



Compensation Strategy as an Alternative Paradigm to Employee Performance: An Empirical Evidence from Nigerian Breweries PLC

Sajuyigbe, Ademola Samuel^{1*}, A. Adesola Michael¹ and Omotoso Olanrewaju²

¹Department of Business Administration and Management, Osun State Polytechnic, Iree, Nigeria.

²Department of Registry, Osun State Polytechnic, Iree, Nigeria.

Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AJARR/2019/v6i130143

Editor(s):

(1) Dr. Folk Jee Yoong, Lecturer, SEGi University, Malaysia.

Reviewers:

(1) Ahmad Rasmi Albattat, Management and Science University, Malaysia.

(2) Atilla Akbaba, Izmir Katip Celebi University, Turkey.

Complete Peer review History: <https://sdiarticle4.com/review-history/51469>

Original Research Article

Received 26 June 2019
Accepted 12 September 2019
Published 21 September 2019

ABSTRACT

The study examines the influence of compensation on employee's performance with particular reference to Nigerian Breweries Plc. Purposive sample technique was adopted to select 5 staff members each from the marketing department, quality control department, procurement department, human resources department and legal department and production department, totaling 60 participants as a sample size for the study. Data analysis was performed with the aid of mean, standard deviation and linear regression. The results reveal that the level of compensation and performance is manageable. The result also show that compensation has a significant impact on the employee performance. The study concludes that compensation strategy is a major predictor of employee performance. Therefore, study recommends that Nigerian breweries and other manufacturing firms in Nigeria should re-appraise their compensation programs within the context of their corporate strategy and specific human resource strategy to ensure that they are consistent with the necessary performance measures required by the manufacturing sector.

Keywords: Compensation; employee performance; Nigerian Breweries; human resources.

*Corresponding author: Email: sajuyigbeademola@yahoo.com;

1. INTRODUCTION

The pivotal role of brewery sector in the economic growth and development cannot be undermined especially in developing countries. Recently, The Governor of Kaduna State, Mallam Nasir Ahmad el-Rufai, commended brewery sector for its role in the economic development of the nation stressing that the sector remains the biggest tax payer. The sector has attracted investment due to its attractive pricing opportunity when compared with global peers across emerging and frontier markets. However, recent analysis of the sector by Afrinvest, in its executive summary of 2019, shows that stiff competition, lower consumer spending and elevated cost of production have dogged the sector. Specifically, brewery giant, Nigerian Breweries Plc, has declared a 27.72 decline in its profit after tax (PAT) in the first half of this year, closing at N13.3 billion against N18.4 billion in the first six months of 2018. In the same vein, the profit before tax significantly depreciated to N19.4 billion in 2019 from N27.6 billion. The incessant distressed faced by the organizations has been attributed to poor compensation system. Sopiah [1] argues that many organizations overlook potential by a perception that "compensation is no more than a cost that must be minimized". Without realizing some organizations that ignore the potential importance and have perception mistakenly put the system precisely as a means of improving behaviour is not productive or counter-productive (Sopiah, 2013).

Compensation has been considered as one of the most critical factors influencing employee performance. To survive in today's global cut-throat competitive environment, organizations need modern employees that are enthusiastic, energetic and proactive, and often absorbed by their work. Therefore, it is crucial for organization to strategize their competitive and benefits plans in order to attract appropriate talent, maximize return on human capital and increase employees' performance. According to Mohammed and Syed [2], compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. Compensation also known "Employee Remuneration" occupies an important place in the life of an employee. Compensation schemes and provisions granted to employees can affect their morale and performance in either way. Organizations use attractive compensation schemes to attract and retain potential employees.

Pertinent questions agitating in the mind of researchers are: What is the level of compensation in Nigerian Breweries? What is the level of employee performance in Nigerian Breweries? And to what extent does compensation influence employee performance?

1.1 Objectives of the Study

The main objectives of this study are:

- i. To examine the level of compensation in Nigerian Breweries.
- ii. To examine the level of employee performance in Nigerian Breweries.
- iii. To investigate the extent compensation influences employee performance.

1.2 Justification for the Study

This research work will greatly enhance the ability of management of manufacturing firms, to understand the importance of compensation strategies as drivers for improved performance of employees. The study would be used by other institutions and sectors like Education, Health, and Financial Institutions as literature review and reference on the importance of compensation strategy.

1.3 Concept of Compensation

According to Mohammed and Syed [2], compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. Compensation also known "Employee Remuneration" occupies an important place in the life of an employee. Compensation schemes and provisions granted to employees can affect their morale and performance in either way. Well-paid employees usually show remarkable performances in the realms of productivity and promotion of ethical practices within the concerned company. Organizations use attractive compensation schemes to attract and retain potential employees. According to Chhabra [3], compensation is the combination of monetary and non-monetary rewards provided to employees for offering the services to the organization. It is given in the shape of wages, salaries and employee benefits like paid vacations, insurance, maternity leave, free traveling facility, retirement benefits, etc.

Armstrong and Brown [4] in defining compensation conceptualised it as an adequate and equitable remuneration for employees due to their contributions to achieving organisational

objectives. The definition by Naukrihub [5] that compensation is an integral part of human resource management which helps in motivating the employees and improving organisational effectiveness. These arguments suggest that there is a link between compensation and job performance. Others argue that compensation must be holistic packages beneficial to both employees and employers. Monday [6] also argues that compensation is a total of all rewards given to employees in return for their services rendered. Compensation implies having organisational policies and procedures in which the employees who perform better are paid more than the average performing employees [7,8]. Mullins [9] also agrees that compensation is one of the key ingredients in employee performance and productivity. Managers who can motivate employees assist the organization by improving employee retention and reinforcing positive behaviours and consequently, their enduring ability to motivate workers to achieve the highest result determines the success of a business.

This suggests that compensation is often concerned with human resource management strategies that compensate employees fairly, equitably and consistently in accordance with their value to the organization [10].

1.4 Concept of Employee Performance

1.4.1 Employee performance

Employee performance refers to how workers behave in the workplace and how well they perform the job duties obligated to them. According to Bohlander, Snell, and Sherman [11], performance is of great importance to an incentive plan because it communicates the importance of established organizational goals. Employee performance may refer to work effectiveness, quality and efficiency at the task level. Performance management is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization. The communication process includes clarifying expectations, setting objectives, identifying goals, providing feedback, and reviewing results. Torrington, Hall and Stephen [12] argue that the management of individual performance within organizations has traditionally centred on assessing performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation. It is increasingly being recognized

that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central [12].

Scholars such as Hakala [13] and Armstrong [10] suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; customer satisfaction that can be measured by the number of loyal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives [10,13].

2. THEORETICAL REVIEW

2.1 Expectancy Theory

The theoretical foundation for human resource management practices are provided by a wide range of management and organization theories. However, for the purpose of this study, one major theory namely: expectancy theory shall constitute the focus. Expectancy theory is a process theory of motivation, which describes motivation as a function of individuals' perceptions they have about their surroundings and the expectations they form based on these perceptions. The theory advocates that an individual is positively motivated and is likely to put more effort when employee expects that effort will lead to performance achievement. Also, an individual expects that performance leads to the obtaining of outcomes in terms of total compensation, employee is likely to be motivated to put in more effort. Vroom [14] argues that the more a person values the reward employee will receive for his effort, the more motivated he/she will be to receive the reward. Snead and Harrell [15] concurs with the expectancy theory that the value attached to total compensation will increase employee performance.

2.2 Empirical Review

Scholars and researchers affirm that compensation is the major element that affects the employee performance. If employees are satisfied that organization is offering a good

compensation then their motivation is at a higher level and as a result their work performance is also better off. Robbins [16] confirms that when employees feel happy about their compensation, they are more motivated towards their work and the performance of the company also boosts. The study carried out by Rijalu, Shimelis and Reta [17] on the role of compensation and its components such as payment, promotion, recognition, working condition and benefit towards academic staffs work motivation in Jimma University revealed that there is a relationship between compensation and its components and employee work motivation. The study of Ibojo and Asabi [18] indicate that there is a significant relationship between compensation management and improved productivity. Yamoah [19] also examines the relationship between compensation and productivity in the banking industry in Ghana. His finding indicates a significant relationship between compensation and productivity. In the same vein, Jane and Silas [20] examine the effect of compensation on performance of public secondary school teachers in Eldoret Municipality Uasin Gishu County, Kenya. The findings of the study conclude that fair compensation has an effect on public secondary school teachers' performance. The work of Quartey and Attiogbe [21] also reveal that there a moderately positive link between compensation packages and job performance.

Obasan [22] also examines the effect of compensation strategy on corporate performance among Nigerian firms. His finding indicates that compensation strategy has the potential beneficial effects of enhancing workers' productivity and by extension improving the overall organizational performance. In a similar study, Gunu [23] examines the influence of compensation on performance of sales representatives of pharmaceutical companies based in Ilorin, Nigeria. His finding also in line with previous researchers' findings that compensation is major determinant of employee performance.

However, the finding of Rizal, Idrus and Mintarti [24] is contradictory to the previous studies that compensation has significant effect on employee performance. His finding indicates that compensation does not have significant effect on employee performance. Based on the above empirical studies, it is therefore, hypothesized that:

H₀₁: Compensation has no significant influence on employee's performance.

3. METHODOLOGY

3.1 Research Design

Descriptive survey was employed for the study. A descriptive survey method is a kind of research where participants answer the set of questions. The responses are then studied and explained.

3.2 Sampling Technique and Sample Size

Purposive sample technique was adopted to select 5 staff members each from the marketing department, quality control department, procurement department, human resources department and legal department and production department, totaling 60 participants as a sample size for the study.

3.3 Data Collection Instrument

The instrument used in this study was a closed-ended questionnaire which was developed by the researchers. The response format was in likert form with indications ranging from strongly agree (5) to strongly disagree (1). The data collection instruments for the study comprised of compensation scale which consists of twelve items with reliability alpha coefficient of .79, and employee performance scale which also consists of nine items with alpha reliability coefficient of .82. The scales were administered to five experts and got their expertise on the validity of the items in the scales.

3.4 Method of Administration of Data Collection Instrument

The participants were approached to take part in the study following the approval of the administrative department of Nigerian Breweries Plc. The research instruments were administered and retrieved personally by the researchers.

3.5 Method of Data Analysis

The research data was statistically analyzed by means of the Statistical Package for Social Science (SPSS). Data analysis was performed with the aid of mean, standard deviation and linear regression.

4. RESULTS AND DISCUSSION

Table 1 reveals that majority of respondents agreed that their pay is a good reflection of their performance with mean value of 4.30. Others in ranking order are; employees who are better performers received higher pay increases than

poor performers (mean = 4.20); level of skill, competency and performance is reflected of pay (mean = 4.10); supervisor assignment or nomination for challenging assignments facilitates career development (mean 4.03); supervisor's encouragement and supports build a lot of confidence in employee's ability (mean = 4.01); while I am given the freedom to use my own judgment was ranked lowest with mean value of 3.61. This implies that management of Nigerian Breweries makes use of compensation strategy to outreach attraction and retention of high calibre staff. Mullins [9] argues that compensation strategy is the key ingredient to retain best brain.

Table 2 depicts that majority of the respondents established that high performance standards are maintained by their co-workers with mean value of 4.21. Others in ranking order are; working for the overall good of the company, I am able to perform 100% to my potential at work, working to implement new ideas, creating better processes and routines, the quality of work provided by my work team is a cause to be proud of, my perception on productivity of other employees of the company is in line with my own productivity, I am proud of my accomplishments at work, and company's performance management system was developed as a combined effort of management and employees with mean values of 4.15, 4.05, 3.99, 3.89, 3.87, 3.79, 3.78 and 3.55 respectively.

Table 3 depicts that majority of the respondents (50%) affirmed that that the level of compensation is manageable; 10 (16.6%)

respondents concurred that the level of compensation is outstanding, while 20 (33.4%) agreed that the level of compensation is below expectation in international breweries. The mean compensation score of the respondents was 26.92 and standard deviation was 4.18. It can be deduced from the finding that majority of the respondents had manageable level of compensation. This connotes that much is still expected from the management of Nigerian Breweries in term of financial and non-financial incentives.

Table 4 depicts that thirty six (60%) of the respondents agreed that the level of employee performance in international breweries is manageable; twenty-two (36.6%) of the respondents agreed that the level of performance is outstanding, while only two (3.4%) of the respondents agreed that the level of productivity is below expectation. The mean employee performance score of the respondents was 36.45 and standard deviation was 7.02. From this, it is clear that majority of the respondents had manageable level of performance. This implies that much is still expected from the staff members in term of performance. Management of Nigerian Breweries should also give attractive compensation packages to their employees so as to put in their best.

4.1 Testing of Hypothesis

Table 5 (a, b, c) show that compensation has a significant impact on the employee performance ($F(1, 48) = 17840$; $R^2 = 0.755$; $P < .01$).

Table 1. Distribution of respondents by compensation

Statements	Observation	Mean	Rank
Employees who are better performers received higher pay increases than poor performers	60	4.20	2 nd
My pay is a good reflection of my performance.	60	4.30	1 st
My level of skill, competency and performance is reflected in my pay	60	4.10	3 rd
My performance is rewarded year on year	60	3.90	8 th
My bonus increase Yearly	60	3.89	9 th
Bonus given to me is adequate	60	3.76	10 th
I am given the chance to do something that makes use of my abilities	60	3.65	11 th
I am given the freedom to use my own judgment	60	3.61	12 th
I am given the chance to try my method of doing job	60	3.91	7 th
My supervisor assigns or nominates me for challenging assignments that facilitates my career development.	60	4.03	4 th
My supervisor encourages and supports me in ways that builds lot of confidence in my ability.	60	4.01	5 th
My supervisor has helped my career by consistently delegating personal and official duties to me.	60	3.99	6 th

Table 2. Distribution of respondents by employee performance

Statement	Observation	Mean	Rank
I am proud of my accomplishments at work.	60	3.78	8 th
Creating better processes and routines	60	3.89	5 th
High performance standards are maintained by my co-workers.	60	4.21	1 st
Working for the overall good of the company	60	4.15	2 nd
Working to implement new ideas	60	3.99	4 th
The quality of work provided by my work team is a cause to be proud of.	60	3.87	6 th
My perception on productivity of other employees of the company is in line with my own productivity.	60	3.79	7 th
The company's performance management system was developed as a combined effort of management and employees.	60	3.55	9 th
I am able to perform 100% to my potential at work.	60	4.05	3 rd

Table 3. Level of compensation

Level of compensation	Frequency	Percentage
Out standing	10	16.6
Manageable	30	50.0
Below Expectation	20	33.4
Total	60	100
Mean	26.92	
Standard Deviation	4.18	

Table 4. Level of employee performance

Level of employee performance	Frequency	Percentage
Out standing	22	36.6
Manageable	36	60.0
Below Expectation	2	3.4
Total	60	100
Mean	36.45	
Standard Deviation	7.02	

Table 5(a). Result of regression analysis

Model	R	R square	Adjusted R square	Std. error of the estimate	Durbin-watson
1	.869 ^a	.755	.750	.22687	1.371

a. Predictors: (Constant), Entrepreneurship education; b. Dependent Variable: Youth empowerment

Table 5(b). ANOVA^a

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	7.609	1	7.609	147.840	.000 ^b
	Residual	2.471	58	.051		
	Total	10.080	59			

a. Dependent Variable: Compensation; b. Predictors: (Constant), Employee performance

Table 5(c). Coefficients^a

Model		Unstandardized coefficients		Standardized coefficients	T	Sig.
		B	Std. error	Beta		
1	(Constant)	.882	.317		2.781	.008
	Compensation	.824	.068	.869	12.159	.000

a. Dependent Variable: Employee performance

The predictor variable independently explained 75.5% of the variance of employee performance, indicating that compensation contributes 75.5% to employee performance. The estimated Durbin - Watson value of 1.371 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that compensation has no significant influence on the employee performance. The F-statistic of 147.840 indicates that the overall regression plane is statistically significant. Therefore, null hypothesis is rejected while alternative hypothesis is accepted.

The study is in agreement with Mullins [9] who affirms that compensation strategy is the key ingredient in employee performance. In another study, Yamoah [19] reaffirms that there is a significant relationship between compensation and productivity. Similarly, Rijalu et al.[17] agree that compensation is a key component of in high performance work practices. Ibojo and Asabi [18] and Jane and Silas [20] also agree that compensation strategy is the major determinant of employee performance.

The implication of this finding is that compensation strategy is one of the motivational tools that aid organization to wax stronger in the cut-throat global competitive environment.

5. CONCLUSION AND RECOMMENDATIONS

The study examine the influence of compensation on the performance of employee with articular reference to Nigerian Breweries. The study establishes that the level of compensation and employee's performance is manageable in Nigerian Breweries. This suggests that management still need to do the needful in terms of financial and non-financial incentives. This will motivate its employees to discharge responsibility optimally. The study concludes that compensation strategy is a major predictor of employee's performance. The deduction to be made from these findings is that effective compensation system tends to make employees stay longer, more dedicated to the organization and tend to yield higher employee performance. The study recommends that Nigerian Breweries and other manufacturing firms in Nigeria should re-appraise their compensation programs within the context of their corporate strategy and specific human resource strategy to ensure that they are

consistent with the necessary performance measures required by the manufacturing sector.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

REFERENCES

1. Sopiah JI. The effect of compensation toward job satisfaction and job performance of outsourcing employees of Syariah Banks in Malang Indonesai. *International Journal of Learning & Development*. 2013;3(2):77-92.
2. Mohammed OQ, Syed RS. An empirical analysis of the impact of compensation on job performance and work-family conflict in The Kingdom of Saudi Arabia - A Correlation Model. *European Scientific Journal*. 2015;11(4):170-187.
3. Chhabra TN. *Human Resource Management, Concepts and Issues*, 2nd Revised Ed. Delhi: Dhanpat Rai & Co. (P) Ltd; 2001.
4. Armstrong M, Brown D. *Pay: The new dimensions*. London: CIPD; 2001.
5. Naukrihub. *Payroll system and compensation management*; 2009. Retrieved 20th May, 2015 Available:www.payrol.naukrihub.com/compensation.html.
6. Monday RW. *Human resource management*. (10th edn.). New Jersey: Pearson Prentice Hall; 2008. PMCid: PMC2258584.
7. Pearce L. Managerial compensation based on organization performance. *J. Indus. Rel*. 2010;52:3-28.
8. Hewitt A. Managing performance with incentive pay. *J. Pers. Manage*. 2009; 7(1):20-31.
9. Mullins JL. *Management & Organizational Behaviour* 9th edition, London. Financial times pitman publication; 2006.
10. Armstrong M. *A handbook of human resources management practice*, 10th Edition, London: Kogan Page Publishing; 2009.
11. Bohlander E, Snell S, Sherman A. *Managing Human Resources* (12th ed.). London: South Western College; 2001.
12. Torrington D, Hall L, Stephen T. *Human Resource Management* (7th ed.). Edinburg: Pearson Education Limited; 2008.
13. Hakala D. How to measure employee performance, 16 ways. *HR World Newsletter*; 2008.

- Available:<http://www.hrworld.com/features/16-ways-measure-perfromance-021908/>.
14. Vroom VH. Work and motivation, John Wiley and Sons, New York. 1964;99.
 15. Snead KC, Harrell AM. An application of expectancy theory to explain a manager's intention to use a decision support system, *Decision Sciences*. 1994;25:499-513.
 16. Robins SP. Organizational behaviour: Concept controversy and application. Ninth Edition. Prentice Hall; 2003.
 17. Rijalu N, Shimelis Z, Reta M. The effect of compensation on employees motivation: In Jimma University academic staff, *Basic Research Journal of Business Management and Accounts*. 2014;3(2):17-27 .
 18. Ibojo BO, Asabi OM. Compensation management and employees performance in the manufacturing sector: A case study of a reputable organization in the food and beverage industry. *International Journal of Managerial Studies and Research*. 2014;2(9):108-117
 19. Yamoah EE. Relationship between compensation and employee productivity. *Singaporean Journal of Business Economics, and Management Studies*. 2013;2(1):110-114.
 20. Jane NW, Silas NM. Effect of compensation on performance of public secondary school teachers in Eldoret Municipality Kenya. *International Journal of Scientific and Research Publications*. 2013;3(6):1-4.
 21. Quartey SH, Attiogbe EJ. Is there a link between compensation packages and job performance in the Ghana police service?, *African Journal of Business Management*. 2013;7(44):4398-4406.
 22. Obasan KA. Effect of compensation strategy on corporate performance: Evidence from Nigerian Firms. *Research Journal of Finance and Accounting*. 2012; 3(7):37-45.
 23. Gunu U. The influence of compensation on performance of sales representatives of pharmaceutical companies based in Ilorin – Nigeria. *An International Multi-Disciplinary Journal, Ethiopia*. 2010;4(3b): 223-239.
 24. Rizal M, Idrus MZ, Mintarti DR. Effect of compensation on motivation, Organizational Commitment and Employee Performance (Studies at Local Revenue Management in Kendari City), *International Journal of Business and Management Invention*. 2014;3(2):64-79.

© 2019 Sajuyigbe et al.; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Peer-review history:
The peer review history for this paper can be accessed here:
<https://sdiarticle4.com/review-history/51469>