COMPENSATION STRATEGY AND CORPORATE PERFORMANCE OF TELECOMMUNICATION FIRMS IN RIVERS STATE

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ABSTRACT

Compensation strategy is commonly recognized as important strategic issue in firms over the recent past. Compensation strategy tends to play a central role in determining organization's economic success; hence the interaction concerning the two is gaining more attention among firms globally. Literature states that an optimal alignment as compensation strategy facilitates organization to secure its competitive advantages in specific market place. The drive for this work was to test the link between compensation strategy and corporate performance of telecommunication firms in Rivers State. A sample of 119 employees was drawn from the population of 170 using Taro Yamane (1967) statistical formula; while the Spearman's Rank order correlation coefficient was used to test the null hypotheses, with the aid of SPSS, leaving 5% to error. Hence, there is a significant relationship between compensation strategy and corporate performance of telecommunication firms in Rivers State. It was thus recommended that Policies that take into consideration competition based pay as employees are aware of the compensation packages of their counterparts in other firms. Policies that take into consideration performance based pay as employees would like to receive rewards that are commensurate with their efforts. Given that employees are always concerned about the quality of compensation they get; Policies should be employed to foster adequate pay for employees in the telecommunication sector.

Keywords: *Compensation strategy, Corporate performance, and Telecommunication firms.*

Introduction

The right compensation scheme stimulates and induces the worker to make conscious efforts to develop, align individual objective to the goals of the firm, and to share information crucial to solving problems regarding the performance that may possibly arise. Dohmen and Armin (2006) put forward the submission that an adequate compensation package enhances employee concentration on information sharing on the part of the workforce; decisions decentralization and work enrichment, that is providing employees with opportunities for participating in decision making and innovation as this could enhance the higher incentive for the employees, on the part of the firm (Lazear, 2000), and this emphasizes the involvement of workers in the decision processes which enhances the employee pledge and satisfaction and directly influence the employee performance for the benefit of the organization (Wan, 2013).

An increased performance of an individual worker is optimized by constantly being involved in the decision process which enhances the overall success of the firm (Lemiuex, Bentley & Daniel, 2006). Dohmen and Armin (2006) made the submission that compensation remains a crucial component of any employment relationship between the employee and the employer and, in addition to on its own bring about the highest operating cost for many firms; it has been backed by some recently (Lemiuex, Bentley & Daniel, 2006), noting that it serves as an instrument for enhancing the performance of the firm and aids the sustenance of all forms of competitiveness. In the light of the above, some existing methods to compensation give emphasis to the importance of aligning employee behaviours to the premeditated direction of the firm. Such approaches – broadly labeled as competition based pay, and performance based pay; have become extensively adopted by firms (Akinyele & Fasogbon, 2007).

It is shorn of doubt that numerous academic investigations have been carry out in a bid to overcome the challenges with regards to compensation strategy and corporate performance of business organizations. However the research did not find analysis of determinants of compensation strategy which enhances corporate performance in telecommunication firms in Rivers State and therefore constitutes a gap in knowledge that this study is envisioned to fill.

Statement of the Problem

A corporate performance system deprived of a clear purpose and do not make explicit the employee contribution to the organizational goal are not true corporate performance systems. Being purposeful as well as making an explicit link between the objectives of the performance of employees and the organizational goals not only serves the purpose of establishing a shared understanding about what is to be achieved but also how it is to be achieved.

Clearly, a good number of telecommunication firms in Port Harcourt, Rivers State adopt poorly designed corporate performance management systems that have no recourse on the purpose for which they are serving (Imeh, 2010), and are faced with issues of productivity, competition for customers, efficiency in operation, compensation and high staff turnover etc. due to inadequate compensation, that brings about lack of effective performance on the part of the organization.

Aim and Objectives of the Study

The overall drive is to investigate any connotation amid compensation strategy and corporate performance. Specifically, the objectives are:

i. To examine the relationship between competition based pay and corporate performance of telecommunication firm in Rivers state.
ii. To examine the relationship between performance based pay and corporate performance of telecommunication firm in Rivers state.
iii. To examine the relationship between compensation strategy and corporate performance of telecommunication firm in Rivers state.

Research Questions

In an attempt to comprehend the drive for this study, the research question below will be formulated.

i. What is the relationship between competition based pay and corporate performance of telecommunication firm in Rivers state?
ii. What is the relationship between performance based pay and corporate performance of telecommunication firm in Rivers state?
iii. What is the relationship between compensation strategy and corporate performance of telecommunication firm in Rivers state?

Research Hypotheses

In an attempt to derive answer to the research questions that are stated above, this research work is guided by the following propositions itemized in a null arrangement:

Ho$_1$: There is no substantial relationship between competition based pay and corporate performance of telecommunication firm in Rivers state.

Ho$_2$: There is no substantial relationship between performance based pay and corporate performance of telecommunication firm in Rivers state.

Ho$_3$: There is no substantial relationship between compensation strategy and corporate performance of telecommunication firm in Rivers state.

Significance of the Study

This inquiry is substantial because of several reasons listed below:

i. This research will aid human resource professionals in giving handling the issue of reward and compensation in the organization.
ii. It will help organizations gain certain benefit(s) in today’s highly competitive world of business.
iii. It will assist researchers in carrying out their task as it would provide suitable awareness of the relevance of the knowledge of compensation and how it influences corporate performance.

Scope of the Study

This review was deliberated on the following stand point viz: content scope, geographical scope, and unit of analysis.

Content Scope: This inquiry was restricted to literature on compensation strategy and corporate performance.

Geographical Scope: The geographical scope of this research is limited to Rivers state, specifically, the telecommunication sector of the economy in Rivers state.

Study Unit: For this inquiry, the unit of analysis is macro level which includes managers and supervisors of some telecommunication firms in Rivers state.

Limitations of the Study

The respondents tend to limit this study, as well as the sample size and the geographic spread. The population of the study consists only of selected telecommunication firms which are situated in Rivers state, out of which only five will be studied, thus giving room for the possibility of errors in sampling. Again, results from the reports of this inquiry cannot be comprehensively applied to other industries since the study was limited to the telecommunication sector.

Literature Review

A review of literature about the theories of compensation systems proposes that theories are normally grouped according to the nature of subject relations and work relations; as a result, equity theory is the theory behind compensation strategy. This is because most empirical studies have been influenced by this theory as the baseline theory when discussing compensation plan and corporate performance (e.g. Adams, 1965). Equity theory put forward that employee perceptions of what they contribute to the organization, what they get in return, and how their return-contribution ratio compares to others inside and outside the organization,' determine how fair they recognize their employment relationship to be (Adams, 1965), as perceptions of inequity are expected to cause employees to take actions to bring back equity.

Compensation Strategy

Traditionally, compensation strategy is positioned as a dogmatic in literature as a means of bring into line a company's unique and unique asset – their employees – to the strategic direction of the organization and, in doing, securing competitive advantage and stimulating shareholder value (Akinyele & Fasogbon, 2007).

Once bring into line with this programme, compensation becomes a powerful means through which firms may attract and retain desired talent, and elicit desired behavior consequences in the form of employee motivation, pledge and loyalty, all of which are favourable to positively influence the performance of the organization. With a particular focus on performance, strategic compensation incorporates substantial for the scope for at risk compensation, with workers' compensation theoretically being depending upon one, or a mixture of, company performance, team and/or division performance as well as individuals' (Akinyele & Fasogbon, 2007).

Competition Based Pay: Some employees are more deterred by jobs in which competition was a factor in determining pay if the local earnings in their city were high. There are a number of reasons why one thinks piece-rates are more competitive pay schemes than assumed in the experimental literature. In the first instance–even in real world situations; individuals generally do not work in seclusion and/or in the dissimilarities in pay that result from piece-rates will characteristically be quite visible and there will be seen as winners and losers. Again, earnings under piece-rates are not independent; that is if some workers produce a lot under piece-rates, the piece-rate will typically be adjusted downwards as employers seek to set total earnings to match what could be obtained on the outside labour market (Akapo, 2011).

Performance based pay: tends to contain information on the type of performance pay contract in use (either payment-by-results or merit pay), the level at which performance is measured (whether individual, group or organizational) and the method of valuation of performance (Akapo, 2011). However, this evidence is not disaggregated by occupation – one only have information on whether these types of performance pay contracts are used for any workers within the firm – this means that the types of performance pay contracts are not conjointly exclusive and management can report the use of multiple types. As one cannot link the type of performance pay contract to workers in particular occupations, our main analysis uses the manifestation of performance pay as an indicator of a more competitive environment within the labour market (Akapo, 2011).

Corporate performance

Organizations conversely, design corporate performance systems to primarily enhance profitability and competitiveness. Yalokwu (2006) noted that when a corporate performance management system is employed for profitability and competitiveness, the appraised information is used as a foundation for pay increase, promotions, transfers, assignment, reductions in force as well as other administrative human resources actions. Similarly, when a corporate performance management system is used for development, the appraisal information is used to guide the training, job experienced, mentoring and other developmental activities that employed will engage in to develop their capabilities (Dubrin, 2012).

In line with the above, therefore corporate performance management system may enhance competition based pay, and performance based pay, that is critical for attaining organizational goal. However, for a greater chance of success, organizations must ensure the design systems that will ideally suit their organization's needs. For instance, performance management systems can support pay decisions, promotion decisions, learning/innovation etc. A corporate performance management system that attempts to achieve too many objectives, as there is no one type of system or set of objectives that is best suited for all organizations. The purpose for a given Performance management systems should be determined by considering culture and the systems integration with the other human resources management systems (Imeh, 2010).

Methodology

The population for this study encompasses all the managers and supervisors of the telecommunication firms in Rivers state. A total of one hundred and seventy (170) managers and supervisors among five (5) firms were selected via simple random sampling system.
However, since the population is finite, it becomes imperative to apply statistical model in determining the sample size. Thus, Taro Yemane's formula (1967) was employed as the population on critical parameters at an acceptable level of probability of whose confidence level is set at 0.05.

Thus;

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = sample size sought

e = level of significance (e = 0.05)

N = population size (N= 170)

1 = constant

Applying the above formula, we have;

$$n = \frac{170}{1+ 170\ (0.05)^2}$$

$$n = \frac{170}{1+ 170\ (0.0025)}$$

$$n = \frac{170}{1+ 0.425}$$

$$n = \frac{170}{1.425}$$

$$n = 119$$

The instrument was distributed in proportion according to the staff strength of the various institutions. The Statistical Package for Social Science (SPSS) version 21 was used to conduct the analyses.

Results and Discussions

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.886[a]	.785	**.782**	.860

a. Predictors: (Constant), Performance Based, Competition Based

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	402.774	2	201.387	272.244	.000[b]
1	Residual	110.220	149	.740		
	Total	512.993	151			

a. Dependent Variable: Corporate Performance

b. Predictors: (Constant), Performance Based, Competition Based

Our ANOVA output shows a significance of 0.000 which also represents our alpha using 95% level of confidence. This confirms that our predictor variables really account for changes in the criterion variable.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	-3.285	.478		-6.874	.000
1	Competition Based	1.314	.239	**.476**	5.497	**.000**
	Performance Based	1.158	.231	**.434**	5.016	**.000**

a. Dependent Variable: Corporate Performance

In our coefficient table, we see competition based pay having a coefficient of -0**.476**but it also has a p-value of 0.002 which is less than alpha of 0.05. Therefore, we reject the first hypothesis.

In our second hypothesis, we see performance based pay is having a significant coefficient of 0**..434** with a corresponding p-value of 0.000. We would also reject the null hypothesis.

Our third hypothesis shows an insignificant relationship existing between compensation based pay and compensation strategies as the adjusted R^2 of .782 only suggests 78.2% change in Corp. performance caused by compensation strategies.

Conclusion

To compete effectively however, telecommunication firms in Rivers State must continually improve their performance by reducing costs, innovating products, improving quality, increasing productivity of staff and efficiency in operation by adequately compensating the workforce through a competition based pay and performance based pay.

Recommendations

From the analysis of the date obtained and conclusions above, the following recommendations were made to aid oil serving business:

i. Policies that take into consideration competition based pay as employees are aware of the compensation packages of their counterparts in other firms.
ii. Policies that take into consideration performance based pay as employees would like to receive rewards that are commensurate with their efforts.
iii. Given that employees are always concerned about the quality of compensation they get; Policies should be employed to foster adequate pay for employees in the telecommunication sector.

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