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OUTSOURCING COMPENSATION AND PERFORMANCE MANAGEMENT POLICIES AND EMPLOYEE PERFORMANCE AT TOTALENERGIES MARKETING KENYA PLC, MOMBASA COUNTY KENYA

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ABSTRACT

A variety of factors influence how organizations manage their Human Resource operations, thereby shaping their Human Resource Outsourcing strategies. These factors can include the legal environment, market dynamics, globalization, economic shifts, advancements in technology, competitive pressures, evolving business needs, and strategic HR management. HR policies are crucial for helping organizations achieve their strategic objectives, particularly in the fast-paced and competitive energy sector. The study explored the effect of Outsourcing compensation and performance management policies on employee performance at TotalEnergies Marketing Kenya PLC, Mombasa. The theoretical framework was based on Maslow's Hierarchy of Needs, Agency Theory, and Knowledge-Based Theory. The research adopted a descriptive research design, utilizing both qualitative and quantitative data collection methods. The study focused on 210 respondents, including section managers, section supervisors, and outsourced employees. To obtain a representative sample, 63 participants were selected using a stratified simple random sampling method. Data was collected through semi-structured questionnaires, with a pilot study conducted on 6 participants. Validity was assessed using content and construct types, while reliability was tested using Cronbach's Alpha, aiming for a threshold of 0.7. Data analysis was performed using SPSS, employing descriptive and inferential statistics such as means, ranges, and standard deviations and results were presented through graphs, tables, and charts. Findings indicated that outsourcing staffing enhanced recruitment efficiency, boosted morale, and reduced turnover, fostering a competent and stable workforce. Compensation policy outsourcing showed mixed outcomes: it improved payment accuracy and performance but raised concerns about transparency, fairness, and job satisfaction. Performance management outsourcing was largely positive, enabling continuous feedback, clearer roles, training identification, stronger relationships, and greater autonomy.

***Key Words**: Outsourcing, Performance Management, Compensation, Policies*

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INTRODUCTION

Employee performance has attracted significant attention over the past few decades and is often emphasized within society. It shows the calibre and volume of work a person does for the purpose of fulfilling their obligations. Silitonga and Sadeli (2020) propose that employee performance is frequently regarded as a reflection of an organization's success, playing a key role in shaping its reputation. Some authors suggest that employee performance is closely linked to the effectiveness and efficiency with which employees carry out their tasks, affecting their contributions to the organization, including output quantity, attendance, and a positive attitude (Masa'deh et al., 2018). The ability of an organization to thrive depends on its capacity to meet the needs of its employees. Therefore, managers should prioritize addressing both the mental and physical well-being of their workforce, while also enhancing personal and professional performance through various strategies such as training, performance evaluations, and job design (Abdulkhaliq & Mohammadali, 2019).

Human Resource Outsourcing (HRO) falls under the broader category of Business Process Outsourcing (BPO), where a company delegates HR-related tasks to a third-party professional HR firm to handle human resource activities and administrative tasks. Human Resource Outsourcing (HRO) involves an arrangement in which a company hires an external firm to manage internal tasks such as payroll processing, recruitment, claims handling, and other non-core functions (Nyameboame & Haddud, 2017). Human Resource Outsourcing policies therefore entail written guidelines that prescribe principles, rights, and responsibilities of managers, employees, and clients to help ensure fairness and consistency while giving guidance on employment issues and protecting the organization from legal claims. HRO policies typically include specific guidelines, procedures, and standards for outsourcing HR activities. Batt, (2017). These policies have a tailored approach that can support the organizational culture. When adopting outsourcing, an organization should check the creditworthiness and level of service delivery and ensure timely examination of representatives before their selection, the company then should establish good relations with the vendors.

Human resource policies provide clear guidelines, rules, and procedures to employees, managers, and other stakeholders, offering direction on acceptable behaviors, practices, and processes within the organization (Dessler, 2017; Noel et al., 2019). Some exist explicitly and are formerly recorded while others are implicit and expressed in abstract terms and not formally recorded. HR policies are dynamic and responsive to the evolving landscape of the business world such as globalization, technology, and work dynamics. They provide guidelines for hiring, work processes, leave, compensation, training, promotion, and termination amongst other functions. HR policies are crucial in ensuring compliance with relevant laws, regulations, and industry standards. This helps organizations minimize legal risks, avoid fines, and prevent penalties (Stone & Stone, 2019; Ivancevich et al., 2019). HR policies support employee development through training programs, career advancement opportunities, and performance management systems (Noe et al., 2019). According to Ivancevich et al., 2019, HR policies establish frameworks for performance evaluation, feedback mechanisms, and reward systems, driving continuous improvement and accountability. These policies are therefore a must-have for any organization as they provide continuing guidelines on people management to have competent and motivated staff at their disposal.

Africa adopted the HRO concept from the Asian and European countries where it has curbed unemployment, especially in the service industry. Most African countries have leaped through and are evolving into competitive hotspots e.g., South Africa, Nigeria, Ghana, Ethiopia, and Kenya where both modern and traditional companies are embracing this strategy. African suppliers are

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increasingly drawing the attention of multinational corporations (MNCs) that are in search of efficient and affordable business process outsourcing (BPO) services. MNCs are becoming more cognizant of the advantages these solutions can offer. Kenya is already posing a threat to established players in the Human Resource Outsourcing (HRO) market as a newcomer. The International Association of Outsourcing Professionals honoured Morton H. Meyerson of Electronic Data Systems Corporation in 2013 for creating the business model that led to the popularisation of outsourcing in 1967 (IAOP, 2013). The focus of every organization in Kenya today is to increase productivity while optimizing resources, where employee performance is key.

Employee Performance

Employee performance refers to the effectiveness with which employees fulfill their assigned roles and responsibilities (Rachmaliya & Effendy, 2017). It can also be understood as the degree to which individuals successfully perform their job-related tasks. According to some authors, employee performance is closely tied to the efficiency and effectiveness of the tasks employees complete. It also influences factors such as output quantity, attendance, and adaptability in the workplace (Masa'deh et al., 2018). Furthermore, employee performance encompasses behaviors that are the result of knowledge acquired or training undergone by the employee. In this sense, it reflects both the mental and psychological capabilities of individuals (Faiza & Nazir, 2015). Performance serves as a crucial metric for successful organizations to gauge their achievements. It is influenced by the employees' skills and abilities, combined with supervisory support and the effort exerted in their roles. Experts describe performance as the result of an individual's work and their ability to fulfill tasks and responsibilities effectively (Rusmiati & Fitriani, 2021). In this study, employee performance was assessed using Key Performance Indicators (KPIs), performance appraisals, output quality and quantity, feedback, and recognition.

Compensation and Performance Management Policies

A compensation policy is a set of guidelines and precepts that control how much money and benefits are paid to employees (Cascio, 2019). He further highlights that compensation policies should be consistent with legal requirements, market practices, and organizational goals. He suggests that compensation policies should address issues such as pay levels, salary structures, performance-based pay, and employee benefits to attract, motivate, and retain talent effectively. Dessler (2023) goes on to stress that pay plans ought to be created with the goal of luring, inspiring, and keeping workers while maintaining both internal equity and external competitiveness. He suggests that compensation policies should consider factors such as job evaluation, market analysis, pay structures, and performance-based pay. Ivancevich, (2013) emphasizes that compensation policies should be based on principles of fairness, equity, and meritocracy. He suggests that compensation policies should provide guidelines for determining pay rates, salary increases, bonuses, and other forms of compensation, taking into account factors such as job responsibilities, performance, and market conditions.

Performance Management policy is a set of guidelines that should be followed when implementing an employee supervision and appraisal process within an organization. This policy seeks to create a well-defined, suitable, and uniform framework for assessing employee performance, focusing on work improvement, self-evaluation, and development planning (Abdijabbar, 2018). Performance management policies, as mentioned by Dessler (2023), offer a methodical way to enhance organizational performance by promoting the development of both individuals and teams. Effective performance management policies, Dessler emphasizes, should include activities such as establishing performance goals, providing feedback and coaching, assessing results, and acknowledging exceptional performance. Dessler highlights that in order to promote a culture of accountability and ongoing improvement, these policies must be in line with the objectives and values of the company. Armstrong, (2021) emphasizes that performance management policies should be strategic, integrated, and focused on achieving desired outcomes. He suggests that performance management policies should include elements such as goal setting, performance planning, feedback and development, performance appraisal, and reward and recognition.

TotalEnergies Marketing Kenya PLC

TotalEnergies Marketing Kenya PLC is one of the largest oil and gas marketers in Kenya, operating in over 130 countries. It is a part of the global TotalEnergies Group, which was founded in 1924 and is among the biggest publicly traded integrated multinational oil and gas corporations worldwide. Established in 1955 under the name OZO East Africa Limited, the company was the first international oil company to be listed on Nairobi Security Exchanges (TotalEnergies Marketing Kenya PLC, n.d.). It was renamed Total Oil Products East Africa Limited in 1988. In 1991, it was further renamed Total Kenya Limited. It once more changed its name to TotalEnergies Marketing Plc in 2021 in order to portray itself as an oil company that is attempting to use less petrol and oil and, as a result, embrace low-carbon renewable energy. This was done to ensure that the company's identity reflected its ambitious goals at the beginning of the new century, which included becoming a global leader in the energy transition and achieving net zero by the year 2000. It is a world-class company that operates refined natural gas, produces petrochemicals, sells fuel and lubricants, and is a premier oil company. Its employees are professional, skilled, knowledgeable, and culturally diverse, and its high-performance lubricants are supported by extensive worldwide experience. Two wholly and jointly owned gasoline depots, a lubricant blending plant, two Liquified Petroleum Gas (LPG) depots, six aviation depots, and more than 220 service stations nationwide are all part of the company's strong fuel supply chain and infrastructure. The TotalEnergies card, also known as the Bon Voyage Card, was introduced in 1997 as a result of the "Simple, Smart, and Safe" fleet management system. It was further upgraded in 2017 to allow for prepaid plans and real-time mobile top-ups, which are accepted at all service stations.

They also have stocked Bonjour Shops with snacks, coffee, drinks, and groceries. In Kenya, they also operate franchised Mugg & Bean On-The-Move locations that serve coffee and their renowned giant muffins, among other treats. The establishments provide mobile money services, coffee shops, restaurants, car washes, pharmacies, and service bays in addition to banking services. The company's core value of safety serves as the foundation for operational excellence across all business divisions. The goal of TotalEnergies is to make sure that all employees can safely return home at the end of their workday. It is a fundamental value that cannot be compromised for any reason, making it more than just a priority. The company has set a goal of "zero fatalities" and is working to minimise accidents on a continuous basis. In May 2023, the company released the EasyGas app to guarantee consumer convenience with gas delivery. Additionally, the company is expanding its product line by creating energy sources that can complement oil and gas today, solar energy, where they are a global leader, and biomass tomorrow. Outsourcing is a tactic used by this development-focused business to boost productivity and competitiveness. A study conducted in 2023 by Solta and Osoro found that supplier sourcing, a form of outsourcing, significantly and favourably impacted TotalEnergies Kenya PLC's performance, particularly in Mombasa County. According to the study, sourcing suppliers also improved profitability, expanded the company's market share, and decreased production costs.

Statement of the Problem

Employee performance is defined as the extent to which an employee or a group can achieve the intended goals of an activity, measured in terms of both quantity and quality (Naktiyok, 2019). This definition emphasizes the ability of employees to meet or exceed performance standards related to their tasks, highlighting their effectiveness and efficiency in contributing to organizational objectives. Despite the importance of employee performance, TotalEnergies Marketing Kenya Plc Mombasa is facing challenges in ensuring optimal performance among the workforce. The company has made efforts to enhance performance through various initiatives, such as training programs, performance appraisals, and incentive schemes have been made but there remain persistent concerns regarding the effectiveness and consistency of employee performance across different departments and levels within the organization. Omollo, (2023). According to Hassan, (2024), KPIs are intended to motivate employees and drive performance improvement, they can sometimes have negative effects on employee performance under certain circumstances such as setting unrealistic targets and excessive emphasis on meeting KPI targets causing stress and pressure for employees affecting performance. Limited feedback and recognition are also a strain on employee performance as employees may seem to be lacking feedback, recognition, and rewards for their contributions, impacting their motivation, engagement, and commitment to achieving performance targets. Mutua, (2024).

Objective of the Study

To investigate the effect of outsourcing Compensation and Performance Management Policies on Employee Performance at TotalEnergies Marketing Kenya Plc, Mombasa County Kenya.

LITERATURE REVIEW

Theoretical framework

This study utilized Maslow's Hierarchy of Needs**,** Agency theory, and Knowledge-Based View.

Maslow's Hierarchy of Needs

The theory was developed by Abraham Maslow in 1943. The psychological framework of this theory divides human motivation into five levels: esteem, safety, self-actualization, belonging/love, and physiological needs. It suggests that as individuals progress through these levels, they achieve higher self-fulfillment and motivation. Physiological needs encompass basic survival essentials like food, water, air, and shelter. Safety needs refer to the desire for order, security, and protection from physical and emotional harm. Love/Belonging needs arise from the desire for social connections, such as relationships with family or a sense of connection with co-workers, esteem needs arises from self-worth, achievement, and recognition, and Self-actualization needs to entail achieving one's full potential and pursue personal growth and self-improvement. Maslow's theory can be applied in the workplace to help understand how understanding these needs can impact employee performance. A performance Management policy should revolve around constructive feedback and recognition to foster esteem needs while ensuring that performance review practices involve setting personal development goals and providing professional support to as to enable employees fulfill their self-actualization needs. This theory supports the compensation policy, performance management policy and employee performance.

Agency Theory

Jensen and Meckling formulated the hypothesis in 1976. The theory states that when a principle appoints an agent to act on their behalf in accomplishing organizational objectives, a connection is established (Shapiro, 2005). The primary objective of establishing agency theory was to identify and regulate the behavior and relationship between principals (shareholders) and their agents (managers or directors appointed by the shareholders) in organizations (Boison et al., 2018). This theory is used in the study to describe how the client (principal) and the vendor or HRO business (agent) interact. The theory emphasizes how incentives can encourage agents to behave in the principals' best interests. Compensation policies are therefore designed to align the interests of employees with organizational goals by offering rewards, such as salaries, bonuses, and benefits, that are contingent on performance. By linking compensation to performance outcomes, organizations can incentivize agents to exert effort, achieve targets, and maximize value creation for principals. The theory therefore supports the staffing and compensation variables.

Empirical Literature Review

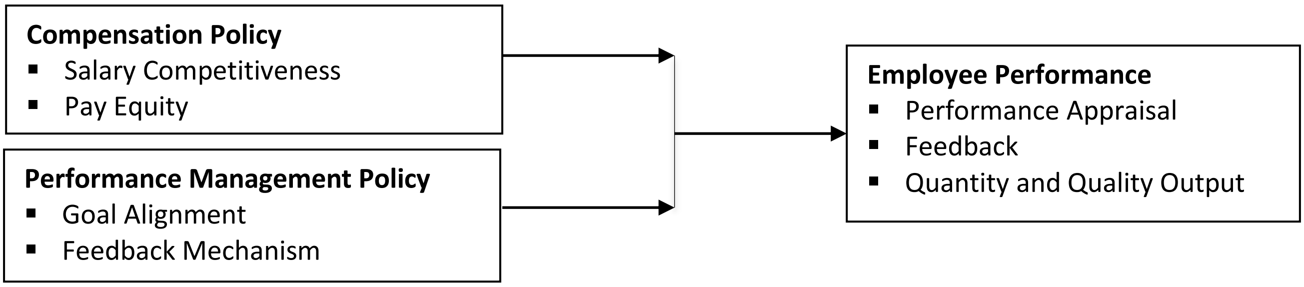
Fitri (2024) conducted a study to evaluate compensation policies and their impact on employee retention in the food industry. To gather pertinent data, the study used a variety of techniques, such as a thorough literature review, industry reports, and case studies. While surveys were used to get quantitative data, semi-structured interviews were employed to gather qualitative data. The findings highlighted the effectiveness of compensation policies in employee retention, emphasizing that fair and competitive compensation is crucial for attracting and retaining skilled employees. Regular market analysis and benchmarking were identified as key strategies for maintaining competitive compensation. Furthermore, it was discovered that performance-based rewards, like bonuses and recognition schemes, had a favorable impact on staff retention and motivation. The study showed a contextual gap because it was carried out in Indonesia, while the current in Kenya. Furthermore, there is a conceptual mismatch because the dependent variable in previous study was employee retention, but the current study concentrated on employee performance.

Ogubogu and Sadamoro, (2022) study looked at the relationship between compensation policy and employee performance in Ekiti State. The study employed a survey research approach. Essentially, the primary focus was on how employee performance was affected by promotions, pay raises, and recognition. The sample size consisted of 350 respondents, who comprised the population. The study made use of both primary and secondary data sources. The gathered questionnaires were examined using correlation analysis. According to the study, promotions have a significant impact on worker performance. As a result, committed workers should occasionally receive pay raises and acknowledgment for their hard work. There is a contextual gap because this study was carried out in Ekiti State, Nigeria, and the current one would be carried out in Mombasa, Kenya. Theoretically. The study employed Maslow's Hierarchy of Needs, expectation and equity theories, and knowledge-based view theories in addition to agency theory.

Pandey (2024) conducted a study examining the complex relationship between Performance Management Systems (PMS) and employee performance. The study used a mixed-methods approach, integrating qualitative information from interviews with quantitative survey analysis. An exploratory research design was used to investigate various aspects of PMS, including goal setting, feedback mechanisms, performance appraisals, and employee development initiatives. The findings revealed that an effectively designed and implemented PMS has a positive correlation with enhanced employee performance. Specifically, the alignment of clear goals with organizational objectives, consistent feedback mechanisms, transparent and fair performance appraisals, and opportunities for employee development were found to improve employee performance. A contextual gap is noted as the study was conducted in India, while the current research will be in Kenya. Additionally, a theoretical gap is identified since Pandey's study applied goal-setting, feedback intervention, and social cognitive theories, whereas the current study utilized the agency theory, Maslow’s Hierarchy of Needs, and knowledge-based view theories.

Baraza and Omondi (2021) conducted a study on Human Resource Outsourcing (HRO) in logistics companies in Mombasa. Out of 425 people, 128 HR department heads were chosen as a sample. Respondents were emailed semi-structured questionnaires, and the same method was used to gather their answers. The Statistical Package for Social Sciences (SPSS) was used to evaluate the quantitative data using both descriptive and inferential statistics.The findings demonstrated a negative and insignificant correlation between outsourcing performance management and employee performance. It was also discovered that performance management should be conducted by line managers and supervisors, with assistance from the HR department, as outsourcing demoralized personnel. A conceptual mismatch is clear, as the dependent variable in previous study was organizational performance, but the current study is concerned with personnel performance. Furthermore, although Baraza and Omondi's study was founded on the agency and transaction cost theories, the current study incorporated the agency theory, Maslow's Hierarchy of Needs, and knowledge-based view theories.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Source Researcher, (2025)

METHODOLOGY

Research Design: This study employed a descriptive research

Target Population: The study's target population comprised 210 individuals, including employees currently working at TotalEnergies Marketing Kenya Plc, Mombasa. Specifically, it will focus on section managers, departmental supervisors, and outsourced staff.

Sampling Technique and Sample Size: This study used stratified simple random sampling to ensure that the sample is representative and allows for accurate group comparisons. With a target population of 210 (210 x 0.3), a sample size of 63 was chosen, including section managers, departmental supervisors, and outsourced staff.

Data Collection Instrument: This study's primary data was collected using semi-structured questionnaires, which are useful for increasing information accuracy, timeliness, and relevance. Secondary data was acquired from periodicals, journals, and financial accounts.

Pilot Study: In this investigation, a pilot study was carried out with 10% of the desired sample size (63), resulting in 6 responders who were eliminated from the larger study.

Validity and Reliability of Research Instrument: This study determined the validity and reliability of the research instruments that were used. Content and construct validity was Employed. Cronbach's Alpha was used to assess internal consistency and the questionnaire's reliability. An alpha coefficient of 0.7 or above is considered acceptable and indicates a satisfactory level of internal consistency.

Data Collection Procedure: An approval certificate from the National Commission for Science, Technology, and Innovation (NACOSTI) and an introductory letter from Kenyatta University were secured for the study. Data collection involved both computerized and questionnaire administration modes for 63 respondents, including section managers, departmental supervisors, and outsourced personnel.

Data Analysis and Presentation: This study used both quantitative and qualitative analysis methods, employing SPSS to apply descriptive and inferential statistics. Descriptive statistics encompassed measures of central tendency, such as the mean, and measures of dispersion, including range and standard deviation. Inferential statistics was used to conclude the population sample, addressing aspects that cannot be determined through descriptive statistics and involving techniques like regression analysis. Additionally, statistical analysis was employed to visually present the data using tables for clearer interpretation.

Ethical Considerations: The research was based on the voluntary participation of respondents, whose free will before and even during the study was granted. Informed consent was made to the respondents so that they clearly understand the purpose, benefits, and potential risks of the study. Confidentiality was key to the protection of participants' data.

RESULTS

This section focuses on the systematic examination of collected data to derive meaningful insights relevant to the research objectives.

Response Rate

The study achieved a high response rate, with 57 out of the 63 targeted respondents successfully participating, resulting in a 90.48% response rate. The modest non-response (6 participants, or 9.52%) is unlikely to have a substantial impact on the overall results, ensuring that the obtained data is representative of the intended population. Saunders, Lewis, & Thornhill (2019) emphasize that while a high response rate (above 80%) enhances data reliability, researchers should also assess potential biases from non-respondents.

Descriptive Statistics

A descriptive analysis of key variables provided foundational insights in examining the relationship between Compensation and Performance Management Policies and employee performance. In this research, statements were crafted to reflect key aspects of these policies, and respondents indicated their agreement levels using a Likert scale to express their level of agreement. This approach is instrumental in quantifying subjective perceptions, facilitating a comprehensive analysis of attitudes toward Human Resource Outsourcing (HRO) Policies and their impact on employee performance at Total Energies Marketing Kenya PLC, Mombasa County, Kenya.

Outsourcing Compensation Policy

The study desired to establish the effect of outsourcing compensation policy on employee performance. And results indicated on table 1.

Table 1: Outsourcing Compensation Policy

Statements	Mean	Std. deviation
Outsourcing compensation policy has improved my overall job satisfaction	3.41	0.994
Outsourcing compensation policy led to accurate and timely salary payments	2.78	1.124
As a result of outsourcing, compensation is fair and competitive	3.29	1.023
Outsourcing compensation policy has increased transparency in pay structures	3.04	1.099
Employee performance has improved because of the outsourcing compensation policy	2.89	1.256
Average	**3**	**1.118**

Source: Researcher (2025)

The study results indicated an average performance in outsourcing the compensation policy, with a mean score of 3.00 and a standard deviation of 1.118. Employees believed that outsourcing

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compensation had resulted in accurate and timely salary payments (mean = 2.78) and improved employee performance (mean = 2.89). However, other aspects such as increased transparency in pay structures, fair and competitive salaries, and overall job satisfaction were perceived to be lagging. These findings align with the perspectives of Milkovich, Newman, and Gerhart (2020), who assert that an effective compensation policy enhances employee motivation, engagement, and performance. Armstrong and Taylor (2020) further emphasize that fair and transparent pay structures contribute to job satisfaction and employee retention. Additionally, Becker and Huselid (2006) highlight that strategic outsourcing of compensation management can improve payroll accuracy, ensure regulatory compliance, and enhance competitiveness in salary offerings, ultimately impacting workforce stability and organizational success.

Outsourcing Performance Management Policy: The study desired to investigate the effect of outsourcing Performance Management Policy on employee performance and the results indicated in table 2.

Table 2: Outsourcing Performance Management Policy

Statements	Mean	Std. Deviation
Outsourcing PM policy has ensured adequate and continuous communication and feedback	1.96	1.434
Outsourcing PM policy has helped staff understand their duties better	2.06	1.441
Outsourcing PM policy has aided in identifying training needs	2.91	1.137
Outsourcing PM policy has fostered employee relationships	2.02	1.416
Outsourcing PM policy has built autonomy and accountability	2.02	1.416
Average	**2.12**	**1.369**

Source: Researcher (2025)

The study results indicated an average score of 2.12 with a standard deviation of 1.369, suggesting that the majority of respondents agreed on the efficacy of outsourcing the performance management policy. Employees perceived that outsourcing performance management ensured adequate and continuous communication and feedback, enhanced role clarity, facilitated the identification of training needs, fostered employee relationships, and promoted autonomy and accountability. These findings align with the perspectives of Aguinis (2019), who emphasizes that an effective performance management system enhances communication, employee development, and organizational success. Additionally, Armstrong and Taylor (2020) highlight that outsourcing performance management can provide expertise in setting objective performance metrics, ensuring fairness, and improving overall workforce productivity. Moreover, Pulakos (2009) suggests that performance management policies that incorporate continuous feedback mechanisms and structured evaluation processes contribute to employee engagement, skill development, and long-term organizational effectiveness.

Employee performance of TotalEnergies Marketing Kenya PLC, Mombasa County, Kenya

The study sought to determine the extent to which Human Resource Outsourcing Policies affect Employee Performance in the organization. The results are presented in Table 3.

Table 3: Employee Performance at TotalEnergies Marketing Kenya PLC, Mombasa County, Kenya.

Statements	Mean	Std. deviation
I consistently meet or exceed my performance goals or targets	2.06	1.134
I effectively manage my time and workload	2.24	1.421
How would you rate your performance since the introduction of Human Resource Outsourcing	2.13	1.157
Do you believe that outsourcing HR functions has improved your overall job performance?	1.82	0.968
How would you rate the effectiveness of the current human resource policies in your organization?	2.02	1.416
Average	**2.05**	**1.219**

Source: Researcher (2025)

The study results showed an average score of 2.05 with a standard deviation of 1.219 regarding employees meeting or exceeding their performance goals, overall job performance, and ability to manage time and workload while demonstrating improved performance since the introduction of Human Resource Outsourcing. This indicates that the current Human Resource Policies have proven effective. These findings align with the findings of a study on the influence of human resource policies on employee performance in Rwanda, which found a significant correlation between HR policies and employee performance, with a correlation coefficient of r=0.798 and a p-value of 0.000, indicating that effective HR policies can substantially enhance employee performance. Furthermore, a study examining the effects of outsourcing HR activities on the performance of Kenyan manufacturing firms found that outsourcing certain HR functions can improve organizational performance, lending credence to HRO's effectiveness in improving employee performance.

Inferential Analysis

In this section, statistical techniques, such as correlation and regression analysis, will be used to help make generalizations about variables based on sample data.

Regression Analysis

This type examines how an independent variable (X) affects a dependent variable (Y). A multiple regression model was used to establish the relationship between Compensation and Performance Management Policies and employee performance at TotalEnergies Marketing Kenya PLC, Mombasa County, Kenya. The independent variable is employee performance while the dependent variables included compensation policy, and performance management policy.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.971[#]	0.942	0.938	0.292

Source: Researcher 2025

Table 4 established a strong significant relationship between the independent variables and the dependent variable, with R at 0.971 and an R square of 0.942. The results therefore imply that the independent variables contributed to 93.8% variation in employee performance at TotalEnergies marketing Kenya PLC, Mombasa county, Kenya, while other factors contributed up to 6.2%. The Adjusted R square was 0.938, and the Standard error of estimation was 0.292.

Analysis of Variance

ANOVA (Analysis of Variance) is used to understand and control variations in data. Results are presented in Table 5.

Table 5: Analysis of Variance

Model	Sum of squares	df	Mean square	f	Sig
Regression	72.41	2	18.103	212.394	000[b]
Residual	4.432	52	85		
Total	**76.842**	**56**			

Source: Researcher 2025

The ANOVA results show that the regression model is statistically significant ($F(4, 52) = 212.394$, $p < 0.001$). This indicates that the independent variables collectively have a significant effect on the dependent variable. The model explains a substantial amount of variance in the outcome ($R^2 = 0.942$), and the overall fit of the model is excellent.

Table 6: Regression Coefficient

This statistical measure is used to measure the average functional relationships between variables.

Table 6: Regression Coefficient

	Unstandardized Coefficients		Standardized coefficients		
Model	B	Std. Error	Beta	t	Sig
Constant	0.24	0.112		2.145	0.037
O.C.P	0.109	0.059	0.122	1.85	0.070
O.PM.P	0.993	0.211	0.906	4.701	0.00

Source: Researcher 2025

The multiple regression analysis was conducted to examine the influence of Compensation and Performance Management Policies on the Employee Performance. The results presented in the coefficients table show that the regression model included two independent variables: Outsourcing Compensation Policy (O.C.P), and Outsourcing Performance Management Policy (O.PM.P). Organizational Performance Management Practices (O.PM.P) had the most significant positive effect on the dependent variable ($\beta = 0.906$, $p = 0.000$). This suggests that changes to performance management practices are connected with significant improvements in the study result. However, the Outsourcing Compensation Policy (O.C.P) had no statistically significant effects at the 0.05 level. Similarly, O.C.P ($\beta = 0.122$, $p = 0.070$) demonstrated a positive but non-significant effect. While these factors may not satisfy the traditional threshold for significance, their near-threshold p-values indicate that they may still have an impact on the outcome and may be meaningful in practice or with a bigger sample size. In conclusion, the results highlight the critical role of performance management policies in determining the outcome variable, while also pointing to potentially important but statistically weaker contributions from compensation policies.

CONCLUSIONS AND RECOMMENDATIONS

Outsourcing compensation policy resulted in more accurate and timely salary payments and was associated with improved employee performance, suggesting that timely and precise remuneration positively influenced productivity. However, the findings also highlighted areas of concern, particularly regarding transparency in pay structures, fairness, and competitiveness of salaries, as well as overall job satisfaction. While Outsourcing Performance Management Policy ensured adequate and continuous communication and feedback, enabling employees to receive timely guidance and support for their professional growth. Additionally, it enhanced role clarity by establishing clear expectations and performance benchmarks, helping employees better understand their responsibilities and objectives. The findings also suggest that outsourcing performance management facilitated the identification of training needs, allowing the organization to implement targeted skill development programs.

Outsourcing performance management policies was generally viewed positively, as it facilitated continuous feedback, enhanced role clarity, identified training needs, strengthened workplace relationships, and promoted autonomy and accountability. Compensation outsourcing Policies revealed a mixed impact. While it ensured accurate and timely salary payments and improved employee performance, concerns remained regarding transparency, fairness, and job satisfaction.

To improve transparency and fairness in Outsourced Compensation Policies, organizations should establish clear, transparent, and competitive compensation structures to enhance fairness and employee satisfaction, regular benchmarking. Organizations should ensure that outsourced performance management systems incorporate continuous feedback, career development opportunities, and employee recognition programs, with performance appraisal mechanisms being structured for transparency, objective, and inclusive of both employee and management inputs.

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