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# Effect of Compensation Strategies on Employee Performance: A Case Study of Mombasa Cement Limited

**Kimani N. Jean; Thomas Katua Ngui & Arasa Robert**

**The Catholic University of Eastern Africa**

## ABSTRACT

The aim of the study was to establish the effect of compensation strategies on employee performance: a case study of Mombasa Cement Limited. The study utilized three research objectives. The first being to determine the effect of salary on the performance of employees, secondly, to find out the effect of benefits on the performance of employees and to establish the effect of recognition on the performance of employees. The study used survey research method. The population of this study was all employees of Mombasa Cement Limited based at the headquarters, Athi River, who totaled to 153. A stratified sampling technique was used to select respondents. This research study used questionnaires as the primary research instrument for the collection of data from the selected respondents. Quantitative data collected was analyzed, presented and interpreted using descriptive statistics. Statistical Package for Social Sciences (SPSS) version 20 was used to analyze quantitative data into descriptive statistics such as means, standard deviation, frequencies and percentages. For advanced analysis, the study used Pearson correlation method which evaluated the linear relationship between two continuous variables in the study. The study found that reasonable salary, benefits in form of bonuses and allowances and recognition through certification or verbally promoted employee performance. In conclusion a very high disagreeing response on regular pay within the organization implies that employees were well aware of this and that it was actually happening. The study concluded that the basic pay provided by the company motivated employees. The study also concluded that employment benefits such as allowances, incentives and bonuses have a positive effect on employee performance at MCL. The study finally concluded that employees in the company considers recognition as means of appreciation and believes that provision of certification awards generally motivates them to perform better. The study recommends that the Human Resources Manager should develop systems that will ensure that there is a proper salary plan entailing proper job evaluation processes and pay structures in the organization as this could motivate employees to perform. The study further recommend that the company should review the current retirement package, allowances, bonuses and other incentives in order to help attract and retain employees in the company and also improve their productivity which could then translates to optimum performance. Finally, the study recommends that MCL needs to improvise employee recognition programs for jobs well done. This can be done by awarding certification to performing employees, verbally recognizing them and also recognizing them through promotion; this will motivate employees thus could enhance their productivity in the company.

**Keywords*:*** Compensation Strategies, Employee Performance, Employee Recognition, Employee Benefits, Resource Availability

## INTRODUCTION

Employees are valuable resource of any organization. Labor productivity now a day has been main concern of organizations. It is customarily accepted that employees discover valuable source of competitive edge for firms. When a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors, then we can say the firm has a competitive advantage (Nebeker et al. 2014). And when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy, then we can say the firm has a sustained competitive advantage (Barney, 2015). In order to achieve a competitive advantage, the firm is required to make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Choosing the competitive scope or the range of the firm's activities can play a powerful role in determining competitive advantage because it aims to establish a profitable and sustainable position against the forces that determine industry competition.

It has been found that there is a significant relationship between compensation strategies and employee performance (Shin-Rong and Chin-Wei, 2012). For example, Mayson and Barret (2016) found that a firm's ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm performance and growth. On the other hand, Inés and Pedro (2015) found that the compensation system used for the sales people has significant effects on individual salesperson performance and sales organization effectiveness. Therefore, in an ever competitive business environment, many companies globally, in Africa, regionally and locally are today attempting to identify innovative compensation strategies that are directly linked to improving employee performance (Denis and Michel, 2011).

In Canada, according to Long (2017), companies tend to initiate compensation strategies in the aspects of direct and indirect financial compensation as well as benefits that motivates and ultimately improves performance. The financial compensation such as wages, salaries or performance-related payments is evidently adhered to in many organizations in order to retain employees and outwit their rivals. The employee benefits in the country are designed to protect employees and their families from loss of income due to health problems or other work-related financial disruptions, and can improve the employees' general quality of life through special programs and services in the workplace (Ali and Raza, 2015). They include additional health coverage that is not included in the provincial plan such as medical, prescription, vision and dental plans, group disability, employee assistance plans, retirement benefit plans, and so on. The provision of various compensation mechanisms has in the short or long run enhanced employee performance which has in turn created a competitive environment over the companies that lags behind with respect to offering better compensation strategies.

In Africa with specific attention to Nigeria, majority of employees who change from one job to another move as a result of finding better pay (Raza and Hanif, 2013). The authors indicate that more than seven out of ten people in Nigeria that are more than 70% of employees who are interested in changing their employer normally gave the reason of low income in their present job that makes them seek for new employment environment. Several authors such as Ali and Raza (2015) are of the opinion that employees only stay in an organization to give their best when they believe the remuneration process is commensurate to their input. This has constituted a high rate of employees leaving their employers, moving sometimes away from their city or the country just to find greener pastures. Evidently, in the country, many organizations still grapple with issues relating to proper compensation of employees in order to increase their performance standards. This therefore calls for a study of this magnitude to find out whether the same is applicable in Kenya or otherwise.

In Tanzania like any other East African country, employees are motivated by rewards. There is a need for organization to reward its employees for creating a successful competitive environment. This is one of the essential for the organizations to achieve high work performance. Some employees are highly motivated by extrinsic rewards such as increase in pay, promotions and bonus, others employees are motivated with intrinsic rewards such as appreciation, praise and recognition on (Bana and Kessy, 2017). However, which of the rewards motivate Tanzanian workforce and leads to higher organizational performance especially in commercial is not well understood thus most of the organizations in the country to date still face challenges with respect to getting better use of their employees due to un-standard compensation thereby resulting to poor performance of many organizations and ultimately low productivity.

In Kenya, an employee is the engine for socio-economic growth of the nation and must, therefore, take a leading role in stimulating such growth (GoK, 2016). This therefore implies that employees in both public and private sectors should properly be compensated to motivate them to perform better. According to

Andrews (2016), while it may be considered that salary attached to a post represents appropriate remuneration of its holder for proper and efficient performance of day-to-day duties; there are circumstances in which benefits are warranted. The objective of these benefits is to attract and retain qualified and competent employees. However, Ongori (2015) asserts that many companies in the recent have witnessed exodus of employees to other rivals, this has been attributed to poor compensation strategies which has prompted the shifting of employees in search of firms that could consider compensating them better and thereby reciprocate through good performance. In light of this, the study therefore joins the debate by attempting find out the true picture regarding the available compensation strategy and how they influence employee performance at Mombasa Cement Company Limited.

***The Mombasa Cement Limited ( MCL)***

At MCL, compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issues of compensation for their employees. Other aspects of compensation which makes up the total compensation package for the employee are not given much attention (Bigsten, Kimuyu and Söderbom, 2013). Employees themselves fail to recognize the fact that their compensation is a package and not only related to cash. The byproduct of the above understanding of compensation is that it is poorly managed and most of the time employee performance is affected adversely. Therefore, the problem the researcher investigated into was to understand the contribution of various compensation strategies on employee performance at MCL.

**Statement of the Problem**

In today's work environment, there is more change and uncertainty, there is increased need for empowered employees, there is decline in traditional incentives, there is rise of nontraditional incentives and there is increased use of variable compensation. Many studies carried such as Kipkorir, Basweti and Nyaoga (2014) found out that there is a non-significant relationship between executive compensation and performance. Ngui, Mukulu and Gachunga (2014) study established that financial and non-financial rewards can combine to enhance firm performance. As evidenced the studies had mixed results an indication of limited information on the real effects of compensation strategies on the performance of employees in the manufacturing sectors specifically with a focus on MCL in Kenya thus the essence of this study.

Again at MCL, it is clear what methods are used to determine employee compensation, what direct and indirect financial programs are offered at the company and their effects on employee performance and also the non-financial benefits offered and their effect on employee performance. At the company, compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issues of compensation for their employees. The company has also attempted to give attention to employee compensation strategies. However, employees themselves have failed to recognize the fact that their compensation is a package and not only related to cash. The byproduct of the above understanding of compensation strategy is that it is managed to a moderate extent and most of the time employee performance could be affected and vice versa. The study therefore sought to address this gap by investigating effect of compensation strategy on employee performance at MCL.

**General Objective**

The main objective guiding the study was to investigate the effect of compensation strategies on employee performance: a case study of Mombasa Cement Limited

**Specific Objectives**

i. To determine the effect of salary n the performance of employees at Mombasa Cement Company Limited
ii. To find out the effect of benefits (allowances and bonuses) on the performance of employees at Mombasa Cement Company Limited
iii. To establish the effect of recognition on the performance of employees at Mombasa Cement Company Limited

**Conceptual Framework**

Conceptual framework is a set of coherent ideas or concepts organized in a manner that makes them easy to communicate to others (Schwartz, 2016). Figure 1 is the conceptual framework showing the relationships between independent and dependent variables, as well as intervening variables for the research problem.

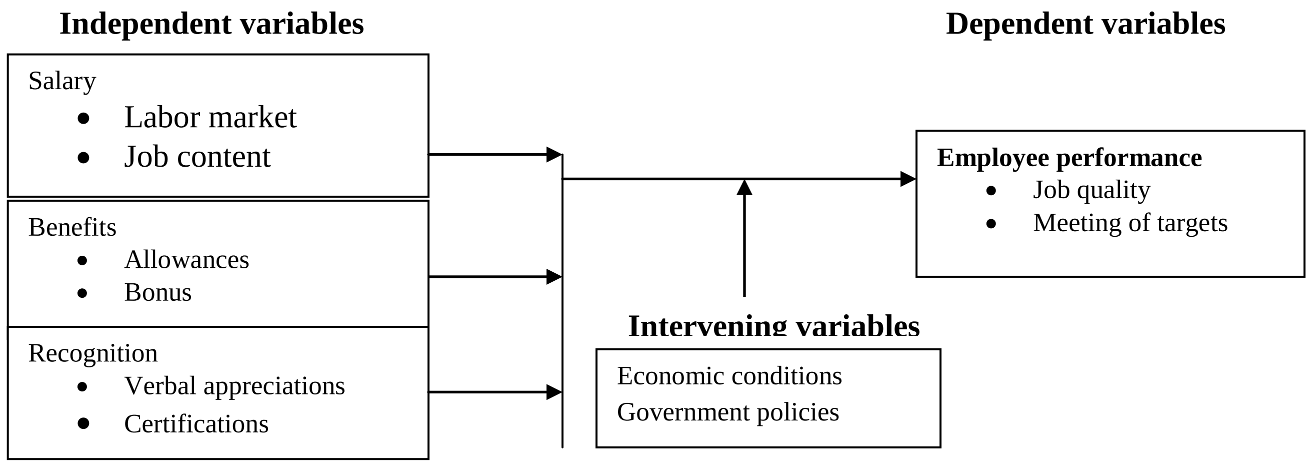


**Figure 1: The Conceptual Framework**

**Source: Conceptual framework developed from Sajuyigbe, Bosede and Adeyemi (2013)**

The independent variables were conceptualized as salary which is a form of direct financial compensation, benefits which are a form of indirect financial compensation and recognition which is a non-financial compensation. In contrast, the dependent variable will be measured by job quality and meeting of targets set by management. Other factors such as other government policy and economic conditions have been taken into consideration because of their moderating effect on the dependent variables.

**LITERATURE REVIEW**

**Theoretical Review**

***Herzberg's Two Factor Theory***

Frederick Herzberg (1959) proposed a two-factor theory. The theory suggested that people have two sets of needs. Their needs as animals to avoid pain and their needs as humans to grow psychologically, Herzberg's study consisted of a series of interviews that sought to elicit responses to the questions. From the results, Herzberg concluded that the replies people gave when they felt good about their jobs were significantly different from the replies given when they felt bad. Clearly employees who feel good about their work as a result of better pay and other compensation related packages tend to attribute these factors to them. In contrast, dissatisfied employees tend to cite extrinsic factors such as supervision, pay, and company policies and working condition (Dieleman et al. 2004). This theory is relevant to this study because it mentions two factors that affect work performance. That is, extrinsic which include salary and promotion and intrinsic factors which include praise and recognition. Therefore, in this research, rewarding employees' in terms of both intrinsic and extrinsic rewards would be expected to have effect on work performance of employee work which when aggregated and collectively their performance is extrapolated at company level measures overall organizational performance.

***The Total Reward Model***

Total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefits package (Armstrong, 2016). In the total reward system both tangible and intangible rewards are considered valuable. Tangible rewards arise from transactions between the employer and employee and include rewards such as pay, personal bonuses and other benefits. Intangible rewards have to do with learning, development and work experience. The aim of total reward model is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments and consequently employee performance in the company. Hutcheson (2007) also stated that organizations that practice total reward strategy are able to establish a distinctive set of rewards to support the institution's employment brand and enables the institution to attract and retain qualified employees. The theory is therefore relevant to this study as it encompasses both the financial and non-financial compensation strategies that can be embraced by MCL to motivate and thus promote employee performance.

***Concept of Compensation Strategy and Employee Performance***

Compensating employees is associated with the motivation of the workforce of organization for better performance. However, what type and mix of compensation strategies to use is a challenge for the organizations. Several studies have demonstrated compensation have positive impact on the employee's health and work place safety. It is one of the factors that sought increase employee's engagement in the work place, which is the key element in the work performance among employees (Furtado et al. 2015; Lawler and Worley, 2016; Ong and Teh, 2012).

The rationale behind the use of various components of compensation to employees is that motivated employees become satisfied in terms of fulfilling their wants, both financial and non-financial thus demonstrate improved performance. Failure to do so, employees will be tempted to leave the organization (Azasu, 2017). On one hand, employees prefer receiving intrinsic rewards in terms of praise and recognition for certain work accomplishments, while other employees are happy with extrinsic reward in terms of salaries, bonus and incentive offered to employees in order to enhance their performance (Sajuyigbe, Bosede and Adeyemi, 2013). It is therefore clear that subjecting employee to various compensation strategies motivates them and consequently a replica to an improved performance. The study at hand therefore looked at the effect of salary on the performance of employees, the effect of benefits on employee performance and the effect of recognition on employee performance.

***Salary and Employees' Performance***

Basic salary is a fixed periodical payment for non-manual employees usually expressed in annual terms, paid per month with generally no additions for productivity (Braton and Gold, 2013). It is important to note that compensation is not all about money. It is a symbol of what an organization believes is valuable that can boost the performance of employees. It specifically communicates the extent to which an organization values its employees. Bohan (2014) explains that traditional pay systems were based on the three factors: the job, maintaining the level of equality in standard pay among employees in the organization, and paying competitive salaries.

Swanepoel (2013) describes that employees were rewarded according to the position held without considering their performance. The increments in basic pay depended on internal and external assessment of jobs. Drafke (2012) emphasis this point by pointing out that money can increase employee performance but this is often limited to short term increase. On the other hand, DeNisi and Griffin (2014) argues that in general higher levels of pay and more attractive benefits tend to result in greater satisfaction thus promotes employee performance, a point that is affirmed by Bretz and Thomas (2012) who stated that pay dissatisfaction reduce employee performance and morale. In support, Clegg and Birch (2012) argues that "pay peanuts and you will get monkeys", and in addition to that they said that if you show that you value people by paying a reasonable wage then they appreciate it.

According to Armstrong (2016), good practice requires employers to keep pace with inflation by rewarding employees with salaries that are market related to avoid strikes and poor performance by workers. Nowadays, organizations are under financial strain with salaries continually rising and becoming a major fixed expense. According to Livingstone (2015), regardless of basic pay inefficiencies, it remains a rule that employees should be paid at, or above market rates as negotiated by labor unions who are concerned with the welfare of employees. In a competitive market, higher basic pay is used for attracting and retaining employees who already have experience to improve their performance. Otherwise contradicting this rule has negative consequences on the part of the organization. It is thus factual that pay communicates commitment to employees, and is used as the baseline for assessing other pay systems such as skill and competency pay.

***Benefits and Employees' Performance***

Dessler (2016) defines benefits as indirect financial and non-financial payments employees receive for continuing their employment with the company. Bernardin (2013) defines benefits as indirect forms of compensation that are intended to maintain or improve the quality of life for employees. Indirect financial rewards come in form of subsidized benefits such as retirement plans, paid sick leaves and purchase discounts. Gomez et al. (2012) also says that benefits are sometimes called indirect compensation as they are given to employees in form of plan rather than cash to improve their performance; they provide security for employees and their family members. As indicated by Dessler (2016), indirect financial rewards that could enhance employee performance come in form of subsidized benefits such as retirement plans, paid sick leaves, bonuses, incentives, allowances and purchase discounts.

Employee benefits have equally been classified widely according to different authors and the context of circumstance. Cascio (2015) for example classifies benefits into four basic types, namely; supplemental pay benefits, insurance benefits, retirement benefits and personal service and family-friendly benefits. Supplemental pay benefits provide for time not worked, they include: unemployment, insurance, vacation and holiday pay, severance pay and supplemental unemployment benefits. Insurance benefits include, worker's compensation, group hospitalization, accident and disability insurance; and group life insurance. Retirement benefits include social security and pension plans. Personal service and family-friendly benefits include food services, recreational and child and child-care opportunities, legal advice, credit unions, educational subsidies and counseling. All these benefits put together enhances employee performance in an organization.

Cole (2012) classifies employee benefits into three key categories, security benefits like pension and life insurance, work related benefits like subsidized meals and special training opportunities and finally status-related benefits like prestige car and entertainment allowance. DeNisi and Griffin (2014) argues that although most of the above named benefits are designed for all the employees in an organization with varying levels, some organizations have developed a cafeteria style benefit plan which allows the employees to choose the benefits that fits them. Such organizations believe that offering employees' freedom to choose benefits that befits them is tantamount to their satisfaction and a high probability of reciprocating the overall company loyalty to them by demonstrating exemplary performance.

***Recognition and Employees' Performance***

Recognition as an intrinsic reward is defined as ratification, confirmation or an acknowledgment that something done by another person in one's name and one's authority (Danish et al., 2016). According to Nel et al. (2011), intrinsic rewards like recognition, growth, feedback, opportunities lead employees more towards high job performance and motivation than extrinsic rewards like salary. Robbins (2014) described that through the recognition employees get appreciation of status which make them feel part of an organization. Barton and Gold (2013) described that recognition is considered the most important factor among non-financial rewards in order to increase job satisfaction level of employees and thus their performance. Romano (2013) pointed out that recognition is the component that is used to strengthen the relationship between organization and people. Through the recognition employee feel rewarded and motivated. He states that giving recognition to the employees, competitive advantage can be achieved and consequently improved performance.

Lawler (2013) suggested that the well-being of any organization depends on how its human resource is treated. Organizations achieve its well-being through giving rewards and recognition to its employees to enhance their performance. Andrew (2016) described that employees become more loyal to their organization and perform much better if the organization recognizes and appreciates their work in terms of certification, verbal appreciation among other components. Organizations are missing the very valuable component in the organization that is recognition. Sarvadi (2015) however says that the cost of practical implementation of this component is very low in many organizations. Through recognition, employees are being realized that they are valuable for organization and employees feel appreciated through recognition.

Nelson and Spitzer (2013) posit that people of fresh blood are more energetic and dynamic so they want recognition regarding their work than others and this could improve their performance. Recognition can be provided through involving employees in decision making, by increasing their responsibility, by showing empathy towards them and provide them with succession planning and different opportunities to get high designation. Robbins (2013) described that Maslow's theory tells about the self- esteem need of employee. This theory shows that recognition, status, development and growth are the factors which leads to motivation and ultimately leads toward job satisfaction and finally employee performance. Herzberg theory indicated that recognition is one of those motivating factors which lead employees from dissatisfaction to satisfaction on the task assigned and thus enhancing their performance.

***Empirical Studies***

Quresh, Zaman and Shah (2013) conducted a study on direct relationship between extrinsic rewards, intrinsic rewards and the employees' performance among cement companies in Pakistan. The study collected data using formulated questionnaires which was used to gather data from over 100 employees. The data was then analyzed by use of SPSS. The analysis method was based on regression and descriptive statistics. The study found that recognition techniques (approaches) used in cement factories are good for the maximum performance of employee's. The study also established that wages and bonuses promote employee performance in the cement factories in Pakistan. This research examined the relationship between extrinsic rewards, intrinsic rewards, financial rewards and social recognition rewards and organization performance, while the current study specifically examines the effect of recognition, salary and benefits on employee performance.

Aktar, Sachu and Ali (2012) examined the impact of intrinsic rewards (recognition, learning opportunities, challenging work and career advancement, and extrinsic rewards (basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh. The study utilized mixed research design. The target population was the 72 management team in all the 12 commercial banks in Bangladesh. The authors developed structured and unstructured questionnaires together with interview guides which were used to collect data from the selected respondents. The authors used correlation and chi square to analyze data. The study found that each factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' performance.

Another study was conducted by Ong and Teh (2012) on reward system and performance within Malaysian commercial banks. The targeted banks were 12 in number with a total average of 720 employees. The study employed quantitative research design. The sample size was 10 employees per bank which resulted to a sample size of 120. The authors gathered data by means of focus discussion as well as closed ended questionnaires. The data was then analyzed by means of strata in the form of tables. The study thus found that most of the commercial banks provide both monetary and non-monetary rewards; adoption of reward system is not influenced by age and size of the organization. The study however, found a negative relationship to exist between extrinsic rewards and financial performance of organizations and intrinsic rewards are positively related to financial performance of organizations. The proposed study however, includes financial and non-financial indicators as the dependent variables to bridge the gap.

Muhammad (2014) studied the impact of compensation of employee performance on organization commitment on the performance of employee in the Republic of Saudi Arabia. The study targeted 45 public institutions in the country with an average of 265 employees. The study preferred the utilization of positivism research design. The data was collected by use of formulated questionnaires which were constructed in relation to the research objectives. The collected data was cleaned, coded and entered into software known as SPSS. Using SPSS as a statically tool they concluded that compensation in the form of incentives, salaries will perform an important part to enhance motivation of employee in the public institutions in the Republic of Saudi Arabia

Kwenin, Muathe and Nzulwa (2013) investigated the impact of direct and indirect financial compensation in the performance of employees in customer service companies in the Republic of Ghana. The researchers used descriptive research design. The target population was the 223 employees of the 23 listed customer service companies in the country. The authors analyzed data descriptively as per the data collected by use of structured questionnaires. The study found that reward dimensions have significant effect on employees' performance. In particular, they found that pay, performance bonus, recognition and praise are the tools that management can use to motivate employees in order for them to perform effectively and efficiently. Thus, workers reward package matters a lot and should be a concern of both the employers and employees.

Idemobi (2011) studied the extent to which compensation management can be used as a tool for improving organizational performance in a typical public sector organization like the Anambra State of Nigeria Civil Service by using questionnaire. The target population was the 20 employees per typical public sector in the country. The study used descriptive research method and simple random sampling as well as purposive sampling techniques to select employees from the public sectors. The study found that compensation management in an organization can help improve organizational performance among public sectors in Nigeria. The outcome of hypothesis reveals that the reform programs of the Anambra State Government have not had a significant effect on financial compensation policies and practices of the civil service thus has tremendously affected employee performance.

Ngui (2014) study was based on the effect of human resource management strategies on performance of commercial banks in Kenya. The study used SPSS and MS Excel to analyze data. The study found that reward and compensation have major influence on the function of banks in Kenya. The study concluded that rewards and compensation system have an important effect on the performance of banks employees in Kenya.

## RESEARCH METHODOLOGY

### Research Design

DeVos and Fouche (2015) defines a research design as the blue print or detailed plan of how a research study is to be conducted, it guides with the logical arrangements for the collection and analysis of data so that conclusions may be drawn. The study utilized survey research method. Surveys are commonly used methods in positivist paradigm research that seeks to explain and predict causal relationship between constituent parts of a phenomenon in order to achieve systematic observation, interviewing and questioning through predetermined research questions with the intention of providing standardization and consistency (White and Mitchell, 2016). Surveys are also appropriate methods when researcher has a high control over situation and high participation in situation through pre-determined questions. Consequently, the survey research method was applicable in this study since the researcher had high participation from the respondents hence was able to predict causal relationship between constituent parts of phenomena.

### Target Population

**Table 1: Population Frame**

| Departments | Target population |
|---|---|
| Finance and Administration | 17 |
| Operations | 21 |
| Sales and Marketing | 32 |
| Procurement | 19 |
| Human Resource | 29 |
| Internal Audit and Risk Compliance | 14 |
| Corporate Affairs | 12 |
| Laboratory | 9 |
| **Total** | **153** |

Source: MCL Human Resource Records, (2017)

**Sampling Techniques**

Altmann (2014) defines sampling technique as a definite plan for obtaining a sample from the sampling frame. The ideal sample size should be large enough to serve as adequate representation of the population about which the researcher wishes to generalize the findings. A stratified sampling technique was used. This method gave the best due to the fact that employees in MCL were classified into departments. The departmental classification was to attain a good level of homogeneity within any single department hence the sample that was picked from the different departments gave a better representation of the population. Stratified sampling technique also helped reduce bias on any one given area as departments with higher population had more respondents.

The researcher divided the sample into, Finance and Administration, Operations, Sales and Marketing, Procurement, Human Resource, Internal Audit and Risk Compliance, Corporate Affairs and Laboratory. The sample was picked randomly from the list of staff per department. Ryman (2015) states that even a sample size of 10% could be sufficient. Therefore, a 30% sample size of target population per department was deemed to be a sufficient sample and a good representation of the whole population on the basis of supporting heterogeneity in departments. In order to select right respondents who gave accurate information, the researcher only selected senior employees with tenure of more than 2 years. This is because the researcher believed that they had enough experience regarding available compensation strategies in the company. Table 2 below shows the sample size distribution of respondents across the departments.

**Table 2: Sampling Frame**

| Departments | Sample design | Sample size | % Sample size |
|---|---|---|---|
| Finance and Administration | Stratified sampling technique | 5 | 30 |
| Operations | Stratified sampling technique | 6 | 30 |
| Sales and Marketing | Stratified sampling technique | 10 | 30 |
| Procurement | Stratified sampling technique | 6 | 30 |
| Human Resource | Stratified sampling technique | 9 | 30 |
| Internal Audit and Risk Compliance | Stratified sampling technique | 4 | 30 |
| Corporate Affairs | Stratified sampling technique | 4 | 30 |
| Laboratory | Stratified sampling technique | 3 | 30 |
| **Total** | | **47** | **30.72** |

**Data Collection Instruments**

This research study used questionnaires as the primary research instrument for the collection of data. A questionnaire was used to obtain important information about effect of compensation strategies on employees' performance: a case study of Mombasa Cement Limited. The questionnaire was well thought out to avoid confusing respondents as to the nature of the information required; discouraged respondents to the extent of discarding the questionnaire; and leaving out important information required in the study. Structured category of questions was accompanied by a list of all possible alternatives from which respondents selected the answer that best described their situation. The main advantages of closed-ended questions was that it was easier to analyze and administer and economical to use in terms of time and money. The questionnaire was subdivided into four parts; section A focused on the respondents' personal data, section B attempted to establish the effect of salary on employee performance, section C determined the effect of employee benefits on employee performance, and lastly section D focused in finding out the effect of employee recognition on employee performance.

***Validity of Research Instruments***

Validity refers to the degree to which study accurately reflect or assesses the specific concepts the researcher is attempting to measure (Fidel, 2013). The types of validity include internal validity which clearly indicates the principles of cause and effects in research, external validity which clearly focus on the effects of research that can be generalized. In this study internal validity was invariably applied to test the effect of compensation strategies on employee performance. Validity was enhanced through the pilot study that was purposely undertaken to pre-test the research tools and methods before the study was undertaken. Questionnaires were clearly checked by university supervisors who were professional in academic research to establish its content validity as this enhanced proper scrutiny and evaluation.

***Reliability of Research Instruments***

Reliability is an instrument which is used to describe the overall consistency of a measure. A measure is said to have a high reliability if it produces similar results under consistent conditions (Neil, 2016). The issue of reliability was ensured through the appropriate stratified random sampling is another indication of reliability in this study. To test the reliability, the Likert scale was used in this study, and reliability analysis was done using Cronbach's Alpha as the measure. A reliability co-efficient of $\alpha \geq 0.50$ is considered adequate in indicating a high level of internal consistency for the Likert scale that was used.George and Mallerly (2013) argue that if the statistical Alpha is equal or greater than 0.50 the questionnaire scale is considered reliable. This process assisted in addressing any weaknesses with the questionnaire and the general survey technique of the research. Improvements and editing was made on both the structure and content of the research tool to help increase internal consistency. A Cronbach's Alpha reliability coefficient of 0.721 for salary, 0.611 for benefits and 0.598 for recognition was thus achieved as indicated in table 3.

**Table 3: Reliability Statistics for Salary, Benefits and Recognition**

| | Cronbach's Alpha | N of Items |
|---|---|---|
| Salary | .721 | 8 |
| Benefits | .611 | 8 |
| Recognition | .598 | 8 |

**Data Collection Procedures**

The researcher wrote an introductory letter to the university to assist in data collection. The letter described what the research was all about, how the respondent answers were used and the letter also assured the respondents that confidentiality would be observed strictly. The information of time span expected with the questionnaire was also provided. The main purpose of writing the letter was to make the respondent understand the reason for the study; this made them more willing to participate. The researcher then used an authorized letter from the university to visit MCL to seek permission for data collection. Upon being granted permission, the researcher personally hand delivered, self-explained the purpose and assisted manually to fill questionnaire. These steps ensured a high rate of responses.

**Data Analysis Procedures**

Quantitative data collected were analyzed, presented and interpreted using descriptive statistics. Statistical Package for Social Sciences (SPSS) version 20 was used to analyze quantitative data into descriptive statistics such as means, standard deviation, frequencies and percentages. The analyzed data was presented in form of tables, pie-charts and bar-graphs where applicable. For advanced analysis, the study used Pearson correlation method which evaluated the linear relationship between two continuous variables in the study. The main reasons for choice of Pearson correlation was due to the fact that the method was able to determine the exact extent, or degree to which two variables are correlated. The method was also preferred because the researcher was able to also ascertain the direction of the correlation i.e. whether the correlation between the two variables was positive, negative or no correlation. This method was also applicable because it enabled the study to estimate the value of a dependent variable with reference to a particular value of an independent variable through regression equations. The study again preferred utilization of Pearson correlation because it had a lot of algebraic properties for which the calculation of co-efficient of correlation, and a host of other related factors such as co-efficient of determination was made easy.

The Pearson's correlation coefficient ranged from -1 to +1. A positive monotonic association, that is, two variables tend to increase or decrease simultaneously results in $\rho > 0$, and negative monotonic association which implies one variable tends to increase when the other decreases results in $\rho < 0$. $\rho$ of 0 corresponds to the absence of the monotonic association, or absence of any association in the case of bivariate normal data. However, for bivariate distributions other than bivariate normal distribution, the Pearson's correlation can be zero for dependent variables (Chen and Popovich, 2012). For example, it can be '0' for the variables with non-monotonic relationship, e.g. $Y = X^2$, ($x \in (-1, 1)$). Therefore the absolute value of ρ indicated the strength of the monotonic relationship between the two variables while ρ of 1 indicated a perfect linear relationship such like, $Y = a+bX$

## DATA ANALYSIS AND DISCUSSION

### Personal Information for Respondents

The demographic information was important because it showed the distribution of questionnaires across the institution as far as their personal information was concerned. The results are as presented in table 4

| | | f | % |
|---|---|---|---|
| Gender | Male | 18 | 58 |
| | Female | 13 | 42 |
| | **Total** | **31** | **100** |
| Age | Below 25 Years | 3 | 10 |
| | 26-30 Years | 5 | 16 |
| | 31-35 Years | 13 | 42 |
| | 36-40 Years | 6 | 19 |
| | Above 40 years | 4 | 13 |
| | **Total** | **31** | **100** |
| Level of experience | Less than 1 year | 3 | 10 |
| | 2-5 Years | 10 | 32 |
| | 6-10 Years | 11 | 35 |
| | Over 10 years | 7 | 23 |
| | **Total** | **31** | **100** |

Data in table 4 indicates that majority of employees in the company are male as is represented by 58%. However, the female employees were found to be the minority at 42%. It can therefore be said that there was gender imbalance at the company thus the reason as to why there was high participation of male employees in the study. The high number of male employees over female ones could also be attributed to the sector the company falls, cement manufacturing.

The data found that 42% (13) of the respondents fell in the age category of 31 and 35 years and this was the majority. This was followed by 19% (6) of the employees who fell in the age of 36 and 40 years while 16% (5), 13% (4) and 10% (3) of the employees were found to be in the age bracket of 26 and 30 years, above 40 years and below 24 years respectively. From the findings, it can be said that the company adhered to employment of youthful employees who are deemed to be aggressive in innovating strategic new ideas in order to help the company attain optimum performance.

The data show that 35% of the respondents had an experience of 6 to 10 years, 29% had been in the company for 2 to 5 years, 23% had been employees for over 10 years 10% had been employed for less than one year. From the findings, it may be said that an overwhelming majority of the respondents had stayed in the institution for considerable number of years thus could be termed as having sufficient experience with the available compensation strategies. Their experience with available compensation strategies equally played a key role in providing rightful information for the success of this study.

### Effect of Salary on the Performance of Employees

The statements on salary and performance were scaled on levels 1 to 5, whereby 1= strongly disagree (SD), 2= disagree (D), 3= indifferent (I), 4=agree (A), 5= strongly disagree (SA).

The data shows that 52% and 10% agreed and strongly agreed respectively that existing salary packages provided by the management can be said to be reasonable with an average score of 2.39 and standard deviation of 1.202. The results are in line with the argument by Braton and Gold, 2013) who opines that existing salary should be viewed by employees as satisfactory. Concerning whether employees are encouraged to acquire new skills as a contributor to salary increment, 39% and 26% agreed and strongly agreed with the statement respectively with an average score of 3.61 and standard deviation of 1.256. In Congruence, Bohan (2014) states that in many companies employees are encouraged to acquire new skills and are rewarded if they did.

**Table 5: Effect of Salary on the Performance of Employees**

| | SD (%) | D (%) | I (%) | A (%) | SA (%) | Mean | Std Dev. |
|---|---|---|---|---|---|---|---|
| Existing salary packages provided by the management reasonable | 19 | 10 | 10 | 52 | 10 | 2.39 | 1.202 |
| Employees encouraged to acquire skills to get salary increment | 10 | 10 | 16 | 39 | 26 | 3.61 | 1.256 |
| Increment in monthly salary has changed employee attitude | 6 | 13 | 10 | 39 | 32 | 3.77 | 1.230 |
| Employees are salaried according to position not performance | 6 | 6 | 6 | 32 | 48 | 4.10 | 1.193 |
| Higher levels of pay has always resulted to greater satisfaction among employees | 6 | 6 | 6 | 48 | 32 | 3.94 | 1.124 |

The study found that increment in monthly salary has changed employee attitude ultimately enhancing their performance as was supported by 39% and 32% of the respondents who agreed and strongly agreed with the statement respectively with an average score of 3.77 and standard deviation of 1.230. The findings however contradict the position of Clegg and Birch (2012) who asserts that employee's salary increase did not in any way change his or her attitude to work such that he or she could put more effort to influence the total output in order to cater for the increase. Again, the study found that employees were always salaried according to position without factoring in their performance as said by 48% and 32% of the respondents who strongly agreed and agreed with the statement respectively with an average score of 4.10 and standard deviation of 1.193. In Swanepoel (2013), employees are rewarded according to the position held without considering their performance.

The data found that 48% and 32% respondents agreed and strongly agreed respectively that higher levels of pay have always resulted to greater satisfaction among employees which has promoted their performance with a mean score of 3.94 and standard deviation of 1.124. The results resonate with the take of DeNisi and Griffin (2014) who argues that in general higher levels of pay and more attractive benefits tend to result in greater satisfaction thus promotes employee performance, a point that is affirmed by Bretz and Thomas (2012) who stated that pay dissatisfaction reduces employee performance and morale.

**Effect of Employee Benefits on the Performance of Employees**

The statements on benefits and performance were scaled on levels 1 to 5, whereby 1= strongly disagree (SD), 2= disagree (D), 3= indifferent (I), 4=agree (A), 5= strongly disagree (SA).

The data found that 42% and 39% of the respondents strongly agreed and agreed respectively that the available employee benefits in the company has motivated employees thus has led to improved performance with an average score of 1.97 and standard deviation of 1.169. The study found that 48% and 29% of the respondents strongly agreed and agreed respectively that the company motivates employees through provision of retirement benefits for all thus the witnessed high employee performance with an average score of 2.13 and standard deviation of 1.118. The results concurs with the position of Dessler (2016) who stipulates that indirect financial rewards that could enhance employee performance come in form of subsidized benefits such as retirement plans, paid sick leaves, bonuses, incentives, allowances and purchase discounts.

**Table 6: Effect of Employee Benefits on the Performance of Employees**

| | SD (%) | D (%) | I (%) | A (%) | SA (%) | Mean | Mean |
|---|---|---|---|---|---|---|---|
| Available employee benefits has motivated employees | 6 | 6 | 6 | 39 | 42 | 1.97 | 1.169 |
| Firm motivates employees by provision of retirement benefits | 6 | 6 | 10 | 29 | 48 | 2.13 | 1.118 |
| Company has hyped performance of employees through provision of incentives such as bonuses | 13 | 10 | 10 | 32 | 35 | 2.29 | 1.346 |
| Company has adhered to provision of insurance benefits to employees | 6 | 10 | 3 | 45 | 35 | 2.06 | 1.181 |
| Company normally provides overtime allowance for employees | 6 | 6 | 3 | 52 | 32 | 2.03 | 1.110 |
| Company has set aside special training opportunities to help boost employee job confidence | 3 | 10 | 6 | 52 | 29 | 2.06 | 1.031 |
| Employees are allowed to choose benefits that befits their life | 19 | 16 | 10 | 45 | 10 | 2.52 | 1.262 |

Data also revealed that 35% and 32% strongly agreed and agreed respectively that the company has hyped performance of employees through provision of incentives such as bonuses with average score of 2.29 and standard deviation of 1.346. In Cascio (2015), he supports the scenario whereby companies are able to supplemental pay benefits with insurance benefits, retirement benefits and personal service and family-friendly benefits. The study further found that 52% and 29% agreed and strongly agreed respectively that the company has set aside special training opportunities to help boost employee job confidence and increase performance with average score of 2.06 and standard deviation of 1.031. The results relate with finding by Cole (2012) who concluded that companies should regularly conduct special training to enhance employee performance.

**Effect of Recognition on the Performance of Employees**

The statements on recognition were scaled on levels 1 to 5, whereby 1= strongly disagree (SD), 2= disagree (D), 3= indifferent (I), 4=agree (A), 5= strongly disagree (SA).

**Table 7: Effect of Recognition on the Performance of Employees**

| | SD (%) | D (%) | I (%) | A (%) | S (%) | Mean | Std Dev. |
|---|---|---|---|---|---|---|---|
| Employees treat recognition as means of appreciation | 3 | 10 | 6 | 42 | 39 | 4.03 | 1.080 |
| Firm considers employee as the most important non-financial factor that increases performance | 10 | 10 | 6 | 48 | 26 | 2.29 | 1.243 |
| Loyalty of employees has been enhanced as a result of provision certification awards | 6 | 10 | 6 | 45 | 32 | 3.87 | 1.176 |
| Employees believe that recognizing them is an indicator to valuing their inputs | 3 | 6 | 6 | 23 | 61 | 4.32 | 1.077 |
| Management normally involve staff in decision making | 6 | 13 | 3 | 48 | 29 | 2.19 | 1.195 |
| Employees' self-esteem need has been enhanced as a result of publicly recognizing them | 6 | 16 | 3 | 55 | 19 | 3.55 | 1.179 |

As presented in the data, employees at the company always treat recognition as means of appreciation which makes them feel part and parcel of company as supported by 42% and 39% of respondents who agreed and strongly agreed respectively with the statement with a mean score of 4.03 and standard deviation of 1.080. In support, Robbins (2014) describes that through the recognition, employees get appreciation of status which make them feel part of an organization. It was found that 48% and 26% of the respondents agreed and strongly agreed with the statement that the company considers employee as the most important non-financial factor that increases performance with average score of 2.29 and standard deviation of 1.243. The results resonates with Barton and Gold (2013) who states that recognition is considered the most important factor among non-financial rewards in order to increase job satisfaction level of employees and thus their performance.

The study also found that loyalty of employees had been enhanced as a result of provision certification awards for exemplary performance as said by 45% and 32% of the respondents who agreed and strongly agreed with it respectively with a mean score of 3.87 and standard deviation of 1.176. In agreement, Andrew (2016) says that employee becomes more loyal to their organization and performs much better if organization recognizes and appreciates their work in terms of certification, verbal appreciation among other components. The study also found that employees believed that recognizing them is an indicator to valuing their inputs thus boost their morale to perform better as supported by 61% and 23% respondents who strongly agreed and agreed with the statement with a mean score of 4.32 and standard deviation of 1.077.

The study finally found that employees' self-esteem need had been enhanced as a result of publicly recognizing well performing employees as was supported by 55% and 19% of the employees who agreed and strongly agreed with the statement (mean score of 3.55 and standard deviation of 1.179). In support, Robbins (2013) indicates that Maslow's theory tells about the self- esteem need of employee that leads to motivation, job satisfaction and finally performance.

**The Pearson Product Moment Coefficients**

To determine the strength of the relationship between the dependent and independent variables, the Pearson's product moment correlation coefficient of analysis was used. The result for correlation is as shown in table 8.

**Table 8: The Pearson Product Moment Coefficients**

| | | Salary | Benefits | Recognition | Performance |
|---|---|---|---|---|---|
| Salary | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) | | | | |
| | N | 31 | | | |
| Benefits | Pearson Correlation | .421 | 1 | | |
| | Sig. (2-tailed) | .021 | | | |
| | N | 31 | 31 | | |
| Recognition | Pearson Correlation | .121 | .112 | 1 | |
| | Sig. (2-tailed) | .518 | .548 | | |
| | N | 31 | 31 | 31 | |
| Performance | Pearson Correlation | .517** | .674** | .629** | 1 |
| | Sig. (2-tailed) | .003 | .000 | .008 | |
| | N | 31 | 31 | 31 | 31 |

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

The correlation results show that salary such as labor market and job content was linearly correlated to benefits with a Pearson correlation of 0.42 and statistically significant at 0.021. The study found that salary was positively associated with recognition with a Pearson of 0.121 and also statistically significant to one another at 0.018. The correlation data indicates that benefits such as allowances and bonus were related to recognition with a Pearson of 0.112 and statistically significant at a 0.048 level of confidence. The results also indicate that all the variables; salary, benefits and recognition had a positive correlation with employee performance with a Pearson of 0.517, 0.674 and 0.629 respectively. Again all the variables were statistically significant with employee performance at 0.003, 0.000 and 0.008 levels of confidence. Correlation of all the variables was therefore significant at the 0.01 level of confidence.

## CONCLUSIONS

In conclusion, the strong response on the entitlement of benefits shows that employees were quite aware of the significance of employee benefits. It also meant communication about the benefits was better. Nevertheless, there was a high response on the value that the respondents put on the benefits a good percentage of them felt otherwise, this could mean that the benefits were sold moderately well to them.

The study also established that security benefits and health of work force contributed to employee self-development thus concluding that employment security benefits have a positive effect on employee productivity in the public sector. The study further established that retirement schemes, insurance schemes and various components of recognition strongly influenced workers' behavior, giving employees a compelling reason to continue working for their employer thus concluding that various forms of benefits positively affect employee productivity and thus performance.

The study finally concludes that employees in the company considers recognition as means of appreciation and believes that provision of certification awards generally motivates them to perform better. As reported many employees were also of the opinion that that recognizing them was a pointer to valuing their inputs which ultimately boosts their morale and consequently translating into employee productivity. Involving employees in decision making was treated by many respondents as part and parcel of recognition strategy that values their inputs and contribution in the company.

## RECOMMENDATIONS

From the findings, the researcher recommends that the Human Resources Manager should develop systems that will ensure that there is a proper compensation plan entailing proper job evaluation processes and pay structures in the organization. The study recommends that company should continue providing security benefits to all employees their position not withstanding as it will positively influence employee productivity and raise overall performance in the manufacturing sector.

The study also recommends that the company should continue providing health protection benefits to its employees since it will help them create a sense of loyalty and encourage their productivity in the company. The study further recommend that the company should review the current retirement package since a good retirement package will attract and retain employees in the company and also improve their productivity which will translate to optimum performance.

The researcher recommends that a proper salary survey and job evaluation vis-à-vis total rewards received to be commissioned in a bid to ensure there is internal and external equity in the organization and that motivation is driven by the right fundamentals. Finally, the study recommends that public organizations need to improvise employee recognition programs for jobs well done; this will motivate employees thus enhancing employee productivity in the company.

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