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Impact of Strategic Reward and Compensation Practices on Performance of Union Bank Plc in Ilorin Metropolis

SULEIMAN, AHMED AREMU* AND AYOOLA, OLORUNFEMI JOSEPH**

Abstract

The success of any business organisation in today's ever changing business world is attributable to its ability to compete favourably in the market. Therefore, strategic reward and compensation practice become a vital tool used by managers of different organisations to stimulate the activities of the employees to act towards achieving the set objectives of the organisation. Hence, the main focus of the study is to examine the effect of strategic reward and compensation practice on employees' performance. Descriptive survey research method was adopted for the study. A total of 53 copies of structured questionnaire was administered to the respondents to obtain the necessary primary data. Simple regression was used for testing the formulated hypothesis. The result of the analysis revealed that strategic reward and compensation practice have significant influence on the performance of employees (R^2 = 0.949 and p-value less than 0.05). The study concluded that there is a significant effect of strategic reward and compensation practice on employees' performance. Therefore, the study recommended that banks' management should always review the content of their strategic reward and compensation practice from time to time in consistent with the interest of the staff by considering their welfare accordingly so that they can put in their best at gaining competitive advantage.

Keywords: Compensation, Employees performance, Practices, Strategy, & Reward

Introduction

In Nigeria today, the issues of acquiring more market, more customers, and more sales are no longer bothering business organization compared to higher competition among the firms, due to a rapid change in globalization and advancement in information and communication technological systems. Owing to this prevalent situation, many organizations are driven by the market to set their goals in their corporate performance. Some of the goals are cost reduction, achieving higher sales levels, increasing the number of customers, increasing the market percentage, improving productivity and quality

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innovative products. The realization of these goals could only be achieved through the human resources management in organizations. Workforce, as the key to success, would enable the achievement of organizational performance as they remain one of the prominent firm's assets (Siddiqui, 2014). Therefore, to sustain competitive advantage, companies must re-evaluate their corporate mission and vision as well as reset their strategic goals.

More importantly, it becomes pertinent for management in the organizations to create avenue that would bring up a deeper understanding of how to analyze and communicate business strategy, so that employees can learn how to manage operational and strategic risk while driving breakthrough innovation and performance.Also, human resources management should be seen to be more important than other competitive sources because they operate and act on other assets in organization purposely to create value, competitiveness and realize business objectives. Besides, organizations must understand the needs of their workforce in order to achieve the desired corporate performance.

Noticeably, some of the desired outcomes of organizations in managing their workforce are competency, cooperation with managers, cooperation among themselves, displaying capabilities, motivation, commitment and satisfaction, good attitude and punctuality. Also, the overall goal of corporate performance management is to create a culture of high performance where individual employees and team members would take responsibility for the continuous improvement of business processes and their skills. At the same time to contribute to achieving the targets set by managers.

In particular, strategic human resource management (SHRM) represents a relatively new transformation in the field of human resource management. It is concerned with the role human resource management systems play in firm performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. It equally involves linking of human resource management to firm level outcomes with a financial and strategic importance. It evolved in the beginning as an isolated planning function with restricted set of responsibilities, but gradually expanded. Since it has been established that the main purpose of strategic human resource management is to improve organisational performance through people management, organizations therefore need to manage their human resources effectively and efficiently to achieve the desired goals and objectives which later translate into a better performance.

Considering the existing fact about the concept of strategic human resource management and organisational performance, it is worthy of note that it

involves unique set of activities that would greatly intoxicate the performance of the employees towards achieving the organisational main objectives. It is against this background that this current study investigated the impact of strategic reward and compensation practice on employees' performance in the selected branches of Union Bank in Ilorin metropolis of Kwara State via the approaches used by the bank to stimulate the effort of their workforce towards achieving the set objectives.

Statement of the problem

In the last few decades, so many organizations have operated a traditional human resource management practices which accommodates and fosters an internal effective operation of personnel within the organization making it difficult for the same establishment to be flexible to adopt new technology and compete favourably among other firms that operate in the same industry believing that market and economic stability will remain forever. However, the advent of globalization brought in a very sharp revolution in the industry across the world. This brought the emergence of many newly created industries that could operate at a very low cost, produce more standardized products, engage in after sales service, maintain good customer relations, and ready to source their needed resources from the existing firms in their environment among others. This as a challenge to the existing organizations' lead to the formation of the practices of strategic human resource management where strategic reward and compensation practice is one (Osinbajo & Adeniji, 2012). With the incorporation of strategic reward and compensation practice, owners of the organizations were able to go extra mile to stimulate their employees to perform better by satisfying customers and this in turn promotes customers' loyalty and reduced employees' turnover rate.

Moreso, existing research efforts have shown that rewards and benefits were related to employees performance (Jean, Ngui, & Robert, 2017; Nwokocha, 2016). Though, study by Afriyie, Twumasi, Sarpong, and Darko (2020) proved otherwise. However, the earlier authors (Jean, Ngui, &Robert, 2017; Nwokocha, 2016) argued that a good salary, benefits and recognition would foster employee performance, retention and productivity.

Aside that, the existing literature have demonstrated the practice of strategic reward and compensation practice at both home and abroad, specifically, in the West African countries like Ghana, Kenya and Nigeria (Afriyie, Twumasi, Sarpong, & Darko, 2020; Jean, Ngui, &Robert, 2017; Nwokocha, 2016). Besides, the concept was also applicable to all sector of economy ranging manufacturing, education, etc. Interestingly, no much emphasis of strategic

reward and compensation practice has been made on the performance of employees in the banking industry. This forms the major gap that the current study has come to fill. Hence, this study examines the impact of strategic reward and compensation practice on the performance of Union bank employees in Ilorin metropolis.

Literature Review

Conceptual Review

Empirical Evidences on Strategic Rewards and Compensation practice

A performance-based return is the main strategic human resource management (SHRM) practice that companies use to assess and reward workers' efforts (Collins & Clark, 2003). Obviously, performance-based return has a positive effect upon workers and organizational performance (Brown, Sturman, & Simmering, 2003; Cardon & Stevens, 2004). Prior studies(for instance, Osinbajo & Adeniji 2012; Eneh & Awara, 2016) on the association among performance-related pay and business performance have normally found an optimistic association, but a rising body of empirical studies recommend that it is not just pay level that matters, but pay structure as well (Wimbush, 2005; Eisingerich, Rubera, & Seifert, 2009; David, Chin, & Victor, 2002; Purcell-Gates, 2007). Singh (2005) suggested that compensation and reward policy has a significant relationship with organizational performance.

Barringer, Jones, and Neubaum (2005) in their study on rapid versus slow growth companies, found that workers incentives distinguished the rapid growth from the slow-growth firms. Companies that were keen to reach rapid-growth provided their workers monetary incentives and stock choices as part of their reward packages. In doing so, firms managed to achieve high levels of performance from workers, provide employees the sense that they have rights in the firm, fascinate and recall high-quality employees, and swing a share of a firm's business risk to the employees. It is in this realm that Delery and Doty (1996) acknowledged performance-based compensation as the sole strongest forecaster of firms' performance. Both performance-based compensation and merit-based evaluation can be viewed as constituents in organizational incentive systems that inspire individual performance and retention (Uen & Chien, 2004).Cho, Woods, Jang, and Erdem (2005) proposed that an encouragement strategy is an effective way in declining income tax. In their longitudinal study on hospitality industry found that incentive programs led to higher revenue, increased profits and reduced costs.

Similarly, Paul and Anantharaman (2003) highlighted that compensation system directly affects the operating performance. To be effective, rewards and compensation policies should be associated with organizational goals. However, researchers have found that the pay for performance can encourage workers, but the employee does not hold the loyalty and performance to organization (Ahmad & Schroeder, 2003; Rodriguez & Ventura, 2003). This means the employees are focused on the job and try to perform better but their emotional attachment with the organization should be weaker. This can cause high turnover intentions among employees. Worker's turnover can expressively sluggish the development, mainly in information concentrated businesses (Baron & Hannan, 2002).

Employee Performance

Human resource is concerned with the function that allow employees play their part in the day-to-day activities of the organization, at the same time focusing on the configuration of workers as a technique for gaining competitive advantage. Firms are becoming conscious that thriving human resource policies and practices may enhance employees' performance in diverse areas such as productivity, quality and fiscal performance (Voorde, Van De, Paauwe & Van Veldhoven, 2010). The postulation founding the practice of HRM is that employees are the firm's most important resource and organizational performance mostly depends on them. Hence if proper assortment of HR policies and processes are developed and implemented effectively, then HR will register a huge impact on organizational performance.

Despite there being a range of stakeholders in an organization, the principal strategic goal of any business is superior performance which depends to a great extent on effective operational performance. The operational performance of an organization is a function of people, processes and technology. For successful interaction of people with equipment and processes, the people in the organization have to be knowledgeable enough, with the requisite comprehension, skill and abilities. Proficiency of the individual is a vital aspect that decides operational effectiveness in terms of providing quality products and services within a short time. HRM practices such as recruitment, training, compensation and performance management may enhance the competence of employees for higher performance (Huselid, 2005).

Measuring the performance of organizations is not straightforward especially for firms with numerous objectives of customer retention, productivity, and

profitability, ability to become accustomed to the ever varying environment, employee satisfaction, growth and social responsibility amongst additional goals. Organizational performance has mostly been conceptualized on the basis of financial measures, however some scholars have urged for a wider performance construct that incorporate aspects of non-financial measures such as, effectiveness, efficiency, quality, and company image, (Waiganjo, Mukulu & Kahiri, 2012).

According to Richard (2009), organizational performance means achievement of organizational goals and objectives. Organization performance should be measured not only in terms of market share, return on investment and financial profitability, but should encompass both qualitative and quantitative parameters of measurement. This approach is supported by Lusthaus (2000) who categorizes organization performance indicators in terms of; effectiveness, ability of an organization to provide the best service or product within the most effective structure; efficiency, the degree to which an organization moves towards attainment of its mission and realization of its goals; relevance, survival of an organization and financial viability, an organization's ability to have more financial resources than its spending.

One of the most comprehensive framework for Organization Performance Assessment (OPA) is the Institutional and Organizational Assessment Model (IOA) (Leggat, Narine, Lemieux-Charles, & Barnsley, 1998). The details of how it works are elaborated by Universalia and the International Development Resource Centre (IDRC). This model views the performance of an organization as a multidimensional idea, which is a balance between effectiveness, relevance, efficiency, and financial viability of the organization. The framework also posits that organizational performance should be examined in relation to the organization's motivation, capacity and external environment. Thus, organizational performance should be evaluated using various indicators such as effectiveness, efficiency, customer satisfaction and financial leverage depending on the nature of the organization (IDRC, 2002). These indicators were applied in this study.

Empirical Review

The review of the existing literature by different researchers have showned the differences and diversity in the approach and findings of the impact of the concept of strategic reward and compensation practice on employees' performance. One of these researchers wereKang and Lee(2021)who studied employee compensation strategy as sustainable competitive advantage for human resource education practitioners in United State. In doing this, the

study found out through the use of 385 American employees in the manufacturing industry that there were statistical significant relationships between employee competencies and organizational cultures.

In another study by Afriyie, Twumasi, Sarpong, and Darko (2020) where a descriptive survey research design was adopted to examine the effect of compensation on employees' performance in Technical University, Ghana. In doing this, the study adopted a simple random sampling technique to sample 40 respondents from a population of 57 administrators out of which 35of them responded. The study found from the use of frequency tables to present the responses that monetary compensation could not attract administrators compare to management sensitivity to their needs such as housing loan and accommodation. However, the study failed to use comprehensive statistical techniques to analysis data collected from the respondents which possibly could have affected the results.

Likewise in the work of Jean, Ngui, and Robert(2017)who investigated the effects of compensation strategies on employees' performance with the aim of determining how compensation strategies can be used to influence employee performance at Mombasa Cement Limited in Kenya. In achieving this target, the study adopted three research objectives which include to determine the effect of salary, benefits and recognition on the performance of employees. Adopting a research survey design with the administration of self-administered questionnaire to the population of 153 employees who were selected using stratified sampling technique. The study found out having analyzed the quantitative data collected using Pearson correlation method that good salary, benefits in terms of bonuses and allowances as well as recognition through certification verbal foster employee performance.

Nwokocha (2016) did a content analysis in the form of library research on the examination of the application of reward strategy in organizations with the aim of ascertaining its suitability on employees' performance, retention and productivity, in Rivers State, Port Harcourt. The study found out that financial and non-financial rewards exist in the organization. It equally found out that positive relationship exist between rewards and employees' performance, retention and productivity in the organization, but if rewards plan is seen not equal to the effort of the employees, it may lead to de-motivation of employees working in the organization.

Comparatively, rewards and benefits seem to statistically related to the employees performance. A study of Jean, Ngui, and Robert (2017) in Kenya, evidenced that a good salary, benefits and recognition would foster employee

performance. Also, the same relationship was found in the content anaylsis conducted by Nwokocha (2016) between rewards and employees' performance, retention and productivity. It was only in the study of Afriyie, Twumasi, Sarpong, and Darko (2020) where financial compensation could not attract the respondents. The reason might be due to the use of small sample of 35 respondents.

Gaps Identified

Having cited, compared and contrasted the studies above, it was noted that strategic reward and compensation practice is practiced both home and abroad. Specifically in the West African countries including Ghana, Kenya and Nigeria. Besides, it was also noted that strategic reward and compensation policy is applicable across all sectors of economy ranging from manufacturing, and education. Interestingly, no much emphasis of strategic reward and compensation practice has been laid on the performance of employees banking industry recently. This forms the major gap that the current study has come to fill, by looking at the impact of reward and compensation practice on the performance of Union bank employees in Ilorin metropolis.

Theoretical Review

Resource Based View

The Resource Based View (RBV) theory was founded on the work of Penrose (1959), while others who have extended the theory include, Wernerfelts (1984), Rumelt (1984), Barney (1996), and Dierickx and Cool (1989). The RBV theory is currently predominantly used by researchers studying SHRM as suggested by Wright, Dunford, & Snell (2001). Barney (1991) posits that an organization gains competitive advantage by not only acquiring but also developing, putting together, and effectively deploying its physical, human, and organizational resources in techniques that is put in unique value and that are difficult for competitors to imitate. The resource based view states that competitive advantage comes from the internal resources that are owned by a firm (Wernerfelt, 2004).

The RBV is concerned with the connection between internal resources, strategy and the performance of the organization. It focuses on the encouragement of sustained competitive advantage through the development of human capital rather than just aligning human resources to current strategic goals (Torrington, 2005). The argument that the resources that is internal to an

organization can result to competitive advantage is a shift from earlier suggestions of strategy which focuses on the external environment and such factors as customers, industry, and competitors (Miles and Snow 2004; Porter 2005). The RBV provides a theoretical enlightenment of how the human resources of an organization can add to performance and competitive advantage.

According to Wright, McMahan, and McWilliams (2004), resources that are valuable, rare, inimitable and non-substitutable lead to competitive advantage. It is the human resources of an organization that make up the resource that leads to competitive advantage. From this outlook HR practices or systems possibly will without difficulty be duplicated by other organizations and only the knowledge skills and abilities possessed by individuals within a firm would meet the criterion outlined by Barney (1991). To this end, Lado and Wilson (1994) have argued that HR practices put together into a general HR system can be exceptional and not easy to duplicate and constitute a resource satisfying the conditions necessary for sustained competitive advantage. While both views appear to be acknowledged in the literature, the majority of SHRM researchers using RBV as their theoretical framework have paid attention on the HR system or overarching HR philosophy as a resource functioning to develop the human capital of the firm (Boxall, 1998). However, the resource based view was used in this study to support organization's human resource capabilities which needs to be valuable, rare, inimitable and non substitutable to give a firm competitive advantage. It was also used to identify the strategic reward and compensation practices that are used in the study.

Universalistic Theory

The universalistic theory was postulated by Dewar and Werbel (1979) who rooted for a best practices approach to SHRM. This theory posits that some SHRM practices are constantly better than others and therefore all organizations should assume these best practices. As Pfeffer (1994) put, universalistic or best-practice approach holds that certain independent-dependent variable relationships hold across the whole populations of organization. This suggested that some HR practices are always better than others, and all organizations should adopt them. Under a universalistic approach, strategic HR practices are those that are found to consistently lead to higher organizational performance, independent of an organization's strategy. Such practices include formal training systems, profit sharing, voice mechanisms, and job definition.

According to Marchington and Wilkinson (2008), the idea of best practice was at first acknowledged in the early US models of HRM, most of which argued that the taking on of certain best human resource practices would result in improved organizational performance, manifested through; improved worker attitudes and behaviors, decreased levels of turnover and absenteeism, increased skills levels and therefore increased productivity, better quality and efficiency and increased return on investment. Universalistic arguments simply suggest that the connection between a particular independent variable and a dependent variable is universal across the populace of organizations. To be able to make universalistic predictions, key strategic HR practices are identified and then opinion that relate to the individual practice offered.

Leonard (1990) established that an organization having long-term incentive policies for their senior managers had registered higher profits over a five-year period than did other organizations. Ahowd (1990) argues that managerial compensation should be based on an organization's financial performance. Gerhart (1990) elaborates that pay blend was related to monetary performance. Organizations with pay strategies that included a greater amount of performance-contingent pay achieved better monetary performance. However, this study relies on this theory because it promotes the use of strategic human resource management practices such as profit sharing among others, which is the basis of this research.

Methodology

This research work basically adopted a descriptive survey research design. This was because the study investigated the impact of strategic reward and compensation practices on organisational performance. In doing this, the study obtained the necessary information from the respondents through the primary data using structure questionnaire administered to a given sample of individuals drawn from a defined population. Basically, the population of this study consisted of employees of Union Bank Plc, in Ilorin Metropolis. The sampling was limited to the staff of the three (3) branches of Union bank Plc operating in Ilorin. These are Taiwo, Challenge, and Unilorin branch. These branches were selected due to time, convenience and closeness to the researcher. Its total population consisted of fifty (53) staff, hence the study adopted the use of census. For the purpose of this research work, both primary and secondary methods of data collection were adopted. The primary method of data collection used here was basically questionnaire which was administered to the respondents considering cost, availability of time and the amount of response sought. The secondary data used include published academic articles, related topics in the text books and related materials from

the internet. More so, 53 copies of the questionnaire were administered to the staff of the selected branches of Union Bank Plc in Ilorin metropolis. The questionnaire was a structured and closed ended in nature. It consisted of section A, B, and C. Section A covers demographic information of the participants, B contains sixteen questions related to strategic reward and compensation practices while section C included eleven questions related to organization performance. The scale uses a five point Likert scale from 1 representing Strongly Disagree, 2 Disagree, 3 Undecided, 4 Agree, and 5 Strongly Agree for measuring the statement for each of the questions raised.The research study specifically presented the data collected through the use of questionnaire with frequency counts and simple percentage method while the hypothesis was tested using linear regression.

Model Specification

$Y = f(b0+bx+\varepsilon)$

Where:

Y = Employees' performance
x= Strategic Reward and Compensation practice

Data Analysis and Discussion Of Findings

H_0: Strategic reward and compensation practice has no influence on employees' performance.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974[a]	.949	.948	.30794

Predictors: (Constant), Strategic Reward and Compensation practice
Source: SPSS Printout, 2021

Table 1 is a model summary showing if there is a significant influence of strategic reward and compensation practice has effect on employees' performance. From the table, the coefficient of R-square (R^2) is 0.949 suggesting that the independent variable has a significant influence on the dependent variable. This signifies that strategic reward and compensation practiceaccounted for 94.9% variation on the performance of employees, while the remaining 5.1% was exogenous variables that were not captured by the model. Also, correlation (R) coefficient of 0.974 implies that a nearly

positive relationship exist between strategic reward and compensation practice and performance of the employees.

Table 2: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	84.778	1	84.778	894.037	.000[a]
	Residual	4.552	48	.095		
	Total	89.330	49			

Source: SPSS Printout, 2021

Predictors: (Constant), Strategic Reward and Compensation practice

Dependent Variable: Employees' Performance

The table 2 is an analysis of variance showing F-statistic value of 894.037 to be greater than critical F statistic. Also, the ANOVA probability value of .000 is less than 0.05 level of significant. Thus, the overall model is fit for the study and the overall strategic reward and compensation practice items are significant in determining the performance of employees.

Table 3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.415	.119		3.491	.001
	SRC	.978	.033	.974	29.900	.000

a. Dependent Variable: employees' performance

Source: SPSS Printout, 2021

The table 3 is a coefficient table where a unit change in strategic reward and compensation practice would gears up performance of employee by 0.978 provided other variables remained constant. This is positive and significant as probability value of 0.000 is less than 0.05 level of significant which suggests that strategic reward and compensation practice has significant impact on employees' performance. Therefore, the null hypothesis is rejected while the alternative hypothesis accepted. The findings of this research in tandem with the findings of Jean, Ngui, and Robert (2017); Nwokocha (2016) who argued that rewards and benefits have a significant positive relationship with employees' performance.

Conclusion and Recommendations

In this study, efforts were made to evaluate the impact of strategic reward and compensation practices on the performance of Union bank's employees in Ilorin metropolis, based on the finding of this study, it was concluded that there was a significant influence of strategic reward and compensation practice on the performance of Union bank employees in Ilorin metropolis. Thus, this submission was evidenced by Correlation Coefficient and R^2 value of 0.974 and .949 respectively, at P-value less than 0.05. This signifies that the more every aspect of strategic reward and compensation practice is improved and reviewed, the better the performance of employees and the more customers are satisfied.

The study recommended that Union Bank of Nigeria Plc and other financial institutions should ensure that the constituent of their strategic reward and compensation practice are periodically reviewed so as to reflect the current compensation packages. This would increase the organization's chance of survival and gain competitive advantage over other money deposit banks in the industry.

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