

Research/Technical Note

The Relationship Between Total Compensation and Employee Performance in the Insurance Industry, Case of Mayfair Insurance Company Limited

Christopher Muthusi Nzyoka¹, Bulah Hannah Orwa²

¹MSC Graduate, School of Business, Kenyatta University, Nairobi, Kenya

²Department of Business Administration, School of Business, Kenyatta University, Nairobi, Kenya

Email address:

chrisnzyoka@yahoo.com (C. M. Nzyoka)

To cite this article:

Christopher Muthusi Nzyoka, Bulah Hannah Orwa. The Relationship Between Total Compensation and Employee Performance in the Insurance Industry, Case of Mayfair Insurance Company Limited. *Psychology and Behavioral Sciences*. Vol. 5, No. 1, 2016, pp. 20-36. doi: 10.11648/j.pbs.20160501.14

Abstract: Today's organizations are operating in a dynamic and highly competitive environment which requires constant adjustment of competitive strategies to remain relevant. Total compensation is one of the ways an organization can build a competitive strategy for attracting, retaining suitable employees as well as maintaining peak performance. Mayfair Insurance Company Limited is an organization that offers both life and general insurance to both the individual and corporate clients. The management has set up compensation system in the organization in pursuit of increased performance and the general growth to ensure this is sustained. However, the relationship between the total compensation and employee performance at Mayfair Insurance Company Limited has not yet been established. This study was done to establish the relationship between total compensation and employee performance at Mayfair Insurance Company Limited. Specifically the study will try to establish the relationship of various components of compensation including basis pay, incentives, benefits, non-financial rewards including career development, flexi work schedules and recognition and appreciation. The study will adopt descriptive research design. A sample size of 100 employees of the company was selected from 334 total employees using stratified random method. Data was collected using questionnaires and descriptive statistics (frequency tables and percentages) has been used to present data. Data was analysed using Statistical Package for Social Sciences (SPSS) computer package. Conclusions have been based on findings that there is a positive significant relationship between Total compensation and employee performance at Mayfair Insurance Company Limited and recommendations with benefits, recognition and appreciation being key factors in compensation. This study found the need for comparative studies in other industries like manufacturing and use of varied factors to reach a conclusive finding for generalised findings.

Keywords: Compensation, Employee Performance, Descriptive, Insurance Industry, Relationship

1. Background of the Study

Today's reality in the global world is that people influence important aspects of organizational performance in a multitude of ways. People conceive and implement the organizational strategy, while the mix of people and systems mostly determine an organization's capabilities.

Competencies are required to execute the strategy, and these competencies are primarily a function of the skills and knowledge of an organization's human capital. Therefore, if an organization is to treat its employees as its most important asset, it has to be knowledgeable about what it is that

motivates people to reach their full potential (Lawler, 2003). It is not easy though to know all the things that motivate people in life or at work but an effort has to be made.

Compensation is one of the strategies used in Human Resource Management for attracting and retaining useful employees as well as facilitating them to improve their performance through motivation. Employees seek employment to earn a salary to satisfy their needs. On the other hand, employers pay for services rendered and also to sprout performance. It is only fair and just to compensate employees for their efforts.

Employees seek employment to earn a salary to satisfy their

needs. On the other hand, employers pay for services rendered and also to sprout performance. Different Human resource theories and Models hold different views in regard to employee pay composition and level. While the Michigan's model of Human Resource Management hold employees pay as a cost just like any resource, the Harvard's see it as a necessary motivator to performance. Managers believe or hope that compensation is a strong determinant of performance, attitudes, motivation as well as organizational esteem.

But at what level and mix is compensation most effective in determining level of performance. Opsal and Dunnette (1966) provide evidence that yes compensation in its various forms affect employee – Organization relationship. Most of the study in this filed has been conducted in relation to the various forms of compensation and performance. When high performance results in pay increase, high performance is reinforced and more likely to be repeated in future in line with expectancy theories. Gerhert and Milkovich (1992) argue that there is strong evidence that individual incentive, merit pay, bonuses and gainsharing can contribute to higher performance under the right circumstances. All these are reinforcers of past performance. With the current trend of CEO's pay skyrocketing and presenting a big gap between them and other workers, there is no evidence that this trend has ensured their continued superior performance. In stressing economy of high wages theory, Michael Armstrong (2006) states that firms will pay more than market rate because they believe that high level of pay level contribute to increase in productivity by motivating superior performance and persuading workers that they are being treated fairly.

Gerhert and Milkovich (1992) put it that despite compensation being possible contributor of high performance, we don't know how pay characteristics affect employee attitudes and behaviours and consequently performance. One of such unknown characteristic is the amount of total direct payment or compensation level that each employee is given in exchange of labour provided. A number of factors affect compensation level such as nature of work, experience required, supervision level, authority attributes, tenure with the organization, compensation policies e. tc. However still it remains an empirical question as to effect of level of pay on performance. Despite the widely accepted assumption that high level of compensation results in superior performance remains untested, there is no empirical evidence to provide the link.

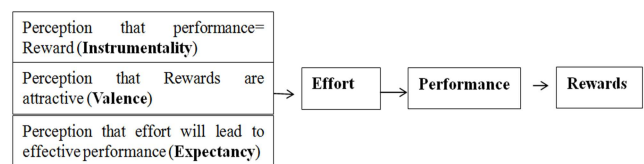
1.1. Theoretical Background

This study is based on Adam Stacy (1963) Equity Theory of Motivation and Victor Vroom (1964) Expectancy Theory. The Equity Theory states that employees expect fairness when being rewarded for the work done. The theory was developed from the Hertzberg's job satisfaction theory and linked to the reward system by Adam Stacy. An important factor in employer's motivation is whether individuals perceive the reward structure as being fair. The Equity theory essentially refers to an employee's subjective judgment about the fairness of the reward she/he got in comparison with the inputs (efforts,

time, education, and experience) when compared with others in the organization. The Equity theory of motivation concerns on the people's perception and feelings on how they are treated as compared with others (Armstrong, 2001). The argument is that people work well in accordance to what they regard as fair. Employees consider whether management has treated them fairly, when they look at what they receive for the effort they have made. Maicibi (2003) agrees with this that employees expect rewards or outcomes to be broadly proportional to their effort.

On the other hand, the Expectancy theory helped the study to understand how individuals are drawn to make decisions as regards various behavioural alternatives and perceptual differences among people. It also suggests that motivation is based on how much one wants something and how likely he/she could get it (Bodden, 2008). This is because the motivational force of every individual is influenced by his or her expectancies, valances all of which depend on a personal way of perception. The formal framework of expectancy theory was developed by Victor Vroom (1964). This framework states basically that motivation plus effort leads to performance, which then leads to outcomes. According to this theory, three conditions must be met for individuals to exhibit motivated behaviour and these include: effort to performance expectancy must be greater than zero, performance to outcome expectancy must also be greater than zero, and that the sum of the valances for all relevant outcomes must be greater than zero.

The Expectancy theory explains that in any given situation, the greater the number and variety of rewards that are available to the employees (teachers), the greater is the probability that extra effort will be exerted in attaining the set goals or targets in the hope of getting the desired rewards (Bodden, 2008). Gerald Cole (2004) agrees with this and explains that Vroom focused especially on the factors that are involved in stimulating an individual to put an effort in doing something since this is the basis of motivation. The outcomes are the consequence of behaviour which now results in superior performance.



Adapted from Gerald Cole (2004).

Figure 1.1. Expectancy Theory Framework.

The above model developed by Vroom indicates the components of effort that can lead to relevant performance and the appropriate rewards. Vroom defines the anticipated satisfaction an individual hopes to get from the outcome or reward. According to Vroom, the three factors; Expectancy, Instrumentality and Valence combine to create a driving force which motivates an individual to put in effort and achieve a level of performance to be rewarded in the end.

1.1.1. Conceptual Background

Total Compensation is used within organizations to spur performance of employees through motivation. It has been used to refer to rewards which Zigon (1998) defines as something offered after an action to increase occurrence of the same action which obviously points out to repeat of desired performance. Another goal is to attract and retain best talents within the organization. To achieve these goals, compensation needs to be aligned to organizational strategies (Allen, Helms 2002). For example a company pursuing differentiation strategy could use compensation to foster innovation among the employees to provide unique products while a company pursuing cost reduction could use compensation to foster wastage reduction.

According to Zigon (1998) Managers have a wide variety of rewards to offer to employees at various cost levels which employees may find appealing. This requires understanding of individual employee preferences since employees are different. As well as monetary rewards, non-monetary rewards can be a strategy of comprehensive performance improvement. Employees appreciate being recognised by people they work directly under (Nelson 2004). Allen and Helm (2002) confirms the importance of regular expression of appreciation by managers and leaders to encourage behaviour of employees to attain set goals. Reward system is the degree to which rewards are allocated according to employee's performance in contrast seniority, favouritism, or any other performance criterion. According to Jacob (2005) organization reward system should be perceived by employees as reinforcing the notion that most employees are good performers and there should be a linkage between reward and performance.

The definition Total compensation encompasses 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. We can say it is the total cost an employer pays for the employee and on account of the employee. The system also incorporates non-financial rewards such as recognition, praise for achievement, responsibility, professional growth and performance management process (Armstrong 2001). In other words, employees perform better when they feel strongly connected to and valued by the organization.

Performance refers to the results of an activity according to Boddy (2008). Upon individual results, there are various models of total compensation within the Insurance industry. Among the commonest model is base pay with commission based on performance. Targets are set and variable pay tied on each target of achievement. This model is common for sales people within the industry. The other model which comprises of management staff is knowledge and skill based pay where individual employees are compensated according to how their skills and knowledge matches with the Job specification. These skills are believed to increase performance Oden (2002). Knowledge and skill based pay differs from merit pay in that it provides clear guidelines on what is being evaluated. In most job advertisement, Job specification is provided with a statement that package will be competitive depending on skills

and knowledge. Another common compensation model common in insurance industry is group periodic bonus which is based on overall organizational performance. This may be pegged on salary level or a flat rate for the various groups eligible to the bonus.

1.1.2. Contextual Background

Mayfair Insurance Company Limited is a Limited Liability Company providing General insurance to businesses and individual in Kenya. It is one of the fastest growing companies with a gross premium of more than 1.53 billion (Dec 2013) and an ambitious vision of becoming the largest insurer in Kenya. It was incorporated in 1995 and already has its presence in Lusaka, Zambia. The mission incorporates maximising shareholder and other stakeholders' values, employees are part of stakeholders and this makes it a good choice for the study.

Just like any other insurance company, Mayfair compensates employees using various forms of rewards with basic salary and commissions being the preferred. It is very important for the organization to develop and implement compensation design that motivates its employees to achieve their targets and for the organization to achieve its mission. The management of Mayfair Insurance Company Limited needs to understand what motivates their employees in terms of Compensation components since motivation is understood to be individual. They might be implementing their compensation strategies and policies without understanding of their employees' needs. This problem can be overcome by conducting this study to understand the relationship between Total Compensation and Employee Performance. The study would be appropriate to Mayfair Insurance Company Limited because it will address challenges faced while implementing compensation strategies taking employees perceptive hence satisfaction and improvement of performance that will in turn increase productivity and help the organization achieve its ambitious mission.

1.2. Statement of the Problem

Taylor (1856 – 1915) and Gilbreth (1868 – 1924) believed that employees don't like to work, therefore they have to be motivated in order to work. Organizations have been implementing Compensation policies without knowledge of the relationship of such compensation mix with the employee performance. This study examines relationship between Total compensation and Employee performance. Several studies have been done in the field of rewards and employee performance but empirical gaps have been identified from limitation of such studies and the recommendations for further studies.

Njanja, Maina, Kibet, Njagi (2013) in their study Effects of Reward on employee performance using correlation research design, examined 84 employees of Kenya power and Lightning Company Limited, Nakuru, Kenya, observing that cash bonuses had no significant relationship with performance. Those receiving cash bonuses and those not receiving performed the same. It was perceived that cash bonuses have a significant influence in motivating employees to performance;

however the relationship was significant only when it comes to attendance.

The researchers recommended that organizations should strive to understand their employees in developing pay systems as there is no perfect system. Motivation is personal and what motivates one employee may not motivate another. They suggested further studies to examine relationship of performance with other rewards.

Duberg, Mollen (2010) undertook study on reward systems within the health and geriatric care sector. They examined how reward systems in health and geriatric care are developed and whether the current reward systems affect the care quality. The methodology took a qualitative approach and interviewed six leaders of the sector. Two were from geriatric care and four in health care. The findings were that salary is an important aspect in the rewards system; however other incentives like bonus were seen to generate an enjoyable work place and happy workers than motivating employees to be more efficient. The researchers recommended that further studies should be done to compare reward system and investigate its impact on employee performance other than organizational performance.

Gohari, Ahmadloo, Boroujeni, Hosseinipour (2013) in their study Relationship between Reward and employee performance in Malaysian Tourism Companies using backward multiple regression technique examined 77 employees of two companies. The research method was quantitative using questionnaire as collection instruments. Demographic factors were introduced into the study concluding that although all reward types have a direct positive relationship with employee performance, based on correlation test intrinsic types lose their importance when they are considered in a more comprehensive model including other rewards. They recommended further studies on compensation variables since they are numerous.

Gunu (2010) in the study influence of Compensation on Performance of Sales Representatives of Pharmaceutical Companies based in Ilorin Nigeria, employed Convenience sampling design to select sample and questionnaire was used as primary data collection tool. The study examined link between reward and individual performance and the type of rewards that elicit greater performance among sales people. The research findings were that there was a significant relationship between rewards and performance. The study recommends that experience of sales people should be plank to determine their compensation and salary should be emphasized rather than combination of salary and commission to enhance their performance. Further studies could be done on other sectors or examine other employees besides sales representatives.

The above empirical studies have addressed the element rewards, concentrating more on the effects and process without addressing the total compensation and the relationship with employee performance. The current study will bridge this gap and answer the question, "what is the relationship between organizational Total compensation and employee performance at Mayfair insurance Company Limited?"

1.3. Research Objectives

1.3.1. General Objectives

The General objective of the study is to determine the relationship between total compensation and employee performance at Mayfair Insurance Company Limited.

1.3.2. Specific Objectives

To identify the various types of compensation used at Mayfair Insurance Company Limited and how each relates to Employee performance.

1.4. Research Questions

The study will be guided by following questions:-

What are the components total compensation used at Mayfair Insurance Company Limited?

What is the relationship between these components of compensation and employee performance at Mayfair Insurance Company Limited?

1.5. Significance of the Study

The study will contribute positively towards academic scholarly as findings of the study will be available for future references. Little empirical study has been done on the Relationship between Total Compensation and Employee Performance and this study shall add to such body of knowledge.

Conceptually, this study will empirically verify relationship between Total compensation and employee performance at Mayfair Insurance Company Limited. This would form a basis for future studies on other factors that affect performance of employees at Mayfair Insurance Company Limited.

This study will be invaluable to Mayfair Insurance Company Limited management in that it will provide an insight into various components and mix of Compensation, and their relationship with employee performance which is necessary for policy formulation and decision making.

Furthermore, the findings and recommendations of this research will not only be implemented in the Insurance industry, but could also be applied in other industries. The Government ministries and agencies will make use of this study, as it will provide complimentary knowledge useful in formulation of policy and regulatory framework especially in labour management practices in view of Relationship between Total compensation and employee performance.

2. Literature Review

2.1. Compensation

Compensation is made up of several components, base and variable pay, equity, incentives and benefits. These elements can be grouped into financial compensation and non-financial compensation. A well designed compensation framework needs to be developed and grown within the unique environment of the organization (Wilson, 2003). A well designed compensation framework rewards measurable changes in behaviour that

contribute to clearly defined goals. The challenge in determining such program lies in what mix of rewards will 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.

Increasing payroll costs in the global market have led managers to search for ways to increase productivity by linking compensation to employees' performance (Brown, Armstrong, 2000). A number of studies indicate that if pay is pegged to performance, the employee produce a higher quality and quantity of work (Lawler, 2000). Early evidence found in Hammurabi code written in the 18th Century B. C, have linked use of minimum wage, fixed wage, and incentives rewards to performance (Peach, Wren, 1992)

Rewards bridge the gap between organizational objectives and individual expectations and aspirations. To be effective, organizational total compensation systems should provide four things: sufficient enough to fulfil basic needs, Equity with external references, Equity with internal references, and treatment of each member of the organization according to their individual needs (Milkovich and Newman, 2005)

2.2. Total Compensation and Performance

Total Compensation encompasses more than the monetary payment for work, it is the total of all the rewards provided to an employee in return for their services (Monday, 2008). Total compensation is the combination of four core elements: - pay benefits, financial incentives and non-financial compensation. Different names have been attributed "Total Pay" (Zingheim and Schuster, 2008), "Compensation package" (Sturman, 2001), and "direct and indirect compensation" (Heneman and Schwab, 1985). Compensation is the methods and practices of maintaining balance between interests of operating the company within the fiscal budget and attracting, developing, retaining, and rewarding high quality staff through wages and salaries which are competitive with the prevailing rates for similar employment in the competitive market. It should be noted level of compensation differs from increase in compensation. In this study we are examining level of compensation; total reward which Manus and Graham (2003), defines as the all types of rewards indirect as well as direct, and intrinsic as well as extrinsic. Total reward maximizes the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. O'Neal (1998) has explains that total reward embraces everything that employees value in the employment relationship and we could assume this includes esteem. There is empirical evidence that pay increase in line with expectancy theory increases performance.

2.3. The Relationship Between Financial Rewards and Employee Performance

Financial or extrinsic rewards are external to the job and includes elements like basic pay, fringe benefits, promotions, job security, private office space, merit pay, compensatory time off (Mottaz, 1985; Mahaney, Lederer, 2006)

Extrinsic rewards are often paid for an organization to demonstrate its seriousness in valuing performance or employee contribution to organizational goal. Application of extrinsic rewards is tightly related to performance and motivates employees to be hungry for money and hence destroy their intrinsic interests in the job (Balkin, Dolan, 1997). Giving rewards has become part and parcel of organizational policies as it has shown to improve workers performance. Extrinsic rewards drive workers morale and the contribution of the rewards has existed in organizations especially in accordance with performance evaluation (Appelbaum, Schroeder, Cain, Mitroff, 2011). However, according to Wood (1974), highly involved workers who are more oriented to their occupations are dependent more on intrinsic than extrinsic rewards.

2.3.1. The Relationship Between Pay and Performance

All businesses use pay, promotions, bonuses or other types of rewards to motivate and encourage high-level performance of employees. In motivating high performance, money is the fundamental inducement; no other motivation technique has been applied widely than pay due to its influential value. When there is good performance measurers, performance pay can enhance employee productivity and improve match quality (Lemiux, MacLeod, W. B, Parent, D., 2009). However performance pay is constrained by available performance measurers.

Two extrinsic reward types, which include suitable earnings (bonus and pay), and job security are the most important factors in rewards (Kulkarni, 1983). Paying is a vital factor which affects employees' motivation (Kalim, Syed, Muahmmad 2010). Rewarding is an initial step just like any other Human Resource Operation especially when it confronts with salary, pay and financial recompense. For pay to be effective to spur performance, it has to be seen as fair. This means there has to be openness with respect to information about how the reward system operates and how the employees will be rewarded. Employers' plans on rewarding systems are based on their employees' efficiency and effectiveness in line with equity theory and employees should be involved in designing the reward system and its administration (Jenkins, 1992).

Standard pay techniques provide for minimum compensation for a particular job, it does not reward above-average nor does it penalize for below-average performance and is meant to give employee some stable income. Pay for performance correct this problem. Either plan presents challenges owing to the fact that some jobs may be easy to perform while others may be difficult to measure. Similarly in group incentive, some members are performers while others end up punishing the rest from their poor performance (Luthans, 2005). Performance based pay includes two types: individual performance based pay and group performance based pay and includes pay, promotion and other types of pay (Milkovich, Newman, 2009). Although pay can be presented in different types, managers mostly use common method of adding extra money to the base wage (Chang, Hahn, 2006)

2.3.2. The Relationship Between Promotion and Performance

Promotion is an important feature of employee's lifestyle and occupation, affecting other job experience levels (Blau, DeVaro, 2007) and can have effects on satisfaction and attachment levels. Firms can apply promotion as compensation for highly performing employees, developing and encouraging them to even superior performances. According to Herzberg (1986), providing employees with opportunities to advance in their company through internal promotions acts as a motivator to work. Simon and Enz (1995) and Wiley (1997) found that promotion and advancement opportunity to be among the best tools to motivate employees.

Behaviour of employees in their workplace is related to satisfaction in their careers (Riketta, Dick, 2005). Efforts by management to establish promotion opportunities contribute to employees' job satisfaction and acts as a motivator for job performance (Harrison, Novak, 2006).

2.3.3. The Relationship Between Bonus, Fringe Benefits and Performance

Bonuses and fringe benefits are other forms of compensation awarded to employees for good performance in order to motivate them to even better performance. Bonuses are used where employees have performed higher or exceeded their set targets (Finkle, 2011). The amount of bonus is determined by how much the employee has exceeded target. Employees tend to decrease wages once several benefits such as Medicare, bonus, and annual leave are offered to employees after few years of employment (Baughman, 2003). Employees view benefits and wages as substitutes, willing to give up wages for more benefits (Woodbury, 1983). Powel and Wood (1999) said some reasons cited for high turnover are low compensation, inadequate fringe benefits among others.

2.4. The Relationship Between Non-financial Rewards and Performance

Non-financial rewards include higher status, recognition, more responsibility, positive feedback, and more assertiveness. Recognition is one of the main rewards highly regarded by employees. Being noticed and valued can be a majestic motivator which encourages workers to stay with managers and perform better (Frey, 1997)

Although extrinsic rewards enhance a subsistence level; the intrinsic ones are strong motivators just as much. Staffs need to be motivated by doing an effective job and feeling to do something valuable and worthwhile. However both extrinsic and intrinsic rewards stimulate the employee to have higher level of performance and productivity (Reio, Callahan, 2004). Overall, intrinsic motivation obtained from person or its movement, impacts the performance and well-being feeling (Ryan, Deci, 2000)

Other intrinsic rewards include subsidized membership, free teas, flexible working hours, cinema tickets, birthday and holiday presents. These benefit types are valued by employees since they enhance work life. Intrinsic rewards exist within the job itself. According to Ryan and Deci (1985), intrinsic rewards like self-determination obtained from intrinsic

motivation, gives satisfaction to a person without any paying. Franken, 2002, states 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.

2.4.1. The Relationship Between Appreciation, Recognition and Performance

Appreciation is a fundamental human need. Employees respond to appreciation expressed through recognition of their good work because it confirms their work is valued. Psychological rewards such as recognition and appreciation plays an important role in motivating employees raising their performance. Relevantly, the employees' commitment is based on appreciation and rewards (Andrew, 2004). This is built on trust relationship so that employees realize that leaders (Managers) have their interest at heart. In this regard, staff with good performance will predict that their significant contributions will be realized and valued by the top managers (Bowen, 2000). Alternatively, when employees are appreciated and recognised, in response they feel indebted and in response increase their performance.

2.4.2. The Relationship Between Delegation and Performance

Delegation is a process of assigning tasks to subordinates, giving responsibility to them for formal decision making and raising the amount of allowed job related discretion to subordinates. It involves authority to make decisions without seeking approval from managers (Yukl and Flu, 1999). Delegation puts emphasis on subordinate's autonomy on decision making (Leanna, 1986) and is different from participation in that it includes decision making by individual subordinate and not by subordinates as a group. Delegation is a known necessary factor of effective management and raises employees' empowerment which in turn motivates them to superior performance. Delegation has an advantage in that it fulfils managers need for success and autonomy by introducing stimulus for more entrepreneurial behaviour and motivation (Mintzberg, 1979), It decreases work overload for upper level managers (Yukl and Flu, 1999), It provides an area for strategic training to confront challenges in upper levels in future by exposing subordinates to decision making and finally Subordinates are provide with an opportunity to prove their speciality in particular problems, this would improve quality of decisions employees makes (Ito, Person, 1986). Delegation has job related consequences such as satisfaction and subordinate performance (Johnstone, 2000)

2.4.3. The Relationship Between Empowerment and Performance

Empowerment is the process of gaining control, feeling of autonomy and not being controlled (Deci, Ryan, 2000). It is the degree of authority enjoyed by a subordinate. Empowering

others is a leaders' ability which allows them to reinforce and develop their constituents by sharing power and giving visibility and give credits to their employees (Kouzes and Posner, 2002).

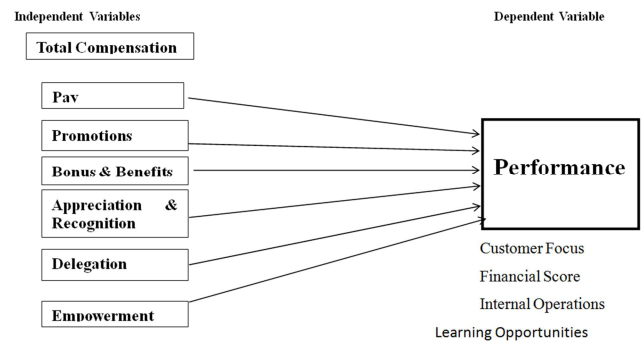
Empowerment has been in the forefront of productivity and quality improvement effort (Sandbulte, 1992) and that it is a good strategy to motivate employees in order to increase job satisfaction and loyalty and thereby increase performance (Lister, 2004, Payal, 2005). Empowerment works when employees need the organization as much as it needs them (Johnson, 1993) Empowerment of people is a major contributor to the development of subordinates by allowing them to do extremely well by investing in themselves, even at the risk of making mistakes (Page, Wong, 2000). To reach the level of empowerment, leaders should give protection, instruction, advice, instruments and all other needed resources to ensure knowledge and development is being managed. The employee on the other hand, should have feeling and attitude towards – I can do, and the leader must nature this feeling instead of being quick to criticize. Leaders should train, support and help employee's nature and improve their competencies. Emotionally, leaders should be responsible for generating interest and hope. That emotion will cause intrinsic motivation which will lead performance to soar in turn (Goleman, Boyatzis, McKee, 2004).

2.5. Employee Performance

Employee performance is about employees achieving the results, goals or standards as per the expectations set by the organisation. Employees are rated on how well they do their jobs compared to the performance standards set. In short, it is the accomplishment of a given task measured against pre-set standards of accuracy, completeness, cost, and speed, the initiatives they take, their creativity in solving problems and the resourcefulness in the way they utilise their resources, time and energy (Rothman, Coetzer, 2003). Measuring performance is of great importance to an incentive plan because it communicates the importance of established organizational goals. "What gets measured and rewarded gets attention" (Bohlander, Snell, Sherman, 2001).

In discipline of human resource management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of royal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, 2008; Armstrong, 2006). Performance can as well be measured by the various methods of performance appraisal including Management by Objectives (MBOs), Behaviorally Anchored Rating Scales (BARS), Assessment Centers, and Cost Accounting Method among the modern ones.

2.6. Conceptual Framework



Source: Researcher 2015.

Figure 2.1. Conceptual Framework.

3. Research Methodology

3.1. Introduction

This section is about the methodology that will be applied in the research. It describes the research design, the target population and sample size, research instruments, methods of data collection and data analysis.

3.2. Research Design

This study will employ descriptive research design which is a design which attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated by Cooper and Schindler (2003). Thus, this approach is appropriate for this study as it will help to describe the state of affairs as they exist without manipulation of variables which is the aim of the study. According to Churchill (1991) descriptive study is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. Orodho, (2004) notes that the choice of the descriptive research design is made based on the fact that in the study, the research is interested on the state of affairs already existing in the field and no variable will be manipulated. Further, according to Bryman and Bell, (2003) descriptive study is concerned with determining the relationship between variables. Mugenda and Mugenda (2008) state that the descriptive survey research design is a method which enables the researcher to summarize and organize data in an effective and meaningful way.

3.3. Population of Study

The population of the study will be comprised of 334 employees of Mayfair Insurance Company Limited. According to Kothari (2004), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. Mugenda and Mugenda (2008), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. This definition

assumes that the population is not homogeneous.

3.4. Sampling Design

A sample is a smaller group or sub-group obtained from the accessible population (Mugenda, 2008). This subgroup is carefully selected so as to represent the whole population with the relevant characteristics. Each member or case in the sample is referred to as subject, respondent or interviewees. Sampling is a procedure, process or technique of choosing a sub-group from a population to participate in the study (Ogula, 2005). It is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected. The study will apply stratified random sampling procedures to obtain the respondents for questionnaires. The sample frame of the study includes a representative sample of employees within the four departments of the organization (Human Resource and Administration, Finance, Operations, Sales and Marketing). At least 30% of the total population is representative (Borg and Gall, 2003). Thus, 30% of the accessible population is enough for the sample size.

The table below shows how the sample will be selected:

Table 1. Sampling frame.

Department	Total Population	Sample Size (30% of total population)
Administration	27	8
Finance	7	2
Operations	80	24
Sales & Marketing	220	66
Total	334	100

Source: Mayfair Insurance 2015.

3.5. Data Collection

A primary data collection instrument will be used during the study; a questionnaire. The reason for choosing questionnaire as the data collection instruments will be primarily due to its practicability, applicability to the research problem and the size of the population. A self-administered questionnaire with both open and closed ended questions will be developed and administered to obtain information from the 100 respondents. The questionnaire will have four major sections. The first part will seek demographic information of the respondents while the second part will seek information on organizational change. Part three will try to understand employee perception of organizational change while the fourth part shall concentrate on employee performance.

3.6. Reliability and Validity

Validity is the extent to which the instrument collects data that it is meant to collect. It is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. In this study, to confirm the reliability of the questionnaire a pre-test of 10% questionnaires will be given to school of business students at Kenyatta University to respond to the questions, this will be

done to test the reliability in terms of time taken to fill the questionnaire. It will also be used to measure the validity in respect to conceptual framework and whether it relates to the research objective. The researcher will obtain necessary approvals from the University and Management of Mayfair Insurance Company limited. The respondents will be taken through the questionnaire for the purpose of clarity. The questionnaires will then be distributed to the respondents through the Human Resource Office to be collected later.

3.7. Data Analysis

Data analysis is the whole process which starts immediately after data collection and ends at the point of interpretation and processing data (Kothari, 2004).

3.7.1. Qualitative Data

All the qualitative data collected from key informants will be edited on a continuous basis to ensure completeness. Data collected with the use of questionnaires will be put into meaningful and exhaustive categories. Content analysis will be the main method of analyzing the data collected. Data collected will be categorized according to emerging variables from each question in the questionnaire. Presentation of results will be in prose form.

3.7.2. Quantitative Data

Data collected at the end of each day, will be checked to ensure regularity and accuracy; this will be useful in ensuring that the objectives of the study are addressed. Analysis will be done according to the objectives of the study, data generated by questionnaires will be cleaned, edited and coded before analysis is done; the statistical package for social sciences (SPSS) will be used whereby frequencies and percentages generated from the various data categories will be computed and the information presented in different charts and tables form. Correlation analysis will be done to bring out the relationship between the studies variables.

Finally, conclusions and recommendations will be derived and presented in chapter 5. Triangulation of these methods will be correlated to improve on the validity and richness of the information gathered.

3.8. Ethical Considerations

In this research study, issues relating to the ethical conduct of research such as informed consent, confidentiality, privacy and anonymity will be upheld. According to Mark Saunders, Philip Lewis, Adrian Thornhill (2009), ethics is the norms or standards of behaviour that guide moral choices about our behaviour and our relationships with others. Participants and respondents will be given full information on the purpose and objectives of the study in order for them to make informed decisions as to whether to partake or not. Moreover, all information concerning the identity and personality of respondents will be treated with utmost confidentiality. Additionally, all information gathered will be used for the sole purpose of this research study.

4. Data Analysis, Results and Discussion

4.1. Introduction

This chapter presents the data analysis, presentation and interpretation of findings. Analysis has been done using correlation analysis and presented in tables and charts.

4.2. Response Analysis

The researcher targeted 100 employees of Mayfair Insurance Company limited and 91 of the sampled population answered the questionnaire, where 3 questionnaires were invalid. This represents 89% response rate of the questionnaires analysed.

4.2.1. Gender Analysis

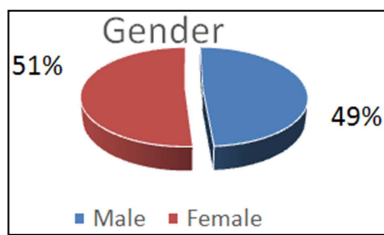


Figure 4.1. Gender Analysis.

Source Mayfair Insurance 2015.

51% of the respondents were female while 49% were Male. Gender is well represented at Mayfair Insurance Company Limited.

4.2.2. Age Analysis

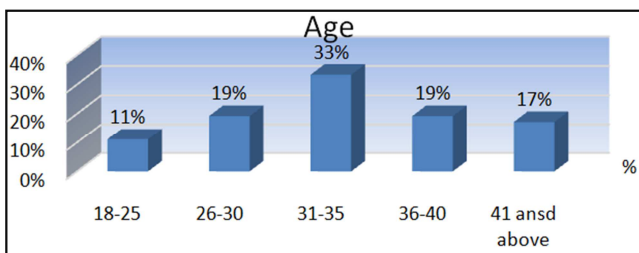
The company has a well spread work force with the majority falling within the productive bracket (18 – 40 years). The median bracket (31-35years) has the highest percentage of 33% further supporting the productivity capabilities.

Table 4.1. Age Analysis.

Age	%
18-25	12%
26-30	19%
31-35	33%
36-40	19%
41 and above	17%

Source Mayfair Insurance 2015.

The figure shows percentage of employees from age 18 years to above 41 years.



Source Researcher 2015.

Figure 4.2. Age Analysis.

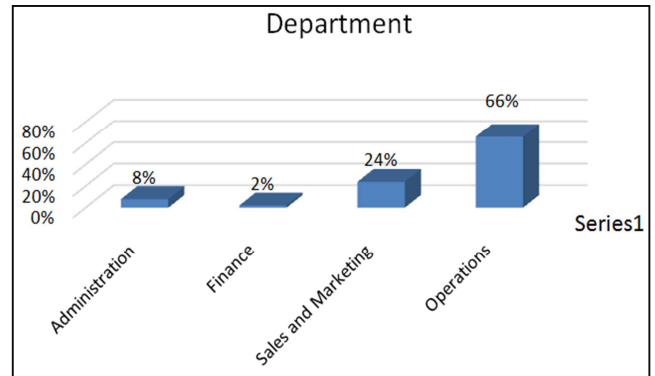
4.2.3. Department Analysis

Table 4.2. Department analysis.

Department	Sample size
Administration	8%
Finance	2%
Sales and Marketing	24%
Operations	66%

Source Mayfair Insurance 2015.

The Table shows distribution of employees within the four departments.



Source Mayfair Insurance 2015.

Figure 4.3. Department Analysis.

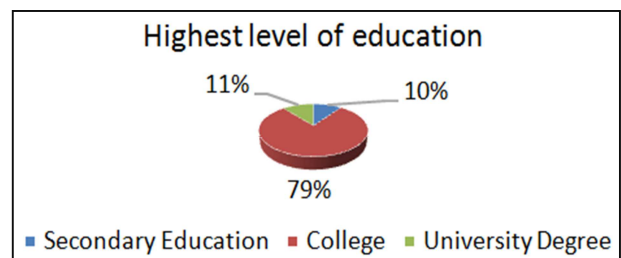
The survey involved 100 staff, 8% of them were drawn from administration, 2% drawn from finance, 24% from sales and marketing department while 66% from operation. Table 4.2 and Figure 4.3 shows employee distribution within the departments.

4.2.4. Education Analysis

Table 4.3. Education Analysis.

Secondary Education	10%
College	79%
University Degree	11%

Source Mayfair Insurance 2015.



Source Mayfair Insurance 2015.

Figure 4.4. Education Analysis.

On level of education 79% of the staff surveyed are diploma holders, 11% are degree holders and 10% secondary graduates.

4.3. Correlation Analysis

4.3.1. Correlations on Extend of Employee Basic Pay and Employee Financial Score

Table 4.4. Correlation Analysis Base pay and relationship with employee financial score: Source Researcher 2015.

Correlations Analysis Between Total Compensation and Employee Financial Score Performance			Employee Performance-Financial Score Variables			
Employee performance and basic pay Variables		Pearson Correlation	I am satisfied with my compensation and therefore I meet my targets thus contributing to financial performance	The rate of return on human capital is good due to compensation system	I have earned a salary review as a result of my performance and have been as well promoted	Due to my total compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit period.
			I believe that am adequately paid compared to my work	Pearson Correlation	0.161	0.061
I believe that am adequately paid compared to others doing similar job.	Pearson Correlation	0.335**	0.276*	0.589**	0.562**	
My salary motivates me to stay with the current organization	Pearson Correlation	0.102	0.429**	0.332**	0.475**	
My salary is adequate to maintain my lifestyle	Pearson Correlation	0.129	0.373**	0.609**	0.617**	
I work hard to earn a good salary	Pearson Correlation	0.239*	0.384**	0.688**	0.577**	
I work hard because I believe my salary is comparable to my effort	Pearson Correlation	0.352**	0.389**	0.569**	0.506**	
My additional input gets rewarded by the organization	Pearson Correlation	0.121	0.340**	0.523**	0.487**	

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

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

Employees who had high agreement levels to the statement that; “I believe that am adequately paid compared to my work” also had significantly (P value < 0.05) high agreement levels to the following financial performance parameters;

- I have earned a salary review as a result of my performance and I have as well been promoted (0.430**; weak positive but significant correlation).
- Due to my total compensation, my performance has increased cash flow, which in turn has enabled accounts payables to be settled within the agreed credit period (0.533**; strong positive and strong correlation).

Employees who agreed to being “I believe m adequately paid compared to others doing similar job” also had positive correlation or agreed to all the four statements regarding financial performance to a significant level (P-value<0.05);

- I am satisfied with my compensation and therefore I meet my targets thus contributing to financial performance (0.335**; weak positive but significant correlation).
- The rate of return on human capital is good due to compensation system, (0.276*; weak positive but

significant correlation).

- I have earned a salary review and as well I have been promoted (0.589**; strong positive and significant correlation).
- Due to my total compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit period, (0.562**; strong positive and significant correlation).

Employees who agreed to the statement that “my salary is adequate to maintain my lifestyle” also agreed to different levels to the following regarding financial performance;

- The rate of return on human capital is good due to the compensation system (0.429**; weak positive but significant correlation).
- I have earned a salary review as well as a promotion, (0.332**; weak positive but significant correlation).
- Due to my total compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit period., (0.475**; weak positive but significant correlation).

Employees who agreed to the statement; “my salary

motivates me to stay with the current employer” also agreed to different levels to the following regarding financial performance;

- i. The rate of return on human capital is good because of compensation system, (0.373**); weak positive but significant correlation).
- ii. I have earned a salary review as well as a promotion, (0.609**); strong positive and significant correlation).
- iii. Due to my total compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit period, (0.617**); strong positive and significant correlation).

Employees who agreed to the statement, “My additional input gets rewarded by the organization”, also agreed to the following regarding financial performance;

- i. I am satisfied with my compensation, I meet my targets, thus contributing positively to the organization’s financial performance, (0.239*); weak positive but significant correlation).
- ii. The rate of return on human capital is good because of the compensation system, (0.384**); weak positive but significant correlation).
- iii. I have earned a salary review as a result of my performance and have been as well promoted change, (0.688**); strong positive and significant correlation).
- iv. Due to my total compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit period., (0.577**); strong positive and significant correlation).

Employees who agreed to the statement, “I have an opportunity to seek clarification on issues of change implementation”, also agreed to the following regarding

financial performance;

- i. I meet my targets, thus contributing positively to the organization’s financial performance, (0.352**); weak positive but significant correlation).
- ii. The rate of return on human capital has improved significantly after the organizational change, (0.389**); weak positive but significant correlation).
- iii. I have earned a salary review as a result of my performance after the organizational change, (0.569**); strong positive and significant correlation).
- iv. Due to change, my improved performance has increased cash flow, which in turn has enabled accounts payables to be settled within the agreed credit period, (0.506**); strong positive and significant correlation).

Employees who agreed to the statement, “The needs of the organizational change are harmonized with my personal interest”, also agreed to the following regarding financial performance;

- i. The rate of return on human capital has improved significantly after the organizational change, (0.340**); weak positive but significant correlation).
- ii. I have earned a salary review as a result of my performance after the organizational change, (0.523**); strong positive and significant correlation).
- iii. Due to change, my improved performance has increased cash flow, which in turn has enabled accounts payables to be settled within the agreed credit period, (0.487**); strong positive and significant correlation).

4.3.2. Correlation of Extent of Bonus and Benefits to Employees and Effect on Employee’s Financial Score

Table 4.5. Correlation analysis Bonus and benefits and relationship with Employee financial score: Researcher 2015.

Correlations Analysis Results for Relationship Between Bonus and Benefits to Employees and Employee Financial Score Performance						
		Employee Financial Performance Score Variables				
			I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to organizational financial performance	The rate of return on human capital is good due to compensation system	I have earned salary review as a result of my performance and have been as well promoted	Due to my compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit periods
Bonus and Benefits Variables	All my extra effort is rewarded through bonus	Pearson Correlation	0.357**	0.104	0.497**	0.231
	I choose the kind of benefits I prefer	Pearson Correlation	0.302**	0.098	0.559**	0.257
	Attractive benefits are attached to my salary	Pearson Correlation	0.21	0.282*	0.634**	0.349**
	I am satisfied by the kind of benefits offered by the organization	Pearson Correlation	0.207	0.168	0.481**	0.235
	Benefits offered are pegged to performance and not seniority	Pearson correlation	0.291	0.232	0.337	0.217
	Bonus and benefits offered by the company compares to my input and I am satisfied I value benefits more than other compensation components	Pearson Correlation	0.277	0.147	0.771	0.304
		Pearson Correlation	0.314	0.221	0.499	0.367

Correlations Analysis Results for Relationship Between Bonus and Benefits to Employees and Employee Financial Score Performance					
		Employee Financial Performance Score Variables			
		I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to organizational financial performance	The rate of return on human capital is good due to compensation system	I have earned salary review as a result of my performance and have been as well promoted	Due to my compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit periods
Because of satisfactory bonus and benefits, i would not be bothered with salary increment	Pearson Correlation	0.129	0.091	0.241	0.262

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

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

High agreement levels by employees who agreed to the following two statements, “all my extra efforts is rewarded through bonus”, and “I choose the kind of benefits I prefer” also agreed to the following when it came to their performance on financial scores;

- i. I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to the organizational financial performance.
- ii. I have earned a salary review as a result of my performance and have been as well promoted.

These were significantly positive correlations levels meaning an agreement or disagreement by an employee on a statement in the level of bonus and benefit satisfaction in an respective agreement or disagreement on a financial score variable describing that employee.

The level of agreement with the statement “Bonus issued by organization compares to my input and thus am satisfied” was positively correlated to the following three statements on financial performance score;

- i. The rate of return on human capital is good due to compensation system (0.282*; weak but positive correlation).
- ii. I have earned a salary review as a result of my performance and have been as well promoted (0.634**; strong and positive correlation).
- iii. Due to my total compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit period (0.349**; weak but positive correlation).

Those employees who indicated they had an “I choose the kind of benefits I prefer” also to a larger extent agreed to the following statement when it came to their financial performance;

- i. I have earned a salary review as a result of my performance and have been as well promoted, (0.481**; weak but positive correlation).

4.3.3. Correlation of Extent of Appreciation to Employees and Relationship with Employee Financial Score

Table 4.6. Correlation analysis employee appreciation and relationship with Employee financial score: Researcher 2015.

Correlations Analysis Results for Relation Between appreciation and recognition and relationship with employee financial score						
		Employee Financial Score Variables				
		I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to organizational financial performance	The rate of return on human capital is good due to compensation system	I have earned salary review as a result of my performance and have been as well promoted	Due to my compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit periods	
Appreciation and Recognition Variables	Our organization publicly recognises good performance of employees	Pearson Correlation	0.260**	0.094**	0.221	0.244*
	The organization recognises my contribution through public mentions and I am proud to work for the organization	Pearson Correlation	0.162**	0.168**	0.341	0.317**
	Friendliness and good rapport between subordinates and their supervisors fosters good relationships in the organization	Pearson Correlation	0.271**	0.141**	0.289	0.346**
	I know that my extra hard work will be realised and valued by my supervisor	Pearson Correlation	0.305**	0.201**	0.312	0.212

Correlations Analysis Results for Relation Between appreciation and recognition and relationship with employee financial score					
		Employee Financial Score Variables			
		I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to organizational financial performance	The rate of return on human capital is good due to compensation system	I have earned salary review as a result of my performance and have been as well promoted	Due to my compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit periods
I trust my supervisor and I know he/she has best interest for me	Pearson Correlation	0.177	0.359	0.237	0.414
I am involved in the development of the organization	Pearson Correlation	0.214	0.222	0.197	0.378

** Correlation is significant at the 0.01 level (2-tailed).
 * Correlation is significant at the 0.05 level (2-tailed).

All the six variables testing for level relationship of appreciation and recognition to employees’ performance namely;

- i. Our organization publicly recognizes good performance of employees
- ii. The organization recognizes my contribution through public mentions and I am proud to work for the organization
- iii. Friendliness and good rapport between subordinates and their supervisors foster good relationships in the organization
- iv. I know my extra hard work will be realized and valued

- v. I trust my supervisor and I know he/she has best interests for me.
- vi. I am involved in the development of the organization. Had significantly positive correlations with the four parameters of an employee’s performance on financial performance with most employees agreeing to the positive statements.

4.3.4. Correlation of Extent of Delegation to Employees and Relationship with Employee’s Financial Score

Table 4.7. Correlation analysis delegation and relationship with employee financial score: Researcher 2015.

Correlations Analysis Results for Relation Between delegation to Employees and Employee financial score						
		Employee Financial Score Variables				
		I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to organizational financial performance	The rate of return on human capital is good due to compensation system	I have earned salary review as a result of my performance and have been as well promoted	Due to my compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit periods	
Delegation variables	Whenever I am in problematic situation, I can make a decision on my own without my supervisors contribution	Pearson Correlation	0.543**	0.421**	0.377**	0.368**
	My supervisor trains me on new duties before allowing me to take decisions	Pearson Correlation	0.545**	0.471**	0.514**	0.392**
	The organization allows subordinates to participate in decision making	Pearson Correlation	0.627**	0.564**	0.476**	0.420**
	I can’t make decision without involving my manager	Pearson Correlation	0.366**	0.318**	0.367**	0.419**

** Correlation is significant at the 0.01 level (2-tailed).
 * Correlation is significant at the 0.05 level (2-tailed).

Similarly, out of the four variables testing for level of Delegation employees namely financial score;

- i. Whenever I am in problematic situation, I can make a decision on my own without my supervisors

contribution

- ii. My supervisor trains me on new duties before allowing me to make decisions.
- iii. The organization allows subordinates to participate in decision making.

Except one “I can’t make decision without involving my manager” had significantly positive correlations with the four employees financial score variables namely;

- i. I am satisfied with my compensation and therefore I meet my targets thus my contribution positively

contributes to the organizational financial performance.

- ii. The rate of return on human capital is good due to compensation system.
- iii. I have earned a salary review as a result of my performance and have been as well promoted.

4.3.5. Correlation of Extent of Empowerment to Employees and Relationship with Employee’s Financial Score

Table 4.8. Correlation analysis empowerment and relationship with employee financial score: Researcher 2015.

Correlations Analysis Results for Relation Between empowerment to Employees and Employee Financial Score Performance						
			Employee Financial Performance Score Variables			
			I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to organizational financial performance	The rate of return on human capital is good due to compensation system	I have earned salary review as a result of my performance and have been as well promoted	Due to my compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit periods
Empowerment variables	The organization ensures collection of ideas and periodic sampling of opinions before decisions are made	Pearson Correlation	0.257**	0.092	0.398**	0.321
	Employees are trained for new assignments	Pearson Correlation	0.303**	0.198	0.499**	0.297
	The organization strives to make employees understand the organizational objectives	Pearson Correlation	0.198	0.282*	0.584**	0.332**
	I get feedback on my performance and contribution	Pearson Correlation	0.307	0.097	0.497**	0.351
	I get a chance to make decisions concerning my performance on my job role	Pearson Correlation	0.299	0.122	0.437**	0.317**

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

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

High agreement levels by employees who agreed to the following two statements, “I get feedback on my performance and contribution”, and “employees are trained for new assignments” also agreed to the following when it came to their performance on financial scores;

- i. I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to the organizational financial performance.
- ii. I have earned a salary review as a result of my performance and have been as well promoted.

These were significantly positive correlations levels meaning an agreement or disagreement by an employee on a statement in empowerment of employees resulted in and respective agreement or disagreement on a financial score variable describing that employee.

The level of agreement with the statement “The organization strives to make employees understand the organizational objectives” was positively correlated to the

following three statements on financial performance score;

- i. The rate of return on human capital is good due to compensation (0.282*; weak but positive correlation).
- ii. I have earned a salary review as a result of my performance and have been as well promoted (0.584**; strong and positive correlation).
- iii. Due to my total compensation, my performance has increased cash flow, which in turn enabling accounts payables to be settled within the agreed credit period (0.332**; weak but positive correlation).

Those employees who indicated they had an “I get a chance to make decisions concerning my performance on my job role” also to a larger extent agreed to the following statement when it came to their financial performance;

I have earned a salary review as a result of my performance and have been promoted as well, (0.437**; weak but positive correlation).

4.3.6. Correlation of Extent of Promotions of Employees and Relationship with Employee's Financial Score

Table 4.9. Correlation analysis promotion and relationship with employee financial score: Researcher 2015.

Correlations Analysis Results for Relation Between promotion of employees and employee financial score			Employee Financial score variables			
			I am satisfied with my compensation and therefore I meet my targets thus my contribution positively contributes to organizational financial performance	The rate of return on human capital is good due to compensation system	I have earned salary review as a result of my performance and have been as well promoted	Due to my compensation, my performance has increased cash flow in turn enabling accounts payables to be settled within agreed credit periods
Promotion variables	I value promotion more than other compensations and it gives me more satisfaction	Pearson Correlation	0.516**	0.616*	0.587*	0.444*
	Promotion means better salary and other benefits	Pearson Correlation	0.562**	0.628**	0.486*	0.457**
	Because of a promotion, my salary has now increased	Pearson Correlation	0.571**	0.471**	0.423*	0.576**
	Whenever there are vacancies in upper levels, they are filled through internal promotions	Pearson Correlation	0.505**	0.549**	0.458*	0.622**
	Promotion always goes with authority	Pearson Correlation	0.453**	0.522**	0.455*	0.612**
	Whenever there is promotion, employees are adequately prepared for new/increased duties	Pearson Correlation	0.532**	0.612**	0.452*	0.604**

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

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

All the four variables testing for level of organizational change communication to employees namely;

- i. I value promotion more than other compensations and it gives me more satisfaction.
- ii. Promotion means better salary and other benefits.
- iii. Because of a promotion, my salary has now increased.
- iv. Whenever there is promotion, employees are adequately prepared for new/increased duties.

Had significantly positive correlations with the four parameters of an employee's performance on financial score.

5. Summary, Conclusions and Recommendations

5.1. Summary

The objective of the research study was to determine the relationship between total compensation and employee performance at Mayfair Insurance Company limited. The study found out that total compensation has a positive correlation with employee performance in varied ways. These

relationships include;

The level of pay and the package of the total compensation, where employees have a say on what benefits to choose, the higher the chances of satisfaction and consequently the higher their performance. The second compensation factor is promotions and how the process of promotion is packaged by the organization, likewise where promotion goes with authority and better pay with increased benefits, and they are adequately prepared for the new duties and responsibilities leads to improved performance on the balanced score card. The third variable of total compensation is bonus and benefits administration. These benefits may include car or mileage allowance or club memberships. Where an employee perceives that extra efforts leads to bonus and benefits and the bonus and benefits are valuable, then they increase their efforts leading to better performance. However the contrary affects performance negatively as evidenced in the balanced score card and employees are ready to leave the organization if they get better benefits from other organizations. The fourth factor is what the employee perceives as level of appreciation and recognition. Because the employee is concerned with job security, feeling appreciated is an assurance of the job security

and that the organization values their efforts. Recognition creates a culture of friendliness and appreciation of extra efforts within the compensation system leads to job satisfaction and consequently better performance. Finally the way managers and supervisors delegate duties to subordinates may help to motivate employees. Delegation means less work for managers and hence ability to achieve more. With authority to make own decisions, employees feel important and their self-esteem improves with positive performance score.

On average there was a positive significant correlation between the total compensation and employee performance factors and the balanced score card. This is consistent with several previous studies thus pointing to the fact that general there is a positive relationship between total compensation and employee performance. From the event analysis the results of the entire Mayfair Insurance Company Limited population sampled it was observed that there was a weak positive correlation between total compensation factors and employee performance.

5.2. Conclusions

The study concluded that different compensation factors have different direct relationships with employee performance at Mayfair Insurance Company Limited. From the findings, the study concludes that where employees perceive compensation factors as valuable and sufficient, they get motivated and positively improves their performance on balanced score card. Expectancy, instrumentality and valence determine motivation of total compensation in the relationship with performance.

The study proves that employees will be more motivated and willing to give their best contribution when they feel that they are involved in the process and the environment presents a challenge that would benefit them. Further it points to the need of Managers involving employees in compensation structures and explaining organizational expectations with new duties and responsibilities. Promotions and delegation of duties presents a personal experience at the work place which is a learning opportunity for employees.

5.3. Policy Recommendations

I would recommend that Mayfair Insurance Company Limited should endeavour to give employees a chance to choose benefits which they value more. The study established that most of the employee sampled feels a mismatch between benefits offered and their preference. At some levels, they have no choice but to take what management offers. There seems to be a discordant in salary paid and going rates and management should streamline with market rates sine majority of employees find their salary not comparable o their work or others doing similar same job.

5.4. Limitations of the Study

The study mainly relied on stratified random selection of population sample, which means some information sought might not be available at some levels. Example operative might not have information on all benefits available within the compensation structure.

The study was restricted to Mayfair Insurance Company Limited and did not seek views of other employees in other industries. May be a study in a manufacturing industry would have given different conclusions.

The study relied on only six compensation variables to make conclusions. These variables are basic pay, promotions, bonus and benefits, appreciation and recognition, delegation and empowerment of employees.

There was also a challenge of limited availability of funds especially in data collection. The data used for the research was obtained from Mayfair Insurance Company Limited which is located in Westlands. Conveyance to and from the organization to collect the data was prohibitive hence had to rush the process to save on trips.

5.5. Suggestions for Further Studies

Due to the limitations of this study, it is suggested that further studies using the same variables be carried out on other industries operating outside insurance which Mayfair Insurance Company Limited operates in. Further studies could also use other variables other than what has been used here so as to compare the relationships in the industries.

Acknowledgement

Many people have encouraged and supported me throughout the writing of this research proposal. I would like to acknowledge their contribution by mentioning their names. Dr. Hannah Bula for her time and patience to scrutinize this paper. You have contributed immensely in shaping this study through your advice, directions, suggestions and criticisms. The staff of Mayfair Insurance Company Limited, for providing me with the necessary information for this proposal. To my Wife and Children for your patience, understanding, encouragement, prayers and support.

References

- [1] Appelbaum G, Schroeder J. E, Cain MS and Mitroff S. R (2011) Improved visual cognition through stroboscopic training. *Frontier Psychology* 2: 276.
- [2] Armstrong, M. (2006). *A Handbook of Human Resource Management Practice* (10th ed.). London: Kogan Page.
- [3] Blau, F. D., De Varo, J (2007), New Evidence on Gender Differences in Promotion Rates: An Empirical Analysis of a Sample of new Hires *Journal of Industrial Relations*, 46(3), 511-550.
- [4] Bohlander, G., Snell, S. Sherman, A. (2001). *Managing human resources*. New York: South- Western College.
- [5] Bowen, B. B, (2000), *Recognizing and rewarding employees*, McGraw-Hill.
- [6] Coopersmith, S. (1967). *The antecedents of self-esteem*. San Francisco, CA: Freeman.
- [7] Frey, B. (1997). On the Relationship between Intrinsic and Extrinsic Work Motivation. *International Journal of Industrial Organization*, 15, p 427 – 439.

- [8] Greenberg J. (1990), Employee theft as a reaction to underpayment inequity: hidden costs of pay cuts. *Journal of Applied Psychology*, 5, 561-568.
- [9] Hakala, D. (2008). How to Measure Employee Performance, 16 Ways. *HR World Newsletter*.
- [10] Harrison, L. L., Novak, D. (2006). Evaluation of a Gerontological nursing continuing education programme: Effect on nurses' knowledge and attitudes and on patients' perceptions and satisfaction. *Journal of Advanced Nursing*, 13(6), 684-692.
- [11] Heneman, H. G. Schwab, D. P. (1985). Pay satisfaction: Its multidimensional nature and measurement. *International Journal of Psychology*, 20, 129-141.
- [12] Herzberg, F. (1986). One more time: How do you motivate employees? In J. N. Williamson (Ed.), *The leader-Manager* (pp. 433-448).
- [13] Hill, C. W. L. (1990). Cooperation, Opportunism, and the Invisible Hand: Implications for Transaction Cost Theory. *Academy of Management Review*, Vol. 15, No. 3, pp. 500-513., ISSN: 0363-7425.
- [14] Huseman, R. H (1987). A New Perspective on Equity Theory: The Equity Sensitivity Construct. *The Academy of Management Review*, 12, 222-234.
- [15] Johnson, R. R. (2009). Using organizational characteristics to explain patrol officer drug arrest activity. *Policing: An International Journal of Police Strategies and Management*, 32(1), 6-20.
- [16] Kalim, S. U (2010), 'The Relationship between Rewards and Employee Motivation in Commercial Banks of Pakistan', *Research Journal of International Studies*, 14, pp 70-72.
- [17] Korman, A. (1976). Hypothesis of work behaviour revisited and an extension. *Academy of Management Review*, 1, 50-63.
- [18] Kouzes J. M., Posner B. Z. (2002). *Leadership Challenge*. San Francisco, CA: Jossey-Bass.
- [19] Mathibe, I. R. 2008, Expectancy Theory and its implications for employee motivation. *Academic Leadership Journal. Volume 6 Issue 3*.
- [20] Mark Saunders, Philip Lewis, Adrian Thornhill (2009), *Research Methods for Business Students*, 5th Ed. Pearson, England.
- [21] Michael Armstrong (2006) *Handbook on Human Resource Management practice* (10th Edition), Kogan page, 120 pentoville, London, NI 9JN, United Kingdom.
- [22] Milkovich, G., Milkovich, C. (1992). Strengthening the pay-performance relationship: *The research*. *Compensation and Benefits Review*, 24, 53-62.
- [23] Milkovich, G. T., Newman, J. M. (2005). *Compensation*, 8th Ed. New York: McGraw-Hill/Irwin.
- [24] Mondy, R. W. (2008). *Human Resource Management* (10th ed.). New Jersey: Pearson Prentice Hall.
- [25] Njanja, R. K (2013) Effect of Reward on Employee Performance: A Case of Kenya Power and Lighting Company Ltd., Nakuru, Kenya, *International Journal of Business and Management*; 8(21) 41-49.
- [26] Opsahl, R. L. Dunnette, M. D. (1966). The role of financial incentives in industrial motivation. *Psychological Bulletin* 12, 45-47.
- [27] Page D., Wong P. T. (2000). A Conceptual Framework for Measuring Servant Leadership. *Academy of Management Journal*. 38 (1442-56).
- [28] Payam Gohari, A. A, (2013) The Relationship Between Rewards and Employee Performance. *Interdisciplinary Journal of Contemporary Research in Business*, 5(3), 543-569.
- [29] Pinter C. C (2008). *Work Motivation in Organizational behaviour*. New York: Psychology press.
- [30] Podrug, N. (2010) Stewardship Relations within Management Hierarchy in Large Croatian Companies. Doctoral dissertation. Faculty of economics and business Zagreb, Zagreb.
- [31] Redmond, B. F. (2009). Lesson 5: Equity Theory: Equity Theory: Is what I get for my work fair compared to others? *Work attitudes and motivation*. The Pennsylvania State University World Campus.
- [32] Redmond, B. F. (2010). Lecture on expectancy theory (Lesson 4). Personal Collection of B. F. Redmond, Penn State University, University Park, PA.
- [33] Reio, G, T. Callahon, J. L. (2004). Affect, Curiosity, and socialization-related Learning; a path analysis of antecedents to job performance, *Journal of Business and Psychology*, Vol. 19, pp3-22.
- [34] Riketta, M., Dick, R. V. (2005). Foci of attachment in organizations: A meta-analytic comparison of the strength and correlates of workgroup versus organizational identification and commitment. *Journal of Vocational Behaviour*, 67(3), 490-510.
- [35] Rothman, S and Coetzer, E. P., (2003). The Big Five Personality Dimension on Job Performance. *SA Journal of Industrial Psychology* 72.
- [36] Ryan, R. M., and Deci, E. L. (2000). When rewards compete with nature: The undermining of intrinsic motivation and self-regulation, San Diego: Academic Press pp. 14-54.
- [37] Stajkovic, A. D., Luthans, F. (1999). The relative effects of different incentive motivators on work performance. Paper presented at the Academy of Management Meeting, San Diego, CA.
- [38] Stetched M. D, Rosse, J. G. (2007). Understanding reactions to workplace injustice through process theories of motivation. A teaching module and simulation. *Journal of Management Education*, 31, 777-796.
- [39] Sturman, M. C. (2001). The compensation conundrum: Does the hospitality industry short-change its employees – and itself? *The Cornell Hotel and Restaurant Administration Quarterly*, 47, 70-76.
- [40] Umar, G (2010) The Influence of Compensation on Performance of Sales Representatives of Pharmaceutical Companies Based in Ilorin –Nigeria, *An International Multi-Disciplinary Journal, Ethiopia*, 4 (3b) 223-239.
- [41] Woodbury, Stephen, A. (1983) Substitution between wages and non-wage Benefits, *American Economic Review* 73, 166-182.