Employee Compensation, Supervisor Support and Performance of Academic Staff in Kenyan Chartered Public Universities

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ABSTRACT

Compensation is essential to the functioning of the relationship between the employee and employer and very close to the heart of both the employer and the employee. This research investigated the effect of supervisor support in the relationship between compensation and employee performance. Lack of clear criteria and unfairness in distributing incentives to academic staff and supportive supervisors could influence staff performance. There is need to consider fairness in distributing incentives and to have supportive supervisors who will motivate the academic staff and in turn improve their performance. The main objective of this study was to determine the joint relationship between compensation, supervisor support and employee performance in Kenyan chartered public universities. The study was based on Expectancy Theory and Social Exchange Theory. The study adopted positivist research philosophy. A descriptive cross-sectional design was adopted to enable the researcher discover the relationship between different variables. The study targeted academic staff in 23 Kenyan chartered public universities. Multistage sampling technique was used to identify respondents from Kenyan Chartered Public Universities. The number of Faculties/Schools/Institutes sampled was 43 out of 246. A sample size of 370 academic staff was selected from a population of 8281 using easy sample size calculator. Data was collected on employee compensation, supervisor support and employee performance using a questionnaire. 247 questionnaires were returned out of 370 administered, thus a response rate of 67%. Quantitative technique was used to analyze data. Diagnostic tests revealed normal distribution of data and thus appropriate for hypothesis testing. Jointly, employee compensation and supervisor support were significant predictors of employee performance. It was concluded that employee compensation and supervisor support have a moderate positive significant effect on employee performance when regressed jointly. The model attained a goodness of fit as demonstrated by a significant F-ratio. The study also found that the relationship between employee compensation and performance is not moderated by supervisor support. Employee compensation, supervisor support and the interaction term had insignificant Beta coefficients. The study concluded that supervisor support does not moderate the relationship between employee compensation and employee performance. The study recommended universities should consider paying more benefits to its employees in order to retain them and ensure they perform well.
1. INTRODUCTION

Employee compensation is an important subsystem in human resource management (Adeniji & Osibanjo, 2012). Employees anticipate adequate compensation in form of financial and non-financial rewards to satisfy their needs after helping the organization achieve its goals. Employers’ ability to properly implement rewards greatly impacts on employee work satisfaction (Money & Graham, 1999) and organizational commitment (Hafer & Martin, 2006). Compensation to employees affects their productivity and their rate of turnover. Employees will increase their performance when they feel that their performance is recognized and compensated by the organization hoping to receive even high compensation (Mangkuprawira, 2003). According to Armstrong (2012) total compensation is a combination of both financial and non-financial rewards given to employees. They are all resources offered to employees, which are used by employers to attract employees, motivate and retain them. Compensation is defined as salaries, wages, bonuses, and entitlements, used to reward employees (Stahl, 1995). Similarly, Cascio (2003) define compensation as monetary payments in the form of salary and wages and non-monetary payments such as benefits. However, definition of compensation by Stahl (1995) and Cascio (2003) appears very narrow as they equate pay with monetary income. Belcher (1997) suggest that compensation is an input-output exchange involving an employee and employer, that is, employees are required to contribute efforts and employers required to pay wages to employees. In this input-output exchange process, the organization offers pay for availability of workers, knowledge, skills, education and experience, and output. According to Armstrong (2005) compensation management is seen as all forms of financial and non-financial returns that employees receive in return of their services and as part of employment relationship.

Supervisor support is the extent to which employers value their employees' input and are concerned about the well-being of their employees (Eisenberger et al., 2002). Immediate supervisors gather and distribute resources required by employees to do their work and provide positive encouragement for a job well done. Supervisor support comprises emotional support and instrumental support. Emotional support is actively listening and being concerned about employees’ needs, while instrumental support is where a supervisor gives tangible expertise and assistance in completing a task (Goldstein & Ford, 2002). According to Eisenberger et al (2002), employees combine the treatment they get from their supervisors and make a general interpretation on how an organization values their efforts and takes care of their welfare. As role models, experienced leaders and problem solvers at the top level, supervisors always work jointly with their employers to come up with policies plans and procedures, implement, monitor and evaluate them (Sloan, 2012). Strong support from supervisors and co-workers improve working environment by reducing employees’ stress, which in turn improves job satisfaction and employees’ performance.

Employee performance is how well a person performs job duties and responsibilities. Two types of employee performance which are essential for organizational effectiveness are task and contextual performance (Borman & Motowidlo, 1997). Task performance refers to actions that are directly related to the main task functions and directly relate to the formal reward system. Contextual performance to individual efforts which are not directly related in producing goods or services. Examples of contextual performance are volunteering for additional work, adhering to the set rules and regulations in the organization even when
not convenient, assisting and cooperating with other employees (Borman & Motowidlo, 1997). Giving rewards has become essential for organizations as it is seen to improve employees’ performance. Greenberg (2003) found that properly designed pay systems leads to better performance outcomes. Compensation structures make major contributions to performance of employees by positively influencing their motivation to perform. Pay structures also impact on employees’ attraction and retention to the organization thereby affecting their ability to perform. According to Gomez-Mejia (2010), pay for performance may lower employees’ job satisfaction but lead to increase in productivity. The relationship between employee compensation, supervisor support and employee performance is founded on Expectancy Theory. This theory was first developed by Victor Vroom (1964), and later refined and expanded by Lawler and Porter (1967). Together with Lawler and Porter, Vroom suggested that effort, motivation and performance are associated with one's motivation. Social exchange theory by Homans (1961) helps explain employer-employee relationship. The theory proposes that employees engage in a behavior for their supervisor with anticipation to receive a reward in return. Both the employee and the supervisor should offer each other fair, reasonable, and valuable compensation (Graen & Scandura, 1987).

University Education in Kenya is regulated by the Commission for University Education (CUE), a Government Agency (Universities Act, 2012). As at August 2016, the Country had a total of 54 chartered universities. Among them, 23 are chartered public (government-funded) universities, 14 universities operate with Letter of Interim Authority 17 and are chartered private universities (http://www.cue.or.ke). This study focused on academic staff in twenty three (23) Kenyan chartered public universities. Chartered Universities were preferred as they have clear organizational structures and policies. They operate on clear line of responsibilities and thus exhibited elaborate relationship among the variables studied. Chartered public universities in Kenya have continued to receive less financial support from the government than their expenditure. There has been a remarkable increase in student numbers in Kenyan Universities without a balanced increase in resources available to universities. Academic staff pay in Kenyan Public Universities has been a bone of contention (Mwiria et al, 2007). Salaries and Remuneration Commission (SRC) in its study on wage differentials in 2013 established Public Service Pay is competitive for state officers, that is, for public servants in senior grades and at the bottom job groups of unskilled and semi-skilled workers. Although the Public Sector has become the employer of choice for employees at the top and at the bottom of the remuneration and benefits structures, there is however, a challenge of attraction and retention of adequate numbers of competent technical and professional personnel in some sectors of the Public Service, including Public Universities, which has compromised performance. There are disparities in salaries, allowances and other benefits enjoyed by employees with comparable competences and workloads within State Organs due to minimal harmonization of salary structures and uncoordinated salary and benefits reviews (SRC Public Sector Remuneration and Benefits Policy, 2015). Persistent agitation for fair treatment has necessitated for job evaluation by SRC to harmonize the public sector remuneration in the hope that the results will motivate public servants and improve their performance(SRC Public Sector Remuneration and Benefits Policy, 2015). This study focused on compensation, supervisor support and employee performance in Kenyan chartered public universities. There are disparities in salaries, allowances and other benefits enjoyed by employees with comparable competences and workloads within State Organs due to minimal harmonization of salary structures and uncoordinated salary and benefits reviews (Public Sector Remuneration and Benefits Policy, 2015). Employee compensation, supervisor support and employee
performance challenges facing public universities in Kenya calls for a further study on these variables.

2. RESEARCH PROBLEM

Compensation and supervisor support is essential to the functioning of the relationship between the employee and employer and very close to the heart of both the employer and the employee. Cole (1995) argues that relationships between the employee and employer are frequently expressed as inputs and outputs of the employees. One can evaluate their outputs such as salary level and promotion based on their inputs such as education, efforts, competence and skills. Torrington et al (2008) argue that perceived unfairness in compensation can be harmful to an organization. Supervisors have the power to act as caretakers. Support from supervisors may significantly impact motivation and employee performance (Rousseau & Aubé, 2010). Since early 1990’s, Kenyan public universities have continued to receive less financial support from the government than their expenditure. This has pushed universities to engage in income generating activities to meet the extra costs of staff, catering and accommodation services, learning and research (Mwiria et al, 2007). Issues have been raised on sharing of money generated from self-sponsored academic programmes in universities. There are concerns of lack of clear criteria and unfairness in distributing incentives to academic staff in universities. Even though academic staff members are compensated for teaching self-sponsored programmes, there is need to consider fairness in distributing incentives and to have supportive supervisor who will motivate the academic staff and in turn improve their performance.

Several studies have been done in the field of supervisor support and employee performance but empirical gaps have been identified from limitation of such studies and the recommendations for further studies. Grawitch et al (2006) found that employee satisfaction with workplace practices was predictive of employee outcomes. Duberg and Mollen (2010) found that reward systems do not affect quality if the system is well designed. Ng’ethe et al (2012) revealed that the presence of remuneration, good leadership, promotion and training in universities did not influence staff retention. Mburu et al (2014) revealed a positive relationship between the working conditions and job satisfaction among the university employees surveyed; and a very strong positive correlation between employee remuneration/compensation with job satisfaction. Few studies have examined these variables individually in Kenyan public universities context. This study focused on the influence of supervisor support in the relationship between employee compensation and performance. The study was to answer the following research question: what is the influence of supervisor support in the relationship between employee compensation and employee performance?

3. RESEARCH OBJECTIVES

i. To determine the joint effect employee compensation and supervisor support on Performance of Academic Staff in Kenyan Chartered Public Universities

ii. To determine the moderating role of supervisor support on the relationship between employee compensation and Performance of Academic Staff in Kenyan Chartered Public Universities
4. THEORETICAL REVIEW

Several theories have been formulated to explain the influence of supervisor support in the relationship between employee compensation and employee performance. This study was based on two theories: Expectancy theory and Social Exchange Theory.

4.1 Expectancy Theory

Expectancy theory is anchored on the perception that human beings believe that there is a relationship between the effort put in their work, the performance from the effort, compensation received from their effort and performance (Oliver 1974). Expectancy theory was first proposed by Vroom (1964) which was later refined by Lawler et al (1992) and (Pinder, 1987). Lawler and Porter’s expectancy theory suggest that a person’s view regarding the fairness and attractiveness of rewards affects motivation (Lawler & Porter, 1967). According to Lawler and Porter (1967), performance leads to both intrinsic and extrinsic rewards. These rewards, alongside individuals perceived equity leads to satisfaction. Employers must ensure that employees are compensated well in order to motivate them which in turn will lead to improved performance. Expectancy theory argues that there is a relationship between the effort put in their work, the performance from the effort, compensation received from their effort and performance. According to expectancy theory employees will be encouraged to work hard when they realize that their effort will result in good performance and in turn their good performance result in preferred rewards.

4.2 Social Exchange Theory

Social exchange theory by Homans (1961) proposes that employees engage in a behavior for their supervisor with anticipation to receive a reward in return. Both the employee and the supervisor should offer each other fair, reasonable, and valuable compensation (Graen & Scandura, 1987). If there is a high value of exchange, leader-member exchange relationship will be of high quality (Wayne et al, 1997). Subordinates will be more satisfied with their jobs if leader-member exchange relationship with their supervisors is of high quality (Ning et al, 2010). According to this theory, when employees trust that the organization supports their initiatives, they will also feel the need to support of the organization to achieve its goals (Korsgaard et al, 2010). Social exchange theory assumes that employees engage in a behavior for their supervisor in anticipation to receive a reward in return.

4.3 Conceptual Framework

Conceptual framework of theoretical framework is shown in Figure 1 below. The framework shows variables supporting the relationship between compensation and employee performance; employee motivation is shown as the intervening variable as well as perceived equity and supervisor support as the moderating variables. The literature review above provides support for linkages for these variables.
5. RESEARCH METHODOLOGY

This study adopted positivist research philosophy. This choice was informed by the fact the study was anchored on theory and a conceptual model from hypotheses drawn. This philosophy requires quantitative data and corresponding analytical techniques. This paradigm further involves operationalizing concepts so that they can be measured, and taking large samples (Saunders et al, 2007). A descriptive cross-sectional design was adopted which enabled the researcher to discover the relationship between compensation and employee performance in Kenyan chartered public universities. This study targeted academic employees in 23 Kenyan chartered public universities. The Country has a total of 54 chartered universities. Among them, 23 are chartered public (government-funded), 17 are chartered private and 14 universities operate with Letter of Interim Authority (CUE List of Accredited Universities, January 2016). The unit of analysis and target respondents will be academic employees in Kenyan chartered public universities. The total population of academic employees in these universities is over 82,811. Chartered Universities are preferred for this study as they have clear organizational structures and policies and were likely to exhibit elaborate relationship among the variables to be studied.

Multistage sampling technique was used to identify sampling units at different stages according to the structure of the population. The first stage of sampling involved selection of academic units (Faculties/Schools/Institutes) from the twenty three (23) public universities. Forty three (43) Faculties/Schools/Institutes out of two hundred and forty six (246). The 43 Faculties/Schools/Institutes were selected using simple random sampling. The second stage was to obtain a sample size from the population. The total number of academic staff in Kenyan chartered public universities was 82,811 (CUE, January 2016). Sample size was obtained using easy sample size calculator. As per sample size calculator, to achieve a confidence level of 95% with 5% margin of error, a sample size of 370 respondents was required.
appropriate for population size of 10,000. The researcher then obtained a sample from every university. The total number of academic staff in every university was divided by the total population from all universities and multiplied by the sample size as given by easy sample size calculator. To obtain a representative sample, the researcher randomly selected academic staff from the selected Faculties/Schools/Institutes in Kenyan public universities. Primary data was collected on compensation, supervisor support and employee performance using 5-point likert type scale questionnaire that is mostly used in scholarly research. Secondary data was collected on task performance in public universities, that is, how academic staff had performed various tasks for a period of three years. Data was analyzed using inferential statistics such as analysis of variance and multiple regression analysis.

6. DATA ANALYSIS RESULTS

The study sought to determine the joint relationship between compensation, supervisor support and employee performance in Kenyan chartered public universities. The tests and results for each hypothesis are shown in this section.

Table 1: Results of Regression Analysis for the Influence of Supervisor Support on Employee Compensation on Employee Performance

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.600a</td>
<td>0.36</td>
<td>0.354</td>
<td>0.51637</td>
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</table>

<table>
<thead>
<tr>
<th>ANOVA(b)</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>36.55</td>
<td>2</td>
<td>18.275</td>
<td>68.539</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>65.06</td>
<td>244</td>
<td>0.267</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>101.61</td>
<td>246</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Beta Coefficients(a)</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.683</td>
<td>0.181</td>
</tr>
<tr>
<td>Employee Compensation</td>
<td>0.21</td>
<td>0.063</td>
</tr>
<tr>
<td>Supervisor Support</td>
<td>0.393</td>
<td>0.051</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Supervisor Support, Employee Compensation
b. Dependent Variable: Employee Performance

The findings presented in Table 1 show a moderate coefficient of determination ($R^2=0.36$, $F=68.539$, $p<0.05$). These results imply that employee compensation and supervisor support had a moderate positive effect on employee performance. The results further imply 36% of change in employee performance is explained by employee compensation and supervisor support while 64% of change in employee performance is due to unknown factors not in the regression model. The model had a goodness of fit as implied by a significant F-ratio. Beta coefficients were significant ($B=0.21$, $t=3.327$, $p<0.05$) for employee compensation and ($B=0.393$, $t=7.725$, $p<0.05$) for supervisor support. This implies that a unit increase in employee compensation leads to 0.21 increase in employee performance and a unit increase in supervisor support leads to 0.393 increase in employee performance. Based on these results, regression model is fitted as follows: $EP = 1.683 + 0.21CO + 0.393SS$. Therefore, it is
concluded that employee compensation and supervisor support have a moderate positive significant effect on employee performance. Multiple regression analysis was used where employee compensation, supervisor support and interaction term between employee compensation and supervisor support were the predictors while employee performance was the criterion variable. The findings are presented in Table 2.

Table 2: Regression Results for the influence of supervisor support on the relationship between compensation and employee performance

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.602a</td>
<td>0.363</td>
<td>0.355</td>
<td>0.51618</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVA</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>36.866</td>
<td>3</td>
<td>12.289</td>
<td>46.122</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>64.745</td>
<td>243</td>
<td>0.266</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>101.61</td>
<td>246</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Beta Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.274</td>
<td>0.572</td>
</tr>
<tr>
<td>Employee Compensation</td>
<td>0.248</td>
<td>0.204</td>
</tr>
<tr>
<td>Supervisor Support</td>
<td>0.211</td>
<td>0.175</td>
</tr>
<tr>
<td>Interaction Variable (CO*SS)</td>
<td>0.063</td>
<td>0.058</td>
</tr>
</tbody>
</table>

* a. Predictors: (Constant), CO*SS, Employee Compensation, Supervisor Support
* b. Dependent Variable: Employee Performance

The findings presented in Table 2 indicate a moderate coefficient of determination ($R^2=0.363$, $F=46.122$, $p<0.05$). This suggests that 36.3% of the variation in employee performance is due to employee compensation and supervisor support. The remaining 63.7% of variation in employee performance is due to unknown factors. The model had a goodness of fit demonstrated by a significant F-ratio. Employee compensation had insignificant Beta coefficient of ($B=0.248$, $t=-0.005$, $p>0.05$) and supervisor support ($B=0.211$, $t=1.231$, $p>0.05$). Further, Beta Coefficient for the interaction term were insignificant ($B=0.063$, $t=1.088$, $p>0.05$). This implies that a unit change in employee compensation is associated with 0.248 change in employee performance, a unit change in supervisor support is associated with 0.211 change in employee performance and 0.063 change in interaction term between employee compensation and supervisor support.

These findings contradicted the argument by Malik et al. (2010) that employees’ level of satisfaction with their supervisors is expected to have a positive influence on their commitment in the organizational. This is because these study findings did not support the moderating effect of supervisor support on the relationship between employee compensation and employee performance. These study findings also contradicted with those of Azzam et al (2014) who conducted a study on the role of organizational support in employee performance.
and found that there was statistical significant role at the level of (5%) for organizational support in improving employees’ performance. These study findings did not support the moderating role of supervisor support on compensation and employee performance. Relating to the findings of the study, Winston (2003) proposed that the supervisor’s service to the employee led in the employee’s reciprocal service to the supervisor.

7. CONCLUSIONS

The main objective of this study was to determine joint influence of employee compensation and supervisor support on employee performance in Kenyan chartered public universities. The study also sought to establish whether supervisor support moderates the relationship between employee compensation and employee performance. Based on the study findings, the study concluded that employee compensation and supervisor support positively and significantly influence employee performance. Employee compensation is confirmed to be an important subsystem in human resource management. Employers’ ability to properly implement rewards greatly impacts on employee work satisfaction and organizational commitment. Employees will increase their performance when they feel that their performance is recognized and compensated by the organization hoping to receive even high compensation. The second objective was concerned with the moderating role of supervisor support in the relationship between employee compensation and employee performance. The study concludes that the relationship between compensation and performance is not moderated by Supervisor support. Immediate supervisors gather and distribute resources required by employees to do their work and provide positive encouragement for a job well done.

8. RECOMMENDATIONS

The study also found that employee compensation and supervisor support is positively correlated to employee performance. Therefore universities should consider paying more benefits to its employees in order to retain them and ensure they perform well. The compensation programs should be well structured so as to promote fairness and also motivate employees. This can only be achieved by ensuring that compensation policies are consultative. Compensation should focus on both financial compensation and non-financial compensation. Besides financial compensation, non-financial compensation is necessary to retain academic staff in Universities. Supervisor support was found to be critical in enhancing employee performance. Employee performance will hardly be achieved if supervisors will not be available to offer guidance to their juniors.

A study is also recommended to establish the effect of supervisor support, employee compensation in Kenyan chartered public universities where all the staff members including other non-teaching professional staff will be studied. This will lead to more generalization of the findings. A further study is also recommended where both public and private universities in Kenya will be studied. It is noted that seven public universities were chartered in Kenya in the course of this study. It is recommended that a study be done to incorporate all other universities in Kenya chartered after this study.

REFERENCES


Commission for University Education Website, (http://www.cue.or.ke/).


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