3	8	2.72	1.169
I feel that my work is valued and appreciated	21.3	16	36	24	2.7	2.71	1.136
My work is not stressful and I enjoy it	20	12	16	46.7	5.3	3.05	1.272
My workload matches the rewards I receive	37.3	41.3	20	1.3	-	1.85	0.783
I often receive feedback from my supervisor on my job performance	17.3	16	25.3	37.3	4	2.95	1.184
I am provided with adequate work equipment and a pleasant work environment	12	14.7	28	28	17.3	3.24	1.250

**Source:** Survey data, 2015

**Key:**

HA = Highly Agree

A = Agree

N = Neither Agree or Disagree

D = Disagree

SD = Strongly Disagree

St. D = Standard Deviation

36% of the respondents disagreed that they are given the opportunity for career development while 28% neither agreed nor disagreed. Majority of the respondents (34.7) disagreed that they are offered flexible working schedules while 16% neither agreed nor disagreed. 36% of the respondents highly agreed that they participate and get involved in decision making while 17.3% neither agreed nor disagreed. 25.3% of the respondents agreed that there is freedom and discretion in the work they perform with a similar percentage neither agreeing nor disagreeing.

Majority of the respondents (37.3%) highly agreed that their workload matches the rewards they receive while 20% neither agreed nor disagreed. 46.7% disagreed that their work is not stressful and they enjoyed doing it while 16% neither agreed nor disagreed. 28% of the respondents disagreed that they are provided with adequate work equipment and a pleasant work environment with a similar percentage neither agreeing nor disagreeing. “I am provided with adequate work equipment and a pleasant work environment” had the highest mean of 2.34 while “My workload matches the rewards I receive” had the lowest mean of 1.85. The items with the highest standard deviation (1.250) were “I am offered flexible working schedules” and “I am provided with adequate work equipment and a pleasant work environment”. “My workload matches the rewards I receive” had the lowest standard deviation at 0.783.

#### 4.4 Inferential Analysis

##### 4.4.1 Correlation Analysis

The correlation matrix for the rewards and employee retention variables is shown in Table 4.5.

**Table 4.5: Correlation Matrix of the Rewards Variables and Employee Retention**

		<b>Rewards</b>	<b>Employee Retention</b>
Rewards	Pearson Correlation	1	.685**
	Sig. (2-tailed)		.000
	N	75	75
Employee Retention	Pearson Correlation	.685**	1
	Sig. (2-tailed)	.000	
	N	75	75

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

\* Correlation is significant at the 0.05 level (2-tailed).

**Source: Survey data, 2015**

This shows the nature of relationship between the parameters being measured. From the correlation matrix table above, there is a strong and positive correlation (relationship) between rewards and employee retention which is represented by .685\*\*. The above results confirmed and/or are consistent with the study by Ng’ethe (2014), extrinsic factors such as remuneration and intrinsic factors such as training and promotion influence employee retention in an organization.

**Chi-square Tests;** The study was also interested in knowing whether there is a link between variables that form rewards and employees retention. The results are as shown in Table 4.6 and Table 4.7 below.

Chi-square test results ( $\chi^2 = 30.797$ ,  $p = .000$ ) in Table 4.6 drawn from results on Table 4.7 indicate that there was a very significant relationship between rewards and employee retention. Descriptive data on Table 4.7 further show that up to 32% of staff agreeing or strongly agreeing the rewards they received enhanced their job commitment and hence staff retention at the university. 28% of staff had no opinion on whether the rewards offered affected employee retention at MKU while on the other hand 40% strongly disagreed or disagreed that the rewards received affected the employee retention.

**Table 4.6: Summary Chi-square Test Statistics of the Relationship between Rewards**

<b>and Employee Retention Chi-Square Tests</b>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.797 <sup>a</sup>	4	.000
Likelihood Ratio	32.274	4	.000
N of Valid Cases	75		

a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is 1.12.

**Source:** Survey data, 2015

**Table 4.7: Contingency Table for Rewards and Employee Retention**

			Employee Retention			Total
			Highly Agree/Agree	Neither Agree nor Disagree	Strongly Disagree/Disagree	
Rewards	Neither Agree or Disagree	Count	3	17	8	28
		Expected Count	9.0	7.8	11.2	28.0
		% within Rewards	10.7%	60.7%	28.6%	100.0%
	Strongly Agree/Agree	Count	0	0	4	4
		Expected Count	1.3	1.1	1.6	4.0
		% within Rewards	0.0%	0.0%	100.0%	100.0%
	Strongly Disagree/Disagree	Count	21	4	18	43
		Expected Count	13.8	12.0	17.2	43.0
		% within Rewards	48.8%	9.3%	41.9%	100.0%
Total		Count	24	21	30	75
		Expected Count	24.0	21.0	30.0	75.0
		% within Rewards	32.0%	28.0%	40.0%	100.0%

Source: Survey data, 2015

#### 4.4.2 Regression Analysis

Regression analysis was used in this study. Therefore, this section presents the regression results on the effect of rewards on employee retention. Results are presented in Tables 4.8, 4.9 and 4.10, below.

**Table 4.8: Regression Model Summary of the Predictors of Employee Retention**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685 <sup>a</sup>	.469	.462	.54958

a. Predictors: (Constant), Rewards

Source: Survey data, 2015

The R value (multiple correlation coefficients) of 68.5% indicates that there is a relationship between the independent variables and the dependent variable. The R square (coefficient determination) value of 46.9% of the variance in the dependent variable is explained by the independent variables in the model of the variability in the success of the employee retention is accounted for by the explanatory variable in the organization while the remaining percentage could

be attributed to the random fluctuation on other unspecified variables (i.e. stochastic error term). The model was significant as  $p < 0.05$ .

According to Bakar, *et. al.* (2015), in their study on factors affecting female lecturer retention, workplace diversity, workplace recognition and rewards and work life balance had a positive effect on job satisfaction and retention. However, they indicated that other factors such as duties as a housewife heavy responsibilities at home and no sufficient time to do all tasks at one time including taking care of their kids were reasons for a woman to quit employment. Women are likely to leave their job due to domestic and social responsibilities than male, which leads to higher voluntary resignation among them.

A one-way between subjects ANOVA was conducted to compare the effects of the rewards variables on employee retention. The results are as shown in Table 4.9 below.

**Table 4.9: ANOVA Results of the Impact of Rewards Variables**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.481	1	19.481	64.498	.000 <sup>b</sup>
	Residual	22.049	73	.302		
	Total	41.530	74			

a. Dependent Variable: Employee Retention

b. Predictors: (Constant), Rewards

**Source:** Survey data, 2015

The ANOVA table describes the overall variance accounted for in the model. The p-value is 0.000 which is lesser than alpha value 0.01.

The F statistics usually used to test whether the expected values of the regression coefficients are equal to each other and that they equal zero. The F statistic is significant at F (64.498) and a small significance level (P<.000) two tailed, indicate that the predictor variables can be used to predict the dependent variable employee retention. Hence, the model is a good descriptor of the relation between the rewards variables and employee retention. Further, these variables significantly explain the variance in perceived employee retention.

Further examination of the coefficients yielded data as shown in Table 4.10. **Table 4.10: Coefficients of the Predictors of Employee Retention**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.647	.264		2.453	.017
	Rewards	.818	.102	.685	8.031	.000

a. Dependent Variable: Employee Retention

Source: Survey data, 2015

The table above provides the impact of rewards variables on the dependent variable. The coefficients indicate the increase in the value of the dependent variable for an in the predictor variable. The standardized coefficient or beta column provides a common scale (Z score; all variables have a mean of zero and a standard deviation of one and are expressed in the same unit of measurement). The rewards variables are the factors that determine employee retention. These above values gave the following simple regression model:

$$\text{Employee Retention} = 0.647 + 0.685 + \epsilon_i$$

The above equation demonstrates that the reward variables determine employee retention. The type of rewards that an organization gives to its employees are the factors that determine employee retention.

#### **4.5 Chapter Summary**

The chapter has shown the results of the analysed data in both descriptive and inferential analysis. This has helped to show the relationship between rewards and employee retention. This leads to the next chapter that gives a summary of the research findings, conclusion and recommendations.

## **CHAPTER FIVE**

### **5.0 CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter gives the conclusion derived from the study as well as the recommendations. The chapter finally highlights the suggestion for further research.

#### **5.2 Conclusions**

From the study findings, the following conclusions can be drawn regarding the effects of rewards on employee retention among the administrative staff of MKU, Thika Campus.

The results of the study indicate that the population is heterogeneous. However, the findings conclude that the majority number of females could be attributed to the kind of positions available that mostly are assumed to be taken up by women in the wider society. The research concludes that a majority of the population is at its prime and productive age of 28 to 37 years. This means that the university stands to gain if it fully utilizes the skills and abilities of this generation by retaining them. The education level of the administrative staff indicates that a majority are diploma holders. This leads to the conclusion that most of them may need to advance their studies to higher levels. MKU being a learning institution would offer them a convenient opportunity to study. By doing so, the employees would want to continue serving in the university as they undertake their studies. It is also clear that most of the staff have served the university for a period of 3 to 5 years. The conclusion is that they have good work experience and exposure that stands to give the university a competitive edge if it retains these administrative staff.



## **5.2 Recommendations**

Based on the research findings and conclusion, the following are the recommendations made;

The University should consider reviewing the both the financial and non-financial rewards offered to the administrative staff at MKU. The rewards should be reviewed to reflect the cost of living and also be comparable to other private universities. This will promote staff retention as well as enable the staff to cope with the high cost of living, which will eventually enable them to be committed to the university.

It is also recommended that the university consider having an effective staff development programme for its administrative staff. Being a higher learning institution, the university should enhance professional development among its staff, whom it is clear from the findings they need to grow in their careers. This will contribute more to employee commitment and moreso, improve on work performance, which will eventually translate to effectiveness in service delivery to its clients. Another recommendation is that the university should introduce other forms of leave like family leave and compassionate leave to ensure that their employees have adequate leave days to cater for their personal and family needs. This will ensure that they are well rejuvenated to work without interruptions.

The study further recommends that the university should come up with a way to appreciate the work performed by the employees. This could be in form of awards that can be either in monetary or non-monetary in nature. This will help in boosting the employee morale as they know that in the long run their hard work will be recognized. The university should also enhance their channel of

communication to ensure that more employees get feedback from their supervisors on ways of improving their work or even appreciating what they are doing.

Finally, the study recommends that the university should provide adequate work equipment to enable the employees carry out their duties with ease. The university should also ensure there is a pleasant work environment to enhance the safety and health in the workplace.

### **5.3 Suggestions for further research**

This study only concentrated on the administrative staff at Thika Campus. Further study should be conducted to cover all the categories of staff in the University to enable the management to have a picture of how its employees view its reward system. Further study should be carried out among private universities on their reward systems. This will enable them to enhance their rewards and avoid poaching of staff among themselves.

Measurements and items adapted from other researches should be adjusted to fit into the research's context. Validity test should be done to assure the validity of the measures. Future researches should expand sample size to better represent the population for better and more accurate results. A further study should be carried out across institutions of higher learning in Kenya as this was only a case study looking at a private institution thus limiting.

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**APPENDIX I**  
**WORKPLAN**

ACTIVITY	DATES & MONTH								
	1 <sup>st</sup> – 16 <sup>th</sup> May	17 <sup>th</sup> – 31 <sup>st</sup> May	1 <sup>st</sup> – 10 <sup>th</sup> June	11 <sup>th</sup> – 25 <sup>th</sup> June	26 <sup>th</sup> – 10 <sup>th</sup> July	11 <sup>th</sup> – 25 <sup>th</sup> July	26 <sup>th</sup> – 14 <sup>th</sup> Aug	15 <sup>th</sup> – 22 <sup>nd</sup> Aug	23 <sup>rd</sup> – 31 <sup>st</sup> Aug
Proposal writing & Presentation									
Allocation of Supervisor & Certification of Proposal									
Pilot study & amendments									
Data Collection & Analysis									
Data Interpretation & Presentation									
Submission of the draft report									
Invitation for Defense									
Amendments, typesetting, binding & certification of final report									
Submission of the final report									

## APPENDICES

### APPENDIX I: IESTIMATED RESEARCH BUDGET

Activity	Cost per Unit	Total Amount
Internet Bundles	2,000	<b>2,000</b>
Proposal Typing	35pgs @20	<b>700</b>
Photocopying: Pilot study Questionnaire	4pgs@3x5 pieces	<b>60</b>
Photocopying: Data collection questionnaires	4pgs@3x150 pieces	<b>1,800</b>
Research Assistants	2persons@500 per day x 2	<b>2,000</b>
Thesis typing	130pgs@20	<b>2,600</b>
Thesis photocopying	130pgs@3x4copies	<b>1,560</b>
Binding Services	4copies@500per piece	<b>2,000</b>
Travel Expenses: - Defense (To & From OUT) - Accommodation	4,000 x 2 5,000 x 2	<b>8,000</b> <b>10,000</b>
Contingencies	-	<b>3,000</b>
<b>TOTAL COST</b>		<b>33,660</b>



## APPENDIX III: QUESTIONNAIRE

Dear Respondent,

I am a student at the Open University of Tanzania pursuing a master's degree in Human Resource Management. I am currently undertaking a research on the *Impact of Rewards on Employee Retention: A case of Mount Kenya University Administrative Staff*. This is to kindly request you to assist me collect the necessary data through filling in this questionnaire. I assure you of total confidentiality and anonymity and your response will only be used for purposes of this research. Kindly assist.

### SECTION I: BACKGROUND INFORMATION

*Kindly tick one as applicable.*

#### 1. Gender

- (a) Female [ ]
- (b) Male [ ]

#### 2. Age

- (a) 18 – 27 [ ]
- (b) 28 – 37 [ ]
- (c) 38 – 47 [ ]
- (d) 48 – 57 [ ]

#### 3. Professional Qualifications

- (a) Certificate [ ]
- (b) Diploma [ ]
- (c) Higher Diploma [ ]
- (d) Degree [ ]
- (e) Postgraduate [ ]
- (f) Other (specify) \_\_\_\_\_

#### 4. Years of Service at MKU

- (a) 0 – 2 [ ]
- (b) 3 – 5 [ ]
- (c) 6 – 8 [ ]
- (d) 9 years and above [ ]

**SECTION II: SURVEY QUESTIONS**

**1. Impact of Rewards on Retention**

(i) Kindly indicate your level of satisfaction with the following financial rewards that would influence your continued service to the University. The scale is 5-1, where 5=Highly Satisfied, 4=Satisfied, 3=Moderately Satisfied, 2=Dissatisfied and 1=Very Dissatisfied. *(Kindly tick [√] one per statement).*

#	Type of Reward	Highly Satisfied	Satisfied	Moderately Satisfied	Dissatisfied	Very Dissatisfied
a.	Basic Salary					
b.	House allowance					
c.	Travel Allowance					
d.	Overtime Allowance					
e.	Leave Allowance					
f.	Gratuity					

(ii) Please indicate any other financial rewards available at MKU.

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(iii) Kindly explain how the rewards affect your intention to continue serving the university.

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**2. Perception of Financial and Non-Financial Rewards**

(i) By using the scale given below, please indicate how accurately the following statements describe your perception of the rewards offered to you. The scale is 5-1, where 5= Strongly Agree, 4= Agree, 3= Neither Agree nor Disagree, 2= Disagree, 1= Strongly Disagree *(Kindly tick [√] one per statement).*

#	Type of Reward	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
a.	The salary I earn is adequate to meet my desired needs and aspirations					
b.	I am satisfied with the amount of remuneration I earn compared to other employees in other private universities					
c.	The remuneration in this university is competitive					
d.	I am satisfied with the amount of remuneration I receive for my work					
e.	Salary adjustment in this university is regular					
f.	I am provided with a medical cover for self and dependents					
g.	I have promotion opportunity in this university					
h.	I have the opportunity to benefit from the staff development programme					
i.	My efforts in service delivery are recognized and appreciated in this university					
j.	I am given adequate leave days					

(ii) Please comment on any other way you perceive the rewards offered to you.

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**3. The Impact of Rewards on Job Commitment**

- (i) Please indicate the level to which you agree or disagree to the following non-financial rewards regarding your commitment to the university. The scale is 5-1, where 5 = Highly Agree, 4 = Agree, 3= Neither Agree nor Disagree, 2 = Disagree and 1 = Strongly Disagree  
(*Kindly tick [√] one per statement*).

#	Type of Reward	Highly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
a.	I am given the opportunity for career development					
b.	I am offered flexible working schedules					
c.	I participate and get involved in decision making					
d.	There is freedom and discretion in the work I perform					
e.	I am given more responsibilities e.g. <i>representing my supervisor in meetings</i>					
f.	I feel that my work is valued and appreciated					
g.	My work is not stressful and I enjoy it					
h.	My workload matches the rewards I receive					
i.	I often receive feedback from my supervisor on my job performance					
j.	I am provided with adequate work equipment and a pleasant work environment					

- (ii) Is there any other non-financial reward(s) that would influence your level of commitment to the university?

[Yes]

[No]

- (iii) If yes, please explain.

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*Thank you very much for your support!* APPENDIX I: VINTERVIEW QUESTIONS

1. How many staff have left over the last six months?

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2. (i) Those who leave, do you think they join other private universities or the public sector?

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(ii) Please explain the possible reasons for joining either other private universities or the public sector.

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3. (i) In your opinion, do you think remuneration is a major influence on the intention to stay or leave among the administrative staff at MKU Thika Campus?

Yes [ ] No [ ]

(ii) Please explain how \_\_\_\_\_

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4. (i) In your opinion, do you think the university offers a competitive remuneration package to its administrative staff as compared to other private universities?

Yes [ ] No [ ]

(ii) Please elaborate on your answer above.

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5. (i) Do you think availability of other non-financial rewards would influence the decision to remain in the organization among the administrative staff at MKU Thika Campus?

Yes     [ ]            No     [ ]

(ii) If your answer is Yes, please indicate these non-financial rewards.

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