

**COMPENSATION PRACTICES AND FIRM PRODUCTIVITY IN  
MULTINATIONAL TEA COMPANIES IN KERICHO COUNTY, KENYA**

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**JUNE, 2022**

**DECLARATION**

This research project is my original work and has not been presented for a degree or other award in any university. No part of this research project should be reproduced without authority of the author or/and University.

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## **DEDICATION**

I dedicate this to my wife Beatrice Cheptoo for standing with me throughout the project. I appreciate her support and may God reward abundantly.

## **ACKNOWLEDGEMENTS**

I recognize the effort of my supervisor Dr. Kipkorir Sitienei Chris Simon for his continuous support the research project. I also want to thank my father Joseph Bon and mother Gladys Bon for their support.

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## **OPERATIONAL DEFINITION OF TERMS**

<b>Allowance</b>	It refers to money given to employee for travelling, medical care and house rent. These comprise housing allowance, commuter allowance and medical allowance
<b>Compensation Practices</b>	This form of remuneration or pay that is monetary or non-monetary to motivate employee for work done these includes; monetary pay, allowance, fringe benefits and incentives.
<b>Firm Productivity</b>	It is the measure of organization output through quality of tea produced, quantity of work, effective and employee performance in tea production.
<b>Fringe Benefits</b>	It refers to welfare that employee get so to enhance social life from their work place like retirement benefit, insurance covers and leaves.
<b>Incentives</b>	It refers to performance-based pay used in motivating employee. These are bonus, gain-sharing and commission on sales.
<b>Monetary pay</b>	It is the basic pay which include salary, wages and overtime given to employee for work done.

## **ABBREVIATION AND ACRONYMS**

<b>HRM</b>	Human Resource Management
<b>HRMP</b>	Human Resource Management Practices
<b>KBL</b>	Kenya Literature Bureau
<b>KMTC</b>	Kenya Medical Training college
<b>NSE</b>	Nairobi Security Exchange
<b>RBV</b>	Research Based View
<b>SACCOs</b>	Saving and Credit Cooperative Societies
<b>SPSS</b>	Statistical Package for Social Sciences
<b>TSC</b>	Teachers Service Commission

## ABSTRACT

Multinational organization face challenges in firm productivity in terms of quality, quantity of work, effectiveness and employee performance. The general aim of the study was to investigate the effect of compensation practices on productivity of multinational tea companies in Kericho County. The specific objectives were to; establish the influence of monetary pay, allowance, fringe benefits and incentives on the productivity of multinational tea companies in Kericho County. This study is significant to the organization in developing compensation policies as well as regulations. It would also provide insightful knowledge to the scholars and researchers. The study utilized human capital theory, equity theory and theory of performance and equity theory was the main theory. Multinational tea companies' management would benefit from compensation solution to the cyclic trend of low production. Similarly, government and human resource practitioners would be able to develop appropriate compensation policies and regulation. Study used descriptive research design. It targeted 99 senior, middle and lower managers of James Finlays Kenya Limited, George Williamson Limited and Unilever Limited in Kericho County. A census of 99 managers was used as respondent. Data was obtained using questionnaires which was tested for reliability and validity. The data was analyzed using descriptive especially the mean and standard deviation. While inferential statistics was utilized to test significance. The analyzed data was presented in charts. Biographic data indicated that middle aged male was the highest employee in the multinational tea companies. Descriptive statistics findings revealed that wages and overtime was sufficient in improving productivity through increase in quantity of work. However, salaries were unfavorable in the organization affecting productivity. Money pay was found to have positive significant effect on firm productivity. The study found that the firm provided employees with commuter, house and medical allowances which assisted in improving work-life balance through creating conducive environment for high productivity. Allowances had positive significant effect on firm productivity. The firms had insurance cover, retirement benefit, maternity/ paternity as well as sick leave which assisted in improving employee welfare. However, the fringe benefit offered the lowest positive significant effect to firm productivity. Bonus, gain sharing and commission were among incentive given be the firm. According to the result there was significant effect of incentive on firm productivity. This was the second highest contribution for firm productivity. The study concluded that monetary pay, allowance, fringe benefit and incentive significantly affected on firm productivity. The study recommended that the firm should improve on salary packages though benchmarking in other firms. The study also suggest that other allowance should also be evaluated as well as fringe benefit. The study also suggest that other incentive should be explored based on employee performance which results in firm productivity.

# CHAPTER ONE

## INTRODUCTION

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

Organizations in 21<sup>st</sup> century are facing challenges in productivity since it's linked to human capital. Some of the challenges experiences on the global scale are cost of doing business and high competition. This has resulted in majority of the organization focusing on technology instead of human capital. Despite the limitation of robotics, computer and artificial intelligence majority of organization are focusing on automation to reduce the compensation cost (Arasa, Ngui, & Kimani, 2017). This has forced the organization to look for favorable compensation package that would motivate the employees in attaining their desired goals (Kabiru, 2018).

Globally, compensation has been used as a motivating strategy for employees. In Canada, Long, (2015) found out that the trend is that companies initiate compensation strategies which include direct or indirect monetary compensation and benefits. In competitive environment organizations have been balancing the financial compensation in form of wages, salaries, benefits, non-financial rewards to motivate their employees. Benefit in majority of the countries are geared to health, improvement of quality of life and work related financial disruption (Ali & Raza, 2015). Such benefits include retirement benefits, employee assistance, disability benefit plans, medical among others.

Most of the African countries are affected by high cost of doing business. In Nigeria, a larger proportion of employee look for a better paying job (Raza & Hanif, 2013). Low income is associated with majority of companies in Nigeria where in every 10 employees more than seven are dissatisfied with level of compensation given by their

employer and would want to change to new environment. Ali and Raza (2015) added that remuneration process affect the employer performance in the organization. Hence, a well-motivated employee would stay in the organization.

In Kenya, there is high production cost that is contributed by compensation cost affecting productivity of major industries. According to Boselie (2021), 79% of total external cost are associated with social cost where 29% of employees are underpaid in tea farming. However, the price international are not favourable to cover the production in Kenya. It is important to balance compensation practices to enable the firm remain productive while as the firm manage operational cost. However, other non-financial compensations are not recognized unlike the monetary compensations by employee (Bigsten, Kimuyu, & Söderbom, 2013). Therefore, remuneration that are considered to improve and drive day to day activities for employee (Andrews, 2016). However, there are areas where other compensation packages are appropriate. Most of the compensation package are favourable based on the age of employee and nature of job. This dictates the employee retention and motivation is affected by the combination of compensation packages in the organization.

### **1.1.1 Firm Productivity**

Firm productivity is the output achieved by employees which is measured based on quality of the produce, quantity of work employee performance, effectiveness with the organization and performance of employee. Globally, organization are trying out different human resource practice to improve firm productivity. According to Jääskeläinen (2010) workplace or employee productivity is a process of evaluating workers' effectiveness and efficiency in task given. A firm with high human resource effectiveness achieve set goals and objectives leading to high productivity. However,

profitability and competitive advantage other business measures productivity through comparison of input with the output was achieved within a given period (Fuller, 2016). In Taiwan, Chun-Chang, Chia-Wei, Liang-Ting, Chi-Yi, Fang-Lin & Cheng, (2017) point out that basic pay, group bonuses and individual bonuses had influence on employee performance. However, the type of business should not be ignored on individual performance. In Pakistan, job satisfaction is considered to be enhance through flexible working hours, recreation leaves and health protection benefits as fringe benefits (Nisar & Siddiqui, 2019).

In Nigeria, compensation management was found to be associated with employees' performance (Adekoya, 2013). There was need to examine compensation practices in relation to firms' productivity. Similarly, Nnorom, Akpa, Egwuonwu, Shonubi & Herbertson (2016) argue that compensation management affect employee performance. In another study by Uwizeye & Muryungi (2017), quality of work, meeting the goal, responsibility, efforts and punctuality was used to measure employee performance. In Nigeria, Chukwuma & Kifordu (2018) point out that employee morale and productivity was affected by fringe benefits.

Job quality and ability to meeting the target by employee were used to measure employee performance as unit of productivity of the firm in Mombasa, Kenya (Kimani, Ngui, & Arasa, 2017). Productivity can be used to measure financial or non-financial metrics in employee or organization performance. Wright, Garner, Moynihan & Allen, (2005) identified productivity as one of the six dimensions used to measure accounting indicators for financial performance. Other dimensions include quality, workers, compensation, shrinkage and operating expenses.

Organization productivity can be measured using non-financial approach that uses Likert scale that measure perceptions in performance (Selvarajan, 2007). The current study used perception on the employees in tea quality as well as effectiveness in tea production within the multinational tea companies in Kericho County. This is because tea product is mainly graded based on quality in the market while effectiveness within the multinational not only improved profit but provide competitive advantage for the tea produced.

### **1.1.2 Compensation Practices**

Compensation practices are important aspect of HRM where employees are given monetary or non-monetary motivation for work done. According to Potemski, Rowland, & Witham (2011) different organization adopt different compensation practices as dictated by the organizational culture, organization structure and leadership. The authors argue that compensation can be in form of non-monetary incentives, benefits, bonus, cash money or awards. It was further argued that compensation decision comes from the top management who plan compensation system for rewarding their employees. Igbaekemem (2014) pointed out that compensation is an aspect of HRM practices which needs to be handled with care to ensure that employees are well motivated. Monetary and non-monetary rewards or incentives are mainly adopted in both public and private sector as motivating factor for improvement in performance (Bonner & Sprinkle, 2002). The author found that monetary incentives are treated as basic requirements for any task, incentive improve employee motivation especially if the reward is attached to performance.

The current research has concentrated on combining monetary and non-monetary as study variables. According to Igbaekemem (2014), managers are looking for

motivating environment that would assist the organization to grow through selecting compensation strategy that has long term sustainability. Compensation practices entails money pay, allowance, fringe benefits and incentives.

In the current study, monetary pay entails salary, overtime and wages given to employees. Kabiru (2018) associated bonus, commissions and salary to entail compensation systems. Salaries are the common monthly, week or regular pay compensation for employee. Monetary pay act as an incentive that motivates employee in achieving organization objective (Igbaekemem, 2014). Salaries were associated with associated with motivation by Asaari, Desa & Subramaniam (2019). Stittenthaler & Mohnen (2020) pointed that monetary, non-monetary or mixed incentive are some of incentive that can be adopted in an organization for motivation purpose.

Parsa (2017) alluded those allowances are important packages added to salaries and has indirect effect on performance. Majority of the firms adds allowances to salary as per of the monthly total pay package. These allowances are to assist employee with medication, commuting or housing. Simanjorang & Tumbuan (2016) indicate that employee development and performance allowance jointly affected performance of employee. In this study allowances were measured using commuter, medical and housing which are considered in monthly basis by employer.

Chukwuma & Kifordu (2018) allude that fringe benefits are compensation that affect employee morale and had significant impact on employee productivity. Similarly, Kamau (2013) points out that recognition and rewards assisted in improvement of employee productivity. Other benefits include house, transport and meal allowances which contribute significantly to employee productivity. Nisar and Siddiqui (2019)



also point out that flexible working hours, recreation leaves and health protection as benefits to employees are provided in Pakistan. Non-monetary perks represent non-financial compensation that benefit individual. According to Mangale (2017) recognition and appreciation make employees perform in organization. These motivate employees indirectly to improve and increase effectiveness at work. In the current study fringe benefit consisted of retirement package, insurance cover and leaves.

According to Ogohi (2019) incentives have significant impact on employee productivity. Beside affecting employee productivity, it affects employee's moral in workplace (Chukwuma & Kifordu, 2018). Ahiabor (2013) adds that monetary incentives motivate employees more than non-monetary incentives. Similarly, Coccia (2019) points out the need to balance between intrinsic and extrinsic incentive to improve employee motivation. The author alludes that incentives given to employee is associated with motivation of employee as part of compensation package. Chrisman, Devaraj and Patel (2017) found out that incentive compensation had impact on firm performance. Therefore, the study focused on money pay, allowance, fringe benefit and incentive in relation to firms' productivity.

### **1.1.3 Multinational Tea Companies in Kericho County**

Kenya is the fourth tea producer after India, China and Sri Lanka in the world and leading in Africa. Hence, tea is the main source of foreign exchange earner in Kenya. Tea is produced by farmers who sell them to KTDA as well as large scale farms owned by multinational tea companies. In Kericho County there are more than 110,000 hectares of land under tea based on adequate rainfall and soil for tea

production. The tea not only provide up to 11 per cent of GDP but also source employment to millions of workers in tea estate.

Multinational tea companies provide direct and indirect employment to Kenyan citizen. Those who provide beverage service industries indirectly benefit from the tea production while those who work in the factory, sales and marketing as well as tea pluckers in the plantation (Charhai, 2014). The three multinational tea companies include Williamson tea, Jame Finlays and Unilever tea Kenya with 3826 hectares, 5,554 hectares and 8.240 hectares of tea respectively in Kericho County.

This multinational tea firms have faced challenges that are associated with productivity. Fluctuating price of tea product in the international market, climate changes, high production cost as well as competition from China, India and Sri Lanka tea which is of high quality and value addition have been among the challenges affecting the multinational tea companies (Monroy, Mulinge & Witwer, 2013). Therefore, there was need to examine the influence of compensation practices on productivity in multinational tea firms in Kericho County, Kenya.

## **1.2 Statement of the Problem**

Tea sector enables Kenya obtain revenue, create thousands of jobs and provide tea product to the world. Production of tea in Kenya has recently been faced low international tea prices, high competition from tea growing countries and substitute products. Besides the international challenge, productivity has been declining as results of climatic changes as well as human resource related issues (KIPPRA report of 2017). The symptoms of decline in productivity includes low quality of tea, quantities of tea, ineffectiveness and poor employee performance (Monroy, Mulinge, & Witwer, 2013). There was need to investigate the causes of declining productivity

in terms of quality, quantity work effectiveness and employee performance. According to KIPPRA report of 2020 there was sharp decline of 9.8 percent from December 2018 to March 2019 in West Rift Valley as well as East Rift Valley. The worst decline in production was the drop of 65.19% which occurred between December 2014 to March 2015. It was due to low rainfall, low demand as result of political turmoil in importing countries, competition from other markets and poor employee performance. Since, human resource related activities are linked with the drop it is important to examined compensation practices.

Empirical review indicated existence of knowledge gaps in compensation practices and firm productivity literature (Igbaekemem, 2014). Conceptual gap was found in Chepkoech (2018) where compensation was linked to industrial action that has affected the multinational tea companies in Kenya in the recent years. Arasa, Ngui and Kimani (2017), Akter and Husain (2016), Nyabuto (2016) and Kabiru (2018) focused on employee performance and not firm productivity leading to conceptual gap. Akter & Coccia (2019) also had methodological gap where empirical review of literature was conducted. Experimental analysis done by Sittenhaler & Mohnen (2020) resulted into methodological gap. Husain's (2016) study utilized desk review while the current research used descriptive research design resulting to methodological gap. Contextual gaps affected Chrisman, Devaraj & Patel (2017) that focused on family and non-family firms. The current study focused on issues of productivity in the multinational tea companies. Therefore, the current study established the effect of compensation practices on firm productivity of multinational tea companies.

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

General and specific objective are given as below;

### **1.3.1 General Objective**

General aim of the study was to establish the effect of compensation practices on firm productivity of multinational tea companies in Kericho County.

### **1.3.2 Specific Objectives**

The specific objectives are provided as follows;

- i. To establish the influence of monetary pay on firm productivity of multinational tea companies in Kericho County.
- ii. To examine the influence of allowance on firm productivity of multinational tea companies in Kericho County.
- iii. To assess the effect of fringe benefits on firm productivity of multinational tea companies in Kericho County.
- iv. To assess the effect of incentives on firm productivity of multinational tea companies in Kericho County.

### **1.4 Research Hypothesis**

The hypotheses of the study are stated below;

H<sub>0</sub>1: There is no significant effect of monetary pay on firm productivity of multinational tea companies in Kericho County.

H<sub>0</sub>2: There is no significant influence of allowance on firm productivity of multinational tea companies in Kericho County.

H<sub>0</sub>3: There is no significant effect of fringe benefits on firm productivity of multinational tea companies in Kericho County.

H<sub>0</sub>4: There is no significant effect of incentives on firm productivity of multinational tea companies in Kericho County.

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

The study is important to Multinational tea companies' management since it offers solution for the cyclic trend of low production. It assists in developing compensation policies that assists organization in increasing production. Majority of organization have challenges in managing human resource mainly in setting the appropriate compensation practices. Hence, the organizations are able to set appropriate mix of compensation between basic pay, allowance, fringe benefits and incentives. In order, to ensure high employee motivation and satisfaction leading high firm productivity.

Firms would benefit from the research since any firm must at least invest in developing better compensation practice. In order for the firms to gain more from each employee there is need to consider compensation practices in improving productivity of their firms. The study also benefits the government and human resource bodies that compensation practices human capital. It provides viable information for development in compensation policies, process and regulations. Hence, the firms, government and human resource bodies would benefit from the results in setting the appropriate compensation package of basic pay allowance, fringe benefits and incentive to ensure that there is high performance in organizations. The results indicated that monetary pay, allowance, fringe benefit and incentives have an important role in motivating employees leading to higher performance. It assists the government, firms and human capital bodies set appropriate mix of compensation package for the civil servants.

It would be beneficial for both academic research work and researcher as source of literature. This enriched the literature review as well as provide areas for further studies. Hence it is crucial for the study findings to enrich the knowledge in human resource management. This would assist in evaluating the new knowledge in the

significant of different compensation and its contribution to the literature for further research. The study revealed that all the compensation packages that is money pay, allowance, fringe benefit and incentive play an important role in enhancing firm productivity.

### **1.6 Scope of the Study**

The research was conducted in multinational tea firms in Kericho County, which includes the Unilever tea limited company, James Finlays Tea Limited Company and George Williamson Tea Limited Company based on the vast human resource. Data was collected from a target population of 99 managers from multinational firms. Descriptive research design was used in the study. There are varied compensation practices in these firms which included money pay, allowance, fringe benefits and incentives which will be investigated on firm productivity. Multinational tea companies in Kericho County have been experiencing declining trends in productivity. The highest drop was 65.19% which occurred in 2014 to 2015. The research was carried out in 2021 to 2022 where data collection was done at end of the year 2021.

### **1.7 Limitation of the study**

Based on limited secondary information of productivity and compensation. The research used primary data to examine the association between compensation practices and firm productivity. The study was limited to the information given by the respondents. Hence, the respondent's consent was acquired as well as all information were kept confidential. The study was also limited to cross-sectional technique data collected since time limitation could not allow longitudinal techniques in data collection.

## **1.8 Organization of the Study**

The research entail of chapter one which provides background information for compensation practices and organization productivity. It consists problem statement, objectives of the study and hypotheses of the study. The section also provides the significance of the study, scope, limitation and organization of the study. The second chapter two provide both theoretical and empirical review that assist in summarizing the research gap and in developing conceptual framework. Chapter three address procedure and guideline on how data is collected, organization, presented and analyzed. It provided information on research design, targeted population and sample size, data collection tools and procedures as well as data analysis. The study validity and reliability of the instrument was also determined. This is to ensure that data collected are accurate, reliable, sufficient and follow scientific procedure for correct interpretation. Chapter four provides data analysis that includes demographic, descriptive statistics and inferential statistics. While, chapter five presents summary, conclusions and recommendations for the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section represents literature review of theories, associated previous studies to develop knowledge gap. It also contains conceptual framework of the study.

#### **2.2 Theoretical Literature Review**

The theories reviewed are human capital theory, equity theory as well as theory of performance. The study was anchored on equity theory as the main theory that address equity of compensation practices across and within the industry. These theories were discussed as follows;

##### **2.2.1 Human Capital Theory**

Gary Becker and Jacob Mincer are the founders of human capital theory in 1954. The earlier work was started in 1776 by classical theorist on human capital theory. Human capital theory hypothesizes that skills, competence, abilities and knowledge are soft capital in organization that lead to competitive edge. Human resource development, sourcing of personnel and rewarding form important part of organization human capital theory. Odhong, Were & Omolo (2014) argue that education is a crucial component in human capital theory. It enables an organisation to improve skills, capability, abilities and competence of its human resource for the socio-economic profit. Armstrong (2012) alludes that human resource management practices is linked to human capital theory since it enables human resource to be developed, motivated, trained, compensated and satisfied. Human capital theory encourages improvement of employee skills, development of talent, facilitates knowledge acquisition. It is done through developing competency and training of employees to ensure effectiveness,



efficiency and reliability of employees. In order to maintain a healthy human capital there is need to develop employee from the point of recruitment process and ensure continuous development as they work in the organization. According to Choudhury & Mishra (2010) human resource capital can be viewed in two concepts; one is human capital offering firms' needs and human firm using human capital as an offer. Therefore, as capital, the skills require compensation in exchange for the work done. However, many organizations have numerous ways of improving human capital. Majority have improved the skills through human capital development. Aptitude, competence, experience and skills are part of human capital resource that can be used as competitive advantage in the organization (Bontis, Crossan & Hulland., 2002) Some organizations have also preferred improvement of employee performance through compensation strategies.

In firms' point of view, human capital is a form of investment which is used to increase the organization productivity through competence and skills development (Lepak & Snell, 1999). Investment through training and development of skills create a competitive advantage in the organization. These skills can be converted to monetary terms. An organization is required to offer rewards in terms of salaries, wages among other compensation. Therefore, skills can be monetized inform of basic pay which entails direct compensation for work done. Other rewards include allowance, fringe benefits and incentive which are either monetary or benefits that enable human capital to work efficiently.

Human capital theory incorporates variables compensation management factors which include monetary pay, allowance, fringe benefits and incentives. The theory views human resource as capital which requires compensation practices to be more productive. Human capital returns as salaries and wages but organization have

incorporated allowance, fringe benefit and incentive to improve motivation of employees. Compensation is crucial in development of human resource innovation and motivation of employees in the firm.

### **2.2.2 Equity Theory**

Equity theory was first postulated in 1963 by John Stacey Adam. It relates to uniformity in payment structure while compensating employees (Adam, 1965). Dissatisfaction as a result of unfair compensation leads to increased employee turnover, low production and high absenteeism. It also leads to industrial action in some cases. Inequality is associated with dissatisfaction with the job done where employees feel demotivated and can also cause sour relationship between the employees. The theory emphasizes on equality in compensation practices. It implies that organization should ensure a balanced monetary pay, incentives, fringe benefits and allowance based on internal and external compensation levels.

There exists three dimension of equity and include individual, external and internal equity. Internal equity arises as result of employee perception of fairness in variety of jobs on the basis of nature of work done. The employee tends to compare if there is compensation fairness among the different jobs which may lead to justification of inequality or unfairness. There is need to create fairness within the job level based on monetary pay, incentives, allowance and fringe benefit an individual gets. The external equity where employees compare themselves with others in related industry and rate if there is fairness. Individual equity is based on employee perception of fairness within the same kind of job within the same organization (Guerrero, Andersen, & Afifi, 2014). Therefore, organization should consider comparing existing compensation with other organizations.

Irrespective of compensation package existing, the theory emphasizes on equity or fairness in payment whether it is within the same job, different jobs or different industries. Equity theory is directly linked to variables like money pay, allowance, incentive and fringe benefits. However, the theory does not link equity in compensation with firm productivity rather associate it with employee motivation. There is need for equity in gain sharing in the organization.

### **2.2.3 Theory of Performance**

Mahatma Ghandi in 1962 advanced the theory of performance. The theory contains six aspects which include reflective, immersion, performer's mindset, level of performance, performer and performed practices. The theory is based on the rationale that learning process is achieved where level of management is associated with effective resource allocation leading to higher quality of output. According to Caine, Caine, McClintic & Klimek (2005) performance can be based on individual or group working together. However, there is need to consider the influence of compensation practices on firm productivity.

Productivity of the firm has complex series of activities that require skills, knowledge to produce valuable output (Elger, 2014). Productivity is characterized by quality or effectiveness of the activity. It is also related to visible increase of quality of service or product in an industrial set-up. In addition, the quality of the product must be effective in meeting the stakeholders' expectations. Caine & Caine (1997) classified the indicators based on the type of learning process as designing, problem solving cognitive and selling. They present as social, life management as affective and playing a sport or music as psycho-motor performance. Productivity can also be associated with problem solving, designing and management which requires skills in social ability and cognitive ability.

Wiske (1998) argues that theory of performance provides highlights on increase in quality, capability, knowledge, skills, identity, motivation and reduction of cost of production. It applied that firm productivity is a collective effort of individual employees' performance. It is encouraging that this aspect of performance can be improved through employee development like training, seminars, advisory service and other knowledge enhancing techniques. These are linked to quality and employee performance in the current study. It also explains how a firm can improve individual employee performance through compensation management where employees are offered monetary pays, allowances, fringe benefits and incentives. Therefore, theory of performance not only support employee performance as indicators of firm productivity but also compensation practices.

### **2.3 Empirical Literature Review**

Recent empirical literature has been focusing on human resource development but not targeting the compensation practices. The section discusses on literature associated with monetary pay, allowance, fringe benefits and incentives.

#### **2.3.1 Monetary pay and firm productivity**

Kabiru (2018) examined effect of compensation systems on the performance of employees. The research focused on compensation practice using bonuses, commissions and salary and employee performance. Equity Theory, Maslow Hierarchy of Needs Theory, and Agency Theory were the theories that anchored the study. Descriptive research design was utilized where 389 respondents were the target population from 15 registered deposits taking Micro-Financial Institution operating in Nyeri Central Sub-County. A sample of 189 were given questionnaires for data collection. It was found out that salary of the employee has significant effect on performance of employee. It was also noted that the most dominant form of

compensation was payment of salaries based on performance of employees. It was concluded that employee performance was highly influenced by employee's salary. The study recommended the need for micro-finance to change the employees' jobs and tasks in promoting employees. The current study focused on firm productivity rather than employee performance. The findings indicated that basic salaries were not sufficient monetary pay but had positive significant effect on firm productivity.

Igbaekemem (2014) researched on monetary incentives and organizational performance. The research ascertained the influence of monetary incentives on employee performance. Monetary incentive assisted in motivating employees to improve performance. However, monetary incentive alone is not enough for motivation. Therefore, there is need for both non-monetary and monetary incentives for employee motivation. In the current research monetary pay was described in terms of salaries, wages and overtime. Salaries were not sufficient monetary pay. Employees were engaged on overtime measured by number of hours. It improved motivation leading to increased quantity of work.

Arasa, Ngui, & Kimani (2017) conducted a study in Mombasa Cement Limited on salaries, benefits, recognition and performance of employee. Sample size was 153 respondents. Descriptive analysis as well as Pearson correlation method were utilized to assess linear association between the compensation practice and employee performance. The research found out that reasonable recognition through verbal and certificate of recognition, allowances, bonuses as well as salary improved employee performance. The study concluded that basic pay motivates while employment benefits in terms of incentives, bonuses and allowances positively affected the employee performance of Mombasa Cement Limited. It also concluded that recognition through certification or awards motivated employees. It recommended

that proper salary plan through job evaluation processes and pay structures should be developed to promote employee performance. Organization review current incentives, bonuses, allowances and retirement package in order to retain and attract employees to the firm. The current research focused not only on monetary pay but also incentives, fringe benefits and allowance. It widened the scope of compensation management as well as firm productivity. The results revealed that compensation practices in terms of monetary pay, allowance, fringe benefits and incentives had significant effect on firm productivity.

Government trade agency employees were examined whether salary, promotion and recognition affected work motivation by Asaari, Desa and Subramaniam (2019). The study aimed at examining reward in terms of salaries, recognition and promotion in relation to work motivation. Questionnaires were given to employee of Malaysian trade agency. The findings revealed that recognition, promotion and salary were motivating factors to the employees. The result indicated that there was a positive significant association between rewards and motivation of employees. There was contextual gap where the current study focused on firm productivity in multinational tea firms rather than government trade agency employees. Results revealed that salaries had significant effect on firm productivity.

Sittenhaler & Mohnen (2020) examined whether cash, non-cash or mix incentive had any effect on performance as well as gender. The study deployed real effort experiment. According to the results cash, non-cash or mixed incentive had no significant difference in performance. Men and women had difference preference on the incentives. The results revealed that monetary incentive increase performance significantly. Women performed significantly in non-monetary incentives. Therefore, gender must be considered while choosing compensation plans. In the current study

descriptive research design rather than experimental approach was used resulting to methodological gap. The finding indicated that monetary pay improved productivity of the organization.

### **2.3.2 Allowance and firm productivity**

Nyabuto (2016) examined the effect of compensation practices on employee performance. The study targeted the Saving and Credit Institutions in Nairobi County. This determined how employees in controlled SACCO sector in Nairobi City County are influenced by compensation practices. A descriptive survey research design was utilized for the research. A target population of thirty-three SASRA SACCOs in Nairobi City County. Questionnaires were used to collect data. It was found that indirect payment to workers through retirement benefits, vision, disability, life, dental, insurance health schemes, bonuses, allowances and commission and direct remuneration compensation programs were adopted by the SACCOs. It concluded that long-term employees' productivity is influenced by the equity-based compensation program such as salary. The current study focused on 3 multinational firms rather than 33 SASRA SACCOs leading to contextual gap. The multinational tea firms used house, commuter and medical allowances as indirect payment which improve firm productivity.

Parsa (2017) examined the effect of allowances on work creativity using sample of 1 city and 4 Counties in the province of East Nusa Tenggara. Path analysis was used in the study. It was found out that evaluation of allowance received did not provide direct effect on teacher's performance in vocational schools. Evaluation of creative skills affected the performance of teachers. It was also found that allowances received by the teachers had a positive indirect influence on teachers' performance through

work creativity. The current study focused on compensation practices on firm performance. Commuter and medical allowances had direct effect on firm productivity.

Simanjorang & Tumbuan (2016) studied on the influence of performance allowance and development on performance of employee. Questionnaires were given to 38 employees in state assets and service office in Manado. Allowance and development of employees significantly affected the performance of employee. While there was no significant influence of development of employee on performance of employee but there existed significant effect of allowance on performance of employee. The study concentrated on allowance and development of employees but not on house, medical and commuter allowances in relation to firm productivity which was addressed by the current study. The findings revealed that allowance contributed significantly to firm productivity.

Puluhulawa (2013), studied allowance on performance of employee and achievement of goals of local government in Indonesia. Quantitative research design was utilized in the study. The findings indicated that introduction of allowance between 2004 and 2009 in Gorontalo province significantly improved performance by 84.1%. It led to economic development in agriculture and fisheries as well as in education and health. The study identified that allowance assisted the growth of economy in Indonesia. The current research was done in Kenya and focusing on study variables like monetary pay, fringe benefits besides allowance. The findings revealed that firm productivity was significantly improved by allowances.



### **2.3.3 Fringe benefits and firm productivity**

Empirical literature on fringe benefits are highly relate to development of social or security need in Maslow model of hierarchy of needs. According to Chukwuma & Kifordu (2018) fringe benefits affect employee morale which corresponds to productivity. The study analysed the effect of benefits on productivity of employee as well as morale. It was conducted in oil companies in Nigeria, where fifty questionnaires were used. Chi-square was utilized in hypothesis testing. It was found that fringe benefit was used as incentive which in turn significantly affected employee productivity and morale. It was concluded that fringe benefits are beneficial to both private and public companies. The current research used primary data and focused on fringe benefits in terms of retirement benefits and insurance cover. Findings revealed that fringe benefit significantly improved firm's productivity.

Mwangi (2014) carried out a study which examined influence of compensation on motivation of employee in Chloride Exide. Benefits, direct financial rewards and compensation affected motivation of employee in Chloride Exide. A descriptive research design was utilized and target population was 157 employees. Stratified random sampling method was adopted to choose 41 respondents. Data from the respondents was obtained utilizing structured questionnaires. Statistical Package for Social Science was utilized to aid in data analysis and interpreted using correlations. Figures and tables were employed to present the results. The results indicated that employees were not familiar with different compensation techniques. It was concluded that employees had inadequate information in employee compensation evaluation and that a proper compensation plan was lacking. The current study did focus on firm productivity as oppose to motivation of employees. The multinational

tea firms were able to provide retirement package, insurance cover, maternity and paternity leave which considerably improved firms' productivity.

Kamau (2013) investigated on fringe benefits and employee productivity in the public sector. The benefit under concern included medical insurance, pension plans, education reimbursement and time off. The study utilized descriptive survey design. It targeted 189 state departments of water employees and 58 employees were sampled from target population using simple random sampling. The findings indicated that security benefits like house, transport and meal allowances had positive significant effect on employee productivity. Some of the benefits like health and retirement benefits encourage older employees as well as young ones to work. Recognition and rewards assisted in improving employee productivity. The research findings showed that there was significant effect of fringe benefits on employee productivity. The current study conceptualized fringe benefits using retirement package, insurance cover and leaves while the study focused on medical insurance, pension plans, education reimbursement and time off. The results indicated that retirement package, sick leave and maternity/paternity leave were more beneficial as compared with insurance cover provided to multinational tea firms.

Mangale (2017) studied on the influence of compensation on employees' productivity at Kenya Literature Bureau, South C Nairobi. Non-financial compensation, indirect compensation, direct financial compensation and compensation on employees' productivity at KLB in Nairobi. A descriptive research design was used in the study. One-fifty employees of KLB South C Nairobi were the target population. Stratified random sampling was utilized in choosing 45 employees from the population. Statistical Package of Social Science was used to aid in analysis of data. It was found that K.L.B is made up of knowledgeable, highly qualified and up-to-date experts in

manufacturing and publishing firms. The company practice morals, unrestricted policy, answer-ability, clearness and unbeatable client service. The firm management recognizes and appreciates the effort of each employee towards the success of the organization. The current study was carried in tea processing firms and a census of 99 respondents was involved. The results showed that fringe benefits contributed to the productivity of the firm.

Fringe benefit was analysed by Nisar & Siddiqui (2019) on employee satisfaction of organizations in Pakistan. Flexible working hours, recreation leaves and health protection benefits were examined on satisfaction of employee. Multiple linear regression and exploratory factor analysis were used and questionnaires were administered to a sample of 200 respondents. Benefits of health protection and recreation leaves had positive and significant effect on Job satisfaction. Nevertheless, flexible working hours was insignificant to job satisfaction. The current study focused on firm productivity rather than job satisfaction. The findings indicated that retirement package, sick leave, annual maternity and paternity leaves were more important aspects to the employee. In the current study insurance cover led to effectiveness of employees.

#### **2.3.4 Incentives and firm productivity**

Ogohi, (2019) investigated the effect of incentives and employees' productivity. The study was carried out in Nigerian organizations and questionnaires were utilized to collect data. Correlation Coefficient, Pearson Moment was utilized to establish the association between incentives and productivity. Incentives had positive significant on productivity. Monetary incentive motivated employees significantly and hence improved organization effectiveness. In the current study incentives were measured in

terms of bonuses, gain sharing and commission on sales. The results were similar because incentives were found to significantly affect firms' productivity.

Chrisman, Devaraj & Patel (2017) examined the effect of incentives on productivity of labour. About 216768 non family and family firms were targeted. The family business was found to be affected by adverse selection problems leading to low productivity of employees. Incentive compensation was found to affect firm performance. The current study concentrated on multinational tea firms and results showed that firms' productivity was significantly improved by incentive.

Ahiabor (2013) investigated the incentives on the firms' productivity of Airport Company limited in Ghana. Questionnaires were used to collect data from employees. There was a positive association between incentives and firm productivity. Monetary incentives motivated employees to become effective while non-monetary exceeded the effect of monetary incentive. The study was conducted in Ghana whereas the current study was carried out in Kericho County in Kenya. The results revealed that incentives had positive significant influence on productivity of firms which was contributed by bonus, gain share and commissions.

Coccia (2019) examined intrinsic and extrinsic incentives as motivating support to performance. The study conducted a conceptual review to examine the difference between intrinsic and extrinsic incentives. Intrinsic incentives were found to satisfy personal needs directly, affect employee commitment, work involvement and motivation, while extrinsic incentives were related to continuance of commitment. Therefore, public sector is less dependent on financial incentives however, there is need to balance between intrinsic and extrinsic incentives, since intrinsic increase job satisfaction and involvement of employees in work. The current study had conceptual

difference where incentives were examined in terms of bonus, gain sharing and commissions rather than intrinsic or extrinsic approach. The results indicated that incentives enabled multinational firms to improve production.

An empirical review of literature on compensation and job performance was carried out by Akter & Husian (2016). Compensation schemes that were evaluated included equity-based compensation, competency-based compensation, outcome-based compensation, performance-based compensation and merit-based compensation. The study obtained data from 261 employees of twenty ready-made garment firms in Chittangong, Bangladesh. It was found out that employees who are compatible with compensation scheme were able to improve job performance in organizations. The analysis showed existence of strong positive association between compensation and job performance. The current study used questionnaires rather than empirical research. The findings revealed that incentives through bonus, gain sharing and commissions contributed to productivity of multinational tea firms.

#### **2.4 Summary of gaps in the Literature Review**

Compensation practice and firm productivity was anchored on human capital theory, equity theory and theory of performance. Human resource capital theory focuses on the need to reward human resource as a form of capital that has returns for the firm. The theory does not associate productivity of the firm with compensation practices but only gives the relation of human resource development, rewards and management of human resource as capital to the firm. Human resource development, sourcing of personnel and rewarding, forms important part of organizations human capital. The equity theory shows the purpose of fairness on ensuring productivity in the firms. It provided a better linkage between compensation practice and productivity but does not focus on allowance, monetary pay, non-monetary, fringe benefits and incentive on

firm productivity. Theory of performance provides the need to improve of employee performance through providing the right motivation. However, it does not link the performance with compensation practices.

Research carried out Arasa, Ngui, & Kimani (2017); Akter & Husain, (2016); Nyabuto, (2016) & Kabiru (2018) focused on competitive strategies and employee performance. The current research investigated compensation practices on firm productivity. Other researches on compensation were in Indonesia, Ghana and Nigeria (Puluhulawa, 2013; Ahiabar, 2019; Ogohi, 2019 respectively). Igbaekemem (2014), Ogohi, (2019) and Ahiabor, (2019) concentrated on investigating incentive on employee performance. Parsa (2017) and Simanjorang & Tumbuan (2016) researched on allowance and employee performance. On the other hand, Kamau (2013) investigated on Fringe benefits and productivities. Therefore, the current research then focused on compensation practices and firm productivity which was done in multinational tea companies within Kericho County.

**Table 2.1 Summary of research gaps**

<b>Author</b>	<b>Focus of Previous Studies</b>	<b>Findings of the Previous Studies</b>	<b>Research Gaps</b>	<b>Focus of Current Study</b>
Akter & Husain, (2016)	It investigated on influence of compensation on performance.	It found that compensation scheme that enhanced the job performance. The analysis of empirical indicated that employees' compatibility with compensation scheme prompt for best performance. Hence compensation had strong significant relationship with job performance.	It was based on empirical review of compensation and job performance.	It used questionnaire to collect primary data from Multinational tea.
Igbaekemem (2014)	Monetary incentives and the relationship with employee's	Employee incentives had significant impact on the motivation of employees since employees' priceless possession in achieving organization possession. This	It investigated incentives as motivator to employee on organizational performance.	It focused on monetary pay in terms of salaries, wages and

	motivation and organizational performance.	ensured all employee improve their performance.		overtime
Arasa, Ngui, & Kimani (2017)	Research on the effect of compensation strategies and performance of employees in Mombasa Cement Limited.	It was found that employee performance is promoted through verbally or recognition through certification, allowances, benefits in form of bonuses and reasonable salary. Basic pay assisted in motivating employees.	The study examined recognition, allowances and salaries in Mombasa County.	The current study focused on monetary pay, incentive, fringe benefits and allowance in Kericho County.
Nyabuto (2016)	Compensation practices and f employees' performance in SACCOs within Nairobi County.	Indirect payment for services through retirement benefits, vision, disability, life, dental, insurance health schemes, bonuses, allowances and commission and direct remuneration compensation programs were adopted by the SACCOs. It concluded that long-term employees' productivity is influenced by the equity-based compensation program such as salary.	33 SASRA SACCOs were the target population.	The target population was 3 multinational companies.
Kabiru (2018)	Compensation systems was examined in relation to employee performance in micro-finance institutions.	It was found that salary of the employee is the variable that affected on the employee performance. It was also noted that the most dominant form of compensation was payment of salaries based on performance to employees. It was concluded that performance is highly influenced by employee's salary. The study recommended the need for micro-finance to change the employees' jobs and tasks in promoting employees.	The study was on compensation systems in relation to employee performance.	The current study was on compensation practices in relation to firms' productivity.
Mwangi (2014)	Compensation and employee motivation in Chloride Exide.	It was found that methods utilized to examine employee's compensation was not familiar to majority of the respondents. It was concluded that employees had inadequate information about employee compensation determination	The research problem was employee motivation.	The research problem was productivity.

		and that a proper compensation plan was lacking.		
Mangale (2017)	Compensation and employee productivity of KLB in South C Nairobi.	It was found that K.L. B is made up of knowledgeable and highly qualified staffs that up-to-date expertise in publicizing sections, publishing and manufacture. It is also dedicated to morals, unrestricted policy, answerability, clearness and unbeatable client service. It also recognizes and appreciates the effort of each employee towards the success of the organization.	Stratified proportional sampling techniques was used to sample 45 respondents in service industry.	The study current study used a census of 99 in manufacturing industry.
Parsa, (2017)	Examined the allowances and job creativity.	Evaluation of the allowance received had not positive direct effect on performance of teacher. The evaluation of creativity positively affected the performance of teachers. Hence allowance indirectly motivated teachers to be creative and hence performance.	The study variables were allowance and job creativity.	The current study firm's performance leading conceptual gap.
Simanjourang & Tumbuan (2016)	Allowance and development of employee-on-employee performance.	Performance allowance and employee development jointly had significant effect on employee performance. Though employee development did not significantly affect employee performance. Performance allowance had significant effect on employee performance.	The study focused on performance allowance and employee development.	The current study focused on house, medical and commuter allowances on firms' productivity.
Puluhulawa (2013)	Regional performance allowance.	The performance of employees improved significantly 84.1% since the introduction of allowance between 2004 to 2009. This improved economic development in agriculture and fisheries.	It was done in Gorontalo province in Indonesia.	It was done in Kericho County, Kenya.
Kamau (2013)	Fringe benefits and employees' productivity in public sector.	Fringe benefit affected significantly employee productivity. Security benefit like transport, meal and housing improve productivity, while retirement and health	It focused on fringe benefit in terms of medication insurance, pensions plans,	It focused on fringe benefits in terms of retirement benefits, insurance



		appealed to both the old and young employees. Also recognition and reward assisted the employee productivity.	education reimbursement and time off on employee productivity.	cover and leaves on firm productivity.
Chukwuma & Kifordu (2018)	Fringe benefits and employee productivity and morale	Fringe benefits affected significantly employee morale as well as productivity in oil industry within Nigeria.	Studied effect of fringe benefits on employee morale and production	The current study focused on fringe benefits in terms of retirement benefits and insurance cover.
Ogohi, (2019)	Effect of incentives on employee's productivity	Incentive had significant effect on productivity of employee. Monetary incentive motivated employee to improve organization effectiveness.	The study covered incentives only in Nigerian organization.	The current study covered incentives in terms of bonuses, gain sharing and commission.
Ahiabor (2019)	Incentive in relation firms' productivity in Ghana	Incentive affected positively firm performance. Non-monetary had more benefits than monetary incentive which motivate workers for more performance.	It focused on incentive in Ghana.	It focused on incentives in Kenya.
Chrisman, Devaraj & Patel (2017)	Incentive compensation on labor productivity in non-family and family firms.	There results indicated that incentive compensation had an impact on the firm performance more than it has been depicted in human resource or family firms' literature.	Contextual gap where the study concentrated in family and non-family firms.	The study will focus on multinational tea companies.
Asaari, Desa & Subramaniam (2019).	Effect of recognition, promotion and salary on work motivation.	Rewards through recognition, promotion and salary had positive effect on work motivation in Malaysian government trade agency employees.	Conceptual gap since salary was examined on motivation of government trade agency employees.	The current study focused on firm productivity of multinational tea firms.
Coccia (2019).	Intrinsic and extrinsic incentive on performance of public organizations.	The study found that public organization utilized financial incentive. However, there is need to balance between intrinsic and extrinsic incentives.	The study utilized empirical review of intrinsic and extrinsic incentives literature.	The study in incentives were bonus, gain sharing and commission
Nisar & Siddiqui (2019)	Fringe benefit and job satisfaction of employee.	Job satisfaction was positive and significantly affected by recreation leaves and health protection benefits. However,	Conceptual gap where the study focused on job satisfaction.	Current study focused on firm productivity.

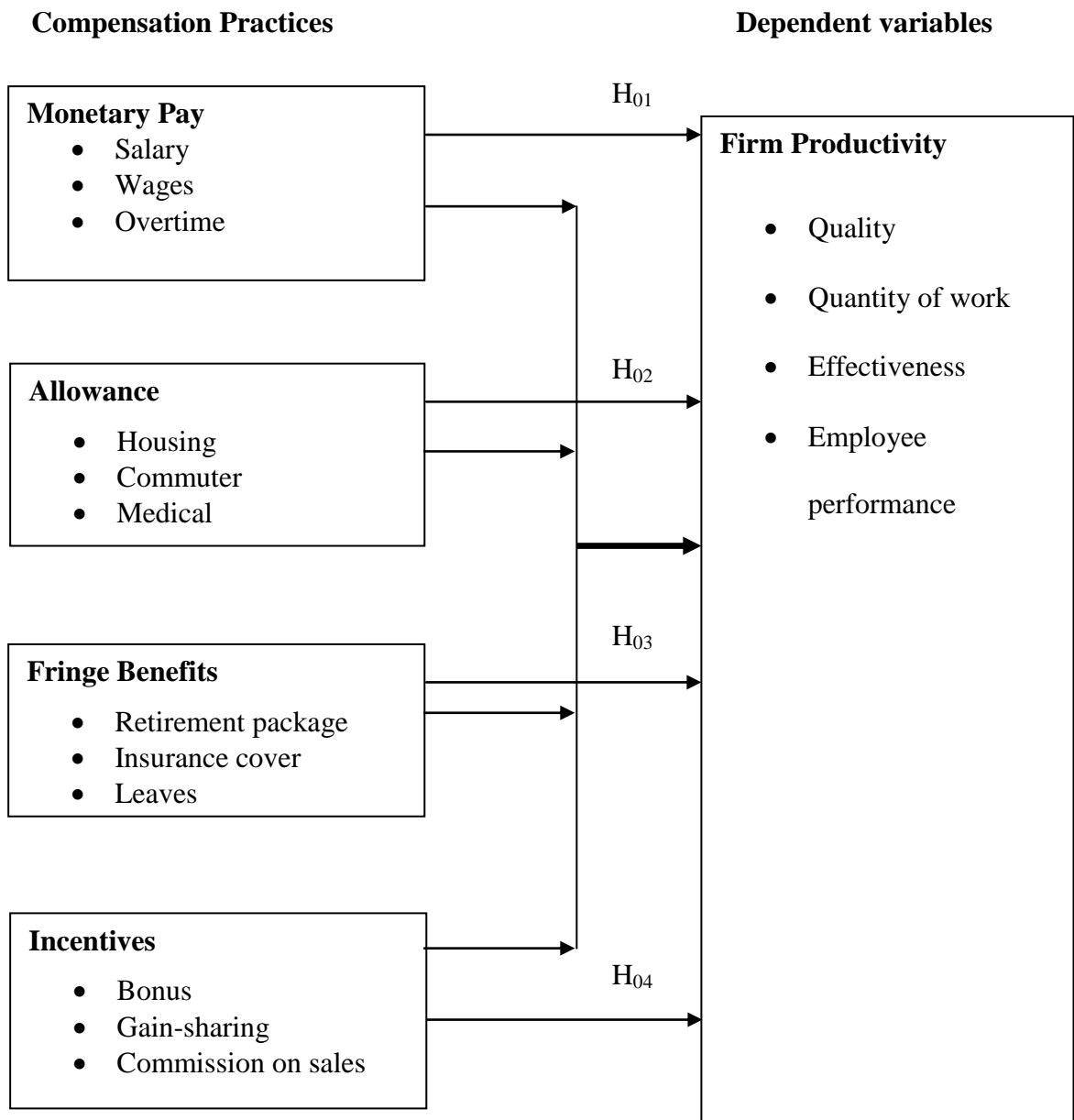
		flexible working hours had no significant effect on job satisfaction.		
Sittenhaler & Mohnen (2020)	Effect of cash, non-cash or mixed incentive on performance as well as controlling gender.	Monetary, non-monetary or mixed incentive had no significant difference over employee performance. However, male preferred monetary while female non-monetary in relation to employee performance.	Experimental analysis was used.	Descriptive survey research design was used in the current study.

**Source: Author (2020)**

## 2.5 Conceptual Framework

Conceptual frameworks are arrangement of concepts that supports in research objectives (Robson, 2011). Miles & Huberman (1994), argue that conceptual framework provided a both concepts as well as visuals that explain the relationship existing of variables, concepts and key factors.

## Independent Variables



**Figure 2.1: Conceptual framework**

**Source: Researcher (2019)**

The framework of the research gives the association between independent variables and dependent variable. Independent variable was monetary pay, allowance, fringe benefits and incentive or performance-based pay which were variables used in

measuring the compensation management practices. Dependent variable was productivity of the multinational tea companies in Kericho. Productivity was measured using service quality, job satisfaction, quality of work, job effectiveness and employee performance. The study findings indicated that independent variable representing compensation management practices that is monetary pay, allowance, fringe benefits and incentives had direct positive significant relationship with dependent variable that is productivity of multinational tea companies in Kericho. This implies that an increase in monetary pay, allowance, fringe benefits and incentives will result to an increase in firm productivity and contrary is true.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The section consists of research design, population, validity, reliability, instrument used in collecting data and data analysis.

#### **3.2 Research Design**

Research design is a blue print that provide scientific guideline to ensure that the data collected are obtained accurately and explores the desired objective with the lowest cost while it holds reliability and validity (Oso & Onen, 2008). The study adopted descriptive research design based on its ability to enable one to ask what, when, how, where and who questions. The descriptive design also supported both the use of quantitative and qualitative research methods in establishing the effect of compensation practices and firm productivity. Descriptive and inferential statistics are associated with descriptive research design hence appropriate for the current study.

#### **3.3 Target Population**

Target population represents an item, cluster or individual with specific characteristics that fits for extraction of information that answered the research questions. This assists the researcher to extract the desired sample size (Kombo & Tromp, 2006). The study extracted data from 3 multinational companies in Kericho County. These comprises of Jame Finlays Kenya Limited, George Williamson Limited and Unilever Limited and 99 staffs comprising senior, middle and lower management.

**Table 3.1: Target Population**

<b>Management</b>	<b>Finlays Tea Company</b>	<b>George Williamson Company</b>	<b>Unilever Tea Company</b>	<b>Number of Managers</b>
Top Management	8	3	7	19
Middle Management	12	8	10	30
Lower Management	21	13	17	50
<b>Total</b>	<b>41</b>	<b>24</b>	<b>34</b>	<b>99</b>

**Source: Multinational Companies Human Resource Records of 2019**

Hence the total target population was 99 managers within the three Multinational companies in Kericho County Kenya.

The study collected data from the census of all 99 managers comprising of top management, middle management and lower management hence a census method was used. The pilot study was conducted in the neighboring George Williamson company in Nandi County hence census of 99 managers was not affected. According to Mugenda and Mugenda (2003) census is appropriate if the target population is as little as less than 100 respondents.

### **3.4 Data Collection Procedures**

Data collection tool was examined for validity and reliability. Permits was given by the university which was used to apply for NACOSTI permit. County commissioner and county education permits were obtained subsequently. Once the permits the researcher went to the field where consent was achieved from the respondents. The questionnaire was given to the respondents and collection was done after one week while follow-up was done in the second week for those who had not filled.

### **3.5 Pilot Study**

A pilot study on ten respondents was conducted. This represents 10% of the sample size as proposed by Asiamah, Mensah, & Oteng-Abayie (2017). These questionnaires were given to multinational tea companies in Williamson tea company in neighboring Nandi County. This is because the setup of multinational companies in Kericho County is similar to those in Nandi County. These questionnaires assisted in evaluation of reliability and validity of questions.

### **3.6 Data Collection**

Data collection is the process of obtaining raw data from the field utilizing collection tool. Primary data were obtained from the field which was collected utilizing a semi-structured questionnaire. The questionnaires had closed ended question that assisted in obtaining relevant information that were used for generalization. Open ended questions gave more information that were not captured in the questionnaires. Questionnaires were segmented into sections that provides relevant information as per objectives of the study.

### **3.7 Validity of the research instrument**

According to Cohen, Manion, & Morrison (2011) data collection instrument should have a high level of accuracy in measuring the desired objective in any research. Oso & Onen (2008) added that validity in an instrument not only ensure accuracy of the research instrument but also provides systematic and logical contextualization while deploying in the instrument. In order to obtain accuracy of the instrument researcher deployed. The supervisors assisted in ensuring that all objective as conceptualized in conceptual framework are well articulated in the questionnaires. This enhanced construct validity as well as context validity. Face validity was achieved with help of supervisor where the questions were examined based on the quality and clarity. Once

the correction has been complete the research instrument was used for collection of data.

### **3.8 Reliability of the Research Instrument**

Kothari (2014) alluded reliability of the research tool is the ability of the tool to produce same output after re-test. It enabled the instrument to produce results that are consistent. According to Bujang, Omar, & Baharum (2018) a cut off threshold of 0.7 and above was acceptable. Statistical package for social science was utilized to obtain Cronbach alpha coefficient. Cronbach Alpha coefficient of 0.777 was obtained and is greater than 0.7. Therefore, the research tool was reliable.

### **3.9 Data Analysis and Presentation**

Kombo (2004) argues that data analysis enables the study to obtain information which were used to make inferences. The selection of procedure for analysis is associated with techniques for the objective of the study and the measuring scale used to measure the variables (Kothari, 2004).

Descriptive and inferential statistics was collected especially the mean, standard deviation and multiple linear regression as well as ANOVA.

The following is multiple regression model;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where

Y = Firm Productivity

$\beta_0$  = Constant Term

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

$X_1$  = Monetary pays



$X_2$	= Allowances
$X_3$	= Fringe benefit
$X_4$	= Incentives
$e$	= Error Term

Data used charts to present the data while other findings were summarized in table format. Diagnostic test was done on normality, multi-collinearity, auto-correlation and homoscedasticity using Kolmogorov-Smirnov test, VIF test, Durbin-Watson test and Levenes' test respectively.

### **3.10 Ethical Considerations**

This study ensured permits for data collection are obtained from NACOSTI, ministry of education and county commission. It also ensured that the questionnaires are anonymous to reduce subjectivism when collecting data. The researcher also sought permission and consent in the institution and employees respectively to ensure that they are well informed. The respondents were assured that the study were used for academic purpose as well as that all information were confidential.

## CHAPTER FOUR

### RESULTS, DISCUSSIONS AND INTERPRETATIONS

#### 4.1 Introduction

In this section results from questionnaires were analyzed to provide necessary findings. These were used to interpret the relationship between monetary pay, allowance, fringe benefits and incentives with employee performance. This entail response rate, demographic data, descriptive analysis data and inferential analysis that were appropriate to established the effect of compensation strategies on firm productivity.

#### 4.2 Response Information

The response information entail response rate and the reliability of the instrument.

##### 4.2.1 Response rate

There were 85 questionnaires which were respondent to out of a sample of 99 making the response rate to be 85.9%. A response rate above 80% was deemed to be appropriate for further; investigate according to Bujang, Omar and Baharum (2018). The summary of responses rate were shown in table 4.1.

**Table 4.1: Response Rate**

Response	Number	Percentage
Responded	85	<b>85.9%</b>
Non-responded	14	<b>14.1%</b>
<b>Total</b>	<b>99</b>	<b>100.0%</b>

**Source: Survey Data (2021)**

### 4.2.2 Reliability of Questionnaire

Reliability was tested using Cronbach Alpha which examine if there existed internal consistency from information collected. Bujang, Omar and Baharum (2018) pointed out a threshold of 0.7 was sufficient. The summary of reliability test was indicated in table 4.2.

**Table 4.2: Reliability test**

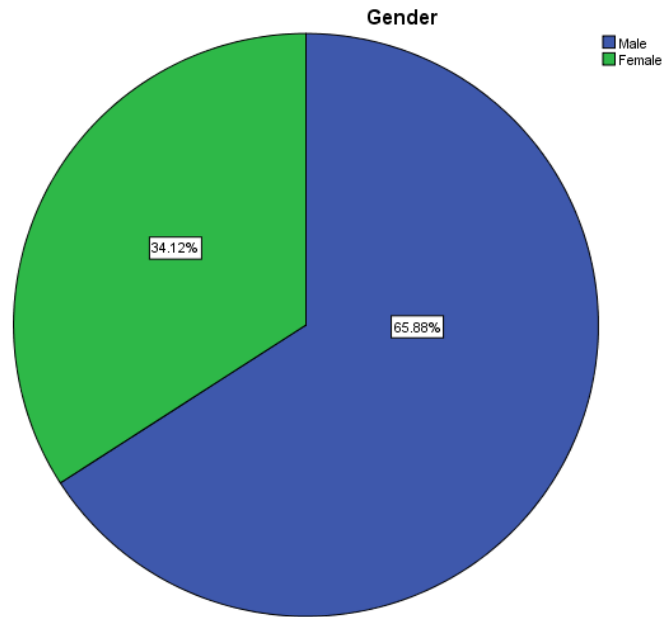
<b>Variables</b>	<b>Cronbach Alpha</b>	<b>Item</b>
Monetary Pay	0.834	4
Allowance	0.782	4
Fringe Benefit	0.803	4
Incentive	0.732	4
Firm Productivity	0.733	5
<b>Aggregate</b>	<b>0.777</b>	<b>21</b>

**Source: Survey Data (2021)**

Table 4.2 indicated that monetary pay, allowance, fringe benefit, incentive and firm productivity had Cronbach Alpha above 0.7. Therefore, the research instrument was reliability.

### 4.3 Demographic Information

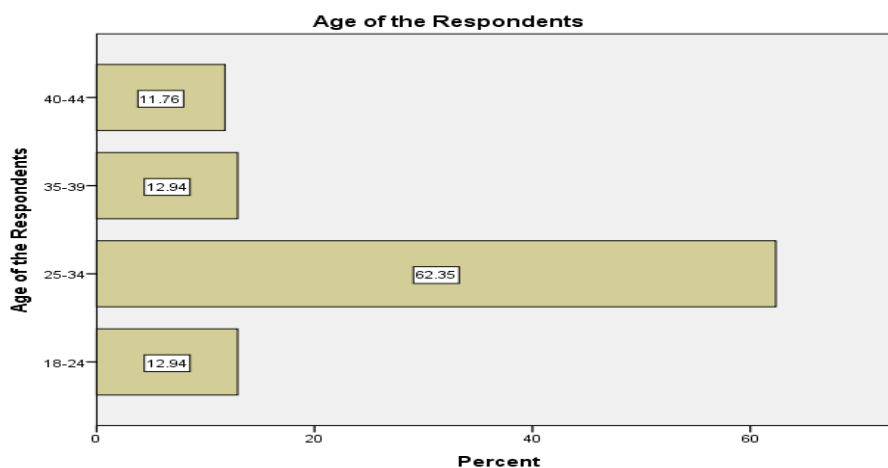
Gender, age of the respondents, education level and duration of working in the organization were analyzed as demographic information. The results were presented in charts and frequency tables as below.



**Figure 4.1: Gender**

**Source: Survey Data (2021)**

Figure 4.1 revealed that 65.9% of the respondents were male and 34.1% were female respondents. The results reveals there are many male respondents than female respondents working in the multinational tea company in Kericho.



**Figure 4.2: Age of the Respondents**

**Source: Survey Data (2021)**

The organization had 62.4% of the respondents between the age of 25-34 years. This was followed by those of the age bracket of 18-24 years and 25-35 years with 12.9% of the respondents. However, 40-44 years were the least with 11.8% of the respondents.

**Table 4.3: Education Level**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	21	24.7	24.7	24.7
	Diploma	32	37.6	37.6	62.4
	Degree	32	37.6	37.6	100.0
	Total	85	100.0	100.0	

**Source: Survey Data (2021)**

There were as equally many degree respondents as diploma with 37.6% of the total respondents. The findings revealed that the certificate holder were 24.7% of the respondents. This indicated moderate literacy level in the firms. This implies that human resource audit should be conducted to fit the compensation practices

**Table 4.4: Duration of Working in the Organization**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2-4 years	21	24.7	24.7	24.7
	5-7 years	43	50.6	50.6	75.3
	8-10 years	11	12.9	12.9	88.2
	Above 10 years	10	11.8	11.8	100.0
	Total	85	100.0	100.0	

**Source: Survey Data (2021)**

Majority of 43(50.6%) respondents had worked for 5-7 years. This followed by 2-4 years with 21(24.7%) respondents, 8-10 years with 11(12.9%) respondents and above 10 years with 10(11.8%) respondents.

#### 4.4 Descriptive Statistics

Descriptive statistics was adopted to describe the monetary pay, allowance, fringe benefit, incentives and firm productivity. These questions were based on Likert scales where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree. The mean and standard deviation was appropriate to explain central point and variation respectively. A mean above 3 indicated that the respondents agreed with the argument and below disagreed while a mean of below 1.00 indicate sufficient homogeneity in argument.

##### 4.4.1 Monetary pay and firm productivity

Monetary pay was examined in relation to firm productivity using mean and standard deviation. The summary results were presented in table 4.5.

**Table 4.5: Descriptive Statistics on Monetary Pay**

	N	Minimum	Maximum	Mean	Standard Deviation
Basic salaries provided by the organization are sufficient monetary pay	85	1.00	5.00	2.7294	.62851
The organization wage rates are satisfactory	85	2.00	5.00	3.0706	.78359
Overtime determined by numbers of hours worked increase quantity of work	85	2.00	5.00	3.7176	.73062
The monetary pay given to employee affect firm productivity	85	1.00	5.00	3.4471	.61777
Aggregate	85			3.2412	0.88004

**Source: Survey Data (2021)**

Table 4.5 indicates that the basic salaries provided by the organization were insufficient monetary pay (mean of 2.7294) whose variation was low (standard deviation of 0.62851). However, wage rates were satisfactory in the organization (mean of 3.0706) and a low variable (standard deviation of 0.78359) The study also

revealed that overtime was determined by numbers of hours worked increase quantity of work in the organization (means of 3.7176) variation in quantity was low (standard deviation of 0.73062). The respondents agreed that monetary pay given to employee affected firm productivity (mean of 3.4471) with low variance (standard deviation of 0.61777). Generally, there was some sufficient evidence that productivity didn't significantly vary the firm utilized monetary pay (mean of 3.2412) which in turn (standard deviation of 0.88004).

The results with Kabiru (2018) who found that salaries affect the performance of employees. However, the current study examined monetary pay which include salary which had significant influence on firm productivity.

#### 4.4.2 Allowance and firm productivity

Allowances were analysed through mean and standard deviation which related to degree of agreeability and variation. The results were summarized in the table 4.5 below.

**Table 4.5: Descriptive Statistics on Allowance**

	N	Minimum	Maximum	Mean	Standard Deviation
House allowance helps employees access convenient shelter for them to be comfortable at the work place	85	2.00	5.00	3.7529	.85782
Commuter allowance is provided to facilitate the employees to travel to work	85	3.00	5.00	3.5176	.64756
Medical allowance assists the employee of the organization to access good health care facilities	85	2.00	5.00	3.5176	.99537
Allowances have direct effect on firm productivity	85	1.00	5.00	3.2941	.54362
Aggregate	85			3.5206	0.76494

**Source: Survey Data (2021)**

Table 4.5 indicated that house allowance satisfactory helped employees to access convenient shelter for them to be comfortable at the work place (mean of 3.7529) The variation in comfortability was low (standard deviation of 0.85782). The respondents somewhat agreed that commuter allowance was also provided to facilitate the employees to travel to work (mean of 3.5176). However, traveling to work didn't vary much (standard deviation of 0.64756). The firm provided good health care program through medical allowance which assists the employee of the organization to access good health care facilities (mean of 3.5176). There was no significant variation in accessing good health care facilities (standard deviation of 0.99537). Results indicated that allowances have some direct effect on firm productivity (mean of 3.2941) though the variance was low (standard deviation of 0.54362). The allowance provided in the organization was sufficient (mean of 3.5206) though the variation was low (standard deviation of 0.76494).

In similar study, Kamau (2013) used house, transport and meal allowance as some of allowance that had positive significant effect on employee productivity. The current study found that allowance had effect on firm productivity but focused on house, transport or commuter and medical allowances. Parsa (2017) found that allowance had positive indirect influence on teacher's performance. While the current study, related allowance to firm productivity.

#### **4.4.3 Fringe Benefits and firm productivity**

Mean and standard deviation were appropriate summary analysis used to examined the effect fringe benefit on firm productivity. Findings from the questionnaires were summarized in table 4.6.



**Table 4.6: Descriptive Statistics on Fringe Benefit**

	N	Minimum	Maximum	Mean	Standard Deviation
Retirement package in form of pension are given to employees who exit the company due to retirement	85	2.00	5.00	3.6471	.89584
Insurance cover makes employees effective	85	2.00	5.00	3.2118	.87415
The company has a structured way concerning either annual maternity/paternity and sick leave	85	3.00	5.00	3.6235	.65423
Fringe benefits influence firm productivity	85	1.00	5.00	3.7059	.64251
Aggregate	85			3.5471	0.68844

**Source: Survey Data (2021)**

Table 4.6 established that retirement package in form of pension were given to employees who exit the company due to retirement (mean of 3.6471) but has low deviation (standard deviation of 0.89584). The firms were found to provide insurance cover which somewhat makes employees effective, especially in areas with high risk of occupational hazards (mean of 3.2118). The variation in employee effectiveness was insignificant (standard deviation of 0.87415). Similarly, the results showed that the company had a structured way concerning either annual maternity/paternity and sick leave (mean of 3.6235) with low deviation (standard deviation of 0.65423). Hence, fringe benefits were found to influence firm productivity (mean of 3.7059) whose variance was low just to influence firm productivity (standard deviation of 0.64251). There was sufficient evidence that the organization used fringe benefit (mean of 3.5471) the variation on opinion of fringe benefits and firm productivity was low (standard deviation of 0.68844).

Recognition and reward were found to be some fringe benefit improve employee productivity by Kamau (2013). The current study found that fringe benefit affected firm productivity.

#### 4.4.4 Incentives and firm productivity

The fourth objective was examined through the use of mean and standard deviation to provide results of incentives in relation to firm productivity. Table 4.7 was used to provide the summary descriptive results.

**Table 4.7: Descriptive Statistics on Incentives**

	N	Minimum	Maximum	Mean	Standard Deviation
The organization offers bonus to employees as a compensation practice	85	3.00	5.00	3.8824	.79300
Gain sharing is company's incentive	85	3.00	5.00	3.6000	.62106
Commissions are given for increase in sales or production	85	3.00	5.00	4.0235	.51122
Incentives have enabled the company to increase production	85	2.00	5.00	3.9529	.81512
Aggregate	85			3.8647	0.37708

**Source: Survey Data (2021)**

According to table 4.7 results, the organization offered sufficient bonus to employees as a compensation practice (mean of 3.8824) The variance was low (standard deviation of 0.79300). Similarly, gain sharing was found to be somehow significant incentive (mean of 3.6000) with low standard deviation of 0.62106. Further incentive was through commission given for increase in sales or production and was agreed (mean of 4.0235,) but the increase was low (standard deviation of 0.51122). The respondents agreed that the incentives have enabled the company to increase production (mean of 3.9529) but variation was low (standard deviation of 0.81512). Therefore, incentive was sufficiently provided for firm productivity (mean of 3.8647) which didn't vary significantly (standard deviation of 0.37708).

Ogohi (2019) found that there existed significant relationship between monetary incentive with organization effectiveness. The results also found that incentive significant influence on productivity.

#### 4.4.5 Firm productivity

Firm productivity was examined using mean and standard deviation. This was used to interpret data collected for firm productivity. The results were presented in table 4.8.

**Table 4.8: Descriptive Statistics on Firm Productivity**

	N	Minimum	Maximum	Mean	Standard Deviation
Quality in items of tea yield affect firm productivity	85	3.00	5.00	3.4000	.56061
Quantity of work done has improves the firm productivity	85	2.00	5.00	3.6118	.84648
The effectiveness in the organization improved firm productivity	85	3.00	5.00	3.7529	.65294
Employee performance has improved the firm productivity	85	3.00	5.00	3.8941	.61767
Productivity of the firm in terms of quality, quantity of work, effectiveness, employee performance and equity has improved	85	3.00	5.00	3.7529	.65294
Aggregate	85			3.6824	0.46012

**Source: Survey Data (2021)**

The quality in items of tea yield affected the firm productivity as indicated in table 4.8 (mean of 3.4000) though with low variance (standard deviation of 0.56061). Further, analysis indicated that the quantity of work done improved the firm productivity (mean of 3.6118 and standard deviation of 0.84648). Effectiveness in the organization sufficiently improved affecting the firm productivity (mean of 3.7529) which had low variance (standard deviation of 0.65294). Similarly, respondents agreed that employee performance had improved the firm productivity (mean of 3.8941). The productivity

didn't vary much (standard deviation of 0.61767). Hence, productivity of the firm in terms of quality, quantity of work, effectiveness, employee performance and equity has satisfactorily improved in firm productivity (mean of 3.7529) whose variation was low (standard deviation of 0.65294). This revealed that productivity was sufficiently contributed by quality, quantity, effective and employee performance (mean of 3.6824) and a low deviation (standard deviation of 0.46012).

#### 4.5 Inferential Statistics

Inferential statistics were used in the analysis where correlation, regression and ANOVA analysis were combined to explain the interrelationship between monetary pay, allowance, incentive, fringe benefit and firm productivity.

**Table 4.9: Analysis of Correlation using SPSS Version 21.0**

		Monetary Pay	Allowance	Fringe Benefits	Incentives	Firm Productivity
Monetary Pay	Pearson Correlation	1	.273*	.367**	.485**	.825**
	Sig. (2-tailed)		.011	.001	.000	.000
	N	85	85	85	85	85
Allowance	Pearson Correlation		1	.761**	.523**	.760**
	Sig. (2-tailed)			.000	.000	.000
	N		85	85	85	85
Fringe Benefits	Pearson Correlation			1	.698**	.538**
	Sig. (2-tailed)				.000	.000
	N			85	85	85
Incentives	Pearson Correlation				1	.545**
	Sig. (2-tailed)					.000
	N				85	85
Firm Productivity	Pearson Correlation					1
	Sig. (2-tailed)					
	N					85

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*.. Correlation is significant at the 0.01 level (2-tailed).

**Source: Survey Data (2021)**

Table 4.9 revealed correlation analysis existing between various compensation practice and firm productivity. The results indicated that monetary pay had weak

positive significant relationship with allowance, fringe benefit and incentive with  $R=0.273$ ,  $R=0.367$  and  $R=0.485$  respectively ( $P<0.05$ ). However, allowance had strong positive significant relationship with fringe benefit ( $R=0.761$ ) but moderate positive relationship with incentive ( $R=0.523$ ,  $P<0.05$ ). While fringe benefit had strong positive relationship with incentive ( $R=0.698$ ,  $P<0.05$ ). The results further revealed that monetary pay had the strong positive significant correlation with firm productivity ( $R=0.825$ ,  $P<0.05$ ). This was followed by allowance with strong positive significant correlation with firm productivity ( $R=0.760$ ,  $P<0.05$ ). Finally, incentive and fringe benefits had positive significant correlation with firm productivity ( $R=0.545$  and  $R=0.538$  respectively,  $P<0.05$ ). However, there exist strong correlation positive between fringe benefit and incentive as well as fringe benefit and allowance ( $R=0.698$  and  $R=0.761$  respectively,  $P<0.05$ ). Compensation practices as contributed by monetary pay, allowance, fringe benefits and incentive were positive and significant on firm productivity.

The regression model first examined coefficient of determination which utilized the R-Square results to interpret the relationship between compensation practices and firm productivity. The model summary was presented in table 4.10.

**Table 4.10: Model summary using SPSS Version 21.0**

Model	R	R Square	Adjusted R Square	standard deviation. Error of the Estimate	Durbin-Watson
1	.849 <sup>a</sup>	.721	.707	.24912	2.233

a. Predictors: (Constant), Incentives, Monetary Pay, Allowance, Fringe Benefits

b. Dependent Variable: Firm Productivity

**Source: Survey Data (2021)**

According to the results in table 4.10 their coefficient of determination revealed that 72.1% of firm productivity was attributed to incentives, monetary pay, allowance and

fringe benefits (R-Square=0.721). Other factor contributed 27.9% of the variation of firm productivity that are not among the compensation practices. Therefore, there is strong relationship between compensation practices and firm productivity (R=0.849).

The study used ANOVA to examine the relationship between monetary pay, allowance, fringe benefit and incentive with firm productivity. The results were presented by table 4.11 to 4.15.

**Table 4.11: Analysis of Variance on Monetary Pay and Firm Productivity using SPSS Version 21.0**

			Sum of	df	Mean	F	Sig.
			Squares		Square		
Firm Productivity *	Between	(Combined)	5.050	8	.631	3.767	.001
Monetary Pay	Within Groups		12.734	76	.168		
	Total		17.784	84			

**Source: Survey Data (2021)**

According to table 4.11 the results revealed that money pay had significant effect with firm productivity (F=3.767, P<0.05). This implies that monetary pay plays a significant role in firm productivity.

**Table 4.12: Analysis of Variance on Allowance and Firm Productivity using SPSS Version 21.0**

			Sum of	df	Mean	F	Sig.
			Squares		Square		
Firm Productivity *	Between	(Combined)	11.989	10	1.199	15.311	.000
Allowance	Within Groups		5.794	74	.078		
	Total		17.784	84			

**Source: Survey Data (2021)**

Table 4.12 revealed that allowance had significant effect with firm productivity (F=15.311, P<0.05). The finding revealed that allowance provided by the firm was significant to its productivity. Kamau (2013) pointed that allowance had significant effect on the employee.

**Table 4.13: Analysis of Variance on Fringe Benefits and Firm Productivity using SPSS Version 21.0**

			Sum of	df	Mean	F	Sig.
			Squares		Square		
Firm Productivity *	Between	(Combined	15.047	9	1.672	45.819	.000
Fringe Benefits	Groups	)					
	Within Groups		2.737	75	.036		
	Total		17.784	84			

**Source: Survey Data (2021)**

Fringe benefits were found to have a significant effect with firm productivity (F=45.819, P<0.05) as presented in table 4.13. These mean that fringe benefits assist the firm to be more productive.

**Table 4.14: Analysis of variance on Incentives and Firm Productivity using SPSS Version 21.0**

			Sum of	df	Mean	F	Sig.
			Squares		Square		
Firm Productivity *	Between	(Combined)	6.535	6	1.089	7.552	.000
Incentives	Groups						
	Within Groups		11.249	78	.144		
	Total		17.784	84			

**Source: Survey Data (2021)**

The result presented in table 4.14 indicated that incentive has a significant effect with firm productivity (F=7.552, P<0.05). Hence, incentives have assisted the firm to be productive.

**Table 4.15: Regression Coefficients**

Model	Unstandardized		Standardized	t	Sig.	Collinearity	
	Coefficients		Coefficients			Statistics	
	B	standard deviation.	Beta			Tolerance	VIF
	(Constant)	.915	.294		3.109	.003	
1	Monetary Pay	.669	.035	.822	19.114	.000	.763
	Allowance	.503	.055	.837	9.189	.000	.421
	Fringe Benefits	.215	.073	.322	2.966	.004	.296
	Incentives	.596	.107	.489	5.559	.000	.452

a. Dependent Variable: Firm Productivity

**Source: Survey Data (2021)**

According to table 4.16, the regression equation was presented as follows;

$$Y = 0.915 + 0.669X_1 + 0.503X_2 + 0.215X_3 + 0.596X_4$$

Where, Y = Firm Productivity, X<sub>1</sub> = Monetary pay, X<sub>2</sub> = Allowances, X<sub>3</sub> = Fringe benefit and X<sub>4</sub> = Incentives. The results revealed that a unit contribution of monetary pay, allowance, fringe benefit and incentive had 0.669, 0.503, 0.215 and 0.596 respectively contribution to firm productivity.

#### 4.6 Summary of Test of Hypothesis

The study examined the following hypothesis;

First null hypothesis was there is no significant effect of monetary pay on firm productivity of multinational tea companies in Kericho County. The results revealed that the null hypothesis was rejected because  $P=0.000 < 0.05$ . Therefore, monetary pay had a positive significant influence on the productivity of the firm. This implied that monetary pay increment would lead to an increment in firms' performance. In related study Kabiru (2018) found out that salary as monetary pay had influence on employee performance.



The second objective was hypothesized that there is no significant effect of allowance on firm productivity of multinational tea companies in Kericho County. The null hypothesis was rejected since  $P=0.000<0.05$ . This revealed that allowances had a positive significant influence on firm productivity where an increase in allowance given to worker would lead to an increase in firm's productivity. Parsa (2017) also found out that allowance had positive relationship with teachers' performance. However, the current study focused on firm productivity. Kamau (2013) found out that allowance had significant contribution to employee performance.

The third null hypothesis stated that there was no significant effect of fringe benefits on firm productivity of multinational tea companies in Kericho County. This hypothesis was rejected because  $P=0.004<0.05$ . This showed that fringe benefits had a positive significant effect on firm productivity. It meant that an improve in fringe benefit results to an increment of firm productivity. Kamau (2013) also found out that fringe benefits had an effect on employee productivity. However, the study examined recognition and rewards on productivity.

The last hypothesis of the study stated that there was no significant effect of incentives on firm productivity of multinational tea companies in Kericho County. The hypothesis was rejected because  $P=0.000<0.05$ . This indicated that there was a positive significant effect of incentives on firm productivity. Therefore, an increase in incentives lead to a significant increase in firm productivity. Monetary incentive had significant on organization effectiveness as per Ogohi (2019). The study also found that there exists significant influence incentive of firm productivity which concurs with the current study.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

The section provides recommendations which are associated with the summary of results obtained and conclusion. These are done as per objective so as to provide viable evidence from the test hypothesis of the study. Hence the section outline summary, conclusion and recommendation of the study.

#### **5.2 Summary**

The summary of the study is discussed according to the results for money pay, allowance, fringe benefits and incentive in relationship with firm productivity. These results are presented as follows;

##### **5.2.1 Money pay and firm productivity**

The result indicated that salaries were not enough to create satisfaction in the firm. However, wages rates were satisfactory to the employees who dependent on wages. The result also indicated that the organization paid overtime based on number of hours worked outside the stipulated working time which enhance the quality of work done by employee. Inferential result indicated that monetary pay had positive significant effect on the firm productivity despite salary been unsatisfactorily to the need of employees. The firm seem to have utilized mainly wages based on work done where most of employee are paid based on quantity of tea harvest or hours. Therefore, there existed positive significant effect of monetary pay on firm productivity. This lead to reject of null hypothesis and acceptance of alternative.

### **5.2.2 Allowances and firm productivity**

According to the findings house allowance assisted employee to access convenient housing which result to balanced work-life. Similar, the firm provided employee commuter allowance that were beneficial to the employee. Similarly, health care through medical allowance sufficiently assisted employee to be productive in the organization. The organization provided sufficient allowance that assisted employee to improve productivity through reducing problems associated with housing, medical and commuting. This assisted in ensuring high productivity in the firm. There was positive significant effect of allowance on firm productivity.

### **5.2.3 Fringe benefits and firm productivity**

Retirement benefit package were provided in the organization which enable employees to contribute pension for their retirement. However, employee that were covered through insurance were more effective in the work. This assisted mainly in areas that had high risk. The firm also offered maternity/paternity and sick leave to employee to ensure that their welfare. Fringe benefit had positive significant relation through was rated as the low contributor to firm productivity.

### **5.2.4 Incentives and firm productivity**

Firm offered bonus to employees as compensation practices. Similarly gain sharing were provided to employee in case of high profit and high performance. It was also found that the firms provided commission for increase sales or production as incentives. The result revealed that incentive did enable the firm to increase production. Hence, there existed positive significant effect of incentive on firm productivity in the multinational tea companies.

### **5.3 Conclusion**

The study concluded that monetary pay had positive significant effect on firm productivity. These was contributed by wages and overtime payment that were sufficient and increase quantity of work done in the organization. However, salaries were demotivating through it had impact on productivity. Hence monetary pay sufficiently affects the firm productivity.

In the second objective the study concluded that allowance had a positive significant effect on firm productivity. Commuter, medical and house allowance were beneficial to the employee since it enables them to have a work-life balance. These improve firm productivity where the employee would commute on time, get medical attention within the firm and get free housing with house allowance.

The study concluded that fringe benefits had positive significant effect on firm productivity. The firm offering retirement benefit package, insurance cover, maternity/paternity and sick leave. However, these fringe benefit had the lowest positive contribution to firm productivity.

The study concluded that incentive positively and significantly influenced firm productivity. This was attributed to bonus offered to employee for high performance, gain sharing based on high performance of firm or department and commission offered on high sales and production. This was the second compensation practices beside money pay that motivates employee to be more productive, which have significantly affected the firm productivity.

### **5.4 Recommendation**

The study provided policy recommendation as well as managerial suggestion. The policy-based recommendation will be ideal for organizations strategic and policy

formulation and legislative arms of government in development of regulation and laws. The managerial based practices will assist the organization to apply them in management and decision-making process in order to optimize productivity.

#### **5.4.1 Policy Recommendation**

The study proposed to policy makers to develop framework of compensation that ensure equity among the employees in private sector. This framework should standardize the salaries, allowances, fringe benefit and incentive by offering minimum and maximum compensation. This will reduce over exploitation of employees as results high supply of labor in Kenya. Majority of youth are unemployed leaving them to the mercy of employer who exploit the employees.

The study also recommended to labour union to have strong rules that forces employers to a bid by the existing policies. Private firms including multinational firm have force employees to deregister or not to register with labour union so that they can exploit them during compensation process. This regulation should be legislated in Kenya so that employees are employed.

#### **5.4.2 Managerial practices**

The study recommends that the salaries in the firm should be review so as to motivate and create job satisfaction as part of monetary pay. These can be achieved through benchmarking with other organizations and development equitable salary schedule with the organization. This will improve the performance of employee resulting to an increase in firm productivity.

The study recommends that the organization should also look into other allowance beside housing, commuter and medical allowance. The framework will assist the organization to further improve productivity of the firm.

In the third objective, the study recommended that the firm should continue retirement package, insurance cover, maternity/paternity and sick leave not because it increased productivity but also as mean of increase employee turnover. Among the compensation practices fringe benefit contributed the lowest to firm productivity.

The study recommended that the firm should pursue more incentive based on its nature of improving firm productivity. This firm recommended that the firm should develop reward incentive beside bonus, gain sharing and commission which would enhance firm productive.

#### **5.4.3 Further Studies**

The study proposed research to be done compensation policies and firm productivity. This is because of lack of standardized policies and regulation on compensation practices which affect firm's productivity.

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## APPENDICES

### Appendix I: Questionnaire

#### SECTION A: GENERAL INFORMATION

*Answer by ticking appropriately on the choices provided.*

1. Gender orientation.

Male     Female

2. Age of the respondent?

18–24 years     25–34 years     35–39 years     40–44 years     Above 44 years

3. Highest level of education?

Secondary-level     Certificate-level     Diploma-Level     Postgraduate-Level

4. Duration of working?

1 year and below     2 – 4 years     5 – 7 years     8 – 10 years  
 Above 10 years

#### SECTION B: Sectional Questionnaires

*Answer the section appropriately using the following key 5 = Strongly Agree, 4 = Agree 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree;*

##### Part 1: Monetary Pay and Firm Productivity

Monetary Pay and Firm Productivity	5	4	3	2	1
Basic salaries provided by the organization are sufficient monetary pay.					
The organization wage rates are satisfactory					
Overtime determined by number of hours worked increase quantity of work.					
The monetary pay given to employee affect firm productivity					

What areas of improvement can be done in money pay for better firm productivity?

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**Part 2: Allowance and Firm Productivity**

<b>Allowance and Firm Productivity</b>	5	4	3	2	1
House allowance helps employees access convenient shelter for them to be comfortable at the work place.					
Commuter allowance is provided to facilitate the employees to travel to work					
Medical allowance assist the employee of the organization to access good health care facilities					
Allowances have direct effect on firm productivity					

In what other way has allowance improved firm productivity?

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**Part 3: Fringe Benefits and Firm Productivity**

<b>Fringe Benefits and Firm Productivity</b>	5	4	3	2	1
Retirement package in form of pension are given to employees who exit the company due to retirement.					
Insurance cover make employees effective					
The company as a structured way concerning either annual maternity/paternity and sick leaves					
Fringe benefits influence firm productivity					

In what other way has fringe benefits improved firm productivity?

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**Part 4: Incentives and Firm Productivity**

<b>Incentives and Firm Productivity</b>	5	4	3	2	1
The organization offer bonus to employees as a compensation practice					
Gain sharing is company's incentive					
Commission are given for increase in sales or production					
Incentives have enabled the company to increase production.					

In what other ways has incentives improved firm productivity?

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**Part 5: Firm Productivity**

<b>Compensation practice and firm performance</b>	5	4	3	2	1
Quality in terms of tea yield affect firm productivity					
Quantity of work done has improves the firm productivity					
The effectiveness in the organization improved firm productivity					
Employee performance has improved the firm productivity					
Productivity of the firm in terms of quality, quantity of work, effectiveness, employee performance and equity has improved.					

*Thank You for Your Cooperation*

## Appendix 11: Kenyatta University Permission for Data Collection

  
KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke) P.O. Box 43844, 00100  
NAIROBI, KENYA  
Website: [www.ku.ac.ke](http://www.ku.ac.ke) Tel. 8710901 Ext. 57530

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Our Ref: D53/PT/39492/2016 DATE: 8<sup>th</sup> September, 2021

Director General,  
National Commission for Science, Technology  
and Innovation  
P.O. Box 30623-00100  
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR HILLARY RIGUT BON - REG. NO. D53/PT/39492/2016.

I write to introduce Hillary Rigut Bon who is a Postgraduate Student of this University. The student is registered for MBA degree programme in the Department of Business Administration.

Hillary intends to conduct research for a MBA Project Proposal entitled, "Compensation Practices and Firm Productivity in Multinational Tea Companies in Kericho County, Kenya".

Any assistance given will be highly appreciated.

Yours faithfully,

  
/ PROF. ELISHIBA KIMANI  
DEAN, GRADUATE SCHOOL

DH/202



### Appendix III: NACOSTI

Republic of Kenya  
National Commission for Science, Technology and Innovation  
Ref No: **987360**

**RESEARCH LICENSE**



**This is to Certify that Mr. Hillary Bon Kimani of Kenyatta University, has been licensed to conduct research in Kericho on the topic: COMPENSATION PRACTICES AND FIRM PRODUCTIVITY IN MULTINATIONAL TEA COMPANIES IN KERICHO COUNTY, KENYA for the period ending : 01/October/2022.**

License No: **NACOSTI/P21/13171**

Applicant Identification Number: **987360**

**Director General**  
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



**NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.**

## Appendix IV: County Director of Education Permission Letter



REPUBLIC OF KENYA

MINISTRY OF EDUCATION

State Department of Early Learning and Basic Education

Email: cdekerichocounty@gmail.com  
When Replying Please Quote:

County Education Office  
P.O BOX 149  
KERICHO

Ref: KER/C/ED/RC/VOL.II1/2/06

05<sup>TH</sup> OCTOBER, 2021

**TO WHOM IT MAY CONCERN.**

**RE: RESEARCH AUTHORIZATION: MR. HILLARY BON KIMUTAI LICENCE  
NO.NACOSTI/P/21/13171.**

I refer to the Director General NACOSTI Letter Ref: No. 987360 dated 1<sup>ST</sup> October, 2021 granting the above student authority to proceed for field work. His area of study is titled: **"COMPENSATION PRACTICES AND FIRM PRODUCTIVITY IN MULTINATIONAL TEA COMPANIES IN KERICHO COUNTY, KENYA"** for the period ending 01/10/2022

This is to request your office to accord him the necessary support during the data collection process.

Thank you.

ROSE K SAGARA  
COUNTY DIRECTOR OF EDUCATION  
**KERICHO.**



## Appendix V: County Commissioner Permission Letter



### OFFICE OF THE PRESIDENT

#### MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

Telegrams: .....  
Telephone: Kericho 20132  
When replying please quote  
[kericccc@yahoo.com](mailto:kericccc@yahoo.com)

THE COUNTY COMMISSIONER  
KERICHO COUNTY  
P.O. BOX 19  
KERICHO

REF: MISC 19 VOL.VII (193)

2<sup>ND</sup> NOVEMBER, 2021

#### TO WHOM IT MAY CONCERN

#### RESEARCH AUTHORIZATION - MR.HILLARY BON KIMUTAI.

I am pleased to inform you that you are authorized to undertake research as per the license No. NACOSTI P/21/13171 dated 1<sup>ST</sup> October, 2021 on **Compensation Practices and Firm Productivity in Multinational Tea Companies in Kericho County, Kenya** for a period ending 1<sup>st</sup> October, 2022.

KARUNGO KAMAU  
COUNTY COMMISSIONER  
KERICHO COUNTY