

**COMPENSATION PRACTICES AND EMPLOYEE PERFORMANCE IN  
FIVE (5) SELECTED BISCUIT MANUFACTURING COMPANIES IN  
NAIROBI CITY COUNTY, KENYA**

**BY  
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**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS IN  
FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE  
DEGREE IN MASTER OF SCIENCE ( HUMAN RESOURCE  
MANAGEMENT), KENYATTA UNIVERSITY**

**SEPTEMBER, 2020**

**DECLARATION**

I hereby declare that this thesis is my original work and to the best of my knowledge it has not been presented to any other college institution or university for any academic award.

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## **DEDICATION**

I dedicate this thesis to my wife Anne, children Joan, Ashley, and Brian, for their understanding in allowing me to pursue this MSc program and for their prayers and support. Finally to my late Dad, Stephen Nzyoka Ngatya, who was a great inspiration to me only that he did not live to see me complete the study, May his soul rest in peace.

## **ACKNOWLEDGEMENT**

Many people have encouraged and supported me throughout the writing of this thesis. I would like to acknowledge their contribution by mentioning their names. My supervisors, Dr Jedidah Muli, and Dr Eliud Obere for their time and patience in scrutinizing this paper. You have contributed immensely in shaping this study through your advice, directions, suggestions, and criticisms.

The Management of Manji Food Industries Limited, Jambo Biscuits Kenya Limited, Premier Foods Limited, Golden Biscuits Limited, Sunveat Foods Limited for providing me with the necessary information for this project. Through your support, I was able to understand your organizations.

To my lecturers at Kenyatta University for preparing and guiding me adequately at the MSc. coursework stage. Dr Kilika your preparations for Research work has proved very valuable, Dr Hannah Bula your preparations during the Seminar class were timely.

May God Bless you all

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## OPERATIONAL DEFINITION OF TERMS

- Basic Pay:** Fixed pay provided by an employer to employee and as used herein does not vary according to performance or results achieved.
- Biscuit Manufacturing Companies:** Selected organizations engaged in the Business of manufacturing Biscuits within Nairobi County.
- Compensation Practices:** Deliberate schemes implemented to attract retain and improve employee motivation to perform better and includes basic salary, employment benefits, skill development, work balance.
- Compensation:** Value proposition an employer offers to an employee in an employment relationship.
- Competitive advantage:** The ability of a firm to outperform its competitors in the same industry by creating and implementing a value-creating strategy that is not implemented by competition.
- Employment benefits:** Programs an employer uses to supplement cash compensation to employees.
- Employee Performance:** The extent to which employees achieve their set target based on efficiency, effectiveness, quality products and resource utilization.
- Organizational Culture:** Shared values, valued traits and communication traits within the organization.
- Skill Development:** Process of acquiring skills and competencies aimed at bettering performance and includes career paths and information, paid trainings, mentoring and coaching.
- Work-life Balance:** Ability of an employee to meet both work and other life commitments in life with a minimum role conflict and can be traced from job designs, leave rosters and flexibility in policies.

## **ABBREVIATIONS AND ACRONYMS**

<b>ANOVA:</b>	Analysis of Variance
<b>BARS:</b>	Behaviorally Anchored Rating Scale
<b>CEO:</b>	Chief Executive Officer
<b>EAC:</b>	East African Customs
<b>FKE:</b>	Federation of Kenya Employers
<b>KAM:</b>	Kenya Association of Manufacturers
<b>KNBS:</b>	Kenya National Bureau of Statistics
<b>MBO:</b>	Management by Objectives
<b>NCOSTI:</b>	National Commission for Science Technology and Innovation
<b>NHIF:</b>	National Hospital Insurance Fund
<b>SPSS:</b>	Statistical Package for Social Sciences
<b>WIBA:</b>	Work Injury Benefit Act

## ABSTRACT

Employee performance is of high importance in any organization as it determines productivity and future direction, In order to maintain peak performance, organizations use compensation practice as one of the ways to build a competitive strategy for attracting, retaining suitable employees as well as maintaining peak performance. Various compensation practices have been set up in the organizations in pursuit of increased performance and the general growth to ensure sustainability. However, despite the setup, the organizations are still struggling at the marketplace as they have not established the effect of these compensation practices on employee performance. The general objective of this study was to establish the effect of compensation practices and employee performance in the biscuit manufacturing companies within Nairobi city-county, Kenya. Specifically, the study determined the effect of basic pay, examined the effect of employee benefits, effect of skill development, established the effect of work-life balance and the moderating effect of organizational culture on the relationship between total compensation practices and employee performance in the biscuit manufacturing companies in Nairobi city-county, Kenya. The descriptive research design was used and stratified random sampling technique was used to select a sample size of 320 respondents from the target population of 1,600 employees within the Biscuit manufacturing companies in Nairobi City County. Primary data was collected using semi-structured questionnaires. Content, construct and criterion validity was ensured while reliability of data collection instruments was tested using cronbach's alpha value. To avoid bias in data, diagnostic tests were done in form of normality tests by use of rule of thumb, linearity test using Pearson's correlation where all variables showed positive correlation, multicollinearity test using variance inflation factor revealing  $VIF \leq 3$  meaning no multicollinearity and finally homoscedasticity test to measure variance between dependent independent variables using levene's test. Descriptive statistics in form of mean, mode, percentages and standard deviations were used to present data. Inferential statistics using a multiple regression model was used to analyse the relationship between compensation practices and employee performance. Statistical Package for Social Sciences (SPSS) computer package for windows version 21.0 was used to aid in the analysis. Results were presented using tables. The findings indicate that there was a significant positive relationship between compensation practices and employee performance in the biscuit manufacturing companies in Nairobi County, Kenya with work life balance being most significant at 0.873 and employment benefits least significant at 0.663. From the findings, the study concluded that compensation practices having significant effect on employee performance need to be taken seriously, biscuit manufacturing companies need to improve on some practices like basic pay and commutate their policies well. The study recommends a salary survey for biscuit manufacturing companies in Nairobi County and consideration of other practices with more impact like competency based pay.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Employee performance has been an area of great interest and concern to many organizations as it determines the position of an organization in terms of productivity. Organizations are established with goals and these goals can only be achieved through resource utilization in form of people, machinery, and money etc. All these resources are important but people or human resource is the most important since manpower utilizes other resources to perform tasks furthermore; it's at the heartbeat of human resource management Ibojo,( 2014). Meeting of targets is very crucial to performance in any progressive organization, this has seen employees sacked or salaries docked for failure to hit certain set goals.

Employee performance is a multi-dimensional concept, Nancy, (2003) distinguishes between task and contextual performance, while task performance refers to individual proficiency to the core or technical activities, contextual performance refers to activities which do not contribute to the core but which support organizational, social and psychological environment e.g. assisting fellow workers. Performance is a function of individual ability, skill, and effort in a given situation which is influenced by numerous variables like basic pay, employment benefits work-life balance and skill development. In the globalised world, organizations are characterised by competition and varying employee needs, therefore, the ability of organizations to attract and retain a quality workforce remains a challenge.

Employee performance is both important for the organization as well as the individual, for the organizations it's a source of productivity and hence profitability while for the individual, it gives a source of satisfaction and pride of accomplishment Adam,( 2015). Therefore it is a major- though not only- prerequisite for future career advancements and success in the labour market. Scottler, (2000) opines that high performers have a better prospect in career advancement than low performers.

In order to remain competitive and achieve goals, organizations within the biscuit manufacturing companies in Nairobi have set up compensation practices to attract and retain the best employees who are both efficient and effective at work. The practices employed are the compensation practices which extensive literature has proved a direct relationship with employee performance Monday, (2008). Rising payroll expenses have seen managers globally try to link compensation with employee performance in an effort to get the best out of the link.

Milkovich, (2005) argues that compensation links the gap between organizational objectives, individual expectations and aspirations. And for this link to be effective, compensation must be equitable to external references, and internal references, and therefore members treated according to individual needs. The author further fronts compensation as individual and thus managers have to be knowledgeable on how to use compensation to create competitive advantage and keep their employees at peak performance. Further, it is imperative for managers to develop responsive compensation practices as they are crucial for an organization's achievement of objectives Maund, (2001).

The empirical literature has shown that the purpose of compensation is to help improve employees' performance, maintain competitive labour market condition,

maintain justice in salary distribution and motivate performance Abdul, (2014). Further the degree of satisfied employees performing is a function of the compensation strategy adopted by the individual organization Osibanjo, (2012)

Lawler (2003) opined that despite compensation being a possible contributor of high performance, there is little evidence on how pay characteristics affect employee attitudes and behaviours and consequently performance. Organization practices whether for growth, expansion, merger or downsizing need to be executed by well-skilled employees.

Several studies have been done in the field of performance and compensation in the developed world but none has been related to developing countries like Kenya and more specifically to biscuit manufacturing companies in Nairobi County. A number of factors affect employee performance levels such as nature of work, experience required, supervision level, authority attributes, tenure with the organization, and compensation practices Awadh, (2013), Adam., (2015), however; still it remains an empirical question as to the effect of compensation practices on employee performance within Biscuit manufacturing companies in Nairobi. Despite the widely accepted assumption that compensation motivates superior performance Gohari, (2013) Abdul, (2014), Adam., (2015), it remains largely untested in biscuit manufacturing companies in Nairobi, and there is little empirical evidence to provide the link.

Employee performance is the degree of accomplishment against a set standard, achievement based on accuracy, timeliness, resource utilization, initiative, behaviour changes and resourcefulness Rothman, (2003). Performance comprises what an organization hires one to do and to do it well Qureshi, (2010); thus performance is not

defined by the action itself but by the judgmental and evaluative process Nancy, (2003). Moreover, its actions which can be measured or scaled that are considered being performance. Organizations need highly performing individuals in order to deliver their goals and achieve competitive advantage. It is also important to individuals since it gives self-gratification and a feeling of accomplishment; highly performing individuals are easily promoted and find satisfaction in their careers Scottler, (2000)

Several models have been fronted to explain the complexity of employee performance measurement. Under the Result and detriments framework model Fitzgerald, (1991), employee performance measures are classified into two types; those that relate to competitiveness and financial performance and those that focus on detriments of the results like quality, flexibility, resource utilization, and innovation. Fitzgerald (1991) argued that this model has an advantage of reflecting on cause and effect.

Under the balanced scorecard Kaplan, (1992) performance is measured from four perspectives, financial, customer, internal business process and learning and growth .it reflects mainly on the attributes of other measurement framework but links measurers to the organizational vision. This model grew out of the realization that not a single measure can capture the totality of performance.

The Behaviorally anchored rating model Smith, (1963) is developed using vertical scales which represent major performance dimensions of the job and usually anchored on critical incidences that reflect from highly effective to highly ineffective behaviors in a continuum. By using BARS, Sukamar, (2015) developed seven major dimensions to evaluate college professors, these dimensions were; testing procedures, student-teacher relations, organizational skills, communication skills, instructions knowledge,



subject relevance, and utility of design. Numerous studies have been made in BARS research and application remains current Hauenstein,(2010), Ohland, (2012), Bussaman, (2013), Milan, (2013), French, (2014).

Based on employees' job and category, there are other various ways of measuring performance. These methods range from quantitative to qualitative and from objective to subjective though it is difficult to be objective without a degree of subjectivity. Performance can as well be measured by the various methods of performance appraisal including Management by Objectives (MBOs), Cost Accounting Method, 360- Degree feedback, Self-assessment, Peer appraisal, appraisal by superiors, Potential appraisal and assessment centre method. While measuring employee performance, it's important to be careful to avoid measuring effort which some methods like peer appraisal might concentrate on.

In this study, subjective performance measures with more leaning on Balanced score card were used. The modified measure of this method is not based on quantitative operational information but rather based on the personal subjective assessment. This model was preferred since as modified, the researcher was able to get extend of results in a continuum .The subjective performance measure is the indicator used to assess individuals' aggregated perceptions, attitudes or assessment towards an organization's products or services Wang, (1999). Data can be descriptive or qualitative collected using questionnaires or interviews, Clements-Croome, (2000). In order to understand employee performance, the study shall focus on predictor measurers of efficiency, effectiveness, and product quality and resource utilization as employees perform their duties.

### **1.1.1 Compensation Practices**

Compensation practices encompass the overall value proposition that the employer offers to the employee. According to Armstrong (2001), it is a total package that includes base pay, incentives, benefits, career development. Compensation practice is a combination of four elements; basic pay, benefits, financial incentives and non-financial compensation. It has also been termed as “total pay”, Zingheim, (2008) “Compensation package”, Sturman, (2006) “Direct and Indirect Compensation” ,Namasivayam, (2006). A well-designed compensation strategy needs to be developed and executed within the unique environment of the organization, Wilson, (2003). A well-designed compensation framework identifies and rewards measurable changes in behaviour that contribute to the organizational goals. The challenge in determining such a program lies in what mix of rewards may contribute to behaviour necessary to spur performance. Management must decide what mix of these compensation elements makes the most sense for each type of Job.

According to Armstrong, (2012), compensation practices approach is holistic; reliance is not placed on one strategy in isolation but accounts for each and every strategy. The model of compensation practices consists of Base pay, Contingency pay, employee benefits, learning and development and work experience. Manus, (2003) , had more components to include base pay, contingency pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself.

According to the WorldatWork, (2000) total reward model has five elements which collectively comprise compensation practices, basic pay provided by the employer to an employee for services rendered, employment benefits, work-life balance, performance & recognition and development & career opportunities. The model

recognises compensation practices in the context of the overall business strategy, organizational culture, and human resource strategy. Thus, an organization's exceptional culture and brand value are critical components of the total employment proposition. The model further takes into account the external influences such as legal framework, competition, and cultural influences and practices.

According to Zigon (1998) Managers have a wide variety of rewards to offer to employees at various cost levels which employees may find appealing. This requires an understanding of individual employee preferences since employees are different. Reward system is the degree to which rewards are allocated according to employee's performance in contrast to seniority, favouritism, or any other performance criterion. According to Jacob (2005), the organization reward system should be perceived by employees as reinforcing the notion that most employees are good performers and there should be a linkage between reward and performance.

Basic pay refers to wages or salary for work, Hsieh, (2007). Basic pay is determined by several factors such as Government regulation on minimum wages, ability to pay, job description and importance of the job within the company, market forces among others. Pay can be fixed or variable tied to the certain level of performance whereby daily pay is considered a wage while monthly becomes a salary; Guthrie, (2000), defines as pay or wages that are "attached to the jobs that an employee performs". Traditionally basic pay is determined by position and length of employment with a particular employer. Basic pay is based on personal attributes and takes into account employee skills and job knowledge.

Providing a competitive pay is a concern of all organizations, Audi, (2006) and most organizations use the quartile strategy, WorldatWork, (2009) to determine the level of

pay in relation to market benchmark. The quartile strategy places organizations pay level into either first quartile (below 25%), Second quartile (market rate or 50%) or third quartile (above 75%) in comparison to market benchmark, Mark, (2003). As much as quartile strategy may be effective, pay should be increased when skills and competencies increase. A number of studies indicate that if the pay is pegged to performance, the employee produces a higher quality and quantity of work, Lawler, (2000). Early evidence found in Hammurabi code written in the 18<sup>th</sup> Century B.C, have linked the use of minimum wage, fixed wage, and incentives reward to performance ,Bryant, (2005).

Employee benefits such as paid holiday, insurance covers, sick pay, company cars and a number of other “perks” are still elements of total compensation in addition to paying. Employers can provide a cafeteria of benefits that allow employees to decide on what benefits to select, Armstrong, (2012). They are indirect pay or payment for “time not worked” such as healthcare, retirement schemes and insurance (Heneman, 1985). Benefits enhance the value of pay and are less easy to be imitated by competition thus forming a powerful strategy, Armstrong, (2012). Some benefits like Social security and health are entrenched in the Law (NSSF Act, No. 45 of 2013, NHIF Act 225 of 2007, WIBA, 2007). Other forms of direct and indirect pay include pay raises, commissions, incentives, stock options, employee ownership schemes and bonus pay.

WorldatWork, (2000), perceives skill development as a set of learning experiences designed to enhance employees’ applied skills and competencies. Professional development engages employees to perform better. It is a broad, multifaceted set of activities aimed at bringing up an employees’ performance up to another threshold

often to better perform a job or a new role in the future, Carter, (2008). Learning is knowledge obtained by self-direction through curiosity, study or experience; it's the art of acquiring skills, competencies and desired attitudes, ideas or change of behaviour through exposure, it is about capacity building, Senge, (1990). Professional development can be achieved through seminars, coaching of employees especially for succession planning, mentorship programs and career opportunities open within the organization. Skill development helps in employee performance through creation of self-confidence increasing ability to make better decisions, increase job satisfaction and recognition and moving the employee towards the achievement of personal goals while improving interaction skills, Sims, (1990). These are essential components of Job satisfaction which motivates employees to perform.

Work-life balance is comprised of organizational policies which help an employee avoid drain. Such drains are a psychological drain, time drain, resources drain. Effective balance helps an employee to be effective both at work and outside the work setting. Work-life policies can be achieved through, leadership styles, employee empowerment and recognition, flexibility, job designs and role development. , Purcell, (2003) the identified significance of the core values of an organization as a basis for creating the rewarding working environment. As well as monetary rewards, non-monetary rewards can be a strategy of comprehensive performance improvement. Employees appreciate being at ease they work directly, Jane, (2004). Magnini (2009) emphasises the importance of additional benefits for employees' peace of mind. Other than employers' choice, the Employment Act 2007 put it as an employer's duty to provide both maternity and paternity leave.

Organizational culture consists of the unwritten customs, the shared values, beliefs and practices that determine the rule of the game for decision making, structure, and power. It is based on a shared history and traditions of the organization combined with the current leadership values Dave, (2011). The culture of an organization refers to the behaviour patterns and standards that bind it together Schein, (2004). When beliefs are shared, they create organizational culture, Azhar (2003). This study seeks to investigate if total compensation practices affect employee performance is moderated by organizational culture in the form of shared values, common practices, and beliefs.

According to Wallach, (1983) organization culture (the shared values, beliefs and practices) can take several dimensions; bureaucratic, innovative or supportive in varying degrees. A bureaucratic culture exhibits hierarchical characteristics, organised and systematic structures with clear lines of responsibility and authority. The innovative dimension of culture involves a creative, result oriented, challenging work environment while supportive dimension comes with teamwork, people oriented, encouraging and trusting work environment. These dimensions determine the extent to which organizational practices including total compensation are structured and implemented and the moderating effect on the relationship with employee performance. Based on no universally accepted model, this study shall adopt an adapted, WorldatWork, (2000) model to discuss compensation practices. Variables to be discussed Basic pay, Employee benefits, work-life balance and career development.

### **1.1.2 Organizational Culture**

Although a plethora of literature suggests the existence of a relationship between total compensation practices and employee performance, culture provides the necessary energy required for an organization to function well by determining the direction of this relationship, Farooq, (2008).

Early studies, Magee, (2002) have argued that organizational culture is inherently connected to organizational practices, therefore, influencing the direction of the relationship between compensation practices and employee performance. This position is formed by the fact that compensation practices are organization practices. Organizational culture can influence performance if it is understood what sustains it, Hellriegel, (2007), an example of what sustains culture could be compensation practices. Accordingly, the culture of an organization allows an employee to be acquainted with both the firms' history as well as current methods of operation and thus be guided on expected and acceptable future organizational behaviours and norms.

Awadh (2013) while examining the effects of organizational culture on employee performance found culture to be intertwined with management thus affecting the direction of the relationship of organizational practices with employee performance, this includes compensation practices. The norms of employees affect the sustainable performance and management of organizational culture as it leads to superior employee performance.

Dahie (2016) examined 80 employees from three telecommunication firms in Mogadishu to understand the relationship between competitive culture, entrepreneurial culture and consensual culture on employee performance. The study

used a survey and using regression and correlation analysis established that while the relationship and influence of competitive and consensual culture on employee performance was positive, it was more significant in an entrepreneurial culture. The generalized result was that culture has a positive relationship with employee performance, Awolowo, (2003)

### **1.1.3 The biscuit manufacturing companies in Nairobi**

There are several biscuit manufacturing companies in Nairobi county but this study selected five (5) companies with available data which are involved in the manufacture, sales and distributions of biscuits within Nairobi and their markets includes Kenya and the greater East Africa . Their total combined workforce was 1,600 employees as at 31<sup>st</sup> December 2017, FKE, (2017). Besides the direct employment, the companies provide indirect employment through the distribution channels to thousands of people within the country and region. Other players are unorganized cottage industries and small shops whose data is not available. Biscuit manufacturing is one of the fastest growing industries with a gross turnover of more than Kshs.10 billion, KNBS, (2015) and ambitious growth policies among the companies. Companies in the organized sector within Nairobi, Kenya account for more than Kshs. 5.1 billion in sales which accounts for 51% of the total biscuit business in Kenya, KAM, (2016) this represents a substantial revenue to the Government. Within the companies, Manji Food Industries Limited has the largest market share and longest heritage having been incorporated in 1952; it controls more than 38 % of the total organized Nairobi Manufacturers biscuit market, KAM, (2015). Sunveat Foods Limited is the latest entry having opened its doors to business in 2013. All the companies being privately owned enterprises started as family businesses, they



share similar governance structures and are all organized into again similar operational departments .Products of the Industry are homogeneous and competition is based on packaging and branding. With imported brands accounting for more than 30% of the total market, KAM, (2015), it's a cut-throat competition which has made the individual companies devise several competitive practices some being in the compensation area.

## **1.2 Statement of the Problem**

Local biscuit manufacturers have consistently struggled to fight ever-increasing competition in the marketplace. A spot check in the local supermarkets reveals more than 40 % of products are imported mainly from Comesa and other developed countries despite the Kenyan policy of buy Kenya build Kenya KAM, (2016). Currently, supermarkets are flooded with imported products denying local manufacturers shelf space and the much-needed margins. With such practices, efficiency in performance and quality of products has continued to be a challenge KAM, (2014). Therefore, the industry has stagnated in terms of product and service quality, innovations, utilization of resources and employee resourcefulness. In order to improve and reach their peak performance, management of the selected five (5) biscuit manufacturing companies have adopted compensation practices to motivate employees to perform. When employees are motivated, innovation and service quality will increase. However within the biscuit industry there is no empirical study to support how compensation practices affect employee performance especially in the selected five (5) biscuit manufacturing companies in Nairobi County, Kenya.

Previous empirical studies have tried to explain the effects and relationship of compensation factors and employee performance but none of this studies were in

biscuit manufacturing. Onyango (2014) did a study on effects of training on employee performance in the public sector in Kenya concluding that training affects 64.4 % of employee performance. While examining effects of work life balance on employee performance, Hye, (2014) observed that work life balance becomes significance in performance only in in-role performance. Cynthia (2015) did a study on effects of workplace environment on employee performance in the Mobile telecommunication firms in Nakuru County concluding that physical factors, reward, management style, leadership, training and development are factors influencing employee performance. In his study on impact of remuneration of employee performance in Kenya Power and Lightning Company in Nakuru, Njanja (2013) concluded that money reward has no huge impact on employee performance, however Wilfred (2014) was of the opinion compensation effects on employee performance fluctuates from industry to industry. Umar(2010) in a study on relationship between compensation and employee performance in the pharmaceutical industry in Ilorin region of Nigeria noted a significant relationship among the salesmen.

The efficiency and effectiveness of these strategies need to be studied. This study will bring out the effects of such compensation practices on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi County, Kenya.

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

#### **1.3.1 General Objectives**

The General objective of the study was to examine the effects of total compensation practices on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.

### **1.3.2 Specific Objectives**

- i. To determine the influence of basic pay on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.
- ii. To assess the impact of employment benefits on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.
- iii. To examine the results of skill development on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.
- iv. To establish the stimulus of the work-life balance on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.
- v. To establish the moderating effect of organizational culture on the effects of total compensation practices on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.

### **1.4 Research Hypothesis**

**H01:** Basic pay has no influence on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.

**H02:** Employment benefits have no impact on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.

**H03:** Skill Development does not result into employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.

**H04:** Work-life balance does not stimulate employee performance in the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.

**H05:** Organizational culture does not moderate the effect of total compensation practices on employee performance in the selected five (5) biscuit manufacturing companies in Nairobi County, Kenya.

### **1.5 Significance of the Study**

The study will contribute positively towards academic scholarly as findings will be available for future references. Locally, little empirical study exists on the compensation practices and their effects on employee performance and this study will add to such body of knowledge.

Conceptually, this study will verify compensation practices and their effects on employee performance within the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya. This will form a basis for future studies on other factors that affect the performance of employees within the selected five (5) biscuit manufacturing companies in Nairobi City County, Kenya.

This study will be valuable to management of the biscuit manufacturing companies in Nairobi, Kenya in that it will provide an insight into various components and a mix of compensation practices, and their effects on employee performance which is necessary for policy formulation and decision making.

Furthermore, the findings and recommendations of this research are not only to be implemented in the biscuit industry but could also can be applied in other manufacturing industries. The Government ministries and agencies can make use of this study, as it provides complementary knowledge useful in the formulation of

policy and regulatory framework especially in labour management practices in view of total compensation practices and their effects on employee performance.

### **1.6 The Scope of the Report**

This study was conducted in selected five (5) major biscuit manufacturing companies in Nairobi, Kenya, which have a total of 1,600 employees and a rich history of 62 years. The study adopted descriptive research design and employees were grouped in their operational areas across all the companies. Random stratified sampling method was used to select respondents and data collected using both primary and secondary tools.

The study examined four independent variables; basic pay, employment benefits, skill development, and work-life balance. Organizational culture was used to examine the moderating effect on the dependent variable employee performance. To test degree of relationship, simple regression was used while multiple regression was employed to tests existing interrelationships.

### **1.7 Limitations of the Study**

The study is carried out under limited time since primary data was collected during working hours and respondents were constrained. This means the researcher relied on responses given whether same containing considered responses by the respondents or reactionary. Again questionnaires were administered through respective human resource offices and the researcher was not in a position to verify responses.

Though the researcher employed introduction letter from the University and authority letters from national commission for science, technology and innovation to win the confidence of respondents, still a lot of persuasion was required for respondents to

participate. Moreover primary data being collected from competing entities, there was a misconception of spying and respondents could have withheld vital information.

The researcher acknowledges the effects of the hierarchy of needs especially based on length of service, level of education and level of basic pay given. This may tend to distort findings and dilute normal curve on compensation practices and their effects on employee performance.

### **1.8 Organization of the Study**

This thesis was structured as follows; Chapter one presented the background of the study, problem statement, research objectives, and research hypothesis significant to the study, the scope and limitations of the study. Chapter two discussed the theoretical review, empirical review, summary literature review, the research gap and conceptual framework. Chapter three comprises of research design, target population, sampling design and procedure, data collection instruments, the validity of research instruments, the reliability of the research instruments, data analysis, and ethical considerations. Chapter four comprised of findings of the study and discussions. Chapter five comprises of summary, conclusions, and contributions of the study and policy recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter examines the theoretical and empirical studies on the employee performance and the relationship with compensation practices. After reviewing the relevant literature, the chapter develops the conceptual framework of the study by reviewing the relevant variables of the study.

#### **2.2 Theoretical Review**

This study was based on Vroom's expectancy theory, Adams equity theory, Shapiro's efficiency wage theory and John Davidson's effort bargain theory.

##### **2.2.1 Expectancy Theory**

In perfecting Thorndike's law of effect, the expectancy theory Vroom, (1964) postulates that a response followed by a reward is more likely to recur in the future. It focuses on the link between rewards and behaviour. The theory proposes that work motivation is dependent upon the perceived association between performance and outcomes and that individual modifies their behaviour based on their calculation of anticipated outcomes Chen, (2008). It is a process theory built upon the idea that motivation comes from a person believing they got what they want in form of rewards.

Individuals have different sets of goals and can be motivated if they believe that; there is a positive correlation between effort and performance (expectancy); Favourable performance might result in desired rewards (instrumentality); The reward might

satisfy an important need (valence) and that the desire to satisfy the need is strong enough to make the effort worthwhile (Lawler, Porter, Vroom, 2009).

Expectations are influenced by reward and with proper goal setting, this can trigger performance. According to Vroom (1995), motivational force equals  $\text{Expectations} \times \text{Instrumentality} \times \text{Reward}$ . When components of this equation are high, motivation is high Penn State World Campus, (2011) and thus high employee performance. By utilizing Expectancy theory, organizations are able to understand the importance of developing an appreciation for their employee's work and as a result, their employees' performance improves. The theory further proves that individuals are motivated by different expectations Redmond, (2010) and organizations can use this to set goals between different subjects. It justifies putting different rewards to motivate different employees depending on their beliefs.

Expectancy theory can be used to pair motivational outcomes with motivational tools. By identifying challenging goals, employees are kept motivated since unchallenging assignments lead to boredom, frustration, and marginal performance. The theory can be applied to support total compensation to keep employees focused on their goals by keeping employees expectations high. Some motivational outcomes (rewards) within the organization are of little or no cost and hence can be developed within the industry into powerful motivational tools, Gerhart, (1995)

The theory was used by Richard Johnson at the University of Toledo's Criminal Justice department in 2009 to explain Patrol Officers drug arrest activity and find ways to influence work output Johnson, (2009). He developed Expectancy as among the independent variables and used drug arrest as the dependent variable. There was a



positive correlation between the officer's drug arrest count and the reward expectancy.

However, the theory has been criticized as assuming endless resources within the organization. Since individuals have different expectations Redmond, ( 2010) it would require organizations to have a limitless cafeteria of rewards. Although the theory correlates high performance (as a result of effort) to rewards, there are other factors which come into play to moderate effort such as position, responsibility, and education among others. The theory by nature focuses on the extrinsic motivational factors and conscious decisions employees make about their performance (effort). Many employees focus beyond extrinsic factors like paycheck, bonus or public recognition. Biscuit companies employ diverse sets of employees ranging from operators to executives, as a result, the component of instrumentality is found to be ambiguous and difficult to operationalize (Wabba and House, 1974). It is therefore important to investigate other extrinsic factors before applying this theory. It assumes a rational choice of behaviour which will lead to expected results and hence reward. Employees know what they desire (Wabba and House, 1974). An argument can be brought that this can lead to short-term focus while ignoring long-term rewards which are more desirable e.g. stock options. Furthermore, the theory does not explain how employees change their belief over time (Mitchell & Biglan, 1971).

### **2.2.2 Equity Theory**

Equity Theory (Adams, 1963) suggests that employee perception of what they contribute to the organization, what they get in return, and how their return contribution ratio compares to others inside and outside the organization; determines how fair they perceive their employment relationship to be. If the comparative ratios

by the individual are perceived to be unequal, then inequity exists (Huseman, Hatfield and Miles, 1987). This comparative can be a co-worker, a relative, the industry norm, friend, or even a group of individuals or other past jobs (Adams, 1963). Equity is all about balance, employees expect their pay to equal their work and to be comparative to their referent other, Spector, (2008). When perception returns inequality, employees strive to restore equity. When inequity is perceived, the more the employee will work to restore equity. Equity theory focuses on the exchange relationship and can be used to explain why teachers in Kenya have been going on strike as they compare their pay with other civil servants. It is also known as the social comparisons theory or inequity theory according to Gogia, (2010).

The theory is based on a ratio consisting of inputs to outcomes (Adams, 1963). Inputs consist of contributions by an employee and can include abilities, effort, performance, age, seniority, education and other individual attributes. Outcomes are the rewards an individual receives for input. Outputs include pay, benefits, status symbol, even intrinsic rewards (Adams, 1963). The value of the outcome is determined by the individual such that no outcome has an objective specific measure. An individual may value higher pay while another value flexible time and still both consider equity.

Equity theory is a straightforward theory with one major proposition of comparing Inputs with outcomes. It has been supported by several research studies over the years that it's efficient, effective and applicable in its components to organizations Pinder, (2008). And that it deals with pertinent issues which all human beings strive to understand, equity and justice. People are inclined to understand these issues as advanced by Rice, (1993).

Equity theory is considered as the most appropriate framework to understand human attitudes and motivations Miner, (1984). It has characteristics of predicting performance, work satisfaction, and the problem of people. It accurately predicts behaviour especially under conditions of inequity Greenburg, (1990). It further makes practical sense in that it's reasonable to assume that most people do compare their input-output relative to others Redman, (2009). In comparison to other compensation theories, it fits so well especially the expectancy theory. Based on the assumption that people are capable of calculating costs and benefits in choosing among alternatives cause of action ,Stetcher,( 2007), People can use equity theory to determine if inequity exists and if so use expectancy theory to act upon the inequity thus the theories complementing each other.

However, the theory has limitations, Inequity leads to efforts by an individual to balance with referent other. The assumption that inequity leads to anger or guilt may not be valid and can be argued otherwise. The drawback is that in comparing the input and output of the referent other, the theory does not account for individual differences and different cultures. It does not give in details which next option an individual will take to restore equity, Redmond, (2009). This relationship needs to be explained through further research.

There is mixed empirical support to overpayment inequity as research reveals little or no effect of it in organizations, Redmond, (2009). Most of the research has been done on short-term effects leaving no knowledge on long-term reactions to inequity, Redmond, (2009). Further, more perception of inequity or equity are personal and can present errors since human perception can be flawed.

The equity theory, as developed by John Stacey Adams, postulates that satisfaction is based on a person's perception of fairness. The manufacturing industry mostly works by paying employees basic pay and balancing this with other pay for performance rewards. It is prudent during appraisals to balance employees' contribution and their rewards. The theory can help managers realize that while improving employee's terms may solve the problem; this solution may be short-term taking into account the comparative aspect of equity theory. If the change of terms is viewed to create inequity, other employees will now strive to create equity. So it's important to look at employees' terms of service in relation to their output/ Performance

### **2.2.3 Efficiency Wage Theory**

Efficiency wage theory (Shapiro, Stiglitz, 1984) is based on assumption that workers will increase their productivity in response to an increase in real wages, Westley,(2006). When employers pay above the market equilibrium, the labour supply will not be in its curve and jobs become few but well paying. At the above equilibrium wage, the cost of losing employment is too high and there are serious economic and social cost associated with unemployment, Wiseman, (2010)

In terms of compensation, the theory explains why employers choose efficiency wages and why labour markets cannot clear, Westley, (2006). Firms are less likely to lower their wages despite many job seekers ready to work at lower wages so long as net productivity depends on wages, Skolt, (2007).

Despite the theory being used to support research today, it fails to account for class issues associated with unemployment, Pacitti, (2011), it would be difficult to apply this theory in economies where blue collar jobs form the majority. Where economies pay unemployment benefits, employees may choose to be unemployed and earn such

benefits. The theory may not be the only wage determiner as other factors come into play in determining wages such as bargaining power, minimum wages legislation, ability to pay, the size of the organization among others. One of the assumptions of efficiency wage theory is that productivity must be procyclical, Westley, (2006) in that employees must be able to increase productivity before wages increase. This aspect makes wages responsive to products other than productivity being responsive to wages.

Despite these few shortcomings, efficiency wage theory remains an inexpensive way to decide wages and control the work environment by improving engagement, cohesiveness, loyalty through curbing of shirking. Even where wage increment does not result in aggregate productivity increment, the other incentives are compelling enough for employers to maintain efficient wages, Pacitti, (2011).

#### **2.2.4 Effort Bargaining Theory**

As developed by John Davidson (Langworthy, 1898), the theory holds that wages and other working conditions are determined by the relative bargaining strength of the parties to the agreement. The theory puts into cognize the bargaining strength of unions in that it is greater than an individual's. The theory further holds that no one factor or combination of factors determines wage level but rather wages exist in rates with upper limits and lower limits, several rates may exist simultaneously. Wages are determined between the rates by the bargaining power of parties with upper limit being rate beyond which employers will not employ and lower limit rates which employees will not take up jobs. Several factors come into play including equity wages, market rates, legislation on minimum wages, ability to pay, individual and other relativities.

The theory operates on the assumption of symmetry of information i.e. each party has information on the employee productivity, market rates, legislation on minimum wages and ability to pay both current and projected. Based on this information, parties form maximum and minimum wages out of which a definite wage is arrived at. The definite wage leans on the maximum or minimum of the strong party. If management holds more power, then definite wage rates tend towards the minimum and vice versa.

It has been argued that bargaining theory curtails the market forces of demand and supply which ought to determine wage rates thus distorting the labour market, Worldatwork, (2013). Further, if the direction of a definite wage rate depends on bargaining power, then the theory tends to present a monopolistic situation where one party determines the outcome.

However, despite the shortcomings above, effort bargaining theory of wages has continued to be used in industries due to the predictability of future wage expenses, further the assumption of information symmetry ensures equity in wages. For this study, the theory would help to examine the relationship between the wages and employee productivity especially taking into account the employee need to reciprocate the high wages by improving performance.

Although the study is based on all the above performance theories, it tends to more rely on the equity theory which easily predicts performance in a manufacturing set up.

## **2.3 Empirical Literature Review**

### **2.3.1 Basic Pay and Employee performance**

Basic pay refers to base wage or salary for work, Hsieh, (2007) which is based mainly on two factors, the job description and the importance of the job within the

organization. Base pay is the fixed component of pay usually comprising the largest portion of compensation reward to employees, Agarwal, (1998), (Armstrong, 2004) Shields (2007). Guthrie (2000) agrees to basic pay as pay or wages attached to the jobs that employees perform; it is the employees who have market value and not the jobs Shields (2007). Traditionally, basic pay was determined by the period of service and seniority, other factors which determine pay are internal and external equities and demand and supply forces in the labour market. According to Guthrie (2000), subsequent increases should be based on specific certifications resulting in gaining of more in-depth knowledge on the job. The emphasis of skill acquisition is necessitated by the rapid increase in technology and changing manufacturing methods that require flexibility, Stuart (2011).

Basic pay plays an important role since it affects the quality of work, the flexibility of employees, learning of new skills or suggestion of new ideas, from manager's point of view; it affects how employees behave at work (Milkovich, 2005), it helps to attract the best talent (Lawler, 1973).

Basic pay practices are designed with the main objective of equity within the organization; equity can be viewed from three dimensions of internal equity, external equity, and individual equity, Cascio, (2006). With the balancing effect of equity, employees are motivated to perform by giving their best. Among the practices organizations use is the quartile strategy which places employees pay in relation to market benchmark, Mark, (2003) which profiles pay into first, second, third quartiles. The first quartile or the lag the market is mostly employed by start-ups or organizations struggling with pay and offers basic pay below the market benchmark. The second quartile or meet the market pays at market rate and is applied by

organizations which see to motivate employee performance while at the same time check on ballooning payroll costs. The lead market strategy leads to the third quartile which pays above market rates. It attracts, motivates and retains the best performing talents. While pay decisions are organizational concerns, Audi, (2006), pay levels used can affect employee performance, Mark, (2003).

A quantitative study on the effect of remuneration on employee performance in the ministry of internal security; a case of Kisii County, Wilfred, (2014) noted that it is important to consider salary systems when it comes to attracting, motivating and retaining a workforce in an organization capable of enhancing performance. Further, employees are not satisfied when basic pay decisions are made behind closed doors resulting in pay inequities, a position as well taken by Deb (2008). Basic pay lies at the heart of every individual employee when it comes to motivation for superior performance, Wilfred, (2014). Shields (2007) view basic pay as an important part of the total compensation that is fixed and mainly time-based rather than performance-based and acts as a benchmark for other incentives while communicating commitment to employees. The Hammurabi code written in the 18<sup>th</sup> Century provides an early evidence of the use of minimum wages, fixed wage, Peach, (1992) since basic pay alone may not result in employee performance, during middle ages the mindset of employees were believed to determine their productivity, Ivancevich, (2007).

### **2.3.2 Employment Benefits and Employee Performance**

Employment benefits are indirect payment or pay for time not worked, Heneman, (1985) and includes healthcare, insurance, retirement schemes, company cars and paid holiday. Other employment benefits among others include subsidized membership, free teas, flexible working hours, cinema tickets, birthday and holiday presents. These



employment benefit types are valued by employees since they enhance work life. While some employment benefits are mandatory and provided for by pieces of legislation (Employment Act, 2007, Work Injuries Benefits Act 2007, Public Holidays Act, National Social Security Act) others are discretionary and form “Perks”.

Employees need to be nourished during the day, properly trained to justify their responsibilities and provided with transport for their comfort, Cole, (2002). According to Deci, (1985), employment benefits like self-determination obtained from intrinsic motivation, gives satisfaction to a person without any paying. Intrinsic motivation to perform exists within the job itself. While basic pay compensates an employee for their skills and reporting to work and aim at attracting good performers, benefits are more than often performance-based and aim at nurturing performance and retaining those best performers, Bretz, (1992).

A case study on Nairobi Water Company, Nickson, (2015) noted that employee benefits positively influence employee productivity. Using objective test and multiple regression, the study confirmed, Millea (2002) position that works related benefits have a bi-directional relationship with employee performance. The study further established that health protection benefits such as occupational health and safety and medical insurances influence productivity to a major extent (58%). According to Leoppke (2009) for every Dollar spent on medicine/pharmacy, employer absorbs two to three Dollars of health-related products. Employee occupational health and safety benefits is an area well supported by the Occupational Safety and Health Act (2007) which seeks optimal attention to employee health and safety benefits.

Nickson (2015) further argues that every unit increase in retirement benefits results in increased productivity. Retirement benefits motivate young employees to continue working for the organization while encouraging older workers to retire on a timely basis thus positively influencing performance. Neil (2000) states that retirement is an earned benefit in reward for years of service to a particular organization, thus having positively contributed to the performance.

### **2.3.3 Skill Development and Employee Performance**

Franken, (2002), is of the view that rewarding for having better performance or behaviour is an external reward or motivation while those rewards, similar to the viewpoint of reaching one's job height, develop an intrinsic motivation to do something more. Then, the individual designs path or action plan to realize that objective. In addition, the emotions role is to enable individuals to develop one's situation and view, and to create steps for feelings of stimulation to perform better. In his two factor theory, Herzberg (1986) listed offering training and development opportunities as motivating for employees to pursue positions of their desire within the organization and thus be more effective and efficient. Existing empirical literature presents evidence of training positively influencing employee performance through making employees effectively perform their duties and also enhance knowledge, skills, attitude necessary for future job Wright (2001).

According to Wright (2001), employees' competencies change through effective training programs. It not only improves current performance but as well prepares an employee for future jobs. The writer further argues that through training, employees competencies are developed and enable them to develop the necessary efficiencies for superior performance. Further, a dissatisfaction which leads to absenteeism can be

drastically reduced when employees are properly trained and thus develop inherent capabilities, Pigors, (1989). For employee training to be effective on performance, it should be taken in light of other factors which affect performance such as corporate culture, organizational structure, job design, performance appraisal systems, power and politics prevailing in the organization and group dynamics.

According to Kenney, (1986), planned training is a deliberate intervention aimed at achieving the learning necessary for improved job performance. Training should be aimed at enhancing the culture of learning hence improve the employee productivity, Kamoche, (1998) Moreover training is a predictor of employee performance Sultan (2012)

In the work of Harrison (2000), learning through training is depicted as an influencing factor in employee performance as it's said to be a major factor in achieving organizational goals. Further training can be used to bridge the gap between set standards and the actual performance in an effective way, Swart, (2005). According to Swart, (2005), bridging the performance gap refers to implementing a relevant training intervention aimed at developing particular skills, abilities, and competencies necessary for enhancing the particular employee performance. Training is the only way an organization can align employee performance with the organizational goals by moulding knowledge, skills, and attitude according to organizational performance needs, Swart, (2005).

Bartel (1994) presents a positive correlation between training and employee performance, however, Swart, (2005) points out that for this to happen, the training program should be tailored to address factors which may hinder the effectiveness of the training. Further, Ahmad, (2003) concluded that a high level of employee

commitment is only achieved if the training brings out the desired learning outcomes necessary for improving performance both at the individual level and organizational level. A positive correlation is a position also adopted by, Onyango, (2014) in the study Effects of training on the performance of staff in the public health institutions in Kenya. Using case study, the study examined 56 health workers and using Pearson correlation, reported correlation coefficient of 0.654 which is a significant positive correlation to make conclusions that there is a strong positive relationship between training and employee performance.

Using quantitative study on 365 employees from 4 pharmaceutical companies in Pakistan, Hafeez, (2015), examined effects of training on key performance areas of demonstrated teamwork, communication skills, customer service, interpersonal relationships, and reduced absenteeism. The study observed that for every unit of training, there was a corresponding 0.606 increase in performance. Training improves teamwork, communication skills, reduces customer complaints, improved relationships with peers and reduces the rate of absenteeism. Further, Hafeez, (2015) noted that training helps employees understand how their effort fits into the organization, open their minds to think outside the box and be innovative.

#### **2.3.4 Work-life Balance and Employee Performance**

Work-life balance is an individual's ability to meet work and family commitments as well as other non-work responsibilities and activities without negative overlaps, Parkes, (2008). It is a broad concept which has attracted numerous contributions from research and Human Resource practitioners. Majority of work-life balance studies have defined work-life balance in terms of the level of work-life conflict, Carlson., (2009)

In terms of compensation practices, work-life balance takes the form of additional benefits provided by the employer to help employees avoid the various drains i.e. time drain, resources drain and psychological drain, Hye, (2014). These comforts may be in terms of extra hours provided to earn extra income, paternity leaves to take care of family needs, on-site child care networking opportunities to improve skills among others. Many researchers have generally agreed on the importance of work-life balance as it related with individuals wellbeing, the balance deepens role related engagement and hence performance improvement, Carlson, (2008).

Several empirical studies have drawn a positive relation between work-life balance and employee performance, Parkes, (2008). The positive relation is manifested through low turnover, satisfaction, engagement and performance improvement, Cegarra-Leiva, (2012). Work-life balance contributes to increasing employee in-role performance, Magnini, (2009), further the psychological experiences drawn from the well-being feeling help employees improve concentration at work. When an employee is provided with babysitting services at the workplace, she would definitely be at peace in her daily chores. Again, employees who perceive that their needs are being met by the employer would show commitment, Casper, (2011).

In the study, Hye, (2014), noted that work-life balance along with employees' effective commitment could affect performance improvement. Using data collected from 239 Korean workers, the study supported Magnini, (2009) position on positive influence on in-role performance. However, this study was conducted in Korean collectivist organizational climate which makes employees value organizational values more than personal values. The study recommended further research on other variables affecting employee performance.

Using descriptive approach, Vishwa, (2015) to explore the influence of work-life balance on employee satisfaction and performance in national banks of India, observed that work-life balance policies have a positive relationship with satisfaction and performance. Reporting the best fit of 0.618, it means that 68 % of the dependent variable is influenced by the independent variables. The study employed flexibility policies, leave provision, job design, and welfare policies as the independent variables. This confirmed Magnini, (2009) position that work-life balance contributes to increasing employee in-role performance. Further, Vishwa, (2015) notes that each of work-life balance policy on its own is a predictor of job satisfaction and hence performance.

### **2.3.6 Employee Performance**

Employee performance is paramount to any organization since it forms the building blocks to the overall organizational performance, Abbas, (2009). Anitha, (2013) views employee performance as an indicator of achievement of organizational goals. Measuring employee performance communicates organization's seriousness in achieving its objectives since only what is measurable is achievable (Bohlander, 2001). Employee performance can be looked in terms of outcomes, but can as well be looked in terms of behavioural changes (Armstrong, 2001).

Using exploratory research design to explore the concomitant areas for extending the scope of employee performance as a major domain of human resource effectiveness, Rabindra, (2016) explained three dimensions of performance as task performance, adaptive performance and contextual performance. Task performance consists of the explicit behaviours which include fundamental job responsibilities as assigned by employer, Tripathy, (2014) and requires cognitive ability. Adaptive performance is

individual's ability to provide support to the job profile, Huang, (2014). Once an employee masters their job, they try to adapt to the job behavioural requirements. Adaptive performance becomes vital in dealing with change, Parker, (2006), Griffin, (2010). Contextual performance is the kind of social behavior demonstrated at work place, (Rothman .S, 2003), it is a discretionary work behavior like helping colleagues LePine, (2002). This is where team work falls, Bergeron, (2007).

Employee performance can best be understood through measurement of certain performance indicators. Njanja, (2013) in a study on employee performance at Kenya Power and Lightning Company in Nakuru used quality of work done, customer satisfaction, timeliness and achievement of goal/targets to understand performance. Among the comprehensive performance indicators is use of the balanced score card (Kaplan, 1992) which recognizes both financial and qualitative indicators. In a study to find out extend of use of performance measurers in manufacturing companies Maurice, (2005) surveyed 100 manufacturing firms in Canada. Presenting 73 performance measurers in the questionnaire, the results were that manufacturing firms still continue to use financial indicators to measure performance against expert advice to use the balanced score card (Kaplan, 1992). For this study, to understand employee performance separate from organizational performance, the study shall examine employees' efficiency in work, effectiveness, production of quality goods and resource utilization in achieving goals.

### **2.3.5 Summary of Gaps in Literature Review**

Several studies have been done in the field of compensation and employee performance; however, some gaps were identified which this study seeks to bridge.

Njanja, (2013) in a study on the effects of reward on employee performance using correlation research design, examined 84 employees of Kenya Power and Lighting Company Limited, Nakuru, Kenya, the study found that cash bonuses had no significant relationship with performance. In the study, those receiving cash bonuses and those not receiving performed the same though it had been perceived that cash bonuses have a significant influence in motivating employees to performance. However the relationship was significant only when it comes to attendance Njanja, (2013). Wilfred, (2014), considered salary, incentive pay in a case study to understand effects of remuneration on employee performance, found that remuneration results in attracting, retaining and motivating employees who understands the organization. The study further noted compensation varies from organization to organization.

Duberg, (2010), examined how reward systems in health and geriatric care are developed and whether the current reward systems affect the care quality. The methodology took a qualitative approach and interviewed six leaders in the sector. The findings were that salary is an important aspect of the rewards system; however other incentives like bonus were seen to generate an enjoyable workplace and happy workers than motivating employees to be more efficient. Further, Gohari, (2013) in the studied relationship between reward and employee performance in Malaysian tourism companies using multiple regression technique examined 77 employees of two companies. The research method was quantitative using questionnaire as collection instruments. Demographic factors were introduced into the study concluding that although all reward types have a direct positive relationship with employee performance, based on correlation test, intrinsic types loses their importance when they are considered in a more comprehensive model including other rewards. In addition, Umar, (2010) in the study influence of compensation on the



performance of sales representatives of pharmaceutical companies based in Ilorin Nigeria, employed convenience sampling design to select sample and questionnaire was used as primary data collection tool. The study examined the link between reward and individual performance and the type of rewards that elicit greater performance among salespeople. The research findings were that there was a significant relationship between rewards and performance. In examining effects of training on employee performance in the Public sector in Kenya, Onyango, (2014), using descriptive technique found out that training has a strong positive effect on employee performance (0.654 goodness of fit), however, the study did not explain effect of other factors comprising 34.6 per cent of the total effects. . Hafeez, (2015) took the training variable to examine its impact on employee performance, the technique used was qualitative and performance was examined through teamwork, communication and absenteeism as indicators. Though training was reported to have an impact on performance up to 60.6 per cent, the other factors forming the remaining 39.3 per cent were not considered.

In a study to examine the effects of work-life balance on employee performance, Hye, (2014), surveyed 520 respondents in an industrial complex in Korea. Using factor analysis, the study found out that work-life balance showed no significant impact on in-role performance but the impact on employee effectiveness was significant. Vishwa, (2015), used flexibility in policies, leave policies, design policies and welfare policies as work-life components to examine their influence on employee performance. Work life explained 61.8 per cent of good of fit model in the banking industry.

Dahie, (2016), in a study to examine the effects of organizational culture on employee performance sampled 80 employees of Telecommunication companies in Mogadishu, Somalia. Using survey technique, the study considered competitive, entrepreneurial and consensual cultures to examine their effect on employee performance. The results showed that only entrepreneurial culture had significant effect on employee performance. Magee, (2002) had reported influence on direction when considered with other variables.

Based on these empirical studies which have addressed the element rewards, concentrating more on the effects and process without addressing the comprehensive total compensation practices and their effects on employee performance, the current study might bridge this gap investigate the effect of total compensation practices on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya.

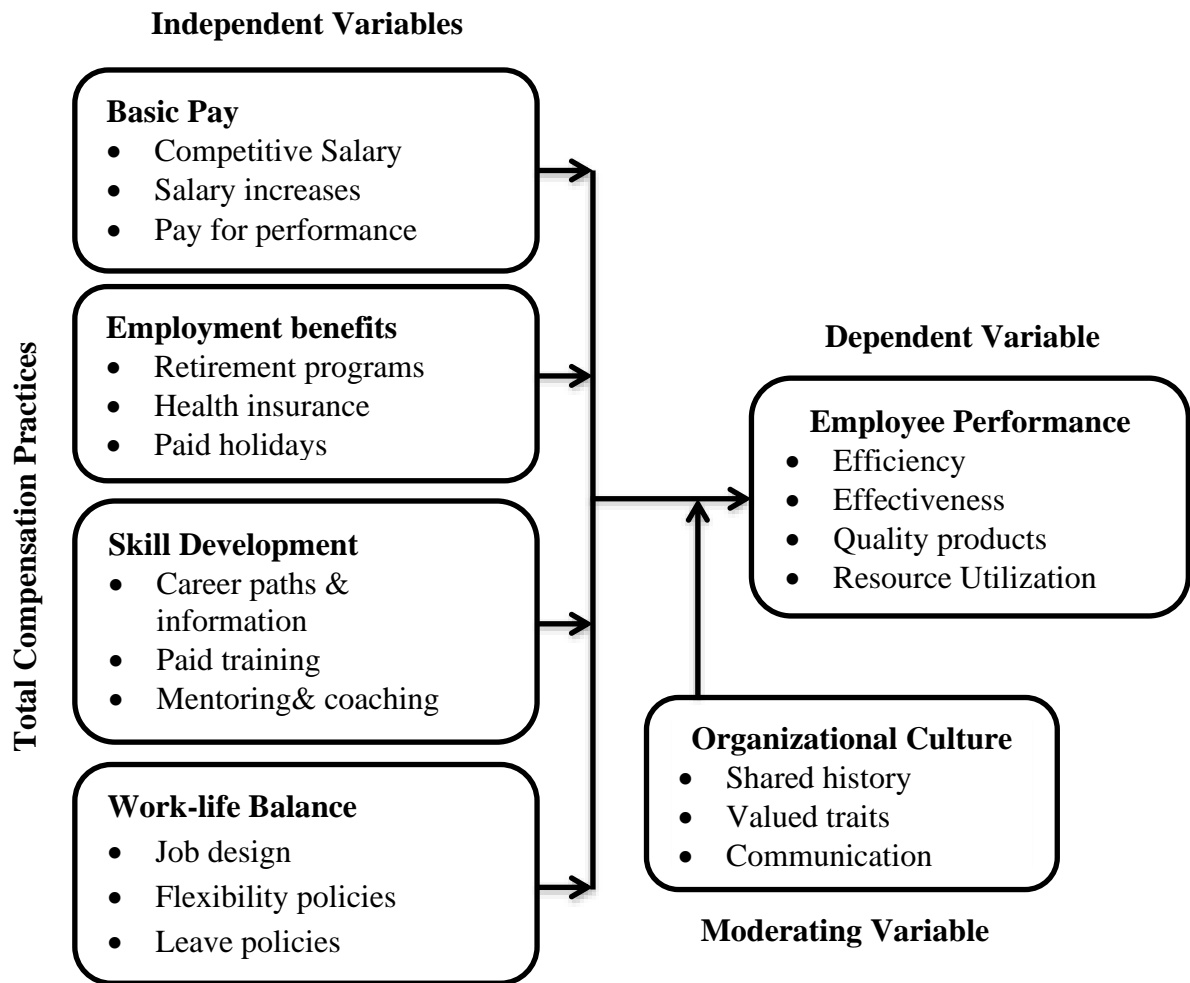
**Table 2.1: Summary of Literature Review**

<b>Author</b>	<b>Study/Focus</b>	<b>Variables</b>	<b>Research Methodology</b>	<b>Findings</b>	<b>Identified Gaps</b>
Dahie (2016)	Organization culture and employee performance in Telecom firms in Mogadishu, Somalia	Independent: Competitive culture, entrepreneurial culture, consensual culture. Dependent: employee performance	Survey	There is a positive relationship between culture and employee performance, entrepreneurial being more significant	Culture used as the only independent variable. Study only in 3 Telecoms firms.
Nickson (2015)	Fridge benefit strategy on Growth of employee productivity in the Public sector, Kenya	Independent: security benefits, protection benefits, retirement benefits, recognition. Dependent: Employee productivity	Case study	Among the major influence in benefits is health protection benefits	Used only benefit as the only independent variable, while in fact there are a plethora of compensation variables Used public sector only
Hafeez, (2015)	Impact of training on employee performance	Independent: Training, dependent: employee performance	Qualitative	Training aligns performance through self-discovery Training improves performance by 0.606 times	The evidence is only from the pharmaceutical industry. Training as the only independent variable among numerous. Performance measures used are not direct (teamwork, communication, absenteeism).
<b>Author</b>	<b>Study/Focus</b>	<b>Variables</b>	<b>Research Methodology</b>	<b>Findings</b>	<b>Identified Gaps</b>
Wilfred	Remuneration and	Independent: salary,	Case study	Employees are motivated	Considered salary and incentive

(2014)	employee performance	incentive pay Dependent: Employee performance		by open salary systems. Salary positively affects performance when perceived equitable	pay only
Onyango (2014)	Effects of training on the performance of staff in Public health institutions in Kenya	Independent: Training Dependent: Staff performance	Case study	There is a strong positive between training and employee performance (correlation coefficient 0.654)	The study made conclusions based on health institutions only. Only one independent variable used among available many
Vishwa (2015)	Influence of work-life balance policies on employee satisfaction and performance	Independent: flexibility policies Leave policies job design policies	Descriptive research	Work-life policies influence up to 68 % of satisfaction and performance.	Only one variable of compensation is discussed. Environment discussed refers only to the banking industry.
Hye (2014)	Work-life balance and Employees performance	Independent: Affective commitment work-life balance	Survey	Affective commitment has a significant positive influence on in-role performance	Only one independent variable among many compensation variables. The study does not come out clearly on dependent variable whether its employee performance or commitment.
(Rabindra, 2016)	Employee performance at work place	Dependent: Performance	Exploratory	Performance is both dynamic and multi -modal	Explored performance only and did not consider factors affecting the dynamism

Source: Author (2017)

## 2.4 Conceptual Framework



*Figure 2.4.1: Conceptual Framework*  
Source: Author (2019)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section is about the methodology that was applied in the research. It describes the research design, the target population and sample size, research instruments, methods of data collection and data analysis.

#### **3.2 Research Design**

Based on Sanders (2007), research design is a specific method of collecting and analysing data and can be categorised as explanatory (casual), exploratory or descriptive. Explanatory research seeks to establish causal relationships between or among variables and exploratory design establishes trends in a given area especially where gaps exist while descriptive seeks to establish the current situation or profile of the study population.

This study adopted descriptive research design which is a method of collecting and analysing data by taking measures of objects and characterizing , often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated by Cooper and Schindler (2003). The approach was appropriate since the research sought to describe characteristics of employees in the selected five (5) biscuit manufacturing companies in Nairobi County, Kenya without any manipulation. According to, Churchill (1991), descriptive study is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. Orodho, (2004) notes that the choice of the

descriptive research design is made based on the fact that in the study, the research is interested in the state of affairs already existing in the field and no variable was being manipulated. Further, according to Bryman and Bell, (2003) descriptive study is concerned with determining the relationship between variables. Mugenda and Mugenda (2008) opine that the descriptive survey research design is a method which enables the researcher to summarize and organize data in an effective and meaningful way.

### 3.3 Empirical Model

In analysing quantitative data, different models can be adopted depending on the nature of variables especially the dependent. Since the dependent variable performance under the study is in a continuum model, simple regression analysis was used Field, (2009) to test the degree of relationship between the independent and dependent variables during the testing of hypothesis. Multiple regression was used to test existing interrelationship between independent, moderating variables against the dependent variable. The regression coefficient of determination ( $R^2$ ) was used to determine the significant factors at an error margin of 0.05 (95% confidence level) ( $p < 0.05$ ). The results of the regression coefficient of determination were used for the interpretation of analysed data to mitigate the amount of error caused by the number of independent variables on the regression. From the above, the regression equation was formulated as follows:

a) Effects of compensation practices on employee performance in five (5) selected the biscuit manufacturing companies in Nairobi County, Kenya;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots \dots \dots (3.1)$$

Where;

Y= Employee performance

$\beta_0$  = Constant (Y- intercept)

$\beta_1, \beta_2, \beta_3, \beta_4$  = Beta coefficients

$X_1$  = Pay

$X_2$  = Benefits

$X_3$  = Skill development

$X_4$  = Work –life balance

$\varepsilon$  = error term

(b) Moderating effect of organizational culture on the effect of total compensation on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya;

To establish the effect of organization culture whether it's a moderating variable on the relationship between total compensation and employee performance of the biscuit manufacturing companies in Nairobi County, Kenya or to determine whether it's just an explanatory variable, the following regression was estimated; First equation model (3.1) was used as the base model to determine the overall relationship between the independent variables and dependent variables. The second model (3.2) shall introduce moderator variable into the equation for estimation;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 Z + \varepsilon \dots \dots \dots (3.2)$$

Where;

Z= Organizational culture



The next steps involved constructing a composite index for the independent variables, Raykov, (1998). Construction shall involve weighting and aggregation based on some statistical model (factor analysis) or participatory method (analytic hierarchy process, or budgetary allocation). Finally, model (3.3), the interaction model was used to give direction and effect of the moderator on the independent variables and the combined effect on the dependent variable;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 XZ + \varepsilon \dots \dots \dots (3.3)$$

From (3.2) if the coefficient is not significant and the organizational culture factors in the model (3.3) are not significant, then there is no moderating effect, Mackinnon, (2007), in that way, organizational culture is just an explanatory variable. Table 3.1 below shows how moderation was decided.

**Table 3.1: Decision Criteria for Moderation**

<b>Model 3.2</b>	<b>Model 3.3</b>	<b>Total effect</b>	<b>Conclusion</b>
β1 is not significant (p>0.05)		-	No overall effect to moderate
β1 is significant (p>0.05)	β2 is not significant (p>0.05)	-	Moderating variable is an explanatory variable
β1 is significant (p>0.05)	β2 is significant (p>0.05)	β3	Moderating variable has a moderating effect

**Source:** Whisman, (2005)

### 3.4 Operationalization and Measurement of Variables

This study examined employee performance as the dependent variable while total compensation practices comprised of basic pay, benefits, skill development and work environment are the independent variables. The moderating variable was the organizational culture. The study tried and established how each of these independent

variables affects the employee performance in the biscuit manufacturing companies in Nairobi County, Kenya. The table 3.2 below shows the study variables and their indicators including their measurement scale.

**Table 3.2: Operationalization and measurement of Variables**

<b>Variable</b>	<b>Type</b>	<b>Indicators</b>	<b>Measure ment scale</b>	<b>Tool of Analysis</b>	<b>Type of Analysis</b>
Basic Pay	Independent	-Competitive salary -Salary Increases	Likert1-5, ordinal	Multiple regression	Quantitative/ Qualitative
Employment Benefits	Independent	-Retirement programs Health schemes	Likert1-5, ordinal	Multiple regression	Quantitative/ Qualitative
Skill development	Independent	- organizationa l learning	Likert1-5, ordinal	Multiple regression	Quantitative/ Qualitative
Work –life balance	Independent	-job design Leave policy Flexibility policies	Likert1-5, ordinal	Multiple regression	Quantitative/ Qualitative
Organizational Culture	Moderating	-Shared values -Pay for performance Communication	Likert1-5, ordinal	Stepwise Multiple regression of composite indices	Quantitative/ Qualitative
Employee Performance	Dependent	-Efficiency - Effectiveness -Quality -Resource utilization	Likert1-5, ordinal	Multiple regression	Quantitative/ Qualitative

**Source: Researcher (2018)**

### 3.5 Target Population

The target population for this study comprised of 1,600 permanent employees of the Biscuit Manufacturing Companies in Nairobi. Permanent employees for this research were determined as those employees whose contract does not specify a termination date. According to Kothari (2004), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. Mugenda and Mugenda (2008), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. This definition assumes that the population is not homogeneous. The respondents of this study shall be the various employees of the biscuit manufacturing companies in Nairobi. The unit of analysis was, therefore, be biscuit manufacturing companies in Nairobi County while the unit of study was the employees working in these companies. Table 3.3 below shows the target population.

**Table 3.3: Target population**

<b>Company</b>	<b>Target Population</b>	<b>Percentage</b>
Manji Food Industries Limited	448	28%
Premier Cookies Limited	256	16%
Golden Biscuits limited	272	17%
JamboBiscuits limited	400	25%
Sunveat Foods Limited	224	14%
<b>Total</b>	<b>1,600</b>	<b>100%</b>

**Source: FKE Employee Returns 2019**

### 3.6 Sampling Size and Sampling Procedure

A sample is a smaller group or sub-group obtained from the accessible population Mugenda, (2008). This subgroup is carefully selected so as to represent the whole population with the relevant characteristics. Each member or case in the sample is referred to as subject, respondent or interviewees. Sampling is a procedure, process or

technique of choosing a sub-group from a population to participate in the study Ogula, (2005). It is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected. The study applied the stratified random sampling technique to obtain the respondents for questionnaires. The sample frame of the study included a representative sample of all the general departments within the Companies under study (Manji Food Industries limited, Jambo Biscuits Limited, Premier Cookies Limited, Golden Biscuits Limited and Sunveat Foods Limited) as provided by respective Human Resource offices.

Based on the target population of 1,600 employees, and allowing an error of 5%, a sample of 320 respondents was determined using Yamane's formula, Yamane, (1967).

$$n = \frac{N}{1 + Ne^2}$$

Where n= the sample size

N= the size of population

e = the error of percentage

Based on the above, the sample size was arrived at as:-

$$n = \frac{1600}{1+(1600*0.05^2)} = \frac{1600}{5} = 320 \text{ respondents}$$

In order to get the desired population distribution, the sample size was distributed in the strata as per Pedhazur (1991), Kyamanywa (2005), the formula below;

$$r = \frac{C * S}{P}$$

Where,

r= respondents required from the strata

C= stratum population

S = sample size

p = the target population

Using the above formula below table 3.4 is the distribution of sample size

**Table 3.4: Distribution of Sample Size**

Strata	Stratum population	Multiplier	Sample size $r = \frac{C * S}{P}$	Percentage (%) of <i>n</i>
Management staff	64	0.200	13	4%
Sales and Marketing staff	704	0.200	141	44%
Finance and Administration	160	0.200	32	10%
Technical staff	672	0.200	134	42%
<b>Total</b>	<b>1600</b>	<b>0.200</b>	<b>320</b>	<b>100%</b>

**Source: Author (2018)**

### 3.7 Data Collection Instruments

The study used both primary and secondary data collection tools. A primary data was collected from the various biscuit manufacturing companies using a questionnaire. The reason for choosing questionnaire as the data collection instruments were primarily due to its practicability, applicability to the research problem and the size of the population. A self-administered questionnaire with both open and closed-ended questions was developed and administered to obtain information from the 320 respondents. The questionnaire comprised of four major sections. The first part sought demographic information of the respondents while the second part sought information on Compensation practices. Part three tried to understand employee performance while the fourth part concentrated on employee performance measures.

Secondary data collection comprised of a review of organization profiles, processes, rolls, industry publications and reports including KNBS, KAM and FKE. Table 3.5 below shows the document review guide for secondary data analysed.

**Table 3.5: Document Review Guide**

<b>Data Selected</b>	<b>Data Analysed</b>
Company Profiles of Manji Food Industries Limited, Sunveat, Mjengo Limited, Premier Cookies, Jambo Biscuits Limited, Golden Biscuits Limited	Historical backgrounds, beliefs and aspirations
Muster rolls/ attendance registers of Manji Food Industries Limited, Sunveat, Mjengo Limited, Premier Cookies, Jambo Biscuits Limited, Golden Biscuits Limited	Manpower strengths, attendance trends
FKE Employee returns 2019	Manpower strengths of target population, turnover trends
KAM Publications; Manufacturers Battle the odds of 2013 Industry Today Dec 2013- Jan 2014	Manufacturing trends in the biscuit industry
KNBS Publication; Economic outlook 2018, April 2019	Market shares and productivity, installed capacities and utilised capacities, employment trends and projections
KAM Publication: Kenya Manufacturing Barometer, Industry Today Dec 2016	Manufacturing and trade in the local markets, manufacturing challenges

**Source: Author 2019**

### **3.8 Validity and Reliability of Data Collection Instruments**

Validity and reliability ensures that the data collection instruments are accurate and that the phenomenon is accurately measured to answer to accurately and consistently the research questions. The information gathered should be both relevant and correct Mugenda, (1999). Accuracy and consistency of data collection instruments was ensured through a pilot test on the target population, this was organized through the respective Human Resources offices.

#### **3.8.1 Validity of Data Collection Instruments**

This study considered three (3) types of validity which ensured that the study meets its intended purpose; content, construct, and criterion. Content validity is reckoned when there is available literature that variable under study has measurable characteristics that cover all the aspects of that variable being measured. Since the project stage involves the theoretical and empirical literature review, the content validity is established. Furthermore, research supervisors and department/school members gave expert advice during various stages. Construct validity was established if the instrument measures the theoretical variables it is designed to measure. This was confirmed if it exhibits homogeneity of measurement, the convergence of use and theory evidence of the variable under measurement in the day to day life. Criterion-related validity was determined through examination of other related instruments giving measuring the same variables under study. Examination of multiple correlation coefficients was a good start.

#### **3.8.2 Reliability of Data Collection Instruments**

Accuracy and consistency was ensured through pre-test using 10 Kenyatta University School of Business students. This was important to identify and avoid vagueness,

ambiguities, irrelevant or inadequate tools and misunderstanding. The reliability of data collection instruments was tested using Cronbach's alpha value to test for internal consistency or homogeneity of the instruments Field, (2009); Cooper, (2010). An instrument is reliable if the coefficient alpha is greater than 0.7 Cooper (2010) The instrument was considered reliable since the reliability coefficient alpha of greater than 0.7 was realized (table 4.2).

### **3.9 Data Collection Procedure**

A letter of introduction to collect data from the biscuit manufacturing companies was obtained from the Graduate school of Kenyatta University and a permission to conduct the research was obtained from NCOSTI. The participating companies were conducted individually to accord permission to conduct research in their institutions. Appointments were booked with the respective Human resource managers of the respondent companies who helped in the distribution of research questionnaires. The respondents were allowed a time period of two weeks upon which the researcher with the assistance of the various Human resource managers collected them for analysis.

### **3.10 Data Analysis and Presentation**

After collection of questionnaires, the data was cleaned for any errors and cross-checked for accuracy after which it was coded ready for analysis, Kombo, (2006). Data was analyzed using both qualitative and quantitative data analysis methods. The coded data was analyzed using IBM Statistical Package for Social Sciences (SPSS) version 21.0 for windows.

For qualitative data, descriptive statistics were used for data analysis to include frequencies, means, percentages, standard deviation, and variance while for quantitative



data inferential statistics was used to include multiple regression, ANOVA tests and Pearson correlation models. For the reliability of data, all statistical tests were subjected to test significance at the alpha level of 0.05. Data was presented using tables with qualitative being presented using commentaries Kothari, (2004). From the analysis, inferences, conclusions, and recommendations were drawn.

### **3.10.1 Diagnostic Tests**

Since the study employed multiple regression analysis of the variables, diagnostic tests become invaluable in testing assumptions of data. This is in order to avoid biased estimates of relationships, confidence intervals and significance of relationships, Cohen, 2003. Pre-estimation diagnostic tests included use normality test, Field, (2009)

#### **3.10.1.1 Normality Test**

Normality test is important since regression models are based on the assumption of normality and that data can be subjected to further statistical analysis without inflations and underestimated standard errors, Field (2009).

The study adopted the rule of thumb for normality of variables in that a variable is reasonably close to normal if its skewness and kurtosis lie between values of -0.1 and +0.1, Dancey,( 2004). The significance level for this study was  $\alpha = 5\%$  (0.05). For  $P \geq 0.05$  normality was assumed while for  $P < 0.05$  deviation from normality was assumed.

#### **3.10.1.2 Linearity Test**

The Pearson's correlation coefficient was used to test linearity of the relationship between variables Dancey, (2004), Wooldridge, (2000). Pearson correlation coefficient assumes values of between -1 and +1 and values below zero (0) indicates inverse relationship with zero (0) indicating no relation while values of above zero (0) indicate

direct positive relationship. Correlation coefficient showed strength as well as direction of the linear relationship with a negative correlation indicating inverse relationship where increase in one variable causes decrease in the other, while positive denoted direct positive influence that is, an increase in one variable resulted in increase in the other variable, Field, (2009). All the variables showed positive correlation.

### **3.10.1.3 Multicollinearity Test**

This test was used to check for correlated variables, this was done using variance inflation factor (VIF). In multiple regression analysis, regression coefficient becomes less reliable as the degree of correlation between independent variables increases, Kothari, (2004), this raises the standard error as well. A VIF OF less than ( $VIF \leq 3$ ) was interpreted as no multicollinearity while a VIF of  $VIF \geq 3$  indicated existence of multicollinearity, Hair, (2010)

### **3.10.1.4 Homoscedasticity tests**

This test was used to measure whether the variance between the dependent and independent variables was the same or not. In this study, homoscedasticity was tested using Levene's test of homogeneity of variances. A probability value of  $P \geq 0.05$  met the homoscedasticity assumption to allow regression model to be used for further analysis, Warner, (2008).

## **3.11 Ethical Considerations**

Consent to undertake the study was obtained from all the relevant authorities and the respondents. Issues relating to the ethical conduct of research such as informed consent, confidentiality, privacy, and anonymity were upheld. According to Mark Saunders,

Philip Lewis, Adrian Thornhill (2009), ethics is the norms or standards of behaviour that guide moral choices about our behaviour and our relationships with others. Participants and respondents were given full information on the purpose and objectives of the study in order for them to make informed decisions as to whether to partake or not. The respondents were not be forced to fill in the questionnaire if not willing, Gatara, (2010).

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION, AND DISCUSSION**

#### **4.1 Introduction**

The purpose of this study was to investigate the effect of total compensation practices on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya. This chapter presents the descriptive and inferential data analysis results. The analysis was done in line with the specific objectives of the study and the major findings were grouped into three major sub-categories; general information of the respondents, descriptive statistics regarding the variables under investigation and inferential statistics on the same. The specific objectives of the study were; i) to determine the effect of basic pay on employee performance, ii) to assess the effect of employment benefits on employee performance, iii) to examine the effect of skill Development on employee performance, iv) to establish the effect of the work environment on employee performance, and v) to establish the moderating effect of organizational culture on the relationship between total compensation practices and employee performance in the biscuit manufacturing companies in Nairobi City County Kenya.

#### **4.2 Response Rate**

The study sought to collect information from biscuit manufacturing companies in Kenya by sampling Management staff, Sales staff, Finance and Administration, and Technical staff. Table 4.1 describes the response rate.

**Table 4.1: Response Rate**

Category of respondents	Sample ( <i>n</i> )	Percent (%)
Management staff	13	4
Sales & Marketing staff	141	44
Finance & Administration	32	10
Technical staff	134	42
<b>Total</b>	<b>320</b>	<b>100%</b>

**Source: Author (2019)**

A total of three hundred and twenty (320) respondents were targeted to participate in data collection; therefore, the turnout rate was 313, making 97.8 per cent questionnaire return rate. This indicated that the response was credible enough to enable the researcher to analyze the findings. The results are in line with the findings of Baruch, (1999), who had argued that rate of 60 per cent is good, and, Dennis, (2003), Stephen, (2006), who argued that rate of 70 per cent, is very good.

#### **4.2.1 Reliability Test**

A reliability test was conducted to establish stability and consistency of instruments for this study and the following is a summary of the finding as shown in Table 4.2.

**Table 4.2: Reliability Test**

Variable	Cronbach's Alpha	No. of items
Basic pay	0.860	5
Employment benefits	0.739	5
Skill development	0.889	5
Work environment	0.830	5
Organizational culture	0.914	5
<b>Overall</b>	<b>0.846</b>	<b>5</b>

**Source: Author (2019)**

Reliability of an instrument is the ability to produce consistent and stable results. One of the most common reliability coefficients is the Cronbach's alpha which estimates internal consistency by determining how all items on a test relate to all other items and to the total test - internal coherence of data. The reliability is expressed as a coefficient

between 0 and 1. The higher the coefficient, the more reliable is the test. According to Gugiū *et al.* (2017), a standard minimum value of alpha of 0.7 is recommended. In this study, all the alpha values were more than 0.7 as indicated in Table 4.2 meaning that the data collection instruments were stable and consistent, hence reliable.

#### 4.2.2 Linearity Test

The Pearson correlation coefficient was used to test linearity of the relationship between the variables under study and the following is a summary of the findings as shown in Table 4.3

**Table 4.3: Linearity Test**

		Basic pay	Employment benefits	skill development	Work Life balance	Organizational culture
<b>Basic pay</b>	Pearson Correlation	1				
	Sig. (2-tailed)	0.000				
<b>Employment benefits</b>	Pearson Correlation	0.842	1			
	Sig. (2-tailed)	0.001				
<b>Skill development</b>	Pearson Correlation	0.746	0.960	1		
	Sig. (2-tailed)	0.000	0.000			
<b>Work Life balance</b>	Pearson Correlation	0.905	0.923	0.950	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
<b>Organizational culture</b>	Pearson Correlation	0.594	0.896	0.917	0.953	1
	Sig. (2-tailed)	0.15	0.000	0.000	0.000	

**Source: Author (2018)**

One of the best ways to test linearity is use of Pearson correlation coefficient which shows strength as well as direction of the linear relationship, Dancy, (2004). The correlation coefficient takes values of between -1 and 1 with values of below zero (0) denoting inverse, and zero (0) indicating no association while values above zero (0) indicates positive relationship. According to Field, (2009), a relationship is inverse when an increase in one variable result in decrease in the other variable, while a positive denotes increase in one variable resulting in a corresponding increase in the other

variable. In this study, all relationships were positive and significant as indicated in table 4.3

#### 4.2.3 Multicollinearity Test

Since regression analysis test for linearity becomes less reliable as the degree of correlation increases as was the case in this study, multicollinearity test was done using variance inflation factor (VIF) and the summary of results is shown in table 4.4

**Table 4.4: Multicollinearity Test**

<i>Variable</i>	<i>VIF</i>
<i>Basic Pay</i>	<b>0.987</b>
Employment Benefits	0.722
Skill Development	0.663
Work life balance	0.678
Organizational Culture	0.873
<b>Mean VIF</b>	

**Source Author 2019**

With a score of less than 3 ( $VIF \leq 3$ ) the interpretation was that there was no multicollinearity amongst the variables. A score of more than 3 would have meant existence of multicollinearity, Hair (2010).

#### 4.2.4 Homoscedasticity Test

In order to ensure the variance between dependent and independent variables, homoscedasticity test was conducted using Leven's test (Warner (2008) ). A probability value of  $P \geq 0.05$  allows homoscedasticity assumption and regression model can be adopted for further analysis. Summary results of homoscedasticity test were as presented in table 4.5

**Table 4.5: homoscedasticity Test Results**

Model	Sum of Squares	Df	Mean Square	F	Sig.
<b>1</b> Regression	3.041	4	0.760	49.293	0.000 <sup>b</sup>
Residual	1.604	104	0.015		
<b>Total</b>	<b>4.645</b>	<b>108</b>			

a. Dependent Variable: *Employee Performance*  
b. Predictors: (*Constant*), *Basic pay*, *Employment benefits*, *Skill development*, and *Work life balance*.

Source: Author 2019

From the table 4.5 above, F= 49.293 which allowed assumption of homoscedasticity since it had met the threshold.

### 4.3 Demographic Findings

The data analysis in this section was on gender, age, years of service, department working in and highest level of education. For each question, the results obtained from the study questionnaires are as discussed below:-

#### 4.3.1 Gender of the Sampled Respondents

Gender plays an important role in determining employees' preference in terms of benefits. This was considered a factor since the study sought to understand the relationship of compensation practices and employee performance. The study assessed the gender distribution of the sampled respondents and the following is a summary of the findings as shown in table 4.6.

**Table 4.6: Gender Distribution of Respondents**

Gender	Frequency (f)	Percentage (%)
Male	146	46.6
Female	167	53.4
<b>Total</b>	<b>313</b>	<b>100.0</b>

Source: Author (2019)



From table 4.3 above, out of 313 respondents, 53.4 per cent (n=167) were female while 46.6 per cent (n=146) were male. This implies that majority of the workers in the biscuit manufacturing industry are female which can be attributed to nature of job. It can, therefore, be said that there was a slight gender balance in the company although the number of female participants seemed to be higher in this study. The gender distribution would be relevant in generalizing the results, it would have been of significance to examine which gender is more productive but since the distribution is fair, the generalizing results without attributing to either gender would be appropriate. The slight gender imbalance may be used to explain employment trends within the industry.

#### 4.3.2 Age of the Respondent

Age distribution of the sampled respondents was sought in order to determine which aspect of compensation practices determines employee performance among different age groups. Implication of age becomes important in understanding of choice compensation practice aspects like choice of benefits, while the Y-generation preferred basic pay and work-life balance to other form of compensation practices, the older generation preferred practices which promote stability, Srivastava, (2013). The following is a summary of the statistics obtained as shown in table 4.7.

**Table 4.7: Age of the Respondent**

<b>Age Bracket</b>	<b>Frequency (f)</b>	<b>Percentage (%)</b>
18 to 25 Years	22	7.0
26 to 30 Years	54	17.3
31 to 35 Years	88	28.1
36 to 40 Years	58	18.5
Above 41 Years	91	29.1
<b>Total</b>	<b>313</b>	<b>100.0</b>

**Source: Author (2019)**

From above table 4.7 the study findings indicate that majority of the sampled respondents were aged Above 41 years another 28.1 per cent (n=88) were aged between 31 to 35 years while some 18.5 per cent (n=58) were aged between 31 to 35 years and another 17.3 per cent (n=54) were aged between 26 to 30 years while only 7 per cent (n=22) of the sampled respondents were aged between 18 to 25 years. Majority (52.4 per cent) of the sampled respondents are youths (18 to 35 years) the study findings show that the remaining population (48.6 per cent) were aged above 36 years old from the findings, it can be said that the companies have employed youthful employees who are deemed to be aggressive in innovating strategic new ideas in order to help the companies attain optimum performance.

#### **4.3.3 Years of Service in Biscuit Manufacturing Company**

The study took years of service as material aspect as it can be used as a measure of experience within the industry. It is a general assumption that the longer employees work in a particular area, the more experience they gain and hence become more resourceful Rabindra, (2016).The respondents were further asked about their duration that they have worked in the biscuit manufacturing industry and the following findings were obtained as summarized in table 4.8.

**Table 4.8: Years of Service in a Biscuit Manufacturing Company**

<b>Years of service</b>	<b>Frequency (f)</b>	<b>Percentage (%)</b>
Less than 3 years	40	12.8
3 to 5 years	100	31.9
5 to 10 years	75	24.0
More than 10 years	98	31.3
<b>Total</b>	<b>313</b>	<b>100.0</b>

**Source: Author (2019)**

From the data analysis results in Table 4.8 above, 31.9 per cent (n=100) of the sampled respondents had worked in the biscuit manufacturing industries for between 3 -5 years,

another 31.3 per cent (n=98) had worked for more than 10 years while some 24 per cent (n=75) had worked for about 5 – 10 years and only 12.8 per cent (n=40) had worked for less than 3 years. With more than 50 per cent of the respondents having worked for more than 5 years, it can be taken that the respondents had adequate knowledge pertaining to biscuit manufacturing and compensation practices employed. It can be assumed for this study, majority of employees sampled had a good understanding of their responsibilities (Rabindra, 2016).

#### 4.3.4 Current Department

The study collected information on the current department that the respondents were working in order to assess the effect of compensation practices on employee performance. Current department was considered a factor since some organizations structure their compensation practices based on department. Some organizations pay sales and marketing staff based on basic salary (mostly referred to as a retainer) and commissions based on output, Abdul, (2014). Further, department currently working in enables respondent access to compensation practices, it's easier for a respondent working in administration department to know whether organization has a compensation structure than a respondent in technical department. The results were obtained as summarized in table 4.9.

**Table 4.9: Current Department**

<b>Department</b>	<b>Frequency (f)</b>	<b>Percentage (%)</b>
Management	33	10.5
Finance & Administration	31	9.9
Sales & Marketing	136	43.5
Technical	113	36.1
<b>Total</b>	<b>313</b>	<b>100.0</b>

**Source: Author (2019)**

From table 4.9, the study established that the majority of the sampled respondents worked in the Sales & Marketing at 43.5 per cent (n=136), some 36.1 per cent (n=113) worked in the Technical operations departments, while 10.5 per cent (n=33) worked in the management and another 9.9 per cent (n=31) worked in the finance & Administration department. Through departmentalization, the study was able to get all required information since different departments are custodians of different forms of information. Having gotten information from all departments, this study takes results to be valid and reliable.

#### **4.3.5 Highest Level of Education**

The purpose of this study was to establish the effect of compensation practices on employee performance within the biscuit manufacturing companies. In pursuit to examine this, the sampled respondent's educational qualification was considered important factor. Employee performance requires competency and this study required a respondents who have an understanding of the compensation variables under study and are able to give valid responses. Previous studies have found that education increases job trainability leading to satisfaction and hence performance, Njiru, (1999). The provision of training will foster an increase in professionalism and further exploitation of management methods, whereas a lack of training can cause frustration and lack of job satisfaction and thus underperformance by employees, Wright, (2003). Well-trained individuals know the scope expectations and departments of their jobs and will be able to add building blocks to their professionalism as they progress through their careers, Njiru, (1999). Education and training are therefore critical for human resource planning, and marketing management. Summary of statistics obtained from respondents are as shown in table 4.10.

**Table 4.10: Level of Education**

<b>Education Level</b>	<b>Frequency (f)</b>	<b>Percentage (%)</b>
Secondary Education	30	9.6
College	205	65.5
University Degree	70	22.4
Post-graduate Degree	5	1.6
PhD	3	1.0
<b>Total</b>	<b>313</b>	<b>100.0</b>

**Source: Author (2019)**

From table 4.10, it was observed that majority of the sampled respondents had college diplomas at 65.5 per cent (n=205), some 22.4 per cent (n=70) had university degrees, a few 9.6 per cent (n=30) had secondary school certificate while very few 1.6 per cent (n=5) and 1 per cent (n=3) had a postgraduate degree and PhD respectively. This implies that the majority of the respondents were qualified enough to hold these positions making them the right target for this particular research. While basic salary was a major influencing factor for lowest level of education holders, as level of education increased, preference changed to work-life balance and skill development.

. From the level of education, the study finds that majority of employees are trainable in their areas of work and hence conclusions made are from informed workforce. Again, majority of employees can relate with different compensation aspects depending on level of education and hence compensation aspects are well understood in the organizations.

#### **4.4 Descriptive Findings**

The study presents descriptive results of the variables of the study, the respondent's perceptions towards the various variables under the study was sought. Their level of agreement or disagreement was assessed through a Likert scales of 1 to 5 ranging from strongly disagree to strongly agree. The findings were presented in form of means and standard deviations relative to the study objectives as discussed hereafter.

#### 4.4.1 Basic Pay and Employee Performance

Basic salary is a fixed periodical payment for non-manual employees usually expressed in annual terms, paid per month with generally no additions for productivity, Braton, (2015). It is important to note that compensation is not all about money. It is a symbol of what an organization believes is valuable that can boost the performance of employees. It specifically communicates the extent to which an organization values its employees. Amin (2014) explains that traditional pay systems were based on the three factors: the job, maintaining the level of equality in standard pay among employees in the organization, and paying competitive salaries.

The study assessed the opinion of the sampled respondents on basic pay on a Likert scales of 1 to 5 ranging from strongly disagree to strongly agree in order to determine the effect of total compensation practices on employee performance. Responses from items contained in the questionnaire were analyzed and table 4.8 gives a summary of the study findings. Table 4.11 gives a summary of the study findings.

**Table 4.11: Effect of Basic Pay on Employee Performance**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
A basic salary is paid and it is comparable within and outside the organization.	3.62	1.171
There is a compensation policy clearly providing grading system for each category of employees.	4.21	1.56
The compensation policy includes periodic or merit for salary increment.	4.27	1.170
Salary offered is comparable to tasks involved and the output expectations.	3.30	1.255
Salary is independently determined outside other benefits on offer.	4.28	1.237
<b>Average</b>	<b>3.936</b>	<b>1.2786</b>

**Source: Author (2019)**

The data obtained shows that a basic salary is paid and it is comparable within and outside the organization, this was cited with a mean of 3.62 (SD = 1.171) and in the organization there is a compensation policy clearly providing grading system for each category of employees as indicated with a mean of 4.21 (SD = 1.56). this compensation policies include periodic or merit for salary increment as shown by a mean of 4.27 (SD = 1.170) and that the salary offered is comparable to tasks involved and the output expectations as shown by a mean of 3.30 (SD = 1.255) and further that the salary is independently determined outside other benefits on offer as cited with a mean of 4.28 (SD = 1.237). Generally, the study concludes that the sampled organizations have developed good pay structures as cited with an average mean of 3.936 (SD = 1.2786) and thus their employees are motivated and hence likely to perform organizational duties better hence improving the organizational performance. The results are in line with the argument by Bratton and Gold (2015) who opines that existing salary should be viewed by employees as satisfactory.

On the other hand, Fawzi and Bright (2014) posited that in general higher levels of pay and more attractive benefits tend to result in greater satisfaction thus promoting employee performance, Bretz and Thomas (2012), however stated that pay dissatisfaction reduces employee performance and morale. Njiru (2014) in support argue that “pay peanuts and you will get monkeys”, and in addition to that, they said that if you show that you value people by paying a reasonable wage then they appreciate it.

According to Bratton (2015), good practice requires employers to keep pace with inflation by rewarding employees with salaries that are market-related to avoiding strikes and poor performance by workers. Nowadays, organizations are under financial strain with salaries continually rising and becoming a major fixed expense. According to Amin

*et al.* (2014), regardless of basic pay inefficiencies, it remains a rule that employees should be paid at, or above market rates as negotiated by labour unions who are concerned with the welfare of employees. In a competitive market, higher basic pay is used for attracting and retaining employees who already have the experience to improve their performance, Umar, (2010). Otherwise contradicting this rule has negative consequences on the part of the organization. It is thus factual that pay communicates commitment to employees, and is used as the baseline for assessing other pay systems such as skill and competency pay.

#### **4.4.2 Employment Benefits and Employee Performance**

Employee benefits are essential compensation aspects which help to make an employees working experience more comfortable, they help to improve employees quality of life Lemma (2013). This study sought to find out the opinion of the sampled respondents on compensation practices and employee performance on basis of indicators. Items on the questionnaire were ranked on a Likert scales of 1 to 5 ranging from strongly disagree to strongly agree. Table 4.12 gives a summary of the study findings.

***Table 4.12: Effect of Employee Benefits on Employee Performance***

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
The organization has a benefits policy which I am aware of and is well communicated.	3.56	1.422
The organization provides a cafeteria of benefits suitable to all levels of employment.	2.38	1.443
Employees are allowed to choose the benefits of their choice.	1.59	1.028
Benefits are determined by one's position in the organization.	3.51	1.330
Benefits are tied to individual performance and this is well communicated.	2.32	1.191
<b>Average</b>	<b>2.672</b>	<b>1.2828</b>

**Source: Author (2019)**



Data obtained on employee benefits and their effects on employee performance indicates that majority of the sampled respondents cited that the organization has a benefits policy which I am aware of and is well communicated with a mean of 3.56 (SD = 1.422) and that the organization provides a cafeteria of benefits suitable to all levels of employment with a mean of 2.38 (SD = 1.443), further that employees are allowed to choose the benefits of their choice with a mean of 1.59 (SD = 1.028) although this response was weak since the benefits are determined by one's position in the organization with a mean of 3.51 (SD = 1.330). ; These benefits were tied to individual performance and this is well communicated as cited by a mean of 2.32 (SD = 1.191). The average means 2.672 (SD = 1.2828) demonstrate that employee benefits affect employee performance although not to a large extent. The results concur with the position of Sarboini (2016) who stipulates that indirect financial rewards that could enhance employee performance come in form of subsidized benefits such as retirement plans, paid sick leaves, bonuses, incentives, allowances and purchase discounts. Sarboini (2016) findings refer benefits as indirect financial and non-financial payments employees receive for continuing their employment with the company. Lemma (2013) findings explain benefits as indirect forms of compensation that are intended to maintain or improve the quality of life for employees. Indirect financial rewards come in form of subsidized benefits such as retirement plans, paid sick leaves and purchase discounts. Sarboini (2015) supports the scenario whereby companies are able to supplement pay benefits with insurance benefits, retirement benefits and personal service and family-friendly benefits.

Supplemental pay benefits provide for time not worked, they include unemployment, insurance, vacation and holiday pay, severance pay and supplemental unemployment benefits. Insurance benefits include worker's compensation, group hospitalization, accident and disability insurance; and group life insurance. Retirement benefits include

social security and pension plans. Personal service and family-friendly benefits include food services, recreational and child and child-care opportunities, legal advice, credit unions, educational subsidies and counselling. All these benefits put together enhances employee performance in an organization.

Mytty, Pedak and Sun (2016) classifies employee benefits into three key categories, security benefits like pension and life insurance, work-related benefits like subsidized meals and special training opportunities and finally status-related benefits like prestige car and entertainment allowance. Subekti and Setyadi (2014) argue that although most of the above-named benefits are designed for all the employees in an organization with varying levels, some organizations have developed a cafeteria-style benefits plan which allows the employees to choose the benefits that fit them. Such organizations believe that offering employees' freedom to choose benefits that benefits them is tantamount to their satisfaction and a high probability of reciprocating the overall company loyalty to them by demonstrating exemplary performance.

#### **4.4.3 Skill Development and Employee Performance**

As one of the major functions within human resource management, skill development has for long been recognized. Skill development is an investment in employees aimed at improving the knowledge, skills and attitudes towards work-related tasks, Abdul, (2011). It is one of the most important potential motivators which can lead to both short-term and long-term benefits for individuals and organizations. There are so many benefits associated with skill development. This study assessed the impact of skill development on employee performance using a questionnaire with items ranked on a Likert scale of 1 to 5 ranging from strongly disagree to strongly agree. Responses from items contained in

the questionnaire were analyzed and table 4.13 gives a summary of the study findings analyzed on the basis of indicators.

**Table 4.13: effect of Skill Development on Employee Performance**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
The organization provides a clear career path for every position within the organization.	3.0	1.317
Training programs are always based on performance gaps as traced from appraisal process.	3.63	1.254
There is an evaluation process conducted after every training or learning program in the organization.	3.57	1.297
All training and learning programs are organized and paid for by the organization.	4.30	1.197
Training is tailor-made and designed around existing jobs.	3.89	1.216
Training is a budgeted activity and the trainers are well selected.	3.51	1.266
<b>Average</b>	<b>4.38</b>	<b>1.5094</b>

**Source: Author (2019)**

From table 4.13, study assessed employee skill development to determine the effect of total compensation practices on employee performance. It was observed that the organizations provide a clear career path for every position within the organization had a mean of 3.0 (SD = 1.317), and that training programs are always based on performance gaps as traced from appraisal process had a mean of 3.36 (SD = 1.254) and further that there is an evaluation process conducted after every training or learning program in the organization had a mean of 3.57 (SD = 1.297) while all training and learning programs are organized and paid for by the organization had a mean of 4.30 (SD = 1.216). The respondents further cited that the training is tailor-made had a mean of 3.89 (SD = 1.216) and that the training is a budgeted activity and the trainers are well selected with a mean of 3.51 (SD = 1.266).

This study, concludes that employee skill development significantly affects employee performance had a mean of 4.38 (SD = 1.508). Most of the benefits derived from Skill development are easily attained when the whole process is planned. This implies that the

organization, trainers and trainees are prepared for the training well in advance. According to Kenney & Reid (2009) planned training is the deliberate intervention aimed at achieving the learning necessary for improved job performance. In Congruence, Bohan (2014) states that in many companies employees are encouraged to acquire new skills and are rewarded if they did. The results relate to finding by Mytty, Pedak and Sun (2016) who concluded that companies should regularly conduct special training to enhance employee performance. In the real world, organizational growth and development are affected by a number of factors and in light with the present research during the development of organizations, employee training plays a vital role in improving performance as well as increasing productivity. This, in turn, leads to placing organizations in the better positions to face competition and stay at the top. This, therefore, implies an existence of a significant difference between the organizations that train their employees and organizations that do not.

Wright & Geroy (2001) notes that employee competencies change through effective training programs. It therefore not only improves the overall performance of the employees to effectively perform their current jobs but also enhances the knowledge, skills an attitude of the workers necessary for the future job, thus contributing to superior organizational performance. The branch of earlier research on training and employee performance has discovered interesting findings regarding this relationship.

Training has been proved to generate performance improvement related benefits for the employee as well as for the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behaviour Raheja, and Bano, (2016)). Gomwe (2016) observed that bridging the performance gap refers to implementing a relevant training intervention for

the sake of developing the particular skills and abilities of the employees and enhancing employee performance.

According to Wright & Geroy (2008), employee competencies change through effective training programs. It not only improves the overall performance of the employees to effectively perform the current job but also enhance the knowledge, skills and attitude of the workers necessary for the future job, thus contributing to superior organizational performance. Through training, the employee competencies are developed and enable them to implement the job-related work efficiently and achieve firm objectives in a competitive manner. Further still, dissatisfaction complaints, absenteeism and turnover can be greatly reduced when employees are so well trained that can experience the direct satisfaction associated with the sense of achievement and knowledge that they are developing their inherent capabilities Gomwe, (2016)).

#### **4.4.4 Work-life balance Employee Performance**

Work life balance enables an employee to put their best in work but at the same time not neglecting their other outside life. The balance helps employees to avoid drain in terms of time, resources and psychological drains. The study sought to examine effect of work life balance by assessing leadership style, flexibility in work, empowerment and job design through a questionnaire with items ranked on a likert scale of 1 to 5 ranging from strongly disagree to strongly agree. Responses from the items on the questionnaire were analysed and table 4.14 gives summary of the findings.

**Table 4.14: effect of Work life balance on Employee Performance**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
The organization provides relevant tools, equipment and apparatus for performing tasks.	3.33	1.217
Time off is provided to attend to pressing personal matters	3.57	1.174
The organization provides salary advances to assist employees to attend to personal financial needs.	3.36	1.681
Leadership style addresses staff issues promptly whenever they arise	1.57	1.026
Working times are well defined and employees are not forced to work beyond their time.	4.24	1.327
<b>Average</b>	<b>3.214</b>	<b>1.285</b>

**Source: Author (2019)**

The data above on work life balance and its effects on employee performance indicates that majority of the sampled respondents cited that the organization provides relevant tools, equipment had a mean of 3.33 (SD = 1.217) and that time off is provided to attend to pressing personal matters had a mean of 3.57 (SD = 1.174), as well that organization provides salary advances to assist employees to attend to personal financial needs had a mean of 3.36 (SD = 1.681), again leadership style addresses staff issues promptly whenever they arise had a mean of 1.57 (SD=1.026) the significance was weak but working times are well defined and employees are not forced to work beyond their time had a mean of 4.24 (SD = 1.327). The average means 3.214 (SD = 1.285) indicating that overall work life balance affect employee performance significantly. Work life balance is classified an part of employee compensation practices since it is an additional comfort provided to employee to avoid the various drains, Hye, (2014).

The findings are in support of empirical findings that work life balance has a positive effect on employee performance, Parkes, (2008) and that it helps in improving in-role performance, Magnini, (2009). Although the factors examined are not per se additional income or having value of income, they are predictors of satisfaction leading to performance, Vishwa, (2015).

Further, the employees were asked on preferred compensation practice and after coding the responses, the below table 4.15 shows the frequencies.

**Table 4.15: preferred compensation practice**

<b>Statement</b>	<b>Practice</b>	<b>Frequency</b>
In terms of compensation practices, which practice do you value most	• Basic Pay	91
	• Employment Benefits	97
	• Skill development	66
	• Work life balance	56
	• Others	03
<b>Total</b>		<b>313</b>

**Source: Author (2019)**

From the above, 31% of the population preferred employee benefits to other compensation practices; basic pay was the least preferred while 1% of the population had other preferences outside the variables under study. These results are in line with the findings of Earl (2011) who did a study on effective compensation model. But when asked which benefit least bothered them, the scenario changed and basic pay was a preserve of majority, though they preferred employee benefits to basic pay, none could do without basic pay. This position is in support of Wilfred (2014) study on remuneration and incentive pay that basic pay forms an integral part of employment contract. The very essence of employment contract is for employee to earn pay and employer to get the service whether at high performance rate or at par, the measure is immaterial at this stage. Below table 4.16 are results of practice which employees could do without (least bothered).

**Table 4.16: least bothered compensation practice**

<b>Statement</b>	<b>Practice</b>	<b>Frequency</b>
Among all compensation practices, what is least your bother (you don't mind not having)	• Basic Pay	0
	• Employment Benefits	67
	• Skill development	82
	• Work life balance	121
	• Not sure	43
<b>Total</b>		<b>313</b>

**Source: Author (2019)**

#### **4.4.5 Employee Performance**

Employee performance was assessed by collecting respondent's opinions on various indicators such as employee efficiency, employee effectiveness, employee resource utilization and production of quality products. This was assessed on a Likert scales of 1 to 5 ranging from strongly disagree to strongly agree. The responses from items contained in the questionnaire were analyzed and table 4.17, 4.18, 4.19, 4.20 and 4.21 gives a summary of the study findings.

**Table 4.17: Employee Efficiency**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
The organization matches jobs with employee competencies	3.77	1.292
Skill gaps are always addressed whenever identified during the appraisal process.	3.14	1.474
The organization sets targets for each task and measures output.	3.85	1.209
Performance measures are aimed at improving efficiency.	3.98	1.083
<b>Average</b>	<b>2.948</b>	<b>1.0116</b>

**Source: Author (2019)**

The study assessed employee work efficiency as an indicator of employee performance and the findings in table 4.17 indicated that majority of the sampled respondents agreed that the organization matches jobs with employee competencies for optimal output with



a mean of 3.77 (SD = 1.292), and that skill gaps are always addressed whenever identified during the appraisal process with a mean of 3.14 (SD = 1.474). the study findings further demonstrated that the organization sets targets for each task and measurers output against the set standard with a mean of 3.85 (SD = 1.209) as well as the organization’s performance measures are aimed at improving efficiency with a mean of 3.98 (SD = 1.083). The study concludes that employee efficiency was a paramount indicator of employee performance as the study respond generated an average mean of 2.98 (SD = 1.0116). This clearly demonstrated that the sampled biscuit companies had effective total compensation practices and therefore employee’s motivation to perform.

**Table 4.18: Employee Effectiveness**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
Jobs are designed to meet organizational goals	4.37	0.857
Organization products are manufactured first time with no defects.	3.93	1.057
A satisfaction level of the entire internal customer chain is continuously assessed for optimal levels.	3.78	1.168
Employees rarely work overtime since assignments are accomplished within normal working time.	3.22	1.163
<b>Average</b>	<b>3.06</b>	<b>0.849</b>

**Source: Author (2019)**

Employee effectiveness was assessed and the findings in table 4.18 indicated that majority of the sampled respondents agreed to the statement that Jobs are designed to meet organizational goals as indicated with a mean of 4.37 (SD = 0.857), further the respondents cited that the organization products are manufactured first time with no defects as indicated with a mean of 3.93 (SD = 1.057) while a satisfaction level of the entire internal customer chain is continuously assessed for optimal levels was cited with a mean of 3.78 (SD = 1.168). the study findings further demonstrated that employees rarely work overtime since assignments are accomplished within normal working time with a mean of 3.22 (SD = 1.163) this is an indication that the employees in the sampled

organizations are well managed and production time is well scheduled with all employee allocated various tasks at different times so avoid working overtime by employees. Generally, the responses on the employee effectiveness in duty performance were good as the average mean of the studies items was 2.916 (SD = 1.014) a clear indication that biscuit manufacturing industries were effective in compensating employees and hence employees were motivated in performing their duties.

**Table 4.19: Employee Resource Utilization**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
Production throughputs are measured to account for every material used in the production process.	3.99	1.003
Time is well managed within the organization	3.82	1.107
After training or learning activity, the organization measures the return on investment based on future performance.	3.41	1.377
Staff members are paid productivity bonus when they exceed expectations.	3.36	1.583
<b>Average</b>	<b>2.916</b>	<b>1.014</b>

**Source: Author (2019)**

In the above table 4.19, employee resource utilization was assessed in order to determine the level of employee performance in the sampled biscuit manufacturing industries. According to the study findings, the majority of the sampled respondents agreed that production throughputs are measured to account for every material used in the production process as indicated by a mean of 3.99 (SD = 1.003), a good number of the responses also showed that production time is well managed within the organization as shown by a mean of 3.82 (SD = 1.107). Further the findings show that majority of the respondents agreed that after training or learning activity, the organization measures the return on investment based on future performance as shown with a mean of 3.41 (SD = 1.377) and that staff members are paid productivity bonus when they exceed expectations as indicated by a mean of 3.36 (SD = 1.583). Generally, the responses on the employee resource utilization were good as the average mean of the studies items

was 2.916 (SD = 1.014). This clearly demonstrated that the sampled biscuit industries had effective total compensation practices and therefore their employees were motivated to perform.

**Table 4.20: Production of Quality Products**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
Products are certified with marks of quality by external regulators.	4.33	1.061
Product development and review is a regular on-going process	3.59	1.286
The organization conducts customer satisfaction surveys and analyzes collected data.	3.91	1.239
Products are benchmarked with international brands	4.76	5.031
<b>Average</b>	<b>3.318</b>	<b>1.7234</b>

**Source: Author (2019)**

The findings of this study revealed that total compensation practices influenced employee performance. Data obtained regarding the production of quality products in table 4.15 indicated that the products produced by the company are certified with marks of quality by external regulators with a mean of 4.33 (SD = 1.061). the findings also show that product development and review is a regular on-going process with a mean of 3.59 (SD = 1.286) and that the organization conducts a customer satisfaction survey and analyses the collected data as indicated by a mean of 3.91 (SD=1.239) while the products are benchmarked with international brands as shown with a mean of 4.76 (SD = 5.031). The study findings clearly that employee performance is greatly affected production quality as the average means of 3.318 (SD = 1.7234) show that majority of the sampled respondents agreed and Strongly Agree to the items contained in the questionnaire.

In an open question, employees were asked on whether their organization conducted performance appraisal and if they received feedback on their performance after such exercise (if any). The results were presented as shown in the below table 4.21.

**Table 4.21: Whether organization conducts Performance appraisal**

Statement	Yes	No	Feedback given
Does the organization conduct performance appraisal and if yes, do you get the feedback	313	0	219

**Source: Author (2019)**

From above table, all the organizations conducted performance appraisal but only 70% of employees received feedback on their performance after such evaluation. This presents a deviation from norm that employees need to understand their achievement level through appraisal and if no feedback is given, then the process becomes non effective. According to French (2014), appraisal becomes effective only when feedback is given. It motivates employees to higher performance as they feel part and parcel of the outcomes. All performance measures from BARS through management by objectives to balance score card all have feedback as a basis of setting subsequent targets. Employees need to know where they failed and also give suggestions on how they can perform better in future.

Besides the issues touched under the questionnaire, respondents commented on the need for recognition and reward arguing that when their efforts are openly recognised and rewarded, it motivates their performance. This argument supports the expectancy theory, Vroom 1964 that after performing, employees expect a consummate reward and that their future performance would depend on valence of the reward. Constant communication is an issue respondents thought would improve on their individual performance. Organizations need to communicate their programs, aspirations, strategies to employees in a structured manner, employees need to know what organization expects of them. In collecting employees' views, a simple suggestion box to collect employee views where surveys are not possible would surface. Finally, some respondents

commented that in the performance scene, there were a lot of misplaced priorities that did not help in improving their performance. In as much as the organizations are investing in processes, the same investment should be extended to employee welfare. Casper (2011) noted that employees who perceive that their needs are being met by the employer would show commitment. Addressing employee concerns increases engagement level leading to commitments and as a result higher levels of performance Carlson (2008).

## **4.5 Inferential Statistics**

### **4.5.1 Pearson Product Moment Coefficients**

To determine the strength of the relationship between the independent variables, the Pearson's product moment correlation coefficient of analysis was used. The Pearson product-moment correlation coefficient (or Pearson correlation coefficient) is a measure of the strength of a linear association between two variables and is denoted by  $r$ . The Pearson correlation coefficient,  $r$ , can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association. The result for correlation is as shown in table 4.22.

**Table 4.22: Pearson Product Moment Coefficients**

		Basic pay	Employment benefits	skill development	Work Life balance	Organizational culture
<b>Basic pay</b>	Pearson Correlation	1				
	Sig. (2-tailed)	0.000				
<b>Employment benefits</b>	Pearson Correlation	0.842	1			
	Sig. (2-tailed)	0.001				
<b>Skill development</b>	Pearson Correlation	0.746	0.960	1		
	Sig. (2-tailed)	0.000	0.000			
<b>Work Life balance</b>	Pearson Correlation	0.905	0.923	0.950	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
<b>Organizational culture</b>	Pearson Correlation	0.594	0.896	0.917	0.953	1
	Sig. (2-tailed)	0.15	0.000	0.000	0.000	

**Source: Author (2019)**

The correlation findings in the above table shows that employment benefits are related to employee performance ( $r=0.842$ ,  $p=0.001$ ). This implies that employment benefits significantly affect employee performance and the relationship is statistically significant. In addition, the study reveals that Career/skill development is related to employee performance ( $r=0.746$ ,  $p=0.000$ ) implying that Career/skill development significantly affects employee performance and the relationship is statistically significant. Further, the study reveals that Work life/environment is related to employee performance ( $r=0.905$ ,  $p<0.05$ ) implying that Work life/environment significantly affects employee performance and the relationship is statistically significant.

#### **4.5.2 Relationship between the Independent Variables and Dependent Variable**

Regression analysis shows how the dependent variable is influenced by independent variables. The results in table 4.23 give a summary of the statistics on the relationship between the independent variables (Basic pay, Employment benefits, Skill development,

and Work life balance) and the dependent variable (employee performance) at 95% confidence intervals.

**Table 4.23: Model Summary**

Model	R	R Square	Adjusted R Square
1	0.809 <sup>a</sup>	0.655	0.641

**a. Predictors: (Constant), Basic pay, Employment benefits, Skill development, and Work life/environment**

**Source: Author (2019)**

Table 4.23 is a model fit which establishes how fit the model equation fits the data. The adjusted R<sup>2</sup> was used to establish the predictive power of the study model and it was found to be 0.641 implying that 64.1 per cent of the variations in employee performance is explained by basic pay, employment benefits, skill development, and work life balance leaving 35.9 per cent unexplained. Therefore, further studies should be done to establish the other factors (35.9 per cent) affecting the employee performance in biscuit manufacturing industry.

**Table 4.24: ANOVA Results**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3.041	4	0.760	49.293	0.000 <sup>b</sup>
Residual	1.604	104	0.015		
<b>Total</b>	<b>4.645</b>	<b>108</b>			

**a. Dependent Variable: Employee Performance**

**b. Predictors: (Constant), Basic pay, Employment benefits, Skill development, and Work life balance.**

**Source: Author (2019)**

Table 4.24 demonstrates that the probability value of 0.000<sup>b</sup> indicates that the regression relationship was highly significant in predicting how basic pay, employment benefits, skill development, and work life balance affected employee performance of biscuit manufacturing industries. The F calculated at 95 per cent confidence interval was 49.293 since F calculated is greater than the F critical (value = 2.4495), this shows that the overall model was significant.

**Table 4.25: Regression Coefficients**

Unstandardized Coefficients	Standardized Coefficients				
	B	Std. Error	Beta	t	Sig.
(Constant)	<b>0.987</b>	<b>0.143</b>		6.902	<b>.000</b>
Basic pay	0.722	0.196	0.678	3.684	0.034
Employment benefits	0.663	0.113	0.634	5.867	0.041
Skill development	0.678	0.164	0.693	5.723	0.021
Work Life balance	0.873	0.148	0.786	5.899	0.036

**a. Dependent Variable: Employee Performance**

**Source: Author (2019)**

The established model for the study was:  **$Y = 0.987 + 0.722 X_1 + 0.663 X_2 + 0.873 X_3 + 0.511 X_4$** .

From the table 4.25 and the regression equation above has established that taking all factors into account (Basic pay, Employment benefits, Skill development, and Work life balance) constant at zero, employee performance was 0.987. The findings presented also show that taking all other independent variables at zero, a unit increase in the Basic pay would lead to a 0.722 increase in the scores of employee performance. The findings are in support of earlier studies that basic pay practices are designed with main objective of equity within the organization which in turn motivates employees to higher performance, Cascio, (2006). A unit increase in the scores of Employment benefits would lead to a 0.663 increase in the scores of employee performance. This is in support of Nickson, (2015) findings that a unit increase in employee benefit would lead to 0.663 increases in employee performance, further employee health benefit positively influences performance Nickson, (2015). The findings also show that a unit increases in the scores of Skill development would lead to a 0.873 increase in the scores of employee performance; this positive correlation was a similar observation by Onyango, (2004) that unit increase in skill development lead to 0.654 increases in performance. The results are in line with Hafeez, (2011) who had made same observation that unit increase in training



resulted to 0.606 unit increase in performance. The study also found that a unit increase in the scores of Work life balance would lead to a 0.511 increase in the scores of employee performance; this is well in line with findings in Vishwa, (2015) where a unit increase in work life balance led to 0.618 unit increase in performance. Overall all the variables were significant ( $p < 0.05$ ) with Employment benefits, Skill development and Work Life balance being the most significant ( $p = 0.021$ ) followed by basic pay ( $p = 0.034$ ). The findings are in line with Earl (2011) who conducted a study to establish an effective compensation model from the perspective of compensation practice. This perspective suggests that employee compensation and employee motivation which includes basic pay, employment benefits, skill development, work life balance and organizational culture are essential organizational capabilities or preconditions for effective total compensation practices.

#### 4.5.3 Moderating effect of Organizational Culture and Employee Performance

Regression analysis shows how the dependent variable is influenced by organizational culture (moderating variable). The results in table 4.26 give a summary of the statistics on the relationship between organizational culture and employee performance at 95 per cent confidence intervals.

**Table 4.26: Model Summary**

Model	R	R Square	Adjusted R Square
1	0.476 <sup>a</sup>	0.227	0.169

**a. Predictors: (Constant), shared history, Valued traits and Communication.**

**Source: Author (2019)**

From the model summary table 4.26, adjusted  $R^2$  is 0.227, this indicated that the three organizational culture variables (shared history, valued traits and communication) and only explains a 22.74 per cent of variations in employee performance leaving out 77.3

per cent unexplained by other factors not included in this model. Therefore a further study should be conducted to explain these other organizational culture factors that affect the employee's performance.

**Table 4.27: Regression Coefficients**

Unstandardized Coefficients	Standardized Coefficients		T	Sig.
	B	Std. Error		
(Constant)	<b>1.003</b>	<b>0.775</b>		1.330 <b>0.000</b>
Shared history	0.033	0.244	0.020	0.136 0.031
Valued traits	0.225	0.266	0.146	0.847 0.029
Communication	0.237	0.253	0.155	0.937 0.033

**a. Dependent Variable: Employee Performance**

**Source: Author (2019)**

To establish the extent to which organizational culture variables (shared history, valued traits and communication) predicted employee performance, a prediction model using multiple linear regression analysis was used and results are presented in the table 4.27. The regression linear equation  $Y=B_0+B_1X_1+B_2X_2+B_3X_3$  was used to show the extent to which the predictors could explain the dependent variable (Employee Performance). Therefore;  $Y = 1.003+ 0.033X_1 + 0.225 X_2 +0.237X_3$ . Where Y = Employee Performance,  $X_1$  = shared history,  $X_2$  = valued traits, and  $X_3$  = Communication.

The regression equation above has established Communication constant at zero, employee performance was 0.033. The findings presented also show that taking all other independent variables at zero, a unit increase in shared values, valued traits and communication by a unit factor of 0.033, 0.225 and 0.237 respectively.

All the variables were significant ( $p<0.05$ ) with valued traits being the most significant ( $p=0.029$ ) while Organizational values and decision making were significant with p-values of 0.031 and 0.033 respectively. The findings are in line with Wambugu (2014)

who conducted a study to establish an effective organizational culture on employee performance and concluded that employee performance is significantly affected by organizational culture and that employees will always look for an organization with a culture that will favour their freedom and personal development.

#### **4.5.4 Testing of Hypothesis**

**H01:** Basic pay has no effect on employee performance in the five (5) biscuit manufacturing companies in Nairobi City County Kenya.

From Table 4.18, basic pay was significant at 0.034, since  $p < 0.05$ , then it follows the above null hypothesis was rejected and the alternative held that Basic pay has a positive significant effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

**H02:** Employment benefits have no effect on employee performance in the biscuit manufacturing companies in Nairobi City County, Kenya.

The value of employment benefits is significant at 0.041 holding  $p < 0.05$ . Accordingly, the null hypothesis is rejected and the alternative holds that Employment benefits have a positive significant effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

**H03:** Skill Development has no effect on employee performance in the biscuit manufacturing companies in Nairobi City County, Kenya.

From the results in Table 4.18, a score of 0.021 is significant given that  $p < 0.05$ . This formed the decision to reject the null hypothesis above and uphold the alternative that

Skill development has a significant positive effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

**H04:** Work-life balance has no effect on employee performance in the biscuit manufacturing companies in Nairobi City County, Kenya.

The results on work life also showed a significant effect at 0.036 compared to  $p < 0.05$ . The null hypothesis is rejected and in the alternative found that Work-life balance has a significant positive effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

**H05:** Organizational culture has no moderating effect on the relationship between compensation practices and employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

From Table 4.20, all organization culture indicators were significant with valued traits being most ( $p=0.029$ ) others were shared history ( $p=0.031$ ) and communication ( $p=0.033$ ). holding  $p < 0.05$ , the null hypothesis was rejected and in alterative held that Organizational culture has a moderating effect on the relationship between compensation practices and employee performance in the biscuit manufacturing companies in Nairobi County, Kenya

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION, AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides a summary, conclusion, and recommendations of the main findings of the study. The conclusions and recommendations made to address the objectives of the study which sought to investigate the effect of total compensation practices on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya. The chapter further presents suggestions for further research.

#### **5.2 Summary of the Findings**

The main data collection instrument in this study was a semi-structured questionnaire that contained both closed-ended and open-ended questions. The data collected was cleaned, coded and systematically organized in a manner that facilitated analysis using the Statistical Package for Social Sciences (SPSS v20). Quantitative analysis was analyzed through descriptive statistics such as a measure of central tendency that generated relevant frequency counts, mode, and median, mean and standard deviation where possible. To test for the strength of the model and the effect of compensation practices on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya, the study conducted a regression analysis and Analysis of Variance (ANOVA). This study sampled a total of 313 respondents from biscuit manufacturing companies in Nairobi. The target population included; Management staff, Sales & Marketing staff, Finance & Administration, and Technical staff.

The study was conducted to determine effect of total compensation practices on employee performance within the biscuit manufacturing companies in Nairobi City

County, Kenya. The findings of the study were based on specific objectives of the study and hypothesis tested. The first objective was to determine the effect of basic pay on employee performance, second, to assess the effect of employment benefits on employee performance, third, to examine the effect of skill Development on employee performance, fourth to establish the effect of the work life balance on employee performance, and finally to establish the moderating effect of organizational culture on the relationship between compensation practices and employee performance in the biscuit manufacturing companies in Nairobi City County Kenya. These objectives were analysed in terms of indicators and the results of the study revealed that basic pay has a significant effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya, that employment benefits have a significant effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya, and skill development has a significant effect on employee performance in Biscuit manufacturing companies in Nairobi County Kenya, Work-life balance was also found to have a significant effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya. Finally, organizational culture was found to have a moderating effect on Employee performance.

### **5.3 Conclusions**

Based on the research findings, the study concludes that employee performance is affected by compensation practices in the biscuit manufacturing companies in Nairobi County, Kenya. This effect is both significant and in the positive direction. Further, this effect is moderated by organizational culture. Developing a compensation strategy would play a critical role in motivating employee performance. However, there are some areas, the biscuit manufacturing companies can improve on in order to make

compensation practices more effective. It is through employee performance that an organization can increase its productivity and thus be able to offer a distinctive client or customer value for competitive advantage. The same practices can be used to create competitive advantage through achievement of superior performance and hence overall goal achievement. So providing an attractive compensation package plays a critical role in engaging the employees and sharing their better performance/giving the best service to the company. To conclude, biscuit manufacturing companies can still concentrate on specific areas which are evolved from this study in order to make the employee performance programs more effective since compensation practices are having a positive and significant influence on employee performance.

It's also good to note that different organizations have own unique culture that management must uphold for the success of that organization in achieving its objectives. Organizational culture moderates all aspects of the organization including compensation practices. When making decisions, culture plays a vital role in providing shared values and exploiting accepted communication channels. Culture provides a point of reference when diverting from the norm, it becomes crucial in managing change including payroll changes. In order to achieve an effective compensation practice, managers should not ignore organizational culture and its themes such as dominant characteristics, leadership and employee participation in decision making. Corporate culture if well comprehend by all can work to the advantage of the organization since it's been established that it moderates the effects of compensation on employee performance.

Developments in areas like employee empowerment, organizational leadership and talent management, should not be ignored in developing compensation practices.

With the ever-changing dynamics, industries, task environments and situations vary significantly; if this study is to be used to justify organization's compensation practices are to be used to improve performance, then the practices must be well communicated within the organization and have the ability to motivate employees. Further, whatever compensation practice an organization adopts, forms part of its culture and communicates what outcomes the organization values.

#### **5.4 Implications of the study**

The results of this research have policy propositions on the performance of biscuit manufacturing companies in Kenya. As supported by the research findings, compensation creates the leading part of the employee performance process as well as a sure value addition to overall organizational performance.

Biscuit manufacturing Companies in Nairobi County, Kenya, lacked empirical data on effects of their compensation practices on employee performance, now this study provides such evidence from the findings and the industry can use the findings while formulating their compensation practices. The study can as well be used a point of reference in other manufacturing industries as well not forgetting the usefulness at Government departments dealing with labour and other related policy issues. Findings especially on basic pay and its appropriateness can inform Government agencies in formulating minimum wages to improve on equity where inequity is expressed. Trade unions as well can use this study while negotiating for wages and conditions of employment as it gives an insight of work-environment and employee preferences in terms of compensation practices.



In the scholarly world, the study contributes positively to academic scholarly as the findings are available for future reference. Empirical literature had shown gaps in studies on compensation practices and employee performance and none in the biscuit manufacturing companies in Nairobi County, Kenya. This study adds to such body of knowledge.

### **5.5 Recommendations of the Study**

The results of this research have policy propositions on the performance of biscuit manufacturing companies in Kenya. As supported by the research findings, compensation creates the leading part of the employee performance process as well as a sure value addition to organizational performance. Consequently, from the results of this study, the subsequent recommendations were made;

The study recommends that management in biscuit manufacturing companies and other food manufacturing companies should adopt compensation systems which are designed to retain and attract employees and motivate them to increase their effort and output. Employee's compensation strategies are in alignment with the strategic plan and are cost-effective in terms of the input-output ratio in food manufacturing industries and facilitate the organizational objective achievement. Biscuit manufacturing companies should adopt equity-based compensation programs such as salary variation, the degree of pay equity experienced by lower-level employees and salary dispersion being reasonable and composite measures which influence long-term employee performance.

The study recommends that biscuit manufacturing companies should adopt a competency-based pay as it would increase employee's productivity. Competency-based

pay program considers the qualification of the employees, area of specialization, career development and experience as well as professional qualification motivating employees and influence achieving employees performance in the biscuit manufacturing companies and food manufacturing industries.

The study findings indicated that there were high levels of awareness of the existence of basic and other additional payment, only a small population was motivated with their basic pay and the overwhelmingly positive response on motivation improving as a result of a change in basic pay. In this light, the study recommends that a proper salary survey and job evaluation vis-a-vis total rewards received to be commissioned in a bid to ensure there is internal and external equity in the organization and that motivation is driven by the right fundamentals. On the contingent pay, although the study did not go deep into finding out the various forms of contingent pay in the organization, the general feeling of motivation was high.

### **5.6 Suggestions for Further Research**

This study was conducted for academic purpose with limited time and resources, what has been identified is not exhaustive owing to vibrant transformations in the food manufacturing industry and the current state of dynamism in human resource management practices. It is in this view that the study recommends for further research in the area.

This study recommends a study to be conducted on basic pay to determine its appropriateness on internal and external equity in the organization. A further study on

contingent pay can be done to find out the different forms contingent pays in place and which form motivates more and why.

Further study on benefits is recommended to find out how current benefits can be improved and motivate employees more. In light of the great number of youthful population in the organization and the number of years spent in the organization. Again the area of employment benefits keeps on evolving every day and with limited resources, organizations need to grasp on what tickles for lack of cafeteria of resources.

Finally, from the study findings, only 64.1 per cent employee performance is explained by the study variables, hence there is need for further studies to establish the other (38.9 per cent) factors influencing employee performance in the five (5) selected biscuit manufacturing companies in Nairobi County.

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## APPENDICES

### APPENDIX I: SAMPLING FRAME

#### Biscuit Manufacturing Companies

<b>Company</b>	<b>No. of Employees 31.12.2015</b>	<b>Gross Turnover 31.12.2015</b>	<b>Market Share 31.12.2015</b>
Manji Food Industries Ltd	341	1,938,000,000.00	38%
Jambo Biscuits Limited	216	1,224,000,000.00	24%
Premier Food Limited	176	561,000,000.00	11%
Golden Biscuits Limited	171	918,000,000.00	18%
Sunveat Foods Limited	148	459,000,000.00	9%
<b>Total</b>	<b>1,052</b>	<b>5,100,000,000.00</b>	<b>100%</b>

Source KNBS 2016

## **APPENDIX II: QUESTIONNAIRE LETTER TRANSMITTAL**

**Christopher Muthusi Nzyoka**

**P O Box 78277 – 00507**

**Nairobi**

**Email – [chrisnzyoka@yahoo.com](mailto:chrisnzyoka@yahoo.com)**

Dear Respondent

I am an MSC student at Kenyatta University; currently, I am conducting a research to investigate total compensation practices and employee performance in biscuit manufacturing companies in Nairobi County, Kenya. The results of the study will form a basis for policy formulation and help organizations remain or look for competitive practices in the compensation field.

In tendering your responses, kindly be assured that the same will be used for purpose of this research only. Kindly read each question carefully and tick the appropriate response.

Any queries may be directed to me through my mobile phone number 0720 297 126 or chairman department of business administration Kenyatta University P O Box 43844, Nairobi.

Thank you for your cooperation

Yours Faithfully

Christopher M. Nzyoka (D58/CTY/PT/33133/2014)



### APPENDIX III: QUESTIONNAIRE

Dear Respondent,

This questionnaire seeks to investigate total compensation practices and employee performance of biscuit manufacturing companies in Nairobi County, Kenya. Kindly answer the following questions as accurately as possible. Your individual response is **STRICTLY CONFIDENTIAL** and anonymous. Your answers shall be used for academic purposes only. Please tick in the box [] corresponding to your appropriate choice.

#### **Section A: Background Information or Demographic Information**

1. Gender

Male []

Female []

2. Age Bracket

a) 18 to 25 []

b) 26 to 30 []

c) 31 to 35 []

d) 36 to 40 []

e) 41 and above []

3. Years of service in a Biscuit manufacturing company.

a) Less than 3 years []

b) 3 to 5 years []

c) 5 to 10 years []

d) More than 10 years []

1) Department currently working in

a) Administration []

b) Finance []

c) Sales & Marketing []

d) Technical []

2) What is your Highest level of education?

- (a) Primary Education [ ]
- (b) Secondary Education [ ]
- (c) College [ ]
- (d) University Degree [ ]
- (e) Post-graduate Degree [ ]
- (f) Others ..... (Specify).....

**SECTION B: TOTAL COMPENSATION PRACTICES**

3) The following statements concern the various compensation practices in the organization, to what extent do you agree or disagree with each of the statements. On a scale of 1 – 5, kindly indicate your level of agreement/disagreement by ticking (√), as appropriate.

**Key**

- 5= Strongly Agree                      4= Agree                                      3= Don't know
- 2= Disagree                                      1= Strongly disagree

<b>I</b>	<b>Basic Salary</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
(1)	A basic salary is paid and it is comparable within and outside the organization.					
(2)	There is a compensation policy Clearly providing grading system for each category of employees.					
(3)	The compensation policy includes periodic or merit for salary increment.					
(4)	Salary offered is comparable to tasks involved and the output expectations.					
(5)	Salary is independently determined outside other benefits on offer.					
<b>II</b>	<b>Employment Benefits</b>					

(1)	The organization has a benefits policy which I am aware of and is well communicated.					
(2)	The organization provides a cafeteria of benefits suitable to all levels of employment.					
(3)	Employees are allowed to choose the benefits of their choice.					
(4)	Benefits are determined by one's position in the organization.					
(5)	Benefits are tied to individual performance and this is well communicated.					
<b>III</b>	<b>Career Development</b>					
(1)	The organization provides a clear career path for every position within the organization.					
(2)	Training programs are always based on performance gaps as traced from appraisal process.					
(3)	There is an evaluation process conducted after every training or learning program in the organization.					
(4)	All training and learning programs are organized and paid for by the organization.					
(5)	Training is tailor-made and designed around existing jobs.					
(6)	Training is a budgeted activity and the trainers are well selected.					
<b>IV</b>	<b>Work-Life Balance</b>					
(1)	The organization provides relevant tools equipment and apparatus for performing tasks					
(2)	Time –off is provided to attend to pressing personal matters					
(3)	The organization provides salary advances to assist employees to attend to personal financial needs.					
(4)	Leadership style addresses staff issues promptly wherever they arise.					
(5)	Working times are well defined and employees are not forced to work beyond their time.					

6) In terms of compensation practices, which practice do you value most?

.....

.....  
 .....  
 7) Among all compensation practices, what is least your bother (you don't mind not having)  
 .....  
 .....

**Organizational Culture and Employee Performance**

The following statements relate to organizational culture and employee performance in the organization. To what extent do you agree with the statements, use the key below to tick as appropriate

**Key**

5= Strongly Agree                      4= Agree                                      3= Neutral  
 2= Disagree                              1= Strongly disagree

No.	Organizational Culture	5	4	3	2	1
(1)	The organization has shared a set of values which influences major decisions.					
(2)	Compensation issues have been consistent for some time and they are well understood within the organization					
(3)	Staff members are consulted whenever major decisions are being made					
(4).	Important decisions are prescribed by the leaders only					

(5) Does the organization have a unique culture it prides?

Yes                     

No                     

(6) If the answer to question 10 above is yes, what's the most significant aspect of the culture in relation to compensation practice

.....  
 .....  
 .....

**SECTION C: EMPLOYEE PERFORMANCE**

4) The following statements relate to employee performance as influenced by the use of various compensation practices in your organization, kindly indicate to what extent you agree with each by ticking (√) the appropriate box.

**Key**

5= To very larger extent      4= To a large extent      3= Medium extent  
 2= Less extent                      1= Not at all

I	<b>Efficiency</b>	5	4	3	2	1
1.	The organization matches jobs with employee competencies for optimal output.					
2.	Skill gaps are always addressed whenever identified during the appraisal process.					
3.	The organization sets targets for each task and measures output against the set standard.					
4.	Performance measures are aimed at improving efficiency.					
II.	<b>Effectiveness</b>					
1.	Jobs are designed to meet organizational goals					
2.	Organization products are manufactured first time with no defects.					
3.	A satisfaction level of the entire internal customer chain is continuously assessed for optimal levels.					
	Employees rarely work overtime since assignments are accomplished within normal working time.					
IV	<b>Quality of Products</b>					
1.	Products are certified with marks of quality by external regulators.					
2.	Product development and review is a regular on-going process					

3.	The organization conducts customer satisfaction surveys and analyze collected data.					
4.	Products are benchmarked with international brands					
<b>III</b>	<b>Resource Utilization</b>					
1.	Production throughputs are measured to account for every material used in the production process.					
2.	Time is well managed within the organization					
3.	After training or learning activity, the organization measures the return on investment based on future performance.					
4.	Staff members are paid productivity bonus when they exceed expectations.					

5) Does the organization conduct performance appraisal and if yes do you get feedback on your performance from your supervisors.....

6) What other comments would you give in relation to your performance and how to make it better?

.....  
.....  
.....  
.....

***Thank You for Your Cooperation***