



**COMPENSATION PRACTICES AND EMPLOYEE PERFORMANCE IN BISCUIT MANUFACTURING COMPANIES IN  
NAIROBI CITY COUNTY, KENYA**

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**ABSTRACT**

*The general objective of this study was to establish the effect of compensation practices and employee performance in the biscuit manufacturing companies within Nairobi city-county, Kenya. Specifically, the study determined the effect of basic pay on employee performance in the biscuit manufacturing companies in Nairobi city-county, the effect of employee benefits on employee performance in the biscuit manufacturing companies in Nairobi city-county, examined the effect of skill development on employee performance in the biscuit manufacturing companies in Nairobi city County, established the effect of work-life balance on employee performance in the biscuit manufacturing companies in Nairobi city-county, the moderating effect of organizational culture on the relationship between total compensation practices and employee performance in the biscuit manufacturing companies in Nairobi city-county, Kenya. The descriptive research design was used. The stratified random technique was used to select a sample size of 320 respondents from the target population of the total population of 1,600 employees within the Biscuit manufacturing companies in Nairobi City County. Primary data was collected using semi-structured questionnaires. Content, construct and criterion validity was ensured while reliability of data collection instruments was tested using cronbach's alpha value. Inferential statistics using a multiple regression model was used to analyse the relationship between compensation practices and employee performance. Statistical Package for Social Sciences (SPSS) computer package for windows version 21.0 was used to aid in the analysis. To avoid bias in data, multiple regression of variables was done. Results were presented using tables. The findings indicated that there was a significant positive relationship between compensation practices and employee performance in the biscuit manufacturing companies in Nairobi County, Kenya with skill development being most significant and basic pay least significant. From the findings, the study concluded that compensation practices having significant effect on employee performance need to be taken seriously, biscuit manufacturing companies need to improve on some practices like basic pay and commutate their policies well. The study recommended a salary survey for biscuit manufacturing companies in Nairobi County and consideration of other practices with more impact like competency based pay.*

**Key Words:** Compensation, Basic Pay, Benefits, Skill Development, Work-Life Balance, Organizational Culture

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## INTRODUCTION

Performance is the degree of accomplishment against a set standard, achievement based on accuracy, timeliness, resource utilization, initiative, behaviour changes and resourcefulness (Rothman, 2003). Performance comprises what an organization hires one to do and to do it well (Qureshi, 2010); thus performance is not defined by the action itself but by the judgmental and evaluative process (Nancy, 2003). Moreover, its actions which can be measured or scaled that are considered being performance. Organizations need highly performing individuals in order to deliver their goals and achieve competitive advantage. It is also important to individuals since it gives self-gratification and a feeling of accomplishment; highly performing individuals are easily promoted and find satisfaction in their careers (Scottler, 2000)

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

There are a total of five (5) major companies involved in the manufacture, sales and distributions of biscuits within Nairobi and their markets includes Kenya and the greater East Africa . Their total

combined workforce was 1,600 employees as at 31<sup>st</sup> December 2017 (FKE, 2017). Other players are unorganized cottage industries and small shops whose data is not available. Biscuit manufacturing is one of the fastest growing industries with a gross turnover of more than Kshs.10 billion (KNBS, 2015) and ambitious growth policies among the companies. Companies in the organized sector within Nairobi, Kenya account for around Kshs. 5.1 billion which accounts for 51% of the total biscuit business in Kenya (KAM, 2016). Within the companies, Manji Food Industries Limited has the largest market share and longest heritage having been incorporated in 1952; it controls more than 38 % of the total organized Nairobi Manufacturers biscuit market (KAM, 2015). Sunveat Foods Limited is the latest entry having opened its doors to business in 2013. Products of the Industry are homogeneous and competition is based on packaging and branding. With imported brands accounting for more than 30% of the total market (KAM, 2015), it's a cut-throat competition which has made the individual companies devise several competitive practices some being in the compensation area.

There was need to understand compensation practices and how they affect performance while setting goals and designing strategies to achieve such goals. This problem can be overcome by conducting this study to understand the relationship between Compensation practices and Employee Performance. The study would be appropriate to Biscuit manufacturing companies in Nairobi because it addresses challenges faced while implementing compensation practices taking employees perceptive hence satisfaction and improvement of performance that may, in turn, increase productivity and help the organization achieve their ambitious expansion mission.

### Statement of the Problem

Local biscuit manufacturers have consistently struggled to fight ever-increasing competition in the marketplace. A spot check in the local supermarkets reveals more than 40 % of products

are imported mainly from Comesa and other developed countries despite the Kenya policy of buy Kenya build Kenya (KAM, 2016). Currently, supermarkets are flooded with imported products denying local manufacturers shelf space and the much-needed margins. With such practices, efficiency in performance and quality of products has continued to be a challenge (KAM P. I., 2014). Therefore, the industry has stagnated in terms of product and service quality, innovations, utilization of resources and employee resourcefulness. In order to improve, management of biscuit manufacturing companies have adopted compensation practices to motivate employees to perform. When employees are motivated, innovation and service quality will increase. The efficiency and effectiveness of these strategies needs to be studied. This study brought out the effects of such compensation practices on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

### Objectives of the Study

The General objective of the study was to investigate the compensation practices and employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya. The specific objectives were;

- To determine the effect of basic pay on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya.
- To assess the effect of employment benefits on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya.
- To examine the effect of skill development on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya.
- To establish the effect of the work-life balance on employee performance within the biscuit manufacturing companies in Nairobi City County, Kenya.

- To establish the moderating effect of organizational culture on the relationship between total compensation practices and employee performance in the biscuit manufacturing companies in Nairobi City County Kenya.

The study was guided by the following research hypotheses

- H01:** Basic pay has no effect on employee performance in the biscuit manufacturing companies in Nairobi City County Kenya.
- H02:** Employment benefits have no effect on employee performance in the biscuit manufacturing companies in Nairobi City County, Kenya.
- H03:** Skill Development has no effect on employee performance in the biscuit manufacturing companies in Nairobi City County, Kenya.
- H04:** Work-life balance has no effect on employee performance in the biscuit manufacturing companies in Nairobi City County, Kenya.
- H05:** Organizational culture has no moderating effect on the relationship between total compensation practices and employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

### LITERATURE REVIEW

#### Expectancy Theory

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

Individuals have different sets of goals and can be motivated if they believe that; there is a positive correlation between effort and performance (expectancy); Favourable performance might result in desired rewards (instrumentality); The reward might satisfy an important need (valence) and that the desire to satisfy the need is strong enough to make the effort worthwhile (Lawler, Porter, Vroom, 2009).

### **Equity Theory**

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

### **Efficiency Wage Theory**

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

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

### **Effort Bargaining Theory**

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

### **Empirical Review**

Basic pay refers to base wage or salary for work (Hsieh, 2007) which is based mainly on two factors, the job description and the importance of the job within the organization. Base pay is the fixed component of pay usually comprising the largest portion of compensation reward to employees (Agarwal, 1998), (Armstrong, 2004) Shields (2007). Guthrie (2000) agrees to basic pay as pay or wages attached to the jobs that employees perform, it is the employees who have market value and not the jobs Shields (2007). Traditionally, basic pay was determined by the period of service and seniority, other factors which determine pay are internal and external equities and demand and supply forces in the labour market. According to Guthrie (2000), subsequent increases should be based on specific certifications resulting in gaining of more in-depth knowledge on the job. The emphasis of skill



acquisition is necessitated by the rapid increase in technology and changing manufacturing methods that require flexibility, Stuart (2011).

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

Basic pay practices are designed with the main objective of equity within the organization; equity can be viewed from three dimensions of internal equity, external equity, and individual equity (Cascio, 2006). With the balancing effect of equity, employees are motivated to perform by giving their best. Among the practices organizations use is the quartile strategy which places employees pay in relation to market benchmark (Mark, 2003) which profiles pay into first, second, third quartiles. The first quartile or the lag the market is mostly employed by start-ups or organizations struggling with pay and offers basic pay below the market benchmark. The second quartile or meet the market pays at market rate and is applied by organizations which see to motivate employee performance while at the same time check on ballooning payroll costs. The lead market strategy leads to the third quartile which pays above market rates. It attracts, motivates and retains the best performing talents. While pay decisions are organizational concerns (Audi, 2006), pay levels used can affect employee performance (Mark, 2003).

Employment benefits are indirect payment or pay for time not worked (Heneman, 1985) and includes healthcare, insurance, retirement schemes, company cars and paid holiday. Other employment benefits among others include subsidized membership, free teas, flexible working hours, cinema tickets, birthday and holiday presents. These employment benefit types are valued by employees since they enhance work life. While some employment benefits are mandatory and provided for by pieces of legislation (Employment

Act, 2007, Work Injuries Benefits Act 2007, Public Holidays Act, National Social Security Act) others are discretionary and form "Perks".

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

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

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

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

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

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

Several empirical studies have drawn a positive relation between work-life balance and employee performance (Parkes, 2008). The positive relation is manifested through low turnover, satisfaction, engagement and performance improvement (Cegarra-Leiva, 2012). Work-life balance contributes to increasing employee in-role performance (Magnini, 2009), further the psychological

experiences drawn from the well-being feeling help employees improve concentration at work. When an employee is provided with babysitting services at the workplace, she would definitely be at peace in her daily chores. Again, employees who perceive that their needs are being met by the employer would show commitment (Casper, 2011).

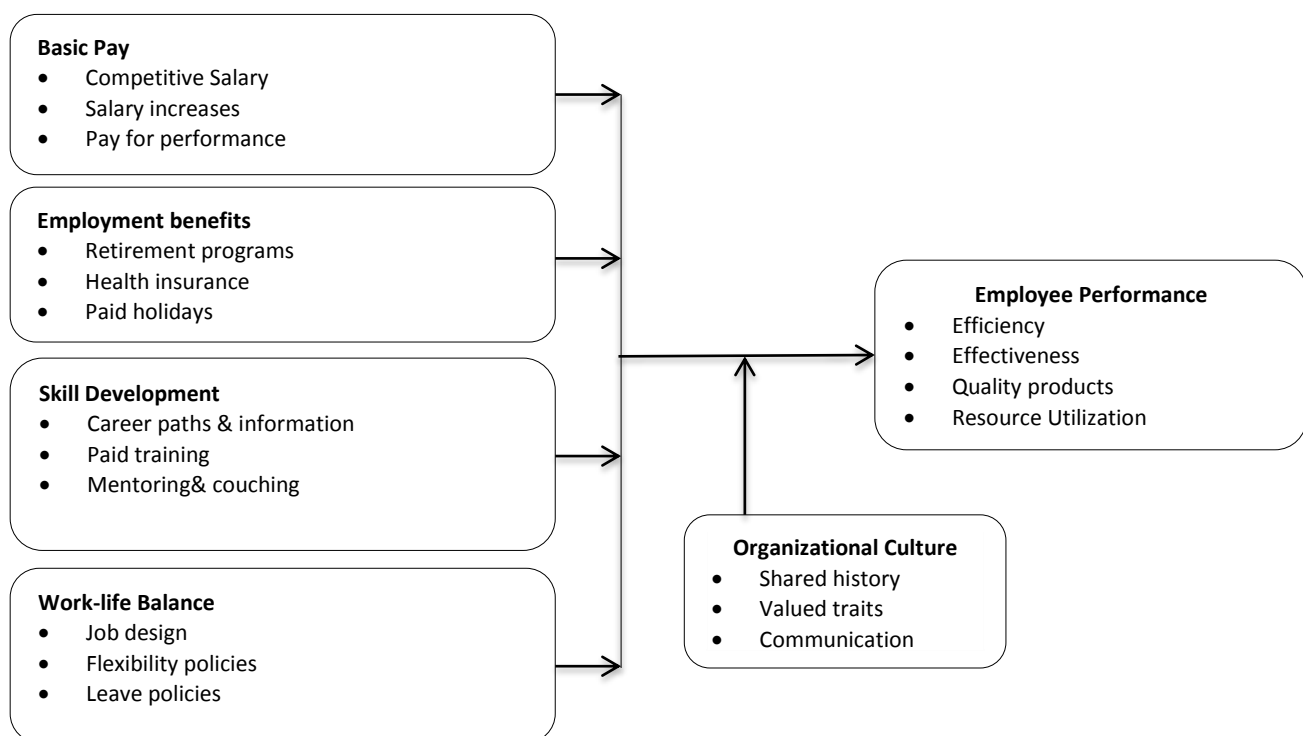
In the study (Hye, 2014), noted that work-life balance along with employees' effective commitment could affect performance improvement. Using data collected from 239 Koran workers, the study supported (Magnini, 2009) position on positive influence on in-role performance. However, this study was conducted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

Although a plethora of literature suggests the existence of a relationship between total compensation practices and employee performance, culture provides the necessary energy required for an organization to function well by determining the direction of this relationship (Farooq, 2008). Organizational culture consists of the unwritten customs, the shared values, beliefs and practices that determine the rule of the game for decision making, structure, and power. It is based on a shared history and traditions of the organization combined with the current leadership values (Dave, 2011). The culture of an organization refers to the behaviour patterns and standards that bind it together (Schein, 2004). When beliefs are shared, they create organizational culture (Azhar, 2003). This study seeks to investigate if total compensation practices affect employee performance is moderated by organizational culture in the form of shared values, common practices, and beliefs.

According to (Wallach, 1983) organization culture (the shared values, beliefs and practices) can take several dimensions; bureaucratic, innovative or supportive in varying degrees. A bureaucratic

culture exhibits hierarchical characteristics, organised and systematic structures with clear lines of responsibility and authority. The innovative dimension of culture involves a creative, result oriented, challenging work environment culture while supportive dimension comes with teamwork, people oriented, encouraging and trusting work environment. These dimensions determine the extent to which organizational practices including total compensation are structured and implemented and the moderating effect on the relationship with employee performance.

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



**Independent Variables**

**Moderating Variable**

**Dependent Variable**

**Figure 1: Conceptual Framework**

**Source: Author (2018)**

**METHODOLOGY**

This study adopted descriptive research. Simple regression analysis was used (Field, 2009) to test the degree of relationship between the independent and dependent variables during the testing of hypothesis. Multiple regression was used to test existing interrelationship between independent, moderating variables against the dependent variable. The results of the regression coefficient of determination were used for the

interpretation of analysed data to mitigate the amount of error caused by the number of independent variables on the regression. The target population for this study comprised of 1,600 permanent employees of the Biscuit Manufacturing Companies in Nairobi. The study applied the stratified random sampling technique to obtain the respondents for questionnaires. The sample frame of the study included a representative sample of all the general departments within the Companies



under study (Manji Food Industries limited, Jambo Biscuits Limited, Premier Cookies Limited, Golden Biscuits Limited and Sunveat Foods Limited) as provided by respective Human Resource offices.

The study used both primary and secondary data collection tools. A primary data was collected from the various biscuit manufacturing companies using a questionnaire. After collection of questionnaires, the data was cleaned for any errors and cross-checked for accuracy after which it was coded ready for analysis (Kombo, 2006). Data was analyzed using both qualitative and quantitative data analysis methods. The coded data was analyzed using IBM Statistical Package for Social Sciences (SPSS) version 21.0 for windows.

## RESULTS

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

**Table 1: Effect of Basic Pay on Employee Performance**

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

**Source: Author (2018)**

The data obtained showed that a basic salary is paid and it is comparable within and outside the organization, this was cited with a mean of 3.62 (SD = 1.171) and in the organization there is a compensation policy clearly providing grading system for each category of employees as indicated

## Basic Pay and Employee Performance

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

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

with a mean of 4.21 (SD = 1.56). This compensation policies included periodic or merit for salary increment as shown by a mean of 4.27 (SD = 1.170) and that the salary offered is comparable to tasks involved and the output expectations as shown by a mean of 3.30 (SD = 1.255) and further that the salary is independently determined outside other

benefits on offer as cited with a mean of 4.28 (SD = 1.237). Generally, the study concluded that the sampled organizations have developed good pay structures as cited with an average mean of 3.936 (SD = 1.2786) and thus their employees are motivated and hence likely to perform organizational duties better hence improving the organizational performance. The results were in line with the argument by Bratton and Gold (2015) who opines that existing salary should be viewed by employees as satisfactory.

### Employment Benefits and Employee Performance

Employee benefits are essential compensation aspects which help to make an employees working experience more comfortable, they help to improve employees quality of life Lemma (2013). This study sought to find out the opinion of the sampled respondents on compensation practices and employee performance on basis of indicators. Items on the questionnaire were ranked on a Likert scales of 1 to 5 ranging from strongly disagree to strongly agree. Table 2 gave a summary of the study findings.

**Table 2: Effect of Employee Benefits on Employee Performance**

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

**Source: Author (2018)**

Data obtained on employee benefits and their effects on employee performance indicates that majority of the sampled respondents cited that the organization has a benefits policy which I am aware of and is well communicated with a mean of 3.56 (SD = 1.422) and that the organization provides a cafeteria of benefits suitable to all levels of employment with a mean of 2.38 (SD = 1.443), further that employees are allowed to choose the benefits of their choice with a mean of 1.59 (SD = 1.028) although this response was weak since the benefits are determined by one's position in the organization with a mean of 3.51 (SD = 1.330). ; These benefits were tied to individual performance and this is well communicated as cited by a mean of 2.32 (SD = 1.191). The average means 2.672 (SD = 1.2828) demonstrate that employee benefits affect employee performance although not to a large extent. The results concurred with the position of Sarboini (2016) who stipulates that indirect financial

rewards that could enhance employee performance come in form of subsidized benefits such as retirement plans, paid sick leaves, bonuses, incentives, allowances and purchase discounts. Sarboini (2016) findings refer benefits as indirect financial and non-financial payments employees receive for continuing their employment with the company. Lemma (2013) findings explain benefits as indirect forms of compensation that are intended to maintain or improve the quality of life for employees. Indirect financial rewards come in form of subsidized benefits such as retirement plans, paid sick leaves and purchase discounts. Sarboini (2015) supports the scenario whereby companies are able to supplement pay benefits with insurance benefits, retirement benefits and personal service and family-friendly benefits.

Supplemental pay benefits provide for time not worked, they include unemployment, insurance,

vacation and holiday pay, severance pay and supplemental unemployment benefits. Insurance benefits include worker's compensation, group hospitalization, accident and disability insurance; and group life insurance. Retirement benefits include social security and pension plans. Personal service and family-friendly benefits include food services, recreational and child and child-care opportunities, legal advice, credit unions, educational subsidies and counselling. All these benefits put together enhances employee performance in an organization.

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

organizations believe that offering employees' freedom to choose benefits that befits them is tantamount to their satisfaction and a high probability of reciprocating the overall company loyalty to them by demonstrating exemplary performance.

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

As one of the major functions within human resource management, skill development has for long been recognized. Skill development is an investment in employees aimed at improving the knowledge, skills and attitudes towards work-related tasks (Abdul, 2011). It is one of the most important potential motivators which can lead to both short-term and long-term benefits for individuals and organizations. There are so many benefits associated with skill development. This study assessed the impact of skill development on employee performance using a questionnaire with items ranked on a Likert scale of 1 to 5 ranging from strongly disagree to strongly agree. Responses from items contained in the questionnaire were analyzed and table 3 gave a summary of the study findings analyzed on the basis of indicators.

**Table 3: effect of Skill Development on Employee Performance**

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

**Source: Author (2018)**

From table 3, study assessed employee skill development to determine the effect of total compensation practices on employee performance. It was observed that the organizations provide a clear career path for every position within the organization had a mean of 3.0 (SD = 1.317), and that training programs are always based on

performance gaps as traced from appraisal process had a mean of 3.36 (SD = 1.254) and further that there is an evaluation process conducted after every training or learning program in the organization had a mean of 3.57 (SD = 1.297) while all training and learning programs are organized and paid for by the organization had a mean of 4.30

(SD = 1.216). The respondents further cited that the training is tailor-made had a mean of 3.89 (SD = 1.216) and that the training is a budgeted activity and the trainers are well selected with a mean of 3.51 (SD = 1.266).

This study, concludes that employee skill development significantly affects employee performance had a mean of 4.38 (SD = 1.508). Most of the benefits derived from Skill development are easily attained when the whole process is planned. This implied that the organization, trainers and trainees are prepared for the training well in advance. According to Kenney & Reid (2009) planned training is the deliberate intervention aimed at achieving the learning necessary for improved job performance. In Congruence, Bohan (2014) states that in many companies employees are encouraged to acquire new skills and are rewarded if they did. The results related to finding by Mytty, Pedak and Sun (2016) who concluded that companies should regularly conduct special training to enhance employee performance. In the real world, organizational growth and development are affected by a number of factors and in light with

the present research during the development of organizations, employee training plays a vital role in improving performance as well as increasing productivity. This, in turn, leads to placing organizations in the better positions to face competition and stay at the top. This, therefore, implies an existence of a significant difference between the organizations that train their employees and organizations that do not.

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

Work life balance enables an employee to put their best in work but at the same time not neglecting their other outside life. The balance helps employees to avoid drain in terms of time, resources and psychological drains. The study sought to examine effect of work life balance by assessing leadership style, flexibility in work, empowerment and job design through a questionnaire with items ranked on a likert scale of 1 to 5 ranging from strongly disagree to strongly agree. Responses from the items on the questionnaire were analysed and table 4 gave summary of the findings.

**Table 4: effect of Work life balance on Employee Performance**

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

**Source: Author (2018)**

The data above on work life balance and its effects on employee performance indicates that majority of the sampled respondents cited that the organization provides relevant tools, equipment had a mean of 3.33 (SD = 1.217) and that time off is provided to attend to pressing personal matters had a mean of 3.57 (SD = 1.174), as well that organization provides salary advances to assist

employees to attend to personal financial needs had a mean of 3.36 (SD = 1.681), again leadership style addresses staff issues promptly whenever they arise had a mean of 1.57 (SD=1.026) the significance was weak but working times are well defined and employees are not forced to work beyond their time had a mean of 4.24 (SD = 1.327). The average means 3.214 (SD = 1.285) indicating that overall

work life balance affect employee performance significantly. Work life balance is classified an part of employee compensation practices since it is an additional comfort provided to employee to avoid the various drains (Hye, 2014).

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

are predictors of satisfaction leading to performance (Vishwa, 2015).

### Employee Performance

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

**Table 5: Employee Efficiency**

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

Source: Author (2018)

The study assessed employee work efficiency as an indicator of employee performance and the findings indicated that majority of the sampled respondents agreed that the organization matches jobs with employee competencies for optimal output with a mean of 3.77 (SD = 1.292), and that skill gaps are always addressed whenever identified during the appraisal process with a mean of 3.14 (SD = 1.474). The study findings further demonstrated that the organization sets targets for each task and measurers output against the set

standard with a mean of 3.85 (SD = 1.209) as well as the organization's performance measures are aimed at improving efficiency with a mean of 3.98 (SD = 1.083). The study concluded that employee efficiency was a paramount indicator of employee performance as the study respond generated an average mean of 2.98 (SD = 1.0116). This clearly demonstrated that the sampled biscuit companies had effective total compensation practices and therefore employee's motivation to perform.

**Table 6: Employee Effectiveness**

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

Source: Author (2018)



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

are accomplished within normal working time with a mean of 3.22 (SD = 1.163) this is an indication that the employees in the sampled organizations are well managed and production time is well scheduled with all employee allocated various tasks at different times so avoid working overtime by employees. Generally, the responses on the employee effectiveness in duty performance were good as the average mean of the studies items was 2.916 (SD = 1.014) a clear indication that biscuit manufacturing industries were effective in compensating employees and hence employees were motivated in performing their duties.

**Table 7: Employee Resource Utilization**

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

**Source: Author (2018)**

In the above table, employee resource utilization was assessed in order to determine the level of employee performance in the sampled biscuit manufacturing industries. According to the study findings, the majority of the sampled respondents agreed that production throughputs are measured to account for every material used in the production process as indicated by a mean of 3.99 (SD = 1.003), a good number of the responses also showed that production time is well managed within the organization as shown by a mean of 3.82 (SD = 1.107).

Further the findings showed that majority of the

respondents agreed that after training or learning activity, the organization measures the return on investment based on future performance as shown with a mean of 3.41 (SD = 1.377) and that staff members are paid productivity bonus when they exceed expectations as indicated by a mean of 3.36 (SD = 1.583). Generally, the responses on the employee resource utilization were good as the average mean of the studies items was 2.916 (SD = 1.014). This clearly demonstrated that the sampled biscuit industries had effective total compensation practices and therefore their employees were motivated to perform.

**Table 8: Production of Quality Products**

Statement	Mean	SD
Products are certified with marks of quality by external regulators.	4.33	1.061
Product development and review is a regular on-going process	3.59	1.286

The organization conducts customer satisfaction surveys and analyzes collected data.	3.91	1.239
Products are benchmarked with international brands	4.76	5.031
<b>Average</b>	<b>3.318</b>	<b>1.7234</b>

Source: Author (2018)

The findings of this study revealed that total compensation practices influenced employee performance. Data obtained regarding the production of quality products in table 8 indicated that the products produced by the company are certified with marks of quality by external regulators with a mean of 4.33 (SD = 1.061). the findings also show that product development and review is a regular on-going process with a mean of 3.59 (SD = 1.286) and that the organization

conducts a customer satisfaction survey and analyses the collected data as indicated by a mean of 3.91 (SD=1.239) while the products are benchmarked with international brands as shown with a mean of 4.76 (SD = 5.031). The study findings clearly that employee performance is greatly affected production quality as the average means of 3.318 (SD = 1.7234) show that majority of the sampled respondents agreed and Strongly Agree to the items contained in the questionnaire.

### Inferential Statistics

Table 9: Pearson Product Moment Coefficients

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

Source: Author (2018)

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

Career/skill development significantly affects employee performance and the relationship is statistically significant. Further, the study reveals that Work life/environment is related to employee performance (r=0.905, p<0.05) implying that Work life/environment significantly affects employee performance and the relationship is statistically significant.

**Table 10: Model Summary**

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

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

**Source: Author (2018)**

The adjusted R<sup>2</sup> was used to establish the predictive power of the study model and it was found to be 0.641 implying that 64.1 per cent of the variations in employee performance is explained by basic pay, employment benefits, skill development, and work

life balance leaving 35.9 per cent unexplained. Therefore, further studies should be done to establish the other factors (35.9 per cent) affecting the employee performance in biscuit manufacturing industry.

**Table 11: ANOVA Results**

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

**a. Dependent Variable: Employee Performance**

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

**Source: Author (2018)**

Table 11 demonstrated that the probability value of 0.000<sup>b</sup> indicated that the regression relationship was highly significant in predicting how basic pay, employment benefits, skill development, and work life balance affected employee performance of

biscuit manufacturing industries. The F calculated at 95 per cent confidence interval was 49.293 since F calculated is greater than the F critical (value = 2.4495), this shows that the overall model was significant.

**Table 12: Regression Coefficients**

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

**a. Dependent Variable: Employee Performance**

**Source: Author (2018)**

The established model for the study was: **Y = 0.987+ 0.722 X1 + 0.663 X2 + 0.873 X3 + 0.511 X4.**

From the table 11 and the regression equation above has established that taking all factors into account (Basic pay, Employment benefits, Skill development, and Work life balance) constant at

zero, employee performance was 0.987. The findings presented also show that taking all other independent variables at zero, a unit increase in the Basic pay would lead to a 0.722 increase in the scores of employee performance. The findings are in support of earlier studies that basic pay practices

are designed with main objective of equity within the organization which in turn motivates employees to higher performance (Cascio, 2006). A unit increase in the scores of Employment benefits would lead to a 0.663 increase in the scores of employee performance. This is in support of (Nickson, 2015) findings that a unit increase in employee benefit would lead to 0.663 increase in employee performance, further employee health benefit positively influences performance (Nickson, 2015). The findings also showed that a unit increases in the scores of Skill development would lead to a 0.873 increase in the scores of employee performance; this positive correlation was a similar observation by (Onyango, 2004) that unit increase in skill development lead to 0.654 increases in performance. The results are in line with (Hafeez, 2011) who had made same observation that unit increase in training resulted to 0.606 unit increase in performance. The study also found that a unit increase in the scores of Work life balance would lead to a 0.511 increase in the scores of employee performance; this is well in line with findings in (Vishwa, 2015) where a unit increase in work life

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

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

Regression analysis shows how the dependent variable is influenced by organizational culture (moderating variable). The results in table 12 gave a summary of the statistics on the relationship between organizational culture and employee performance at 95 per cent confidence intervals.

**Table 13: Model Summary**

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

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

**Source: Author (2018)**

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

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

**Table 14: Regression Coefficients**

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

**a. Dependent Variable: Employee Performance**

**Source: Author (2018)**

The regression linear equation  $Y=B_0+B_1X_1+B_2X_2+B_3X_3$  was used to show the extent to which the predictors could explain the dependent variable (Employee Performance). Therefore;  $Y = 1.003+ 0.033X_1 + 0.225 X_2 +0.237X_3$ . Where  $Y$  = Employee Performance,  $X_1$  = shared history,  $X_2$  = valued traits, and  $X_3$  = Communication.

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

All the variables were significant ( $p<0.05$ ) with valued traits being the most significant ( $p=0.029$ ) while Organizational values and decision making were significant with p-values of 0.031 and 0.033 respectively. The findings are in line with Wambugu (2014) who conducted a study to establish an effective organizational culture on employee performance and concluded that employee performance is significantly affected by organizational culture and that employees will always look for an organization with a culture that will favour their freedom and personal development.

### **Testing of Hypothesis**

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

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

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

The value of employment benefits is significant at 0.041 holding  $p<0.05$ . Accordingly, the null

hypothesis is rejected and the alternative holds that Employment benefits have a positive significant effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

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

From the results, a score of 0.021 is significant given that  $p<0.05$ . This formed the decision to reject the null hypothesis above and uphold the alternative that Skill development has a significant positive effect on employee performance in the biscuit manufacturing companies in Nairobi County, Kenya.

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

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

**H05:** Organizational culture has no moderating effect on the relationship between compensation practices and employee performance in the biscuit manufacturing companies in Nairobi County, Kenya. From the results, all organization culture indicators were significant with valued traits being most ( $p=0.029$ ) others were shared history ( $p=0.031$ ) and communication ( $p=0.033$ ). holding  $p<0.05$ , the null hypothesis was rejected and in alternative held that Organizational culture has a moderating effect on the relationship between compensation practices and employee performance in the biscuit manufacturing companies in Nairobi County, Kenya

### **CONCLUSIONS**

Based on the research findings, the study concluded that employee performance is affected by compensation practices in the biscuit manufacturing companies in Nairobi County, Kenya. This effect is both significant and in the positive direction. Further, this effect is moderated by



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

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

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

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

### **RECOMMENDATIONS**

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

The study recommended that biscuit manufacturing companies should adopt a competency-based pay as it would increase employee's productivity. Competency-based pay program considers the qualification of the employees, area of specialization, career development and experience as well as professional qualification motivating employees and influence achieving employees performance in the biscuit manufacturing companies and food manufacturing industries.

The study recommended that a proper salary survey and job evaluation vis-a-vis total rewards received to be commissioned in a bid to ensure there is internal and external equity in the organization and that motivation is driven by the right fundamentals. On the contingent pay, although the study did not go deep into finding out the various forms of contingent pay in the organization, the general feeling of motivation was high.

### **Suggestions for Further Research**

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

This study recommends a study to be conducted on basic pay to determine its appropriateness on

internal and external equity in the organization. A further study on contingent pay can be done to find out the different forms contingent pays in place and which form motivates more and why.

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

The study also recommends an in-depth study to be carried out on what motivates the youth to give their best and expected the duration of stay.

From the study findings, only 64.1 per cent employee performance is explained by the study variables, hence there is need for further studies to establish the other (38.9 per cent) factors influencing employee performance.

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