

Reward Systems and Employees' Performance in Selected Star-Rated Hotels in Nakuru City, Kenya

Authors

Rebecca C. Cheruon⁽¹⁾; Joan W. Kiboi⁽²⁾; Kelly L. Waweru⁽³⁾; Prexides M. Mutua⁽⁴⁾;
George K. Jnr. Kimani⁽⁵⁾

Main author email: rchelagat4@gmail.com

(1.2.3.4.5) Kabarak University, Kenya

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Abstract

The aim of this study was to evaluate the influence of reward systems on employee performance in the Hospitality Industry. An employee reward system is the structure an organisation puts in place to provide tangible forms of recognition to its employees. Employee performance is driven by reward systems, which provide a framework to inspire, recognise, and retain top talent across industries. Employees are the driving force of exceptional visitor experiences in the vibrant landscape of the hospitality industry. The study was done in star-rated hotels within Nakuru City. Star-rated hotels are an indication of the range of facilities available, such as number of restaurants, location, food services, conference, room variation, swimming pool and spa service. The sample size comprised 42 employees selected through stratified and simple random sampling techniques from various departments in the selected star-rated hotels. Descriptive statistics were used to analyse the data. The results indicated that reward systems have a positive effect on employee performance. In addition, some reward systems were observed to be preferred by employees over others. Therefore, hotels should consider adopting various reward systems in their establishments in order to meet the needs of their employees for enhanced performance. The findings of the study will benefit senior management and the human resource division of hospitality establishments as it will help them determine the most effective reward systems for improved employee performance.

Key terms: Employee performance, fringe benefits, Kenya, reward systems, star-rated hotels.

INTRODUCTION

Today's dynamic, globalised, and competitive environment makes it particularly difficult to recruit, retain and encourage employees to work toward the organisation's common goals. Effective employee performance is a significant contributor to organisational success, while poor employee performance is detrimental to any corporation. Dewhurst et al. (2010) describe reward as both monetary and non-monetary benefits provided to workers in accordance with organisational structures, strategies, rules and procedures in exchange for their good performance at work and completion of assigned tasks.

Ali and Ahmed (2009) observe that awards have been employed within the Hospitality industry in Africa as a means of increasing employee productivity and organisational competitive edge since the early 1950s when global hotels like Hilton began setting up shop on the African continent. Kenya's hospitality industry boasts over 500 superb hotels that contribute greatly to the country's economic prosperity. Other hospitality firms in Kenya use rewards to boost employee performance (Wiersma, 1992). The rising competitiveness between these firms drives hotels to conjure up alternative employee reward systems to ensure exclusivity. They combine monetary and non-monetary reward systems just as other establishments in Africa do. A poor reward system advances the turnover rate in an organisation context, while intelligently developed reward systems provide for exemplary workmanship and performance.

According to Seema et al. (2015), reward systems include all benefits given to employees. This can take the form of cash or the provision of suitable working conditions. Financial rewards are those that have a tangible reward or physical presence. Psychological rewards are intangible rewards for recognition, fulfilment, achievement, or meaningful satisfaction. Both financial and psychological rewards can create positive moods that lead to positive attitudes, improving employee performance. Reward programs are one way to address employees' demands. Employees typically perform significantly better than those who are not driven to the same degree by rewards.

LITERATURE REVIEW

Employee performance is a measure of how an employee fulfils the duties of their role and behaves within a workplace. Employee performance includes the quality, efficiency, and effectiveness of an employee's output. An employee's performance is also indicative of how valuable they are to the organisation. Employees are an investment, so their return on investment is essentially calculated by their performance. Employee performance is one of the important variables that contribute significantly to organisational success (LUME Solutions LTD, 2023). Learning organisations play an important role in enhancing employee performance by providing training and development for their employees (Gitongu et al., 2016). Employee performance has been measured in a variety of ways, as suggested by various scholars (Bailey et al., 2018; Aguinis, 2013; Ali, 2013). According to Ali (2013), measures of employee performance include responsiveness, willingness to perform tasks without coercion, output, quantity, and overall morale.

Financial rewards are considered important for improving an organisation's workforce and adding extra effort to improve performance outcomes in the workplace. It is often said that productivity gains depend on how well a company rewards its employees for achieving set goals. Financial Compensation represents incentives earned by an organisation's employees based on the effort expended to achieve the organisation's goals. In their study of financial rewards and employee performance, Tumwet et al. (2015) established that financial reward was significantly associated with worker performance in a Kenyan university environment. Njanja et al. (2013) investigated the impact of financial rewards on employee performance in Nakuru, Kenya. The findings supported other empirical studies that affirm that financial rewards enhance employee performance at the workplace in various organisations.

METHODOLOGY

A survey research design was employed for the study. The target population comprised 159 employees of the star-rated hotels selected for the study. Stratified sampling was then used to identify the study sample. The strata were based on the functional units of the

star-rated hotels. These functional units comprised the Food and beverage division, housekeeping, front office, finance, sales and marketing and maintenance departments, respectively, of the selected star-rated hotels in Nakuru city. Further, simple random sampling was used to derive a representative sample for the study. Therefore, 42 employees formed the ultimate sample size of the study. Self-administered structured questionnaires were used for data collection. Reliability was measured using Cronbach's Alpha at a level of 0.7 per cent. The data collected was cleaned, coded and analysed using Microsoft Excel. Additionally, descriptive statistics such as means and standard deviation were used for data analysis. The findings were thereafter presented using graphs, tables and figures.

RESULTS AND DISCUSSION

Demographics of Respondents

The study sought to establish five (5) demographic characteristics of the respondents, namely gender, age, level of education, distribution of respondents across departments and working experience. On the *gender of the respondents*, the findings indicated that 48.48 per cent of respondents were female, and 51.5 per cent were male. This was critical in assessing gender disparity and ensuring representation. Regarding the *age of respondents*, the findings showed that the majority of the workforce was between the ages of 26 and 30. This might be a result of their ability to do work and their having fewer responsibilities, enabling them to manoeuvre work shift hours in this industry.

On matters of the *level of education of respondents*, the majority of the workforce had diplomas as their

highest academic qualification level. These findings emphasise the importance of the hospitality business prioritising the employment of people with broad academic backgrounds and practical abilities. With regard to the *distribution of respondents across departments* in the star-rated hotels, the food and beverage department had the highest proportion (45%) of respondents as compared with the other departments. These findings indicate that the beverage and food department plays an important role in the hotel business and is likely to employ more people owing to operational needs.

Finally, regarding work experience, the majority of the respondents (48.57%) had job experience between 1 and 5 years. The larger percentage of the respondents with 1-5 years of work experience shows that the majority of the workforce in the Hospitality industry is in the early years of their careers and also change jobs, which is a common practice in the Hospitality industry and may explain this observation.

Financial Rewards

Financial rewards were measured by looking at six aspects, namely bonuses, allowances, overtime payments, equal pay, clear criteria and skill-based pay. Based on the analysis conducted on financial rewards in the hospitality industry, it was observed that 45.71 per cent of hotels had adopted a neutral stand towards offering bonuses to their employees, while few of the hotels included in the study provided overtime payments to their staff as shown in Figure 1 below:

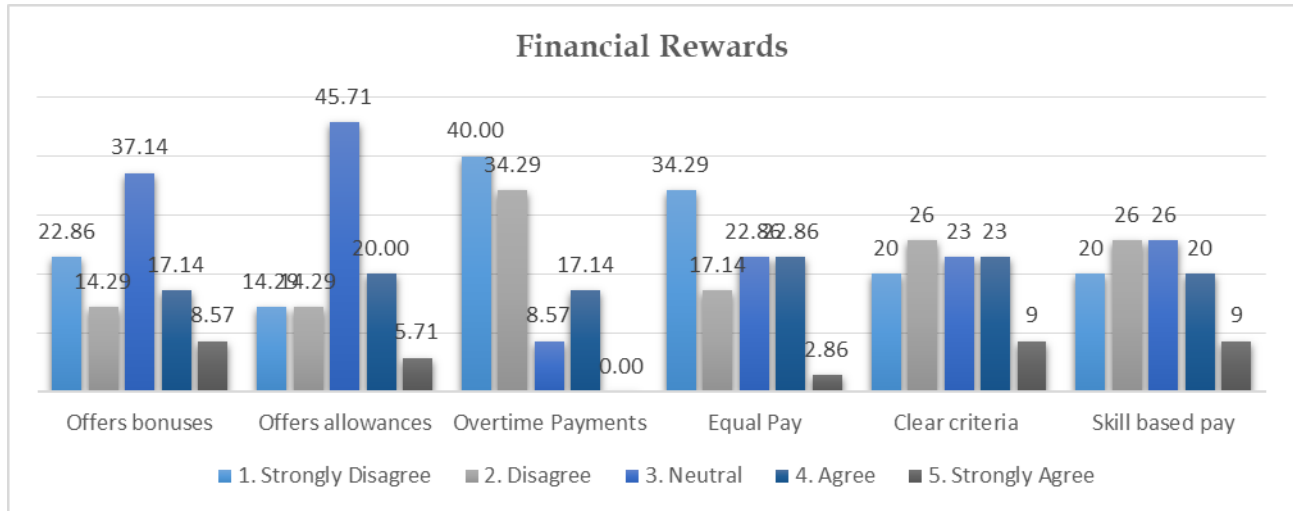


Figure 1 : Source: Researchers (2023)

Fringe Benefits

Fringe benefits were measured by looking at three (3) aspects, namely medical coverage, health insurance, and pension schemes. The findings suggest that a large number of respondents (40%) had an indifferent attitude toward the ease and simplicity with which they may obtain these benefits. It is worth noting, however, that a sizable proportion of respondents (26%) agreed with this opinion, demonstrating a

generally good perception of the availability of fringe benefits in their individual organisations. A smaller minority of respondents (17%), on the other hand, reported severe dissatisfaction with the perceived level of benefits matching their hotel, indicating a possible mismatch between their expectations and the actual advantages delivered. This is shown in Figure 2 below:

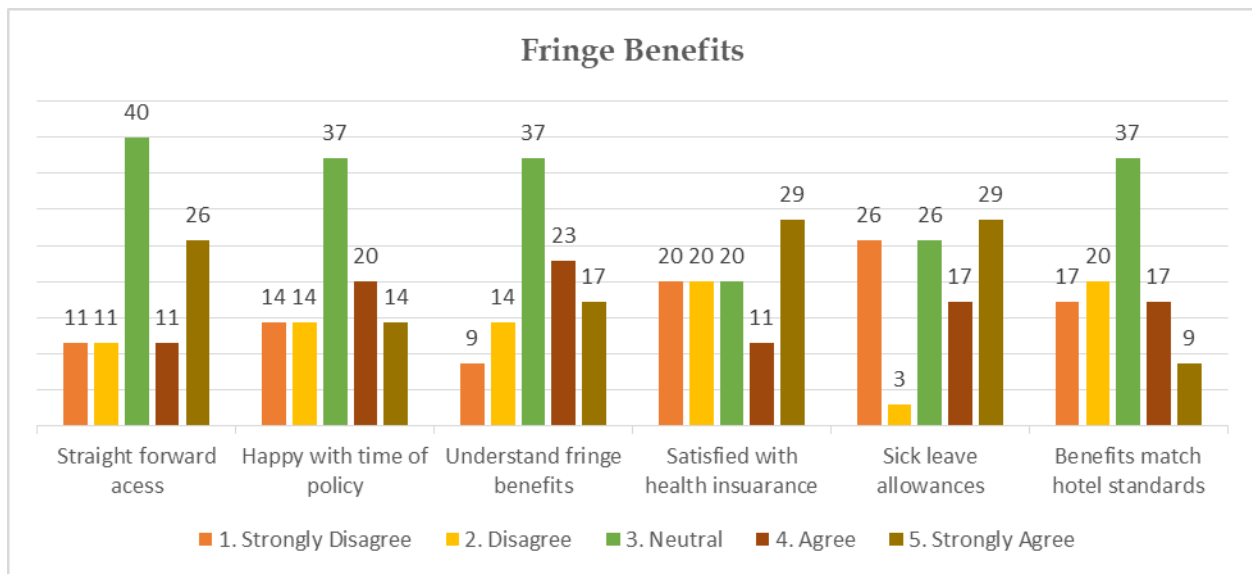


Figure 2: Source: Researchers (2023)

Recognition Schemes

Recognition schemes were measured by looking at five (5) aspects, namely verbal praise, promotions,

staff end-year parties, gifts and issuance of certificates. The study findings established a 20 per cent agreement rate on the beneficial impact of

recognition and appreciation on staff morale. A total of 40 per cent of the respondents were undecided on recognition schemes in their establishments, while 37

per cent opposed the practice of presenting awards and publicising employees' names for appreciation. The findings are shown in Figure 3 below:

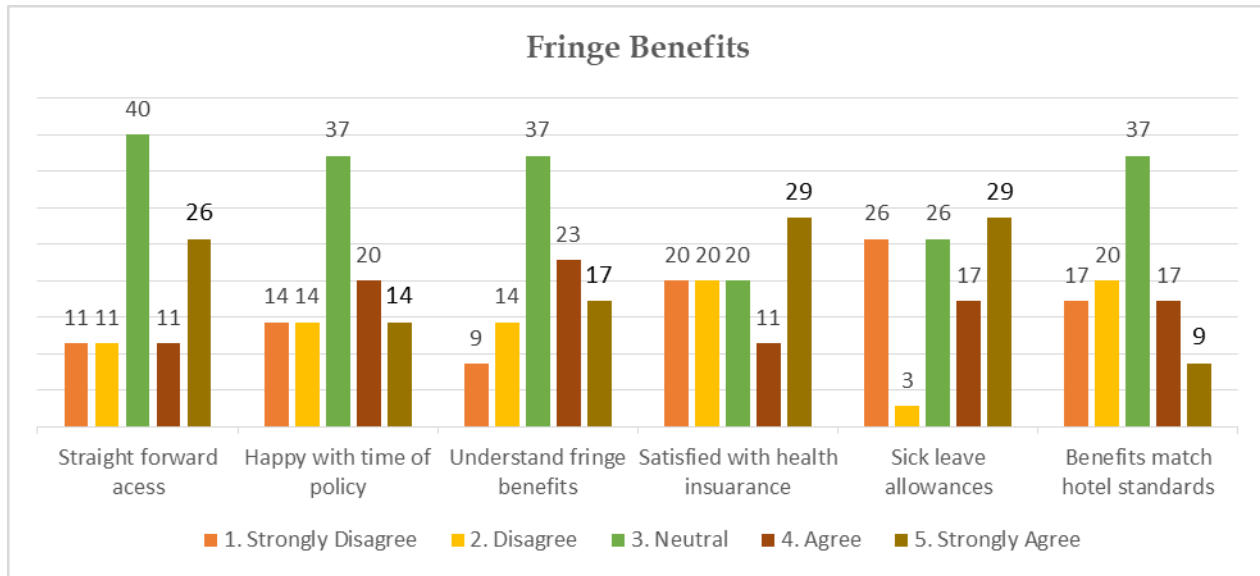


Figure 3: Source: Researchers (2023)

DISCUSSION

The study aimed to evaluate the influence of reward systems on employee performance in the Hospitality industry. The first objective was on financial rewards and employee performance. The results on *financial rewards* indicated that 45.71 per cent of hotels had taken a neutral stance towards providing bonuses to their staff, while none of the hotels included in the study offered any form of overtime payments. These findings suggest that many hotels in the industry do not provide additional financial incentives beyond regular wages, which may impact employee motivation and job satisfaction.

The study also sought to establish the influence of fringe benefits on employee performance. The findings indicate that 40 per cent of respondents had an indifferent attitude towards the ease and simplicity of obtaining fringe benefits. However, 26 per cent of respondents agreed that it was relatively easy to obtain these benefits, demonstrating a generally positive perception of the availability of fringe benefits in their respective organisations. A smaller proportion of respondents, that is, 17 per cent, reported severe dissatisfaction with the perceived level of benefits

offered by their hotel, indicating a potential mismatch between their expectations and the actual benefits provided. These findings suggest that while many employees may not have strong feelings about fringe benefits, there is room for improvement in ensuring that employee expectations are met when it comes to the provision of these benefits.

This study also sought to establish the influence of recognition schemes on employee performance. The study examined recognition schemes in the hotel industry and their impact on staff morale. The results revealed that 20 per cent of respondents agreed on the beneficial impact of recognition and appreciation on employee morale. However, 40 per cent of respondents were undecided on the topic, and 37 per cent opposed the practice of presenting awards and publicising employees' names for appreciation. These findings suggest that while a significant portion of respondents acknowledge the positive impact of recognition schemes on staff morale, a sizeable proportion either have reservations about the practice or are undecided about recognition schemes in their places of work.

CONCLUSION

Reward systems have a positive influence on employee performance within hotels in Nakuru City. It is recommended that hotels consider reviewing and revising their fringe benefit policies to better align with the needs and expectations of their employees. Further, hotels should consider assessing the effectiveness of their existing recognition schemes and consult with their employees to better understand their preferences and opinions on such initiatives.

Hotels should also consider reviewing their compensation policies to ensure that they are in line with industry standards and provide appropriate financial rewards for their employees' hard work and dedication. Hotels that implement clear goal-setting procedures foster an accountability culture and support employee creativity and innovation to motivate their employees, ultimately leading to improved business outcomes.

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