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**STRATEGIC COMPENSATION AS A DETERMINANT OF  
PERFORMANCE IN PUBLIC HEALTHCARE  
INSTITUTIONS, KISUMU COUNTY, KENYA**

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**ABSTRACT**

*Understanding the relationship between strategic compensation and organizational performance is becoming increasingly important for healthcare organizations to gain and sustain their competitive advantage. This paper examined how a strategic approach to compensation of health care employees can lead to exceptional service quality, customer loyalty and employee commitment. Anchored on the Resource Based View of the firm, the study established linkages between strategic compensation and performance of public healthcare institutions in Kenya. The literature reviewed provided for the theoretical view as well as the existence of Perceived Organizational Support (POS) as the moderating mechanism through which strategic compensation affects organizational performance. The target population was 1770 derived from a sample frame of three public healthcare institutions in Kisumu County, selected through purposive sampling. Stratified simple random sampling was used to select respondents from 3 categories; health professionals, technical professionals and senior managers to participate in the study. The sample size of 326 was derived using the Yamane Taro formula. Questionnaires and interview schedules were used to collect data. Validity of research was obtained through piloting on respondents not participating in the study. The findings indicated that Strategic compensation ( $r=0.226$ ,  $p\text{-value}=0.000 < 0.01$ ) has an influence on employee performance. Moderated Strategic compensation was a significant predictor of performance in public healthcare institutions in Kisumu County. It is therefore imperative for top management to develop clear policies that introduce indicators that could attract and retain competent employees that will in turn become a competitive advantage for these healthcare institutions.*

**KEY WORDS:** Strategic Compensation, Performance, Perceived organizational support

## 1. INTRODUCTION

Studies related to understanding strategic compensation as a determinant of performance in public healthcare sector in Kenya have provided inadequate evidence regarding the specific groups of employees that are critical for particular performance outcomes. This paper focused on a specific SHRM practice namely strategic compensation and the related performance outcomes in the public healthcare sector in Kenya, targeting specific groups of professionals working in public healthcare institutions in Kisumu County.

Messermith and Guthrie (2010) documented SHRM practices to include compensation and benefits; job and work design; training and development; recruitment and selection; employee relations, communication; performance management and appraisal, promotions and turnover, retention and exit management. Strategic HRM is a strategic process of creating sustainable competitive advantage which if well implemented can lead to the attainment of organizational objectives. The classification of this SHRM practice as adopted in this paper was therefore based on a review of literature and matched with various studies through empirical research (Kessler,2015,Delery and Doty 1996).

This paper further sought to interrogate and to establish whether the adoption of strategic compensation would have a significant effect on performance and therefore determine factors that are consistent with service quality, employee output and employee retention and overall performance of the public healthcare sector in Kenya.

## 2. THEORETICAL REVIEW

The Resource Based View of the firm derives its foundations from the organizational strategy that defines resources as tangible or intangible assets. Barney (1991) argued that RBV is a source of sustained competitive advantage and therefore puts emphasis on the heterogeneous and firm-specific nature of resources. These resources were classified as human capital, physical capital and organizational capital. These resources lead to sustained competitive advantage if they are rare, valuable, inimitable and non-substitutable. The value of human resources in the healthcare institutions cannot be underestimated. This theory reviewed the competitive advantage presented by employees working in healthcare institutions making it relevant to the study.

## 3. LITERATURE REVIEW

According to Armstrong (2006), Compensation refers to all the monetary, non-monetary and psychological payments that an organization provides for its employees in exchange for the work they perform. Intrinsic compensation refers to incentives that are self-administered and are associated with the

job which then gives employees an opportunity to perform meaningful work. Extrinsic compensation is associated with benefits an employee gets from other sources than the job such as promotion opportunities. Compensation and performance management are closely aligned in the sense that if employees feel their work is well compensated, their performance will improve (Zhang et.al, 2013).

Strategic compensation is driven by the reward philosophy which refers to a set of beliefs and guiding principles that are consistent with the values of the organization underpinned by the principles of distributive justice and procedural justice. Employees therefore feel they are treated fairly and criteria for compensation is applied consistently to all employees. Strategic compensation policies are therefore aligned to the corporate strategies adopted by organizations, reward strategies such as job evaluation, determination of basic pay, contingent pay, allowances, employee benefits and market analysis (Morgan and Kalleberg, 2013).

Selvi et.al (2017) examined the impact of HRM practices on job satisfaction among nurses in multispecialty hospitals in India. These HRM practices were job description, support from supervisors, training and development and performance management. It was further noted that the most common HRM practices implemented by hospitals are recruitment, selection and training of support staff. Using data collected from 150 respondents their findings indicated that HRM practices continue to be dynamic and that there is need to adopt more modern and strategic HRM practices to enhance job satisfaction. The sample size used in this study is small and therefore makes generalizability of these findings difficult for another context. This study will analyze a larger sample of 326 employees drawn from different levels of public sector.

Morgan and Kalleberg (2013) investigated the influence of strategic compensation namely; extrinsic job characteristics (wages and benefits) and the intrinsic characteristics (meaningful assignment) on job satisfaction and intent to stay with one's employer. Using the mixed methods approach and drawing data from frontline workers in various health care settings in the USA, they found that both extrinsic and intrinsic characteristics are significant predictors of job satisfaction. However it was noted that extrinsic characteristics can be used to explain intent to stay with employer. The study attempts to compare the influence of extrinsic and intrinsic characteristics on performance of employees among frontline workers, however this study will determine the effect of compensation practices on all cadres of employees in the public healthcare sector.

## 4.0 RESEARCH METHODOLOGY

### 4.1 Research Design

The study used a causal research design to determine the effect of strategic compensation on performance of the public healthcare institutions in Kisumu County in Kenya. The present study fitted well in this category since the researcher was interested in exploring and determining the effect of strategic compensation on the performance of the public healthcare sector in Kisumu County.

### 4.2 Study Area

The study was carried out in Kisumu County. Kisumu County is located in the former Nyanza Province with a population of 968,909 (Census, 2009) covering an area of 2085.9KM<sup>2</sup>. It borders Siaya County to the West, Vihiga County to the North, Nandi County to the North East and Kericho County to the East. It has a shoreline on Lake Victoria occupying the Northern, Western and part of the Southern shores of the Winam Gulf. It has a population density of 460 per

square kilometre. The main health facilities namely Jaramogi Oginga Odinga Teaching and Referral Hospital, Kisumu District Hospital, Ahero County Kisumu and 2 CDC funded research centres are all located in Kisumu City, the County headquarters. This area was selected for this study due to the high prevalence of diseases, presence of healthcare facilities and personnel, high rate of urbanization and its proximity to the researcher.

### 4.3 Study Population

The population for the study comprised of 1770 employees working in the selected healthcare institutions in Kisumu County in Kenya. The target population for this study was; medical/health professionals, technical professionals and senior managers from the public health care institutions in Kisumu County. Part-time employees and support staff working in these institutions were not included in the study (Kenya, Health Sector Human Resources Strategy 2014-2018).

**Table 1: Target Population for Health Care Professionals, Technical and Senior Management Staff in Public Health Care Institutions in Kisumu County, Kenya.**

Hospital	Health Professionals	Technical Professionals	Senior Managers
Jaramogi Teaching and Referral Hospital	850	300	15
Kisumu District Hospital	150	100	10
Ahero County Hospital	300	35	10
Total	1300	435	35

Source: Kenya Health Sector Human Resources Strategy 2014-2018

### 4.4 Sampling Frame, Sampling Procedures and Sample Size

#### 4.4.1 Sampling Frame

Purposive sampling was used to select three public health care institutions as follows; 1 teaching and referral hospital, 1 county health facility and 1 sub-county (District) health facility. These public health care facilities have been in existence for more than five years and are more likely to encounter strategic HRM practices (Kenya, Health Sector Human Resources Strategy 2014-2018).

According to Mutai (2000), purposive sampling is a non-probability sample selected based on the characteristics of a population. The researcher relies on his/her judgment when choosing members of a population to participate in the study. This is a suitable method for selecting a sample that can serve as primary sources of data due to the nature, design and objectives of the study. The three health care institutions have been selected through purposive sampling due to their characteristics and objectives of this study. The selected health care institutions are as follows:

1. Jaramogi Oginga Odinga Teaching and Referral Hospital (Public)

2. Kisumu District Hospital (Public)
3. Ahero County Hospital (Public)

#### 4.4.2 Sampling Procedures

Stratified random sampling was used to select the respondents to participate in the study. The sample frame included a list of employees working in the medical, technical and administrative sections of the selected three health care institutions which formed the strata. Within each stratum, the simple random sampling method was used to select the respondents to participate in the study. Each employee was assigned a unique identification number and using a table of random numbers, the respondents were selected. It is important to note that simple random sampling is a method that reduces bias and can achieve a high level of representation (Mutai, 2000).

#### 4.4.3 Sample Size

The sample size was obtained using a formula developed by Yamane Taro(1967).This method was suitable for calculating the sample size in the study as the formula assumes a 95% confidence level and that  $P= 0.5$ .The researcher therefore obtained a representative sample as shown below:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = the required sample size
- e<sup>2</sup> =the significant level or error
- N =the population size

Therefore;

$$n = \frac{1770}{1 + 1770(.05)^2}$$

$$n = 326$$

**Table 2: Sampling Matrix for Health Care Professionals, Technical and Senior Management Staff in Public Health Care Institutions in Kisumu County.**

Sample	Target Population	Sample
Health Professionals	1300	239
Technical Professionals	435	80
Senior Managers	35	7
Total	N = 1770	n = 326

Source: Kenya Health Sector Human Resources Strategy 2014-2018

#### 4.5 Data Collection Methods

The study utilized both qualitative and quantitative data. Primary and secondary data was used in the study. Primary data was collected through structured questionnaires, which provided respondents with an opportunity to provide detailed information. The second phase of data collection involved face to face interviews targeting employees from medical, technical and administrative sections in senior management levels. The interview schedule was used to collect data supporting that collected from questionnaires.

Secondary data on the other hand was collected from various sources such as archival records comprised of journals, policy documents, Acts of Parliament, official reports, internet and any other relevant literature.

#### 4.6 Piloting

A pilot study was carried out in Kakamega County Referral Hospital to test the validity and reliability of the data collection instruments in order to ensure that the items in the questionnaire and interview schedule are clearly stated and understood by the respondents. The pilot study also enabled the researcher determine the time taken to complete a questionnaire.

#### 4.7 Reliability and Validity of Instruments

Convergent validity is the degree to which two or more items measure the same concept (Mutai 2000). The convergent validity of measurement items was examined by t-values, factor loadings, composite reliability, and average variance. The findings from the pilot study enabled the researcher to acknowledge errors and validate the research instruments.

To ensure that the research instruments yield consistent results across time and in line with the various items of the instrument, Cronbach’s alpha coefficient was used. This measure is widely used to determine inter-consistency or average correlation of items in a survey instrument to gauge its reliability. The instruments are said to be reliable if the measure for independent and dependent variables are greater than the accepted minimum of 0.70.9( Mugenda and Mugenda,1999)

#### 4.8 Data Analysis and Presentation Techniques

The data collected was refined, coded and entered into the computer system. The Statistical Package for Social Sciences (SPSS version 19) and R was used for analysis. Data was analyzed using inferential statistics; regression analysis and correlation, where relationship between the independent variable and the dependent variable were determined. Regression analysis was used to determine

the strength of relationship among the variables. Data was presented using descriptive statistics; means, modes, standard deviation, frequencies and percentages.

**4.9 Ethical Considerations**

Ethical issues in research are significant aspects that concern the appropriate behavior and norms of the researcher in conducting research. It involves those participants involved in the research process and the implication this process can have on them. The researcher assured participants of the highest level of confidentiality and anonymity during the entire process of data collection, analysis.

**5.0 DISCUSSION OF RESULTS**  
**5.1 Demographic Characteristics of the respondents**

This section contains the analysis of information on respondent’s age, gender, education level and work experience. The main purpose of this was to find out any trend from the respondents profile that was directly linked to the variables of the study.

**5.1.1 Gender of the respondents**

The study sought to establish the gender of the respondents in the study, Table 3 shows the distribution of the respondents according to their gender.

**Table 3: Gender of the Respondents**

Gender	Frequency	Percent	Mean	Std. Deviation
Male	167	52.3	1.37	.384
Female	153	47.7		

Source: (Researcher, 2018)

According to the study findings, majority of the respondents were male 52.3% while female respondents were 47.7% with a deviation of 0.384. The study attributed this to the existing gender gap in the employment in the public sector in Kenya which is predominantly dominated by the male gender.

**5.1.2 Distribution of Respondents by Age Group**

The study sought to establish the age groups of the respondents in the Study. Table 4 shows the distribution of the respondents according to their age groups.

**Table 4 Age of the respondents**

Age	Frequency	Percent	Mean	Std. Deviation
Below 30 years	56	17.5	2.47	1.010
30-39 years	125	39.1		
40-49 years	72	22.5		
Above 50 years	67	20.9		

Source: (Researcher, 2018)

The findings in Table 4 indicate that majority of the respondents in the healthcare institution in Kisumu County were between ages 30-39 year bracket representing a 39.1 %; 22.5% were between 40-49 years of age; 20.9% were above than 50 years of age and 17.5% were below 30 years of age. Thus the highest were 39.1% while the least were 17.5%. This meant that the sample used by the study was well distributed in terms of age and could therefore give reliable information. The study established that the highest respondents were mainly young adults (ages 30-39).

Young people are innovative and creative in problem solving and solution finding: they are the key to helping communities meet their subsistence needs, and in doing so, improving local people’s long-term security and control whilst creating stable societies. Workforces are becoming increasingly diverse in age

demographics, creating professional environments that are rich with experience and maturity as well as youthful exuberance. Organizations that employ workers in wide ranges of age have the advantage of creating a dynamic, multi-generational workforce, with a diverse range of skill sets that is beneficial to the organization.

**5.1.3 Distribution of respondents by their working experience.**

The study also sought to establish the working experience of the respondents. This was very important because previous studies indicated that there was strong relationship between experience and employee performance. Table 5 shows the findings:

**Table 5: Length of time in the healthcare service**

Age	Frequency	Percent	Mean	Std. Deviation
Below 5 years	105	32.8	2.20	1.161
5-15 years	118	36.9		
16-20 years	35	10.9		
21-25 years	51	15.9		
Above 25 years	11	3.4		

Source: (Researcher, 2018)

According to the findings in Table 5, majority of the respondents 36.9% had worked in the hospital for between 5-15 years. Ideally when combined, more than 67.2% had worked for the hospital for more than 5 years and only 32.8 % had worked with the hospital for less than 5 years. From the findings, the researcher concluded that majority of the respondents had enough experience with the hospitals’ strategies and hence would provide valid and credible information with regard to strategic HRM practices and employee performance. Therefore it was established that work experience meant most of the respondents were aware

of the hospitals operations ,HR policies and procedures.

**5.1.4 Distribution of respondents by their level of education**

The study also sought to establish the level of education of the respondents. Level of education is important as it acts as a basis on whether the respondents have the requisite knowledge , skills and competencies to deliver on the organizations’ objectives. and to understand the HRM practices and their influence on performance. The summary of the findings is as shown in Table 6.

**Table 6: Academic and professional qualifications of the respondents**

Qualification	Frequency	Percent
Certificate or equivalent	29	9.1
Diploma or equivalent	110	34.4
Degree	146	45.6
Masters	21	6.5
PHD or ongoing	14	4.4

Source: (Researcher, 2018)

Study findings in Table 4.7 shows that 45.6% of the respondents were degree holders, 34.4% were diploma holders or equivalent, 9.1% were certificate holders or equivalent, 6.5% were Masters holders, and 4.4% were PhD holders or ongoing. This shows most of the respondents had the necessary skills and professional competencies required to perform their duties and effectively deliver quality service to their customers. In addition, majority of the respondents had enough experience with the hospitals’ strategies and hence would provide valid and credible information

with regard to strategic HRM practices and performance of their respective healthcare institutions.

**5.1.5 Cadre and level of management of the respondents**

The study sought to establish the level of management and cadre of the respondents involved under study so as ascertain whether they take part in decision making process. The summary of the findings is as shown in Table 7.

**Table 7: Cadre and level of management of the respondents**

		Frequency	Percent	Mean	Std. Deviation
Cadre	Health Professional	245	76.6	1.23	.424
	Technical staff	75	23.4		
	Level of management				
Level of management	Top level management	13	4.1	2.18	.476
	Middle level management	238	74.4		
	Low level management	69	21.6		

Source: (Researcher, 2018)

From the study, most of the respondents were health professionals (76.6%) with a deviation of 0.424. Additionally, 74.4% of the respondents were in middle level management with 4.1% being at the top level management. This meant that the sample used by the study was well distributed in cadre and level of management and would therefore provide reliable information with reference of strategic human resource management practices on the performance.

**5.2 Correlation analysis**

The results of correlation analysis are as shown in Table 8. The findings indicated that there was weak

positive and non-significant relationship between Strategic HRM alignment to corporate strategy and Employee Performance of public healthcare institutions in Kisumu County. This is depicted by a Pearson correlation coefficient  $r=0.006$ ,  $p\text{-value}=0.319 > 0.05$  which was not significant at 0.05 level of significance. This implies that improved Strategic HRM alignment to corporate strategy results in slight increase of the institutions' performance.

**Table 8: Correlation analysis of the study variables**

		Performance
Strategic Compensation	Pearson Correlation	<b>.226*</b>
	Sig. (1-tailed)	<b>.000</b>

\*. Correlation is significant at the 0.05 level (1-tailed).

Source: (Researcher, 2018)

There was strong positive and significant relationship between strategic compensation and performance with a Pearson correlation coefficient  $r=0.226$ ,  $p\text{-value}=0.000 < 0.01$  which was significant at 0.05 level of significance. This implies that increased strategic compensation results in an increase of employee Performance.

The results indicated that there was weak positive and non-significant relationship between result-oriented appraisal system and Performance of public healthcare institutions in Kisumu County. This is depicted by a Pearson correlation coefficient  $r=0.057$ ,  $p\text{-value}=0.301 > 0.05$  which was not significant at 0.05 level of significance. This implies that improved result oriented appraisal system results in a slight increase in performance. There was strong positive and significant relationship between talent development and performance with a Pearson correlation coefficient  $r=0.326$ ,  $p\text{-value}=0.001 < 0.05$  which was significant at 0.05 level of significance. This implies that increased talent development results

in an increase in performance of public healthcare institutions.

Strategic compensation is driven by the reward philosophy which refers to a set of beliefs and guiding principles that are consistent with the values of the organization underpinned by the principles of distributive justice and procedural justice. Employees therefore feel they are treated fairly and a criterion for compensation is applied consistently to all employees.

The study used the parameters where: 1=To a greater extent (GE), 2=To some extent (E), 3 = To a small extent (SE), 4= Not at all (NA) and 5=Indifferent (I). A summary of the findings is as shown in Table 4.15.

**Table 4.10 Responses of effect of strategic compensation on the performance**

	N	G.E (%)	E (%)	S.E (%)	N.A (%)	I (%)	Mean	Std. Dev.	Max	Min
My compensation involves salary, benefits and allowances	320	92 (28.8)	115 (35.9)	32 (10.0)	52 (16.2)	29 (9.1)	2.41	1.300	5	1
My compensation is determined by clearly set policies	320	62 (19.4)	135 (42.2)	39 (12.2)	62 (19.4)	22 (6.9)	2.52	1.201	5	1
My compensation is determined through a market analysis and is comparable to similar institutions	320	71 (22.2)	108 (33.8)	66 (20.6)	41 (12.8)	34 (10.6)	2.56	1.261	5	1
My benefits and allowances are based on the reward management policies at the institution.	320	85 (26.6)	58 (18.1)	78 (24.4)	75 (23.4)	24 (7.5)	2.72	1.271	5	1
My compensation is based on my academic and professional qualifications.	320	114 (35.6)	67 (20.9)	45 (14.1)	58 (18.1)	36 (11.2)	2.63	1.302	5	1
Promotion, recognition and increased responsibility is part of the institution's compensation policy.	320	79 (24.7)	115 (35.9)	34 (10.6)	70 (21.9)	22 (6.9)	2.50	1.264	5	1
My compensation is based on my performance and the quality of service given to our customers.	320	81 (25.3)	104 (32.5)	63 (19.7)	64 (20.0)	8 (2.5)	2.42	1.142	5	1
My compensation enhances my motivation to remain working with the institution for a longer period.	320	85 (26.6)	77 (24.1)	48 (15.0)	77 (24.1)	33 (10.3)	2.68	1.363	5	1
My compensation motivates me to provide superior customer service.	320	140 (43.8)	87 (27.2)	34 (10.6)	49 (15.3)	10 (3.1)	2.23	1.105	5	1

Source: Researcher (2018)

According to study findings in Table 4.15, 35.9% of the respondents agreed to some extent that compensation involves salary, benefits, and allowances. They also agreed to some extent that compensation is determined by clearly set policies and criteria as depicted by a mean of 2.52 and standard deviation 1.201. 33.8% of the respondents agree to some extent that their compensation is determined through a market analysis and is comparable to similar institutions in Kenya. They also agreed to greater extent (26.6%) that their benefits and allowances are based on the reward management policies at the institution and is depicted by a mean of 2.72 and a standard deviation of 1.271. Additionally, 35.6% of the respondents agreed to greater extent that compensation is based on their academic qualifications, while 35.9% agreed to some extent that promotion, recognition, and increased responsibility is part of the institution’s compensation policy. Likewise, 32.5% of the respondents with a mean of 2.42 and standard deviation of 1.142 agreed to some extent that compensation is based on my performance and quality

of service given to our customers. 26.6% of the respondents agreed to greater extent that compensation enhances their motivation to remain working with the institution for a longer period. Finally, 43.8% of the respondents with a mean of 2.23 with a standard deviation of 1.105 agreed to greater extent that compensation motivates them to provide superior customer service.

The parameters used were between the scales of 5 Indifferent and 1 to a greater extent. Overall, from the above measurements in Table 4.9, we can conclude that indicators used to operationalize the variables had an approximate average mean of 2.52. This meant that most respondents to some extent agreed that strategic compensation affect performance of public healthcare institutions in Kisumu County.

**Hypothesis 1: Strategic compensation and performance**

*H<sub>01</sub> Strategic compensation has no significant effect on the performance of public healthcare institutions in Kisumu County.*

**Table 4.11: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.226 <sup>a</sup>	.051	.048	7.675

Source: Researcher (2018)

From findings in Table 4.11, the value of R-Square is 0.051. This implies that, 5.1% of variation of

Employee Performance was explained by strategic compensation of the employees.

**Table 4.12: ANOVA Table on strategic compensation**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	994.530	1	994.530	16.885	.000 <sup>a</sup>
	Residual	18553.943	315	58.901		
	Total	19548.473	316			

a. Predictors: (Constant), Strategic Compensation

b. Dependent Variable: Performance

Source: Researcher (2018)

From the findings in table 4.12, at 0.05 level of significance the ANOVA test indicated that in this model the independent variable namely; employee strategic compensation, is important in predicting of

Employee Performance as indicated by significance value=0.000 which is less than 0.05 level of significance (p=0.000<0.05).

**Table 4.13: Coefficients for strategic compensation**

Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity (VIF)
		B	Std. Error	Beta		
1	(Constant)	42.310	1.378		30.696	.000
	Strategic Compensation	.238	.058	.226	4.109	.000
						1.827

a. Dependent Variable: Performance

Source: Researcher (2018)

From Table 4.13; the study revealed that Strategic Compensation had a significant influence on performance of public healthcare institutions in Kisumu County ( $t$  statistic=4.109,  $p$ -value=0.000<0.05). Therefore at 5% level of significance the null hypothesis was rejected, indicating that Strategic compensation had a positive influence on the performance of public healthcare institutions in Kisumu County. Likewise for every unit increase in Strategic compensation there was a corresponding increase in employee performance by 0.238

Majority of the respondents agreed that their salary scales were comparable across the units/sections in the health sector and attractive allowance, rewards and or incentives had a positive influence on employee performance. Most of the interviewed respondents in Kisumu county hospital revealed that when the health workers were rewarded with paid allowances and specifically, hardship and non-practicing allowances, their performance increased and they were enthusiastic when working. The quality of work and services were excellent and some even opted to work beyond their normal shifts. This is supported by the study by (Zhang et.al 2013) that indicated that a reward and compensation strategy motivates employees and enhanced commitment, retention and employee engagement that eventually translated into employee performance. This is also supported by (Shang,2014), who indicated that performance related pay is an effective motivator and conveys a clear message that high levels of an employee performance is expected and will be rewarded.

Shang (2014) observed that contracted staff in hospitals was significantly dissatisfied with their compensation in terms of salary and other benefits compared to those serving on permanent and pensionable terms. The contracted staffs were therefore more likely to have intentions to leave their organizations. Most of the respondents were on permanent and pensionable terms and therefore were satisfied with their compensation. Mosadeghrad (2013) however argues that most healthcare staff were dissatisfied with their pay, benefits and promotion especially in hospitals in Iran and therefore there was a tendency of very high turnover. However, the results in this study indicated that most of the employees working in the public healthcare institutions were satisfactorily compensated and this had quite a positive influence on performance. Morgan and Kalleberg (2013) further observed that both extrinsic and intrinsic characteristics are significant predictors of job satisfaction when developing a compensation policy for any organization.

Messemith and Guthrie (2010) also supports this view as the researcher indicated that rewards could be used to improve performance by setting targets in

relation to the work given which could be by means of additional amount on the employee's salary. Finally (Morgan et.al, 2013) also supports this by indicating that managers take time to meet and recognize employees who have performed well, as it plays a big role in enhancing employees' performance.

## 6.0 CONCLUSION

The study established that strategic compensation had a positive influence on the performance of public healthcare institutions. It is imperative for the top management to develop clear policies that introduce indicators that could attract and retain competent employees that will in turn become a competitive advantage for these healthcare institutions. The study further provides empirical support for strategic compensation of healthcare workers that includes both intrinsic and extrinsic rewards and advocates for the development of an equal pay for equal work policy framework across all the county governments in order to eliminate inequalities in terms of remuneration.

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