

Influence of Compensation and Reward on Performance of Employees at Nakuru County Government

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Abstract : *Human Resource Development is concerned with the provision of learning, development and training opportunities in order to improve individual, team and organizational performance. The objective of the study was influence of compensation and reward on performance of employees at Nakuru county government A survey was carried out within the 11 sub-counties in Nakuru County Government with the study adapting a descriptive research design. Stratified random sampling technique was employed on a target population of 6,400 respondents from the same geographical area of study. Simple random sampling was used to select the respondents that formed a sample size of 98 respondents. Primary data was collected using questionnaires and interview schedules with a combination of open and closed questions. Statistical Package for Social Sciences was used to analyze the data. The findings indicated that there was a strong relationship compensation and reward on employee performance in the county government of Nakuru. The researcher therefore recommended training needs and other nonmonetary rewards practices in order to enhance employee performance.*

Keywords: - *Influence, Compensation, reward, Performance, Employees, Nakuru County Government.*

I. Introduction

In the recent years, the Human Resource Development (HRD) practices are a vital research area. The aim of the study is to look at how the HRD practices increase the level of employee performance and the whether the employees will feel more comfortable and secure where HRD practices are implemented. These practices play a vital role in the performance of organizations; be it either public or private ones. Qureshi, et al., (2010) suggests that in the current labour market, success is less dependent on capital and more on innovation, speed and acceptability.

In the last two decades, there have been several attempts to show the connection between HRD practices and performance of firms. Human Resource Development is interlinked with all the managerial functions involved in the practices of recruitment & selection, training, developmental Resources, reward and compensation. These practices increase the potential of employees in different sectors of a country's economy. Research in Human Resource Management (HRM) is a decade old phenomenon for local industry. Nevertheless, research about HRM functions (Ali & Jadoon, 2012) and HRD Practices (Qureshi, 2010) provide reasonable insight on HRM and its implications for business environment in any country. The latter author points out that the gap between stated policies and real practices of HRD are the cause of employees' frustrations. The main reason for the latter statement is that the application of international HRM models may not be imported because of their alien nature. According to Huselid (1995), HRD universal Practices bundle has included selection, training and development, performance appraisals, rewards and compensation in international setting where the HRM has already tested and adopted for achieving competitive advantage with and through people. The realization of HRD practices and their strategic use is increasing gradually and visionary firms are using these practices in competing with other firms (Ali & Jadoon, 2012).

In the developing economies, HR practitioners are struggling to meet the emerging challenges of new values of knowledge workers who have necessitated a new paradigm of practices for attraction and retention of talent for organizational sustainability (Khilji, 2002). Even though performance is often determined by financial figures, it can also be measured through the combination of expected behavior and task-related aspects (Motowidlo, 2003). As sited by Schmitt and Chan, in Motowidlo (2003) categorized employee performance into 'will-do' and 'can-do'. The former refers to individuals' knowledge, skills, abilities and other characteristics (KSAOs) required in performing certain job and the latter denotes the motivation level that individuals may have in performing their work. In an early stage, the management of organization has ignored the function of HRD practices as a main driver of organizational success. Only lately, the potential role of HRD in enhancing organization performance has been realized.

Human Resource Development practices can improve the performance of organizations by contributing to employee and customer satisfaction, innovation, productivity, and development of good reputation among firm's community (Delaney & Huselid, 1996; Noe, et al., 2010). Many organizations do not give emphases to the effective utilization of HRD practices so as to ensure organizational performance in developing countries.

Series of studies have been conducted on Human Resource development (HRD) Practices in Europe, America, and different parts of Asian continents but little have been conducted in Africa in general and Nigeria in particular.

II. Literature Review

1.1 Theoretical Framework

Business strategies (Horwitz, 1999), firm size and industry (Swanson & Holton, 2001), staffing strategies that have an impact on training strategies (Raghuram, 1994; Noe, 2002), culture of organization (Baldwing & Danielson, 2002) may be considered to be some variation items in HRD. Empirical work in this area is lacking and according to Garavan, Gunnigle & Morley (2000) there are no models yet that properly evaluate the extent to which HRD improves performance. There is little empirical support indicating that HRD positively affects organizational performance (Torraco, 1999; Bartlett, 2001). However, applying SEM, Tracey, Hinkin, Tannenbaum, & Mathieu (2001) found that training outcomes are related with pre-training context, and are mediated by self-efficacy and motivation. Moreover, Mabey & Gooderham (2005) and Mabey & Ramirez (2005) sustain that organizational fit mediates strategic fit and perceptions of the importance given to management development, which subsequently determines improved organizational performance. The relationship between HRD practices and employee performance can be viewed from the perspectives of a number of theories relevant to the study. For the purpose of the study, the researcher reviewed a number of theories as applied by various researchers globally. The theories are further critiqued on the basis of empirical evidence found in literature on the subject matter of employee performance at County Government level.

2.1.1 Resource based View Theory

Within the resource-based view (RBV) of the firm, which advocates that an organization can gain competitive advantage by attracting and retaining best human resources, universalistic and contingency HRM-performance linkage models have been either theoretically or empirically developed (Wood, 1999). The universalistic model suggests that a specified set of HRD practices (the so called “best practices”) will always produce superior business results whatever the accompanying circumstances. The contingency model argues that an organization’s set of HRM policies and practices will be effective if it is consistent with other organizational strategies.

There is no consensus amongst researchers regarding which model is the predominant one (Wood, 1999). With respect to the HRD-performance linkage model building literature, although Wimbiscus (1995) supports the view that HRD lacks a unifying model that may be used to understand HRD issues, most current HRD models are following the universalistic rather than the contingency perspective (Kuchinke, 2003). Training (Holton & Naquin, 2005) and employability (Garavan, McGuire & O’Donnell, 2004) are assumed to be the basic components for people to acquire competencies that in turn will significantly improve organizational performance.

There is a small number of authors, most notably Snell, Lepak, & Yound (1999), who advocate that investment in human resources may be contingent on the specific characteristics and contribution of groups of employees to the organization. In analyzing the impact of HRD on organizational performance each of the HRM performance linkage models developed complements the others by adding constructs, variables or relationships (Alcazar, Fernandez, & Gardey, 2005).

2.1.2 Human Capital Theory

Resick (2007) states that human capital signifies the combined intelligence and experience of staff as a source of competitive advantage that cannot be imitated by rivals. This theory has implications thus for attracting, engaging, reward and developing people in organizations. The theory has cross cutting significance in HRD practices. In the context of public sector, because some of the HRD practices in this research are meant to ensure that the performance of employees at County Government. The theory has criticized as not addressing other underlying components of employee performance. Scholars have argued that ultimately, it's only the characteristics that enhance employee performance that should be used to address HRD practices. The theory is relevant in this study. This is because it considers intelligence and experience of staff. This means that those with desired intelligence and experience are able to develop in an organization with much ease.

2.1.3 Ability, Motivation, Opportunity Theory (AMO Theory)

Expectancy theory of motivation explains the link between motivation and performance. The theory proposes that performance at individual level depends on high motivation, possession of the necessary skills and abilities and an appropriate role and understanding of that role (Savaneviciene & Stankeviciute, 2010). It is a short step to specify the HRM practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback. Different HR practices/policies have many effects on ability, motivation, and to some degree, ability requirements/opportunity (Katou, 2008). Recruitment and selection, training and development policies are expected to have their primary effect on ability (and related expectancy motivation perceptions).

Job design and job analysis primarily determine ability requirements/opportunity and to some degree, (intrinsic) rewards offered. Compensation has its primary effect on rewards offered and instrumentality perceptions (motivation). The AMO theory claims, there will be enhanced performance if the work environment provides the necessary support (for example through functioning technology) (Musah, 2008). Whitener (2001) argued that the organization may adopt a high-commitment strategy, including employment practices, appraisal, competitiveness, fair compensation, and comprehensive training and development in order for employees to have high commitment and motivation. This theory implies that an organization's HRD practices should speed up development for those staffs with high ability and motivation whenever an opportunity arises. This means that those with high ability and motivation should be given priority over those with lower ability and motivation.

2.1.4 Expectancy Theory

According to Armstrong (2010), in the expectancy theory, motivation is likely to be when there is a perceived and usable relationship between and outcome, with the outcome being seen as a means of satisfying needs. In other words, there must be a link between a certain reward and what has to be done to achieve it. This theory is very important in the context of this research. It is instrumental especially when designing performance-based employee welfare programmes. In the Kenyan context, the public sector in particular the County Government depends entirely on civil servants to provide services to the public. Balancing competitive rewards and improved employee performance must be of key significance to the County Governments. The latter need to design performance-based employee welfare programmes so as to ensure civil servants continue. This theory argues that there must be clear procedure for development. It is this procedure that employees will compare against their qualifications to see if they can develop in an organization or not. This theory helps explain why an organization's staff would feel confident that they can grow in the same organization, hence remain there, or seek development elsewhere by going there leading to exit of staff.

2.1.5 Attraction Selection Attrition Theory

This theory explains why people are attracted to organizations or institutions. In most cases, recruitment and selection practices are carried out after initial attraction of employees to the organization or institution. Also, it must be stated that attraction is bidirectional. This is to say that the organization before recruiting and selecting candidates for positions also gets attracted to a pool of talent with specific attributes that might be existent outside the organization or institution. The attraction selection theory is relevant to this research as it explains attraction, selection and retentions of employees by organizations as a basis for job security. In the Kenyan context, the public sector in particular the County Government though the human resource used at County Governments in some cases are highly unskilled, tendencies are that such institutions will tend to retain the high performers and as such, the theory can be useful in understanding HRD practices and their impact on civil servants.

1.2 Compensation and Reward and Employee Performance

Compensation includes expenses such as bonuses, profit sharing, overtime and rewards that includes monetary and non-monetary rewards such as house rent and car facility against hired services of employees (Wright, Gardner, and Moynihan, 2003). The remuneration process is crucial and a source of contention in most organizations. It deals with rewarding people in accordance with their value in the organization. The same process is concerned with both financial and non-financial rewards. It embraces the strategies, philosophies plans and processes employed by organizations to develop and maintain reward systems.

1.3 Concept of Employee Performance

Many of the past research conclude that HRD practices are found to be weakly related with performance, and various examples about HRD practices and employee performance show a positive relation. HR considered employees as important factors to achieve organizational goals and objectives and to attain a competitive edge over competitors. Although employee performance is considered to be an important factor in organizations, few studies did not find a direct effect of HRD practices on employee performance. Many Studies have found that HRD practices of staffing, training, involvement of employees and incentives have a positive relation with employee performance and increase the productivity of the firm (Ali & Jadoon, 2012).

Different concepts have been discussed to explain the how level of performance of HRD practices affect employee performance and a general tendency shows that HRD practices have positive impact on individual performance. Employee performance is normally looked at in terms of outcomes. However, it can also be looked at in terms of behaviour (Armstrong, 2009).

1.4 Summary of Reviewed Literature

The performance of any employee has been measured in terms of quality, quantity, cost and value and is effected by the HRD practices which include coaching and mentoring, Performance Based compensation and rewards, developmental resources and continuous company's commitment for training and development. There are a number of measures that can be taken into consideration when measuring performance for example using of productivity, efficiency, effectiveness, quality and profitability measures. The purpose of training in the work situation should be to develop the abilities of the individual and to satisfy the current and future of the institution. Human Resource Development practices are often used to close the gap between current performances and expected future performance. In the field of research of the impact of HRD practices on individual and organizational performance, a systematic explanation of mediating factors and processes that explain the impact is still lacking (Bacharach, 1989). Through individual interpretations of the immediate working environment, described by HRD practices, employees develop more or less stable cognitive and affective states in the relation to their job and organization, that in accordance to the models explaining the role of attitudes in individual behaviour (Ajzen & Fishbein, 2000); guide their job-related behaviour.

Employees evaluate various organizational practices and give them meaning; they attribute the motive and the level of sincerity of their employer. Perceived organizational support is strengthened by HRD practices in the area of reward management, training and development, developmental resources aimed to the promotion of health, safety and well-being of employees. Perceived organizational support has several positive effects for the employer and employees; it promotes organizational commitment, job satisfaction, organizational citizenship behaviour, job satisfaction and lower the levels of job related stress (Fister, 2004).

2.5 Research Gaps

Existing studies have illustrated how HR practices played an important role in the performance of organizations, particularly in banking industry. Effect of human resource management on firm performance has received considerable importance in last 25 years showing effective connection between HR practices and firm performance (Qureshi, et al., 2010). Thus, there is a need to show how HR is interlinked with all the managerial functions involved in the practices of coaching and mentoring, training & development, development resources and compensation and these practices increase the potential of employees in the public sector.

From the various studies undertaken globally on HRD practices in different platforms, there is very little, if any, evidence relating to the County Government in Kenya. The County Governments have had a huge labour workforce as a result of hiring of new staff without consulting the relevant departments at national or central government offices. While some investigations have been initiated in different countries, the available literature highlights that most of the studies examining the relationship between HRD and performance have been conducted on the organizational performance mostly in the in developed countries. None of these studies have been done in Kenya, particularly in the public sector touching on HRD practices and employee performance. There is, therefore, a great need for additional evidence to support the HRD and performance relationship from different sectors and contexts.

III. Objective Of The Study

To determine how compensation and reward influence the performance of employees at Nakuru County Government.

IV. Research Question

How does compensation and reward affect the performance of employees at Nakuru County Government?

V. Methodology

This study adopted a descriptive research design. The target population comprised of 6400 respondents in Nakuru County. Simple random sampling was used to select the respondents that formed a sample size of 98 respondents. Data was achieved from both primary and secondary sources. The primary data was collected using questionnaires and interview schedules with a combination of open and closed questions. Data was analyzed using Statistical Package for Social Sciences.

VI. Findings And Discussions

Influence of compensation and reward on the performance of employees

The study sought to determine how compensation and reward influence the performance of employees at Nakuru County Government. The findings are shown in table 1.

Table 1: Influence of C&R on performance

	n	Min	Max	Mean	Std. Dev
My department has compensation and reward practices that are effectively being applied in your institution	75	5	5	.032	.000
In my opinion, there is a relationship between compensation and rewards (C&R) and employee performance at Nakuru County Government.	75	4	5	.029	.251
My present pay motivates me to work harder.	75	1	3	.051	.440
Employees are rewarded in accordance with their value to the institution.	75	4	5	.047	.403
Employees are rewarded based on the amount of work they do.	75	2	2	.000	.000
Employees are rewarded based on the amount of their level of knowledge.	75	4	5	.047	.403
Employees are rewarded based on the skills they possess at your work place.	75	2	5	.122	1.057

The study showed that all the respondents were strongly convinced that there existed effective compensation and reward practices in their institutions. There was also a unanimous view on a very strong relationship between C&R and performance (0.03). On whether the respondents were motivated by their pay, most of the respondents disagreed; with none, none of the respondent saying they were motivated by pay (0.05). Most respondents agreed that the rewards were based on their value to the institution (0.05). The study revealed that all respondents disagreed that rewards were based on the amount of work they did, while most all respondents agreed that the rewards were based on the level of knowledge. With regards to the rewards given based on their skills they possessed at their work place, a majority of respondents disagreed (0.12). The study concluded that compensation and rewards greatly affects employee performance and therefore Nakuru county government should continue to enhance compensation while linking performance measurements to individual performance, merit and ability.

Relationship between compensation and reward and employee performance

The respondent's ratings in the statements related to compensation and reward were cumulated to obtain a composite score. The total scores were then used to compute the Pearson's Correlation Coefficient to establish whether there was a relationship between compensation and reward and employee performance. The findings of the correlation analysis were shown in table 2.

Table 2 Relationship between compensation and reward and employee performance

		Employee performance	Compensation and reward.
Employee performance	Pearson	1	.290*
	Sig(2-tailed)		.001
	N	75	75
Compensation and reward	Pearson	.290*	1
	Sig(2-tailed)	.001	
	N	75	75

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

There was a weak positive relationship between compensation and reward and employee performance ($r=0.290$). Although the correlation was weak in strength, the positive relationship implies that high levels of employee performance in Nakuru County Government were associated with effective compensation and reward practices.

VII. Conclusion

The overall findings reveal appreciable influence of the Compensation & Reward on employee performance. The adopted pay strategy of basing compensation to knowledge was effective and had ripple effects of motivating employees to further their studies which would in turn enhance employee performance. The county has professional approach C&R in that it had a guiding policy whose existent was known by all the respondents. The SRC seem to influence C&R practice in the county and particularly in determine if the employees would get a pay rise or not. Based on the observation it would be noted that having competitive remuneration in isolation would not greatly influence employees' performance.

VIII. Recommendations

Based on the findings of the study, it was recommended that other nonmonetary rewards and practices should be identified and brought on board. The pay should continue to be competitive with the industry standards. However, effort should be put to offer even better pay to avoid losing the developed human resource.

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