



INFLUENCE OF REMUNERATION COMMUNICATION ON ORGANIZATIONAL REPUTATION OF REGISTERED FLOWER FIRMS IN KENYA

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ABSTRACT

Environmental sustainability is a matter which cannot be ignored, so business organizations have to recognize the competitive advantages and business opportunities to be gained from green marketing although it may be a cost to the organization. The firms in the floriculture industry in Kenya have been facing myriad of challenges emanating from environmental concerns. The main focus of this study is to establish the influence of remuneration communication organizational reputation of registered flower firms in Kenya. This study used descriptive research design to collect both qualitative and quantitative data. The target population for this study was all the 89 registered flower farms in Kenya. Due to the small size of population, census sampling approach was used. Therefore the study carried out a census of all 89 registered flower farms in Kenya. The questionnaire was the selected instrument or tool for data collection for the study. The study used both descriptive and inferential statistics for data analysis. The study results were presented through tables and figures. The study concludes that there is a positive and significant relationship between elements of remuneration communication and organizational reputation of registered flower firms in Kenya. This study therefore recommends that the management of registered flower firms in Kenya should pay communication is a private affair and is addressed to the person being paid by the organization. In addition, the management of registered flower firms in Kenya should ensure effective and efficient pay communication methods are adopted.

Key Words: pay secrecy, remuneration communication, organizational reputation

INTRODUCTION

Background of the Study

Increased uncertainties and challenges in the domestic and international environments have increased the need to identify factors that influence employee performance so as to increase economic resilience and reputation of organizations. According to Colquitt, Lepine and Wesson (2019) enhancing employee performance is one of the key roles that managers must undertake, particularly in pay for performance systems. Pay is a topic that has always been a primary concern for employees as well as employers. For employees, pay has a substantial impact on the general living conditions and status, whereas for employers, compensation represents one of the largest business costs (Williams, McDaniel & Nguyen, 2017).

Studies have shown that communication about management practices can increase organizational commitment, job satisfaction, performance, pay satisfaction and perceptions of pay fairness, and encourage a positive psychological reputation in organizations (Winter & Jackson, 2018). This is because according to the social exchange theory, pay communication tends to be a public show of trust in employees. It demonstrates that the employer values the employees (Cascio, 2017). This helps the organization have a good reputation to the public.

Information about pay is so critical to employee behaviors and decision making yet according to SHRM (2017b) managers underestimate the relative importance of compensation communication to workers. According to Scott *et al.* (2017) few firms spend much time and effort communicating to their employees about how pay is determined and allocated. The concerns regarding pay may be due to lack of understanding of how their pay level is determined (Colquitt, Lepine & Wesson, 2018).

Bierman and Gely (2018) indicate that there are four main justifications for pay secrecy observance by employers and employees including: employee and employer privacy concerns; avoidance of workplace conflict; reduction of labor mobility, which can foster a more stable wage regime; and facilitation of firm-specific investment. However, pay secrecy may create prisoners' dilemma if workers defect from the secrecy norm to try to negotiate for a higher salary. Some workers may also want to know what others earn for comparison purposes, that is, what they earn in comparison to other workers.

According to Bierman and Gely (2018) there is a social norm of pay secrecy (code of silence) that exists with respect to the issue of pay in many organizations in the United States of America (U.S.A.). In 2014, President Obama signed an Executive Order for non-retaliation for Disclosure of Compensation Information. The Order put two executive actions in place to promote the idea of equal pay for equal work and to create salary transparency in the workplace. The Order only reinforced the pre-existing National Labor Relations Act of 1935.

Under the California Equal Pay Act signed in 2015 by California Governor Jerry Brown, employers are banned from prohibiting employees from discussing their own wages or the wages of others. Employers cannot take disciplinary action against employees for discussing their pay. The only time it may be illegal to discuss wages is if an employee in charge of company wage and payroll information discloses information without permission. Other eleven states in the U.S. A. have also passed their own laws banning pay secrecy: Michigan (1982), California (1984), Colorado (2008), Illinois (2004), Maine (2009), Vermont (2005), New Jersey (2013), New York (2015), Minnesota (2014), New Hampshire (2014), and Connecticut (2015).

In developing nations of the world, money is regarded as a motivation and a catalyst to building loyal, dedicated and committed workforce (Adeniji & Osibanjo, 2018). Employees after

expending their time, efforts, energy and labour in helping the organization achieve its goals, expect adequate compensation and reward in form of money and other entitlements to satisfy personal, economic, psychological, social, self-actualization, security and growth needs, (Adeniji & Osibanjo, 2018).

In Nigeria, Ladipo and Olufayo, (2017) observed that in most food companies and organizations of Ogun State where such logical wage and salary differentials have not been established, compensation patterns are often irregular and chaotic since they have evolved from favoritism and arbitrary decisions. In such cases jobs that call for greater effort skill and responsibility may pay less than jobs requiring fewer of these attributes; and individuals in the same or similar occupations may receive widely varying compensation; morale is consequently low and performance poor since employees keenly see these inequities, and management cannot explain the inconsistencies on a logical basis.

Dissatisfaction in compensation may lead to performance degradation, increasing degree of absenteeism, and employee turnover (Mangkuprawira, 20147). The Union of Kenya Civil Servants noted with concern that there were three different payrolls for staff at the devolved units which defies logic and morality. These disparities in compensation among the employees in the devolved units could greatly impact on their motivation, job satisfaction, performance and their commitment. In addition to the pay disparities, there are no clear structures defining the career progress in terms of promotion and salary increments among the staff employed by the county government. As such, different categories of employees have different work progression yet they are working together in the same locality.

Kenya's economy greatly depends on agriculture which is ranked among the top most foreign exchange earners for the country. Flower farming in Kenya is among the most developed sector and estimated to account for about 40 per cent of all horticultural exports. The main production areas include: Lake Naivasha, Mt. Kenya, Nairobi, Thika, Kiambu, Athi River, Kitale, Nakuru, Kericho, Nyandarua, Trans Nzoia, Uasin Gishu and Eastern Kenya. As of July 2020, Kenya Flower Council (KFC) had a producer membership of 89 flower farms located throughout the country. They are involved in the flower sector through flower imports, provision of farm inputs and other affiliated services (KFC, 2020). The main stakeholders in this industry are the government, private flower firms, employees, Kenya flower council, communities around the flower farms, the European market (customers), competitors among other stakeholders.

Statement of the Problem

Environmental sustainability is a matter which can not be ignored, so business organizations have to recognize the competitive advantages and business opportunities to be gained from green marketing although it may be a cost to the organization (). The firms in the floriculture industry in Kenya have been facing myriad of challenges emanating from environmental concerns. In the present growing competitive business environment, HR managers are compelled to redesign their Human Resource Management approaches and adopt proactive HR policies and practices aimed at achieving organizational goals and enhancing competitiveness (Central Bank of Kenya, 2015). This includes polices relating to pay communication.

This study seeks to investigate the influence of pay secrecy on organization reputation in registered flower firms in Kenya. Agriculture represents around 24% of Kenya's GDP with an expected 75% of the populace relying upon the area either straightforwardly or in a roundabout way. A great part of the discontinuous quality and general shortcoming in GDP and salary development in Kenya can be credited to changes in agricultural execution.

The influence of Pay secrecy on performance is still not well understood in the horticulture industry. In most studies, performance, retention and productivity have always been attributed to other factors such as amount and types of rewards, working conditions, training and development and employee wellbeing with minimal emphasis on pay secrecy policies. Not much attention has been given to pay secrecy and its influence on performance. This is in spite of some studies having shown that in some organizations, pay secrecy is considered as an indispensable approach that reinforces employee trust in management, boosts task commitment and facilitates the retention of strong performers (Bamberger & Belogolovsky, 2019).

Yin-Fah, Foon, Chee-Leong, and Osman (2015) assert that retention of employees is not easy and that employees need to be provided with intrinsic and extrinsic rewards to ensure that the employees are loyal and therefore retain them. Mwangi and Omondi (2016) strongly argue that the loss of competent employees has a negative impact on the competitive advantage since it is expensive to replace and train new employees. The scholars also assert that employees quit from one farm to another farm and even to other sectors exacerbating the working conditions and “other factors” in farms since they have to operate with skeleton staff (Dwomoh & Frempong, 2017).

It's noteworthy that most studies carried out in Kenya focus on the effect of human resource management practices, rewards, and working conditions on employee performance and not the influence of pay secrecy, yet studies have shown that perceptions of pay components have a great influence on employee attitudes and behaviours (Femi, 2014). As such, with many contradicting assumptions about how workers' performance is influenced by pay secrecy, there is need for more research to refine policy and practice on pay secrecy. Therefore, this study seeks to specifically bridge the knowledge and contextual gaps by exploring the influence of pay secrecy on organizational reputation of registered flower firms in Kenya.

Objectives of the Study

- i. To establish the influence of elements of remuneration communication on organizational reputation of registered flower firms in Kenya

LITERATURE REVIEW

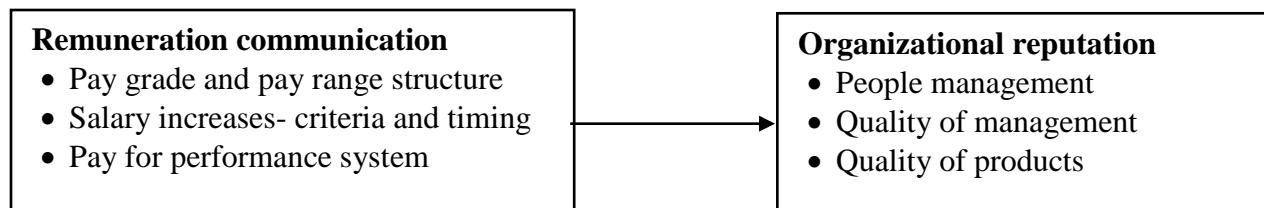
Uncertainty Management Theory

Uncertainty Management (AUM) theory was introduced by William B. Gudykunst in 1988 to define how humans effectively communicate based on their balance of anxiety and uncertainty in social situations. According to Gudykunst, some level of anxiety and uncertainty is good for communication. In minimal amounts anxiety and uncertainty make interpersonal communication effective. A little apprehension gets adrenaline flowing and drives people to communicate effectively but too much makes people to become frozen with fear or turn into a blubbering mess. Optimum levels of uncertainty ensure that people remain curious about the other person and not feel as though we already know what they are going to say therefore we do not need to listen. Too much uncertainty causes people to lose confidence in predicting behaviour to the point it does not seem worthwhile to communicate with the other person (Brashers, Goldsmith & Hsieh, 2002)

The uncertainty management theory focuses on four levels of communication: individual, interpersonal, intergroup, and cultural. Individual level is the motivation for human communication, influencing the ways humans create and interpret messages (for example the need for group inclusion and self-concept support). Interpersonal level is the way the message is exchanged when people are communicating as an individual (for example one-on-one communication, intimate relationships and social networks). Intergroup level is the exchange of

messages when humans are communicating as a collective (for example social identities, collective self-esteem).

Conceptual Framework



Remuneration communication

According to Armstrong (2019) employee reward systems communicate messages to employees about the beliefs of the organization on what is felt to be important when valuing people in their roles. They deliver two messages: this is how we value your contribution; this is what we are paying for it. It is therefore important to communicate to employees collectively about the reward policies and practices of the organization and individually about how those policies affect them now and in the future. In other words, transparency is essential.

Information communicated to employees should include: the reward policies of the organization in setting pay levels, providing benefits and progressing pay. The pay structure, that is, their job grades and pay ranges and how they are determined, and how the structure is managed; the basis upon which their present rate of pay has been determined; the pay opportunities available to them- the scope in their grade for pay progression, the basis upon which their pay will be linked to their performance and the acquisition and effective use of skills and competences as their career develops, and what actions and behavior are expected of them if their pay is to progress. Individual employees should also understand how their performance will be reviewed and the part they play in agreeing objectives and formulating personal development and performance improvement plans. They should understand the benefits structure including the range of benefits provided, with details of the pension scheme and other major benefits, the value of the employee benefits they receive, that is, the level of total remuneration provided for individuals by the organization. Employees should also understand how they can appeal against grading and pay decisions or take up a grievance on any aspect of their remuneration.

Empirical Review

A study by Jawahar and Stone, (2017) on "Fairness perceptions and satisfaction with components of pay satisfaction", suggested that informational justice plays an important role in satisfaction with pay level, pay structure and administration and possibly pay raises. To examine the role of informational justice, three hierarchical regressions were run. Results of the regressions indicated that informational justice perceptions explain additional variance in satisfaction with pay level (2 per cent), raises (3 per cent), and structure and administration (3 per cent) beyond the other dimensions of distributive, procedural and interpersonal justice perceptions. The study results suggested that organizations should train managers to convey information regarding pay level, raises and pay policies to employees in a clear, complete and timely manner. Such communication is likely to increase pay satisfaction. The study by Jawahar and stone used cross sectional research design.

A study by Day (2017) titled "An investigation into pay communication: is ignorance bliss" purposed to investigate the relationships between pay communication and referent choice, pay

satisfaction and pay equity perceptions. A sample of 149 employed graduate business students from a variety of organizations were surveyed at two different times, first to assess dependent variables (pay satisfaction and pay equity perceptions), and second to measure perceived pay policies. A two-questionnaire survey methodology was designed to minimize the possibility of common method variance. The study found out that Contrary to predictions, increased pay communication was not associated with referent choice, and referent choice was unrelated to pay attitudes. Pay communication was also unassociated with pay satisfaction. However, increased pay communication was found to be negatively related to pay equity perceptions. The study concluded that employers should be cautious about what pay information they provide to their employees, since the study suggested that increased pay communication results in lower pay equity perceptions.

RESEARCH METHODOLOGY

This study used descriptive research design to collect both qualitative and quantitative data. The target population for this study was all the 89 registered flower farms in Kenya. the study carried out a census of all 89 registered flower farms in Kenya. Mugenda and Mugenda (2013) recommends for census study for the entire population in circumstances where the population is fairly small. It involves 10% of the size of sample size hence three institutions of higher learning was randomly selected and 9 questionnaires distributed to assistant managers in finance, accounts and internal audit. After testing the validity and reliability of the research questionnaire, the researcher sought the consent of Jomo Kenyatta University of Agriculture & Technology and the management of the public institutions of higher learning in Kenya. Descriptive statistics include use of mean, standard deviations, variance and frequencies. Inferential statistics include use of regression and correlation analysis. Correlation analysis is the statistical tool that can be used to determine the level of association of two variables (Orodho, 2012).

Response Rate

The sample size of the study comprised of 89 respondents comprising of senior employees working in registered flower farms in Kenya. The researcher dropped the questionnaires and agreed with the respondents when to return to pick them. Out of 89 questionnaires which were distributed, 81 were duly filled and returned. The drop-off and pick-up-later method yielded a response rate of 91%. Kothari (2012) indicates that a response rate of 50% should be considered average, 60% to 70% considered adequate while a response rate of above 70% should be regarded as excellent. This implies that the response rate was adequate for analysis, drawing conclusions and reporting.

Descriptive statistics

Remuneration communication and Organizational Reputation

The first specific objective of the study was to establish the influence of elements of remuneration communication on organizational reputation of registered flower firms in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to elements of remuneration communication and organizational reputation of registered flower firms in Kenya. The results were as presented in Table 1

The respondents agreed that their organization has held formal educational sessions in which they explain how pay levels are determined for its jobs ($M= 3.976$, $SD=0.897$). In addition, the respondents agreed that their organization provides employees with written information about how pay levels are determined. ($M= 3.974$, $SD=0.756$). Further, the respondents agreed that their supervisor has explained to them how pay levels are determined for the jobs in their organization

(M= 3.964, SD=0.953). The respondents also agreed that they understand the rationale or intent of why base pay increases for last year were distributed the way they were. (M= 3.886, SD=0.924).

As shown in the results, the respondents agreed that they are satisfied with the information they receive from management concerning their pay (M= 3.854, SD=0.787). Further, the respondents agreed that they understand the guiding principles of the overall reward program (M= 3.837, SD=0.982). The respondents also agreed that they understand how the reward program links to business results (M= 3.786, SD=0.987). In addition, the respondents agreed that they understand why certain employees are eligible for increments and some are not (M= 3.778, SD=0.997). The respondents also agreed that they understand the principles and rationale for the design of the base pay program (M= 3.767, SD=0.872). The respondents also agreed that they understand why pay minimums and maximums are set as they are (M= 3.756, SD=0.863). The respondents also agreed that their organization's pay communication describes the link between performance and rewards (M= 3.676, SD=0.854).

Table 1: Elements of remuneration communication and Organizational Reputation

	Mean	Std. Deviation
My organization has held formal educational sessions in which they explain how pay levels are determined for its jobs	3.976	0.897
My organization provides employees with written information about how pay levels are determined	3.974	0.756
My supervisor has explained to me how pay levels are determined for the jobs in my organization	3.964	0.953
I understand the rationale or intent of why base pay increases for last year were distributed the way they were.	3.886	0.924
I am satisfied with the information I receive from management concerning my pay	3.854	0.787
I understand the guiding principles of the overall reward program	3.837	0.982
I understand how the reward program links to business results	3.786	0.987
I understand why certain employees are eligible for increments and some are not	3.778	0.997
I understand the principles and rationale for the design of the base pay program	3.767	0.872
I understand why pay minimums and maximums are set as they are	3.756	0.863
My organization's pay communication describes the link between performance and rewards	3.676	0.854
Aggregate	3.826	0.858

Inferential Statistics

Inferential statistics focused on correlation and regression analysis. Correlation analysis was used to determine the strength of the relationship while regression analysis was used to determine the relationship between dependent variable (organizational reputation of registered flower firms in Kenya) and independent variables (remuneration communication).

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (elements of remuneration communication) and the dependent

variable (organizational reputation of registered flower firms in Kenya). Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

Table 2: Correlation Coefficients

		Organizational Reputation	Remuneration communication
Organizational Reputation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	81	
Remuneration communication	Pearson Correlation	.832**	1
	Sig. (2-tailed)	.001	
	N	81	81

From the results, there was a very strong relationship between remuneration communication and organizational reputation of registered flower firms in Kenya ($r = 0.832$, p value = 0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Oladapo (2018) who indicated that there is a very strong relationship between remuneration communication and organizational reputation.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables and the dependent variable (organizational reputation of registered flower firms in Kenya)

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945	.893	.894	.11288

a. Predictors: (Constant), remuneration communication

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.893. This implied that 89.3% of the variation in the dependent variable (organizational reputation of registered flower firms in Kenya) could be explained by independent variables (remuneration communication).

Table 4: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	134.077	4	33.519	263.93	.000 ^b
1 Residual	9.768	77	.127		
Total	143.845	81			

a. Dependent Variable: organizational reputation

b. Predictors: (Constant), remuneration communication

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 263.93 while the F critical was 2.490. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as

a good fit for the data. Therefore, the model can be used to predict the influence of remuneration communication on organizational reputation of registered flower firms in Kenya.

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	0.265	0.065		4.077	0.001
	Remuneration communication	0.379	0.098	0.380	3.867	0.001

a Dependent Variable: organizational reputation

From the results, remuneration communication has a significant effect on organizational reputation of registered flower firms in Kenya ($\beta_1=0.379$, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the findings of Oladapo (2018) who indicated that there is a very strong relationship between remuneration communication and organizational reputation.

Conclusions

The study concludes that there is a positive and significant relationship between remuneration communication and organizational reputation of registered flower firms in Kenya. Findings revealed that pay grade and pay range structure, salary increases- criteria and timing and pay for performance system influences organizational reputation of registered flower firms in Kenya

Recommendations

The study found that there is a positive and significant relationship between remuneration communication and organizational reputation of registered flower firms in Kenya. This study therefore recommends that the management of registered flower firms in Kenya should pay communication is a private affair and is addressed to the person being paid by the organization.

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