ABSTRACT

Well-functioning financial markets and institutions like insurance companies are important factors in enhancing high economic growth. Evidence has been adduced that reward systems may influence employee performance, although there is limited information regarding the same at Britam Insurance. There has been a decline of revenue at Britam Insurance Company in the recent past despite implementation of reward system at the company. Additionally, studies linking reward system and employee performance have failed to focus on the influence of reward system on employee performance with regard to performance related pay system, team based reward system, and total reward system within insurance industry. The purpose of this study was to examine the influence of reward system on employee performance at Britam Insurance Company in Kisumu, Kenya. The specific objectives were to determine the influence of performance related pay system; examine the influence of reward based systems; and to establish the influence of total reward system on employee performance. The study was guided by Herzberg’s Two factor Theory. Correlational study design was adopted on a target population of 100 employees. Census method was used to select all the 100 employees as study sample. A five-linkert scaled questionnaire was used for data collection. Validity and reliability were enhanced through expert consultation and test retest method during a pilot study respectively. Quantitative data was analysed using descriptive statistics while the relationship between reward system and employee performance was measured by means of regressions and correlations. It was found that employee performance is generally poor (M=2.1111; SD=0.84096), while performance related pay (r=-0.164**; p=0.000), team based pay (r=0.816**; p=.000), and total reward (r=0.811**; p=.000) all have significant correlations with employee performance. These components of reward system together predicted about 79% of the observed variance in employee performance, with a significant model fitting (F=360.83; p<0.000). Moreover, team based pay was found to contribute highly (β =.609; P=0.00) to employee performance in Britam Insurance. This means that employees at Britam Company are motivated most by team based pay. It was concluded that performance related pay does not provide motivation to employees at Britam Insurance. The researcher recommended that teams should be formed in every department and remunerated appropriately; policies that address performance related pay should be formulated; and total reward should be expanded to include non-monetary rewards. Further studies are recommended on effect of team based tangible and intangible non-monetary rewards on employee performance, and the contribution of work councils and departmental teams on enhancement of employee performance. Human resource managers could use findings in this study to formulate reward systems that enhance employee motivation appropriately. This study may also arouse interest and provoke reactions that will encourage other researchers to do a further study in the area.