

Compensation Practices for Firm Productivity: Empirical Study at Multinational Tea Companies in Kericho County in Kenya

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ABSTRACT: *Multinational organizations face challenges in firm productivity in terms of quality, quantity of work, effectiveness and employee performance. The study assessed the effect of incentives on the performance of multinational tea companies in Kericho County. Expectancy theory was adopted. A descriptive research design was appropriate for the study which targeted 99 senior, middle and lower manager of James Finlays Kenya Limited, George Williamson Limited and Unilever Limited in Kericho County. A census of 99 managers was used as respondent. Data was obtained using questionnaires. The data was analyzed using descriptive especially the mean and standard deviation. While inferential statistics was utilized to test significance. The analyzed data was presented using percentages and frequency distribution tables and chart. The study result indicated that there was significant effect of monetary pay, allowance, fringe benefit and incentive on firm productivity. The study concluded that compensation practices significantly affected on firm productivity ($p < 0.05$). The study recommended that other incentive should be explored based on employee performance which results in firm productivity.*

KEYWORDS: compensation, firm productivity, descriptive research design, multinational tea companies, Kericho County, Kenya.

INTRODUCTION

Globally, compensation has been used as motivating strategy for employees. Organizations in 21st century are facing challenges in productivity since it's linked to human capital. Most of the African countries are affected by high cost of doing business. In Nigeria, a larger proportion of employees look for a better paying job (Raza and Hanif, 2013). Low income is associated with majority of companies in Nigeria where in every 10 employees more than seven are dissatisfied with level of compensation given by their employer and would want to change to new environment. In Kenya productivity of major sectors of economic has been hindered by high compensation cost, increasing operation cost and hence reduced profits. Besides salary packages, other aspect of compensation packages is not given much attention. Therefore, other non-financial compensation is not recognized by employee (Bigsten, Kimuyu, and Söderbom, 2013). Ahiabor (2013) adds that monetary incentives motivate employees more that non-monetary incentives. In the current

research both monetary and non-monetary variables were considered. According to Igbaekemem (2014), managers are trying to have an environment that motivates and assist the organization to grow due to selection of compensation strategy that has long term sustainability.

In Canada, Long, (2015) established that companies initiate compensation strategies which include direct or indirect monetary compensation and benefits. In competitive environment organizations have been balancing the financial compensation in form of wages, salaries, benefits, non-financial rewards to motivate their employees. Benefits in majority of the countries are geared towards health, improvement of quality of life and work related financial disruption (Ali and Raza, 2015). Such benefits include retirement benefits, employee assistance, disability benefit plans, medical among others. Ali and Raza (2015) argue that remuneration process affect the employer performance in the organization. Remuneration that improves and drive day to day activities for employee is considered (Andrews, 2016). However, there are areas where other compensation packages are appropriate. Most of the compensation packages are favourable based on the age of employee and nature of job. The packages dictate the employee retention and motivation is affected by the combination of compensation packages in the organization. Some of the challenges experienced at global scale are cost of doing business and high competition. It has resulted in majority of organizations focusing on technology instead of human capital. Despite the limitation of robotics, computer and artificial intelligence majority of organization are focusing on automation to reduce the compensation cost (Arasa, Ngui and Kimani, 2017). According to Mangale (2017) recognition and appreciation make employees perform in organization and indirectly motive employees to improve and increase effectiveness at work. According to Parsa (2017), allowances are important and have indirect effect on performance. Chrisman, Devaraj and Patel (2017) found out that incentive compensation had impact on firm performance. The authors allude that incentives given to employee is associated with employee motivation as part of compensation package. In Taiwan, Chun-Chang, Chia-Wei, Liang-Ting, Chi-Yi, Fang-Lin and Cheng, (2017) found out that basic pay, group bonuses and individual bonuses had influence on employee performance. Therefore, organizations tend to use favorable compensation package that would motivate the employees in attaining their desired goals (Kabiru, 2018). Incentive were found to affect productivity of employees. Similarly, Nisar and Siddiqui (2019) found that health benefits, leaves and flexible working enable employees to be satisfied in Pakistanian organization. However, Stittenthaler and Mohnen (2020) established that monetary or non-monetary had no significant difference on performance. However, male preferred monetary while female preferred non-monetary incentives.

Firm productivity is associated with the quality, quantity of work employee performance, effectiveness and equity within the organization. Globally, organizations are trying on different human resource practices to improve firm productivity. According to Jääskeläinen (2010) workplace or employee productivity is a process of evaluating workers on effectiveness and efficiency in task given. It reflects human resource effectiveness in undertaking the firms' goals and objectives.

Productivity can be used to measure financial or non-financial metrics in employee or organization's performance. Productivity in labour according to Chrisman, Devaraj and Patel (2017) which is achieved through incentive compensation improve firm performance. Chukwuma and Kifordu (2018) focused on employee productivity while examining morale as result of fringe Benefit in Nigeria oil companies. Similar, Ogohi (2019) in Nigeria also use employee productivity in relation to incentives improved organization effectiveness. The performance of employee has been used by Sittenhaler and Mohnen (2020) while evaluating between monetary or non-monetary incentives. In the current study productivity was conceptualized in terms of quality, quantity of work, effectiveness, employee performance and equity.

The symptoms of decline in productivity include low quality of tea, quantities of tea, ineffectiveness and poor employee performance (Monroy, Mulinge and Witwer, 2013). The worst decline in production was a drop of 65.19% which occurred between December 2014 and March 2015. It was due to low rainfall, low demand as result of political turmoil in importing countries, competition from other markets and poor employee performance. According to Kenya Institute for Public Policy Research and Analysis (KIPPRA) report of 2017, production of tea in Kenya had increasing trend until recently when the industry faced low international tea prices, high competition from tea growing countries and substitute products. Besides the international challenge, productivity has been declining as result of climatic changes as well as human resource related issues. There was need to investigate the causes of declining productivity in terms of quality, quantity work effectiveness and employee performance. According to Kenya Institute for Public Policy Research and Analysis (KIPPRA) report of 2020 there was sharp decline of 9.8 percent from December 2018 to March 2019 in west rift valley as well as east rift valley in Kenya. Therefore, the study assessed the effect of incentives on firm productivity of multinational tea companies in Kericho County, Kenya.

Objectives

To establish the influence of monetary pay on firm productivity of multinational tea companies in Kericho County, Kenya.

To examine the influence of allowance on firm productivity of multinational tea companies in Kericho County, Kenya.

To assess the effect of fringe benefits on firm productivity of multinational tea companies in Kericho County, Kenya.

To assess the effect of incentives on firm productivity of multinational tea companies in Kericho County, Kenya.

LITERATURE REVIEW

An empirical literature by Ahiabor (2013) investigated the incentives on the firms' productivity of Airport Company limited in Ghana. Questionnaires were used to collect data from employees. There was a positive association between incentive and firm productivity. Monetary incentive motivates employees to become effective while

non-monetary exceeded the impact of monetary incentive. The study was conducted in Ghana whereas the current study in Kericho County. Kamau (2013) investigated on fringe benefits and employee productivity in the public sector. The benefit under concern included medical insurance, pension plans, education reimbursement, and time off. The study utilized descriptive survey design. It targeted 189 state departments of water employees and 58 employees were sampled from target population using simple random sampling. The findings indicated that security, benefits like house, transport and meal allowances had positive significant effect on employee productivity. Some of the benefits like health and retirement benefits encourage older employees as well as young ones to work. Recognition and rewards assisted in improving employee productivity. The research findings showed there was significant effect of fringe benefits on employee productivity. The current study focused not only on fringe benefit but also allowance, incentives and firm productivity. Fringe benefit was found to have significant effect on firm productivity. Igbaekemem (2014) researched on monetary incentives and organizational performance. Monetary incentives motivate employees to improve performance. However, monetary incentive alone is not enough for motivation. There is need for both non-monetary and monetary incentives for employee motivation. In the current research monetary pay was described in terms of salaries, wages and overtime. The result indicated wages and overtime significantly affected the quality and satisfaction of employee. However, the salary of the organization was not satisfactorily. An empirical research on compensation and job performance was carried out by Akter and Husian (2016). Compensation schemes that were evaluated include equity based compensation, competency based compensation, outcome based compensation, performance based compensation and merit based compensation. The study extracted data from 261 employees of twenty ready-made garment in Chittangong, Bangladesh. It was found out that employees who are compatible with compensation scheme were able to improve the job performance in their organizations. The analysis showed existence of strong positive association between compensation and job performance. In the current study the results showed that compensation affected significantly firm productivity. Nyabuto (2016) examined the effect of compensation practices on employee performance. The study targeted Savings and Credit Institutions in Nairobi County in Kenya. A descriptive survey research design was utilized for the research. Target population was Thirty-three Savings and Credit Co-operative Societies. Questionnaire was used to collect data. The savings and credit co-operative societies used indirect payment to workers through retirement benefits, vision, disability, life, dental, insurance health schemes, bonuses, allowances, commission and direct remuneration compensation programs. Results indicated that long-term employees' productivity is influenced by the equity-based compensation program such as salary. The current study's findings indicated that monetary pay, incentive, fringe benefit and allowance contributed to firm productivity.

Mangale (2017) studied on the influence of compensation on employees' productivity at Kenya Literature Bureau, South C Nairobi. The focus was on Non-financial compensation, indirect compensation, direct financial compensation and compensation on employees' productivity. Descriptive research design was adopted.

The target population was one-fifty employees of Kenya Literature Bureau. Stratified random sampling was utilized in selecting 45 employees. Statistical Package for Social Science was used to aid in analyzing data. It was found that Kenya Literature Bureau is made up of knowledgeable and highly qualified experts in publishing. The company practice morals, unrestricted policy, answer-ability, clearness and unbeatable client service. The firm also recognizes and appreciates the effort of each employee towards the success of the organization. However, in the current study the focus was on incentive, fringe benefit, monetary pay and allowance which had positive influence on firm productivity. Chrisman, Devaraj and Patel (2017) examined the effect of incentive compensation on productivity of labour. Non-family and family firms were examined where analysis of 216,768 firms were used. The family business was found to be affected by adverse selection problems leading to low production of employees. Incentive compensation was found to impact on firm performance. Similarly, incentive had positive and significant influence on firm productivity in the current study. Parsa (2017) examined the effect of allowances on work creativity in a sample of 1 city and 4 Counties in the province of East Nusa, Tenggara. Path analysis was used in data analysis. The findings showed that evaluation of allowance received did not provide direct effect on teacher's performance in vocational schools. Evaluation of creative skills affected the performance of teachers. The results indicated that allowances received by the teachers had a positive indirect influence on teachers' performance through work creativity. The current study focused on compensation practices on firm performance. Allowance was found to have significant influence on firm productivity. Ogohi, (2019) investigated the effect of incentives and employees' productivity. The study sought to establish effect of incentives with employee productivity. The study was carried out in Nigerian organizations and questionnaires were utilized to collect data. Correlation Coefficient, Pearson Moment was utilized to establish the association between incentives and productivity. Incentives had positive significant on productivity. Monetary incentive motivated employees significantly and hence improve organization effectiveness. The current study incentive was operationalized in terms of bonuses, gain sharing and commission on sales on firm productivity. Bonus, gain sharing, commission and incentives had positive influence on production of firm. Fringe benefit was analyzed by Nisar and Siddiqui (2019) on employee satisfaction in Pakistanian organizations. Flexible working hours, recreation leaves and health protection benefits were examined on satisfaction of employee. Multiple linear regression and exploratory factor analysis was used to questionnaires from a sample of 200 respondents. Job satisfaction was positive and significantly affected by health protection and recreation leaves benefits. Nevertheless, flexible working hours was insignificant on job satisfaction. The current study will focus on firm productivity rather than job satisfaction. Fringe benefit had positive influence on productivity of the firm. Sittenhaler and Mohnen, (2020) examined cash, monetary and non-monetary incentives on performance of the firm. Gender was the controlled variable. Experimental analysis was adopted. The outcome showed that monetary or non-monetary incentive had no significant difference over performance of employees. However, male preferred monetary while female preferred non-monetary incentives.

The current study focused on cash bonuses, gain-sharing and commission on sales and the monetary incentives had positive significant influence on firms' productivity.

METHODOLOGY

The study adopted descriptive research design based on its ability to enable one to ask what, when, how, where and who questions. The study extracted data from 3 multinational companies in Kericho County. The companies comprised James Finlays Kenya Limited, George Williamson Limited and Unilever Limited and 99 staff comprised senior, middle and lower management. Census of all the 99 respondents were involved in data collection where data was collected utilizing a semi-structured questionnaire. Descriptive and inferential statistics especially the mean, standard deviation and correlation analysis as well as Analysis of Variance (ANOVA) were used.

RESULTS AND DISCUSSIONS

Descriptive statistics results of incentives and firm productivity used mean and standard deviation to interpret results.

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

Table 1: Reliability

Source: Research data (2021)

Table 1 indicates that monetary pay, allowance, fringe benefit, incentive and firm productivity had Cronbach Alpha above 0.7. Therefore, the research instrument was reliability.

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

Table 2: Monetary Pay and firm productivity

Source: Research data (2021)

Table 2 indicates that basic salary provided by the organization is insufficient monetary pay (mean of 2.7294) whose variance was low (standard deviation of 0.62851). However, wage rates were satisfactory in the organization (mean of 3.0706) and a low variable (standard deviation of 0.78359) The study revealed that overtime which was determined by number of hours worked increase quantity of work in the organization (mean of 3.7176) but variation in quantity was low (standard deviation of 0.73062). Monetary pay given to employee affected firm productivity (mean of 3.4471) though variance was low (standard deviation of 0.61777). Generally, there was some sufficient evidence that productivity didn't significantly vary much due to monetary pay (mean of 3.2412) which in turn had low variance (standard deviation of 0.88004).

.Nyabuto (2016) indicated that salary is a form of equity based compensation program had long term effect on firm productivity. However, in the current study salary was insufficient having low effect on productivity. Kabiru (2018) established that salaries affect the performance of employees. However, the current study examined monetary pay in form of salary which had significant influence on firm productivity.

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

Table 3: Allowance and firm productivity

Source: Research data (2021)

Results indicated that house allowance satisfactory helped employees to access convenient shelter for them to be comfortable at the work place (mean of 3.7529) The variation in comfort was low (standard deviation of 0.85782). The respondents somewhat agreed that commuter allowance was provided to facilitate travelling of employees to work (mean of 3.5176). However, variation in traveling to work was low (standard deviation of 0.64756). The firm provides good health care program through medical allowance which assists the employee of the organization to access good health care facilities (mean of 3.5176). There was no significant variation in accessing good health care facilities (standard deviation of 0.99537). Results indicated that allowances have some direct effect on firm productivity (mean of 3.2941) though the variance was low (standard deviation of 0.54362). The allowance provided in the

organization was sufficient (mean of 3.5206) though the variation was low (standard deviation of 0.76494).

Kamau (2013) used house, transport and meal allowance and the findings showed that the variables had positive significant effect on employee productivity. Nyabuto (2016) carried out a study and noted that allowance was used by savings and credit co-operative societies in Kenya. The results indicated that equity based compensation programs affect employees' performance. Parsa (2017) established that allowance had positive indirect influence on teacher's performance through work creativity. However, the current study's results showed that allowance affect productivity of the firm.

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

Table 4: Fringe Benefits and firm productivity

Source: Research data (2021)

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

Recognition and reward consisted of some fringe benefits which improve employee productivity (Kamau, 2013). Health benefits, recreation and leave had positive significant effect on employee satisfaction according Nisar and Siddiqui (2019). In the current study, leave, insurance cover and retirement benefits improved firm productivity.

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

Table 5: Incentives and Firm productivity**Source: Research data (2021)**

Organization offers sufficient bonus to employees as a compensation practice (mean of 3.8824). The variance was low (standard deviation of 0.79300). Gain sharing was found to be somehow significant incentive (mean of 3.6000) with low standard deviation of 0.62106. Incentive through commission due to increase in sales or production was given (mean of 4.0235,) but the increase didn't vary much (standard deviation of 0.51122). However, incentives have moderately, enabled the company to increase production (mean of 3.9529) but variation was low (standard deviation of 0.81512). Therefore, incentive was sufficiently provided for firm productivity (mean of 3.8647) whose variation was very low (standard deviation of 0.37708).

Igbaekemem (2014) argue that monetary and non-monetary incentives motivated employees. However, in the current study incentive had positive significant influence on firms' performance. Ogohi (2019) established that there existed significant relationship between monetary incentive and organization effectiveness. However, in the current study incentive had an effect on firm productivity. Sittenhaler and Mohnen (2020) established that there was significant difference between monetary and non-monetary incentives.

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

Table 5: Firm Productivity**Source: Research data (2021)**

The quality, in terms of yields of tea, somewhat affected firm productivity (mean of 3.4000) though variance was low (standard deviation of 0.56061). Quantity of work fairly improved firm productivity (mean of 3.6118) but variance was low (standard deviation of 0.84648). Effectiveness in the organization sufficiently improved firm productivity (mean of 3.7529) but productivity had low variation (standard deviation of 0.65294). Employee performance had satisfactory improvement on firm productivity (mean of 3.8941) which in turn didn't vary much (standard deviation of 0.61767). Hence, productivity of the firm in terms of quality, quantity of work, effectiveness, employee performance and equity moderately improved firm productivity (mean of 3.7529) whose variation was low (standard deviation of 0.65294). It revealed that quality, quantity, effective and employee performance sufficiently contributed to firm productivity (mean of 3.6824) though variance was (standard deviation of 0.46012).

Jääskeläinen (2010) established that employee productivity is an important process where effectiveness and efficiency are evaluated. In the current study employee effectiveness and employee performance both enhanced firm productivity. Chukwuma and Kifordu (2018) and Ogohi (2019) examined employee productivity in form of quality and quantity of yields of tea produced. In the current study productivity was improved through enhancement of quality of tea produced, quantity of tea yield, effectiveness of employees and employee performance.

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

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

Table 6: Analysis of Correlation using SPSS Version 21.0

Source: Research data (2021)

Table 6 shows correlation analysis existing between various compensation practices and firm productivity. The results indicated that monetary pay had weak positive significant correlation with allowance ($R=0.273$). Monetary pay had weak positive significant correlation with fringe benefit ($R=0.365$, but moderate positive significant correlation with incentive ($R=0.485$). However, allowance had strong positive

significant correlation with fringe benefit ($R=0.761$) but moderate positive correlation with incentive ($R=0.523$). Fringe benefit had moderate positive correlation with incentive ($R=0.698$). The results further revealed that monetary pay had strong positive significant correlation with firm productivity ($R=0.825$). This was followed by allowance with strong positive significant correlation with firm productivity ($R=0.760$, $P<0.05$). Incentive and fringe benefits had moderate positive significant correlation with firm productivity ($R=0.545$ and $R=0.538$ respectively). However, there existed strong positive correlation between fringe benefit and incentive as well as fringe benefit and allowance ($R=0.698$ and $R=0.761$ respectively).

Model	R	R Square	Adjusted R Square	standard deviation. Error of the Estimate	Durbin-Watson
1	.849 ^a	.721	.707	.24912	2.233
a. Predictors: (Constant), Incentives, Monetary Pay, Allowance, Fringe Benefits					
b. Dependent Variable: Firm Productivity					

Table 7: Analysis of Coefficient of Determination using SPSS Version 21.0

Source: Research data (2021)

Coefficient of determination shows that 72.1% of firm productivity was attributed to incentives, monetary pay, allowance and fringe benefits ($R\text{-Square}=0.721$). Other factors not considered in the study contributed to 27.9% of the variation in firm productivity.

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

Table 8: Analysis of Variance on Monetary Pay and Firm Productivity using SPSS Version 21.0

Source: Research data (2021)

Results shows that money pay had was significant ($F=3.767$, $P=0.001<0.05$). This implies that monetary pay plays a significant role in firm productivity.

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

Table 9: Analysis of Variance on Allowance and Firm Productivity using SPSS Version 21.0

Source: Research data (2021)

Allowance was significant ($F=15.311$, $P=0.00<0.05$). The finding revealed that allowance was significant in firm productivity.

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

Table 10: Analysis of Variance on Fringe Benefits and Firm Productivity using SPSS Version 21.0

Source: Research data (2021)

Fringe benefits was significant ($F=45.819$, $P=0.00<0.05$). Fringe benefits are crucial in firm productivity.

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

Table 11: Analysis of variance on Incentives and Firm Productivity using SPSS Version 21.0

Source: Research data (2021)

The results indicated that incentive was significant ($F=7.552$, $P=0.00<0.05$). Hence, incentives are key in firm productivity.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Standard deviation Error	Beta			Tolerance	VIF
1	(Constant)	.915	.294		3.109	.003		
	Monetary Pay	.669	.035	.822	19.114	.000	.763	1.310
	Allowance	.503	.055	.837	9.189	.000	.421	2.378
	Fringe Benefits	.215	.073	.322	2.966	.004	.296	3.376
	Incentives	.596	.107	.489	5.559	.000	.452	2.215

a. Dependent Variable: Firm Productivity

Table 12: Analysis of Coefficients using SPSS version 21.0

Source: Research data (2021)

Regression equation:

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

Where, Y = Firm Productivity, X_1 = Monetary pays, X_2 = Allowances, X_3 = Fringe benefit and X_4 = Incentives. The results revealed that a unit contribution of monetary pay, allowance, fringe benefit and incentive leads to 0.669, 0.503, 0.215 and 0.596 units increase in firm productivity respectively.

Implication to Research and Practice

The results revealed that all compensation practices in terms of Monetary payment, incentive, allowance and fringe benefit are significant in productivity of the firm. Management should be conscious while developing compensation package. An increase in monetary pay practices would have more quick effect on productivity, followed by incentive and allowance. However, Fringe Benefits would have the least effect on productive and therefore management should use it as the last option. This research would be applicable in development of compensation policies by business management. The policies would enhance performance through motivation by adopting the right combination of compensation practices.

CONCLUSION

The study concluded that incentive positively and significantly influenced firm productivity. It was attributed to bonus offered to employee hence high performance; gain sharing based on high performance of firm or department and commission offered on high sales and production. It is recommended that the firm should use and develop reward incentive beside bonus, gain sharing and commission to enhance firm productive.

Future Research

The study suggests further research should be done to examined the effect of compensation practices on profitability which should also be considered. This is because an increase in monetary pay which has the highest significant effect on productivity would lead to high cost of operation. This will affect profitability of the firm. Therefore, the study will enable balancing of compensation between profitability and productivity.

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