Effect of Compensation Strategy on Corporate Performance: Evidence from Nigerian Firms

OBASAN, Kehinde A.
Department Of Business Administration
Olabisi Onabanjo University
PMB 2002, Ago-Iwoye
Ogun State, Nigeria.
e-mail: obasankehinde@yahoo.com;
Mobile: +234-805 - 6141 - 961

Abstract
Compensation Strategy is seen as one of the most important strategies in the human resource management function as it influences the productivity and growth of an organization. Recently, numerous special journal issues have emerged on compensation, often focusing on organization differences. Examples include: the "New Economics of Personnel" (Journal of Labor Economics, October 1997), "The Economics of Human Resource Management", (Industrial Relations, Spring 1998) and "Do Compensation Policies Matter? An Industrial and Labor Relations Review, February 1990). The Brookings Institution (Blinder, 1990) has also published series of papers by scholars in the management field that reviewed the effectiveness of pay programs such as profit sharing, employee ownership, and so forth. Despite these research efforts, there is little debate about whether employees' pay has any significant linkage with performance. (see also Gerhart and Milkovich ,1990). Thus, in the present study, we tried to link compensation with performance using selected firms in Nigeria as a case study. We specifically covered three conglomerates in Nigeria. The choice of this case study was not unconnected with the fact that these companies are among the largest employers of labour in the manufacturing industry in Nigeria. Using the cross-sectional data analysis, we found that compensation strategy has the potential beneficial effects of enhancing workers' productivity and by extension improving the overall organizational performance. Therefore, the significance of compensation cannot be overemphasized in an organization and is in fact a veritable option for attracting, retaining, and motivating employees for improved organizational productivity. This finding further enriches the literature supporting that a higher pay guarantees a higher productivity and vice-versa.
Key Words: Compensation; Job Evaluation; Workers' Productivity; Competitive Advantage; Organizational Performance.

1.0 Introduction

In any profit-oriented organization, employment relationship is seen as an exchange process where employees provide inputs in terms of skills and expertise in return for various compensations from the employer. From the perspective of the employee, pay has an important influence on Standard of living, status, and security. Less direct forms of compensation such as health care, pensions and other benefits also have an important impact on employees' well-being. From the employer's point of view, compensation is both a major cost of doing business that needs to be controlled, and an investment that must generate adequate returns in terms of employee attitudes, skills, behaviors, and organization performance.

In the present research work, we survey some of the research evidence on compensation and performance. In particular, we provide a comprehensive review of the measurement, determinants, and consequences (including performance) of compensation decisions. The fact that employment relationships or contracts are often of a long-term nature reinforces the importance of such issues.

Compensation is often regarded as direct and indirect monetary and non-monetary rewards given to employees on the basis of the value of the job, their personal contributions, and their performance. These rewards must meet both the organization's ability to pay and any governing legal regulations.

The growing recognition and consensus that compensation promotes productivity is consistent with the early work of Peter Drucker (1956) that states "happy workers are productive workers." Recently, numerous special journal issues have emerged on compensation, often focusing on organization differences. Examples include: the "New Economics of Personnel" Journal of Labor Economics, October 1997), "The Economics of Human Resource Management", (Industrial Relations, Spring 1998) and "Do Compensation Policies Matter? An Industrial and Labor Relations Review, February 1990). The Brookings Institution (Blinder, 1990) also published series of papers by scholars in the management field that reviewed the effectiveness of pay programs such as profit sharing, employee ownership, and so forth. (see Gerhart and Milkovich ,1990)

A report on pay for performance published by the National Academy of Sciences (Milkovich and Wigdor, 1991) places a good deal of emphasis on the importance of organization differences in studying pay. Hartmann,

Roos, and Treiman's (1985) basic research agenda emphasized the "need to understand better how wages are set within enterprises. There is little debate about whether employees' pay has any significant linkage with performance. (see also Gerhart and Milkovich ,1990)

2.0 Purpose And Significant Of Study

The broad objective of this study, therefore, is to examine critically and empirically, the impacts of compensation strategy on corporate performance using some selected firms in Nigeria as a case study.

The specific objectives, however, include:

(i) To analyze the nature and structure of compensation strategy in a corporate organization.

(ii) To examine the implications of compensations to both the employees and the employers.

(iii) To provide theoretical explanations and empirical validations for the linkage between compensation and performance.

Researchers particularly those in the field of business finance and economics have grown increasingly interested in the theory of the firm in recent years. These efforts have focused on the relations between markets and hierarchies, the influence of organization-specific assets, corporate governance systems, and the agency problems caused by conflicts of interest among the contracting parties that make up the firm. One of the more important, but least analyzed, factors affecting organizational behavior is the internal incentive structure which includes the management of human resources in general and compensation policies in particular. A thorough understanding of internal incentives is critical to developing a viable theory of the firm, since they largely determine how individuals behave in organizations. This is the research gap the present study intends to fill.

Of course, there has been an enormous amount of research in the business finance and economics of contracting, but this increasingly technical research has generated few empirical implications, and offers little guidance in understanding actual compensation arrangements particularly in large organizations. There are many common and important features of organizational incentive systems that contemporary researchers have not studied extensively including pay systems that are largely independent of performance, the overwhelming use of promotion-based incentive systems, egalitarian pay systems apparently motivated by horizontal equity considerations, the asymmetric effects of rewards and punishments, seniority-based pay systems, profit sharing, the generally rare observation of bonding and up-front entry fees for jobs, and the general reluctance of employers to fire, penalize, or give poor performance evaluations to employees. In the present research work, we discuss some of these features and their implications in an organization.

Following this background, the remaining sections of the study are structured thus: Section two presents a comprehensive review of literature; Section three deals with the methodology employed; Section four involves analysis of research findings and section five for summary, conclusions and recommendations.

3.0 Literature Review

Theories of compensation generally assume that higher performance requires greater effort or that it is in some other way associated with disutility on the part of workers. In order to provide incentives, these theories predict the existence of reward systems that structure compensation so that a worker's expected utility increases with observed productivity. These rewards can take many different forms, including praise from superiors and co-workers, implicit promises of future promotion opportunities, feelings of self-esteem that come from superior achievement and recognition, and current and future cash rewards related to performance. Analysts, while recognizing that non-monetary rewards for performance can be important, tend to focus on monetary rewards because individuals are willing to substitute non-monetary for monetary rewards and because money represents a generalized claim on resources and is therefore in general preferred over an equal dollar-value payment in kind. Evidence from research on compensation plans indicates that explicit financial rewards in the form of transitory performance-based bonuses seldom account for an important part of a worker's compensation. Medoff and Abraham (1980), who examine the pay of managerial and professional employees in two large manufacturing firms, find little differences in earnings resulting from superior performance.

Lawler (1971, p. 158) cites six separate studies of the relationship between pay and performance, and finds that "their evidence indicates that pay is not very closely related to performance in many organizations that claim to have merit increase salary systems. The studies suggest that many business organizations do not do a very good job of tying pay to performance. This conclusion is rather surprising in light of many companies' very frequent claims that their pay systems are based on merit. It is particularly surprising that pay does not seem to be related to performance at the managerial level. Thus, the Medoff and Abraham evidence seems to be indicative of general performance measurement and compensation systems, and we have no thorough understanding of the forces responsible for these practices.

The potential benefits of tying pay to performance are obvious, and it is surprising to researchers that firms apparently resist introducing bonus-based compensation plans with enough financial "action" to have a major

motivational effect. One explanation for the lack of pay-for-performance plans, offered primarily by psychologists and behaviorists, is that monetary rewards are counter-productive. Deci (1972) argues that money actually lowers employee motivation, by reducing the "intrinsic rewards" that an employee receives from the job. Similarly, Slater (1980) concludes that "Getting people to chase money produces nothing but people chasing money. Using money as a motivator leads to a progressive degradation in the quality of everything produced." Kohn (1988) in his article "Incentives Can Be Bad for Business," offers three reasons why merit-pay systems are counterproductive. "First, rewards encourage people to focus narrowly on a task, to do it as quickly as possible, and to take few risks. Second, extrinsic rewards can erode intrinsic interest. Finally, people come to see themselves as being controlled by a reward."

A second group of merit-pay critics argue that, while financial incentive schemes improve productivity in principle; in practice they induce significant adverse side effects that are costly to employee morale and productivity. The costs of dealing with many of the problems induced by merit systems simply outweigh the limited organizational benefits they offer. Among the side effects often mentioned are horizontal equity concerns, and problems associated with imperfect performance measurement. Hamner (1975) in his article "How to Ruin Motivation with Pay" argues that merit systems decrease motivation because managers systematically mismanage pay-for-performance programs. Personnel executives often espouse the virtues of *horizontal equity* systems, which treat employees at the same level in an organization "fairly" and "equally." Aggressive pay-for-performance systems ultimately involve distinguishing workers on the basis of their performance, and there is a large behavioral literature arguing that treating employees differently from each other is detrimental to employee morale. The notion is that a worker will "feel badly" if a co-worker gets a bigger bonus, and the net effect of this inequity is to reduce morale and ultimately productivity. It's difficult to provide an economic explanation for why horizontal equity is desirable, and yet it seems to be a powerful force that drives firms towards consistency of pay within job type, and even across job type when employees are viewed as being of "comparable worth." Pay scales throughout much of corporate America are determined by "job evaluation systems," which "stem from the need to establish internal pay equity" (Risher 1978, p. 24). Such plans set wage levels by conducting surveys within and across organizations to assess the "value of a job" according to a set of criteria such as the amount of training and education required, the total budget involved, the number of people supervised, and the amount of "independent decision-making" the job entails. Traditional economic analysts, however, would indicate these variables are important only to the extent that they affect the opportunity cost of the relevant quality worker and the salary level that determines the optimal turnover rate. We believe that careful examination of the criticisms of monetary pay-for- performance systems indicates not that they are ineffective but rather that they are too effective: strong pay-for-performance motivates people to do exactly what they are told to do. Large monetary incentives generate unintended and sometimes counterproductive results because it is difficult to adequately specify exactly what people should do and therefore how their performance should be measured. Moreover, merit-pay systems encourage employees to spend effort lobbying about both the specification and application of the system to measure and evaluate output.

Compensations are also tied to job levels in the firm and not to individuals; most of the average increases in an employee's compensation can be traced to promotions and not to continued service in a particular position. Medoff and Abraham (1980), for example, find that between-job-level earnings differentials are more important than within-job-level differentials.

Promotions in organizations serve two important and distinct purposes. First, individuals differ in their skills and abilities, jobs differ in the demands they place on individuals, and promotions are a way to match individuals to the jobs for which they're best suited. This matching process occurs over time through promotions as employees accumulate human capital and as more information is generated and collected about the employee's talents and capabilities. A second role of promotions is to provide incentives for lower level employees who value the pay and prestige associated with a higher rank in the organization.

Promotions are used as the primary incentive device in most organizations, including corporations, partnerships, and universities. The empirical importance of promotion-based incentives, combined with the virtual absence of pay-for-performance compensation policies, suggests that providing incentives through promotion opportunities must be less costly or more effective than providing incentives through transitory financial bonuses. This prediction is puzzling to us because promotion-based incentive schemes appear to have many disadvantages and few advantages relative to bonus-based incentive schemes.

The incentives generated by promotion opportunities, for example, depend on the probability of promotion which in turn depends on the identity and expected horizon of the incumbent superior. Promoting a young employee with a long expected horizon in the job commonly diminishes the incentives of the employee's former co-workers who now expect to wait a long time until their next promotion opportunity. Promotion incentives are reduced for employees who have been passed up for promotion previously and whose future promotion potential is doubtful, and incentives will be absent for employees who clearly fall short of the promotion standard or who

cannot conceivably win a promotion. In addition, promotion possibilities provide no incentives for anyone to exceed the standard or to substantially outperform his or her coworkers.

Another important problem with promotion-based reward systems is that they require organizational growth to feed the reward system. This means such systems can work well in rapidly growing firms, but are likely to generate problems in slowly growing or shrinking firms. Jensen (1986a; 1986b) argues that, in slowly growing firms with free cash flow, promotion-based reward systems encourage managers to spend resources on unprofitable growth rather than paying out excess cash to shareholders.

Bonus-based incentives, transitory in the sense that this year's bonus depends on this year's performance, do not have the problems associated with promotion-based incentives. Bonus schemes can, in principal, provide incentives for all individuals in the organization, regardless of their ability, position, and promotion opportunities. For example, properly structured compensation policies at all levels in the organization can punish top executives for unprofitable expansion without degrading incentives for lower level managers.

Bonus-based incentives will be more important at higher levels in the organization since the probability of future promotion is lower; the CEO is not promotable and therefore his or her financial incentives must come from bonuses. Promotion-based schemes will be used more in large organizations with many hierarchical levels than in smaller organizations with fewer levels. In addition, promotion-based reward systems will be more prevalent in growing industries (because there are more new jobs to feed the reward system), while bonus-based systems will be more prevalent in declining industries.

Other forms of compensation systems include Profit Sharing, Gain Sharing. Under profit-sharing, payouts are based on organization-wide profits. The plan has two potential advantages. First, it may provide an incentive for employees to act in the best interests of the organization, rather than pursuing narrower goals. Second, by making a portion of compensation vary with organization profits, an organization can align its labor costs more closely with its ability to pay. Thus, during business downturns, it has fewer fixed labor costs. Weitzman and Kruse (1990) have provided a comprehensive review of profit-sharing research. Based on previous attitude surveys, they concluded that both employees and employers believe that profit-sharing has positive effects on organization performance. Further, they found consistent evidence of statistically significant and positive links between profit-sharing and organization performance, usually defined as value added. Nevertheless, Gerhart and Milkovich (1990) raised some issues that might temper the positive evaluation reached by Weitzman and Kruse. As one example, the use of value added as a dependent variable carries potential risks because it is not a measure of physical productivity. Instead, it is defined as the degree to which the price of a product exceeds the cost of factor inputs (e.g., labor). Obviously, the price of a product can be influenced by factors other than productivity. Weitzman and Kruse seem to recognize this and other potential problems with the profit-sharing literature. They note that "A limitation of the econometric studies is that they shed little light on the mechanisms through which profit sharing may affect productivity" (p. 139). The reason for interpreting the profit-sharing research cautiously is that there are both conceptual problems and roadblocks that have arisen in practice. For example, from a motivational point of view, it is not clear that any single employee will see much link between his or her performance and the organization profits because of the large number of people and factors that influence profits (i.e., "line of sight" problem). This, together with the "free rider" problem suggests that the motivational effect of such a plan may be limited.

In addition, the attempt to make labor costs vary with business conditions has also not worked out in a number of cases. Employees often think profit-sharing is fine when profits are good because the profit-sharing payments are just "gravy." However, when profits go down and their pay goes down, serious opposition can arise and plans may be scrapped. It is also possible that the introduction of this sort of risk into employee pay packages may require a compensating wage differential (Abowd & Ashenfelter, 1981). Otherwise, employees may gravitate toward organizations that do not require them to bear such risks.

Steven et.al (2011) investigates the relationship between firm strategy and the use of performance measures in executive compensation. Their analysis shows that there is an increased emphasis on sales in the determination of executive compensation for firms pursuing a cost leadership strategy in order to attain competitive advantage through low price and high volume while there is a decreased emphasis on accounting measures in firms pursuing a differentiation strategy, which require investments in brand recognition and innovative products, investments that are subject to unfavourable accounting treatment. These results indicate that compensation committees link executive rewards to firm strategy.

In contrast to the typical profit-sharing plan, gain sharing payouts are (a) typically linked to group or plant rather than organization-wide performance, (b) based on productivity rather than profits, and (c) distributed more frequently and not deferred. Taken together, these differences suggest a greater motivational impact for gain sharing because a payout criterion like group or plant productivity is likely to be seen as more controllable by

employees than something like organization-wide profits. [1]

4.0 Research Methodology

Research Approach

This study involves largely the use of primary data for purpose of empirical analysis. The primary data were obtained with the use of structured questionnaires and selected interviews. The questions were structured in such a way as to provide pertinent information on the impact of compensation strategy on organizational performance. These questions were made simple and straight forward in order to ensure maximum responses from the respondents. For the questionnaire, we have both the open-ended and close–ended questions. The close-ended questions are restrictive and in fact limit the responses of the respondents to “YES” or ”NO” and the Likert scale of “Strongly Agree (SA)”, “Agree (A)” “Uncertain(UC)”, “Disagree (D)”, and “Strongly Disagree (SD)”.

The open-ended questions, however, allow the respondents to express their opinions on some specific issues.

Interviews were equally conducted with some key persons namely; staff and management of selected business units. This enables us obtain a balanced picture regarding the significance of compensation strategy on employees productivity and organizational performance. It also alleviates the probable incidence of bias as well as ensures reliability of the results.

Research Method

This study specifically covers three conglomerates in Nigeria. The choice of this case study is not unconnected with the fact that these companies are among the largest employers of labour in the manufacturing industry in Nigeria. A total number of 150 questionnaires (50 for each company) were considered. The questionnaires were distributed among the staff and management of the selected business units. The random sampling technique was employed in the distribution of the questionnaires. This implies that every member found eligible stands the chance of being selected until the required sample size is obtained. For the purpose of data analysis, the likert scale responses were coded appropriately. Meanwhile, the collected data were analyzed with use of both descriptive and quantitative techniques.

The testable research hypotheses include:

1. H_0: Compensation strategy has no significant effects on Employees’ Productivity.
2. H_0: Compensation strategy has no significant effects on Organizational Performance.

In testing these research hypotheses, we specified a model, which follows closely the idea conveyed in the works of Butler et al (1997), and Butler and Gardner (1994). Butler et al (1997), and Butler and Gardner (1994) have tested the hypothesis that managers partly get rid of their low productivity workers through the workers’ compensation program. The model equations specified for this study include:

$$y_{i1} = \alpha + \beta' x_i + u \quad (1)$$

$$y_{i2} = \delta + \beta' x_i + v \quad (2)$$

$$i = 1, \ldots, N.$$

Where i represents the cross-section units; y_{i1} is Employees’ Productivity; y_{i2}, organizational performance and x for compensation strategy. α, β and δ represent the model parameters while u and v the disturbances.

In relation to the a priori relationship between the dependent and the independent variables, a positive relationship is expected between compensation strategy and employees’ productivity and organizational performance. The model was estimated using the multiple choices model approach.

5.0 Data Presentation And Analysis

Analysis of Selected Project Related Questions

Table 1 in appendix revealed respondents’ view to company’s compensation strategy and it indicates that 10% of the respondents have regular appraisal for promotion 3% enjoy gifts/bonuses as compensation for outstanding performance 7% for regular increases 70% for improved working environment and 10% for more than one of the compensation strategies highlighted.

All the administered respondents were of the view that their company’s compensation strategy is inadequate while compensation is a veritable option for enhancing productivity. Majority of the administered respondents acknowledged that though the compensation is not adequate they still look forward to it in the course of executing their official duties. (See table 2)

Table 3 reveals that all the respondents confirmed the existence of formal laws guiding labour working environment. Although all the respondents confirmed the existence of labour laws they however revealed that their employers seldom respect these laws for improved labour protection.

Majority of the respondents strongly disagreed that compensation strategy is not cost effective. They were of the opinion that compensation generates more incomes than the cost incurred on it and that there are alternatives to the popular pay for performance system of compensation in Nigeria. While majority of the respondents opined that their companies follow the implementation of the adopted compensation strategy to the letter even though it is not sufficient. (See table 2)

REGRESSION ANALYSIS

The results obtained from the regression analyses are resented below:

Effect of compensation strategy on workers' productivity

Dependent variable: y_{i1}

Variable	Coefficient	t-stat
Constant	0.261	1.015
x_i	0.783	2.98*

Source: From Authors' Computation 2011

*→Significant at 5 percent level.

The estimation results as presented in table above reveal that compensation is a critical factor influencing workers' productivity. Specifically, the t-statistic indicates that compensation has statistically significant positive impact on workers' productivity. The slope value of 0.783 means that for a unit change in compensation, on the average, the probability of having improved/enhanced worker' productivity increases by 0.783.

Effect of compensation strategy on organisational performance

Dependent variable: y_{i2}

Variable	Coefficient	T-Stat.
Constant	-0.354	-1.369
x_i	0.415	3.721*

Source: From Authors' Computation 2011

*→Significant at 1 percent level.

The estimation results as presented in table above did not seem to reveal significantly different results from the first estimation results. It was also empirically validated that compensation enhances corporate overall performance. Specifically we found that the independent variable (i.e. compensation strategy) has statistically significant positive effect on overall organizational performance. That is, a unit change in compensation, on the average, the probability of having improved/enhanced overall organizational performance increases by 0.415.

6.0 Implications, Conclusion And Recommendations

6.1 Implications of Research Findings

The empirical results generated from the estimation process further authenticate and validate the theoretical relationships that exist between compensation and performance. Our regression results revealed that an effectively formulated and implemented compensation strategy has the potential beneficial effect of enhancing workers' productivity in specific and the overall organizational productivity in general.

6.2 Conclusions

Compensation strategy is seen as one of the most important strategies in the human resource management function as it influences the productivity and growth of an organization. Hence, modern corporate organizations have deemed it imperative to incorporate effective compensation strategies for workers as part of their corporate goals and objectives. This is believed will shape a work force focused on strategic performance goals and capable of achieving them.

This research work is also about compensation and productivity, or what used to be called pay and benefits. The total compensation solution is based on a rethinking of employee compensation and investment systems into an employee-driven system. Compensation thinkers have been raising questions about the structure of existing and often rigid pay systems for some time.

Therefore, this study's idea of compensation goes beyond pay alone to propose a reward and investment system- a group of variables that together encompass the varieties of kinds of compensation that today's employees want from work. Pay is among them, of course (including both base pay, or salary, and one-time pay received in form of overtime or bonuses). But in addition to monetary rewards, contemporary employees want and are increasingly demanding reward diversity and reward choice. In today's diverse, employers are finding

that employees want a range of different things from the work place. Employees will even exchange some level of base pay to get some of the other things they want.

Conclusively, the significance of compensation cannot be overemphasized in a bid to attracting, retaining and motivating employees for improved organisational productivity.

A major task from a human resource management and industrial relations perspective is to understand how to design and administer compensation policies that best meet the goals of employers and employees in the employment exchange. In this sense both the employers and the employees benefit and in general positively and significantly influence the overall corporate performance.

6.3 Recommendations

By all standards and with inference from the implications of the findings, good and well-designed compensation strategy, in fact, play a major role in providing for an integrated and coherent range of human resource management processes which are mutually supportive and contribute as a whole to improving organizational effectiveness.

Consequently, management should design, formulate and implement compensation strategy objectively in order to enhance the attainment of overall organizational goals with a view of getting the best contributive and supportive effects from organizational workers.

Finally, both management and workers should be made to understand the objectives contained in the compensation strategy so that unintended and subjective motives can be played down on while trying to enhance the common objective strategically. This, without doubt, will give room for good organizational performance.

References

Abowd, John M. &. Ashenfelter, Orley. (1981).” Anticipated Unemployment, Temporary Layoffs, and Compensating Wage Differentials”. In S. Rosen (Ed.), Studies in Labor Markets. Chicago: University of Chicago Press.

Baker, G.P., Jensen, M.C. and K.J. Murphy (1988). Compensation and Incentives: Practice Versus Theory. Journal of Finance, Vol. XLIII, No. 3, July, pp. 593-616.

Blinder, Alan S. (1990). Paying for Productivity. Washington, D.C.: The Brookings Institution.

Deci, E. (1972). The Effect of Contingent and Non-contingent Rewards and Controls on Intrinsic Motivation. Organizational Behaviour and Human Performance 8.

Ehrenberg, R.G. & Milkovich G.T. (1987). “Compensation and Firm Performance”. In M. Kleiner et aI. Madison, WI: Industrial Relations Research Association.

Gerhart, Barry. &. Milkovich, George T. (1989). Salaries, Salary Growth, and Promotions of Men and Women in a Large, Private Firms. In Roben Michael, Heidi Harunann, &. Brigid O'Farrell (eds.), Pay Equity: Empirical Inquiries. Washington, D.C.: National Academy Press.

Gerhart, Barry &. Milkovich, George T. (1990).” Organization Differences in Managerial Compensation and Financial Performance”. Academy of Management Journal, Vol. 33, 663-691.

Gerhart, Barry. &. Milkovich, George T. (1990). “Employee Compensation: Research and Practice”. In Marvin D. Dunnette &. Leaetta M. Hough (Eds.), Handbook of industrial &. organizational psychology. Palo Alto, CA: Consulting Psychologists Press, Second Edition, Volume 3.

Hamner, W.C. (1975). How To Ruin Motivation with Pay. Compensation Review 7:17-27.

Hartmann, Heidi I., Roos, Patricia, A. &. Treiman, Donald J. (1985). “An Agenda for Basic Research on Comparable Worth”. In Heidi t. Hartmann (Ed.), Comparable worth: New directions for research. Washington, D.C.: National Academy Press.

Hatcher, L. &.Ross, T.L. (1991).” From Individual Incentives to an Organization-Wide Gain Sharing Plan: Effects on Teamwork and Product Quality”. Journal of Organizational Behavior, U, 169-183.

Jensen, M.C. (1986a). Agency Cost of Free Cash Flow: Corporate Finance and Takeovers. American Economic Review 76 (May): 323-329.

Jensen, M.C. (1986b). The Takeover Controversy: Analysis and Evidence. Midland Corporate Finance Journal 4, No 2 (Summer): 6-32.

Kohn, A. (1988). Incentives Can Be Bad for Business. INC (January): 93-94.

Kruse, D.L. (1991). “Profit-sharing and Employment Variability: Microeconomic evidence on the Weitzman theory”. Industrial and Labor Relations Review, 44, 437-453.

Lawler, Edward E. III. (1980). Pay and Organization Development. Reading, MA: Addison-Wesley.

Lawler, Edward E. III. (1971). Pay and Organizational Effectiveness: A Psychological View. New York: McGraw-Hill.

Lawler, E.E. III. (1986). “What's Wrong With Point Factor Job Evaluation”. Compensation and Benefits Review, 18 (2), 20-28.

Lawler, E.E. III. (1989). "Pay for Performance: A Strategic Analysis". In L.R. Gomez-Mejia (ed.), Compensation and Benefits. Washington, D.C.
Lawler, E.E. III. (1990). Strategic Pay. San Francisco: Jossey-Bass.
Medoff, J... & Abraham, K.G. (1981). "Are Those Paid More Really More Productive? The case of experience". Journal of Human Resources, 16, 186-216.
Medoff, J... & Abraham, K.G. (1980). Experience, Performance and Earnings. Quarterly Journal of Economics, 95 (December): 703-36.
Milkovich, G.T. (1988). "A Strategic Perspective on Compensation Management". Research in Personnel and Human Resource Management, 6, 263-288.
Milkovich, George T. & Milkovich, Carolyn. (1992). Strengthening the Pay-Performance Relationship: What does the research say? In Milkovich, G.T. & Newman, J. (1990). Compensation . BPI/lrwin: Homewood.
Milkovich, G.T. & Wigdor, A.K. (1991). Pay for Performance. Washington, D.C.: National Academy Press.

Risher, H. (1978). Job Evaluation: Mystical or Statistical? Personnel (Sept-Oct).
Slater, P. (1980). Wealth Addiction. New York: Dutton.
Steven Balsam, Guy D. Fernando and Arindam Tripathy(2011) "The impact of firm strategy on performance measures used in executive compensation" Journal of Business Research Volume 64, Issue 2, February 2011, Pages 187-193.
Weitzman, M.L. and D.L. Kruse (1990). Profit Sharing and Productivity. In A.S. Blinder, ed., Paying for Productivity: A Look at the Evidence. Brookings Institution.

Appendix

Table 1: Frequency Distribution of Respondents Based on Their Company's Compensation Strategy

Compensation strategy	Frequency	Percentage
Regular appraisal for promotion	15	10
Gift/Bonuses for outstanding performance	05	O3
Regular increases in wages and salaries	10	07
Improved working environment	105	70
More than one of the above	15	10
Total	150	100

Table 2: Summary of Respondent Responses

S/N	STATEMENT	SA	A	I	D	SD
1	Frequency Distribution of Respondents on How Their Company Has Implemented the Compensation Strategy	17	40	30	13	00
2	Frequency Distribution of Respondents according To Their Perception of Alternatives to Pay for Performance.	73	27	00	00	00
3	Frequency Distribution of Respondents According To the Cost Effectiveness of the Compensation Strategy.	00	00	33	67	00
4	Frequency Distribution of Respondents According To How The Compensation Has Enhanced Their Productivity.	30	60	07	03	00
5	Frequency Distribution of Respondents According To the Adequacy of the Compensation Strategy	00	00	00	57	43

Source: Authors' Field Survey, 2011

S/N	STATEMENT	YES	NO
1	Frequency Distribution of Respondents on the Existence of Formal Laws Guiding Labour Working Environment.	100	00
2	Frequency Distribution of Respondents on Their Company's Conformity with the Formal Laws.	00	100

Source: Authors' Field Survey, 2011

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:
http://www.iiste.org

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. **Prospective authors of IISTE journals can find the submission instruction on the following page:** http://www.iiste.org/Journals/

The IISTE editorial team promises to the review and publish all the qualified submissions in a fast manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar