*IOSR Journal of Business and Management (IOSR-JBM)*
*e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 20, Issue 9. Ver. III (September. 2018), PP 36-47*
*www.iosrjournals.org*

# Compensation Management And Organizational Performance a Study Of Selected Pharmaceutical Companies In Awka, Anambra State.

Dr. Ebele .M. Onwuka, Dr. Faith Onwuchekwa
*Ekweli Chinyere Esther In Partial Fulfillment Of The Msc Programe*
*In Faculty Of Management Science,*
*Department Of Business Administration,Nnamdi Azikiwe University, Awka.*
*Corresponding Author: Dr. Ebele .M. Onwuka*

***Abstract:*** *The realization of organizational objectives is in most cases achieved through the human resource asset and there is need therefore to enhance the commitment of employees to the organization. Hence identification of all possible factors that increase employee commitment is of utter importance. Indeed the compensation policy is an important element of human resource management. It influences decision of potential employee to join an organization and determines employer-employee relationship after employee joins the organization. The compensation policy should in addition encompass both monetary and non-monetary rewards paid to employee in exchange of the services rendered while taking into consideration employment contract, competence and skills. This study aimed at establishing the influence of compensation policy on employee commitment of selected pharmaceutical companies in Anambra state. Primary data was collected using self-administered questionnaire and the data was analyzed by use of Pearson product correlation. The data was presented using simple percentage table. Generally, the study found that pay for performance policy was the popular compensation. It was also established that the compensation policy influences employee commitment owing to the level of relationship established between the variables and this led to enhanced performance, trust in management and strong relationship in the organization. Further, the cash rewards were reflective of individual skills and effort which included allowances for extra duties and responsibilities. The employees' compensation included pension schemes; personal security through illness, health or accident insurance covers; safety in work environment, financial assistance for loans, purchase of organizational products and work life.*

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Date of Submission: 29-08-2018 Date of acceptance: 13-09-2018

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## I Chapter One

### 1.1 BACKGROUND OF THE STUDY

Employees in pharmaceutical companies are of different category and department, ranging from manufacturing, quality control and assurance, research and development, sales and marketing, administration and consulting. The collective efforts of all and different employees in their respective capacities tends to determine the performance of the organization at large. This is to say that the commitment of employees as a factor in determining the level of performance in any organization cannot be over emphasized. Therefore it is of almost importance to strategically device means of getting employees in an organization to be fully committed to their work one o the ways of achieving this is by designing an effective compensation policy that is capable of driving the employees into the perception of being part of the organization. Compensation is defined as the different types of financial incomes and benefits that employees receive based on the employment relationship (Bernadin, 2007). Direct compensation includes the basic pay that the employee is entitled for his or her job. It includes all forms of salary, wages, overtime pay, and bonuses. Indirect compensation includes protection programs, insurance plans, insurance plans, educational assistance and pay for time not worked, feeling of advancement, achievement opportunity, opportunities for recognition and other forms of benefits (Adeniji and Osibanjo, 2012). Compensation policies are the collection of rules that govern the calculation of the net pay for all individuals employed in an organization. It goes a long way in determining the perception of employees in the organization as regards the way their welfare is covered and thus contribute to hw committed they are to the objectives of the organization.

The concept of organizational commitment has received attention particularly in the field of industrial and organizational psychology (Cohen, 2003). It is a feeling of identification with organization's values, contribution in the interest of the organization, and loyalty, expressed by employees (Steers, 1977). Organizational commitment is regarded as a dynamic construct comprising affective, continuance and normative commitment (Malik, Wahab and Naheem, 2010). Commitment is also described as the psychological connection that binds employees to their employing organization.

**1.2 STATEMENT OF THE PROBLEM**

Human capital as an intangible asset gets increasingly important in modern economies. More and more companies operate in employee-intensive businesses where human capital is regarded as a critical asset and not purely a cost factor (Lev (2001)). As personnel costs often represent the largest part of total costs in companies, the design of compensation packages is of strategic importance and therefore directly influences corporate performance. Additionally, the structure of the pay mix is highly important for the motivation, commitment, and behavior of employees inside the company as well as for activities along the HR value chain like e.g. recruiting, developing and retaining employees. And, most important, performance-related pay helps to align the goals of managers and employees with those of the company respectively the shareholders. Hence, the design of competitive compensation policy is one of the major challenges companies have to face with in recent times. More so, with the rapid development of economy, the market competition is increasingly fierce and enterprises are faced with more severe policy and economic environment. In order to survive and develop, enterprises need to strengthen internal management effectively and attach great importance to the outside-in feedback management, that is to say, enterprises should establish an effective management control system. As an essential part of management control system, compensation policy design is undoubtedly of great importance. Compensation policy is one of the important tools for enterprises to carry out enterprise management and pursue business success.

**1.3 OBJECTIVE OF THE STUDY.**

The main objective of this study is to investigate the impact of compensation management on the performance of pharmaceutical companies in Awka, Anambra State.
The specific objective is to enquire if there is relationship between compensation policy planning and employees commitment

**1.4 RESEARCH QUESTION**

Based on the research objective the following research question is posed.
What is the relationship between compensation policy planning and employees commitment?

**1.5 RESEARCH HYPOTHESIS**

Based on the theoretical framework, the following hypothesis has been based on developed.
**Ho**: There is no relationship between compensation policy planning and
employees commitment.
**Hi**: There is a positive relationship between compensation policy planning
and employees commitment.

**1.6 Scope of the study**

The study of the relationship between compensation management and organizational performance was conducted on two pharmaceutical companies (Juhel and Gauze pharmaceuticals) in Awka, Anambra state. The design, planning and implementation of compensation policies in these companies and how it motivates employees to be fully committed to their works formed the basis of the study.

**1.7 SIGNIFICANCE OF THE STUDY**

The study will be of significance to the various human resource management stakeholders, policy developers, academicians and researchers.

The study will add new body of knowledge to existing contributions by providing more information through its contextual framework. HR practitioners will find the study to be of value when developing appropriate compensation policies which are intended to increase employee commitment.
Consultants will use the study when drawing comparatives of employee commitment and compensation policies across their clients in different organizations. The research findings will be replicated in other organizations in similar environment as pharmaceuticals .HR policies geared toward increase of commitment will be developed by the practitioners with an objective increasing commitment levels in the organization. Such policies include employee involvement, empowerment, participation and leadership. Scholars and researchers on the other hand will use the study as basis of further research.

1.8 **Limitations of the study**

This research is limited to the activities of the selected pharmaceutical companies in Awka, Anambra state.

this is consequent to the time constraint on the duration of this research, so that the researcher can fully investigate the problem area.

Therefore, the researcher have focused solely on Juhel pharmaceuticals and Gauze pharmaceuticals for the research.

## II Chapter Two

### 2.1 CONCEPTUAL FRAMEWORK

Compensation policy is an important element of human resource practice that influences decision of potential employee to join an organization and determines employer-employee relationship after employee joins the organization (Ira, 2010).

Psychological contract develops between the employer and the employee that serves to determine the nature of mutual existence during the period of employment. The contract is largely influenced by the development and management of compensation policy and the resultant employee commitment (Kwon, 2001).Compensation policy as an area of research has outcomes which are of interest to the organization and to the employee. The outcomes of compensation policy includes: employee commitment, organizational citizenship and organizational performance. Compensation policy is an integral component of organization’s reward systems and corporate strategy which when effectively utilized influences the level of employee commitment to the company and work positively (Armstrong, 2007).

Compensation policy provides guidelines or approaches which the organization uses in reward management. The policy apart from serving as an implementation tool for reward strategy is a reflection of organization’s values, culture and philosophy in regard to compensation (Eisenberg, Fosdo & Lamastro, 1990). Compensation policy helps in defining employment relationships, contractual obligations and the implied psychological contract between the employer and the employee (Zacher, 2015). The policy promotes employer employee relationship by having committed employees who have trust with the organization, are willing to go an extra mile in their duties and have readiness to assist other employees. Policy on compensation incorporates the following key components; level of rewards, equity in pay, remuneration, contingent pay, competitiveness and transparency in rewards management (Armstrong et al, 2007). Benefits refer to non-cash allowances which are part of total reward. Benefits policy addresses issues of, pension schemes; personal security through illness, health or accident insurance covers; safety in work environment, financial assistance for loans in house purchase schemes or purchase of organizational products; work life balance, holidays, career breaks, counseling; and employee development (Adler et. al, 2015). Compensation policy portrays the positioning of the employee in the organization’s mind (Rajiv et.al, 2000).

Developing a compensation policy is a process that requires consideration of factors internal and external to the organization. External factors include industrial practice, market consideration and competitor’s strategy on rewards. Internal factors includes HR strategy adopted on; attracting recruiting, developing and retaining the employees; values of equality, balance and quality of work life; organizational culture in relation to performance, innovation and creativity or skills development (Ombasa, 2013). The organization’s philosophy on whether to be in leader, medium or follower position in the market shall act as a guide on the compensation policy to be adopted.

A compensation policy is composed of reward structure together with the values and philosophies which serve to determine the policy (Armstrong 2007). Elements of compensation policy therefore reflect the wholesomeness of the policy when viewed from the perspectives of: grade and pay structure; total reward; philosophies and values upon which the compensation policy is grounded.

**Factors that Influence Compensation Policy**

Compensation policy addresses the broad issues on of compensation, that serve to guide the organization on how to remain competitive in the market, practice equity and transparence and pay structure to be adopted by the organization (Armstrong, 2009). The policy developed and adopted by the organization is influenced by a host of internal and external factors which the organization must evaluate before adopting a comprehensive policy.

**Organizational Objectives and Strategy**

Organizational objectives and the strategy influence compensation policy because compensation and reward strategy are aligned to organizational objectives. Avariet et al (2011) provides that organizations adopt strategic compensation practices as motivation tool which inspires the employees towards achievement of organizational objectives. Strategic fit created between compensation policy and organization objective have broad implications. The compensation policy is influenced by various changes arising out of strategy implementation and the changes in the industry (Martochio, 2009). Gaver et al. (1995) uses vision as a strategy and posits that the vision pursued by the organization influences compensation policy adopted. Organization with a vision of growth pursue a compensation policy which is long-term compared to non- growth organization which have a short term policy. Organizations with growth vision are investment ventures usually listed in security markets where objective is growth of shareholders wealth. Non growth organizations are like government departments, parastatals, NGO or church based organizations. Growth based firms will have compensation policy packaged in performance awards, stock option grants and restricted stock grants while non- growth based organizations will apply a compensation policy that is largely based on fixed salary and allowances. The long term incentive reduces agency cost associated with manager-shareholder's information asymmetry (Yandori et al, 2003).

**HR Strategies and Practices**

HR strategy and practices in the organization influence compensation policy of the organization contemporary. Contemporary HR strategies of skills retention, attraction and talent management pursue a compensation policy different from a conventional HR strategy and practices which are profit and production oriented (Pare et al, 2007). Contemporary HR strategies pursue intrinsic compensation policy which focuses more on benefits as opposed to salary payment. Intrinsic compensation provides a long term relationship and commitment while extrinsic compensation has an exchange effect (Meyar & Becker, 2004). High involvement HR strategy will develop compensation policy that are participative, open or discussed during job evaluation and performance appraisals. Performance based or pay- skill- performance HR strategies will advocate for compensation policy which are aligned to training, skills and performance (Chew & Chen, 2008).

**Market and the Industry**

Market and Industrial practice influence compensation policy of an organization because there is perfect competition for human capital with similarity in skills and competencies (Armstrong, 2007). The relative importance that an organization attaches to external competitiveness will influence the degree to which organizations compensation policy is influenced by market and industrial practice (Anvari et al, 2011). Organization operating on similar market segment and pursuing similar objectives and strategy will be guided by the prism of "equal employer" and adopt compensation policies based on market leadership and similar to those of their direct competitors. The policy serves to prevent "poaching" of valued employees by the competitors in the market. It's also a staff retention strategy which makes competitors to be less attractive in the perception of the employees.

Branding of the organization can employ compensation policy because the policy is perceived to indicate healthy financial position, high value towards employees, recognition of skills and competencies and equity. Organizations pursuing branding based compensation policy are noted to engage in recruitment practices of head hunting and flashy advertisements which is pegged to a high salary level currently earned by applicants (Meyer & Allen, 2007). Compensation policy therefore serves to position the organization in a market niche. Market positioning of the organization as the most preferred employer will adopt compensation policies which are above the market rates or above those of competitors in order to absorb high and potential employees (Zacher et al, 2005)

**Trade Unions and Government Policy**

Yandori et al. (2003) posits that trade unions are a part of market and industry because they are guided by similar principals and market conditions when negotiating for collective bargaining agreements (CBA). Trade unions resort to joint negotiations for organizations in the industry in order to enhance their bargaining power by taking a common stand for the whole industry.

Compensation policies are therefore influenced by trade union actions which require that firms construct a compensation policy which is aligned to industrial practice.

Government fixes minimum wage guidelines to be followed by organizations in the market. The wage guidelines require that the organizations make compliance and observe the regulations in statutory deductions. Government benefits guidelines on social security, health and pensions are enforced by authorities which formed by Acts of Parliament. National Social Security Fund (NSSF) enforces compliance on social security; National Health insurance scheme (NHIS) enforces social health benefits while Retirement Benefits Authority (RBA) enforces pension policy. Non-compliance results to heavy fine and litigations. The government also provides policies, arbitration mechanisms and legal systems in case of compensation disputes which serve to influence compensation policy. Industrial court solves compensation disputes and its rulings bind the actions of organizations in compensation management.

Employee commitment reflects the involvement and psychological attachment that an employee has towards an organization and work which is assigned to him. Meyer et. al (2001) describes commitment as a force that makes an individual stick to a course of action that is of relevance to a particular goal. Noble et.al

(1999) defined commitment towards an organization as level at which an employee identifies with and works towards the achievement of organizational goals. Commitment of employee to organization has no universally prescribed definition. However, despite the differences in the definitions, there is agreement between the scholars that commitment to organization influences employee's attitude, attachment and perception towards an organization. Pare et.al (2007) is of the view that employee commitment is associated with behaviors of high involvement, reduced intentions of opting out of the organization, going extra mile to accomplish duties and task, willingness to help and uplift others at work and corporate citizenship. Employee commitment can be perceived as internal psychological force that makes an employee feel ready to work, accomplish tasks as specified, stick to the organization and speak positively about the organization (Ira, 2010).

Employee commitment can take different forms which are influenced by employee mindset. The forms of commitment according to Meyer and Allen (1991) are; affective, continuance and normative commitments. According to Meyer and Allen (1991), affective commitment is grounded on psychological position of the employee towards the organization.

Affective commitment is linked to emotional attachment, identification and involvement in the organizations activities and values. The other commitment is continuance commitment which is associated with opportunity cost considered by the employee were he to leave the organization. The cost is the psychological cost of working relationships, informal social groups, growth prospects and image or organization's brand. The employee considers sticking longer in the organization if the opportunity cost is high. Normative commitment is the feeling of an obligation to remain in the organization. Normative commitment is largely out of reciprocity and the feeling of being highly indebted to the organization (Rajiv et.al, 2000).

Employee commitment can be focused on various targets which are considered to be of importance to the employee (Cohen 2003). The foci include commitment to organization, occupation, team, customer, supervisor or trade unions. The foci are influenced by values, morals, performance, compliance, and competency and continuance culture of the organization also referred to as dimensions of commitment.

Pare et.al (2007) posits that the different forms and dimensions of commitment are critical in development of HR strategies, policies and practices aimed at increasing commitment at workplace. The philosophy of compensation policy is largely guided by values of transparency, compliance and performance (Zacher et al, 2005).

**2.2 THEORETICAL FRAMEWORK**

The theoretical foundation provides an understanding of the concepts of compensation and commitment and the linkage between the two concepts. The study is anchored on theories of expectancy, and equity theory. The theories explain employee's behavior, attitudes and perceptions arising out of compensation and commitment. A linkage between compensation and commitment is derived from employee's behavior to various elements of compensation.

**Expectancy Theory**

Expectancy theory propounded by Vroom (1964) is a process theory which explains the mental process of an employee in interpretation and perception of organizational compensation leading to behaviors of commitment, motivation and effort increase.

According to the theory, commitment policy is futuristic and influences expectancy behaviors and attitude towards a job. Vroom suggests that employees' work behavior

is related to believe that their effort will result in achievement of outcomes that are of value to them. The theory is based on three expectancies; effort- performance expectancy (E-P), performance – outcome expectancy (P-O) and Valence (V).

The interplay of the three expectancies leads to interpretation of fulfillment or non-fulfillment of expectancies by the organization.

E-P is the perception held by the employee that there is a positive and significant relationship between effort and performance with increased effort resulting to performance. P-O is the employee prediction that high performance will result to positive outcomes in the form of rewards or compensation. V refers to the value expectation of the employee towards the rewards. Employee will be diligent in his work where such efforts results to increased performance. Continuous effort will only be made where outcomes of reward are linked to effort and performance and are perceived to be of value. Employee behavior to work will be positively influenced when the rewards are predicted with a higher degree of continuity and such rewards are of presumed value to the employee.

Compensation policy of an organization when well communicated guides employee in making predictions and expectations about the words. Employees behavior is effort towards job will be positively influenced when the employee interprets the predicted valence in the predicted rewards. The rewards provide intrinsic and extrinsic motivation. The intrinsic motivation is derived from the job while extrinsic motivation is derived from the organizational compensation policy. Valence is relative to employees and is influenced by position held in the organization.

**Equity Theory**

Equity Theory by Adams (1965) is a comparative analysis by an employee of the rewards he receives in relation to those of others who are in a similar position, with equal qualifications and carrying similar tasks in form of effort, time and skills requirement. Out of comparison, employee develops a perception towards the rewards which in turn influence his behavior towards work and the organization.

Equity theory is shaped by two ratios used in the reward analysis; my pay vs. others pay; and my position on dimension relative to pay vs. others position on dimensions relative to pay. Inequality arising out of any of the ratios will be interpreted as inequity leading to dissatisfaction and low level commitment to work and the organization.

Anvari et. al (2011) points that the consequence of perceived inequalities results to behaviors of; reduced commitment, psychological stress, reduced quality of out-put or reduction of effort in an attempt to rationalize the inequality. Rajiv et. al (2000) provides a number of moderating factors to the employees' perception towards the analyzed comparison. The internal moderating factors included; valence, clarity of structure, fairness in salary administration and future plans of an employee. External moderating factors are; industrial practice, competitors willingness to absorb the employee in case he leaves the organization and communication channels provided to air the pay grievance. Organizations need to exercise equity in compensation through carrying out salary market survey, adopting pay-skill-performance system, openly communicating compensation policy of the organization and promptly dealing with salary grievances (Armstrong, 2001). Rewards procedural justice serves to influence employees' commitment because employees interpret fairness from the organization where inequities are perceived (Pare et.al, 2007). .

**2.3 EMPIRICAL FRAMEWORK**

Studies on compensation management and organizational performance have elicited intensified research. The importance of employee's commitment to organizations objective and how to ensure that compensation policy contributes to desired behavior are now a central concern to Organizations. HR practitioners and academic researchers have embarked on cross sectional and case studies to investigate the lines between compensation policy and employee commitment.

Anvari et al (2011) investigated the relationship between strategic compensation practices and affective organizational commitment. The research was cross sectional, carried out in universities of medical sciences in Malaysia. The objective of the study was to investigate the relationships among strategic compensation practices, psychological contract, and affective organizational commitment. Four universities of medical science were sampled and descriptive statistics were applied in the data analysis. The research findings were that there was significant relationship between compensation policies of pay- for-performance, pay for knowledge and organizational commitment.

Chew et al (2008) researched on organizational commitment, human resource practices and intention to stay. The research was cross sectional in well-established

public and private organizations in Australia. The objectives of the study were to determine the effect of key human resource (HR) practices on permanent employee's organizational committee and intentions to stay. Delphi technique was used in interviewing the respondents while the hypothesis was tested using structural equation modeling. The study findings on compensation and commitment relationship were positive and significant.

Rizal et al (2014) investigated the effect of compensation on motivation, employee commitment to the organizational and employee performance at local revenue management organization in Indonesia. Data collected from respondents was analyzed using a structural equation model. The findings of the research were that compensation significantly effects employees' motivation and their commitment to the organization, but does not have significant effect on employee performance. Commitment was however found to have significant influence on employee performance.

Obasan (2012) linked compensation with performance using three selected conglomerate firms in Nigeria. The Likert-type questionnaire response generated was regressed using a simple OLS technique. The findings revealed that compensation strategy has significant and positive effects on work productivity and organizational strategy is a veritable option for attracting, retaining, and motivating employees for improved organizational productivity.

Also in Nigeria, Ibojo & Asabi (2014)examined the extent to which compensation management affect employees performance, the relationship between working condition and employee performance, the rate at which welfare services affect employees performances, the relationship between compensation management and improved productivity and the relationship between compensation management and retention of staff.

Responses obtained from the Likert-type questionnaire design for the study was analyzed using frequency table and Analysis of Variance (ANOVA). The results showed a significant relationship between good welfare service and employees performance; compensation management and improved productivity; and compensation management and employees performance. The study thus posits that compensation management has positive effect on employee performance.

Ayesha, Amna, Tahleel & Hina (2015) constructed a structured questionnaire with which they obtained data to study the effects of compensation and motivation on employee performance. Using a sample of banking sector of Faisalabad the simple regression model revealed that incentive and motivation have significant effect on employee performance.

Oladejo & Oluwaseun (2014) examined the effect of compensation plan on workers performance in the Nigerian food and beverage manufacturing companies using a sample of 125 questionnaires administered and distributed to the staff of the selected food and beverages companies in Lagos state. Analyses from frequency table and percentage and Chi- square test showed that compensation plan has significant and positive effect on workers performance.

Hameed, Muhammad, Hafiz, Ghazanfar & Muhammad (2014) examined the impact of compensation on employee performance of banks in Pakistan. a questionnaire was designed to collect the data on the factors related to compensation like salary, rewards, indirect compensation and employee performance. Findings from correlation and regression analyses showed that compensation has positive impact on employee performance.

Nnorom, Akpa, Egwuonwu, Akintaro, Shonubi & Herbertson (2016) examined the effect of compensation administration on employee productivity. The data gathered from the structured questionnaire on 50 respondents in Dangote Nigeria Headquarters in Lagos Nigeria, revealed that effective compensation administration has significant positive effect on employee productivity.

Using a sample of 126 workers of the work at Local Apparatus Work Unit (LAWU) at Local Revenue Management in Kendari, Muhamad, Idrus, Djumahir, & Mintarti (2014) investigated the effect of compensation on motivation, organizational commitment on employee performance. The data analysis from SEM (Structural Equation Model) indicated that compensation has significant effect on motivation and organizational commitment, but does not have significant effect on employee performance. The study posits that compensation cannot directly improve employee performance thus contradicting the earlier assertions that compensation has a direct effect on performance.

### 2.4 GAP IN KNOWLEDGE

All the studies reviewed indicated that compensation management has significant effect on organizational performance. Most of the studies although didn't examine the extent to which compensation management has impacted on the organization performance or the function or level of management which compensation was been studied. This has created a research gap. Also none of the study discussed the human resource as a capital asset, a view held high at this contemporary era. Thus this research tends to examine the management of compensation right from its planning stage of policy design, its incorporation of involvement, openness and performance based and how this has in turn contributed to the commitment of employees to their work.

## III Chapter Three

### 3.1 INTRODUCTION

This section of the study presents the research design and methodology of study giving specific procedures that were used in the study. The chapter is organized to give insight in research design, target population, sampling and sampling design, data collection and data analysis.

### 3.2 RESEARCH DESIGN

The study employed descriptive survey research design. This was appropriate to the study because it allows the use of descriptive and inferential statistics in processing the collected data in order to answer the research questions. In using the descriptive survey research design the phenomena will be influence of compensation policy on employee commitment at the selected sample out of the population.

### 3.3 POPULATION OF THE STUDY:

The employees of the pharmaceutical companies Awka, Anambra State constitutes the target population.

### 3.4 SAMPLE AND SAMPLE TECHNIQUE:

The researcher selected two pharmaceutical companies (Juhel and Gauze pharmaceuticals) from the population for the purpose of the study.

### 3.5 SOURCE OF DATA

The study is a survey research using both primary and secondary data. Primary data were sourced through the use of structured questionnaires, complimented with face-to-face interviews. Secondary data were sourced from publications, internet, journals, articles, textbooks.

**3.6 DESCRIPTION OF DATA COLLECTION INSTRUMENT**

Data was collected using a structured questionnaire. Section A of the questionnaire covers the letter of introduction of the study objective to the respondents, and the section B contains the substantive issues of the study, which revolved round the study objectives. The questions were mainly open-ended with a 5-point Likert scale of Strongly Agree (SA-5); Agree (A-4); Undecided (un-3); Disagree (D-2); Strongly Disagree (SD-1).

**3.6 METHOD OF DATA COLLECTION**

The researcher administered and collected data with the help of a research assistant. The assistant was trained by the researcher on the study objective. The questionnaire was administered and collected same day after each administration. From the one hundred and fifty (150) questionnaires administered, twenty seven (27) were not accounted for and one hundred and twenty three (123) which represent 91% response rate were returned and used for analysis.

**3.7 METHOD OF DATA ANALYSIS:**

The data collected were presented on frequency table and thereafter descriptively analyzed using simple percentage the person correlation coefficient were used to test the study hypotheses at .01 level of significance
The symbol definition of pearson correlation is given as

$$r = \frac{N\sum XY - (\sum X)(\sum Y)}{N\sum X^2 - (\sum X)^2 \; N\sum Y^2 - (\sum Y)^2}$$

Where:
N- number of para of score
$\sum xy$ – sum of the product of pars
$\sum x$ – sum of x score
$\sum y$ – sum of y scores
$\sum x^2$= sum of square x scores
$\sum y^2$ = sum of square y scores

## IV. Section Four

**4.0 DATA ANALYSIS AND INTERPRETATION**

In this section, all relevant data collected were presented and analyzed in a tabular form. The questionnaire administered and collected measured up to the expectation of ensuring a high percentage of good responses.

4.1 **BIO DATA OF RESPONDENTS**

4.1.1 **Gender of the respondents**

**Company A**

| Gender | Frequency | Percentage |
|---|---|---|
| Female | 44 | 61% |
| Male | 28 | 39% |
| Total | 72 | 100% |

The above total show the larger percentage of the respondents are female which constitute 61% of the sample size while the male constitute 39% of the sample size.

**Company B**

| Gender | Frequency | Percentage |
|---|---|---|
| Female | 22 | 43% |
| Male | 29 | 57% |
| Total | 51 | 100% |

The above table shows that the larger percentage of the respondents are male which constitute 57% of the sample size while the female constitute 43% of the sample size.

4.1.2 **Educational Qualification**

**Company A**

| Qualification | Frequency | Percentage |
|---|---|---|
| NCE/ND | 21 | 29% |
| BSc/HND | 40 | 56% |
| MSC/PhD | 11 | 15% |
| Total | 72 | 100% |

The table shows that majority of the respondent have Bsc/HND qualification which stood at 56% of the respondent while the rest have either NCE/NG, MSc/PhD.

**Company B**

| Qualification | Frequency | Percentage |
|---|---|---|
| NCE/ND | 10 | 20% |
| BSc/HND | 28 | 55% |
| MSC/PhD | 13 | 25% |
| Total | 51 | 100% |

The table shows that 55% of the respondent have either BSc or HND qualification 20% have either NCS and ND while 25% have acquired MSC and PhD

**4.2.1 Presentation of questionnaire**

**4.2.2 Company A**

| **Response** | **Frequency** | **Percentage** |
|---|---|---|
| SA | 130 | 28% |
| A | 202 | 30% |
| UN | 144 | 17% |
| D | 135 | 15% |
| SD | 119 | 10% |
| **Total** | **720** | **100%** |

**Company B**

| **Response** | **Frequency** | **Percentage** |
|---|---|---|
| SA | 115 | 18% |
| A | 129 | 27% |
| UN | 93 | 20% |
| D | 114 | 19% |
| SD | 59 | 16% |
| **Total** | **510** | **100%** |

**4.3 TEST OF HYPOTHESIS**

**H0**: There is no significant relationship between compensation management and organizational performance.

**HI**: There is a significant relationship between compensation management and organizational performance.

In testing the hypothesis, the response to question number 2 on the questionnaire was extracted and analyzed, it is based on the fact that this question best relates to the research question.

**Identification of Test statistic**

In testing this hypothesis, the statistical tool do be used is coefficient of correlation given by the below formular

$$\frac{n(\sum xy) - (\sum x)(\sum y)}{N(\sum x^2) \left[ - (\sum x)^2 (n(\sum y^2) - (\sum y)^2 \right]}$$

**NOTE**: The value of x = +1

-1 to 0 implies negative correlation

0 implies no correlation

0-1 implies positive correlation

**Decision rules:**

Reject Ho if the calculated value of r is equal to or less than zero (0) , otherwise accept Null hypothesis (H0) if the value of r is greater than zero (0)

**COMPANY A**

**Table 4.3.1**

| **Responses** | **Frequency** |
|---|---|
| SA | 30 |
| A | 12 |
| UN | 1 |
| D | 9 |
| SD | 20 |
| **Total** | **72** |

**Source: Field of survey 2018**

Rating of the response: The reserve rating is used SA= 5, A=4, Un=3, D=2 and SD1

**Table 4.3.2**

| **Response** | **X** | **Y** | **$X^2$** | **$Y^2$** | **Xy** |
|---|---|---|---|---|---|
| **SA** | **5** | **30** | **25** | **900** | **150** |
| **A** | **4** | **12** | **16** | **144** | **48** |
| **UN** | **3** | **1** | **9** | **1** | **3** |
| **D** | **2** | **9** | **4** | **81** | **18** |
| **SD** | **1** | **20** | **1** | **400** | **20** |
| **n=5** | $\sum x$= 15 | $\sum y$= 72 | $\sum x^2$= 55 | $\sum y^2$= 1526 | $\sum xy$= 239 |

$$\mathbf{r} = \frac{n \sum xy - (\sum x)(\sum xy)}{(n(\sum x^2 - (\sum x)^2 (nc\sum y^2) - (\sum y)^2}$$

r = $\dfrac{5(239) – (15) (72)}{(5(55)- (15)^2 (5(1526) – (72)^2}$

$\dfrac{1195 -1080}{(275 – 225) (7630-5184)}$

$\dfrac{115}{50 \times 2446}$

$\dfrac{115}{122300}$

$\dfrac{115}{350}$ **r =0.3**

**COMPANY B**

**Table 4.4.1**

| Responses | Frequency |
|---|---|
| SA | 21 |
| A | 15 |
| UN | 0 |
| D | 8 |
| SD | 7 |
| **Total** | **51** |

**Source: Field of survey 2018**

Rating of the response: The reverse rating is used SA=5, A=4, Un=3, D=2 and SD=1

**Table 4.4.2**

| Response | X | Y | $X^2$ | $Y^2$ | Xy |
|---|---|---|---|---|---|
| SA | 5 | 21 | 25 | 441 | 105 |
| A | 4 | 15 | 16 | 225 | 60 |
| UN | 3 | 0 | 9 | 0 | 0 |
| D | 2 | 8 | 4 | 64 | 16 |
| SD | 1 | 7 | 1 | 44 | 7 |
| **n=5** | **$\sum x$= 15** | **$\sum y$= 51** | **$\sum x^2$= 55** | **$\sum y^2$= 779** | **$\sum xy$= 188** |

**r =** $\dfrac{n \sum xy – (\sum x) (\sum xy)}{(n(\sum x^2 – (\sum x)^2 (nc\sum y^2)- (\sum y)^2}$

r = $\dfrac{5(188) – (15) (51)}{(5(55) – (15)-2- (5(779) – (51)^2}$

$\dfrac{940 – 765}{(275 – 225) (3895 - 2601)}$

$\dfrac{175}{50 \times 1294}$

$\dfrac{175}{64700}$

$\dfrac{175}{254}$

r = **0.7**

**Discussion Of Findings**

By interpretation of the result from the findings, there is a relationship between the two variables except that company B results to strong correlation than company A with a relative low correlation. But generally there exists a relationship between compensation management and organizational performance of the two companies.

## V. Chapter Five

**CONCLUSION AND RECOMMENDATIONS**

**5.1 CONCLUSIONS**

From the findings of this study, it can be concluded that effective compensation policy enhances employee commitment. When employees perceive that the policies in place encompasses their welfare, performance will be enhanced through commitment to work and intention to leave the organization will be drastically reduced. The subject of compensation poses a critical challenge for the Nigerian workforce. This poses a threat to the achievement of organization; objective as human capital is already the sure way of achieving them. A fairly designed compensation policy will have a positive impact on performance outcomes and enhance the commitment levels of employees.

5.2 **RECOMMENDATIONS**

The following recommendations are provided for high performance based on the finding of this study: This study found that compensation policy has a significant relationship with employees commitment. It is therefore recommended that:

1. Appropriate and equitable compensation policy should be designed to facilitate increased employees commitment.
2. The policy should be assessable to all/potential employees

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**APPENDIX 1**

**QUESTIONNAIRE**

**Request for competing questions**

I am a MSC student of the prestigious Nnamdi Azikiwe University currently researching on the performance of pharmaceutical companies in Awka, Anambra state in relation to its compensation management.

For this reason, am soliciting your response to the question following and assures that your response would be strictly held for academic purpose.

Thanks

Please tick (√) where appropriate to indicate which of the options best answers the question.

Gender: Male ☐ Female ☐
Age: 18-25 ☐ 26-30 ☐ 35 & above ☐
Academic qualification: NCE/ND ☐ BSc/HND ☐ PhD/MSc ☐
How long have you been with the company? 1-10yrs ☐ 11-20yrs ☐
Position: sales rep____________ pharmacist_________ admin_________

**Compensation management and organizational performance in selected pharmaceutical companies in Awka, Anambra state.**

SA - Strongly Agree
A - Agree
UN - Undecided
D - Disagree
SD - Strongly Disagree

| S/N | Questions | SA | A | Un | D | SD |
|---|---|---|---|---|---|---|
| 1 | A good compensation policy positions an organization in a market nitch | | | | | |
| 2 | The current policy operational in the company gives the employee a strong feeling of motivation | | | | | |
| 3 | Pay for performance is the best functional compensation policy | | | | | |
| 4 | It is appropriate to involve employees in the pinion in the design and review of compensation policy | | | | | |
| 5 | Every employees on same category should have equal and fair compensation to work done | | | | | |
| 6 | The policy held by the company on compensation makes employees feel committed to their work | | | | | |
| 7 | There is an easy asses of information about the compensation policy of the company to all/potential employee | | | | | |
| 8 | Human resources are capital assets necessary for the achievement of organizational objectives. | | | | | |
| 9. | Commitment o organization influences employees attitude, attachment, and perception towards organization | | | | | |
| 10 | A well compensated staff feels obligated to perform effectively to the attainment of organizational goals. | | | | | |

## APPENDIX 2

### SUMMARY OF RESPONSE OF COMPANY A

| | SA | A | Un | D | SD | Response |
|---|---|---|---|---|---|---|
| **Q1** | 24 | 15 | 9 | 16 | 8 | 72 |
| **Q2** | 30 | 12 | 1 | 9 | 20 | 72 |
| **Q3** | 4 | 1 | 29 | 15 | 23 | 72 |
| **Q4** | 18 | 20 | 19 | - | 15 | 72 |
| **Q5** | 17 | 40 | 4 | 11 | - | 72 |
| **Q6** | - | 35 | 23 | 8 | 6 | 72 |
| **Q7** | 10 | 20 | 2 | 17 | 23 | 72 |
| **Q8** | 9 | 18 | 23 | 17 | 5 | 72 |
| **Q9** | 4 | 34 | 18 | 2 | 14 | 72 |
| **Q10** | 14 | 7 | 6 | 40 | 5 | 72 |
| | **130** | **202** | **144** | **135** | **119** | **720** |

### SUMMARY OF RESPONSE OF COMPANY B

| | SA | A | Un | D | SD | Response |
|---|---|---|---|---|---|---|
| **Q1** | 12 | 8 | 7 | 19 | 5 | 51 |
| **Q2** | 21 | 15 | - | 8 | 7 | 51 |
| **Q3** | 1 | - | 17 | 20 | 13 | 51 |
| **Q4** | 15 | 14 | 11 | 8 | 3 | 51 |
| **Q5** | 17 | - | 11 | 23 | - | 51 |
| **Q6** | 6 | 23 | 5 | 17 | - | 51 |
| **Q7** | 10 | 20 | 3 | 3 | 15 | 51 |
| **Q8** | 6 | 18 | 17 | 9 | 1 | 51 |
| **Q9** | 23 | 1 | 20 | 2 | 5 | 51 |
| **Q10** | 4 | 30 | 2 | 5 | 10 | 51 |
| | **115** | **129** | **93** | **114** | **59** | **510** |