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**INFLUENCE OF GREEN REWARD AND COMPENSATION
PRACTICE ON ENVIRONMENTAL SUSTAINABILITY IN
SELECTED SERVICE BASED STATE CORPORATIONS IN
KENYA**

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Strategy

INFLUENCE OF GREEN REWARD AND COMPENSATION PRACTICE ON ENVIRONMENTAL SUSTAINABILITY IN SELECTED SERVICE BASED STATE CORPORATIONS IN KENYA

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Abstract

Purpose: The study sought to evaluate the influence of green reward and compensation practices in environmental sustainability of five service based state corporations in Kenya.

Methods: The study adopted a descriptive design but specifically a survey which involved collecting data from five state corporations in order to test hypotheses of the study. The target population was the managerial staff in state corporations in Kenya. The sample size was 122 respondents; 22 top level management, 33 middle level management and 67 Supervisors/ line managers from five service based State Corporations in Nairobi. Multistage sampling was adopted to select the individual subjects randomly. Primary data was collected using a self-administered semi structured questionnaire while secondary data was collected from journals and databases. Pilot study was carried out to determine the reliability of the instrument while validity was tested through discussions with the supervisors and experts. Data was analyzed quantitatively and both descriptive and inferential statistics was used. Multiple regression model was used to establish the relationship between the independent variables and the dependent variable which are explained in the model. The results were presented in form of frequency tables and percentages.

Results: The study found that green reward had a small influence on environmental sustainability. Green Reward and compensation management practice had a negative significance as shown by a coefficient of -0.082

Unique contribution to theory, practice and policy: The study recommends that state corporations should emphasize on the practices which when implemented enhance environmental sustainability.

Keywords: *Green reward and compensation practices, environmental sustainability, State Corporations*

1.0 INTRODUCTION

Rewards and compensation are the major HRM processes through which employees are rewarded for their performance. These HR practices are the most powerful methods which links together an individual's interest to that of the organization's. According to Ramus (2002) incentives and rewards can influence employees' attention to the maximum at work and motivate them to exert maximum effort on their part to achieve organizational goals.

In the context of Green HRM, rewards and compensation can be assumed as potential tools for supporting environmental activities in organizations. Modern organizations are developing reward systems to encourage ecofriendly initiatives embarked upon by their employees. This is supported by a survey conducted in the UK by CIPD/KPMG which estimated that 8% of UK firms are rewarding green behaviors with various types of awards or financial incentives (Phillips, 2011), and these practices can be effective in motivating employees to generate eco-initiatives (Ramus, 2002). A similar study by Forman and Jorgensen (2001) on the importance of employee participation in environmental programs, observed that employee commitment to environment management programs was increased when they were offered compensation to take up duties in relation to environmental responsibility.

The efficacy of green rewards and compensation was best observed in a study conducted by Berrone and Gomez-Mejia (2009) on 469 US firms operating in high-polluting industries. They found that the firms having eco-friendly performance paid their CEOs more than non-eco-friendly firms. The study also concluded that long-term company results in accordance to pay were associated with greater pollution prevention success. Literature review reveals that incentives encourage executives to use accounting and other works to achieve short-term results and enrich themselves (Benz & Frey, 2007).

Though compensation and rewards increase green initiatives in organizations, it can never be completely free from some malpractices. Developing effective monetary incentives can be challenging due to the difficulty of accurately and fairly evaluating environmental behaviors and performance (Fernandez, et. al., 2003). According to Gupta (2008) companies need to design energy-efficient products and processes, and devise incentives to accelerate their acceptance. He asserts that if green rewards and compensation system are aligned to the process of HRM, then a green culture in organizations can be encouraged and by incorporating elements of green management in the compensation program, managers can promote the green behaviors among the employees. Further, managers can ask employees to bring specific green ideas pertaining to their individual jobs which can be through mutual decisions included into the objectives to attain in for the upcoming year. Attaining these objectives would be the basis of receiving incentives.

According to Liebowitz (2010) Employee compensation programs can be modified to give bonuses based in part on the employee's appraisal ratings on the behavioral and technical competencies and in addition, employees could be awarded bonuses for their outstanding work on special projects. Green rewards can include the use of workplace and lifestyle benefits, ranging from carbon credit offsets to free bicycles, engaging people in the green agenda and continuing to recognize their contribution (Pillai & Sivathanu, 2014). According to Lawler et al (2008) green job performance emphasizes that employee is satisfied with green rewards and help

establish environmental performance. Green rewards lead to the highest level of job satisfaction which significantly enhances the environmental performance (Lawler & Porter, 2008). Green rewards and compensation have a significant impact on employee satisfaction for eco-initiatives (Renwick et al, 2013). The usage of rewards and recognition on the basis of environmental sustainability places a positive impact on the motivation of employees to experiment green initiatives (Ramus, 2001).

Rewards are reinforcement to motivation and commit employees to be environmentally responsible (Daily and Huang, 2001). He asserts that a reward system can be used systematically to motivate employees to perform desired behaviors so that both the company and its workers can get benefit from the program. Compensation and reward management should recognize contributions in green management. Compensation packages should be customized to reward green skills acquisition and achievements by employees. Monetary- based, nonmonetary based and recognition- based rewards can be used for green achievements of employees. Monetary-based rewards for contributions in environment management can be allocated in the forms of salary increase, cash incentives and bonuses while non-monetary rewards may include sabbaticals, special leave and gifts to employees and their family members. Recognition-based awards can highlight green contributions of employees through wide publicity and public praise and appreciation of green efforts by CEO or top management executives. (Prasad, 2013).

1.1 Statement of the Problem

Sustainability has become a key focus for many organizations as climate change, regulatory pressures and societal demands for greater environmental and social responsibility have increased. Organizations have been increasingly confronted with environmental issues and are faced with many pressures from stakeholders and shareholders to develop environmentally responsible activities (Marcus & Fremeth 2010).

Environmental performance reflects an output demonstrating the degree to which firms are committed to protecting the natural environment (Lather & Goyal 2015,). Kenya's state corporations' overriding objective is to avail to all citizens the opportunity to live a quality life within a clean and healthy environment as envisaged in the vision 2030 (MDG status report 2014). Kenya is obligated to work towards achieving and maintaining a tree cover of at least 10% of the land area. Environmental degradation is evidenced by MDG report 2013 which show that land under forest cover is estimated at 6.99 %. The report also show Carbon production is at 3389 thousands of metric tonnes. A report from the annual water sector reviews indicates that 39.5 % of Kenyan population access clean drinking water while the level of sewerage coverage in the country is very low with only 1,904,502 people served which translates to about 20 % of the urban population. Human resource being the custodians of all employees in organizations has the mandate to initiate best practices to bring everyone on board. The change towards greener HR practices can be beneficial to organizations in cost reduction, employee retention and attraction (Muster & Schrader 2011). The integration between human resource management and environmental sustainability should focus on supporting business sustainability by creating and delivering HRM core processes which are themselves founded on principles of sustainability. Adoption of green HRM is one aspect of environmental management adopted by organizations.

Studies on green human resource and environmental sustainability have been done globally but a few studies have been conducted in Kenya particularly in state corporations and it is against this gap that the current study was conducted. The study therefore sought to establish the influence of green reward and compensation practices in environmental sustainability of five service based state corporations in Kenya.

2.0 LITERATURE REVIEW

2.1 Best Practice Human Resource Management Theory

The characteristics of the “soft” model of HRM are very similar to those that are under the HRM “best practice”. Johnson (2000) suggests that the underlying guiding principle of best practice is the valuing and rewarding of employee performance. After extensive research, Huselid (1995) developed a list of 13 “High performance work characteristics” that he believed constituted best practice HRM.

According to Pfeffer (1998) who drew heavily from the previous work done by Huselid, outlined seven best practices of successful organizations which includes such things as employment security, selective hiring of new personnel, self-managed teams, decentralized high compensation relative to performance, extensive training, reduction in barriers and extensive sharing of financial and performance information. However Guest (1999) and others have questioned the basis of some of the universal claims made about the connection between HRM strategies and organizational performance.

They report that they are not convinced by the idea that there is a general prescription of HRM intervention that can be applied in any organization, irrespective of context and priorities with the likelihood of a similar level of response and results, (Guest, 1999). Although there is still debate between HRM practitioners as to what common sense meaning; literally the methods and techniques which produce superior results in HRM, (Price, 2004). Therefore, activities that are designed to empower and develop the employee in addition to positively affect the bottom line of the organization are considered “best practice” (Edgar, 2003). A study carried out in New Zealand firm resulted in contrasting results.

According to a study conducted by Stablein and Geare (1993) investigating the commonality of best practice HRM activities in New Zealand organizations. Examining different functions of the organizations such as salary, administration and employment. Results showed that based on EEO (Equal Employment Opportunity), most sectors tended to be very good at utilizing HRM best practice to activities within the firm and that much improvement was required to get business up to the levels of HRM best practice utilized abroad.

The best practice approach suffers from a series of limitations. When implementing best practice standards organizations run risk of introducing mutually prohibitive combinations like team working and compensation based on individual performance resulting in a deterioration of employee collaboration through over exaggerated competition (Johnson, 2000). Moreover, high commitment management systems are generally a complex undertaking requiring large inputs of planning and top level management commitment.

corporations whose mandate is on environmental conservation. The top, middle and lower managers were randomly selected from the selected service based corporations to get the respondents in stage 4.

The number of managers in Kenya Power were 356, Kenya Wildlife Service 210, Kenya forest service 185, NEMA were 86 and Nyayo tea zone 120. Proportionate distribution was used to get the respondents from the five state corporations. The researcher used simple random sampling to get the 22 top level management, 33 middle level management and 67 supervisors/ line managers. Data was analyzed by using statistical tests that depended greatly on the type of variables being studied. Both descriptive statistics and inferential statistics was conducted. This was done by computing the percentages, mean and standard deviation which assisted with the generalization of results. Multiple regression model was used to measure the relationship between the independent variables and the dependent variable which are explained in the model.

4.0 DATA PRESENTATION AND DISCUSSION OF RESEARCH FINDINGS

4.1 Green Reward and Compensation Practice and Environmental Sustainability

The study investigated the influence of green reward and compensation on environmental sustainability by probing if there was incorporation of green reward and compensation in HRM policies and practice, various aspects of green reward and compensation and environmental sustainability and ways of incorporating green reward and compensation in HRM policies and practice.

The respondents were required to indicate whether the corporation incorporated green reward and compensation in HRM policies and practices. The findings indicated that majority of the respondents agreed that green reward and compensation had been incorporated in the HRM policies and practice in their state corporations. A study by Mandip (2012) supports these findings as he indicated that reward systems can improve the organization's efforts to implementing sustainable practices and they encompass more than just financial compensation. Rewards can also take the form of schedule flexibility, profit-sharing, benefits and incentives, recognition, paid time off and holidays, favored parking and gift certificates (Daily, 2011).

The study further explored ways of incorporating green reward and compensation practice in HRM policies and practices. The findings reveal that a large number of respondents revealed that it was done by rewarding environmental champions with bonuses while some indicated that it could be through employee recognition where the environmental stars receive public praise. Moreover, some of the respondents indicated that green reward and compensation was incorporated through the presence of a policy on green reward in the corporation.

In the context of Green HRM, rewards and compensation can be assumed as potential tools for supporting environmental activities in organizations. A study by Garg (2014) investigating the participation of employees in environmental work programs supports these findings as it reveals that rewards and compensation can be used to make employees undertake responsibility of participating in environmental efforts. The respondents were required to rate various statements on green reward and compensation using a scale of 5-1(SA=strongly agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly Disagree).

Means greater than 1 and less than 1.5 implied that green reward and compensation practice influenced environmental sustainability to no extent. Means greater than 1.5 and less than 2.5 implied that green reward and compensation practice influenced environmental sustainability to a little extent. Means greater than 2.5 and less than 3.5 implied that green reward and compensation practice influenced environmental sustainability to a moderate extent. Means greater than 3.5 and less than 4.5 implied that green reward and compensation practice influenced environmental sustainability to a greater extent. Means greater than 4.5 implied that green reward and compensation practice influenced environmental sustainability to a very great extent. The findings are indicated in Table 1.

Table 1: Green Reward and Compensation Practice and Environmental Sustainability

Green Reward and Compensation Practice and Environmental Sustainability	N	Mean	SD
There are bonuses to employees who accomplish environmental assignments.	110	2.51	1.37
The state corporation recognizes employees who are rated as environmental champions.	110	2.65	1.37
There is issuance of special leaves and sabbaticals to staff who are environmental champions.	110	2.38	1.29
The management prefers to customize their compensation package to reflect their environmental goals.	110	2.36	1.21
There is offering gifts to staff members considered environmental champions.	110	2.37	1.35
There is form of schedule flexibility as a form of reward	110	2.01	1.13
The organization share profits as a form of appreciation	110	3.54	1.35
Employees who champion environmental issues get paid time off	110	2.00	1.13
Reward improves organization effort to implement sustainable practices	110	2.40	1.31
Employees recognition is used as a form of reward in the organization	110	2.35	1.40

N=110, S.D=Standard Deviation

Average = 2.46

From the findings, 31.4% strongly agreed that there were bonuses given to employees who accomplish environmental assignments, while 22.9% of the respondents disagreed. It was discovered that some of the state corporation recognized employees who are rated as environmental champions. This was accounted for by the findings which indicated that 26.7% of

the respondents agreed that state corporation recognized employees who rated as environmental champions while 25.7% strongly agreed to the statement. Moreover, 32.4% strongly agreed that there was issuance of leave to environmental champions while 28.6% agreed to the statement. This means that most of the state corporations used green reward and compensation.

The findings further showed that management preferred to customize their compensation package to reflect their environmental goals as shown by 33.3% of the respondents who agreed to the statement and 28.6% strongly agreeing. Further 35.2% of the respondents strongly agreed that there was offering of gifts to staff members considered environmental champions while 25.7% agreed to the statement. The study further probed if there was schedule flexibility as a form of reward and 44.6% of the participants strongly agreed to the statement while 27.2% agreed, and another 36% of the respondents disagreed that the organization shared profits as a form of appreciation while 31.5% strongly disagreed to the statement.

It was found out that employees who champion environmental issues get paid time off; this was indicated by 43.5% of the respondents who strongly agreed to the assertion while 29.3% of them agreed. Only 33.7% of the respondents strongly agreed that reward improves organization effort to implement sustainable practices while 25% agreed to the statement. The study also indicated that 40.2% of the respondents strongly agreed that employees' recognition was used as a form of reward in the organization while 20.7% agreed to the statement.

The average mean of 2.5 indicated that green reward and compensation practice influenced environmental sustainability to a moderate extent. The standard deviation describes the distribution of the response in relation to the mean. It indicates how far the individual responses to each factor diverge from the mean. A standard deviation of more than 1 shows that the responses are moderately distributed, while less than 1 indicates that there is no agreement on the responses obtained. An average of 1.3 for all statements on reward and compensation practice indicates that the responses are moderately distributed.

Further, the research probed if the use of green reward and compensation influence environmental sustainability of the corporations. The findings indicated that majority of the respondents disagreed that the use of green reward and compensation had an influence on environmental sustainability. A study by (Lin & Ho., 2008), supports this by asserting that though compensation and rewards increase green initiatives in organizations, it can never be completely free from some malpractice. Developing effective monetary incentives can be challenging due to the difficulty of accurately and fairly evaluating environmental behaviors and performance (Lin & Ho., 2008).

The study explored ways that green reward and compensation can be incorporated in HRM policies and practice. The findings showed that a large number of the respondents indicated that it can done through issuing gifts to environmental champions to reinforce positive environmental behaviors and documenting reward policies and automation of reward processes.

H₀₃: Green Reward and Compensation practice have no significant influence on environmental sustainability in selected state corporations in Kenya.

H_{a3}: Green Reward and Compensation practice have significant influence on environmental sustainability in selected state corporations in Kenya.

Table 2: Overall ANOVA for Green Reward and Compensation practice and Environmental Sustainability

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7324.024	33	221.940	2.661	.160
Within Groups	6338.967	76	83.407		
Total	13662.99	109			

The results showed that there was no significant difference in the means of the different green reward and compensation practices in state corporations influencing environmental sustainability { $F(33, 76) = 2.661, p = .160$ }. The study therefore failed to reject the null hypothesis.

It was therefore concluded that green reward and compensation practice have no significant influence on environmental sustainability among the state corporations in Kenya. This means that even though green reward boosts employee's morale and encourages them to put in extra effort it does not positively influence environmental sustainability. If employees are rewarded for meeting their targets, they may repeat the desire behaviors frequently but this does not influence the sustainability agenda of the state corporation.

4.2 Discussion of Findings

The study found that green reward and compensation practices has no effect on environmental sustainability among state corporations in Kenya ($F(33, 76) = 2.661, p = .160$). This shows that green rewards being incorporated into the human resource policies in state corporations in Kenya does not influence environmental sustainability in any way.

The findings was contrary to other studies that indicated that it requires the organization to identify various reward strategies which could be monetary and non-monetary benefits provided for employees in exchange for their environmental contributions. Daily and Huang, (2001) indicated that rewards are reinforcements to motivation and commit employees to be environmentally responsible. He asserts that a reward system can be used systematically to motivate employees to perform desire behaviors so that both the company and its workers can get benefit from the program.

These benefits include bonuses, special leaves, gift vouchers, flexible schedules, paid holidays, profit sharing schemes, and paid time off. These rewards improve employees to perform desire behaviors which in turn ensure that organizations sustainable practices are improved. Respondents from the state corporations indicated that such rewards have been put in place and this is an indication that non-monetary incentives are important and employees value them but it's not meant to entice them to work towards improving the environment. Respondents from NEMA confirmed that conservation and environmental sustainability is their mandate and they do not have to be rewarded to perform their mandate as it was the core business of the organization.

These results therefore show the importance of using green rewards to encourage employee behavior towards achieving environmental goals. Compensation and reward management should recognize contributions in green management. A study by (Prasad 2013) argued that Monetary-based, nonmonetary based and recognition- based rewards can be used for green achievements of employees. Monetary-based rewards for contributions in environment management can be allocated in the forms of salary increase, cash incentives and bonuses while non-monetary rewards may include sabbaticals, special leave and gifts to employees and their family members.

Compensation packages should be customized to reward green skills acquisition and achievements by employees. Rewards and compensation are the major HRM processes through which employees are rewarded for their effort. These HR practices are the most powerful methods which links together an individual's interest to that of the organization's. Therefore, state corporations need to design reward programs that can be motivational to all employees in order to enhance environmental sustainability.

Best practice human resource theory identifies rewards as a best practice which influences performance of the organization but this contradicts because from the findings, there is no influence this has had on the environmental performance of the firm.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study found that state corporations had incorporated green rewards and compensation into their policies through recognition of employees who are environmental champions, issuing of bonuses, use of gift vouchers and special leaves. The state corporation also offered schedule flexibility as a form of reward, and used paid time off. It was established that rewards actually improved organization's effort to implement sustainable practices to a great extent while sharing of organization profits was not common.

State Corporation had automated processes like online pay slips. The regression analysis results indicated that green reward and compensation had a negative influence on environmental sustainability. This means that green reward and compensation does not help in realization of environmental sustainability in State Corporation in Kenya.

5.2 Conclusions

5.2.1 Green Reward and Compensation Management Practice

The study concludes that green reward and compensation management practice had the least significance among the four factors that influences environmental sustainability in state corporations. Some of the suggested green reward and compensation practices include gifting employees who are champions of green practices, receiving bonuses and regulations for positive behaviors. Further the study concludes that green reward is being practiced through automation of reward processes, issuance of special leaves and sabbaticals to staff. However State Corporations do not share profits of organization as a form of reward. The theory of Best practice HRM theory lists reward as one of the best practice to improve performance but from

the findings it can be concluded that there is more that can be done to improve environmental performance besides reward employees.

5.3 Recommendations

The study recommends that state corporations should emphasize on the practices which when implemented enhance environmental sustainability. Therefore since green reward influence environmental sustainability in the negative direction, the study recommends that the corporation should not focus on rewarding employees with intentions to make them be more environmental conscious. Reward could instead be used as a way of compensation for work done so that rewards are given to any employee in the organization who performs well.

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