

**THE ROLE OF COMPENSATION  
STRATEGIES IN DRIVING EMPLOYEE  
PERFORMANCE**  
*(A CASE STUDY OF SHOPRITE, ILORIN)*

*BY*

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**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF  
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## **CERTIFICATION**

This is to certify that this research work was carried out by **ABDULLAHI AZEEZAT DAMILOLA** with Matric number HND/BAM/22/FT/762 and has been carefully assessed and approved as meeting part of the requirements for the award of Higher National Diploma (HND) in Business Administration and Management, Institute of Finance and Management studies, Kwara State Polytechnic, Ilorin.

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## **DEDICATION**

## **ACKNOWLEDGEMENT**

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# CHAPTER ONE

## 1.1 Introduction

Compensation is the one of the functions of human resources management (HRM) that deals with every type of reward individuals receive in exchange for performing organizational tasks. It is a chief reason why most individuals seek employment. It is an exchange relationship. Employees trade labor and loyalty for financial and non-financial compensation (pay, benefits, services, recognition, etc.).

Does a well-designed pay system motivate employees to perform better, or does it create greater satisfaction? The answer to this question varied from "yes" of Aristotle in ancient Greece and of scientific management in the early 1900's to the 'No' of human relations theorists in the 1930's. Although most compensation experts believe that pay affects positively the motivation of employees. (Ivancevich, 1998)

Compensation is a subject that is near and dear to employees and employers alike. To employers, it is both a potentially powerful influence on employee's behavior and attitude and (usually significant) cost. To employees, it is a reward that is a source of both economic and psychological income. The task facing the employer is to allocate this reward in a way that optimizes the return on money spent in employee motivation to join the organization and perform effectively. Stay and attend work regularly and employee satisfaction.

### **Compensation is divided into financial and non-financial compensation**

**I. Financial compensation:** - is either direct or indirect. Direct financial compensation consists of the pay an employee receives in the form of wages, salaries, bonus or commissions. Indirect financial compensation or benefits consists of all financial rewards that are not included in direct financial compensation. A typical benefit includes vacation, various kinds of insurance, services like childcare or elder care etc....

**II. Non-Financial compensation:** - rewards like praise, self-esteem & recognition affect employee's motivation, productivity and satisfaction.

In 1975, psychologist Fredrick Herzberg and his associates developed a need theory called the two factor or hygiene motivator. According to Herzberg a manager's poor handling of hygiene factors (often referred to as maintenance factors) is the primary causes of unhappiness on the job. When the factors are of sufficient quality, they do not necessarily act as motivators. High quality hygiene factors are not necessarily stimuli for growth or greater effort they lead only the employee slack of job dissatisfaction. Hygiene factors include salary, job security, working condition status company policies quality of technical supervision quality of interpersonal relation and soon.

There are also primary causes of job satisfaction, which Herzberg considered them as motivation factor. They are intrinsic to a job and related directly to the real nature of work people perform. When employer fails to provide motivation factor, employees experience no job satisfaction. With motivation factors, employees enjoy job satisfaction and provide high performance. Different people require different kinds of motivation factors. These factors include achievement, recognition, responsibility, advancement the work itself & possibility of growth. (plunket& Attner, 1998).

To sum up compensation has a great impact in any organization whether it is a manufacturing or service giving organization employees in very organization have a very special look towards compensation because it gives them a great deal of satisfaction in their job.

The attempt of this paper is to investigate the root cause of great problems, which is seen in most organization of our country. A very little emphasis is given to compensation in most of organization. So the aim of this study is not only to assess the presence and impact of compensation employees productivity but also try to indicate some solution for the problems.

## **1.2 STATEMENT OF PROBLEM**

Organization is defined as a group of people working together to achieve a common goal and for the organization to be able to achieve the common or set goal, its personnel which is the most important factors of production, should be compensated or reward

adequately for them to be able to do their work effectively, because it is the personnel that will plan, organize, control and coordinate all the other factors of production, and it is very important for any management that want to survive or achieve its goal to be concerned about the welfare of its employees.

Research has also shown that a well-paid / motivated employee has the tendency to bring out his or her best in the work place than an employee that is not well motivated .Abraham, (2000)

From one research noted by Cole, (2005). It is assumed that causes of employee been motivated is different in Radisson blue hotel ltd Victoria Island Lagos

This study therefore intends to evaluate the effect of compensation on employees' productivity.

### **1.3 RESEACH QUESTIONS**

1. Does Salary have any significant any significant impact on workers productivity?
2. Does bonuses and other financial incentives have any significant impact on workers productivity
3. Does reward system has any impact on shareholders dividend?
4. Does employee recognition have any significant impact on?

### **1.4 AIM AND OBJECTIVES OF THE STUDY**

The main objective of this research is to investigate the impact of various compensation strategies on employee productivity using Shoprite Ilorin as a case study. The objective is therefore divided as follows:

1. To determine the impact of Salary on employee productivity.
2. To investigate the impact bonuses and other financial incentives on employee productivity.
3. To examine the extent to which employee recognition impacts on employee productivity.



## **1.5 RESEARCH HYPOTHESES**

1. **H<sub>0</sub>:** Employee Salary does not have any impact on workers productivity.
2. **H<sub>0</sub>:** Bonuses and other financial incentives do not have significant impact on productivity.
3. **H<sub>0</sub>:** Employee recognition does not have any significant on employee motivation.

## **1.6 SIGNIFICANCE OF THE STUDY**

This study will be of a great importance to the following:

1. It will serve as a guide to management in the area of how to prepare compensation package that will be fair to both the management and its employees.
2. This research work will also be useful to policy makers, in terms of making policies that will be favorable to both employees and the employees
3. This study will also contribute to knowledge by adding to the literature review of the research topic
4. This study will also explore the area of recruitment and selection that has not been reached.

## **1.7 SCOPE OF THE STUDY**

It will be very difficult to carry out research covering the whole organization in Ilorin, hence the research is limited to the impact of compensation on employee performance of ShopRite Ilorin. The research is of the important of capturing the effect of reward on the staff of Ilorin ShopRite.

The research realized that the staff of ShopRite Ilorin is minimal and easy to study in fraction or comparison with the whole of Shoprite in Nigeria.

## **1.8 LIMITATION OF THE STUDY**

While undertaking this research project, the writer has come across certain constraints by some factors. Among these constraints the most significant' are the following: -

- 1- The organizations in which the research supposed to be conducted were 10, However, some organizations were not willing to fill out questionnaires. Because of this research was limited only to Ilorin Shoprite
- 2- From the organizations the questionnaires distributed and data collected; some Organization representative managers was not willing to give additional information like data figures that are necessary for accomplishment of the research.
- 3- Lastly but not the least, the research was constrained by financial time and experience factor. Because, the research is conducted by student researcher who has a lack of adequate resources, skill and time.

## **1.9 DEFITION OF TERMS**

1. Compensation- is the human resources management function that deals with every type of reward individuals receive in exchange for performing organizational tasks.
2. Motivation - is set of attitudes and values that predisposes a person to act in a specific, goal directed manner.
3. Productivity - is output of goods and services per unit of input of resources used in a production process.
4. Benefits- indirect financial compensation or services, are called benefits.
5. Indirect financial compensation- rewards and services, other than wages and salaries
6. Direct financial compensations- it consists of pay employees receive in the form of Wages, salaries, bonuses or commissions.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 CONCEPTUAL FRAMEWORK**

##### **Definition of compensation & compensation administration**

The Journal of Global Business and Economics (2010) also defines compensation as “the combination of all cash incentives and the fringe benefits mix that an employee received from a company which constitutes an individual’s total compensation”. (Chabra, 2001) refers to Compensation as a wide range of financial and non-financial rewards given to employees in exchange for their services rendered to the organization. According to him, it is paid in the form of wages, salaries and employee benefits such as paid vacations, insurance, maternity leave, free traveling facility, retirement benefits, etc. He indicated that the term 'wage' is used to denote remuneration to workers doing manual or physical work. Thus, wages are given to compensate the unskilled workers for their services rendered to the organization. Wages may be based on hourly, daily, weekly or even monthly bases. According to DeNisi and Griffin (2001) compensation is a reward system that a company provide to individuals in return for their willingness to perform various jobs and tasks within organizations. They further stated that relevant and commensurate rewards need to be provided to the employees so that they feel valued and their expectations on exchanging their skills, abilities and contribution to the organization are met.

Compensation Administration as the name suggests, implies having a compensation structure in which the employees who perform better are paid more than the average performing employees (Hewitt, 2009). This encourages top-performers to work harder and helps to build a competitive atmosphere in the organization. Armstrong and Brown (2005) postulate that compensation administration is an integral part of HRM approach to managing people and as

such it supports the achievement of business objectives and it is strategic in the sense that it addresses long term issues relating to how people should be valued for what they want to achieve; It is therefore integrated with other HRM functions, especially those concerned with human resources development. Compensation administration is a segment of administration or human resource administration focusing on planning, organizing, and controlling the direct and indirect payments employees receive for the work they perform (Ezeh, 2014). Compensation includes direct forms such as base, merit, and incentive pay and indirect forms such as vacation pay, deferred payment, and health insurance.

### **Type of compensation**

Compensation can be financial or non-financial. Financial compensation is a direct compensation consists of the pay an employee receives in the forms of wages, salaries, bonus or commission. Indirect financial compensation or benefit consisting of all financial rewards those are not included in direct financial compensations. The financial benefits include pay for time not worked for (for example sick leave, vacation, and maternity leave), insurance benefits (for example job –related accidents and illness benefits), retirement benefits (for example pensions, profit sharing plans) and compensation or payment for services rendered (Dessler, 2008). The non-financial benefits may include employee service benefits (for example counseling, subsidized childcare, transport, meals etc.) and recognition for good performance. Employee compensation (benefits) can be mandatory and non-mandatory. Mandatory benefits are those required by law for example pensions and workers' compensation. Non-mandatory benefits include tuition refund, various discounts.

### **Financial compensation**

#### **Salary**

There are many factors of pay (Millvler and new man, 2005) research perform that may be form of individually and may be form of multiple performance pay plan different qualities can consider the efficient of degree to perform merit pay to performance, bonus long incentives first of all merit pay is form of reward and individual function of the individual's performance and rating. The pay plan is most common by employee performance appraisal and a number of recent surveys 80 to 90 percent organizations use merit pay. Bounces pay is monetary reward gives to employee in addition to their fix compensation (Millovian & new man 2005). This pays plan in base on individual performance but bonuses do pay and they're not performance (Suman & shout, 2000). Performance related pay directly impacts on the workers' productivity creating the output through pay and workers has more able to give pay structure according to the performance (sheer, 2004). The role of employee performance linking to bounces to improve the productivity (Banded re et al, 2007).

#### **2.1.3.2. Incentives /Bonus/**

No one works for free, nor should they. While pursuing money based on negative motives can lead to a poorer psychological well-being, this is not the same as pursuing money to provide security and comfort for oneself and family. Obviously, employees want to earn fair wages and salaries, and employers want their workers to feel that is what they are getting. To that end, it is logical that employees and employers alike view money as the fundamental incentive for satisfactory job performance. The use of monetary or other financial incentives in the classic work performance paradigm is based primarily on reinforcement theory (Hoerr, 2000). Reinforcement theory, they explained, focuses on the relationship between a target behavior (work performance) and its consequences (pay). This is premised on the principles and techniques of organizational behavior modification. Organizational

behavior modification is a framework within which employee behaviors are identified, measured and analyzed in terms of their functional consequences (existing reinforcements) and where an intervention is developed using principles of reinforcement. In a much-publicized study, Held (2001) analyzed thirty-nine studies conducted over four decades and found that cold-hard cash motivates workers whether their jobs are exciting or mundane, in labs and real-world settings alike. However, Held, (2001) acknowledges that money is not the only thing that concerns employees. He noted that beyond a certain point higher salaries will make employees happier, but it will not “buy” better performance. In another study Diener (2002) warned that employers who dole out small merit raises, less than 7% of base pay, may do more harm than good. According to her, small raises can actually be dysfunctional in terms of motivation because employees become irritated that their hard work yielded so little. As a result, she advises employers who must give small raises to be careful about linking them to results and to be scrupulous about being fair.

## **Non-Financial compensation**

### **Rewards and productivity**

Employees who are the most efficient are like to be they are motivate to perform medina (2002). this relationship mean that rewards and employee performance is expecting theory which means that employee are most to be motivated performance is more performance to receive the rewards and bonus. The rewards may be cash, recognition both to be acceptable that to achieve the targets they are performance is well suesi (2002) rewards is the key motive to increase the employee performance to expect well. Give the monthly rewards also increase the performance Osterloh and Frey (2012). As Rizwan and Ali (2010) employees

are extremely motivated to monthly rewards. Organizational rewards result motivated employee. Some other views that recognition in pleasanter the organization favorable works environment motivated the employee. Employee are the important part of any organization increasing the performance they can be motivated through financial and non-financial benefits they can designing that you can says that composition is reward which is receiving by the employee to show their performance. Good organization are maintain to design and enable the organizations to attract the highly skilled and qualified employee retain and motivation towards objective and goals. If the employees free that they have not getting good salary they cooking for better employee dissatisfaction with the compensation towards goal attainment towards goals done to be lower .Dissatisfied employee increasing the turnover, Absents and poor metal health (Welthel and Davis, 1996). Generally speaking the type of compensation and the relevance of the compensation benefits to the employee is very important. Richardson,(1999) Noted that the challenge for every organization and every manager in the organization is to satisfy each employee's personal needs. These needs they indicated included:

- (1) The need to belong (involvement);
- (2) The need for recognition (feedback and rewards); and
- (3) The need for growth.

In a similar, Richardson, (1999) indicated that most organizations lack effective incentive systems. According to him, the greatest motivational impact can be achieved when rewards are frequent, immediate, can be related to individual contribution, and of significant value to the employee. Richardson, (1999) Noted that typical profit sharing plans and merit salary increase plans are ineffective as employee motivators, since they fall short in all of these

areas. He explained that the employee may have great difficulty in seeing the link between the amount of the payout and his or her performance and the payout may be too small to be of significance. In most organizations, merit increases given to superior performances vary by only one or two percent from those increases given to average performers. This is a more symbolic than real recognition of the difference in skill and effort required achieving high levels of performance.

### **Recognition and Productivity**

Recognition means acknowledging someone before their peers for specific accomplishments achieved, actions taken or attitudes exemplified through their behavior. Recognition and appreciation can also be combined as an approach to reward system in the form of a public statement of thanks in front of the employees, co-workers or team citing specific examples of what they've done that has positively impacted the organization. Jeffries, (1997) stated that organizations should retain their best employees by recognizing their contributions to the organization. She argues that recognition motivates employees as it involves the acknowledgement of the efforts, creativity and willingness of employees to put extra effort. According to Curran (2004) acknowledging employee's efforts more personally, more locally and more frequently through recognition can lift employee motivation and improve overall organizations morale. Private and public recognition are two of the most commonly used forms of recognition. Private recognition refers to a quiet thank you or a pat on the back while public recognition is more formal. It inspires loyalty and commitment as well as encouraging better standards of performance (Syedain, 1995). Public recognition is an important part of the reward as the performance of the individual affects more than just one employee stating publicly why the person receives recognition and how it links to the organization goals can act as a motivator to other employees (Wiscombe, 2002). High performance



organizations have always understood the importance of offering awards and incentives that recognize, validate and value outstanding work. Recognition programmes have the purpose of keeping employees motivated and productive and are seen to be effective methods of reinforcing company expectations and goals. Recognition and appreciation are integral Components of winning reward strategy. These two elements rarely receive the attention they deserve from business owners Wiscombe (2002).

### **Effect of compensation administration**

Employees today are not willing to work only for the cash alone, they expect 'extra'. This extra is known as employee benefits. Also known as fringe benefits, Employee benefits are non-financial form of compensation offered in addition to cash salary to enrich workers' lives. Employee benefits as a whole have no direct effect on employee performance, however, inadequate benefits do contribute to low satisfaction level and increase absenteeism and turnover in employees (De Cenzo and Robbins, 2007). So you would have to carefully design your benefit package. Your package may include a cell phone to each worker, taking them to a training workshop or seminar, giving them a day or two off every month and so on. While deciding on the benefits package, do consider the associated costs. A well designed compensation and benefits plan helps to attract, motivate and retain talent in an organization. A well designed compensation & benefits plan will benefit a firm or business/employee in the following ways;

- 1. Job satisfaction:** Employees would be happy with their jobs and would love to work for such an organization if they get fair compensations in exchange of their services.
- 2. Motivation:** We all have different kinds of needs. Some of us want money so employees work for the company which gives them higher pay. Some value

achievement more than money, they would associate themselves with firms which offer greater chances of promotion, learning and development. A compensation plan that hits workers' needs is more likely to motivate them to act in the desired way.

**3. Low Absenteeism:** when worker's compensations are adequately managed, employees will have the zeal and enthusiasm to be regular at work instead of wasting time at home. Although some tend to stay idle at work place also, but when they are treated well they will offer value for it.

**4. Low Turnover:** employees will not be willing to work for any other organization as long as they are treated well and get their compensations at the right time and measure. So there will be a low rate of employee turnover.

The benefits of a good compensation package to employees are as identified:

**1. Peace of Mind:** your offering of several types of insurances to your workers relieves them from certain fears. Your workers as a result now work with relaxed mind.

**2. Increase in self-confidence:** Every human being wants his/her efforts to get acknowledgment. Employees gain more and more confidence in them and in their abilities if they receive just compensations. As a result, their performance level shoots up. Simply put, the elements of a total compensations program constitute all the things a business uses to attract employees, including salary, bonuses, incentive pay, benefits and employee growth opportunities such as professional development and additional training. This system provides a number of advantages to companies, particularly small businesses in which business owners and managers must foster positive personal relationships with employees.

## **Compensation and Productivity**

There are several factors that have been identified as influencing the productivity of employees. Compensation is one of the major factors that take the lion share for influencing productivity of employees in the production process. Effect of compensation on employees' productivity could be very strong in some organizations Stajkoric, (2006). Mohrman, (1996) Stated that good compensation for employees will be able to stimulate the emergence of fresh ideas and employees' innovation. With so many ideas from employees, it would be very useful for the company. In a similar study, he found that the existence of a good compensation of employees will make the health of employees also good. With the maintenance of health, the employee will get maximum performance opportunities. The number of working hours or employee present hours is able to obtain a maximum work performance. As a result, the planning process can be obtained with good production. They also noted that low compensation toward employees will trigger the employee to try to get their own business or side job. With the side business, it will disrupt the quality of employees' work and concentration. Low concentrations of certain employees have a negative impact on quality and quality of production of goods in the company. From these facts, it is clear that the influence of compensation on employee productivity is very strong. If it given more reasonable compensation to employees, the higher the productivity of employees. Conversely, if it given lower compensation for employees, the lower the productivity of the employee Stajkoric, (2006).

## **Methods used to determine employee's compensation**

According to Gomez et al. (2012), employee's compensation is the single most important cost in most firms, in some manufacturing organizations it accounts for 60% of the total cost.

However, this is even higher in some service organizations and this means that the effectiveness with which compensation is allocated can make a significant difference in gaining or losing the competitive edge. The same is echoed by Dessler (2008) who says that developing a good employee compensation plan is important for any organization and its employees. He continues to say that improperly developed compensation plan may result to a wage rate that is too high hence unnecessary expenses; while paying less may guarantee inferior employee quality and high employee turnover. At the same time internally inequitable wage rates reduce employee morale and cause endless complains from the employees. The most important aspect of any compensation plan is the relationship that exists between performance and reward (Nelson and Spitzer, 2003). For that reason, administration of compensation in any organization involves designing a cost effective pay structure that will attract, motivate and retain competitive employees (Decenzo et al, 2007). Armstrong (2008) also notes that one of the aims of reward management is to motivate people and obtain their commitment and engagement. According to Dessler (2008) there are several factors that affect the design of any compensation plan, these include, legal considerations, union influences, company policies and competitive strategic objective and lastly internal and external equity. To fully understand how any organizations determine its employee compensation plan one need to look at how employee compensation plans are categorized, the factors used to determine the compensation plans and the process of developing the compensation plans.

### **Categorization of employee's compensation**

According to Dessler (2008) there are two broad ways of categorizing compensation, namely; Job-based approach and Skill-based approach. The Job-based approach is the most traditional and widely used type of compensation

plan. According to Gomez et al. (2012) the plan assumes that jobs are very well defined and titled, for example a cashier, a matron or a chef. The works in these jobs is done by people who are paid to perform them well. In this plan since all jobs are not equally important to the firm, the labour market puts greater value on some jobs than on others with the most important jobs paying the most. DeNisi and Griffin (2008) refers to this as pay-for-knowledge, which they describe as compensating employees for learning specific information. Milkovich et al. (2013) defines job-based approach, as paying an individual for the jobs they are assigned irrespective of skills they possess. The skill-based approach on the other hand assumes that workers should not be paid for the jobs they hold but for how capable they are at performing the task or multiple tasks (Gomez et al, 2012). The greater the variety of job-related skills one possesses the more they are paid. DeNisi and Griffin (2008) defines skill-based pay as rewards to employees for acquiring skills. Milkovich et al. (2013) defines skill-based approach as paying an individual for all the skills they have been certified regardless of whether the work they are doing requires all or just a few of those particular skills. From the definitions given by DeNisi and Griffins (2008), Gomez et al. (2012), and Milkovich et al. (2013), and in conjunction with an article by Neil Kokemuller of Demand Media in the Houston chronicles extracted from Compensation & Benefit review of September 1994, we can see that some of the advantages of Job-based pay, include simplicity of understanding and administration.

### **Factors determining compensation Plan**

Whether an organization uses job-based or skill-based compensation plan, the main aim of the plan is to enable the organization achieve its strategic objectives (Gomez et al, 2012) and attract, motivate and retain competent employees

(Decenzo et al, 2007). It is for these reasons that the plan is developed to fit the organizations unique characteristic and environment.

According to Gomez et al. (2012), the key factors to be considered when determining a compensation plan in any organization are; - Internal versus external equity. This refers to the perception of the plan to be fair within the company and relative to what other employers are paying, flexibility of the pay; whether the pay is fixed or variable, employee performance consideration in the plan; whether the plan pays for performance or for membership, value placed on the job versus individual skill, employee differentiation; whether all employee are treated the same (Egalitarianism) or treated differently (Elitism), motivation method; whether the plan motivates with monetary or non-monetary awards, employee compensation information accessibility to employees and finally the decision making process in the organization whether it is centralized or decentralized.

### **Compensation responsibilities**

Compensation costs represent significant expenditures in most organizations. Although actual compensation costs can be easily calculated the value derived by employers and employees prove more difficult to identify. To administer these expenditure wisely, human resource specialists and other managers must work together. Typically division of human resource responsibilities compensation can be implemented through human resource unit are develop and administers the compensation system, conduct job evaluation and wage survey, develops wage salary structures and policies. Managers attempt to match performance and rewards recommended pay rates and increase based on guidelines from human resource unit evaluate employee performance for compensation purposes (Mathis and John H. Jackson, 2004, p- 373).

The framework below summarizes the factors that the researcher employed in the study that sought to analyze variables of compensation and employee productivity. These factors are: The independent variables (Compensation) i.e. (Financial and Non-Financial) and the dependent variables employee productivity.

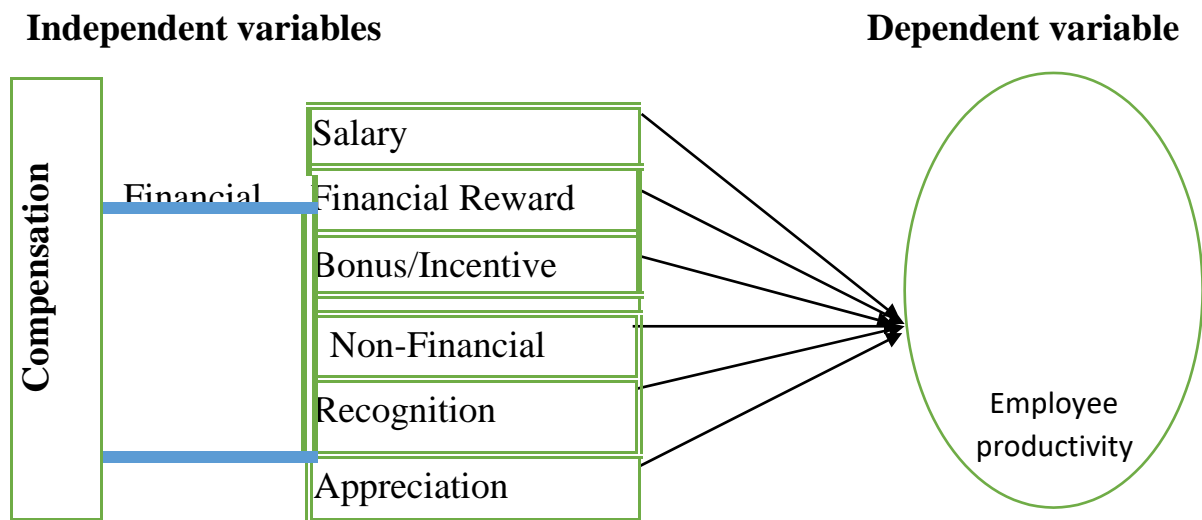


Figure 2.1. Research model  
Source: Researcher

## 2.2 THEORETICAL REVIEW

### Theories of Compensation

In order to understand which components of remuneration are more effective, we need to understand the conceptual framework or theories of employee remuneration. Three such theories are reinforcement and expectancy theories, equity theory and agency theory.

## **Reinforcement and Expectancy Theories**

The reinforcement theory postulates that a behavior which has a rewarding experience is likely to be repeated. The implication for remuneration is that high employee performance followed by a monetary reward will make future employee performance more likely. By the same token, a high performance not followed by a reward will make its recurrence unlikely in future. The theory emphasizes the importance of a person actually experiencing the reward. Like the reinforcement theory, Vroom's expectancy theory focuses on the link between rewards and behavior. Motivation, according to the theory, is the product of valence, instrumentality and expectancy. Remuneration systems differ according to their impact on these motivational components. Generally speaking, pay systems differ most in their impact on instrumentality the perceived link between behavior and pay. Valence of pay outcomes remains the same under different pay systems. Expectancy perceptions often have more to do with job design and training than pay systems.

## **Equity-Theory**

Adam's equity theory says that an employee who perceives inequity in his or her rewards seeks to restore equity. The theory emphasizes equity in pay structure of employee remuneration. Employee's perceptions of how they are being treated by their firms are of prime importance to them. The dictum 'a fair day work for fair day pay' a sense of equity felt by employees. When employees perceive inequity, it can result in lower productivity, higher absenteeism or increase in turnover.

## **Agency-Theory**

The agency theory focuses on the divergent interests and goals of the organization's stakeholders and the way that employee remuneration can be used to align these interests and goals. Employers and employees are the two stakeholders of a business



unit, the former assuming the role of principals and the latter the role of agents. The remuneration payable to employees is the agency cost. It is natural that the employees expect high agency costs while the employers seek to minimize it. The agency theory says that the principle must choose a contracting scheme that helps align the interest of the agents with the principal's own interests. These contracts can be classified as either behavior-oriented (e.g. merit pay) or outcome oriented (e.g. stock option schemes, profit sharing, and commission).

At the first sight, outcome-oriented contracts seem to be the obvious solution. As profits go up, rewards also increase. Remuneration falls when profits go down.

### **2.3 Empirical literature review**

Aktar, sachu and Ali (2012) examined the effect of compensation, learning opportunities, challenging work and career advancement. Extrinsic rewards (basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh .The study found that each factor which within both extrinsic and intrinsic rewards was highly significant factor which affect employee performance. In contrast the study conducted by Yasmeen, Farooq and Asghar (2013) on the impact of rewards on organizational performance in Pakistan revealed that there exists insignificant and weak relationship between salary, bonus and organizational performance. However it found that there exists moderate to strong relationship between promotion and organizational performance. Research by Eastman (2009) consistently found that intrinsic motivation is conducive to producing creative work, while extrinsic motivation is unfavorable to producing creative work. Gagne (2009) suggested a new model of knowledge-sharing motivation which provides suggestion for design five important human resource management (HRM) practices including staffing job design, performance and compensation system, managerial styles and training. Ali and Ahmed (2009) confirmed that there is statistically significant

relationship between reward and recognition respectively; also motivation and satisfaction. Their study revealed that if rewards or recognition offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction. Differences in institutional arrangements contribute to the feasibility and effectiveness of various monetary incentives, as do differences in employees' preferences for specific incentives McCollun, (2003). By this, companies are wise to study these issues before implementing changes to existing incentive plans. This is especially pertinent for service organizations, where financial reinforcements tend to produce a stronger effect on task performance than non-financial rewards used alone Diener, (2002). To them, even stronger results are seen with a composite approach. In a similar study by Henema, (2003), one meta-analysis of 72 field studies found that monetary incentives improved task performance by 23%, social recognition improved task performance by 17% and feedback elicited a 10% improvement. Simultaneously combining all three types of reinforcements improved performance by 45%. Henema, (2003) however, suggested that group incentive systems are consistently effective in private sector settings. In general, the effectiveness of compensation is dependent on the characteristics of the reward system, the organization, the team and the individual team members he observed.

## **CHAPTER THREE**

### **RESEARCH DESIGN & METHODS**

#### **3.1 Research Design & Approach**

The research design enables the researcher to answer the basic research questions. According to Saunders (2009) showed that the choice of the research design depends on the objectives of the study, the available data sources, the cost of obtaining the data and availability of time. This study applied both descriptive and explanatory type of research design; in order to describe & explain the factors that affect employee productivity & the relationship between variables that correlate to estimate the integrated effects of compensation on productivity. A qualitative and a quantitative approach of data collection will be applied so as to compensate each method's weakness with strength from the other approach. In designing of the instrument, questions were constructed, the type of scales used to measure the items on the instrument was continuous scales (strongly agree to Strongly disagree) and multiple choice and interview questions are also developed in the consultation with literature and advisor comment. This design is adopted to enable the researcher gather information from a group targeted sample that is part of the main population of Shoprite Holdings Ilorin. The sample comprises management staff, senior (non-management) staff, middle level staff and junior staff. The objective is to be able to capture some characteristics such as perceptions, and to make relevant inferences from the data collected representative of the entire population.

#### **3.2 Population and Sampling**

## Target Population of the study

The target population of the study is the entire employee of Shoprite Holdings Ilorin. The total populations of the study are 368 employees which are composed of all departments, which are spread across the management level, senior non-management staff, middle level staff and junior staff.

### 3.3 Sampling Technique& sample size

According to Mugenda (2003), a sample of 20 - 30% is good enough if samples are well chosen from the elements for definite population. Hence a sample size of 30% of the total population were used in this study. To make representative of the total population of the Shoprite Holdings Ilorin employee list will take from HR department based on their departments (General Administration Department, Production and Technique Department, Logistic and supply Department, Finance Department, Marketing Department). From the total population of 368 employees of the mall by considering Confidence level of 95% and 5% margin of error 110 employees are selected as a sample based on Stratified Sampling procedure as mention below. The formula which shows the relation between the total population and the sample size is shown below and this was used as indicated by thetable to determine the actual sample (source: <http://en.wikipedia.org/wik>)

$$n_n = n/N \times N_n$$

Where n = sample size

$N_n$  = the size of a  
stratum

$n_n$  = sample from a

stratumN =total  
population

**Table 3.1 Sample of population**

Population	Sample size (n)	%	Sample From Stratum (Nn)
Management Staff	9	2.4	3
Senior non-management staff	58	15.8	17
Middle level staff	83	22.6	25
Junior Staff	218	59.2	65
TOTAL	368	100	110

Source: SHOPRITE ILORIN HR employee list

### **3.4 Data Collection Tools and Procedures**

#### **Data Collection Procedures**

After getting the approval of the proposal, cooperation request letter is taken from the respected department or dean office of AASTU; to Shoprite Holdings Ilorin. After permission get to collect relevant data from the Shoprite Holdings Ilorin. The researcher then secured an appointment with the concerned department heads and staffs to distribute and collect data to conduct interview and focus group discussion.

## **Data Collection Tools**

The study was conducted through the collection of both primary and secondary data. With regard to primary data, the data collected through questionnaire filled by the existing employees of the organization and interview conducted with department heads of themall. Interviews enabled the key informants to express themselves and provide in-depth data and make clarifications where ever necessary. Secondary data are obtained through the review of the organization's Manual and labor agreement, books, journals, previous researches, websites and other available sources.

### **3.5 Data Analysis and Presentation**

Data collected from questionnaires were analyzed by using SPSS 20.0 version. Both descriptive and inferential statistics are employed to analysis data; descriptive statistics such as frequency and percentage are used to describe the respondents' characteristics. Regarding inferential statistics, correlation analysis is used to show the degree of the relationship between independents and dependent variables. And also the researcher used regressionanalysis to show the effect of independent variables on dependent variable.

### **Variables and Measurement**

The questionnaire is one of the main tools for collecting data from respondents in the study. Inthis study the questionnaire is a three-page questionnaire which is divided into two sections and all sections of the questionnaires will develop in English language.

### 3.6 Reliability and validity

#### Reliability

The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to be measured. Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. According to (Bhattacharjee, 2012). Cronbach alpha is a coefficient of reliability and it is commonly used as a measure of the internal consistency or reliability. For testing the reliability of the data instrument, Cronbach's alpha was calculated to test the reliability of the research instrument as follows.

Table 3.2. Reliability test result

Variables	Cronbach's Alpha	N of Items
Financial	.881	8
Non-Financial	.743	10
Productivity	.915	7
Overall reliability	.810	24

Filed Surrey 2025

#### Validity

Regarding to validity, validation of questionnaire item was carried out through initial consultation of advisor and peers to judge the research instrument. The researcher were us construct validity, because of more accurate and meaningful results and the extent to which a measure adequately represents the underling construct that it is supposed to measure and to ensure that the information which is requesting from the

respondent covers all relevant areas and the objectives of the research (Bhattacharjee, 2012). To increase the validity of the data collected using questioner & interview the researcher seek the data based on the objectives of the research. In addition, the researcher ensured that the interview questions were not leading. The interview question is viewed by peers and supervisors who offered objective suggestions on areas to improve on.

### **3.7 Ethical consideration**

The researcher explains to the respondents about the research study and confirm that their information can only be used for academic purposes. The researcher made clear that the participation is voluntary and that the respondents will be free to decline or withdraw from participation any time during the research period. Respondents would not coerce into participating in the study. The participants would have signed informed consent to make the choice to participate or not. They would be guaranteed that their privacy are protected bystrict standard of anonymity.



## **CHAPTER FOUR:**

### **DATA PRESENTATION, ANALYSIS AND INTERPRITATION**

#### **4.1 Introduction**

This chapter presents the results of the various indicators of employee productivity of Shoprite Holdings Ilorin and their respective compensation variables. The study selected employee productivity as the measure of the mall productivity. On the other hand financial, & non-financial were used as the measure of compensation package of the mall for the study. Of the 110 questionnaires distributed, 105 filled questionnaires were collected. Of which, one overrated responses (5 on all measure) and one underrated response paper (rating of 1 & 2 for all measure) were identified and three questionnaires are not able to return. Therefore, the researcher has excluded these responses and lowering the number of filled questionnaire to 105 which gives a response rate of 95.5%.

#### **4.2 Demographic characteristics of Respondents**

This section summarizes the demographic characteristics of the sample, which includes age of the respondent, gender, education level, work experience, respondent department. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the proportion of males and females in the sample, range of age, education level, respondent department and service year, so that the analysis could be more meaningful for readers.

**Table 4.1 Gender of respondent**

Gender		Frequency	Percent	Cumulative Percent
Valid	Male	42	40.0	40.0
	Female	63	60.0	100.0
	Total	105	100.0	

Filed Survey 2025

As shown in table 4.1 the gender distribution of respondents in the company indicates that 60% (63) were females were as the 40% (42) were males. This implies that females outweigh males in the job opportunities for this mall.

**Table 4.2. Age distributions of respondents**

Age Categories		Frequency	Percent	Cumulative Percent
Valid	Under 25	9	8.6	8.6
	26-40	69	65.7	74.3
	41-60	20	19.0	93.3
	Over 60	7	6.7	100.0
	Total	105	100.0	

Filed survey 2025

Out of the total respondents, 8.6% (9) of them are between the ages under 25 years, 65.7% (69) of the respondents are found between the ages 26-40 years, 19%(20) of the respondents are 41-60 years and the rest 6.7% (7) are above the age of 60 years.

This data shoes that majority of the employee 93.3% (98) employees are between young and adult age who have the potential to increase the productivity of the mall.

**Table 4.3. Education level of the respondent**

Education	Frequency	Percent	Cumulative Percent
Below 10 <sup>th</sup> grade	25	23.6	23.8
Certificate	23	21.7	45.7
Diploma	37	34.9	81.0
Degree	13	12.3	93.3
Master & above	7	6.6	100.0
Total	105	100.0	

Filed survey 2025.

As indicated in table 4.4. the respondent service year in SHOPRITE ILORIN out of the total 58.1% (61) have served in the mall less than five years, 23.8% (25) of the respondents served between 5-10 years, 9.5% the respondent serve the mall 10-15 years, 5.7% (6) the respondent serve the mall 15-20 years and the least percentage of respondents who served the mall are above 2 years. From the above table we can conclude that near to 60% of the respondent serve the mall below 5 years.

Table 4.3 shows that only 23.6% (25) of the respondents are below 10<sup>th</sup> grade, 21.7% (23) of the respondents have Certificate, 34.9% (37) the respondents have diploma, 12.3% (13) have 1<sup>st</sup> degree and the remaining 6.6% (6.6) of the respondent have master's degree and above. From this data majority of the employees (81%) 85 in the mall have an academic qualifications of diploma & below diploma. This shows that SHOPRITE ILORIN requires different manpower development program to improve the productivity & service quality of the mall employees.

**Table 4.4 Respondent service year at SHOPRITE ILORIN**

Service year	Frequency	Percent	Cumulative Percent
< 5 years	61	58.1	58.1
5-10 years	25	23.8	81.9
10-15 years	10	9.5	91.4
15-20 years	6	5.7	97.1
20 years	4	3.8	100.0
Total	105	100.0	

Filed survey 2025

**Table 4.5 Departmental category of Respondent**

Department	Frequency	Percent	Cumulative Percent
Administration	5	4.8	4.8
Production	6	59.0	63.8
Technique	1	15.2	79.0
Marketing	1	12.4	91.4
Logistics & procurement	8	7.0	99.0

Finance	1	6	100.0
		1.	
		0	
Total	1	100.0	
	0		
	5		

Filed survey 2025

As we have seen from table 4.5; 4.7% (5) of the respondent are administration workers, 59% (62) of the respondents are production workers, 15.1% (16) of the respondents are technique workers and the remaining 7.5% (8) and 1% (1) are logistics and finance respectively. From this we can see as the chance the study concentrate on the core process workers which are the back bone of the mall.

### **Factors that determine employee compensation Package at SHOPRITE ILORIN**

Respondents are asking the factors that determine employee compensation package at SHOPRITE ILORIN and their responses are presented on the following table.

Table 4.6. Factors that determine the compensation package at SHOPRITE ILORIN

S.No	Rank the Factors that determine the compensation package at your company	Frequenc y	percenta ge	Ran k
1	Job or position of employee	54	51.4	1
2	Performance of employee	20	19.04	2
3	Skill and knowledge	9	8.6	4
4	Educational qualifications of employees	15	14.3	3

5	Collective agreement with unions	5	4.76	5
6	Others specify .....	2	1.9	6
Tota 1		105	100	

Source: Survey data, 2025

As we have seen from table 4.6, 51.4% (54) respondents indicated the job or position of employees is seriously considered in determining the package. Others also said the package was based on employee performance 19.04% (20), educational qualification of employees are considered as third rank 14.3% (15), skills and knowledge hold at the fourth stage 8.6% (9), and the collective agreements with unions 4.76% (5). Though not very well represented, some respondents were of the view that compensation was based on who one knows in management positions 1.9% (2). From the interview analysis we can understand that SHOPRITE ILORIN there are different factors that affect employee compensation package basically the overall performance (profitability) of the company, position of the employee, annual performance of employee and skill of employee are the basic factors that affect employee compensation at SHOPRITE ILORIN.

#### **Level of satisfaction with compensation and readiness to increase productivity**

Respondents are asking on the company compensation package satisfaction level and their readiness to boost productivity and their responses are presented on the following table.

Table 4.7 Level of satisfaction with compensation and readiness to increase productivity

No	Item	Response rate	
		Frequency	percentage
1	Are you satisfied by the company's Compensation package and ready to boost your productivity?		
	Yes	48	45.7%
	No	57	54.3%
	Total	105	100

Filed survey 2025

As we have seen from table 4.7, concerning the company's compensation package satisfaction level and readiness to boost their productivity when respondents are asking; 45.7 % (48) respondents said that, they are satisfied by the company's compensation package and they are ready to boost their productivity but more than half i.e. 54.3% (57) respondents said that they

are not satisfied by the company's compensation package and not ready to boost their productivity. This implies that, the company compensation package is not properly satisfying the company's employees and it is not achieved its objective.

### **Mechanisms of managing compensation**

In different time the company uses different tools to improve the performance and productivity of the employee in department wise and the company level even though it is not consistent. And SHOPRITE ILORIN uses performance evaluation, amount of

waste, down time amount, quantity of production, amount of sales and gross profit are used as tolls of managing compensation for its employees.

Employee performance are done twice a year by evaluation committee and production departments also evaluate their employees as per daily production capacity and design capacity of the machines they do from department plan point of view and technique departments are also conduct evaluation from the maintenance program plan and amount of down time for maintenance of machines, marketing department also evaluate by the statted amount of sales product and revenue generated and also other departments like store, finance, general service and administration also evaluate their performance with respect to their department setting objective and then based on the above tools grading are given to employees to get the assign benefit using these tools in the company to improve performance and productivity and also there is procedures for those who got the performance evaluation below 2 point out of 5 warning letter is giving from the department manager through human resource manager to improve the performance for next period.

### **Methods Used to Determine Employee's Compensation**

To establish the methods used to determine employees compensation at Shoprite Holdings Ilorin. The respondents were required to give their opinions on a Likert scale by ticking option 1 for Strongly Agree to 5 for Strongly Disagree.

### **Employee Compensation Constitutes a Significant Portion of the Company's Costs**

The employees were asked if employee's compensation constituted a significant portion of the organization cost and employee are answered as follows.

Table 4.8. Employee Compensation Constitutes a Significant Portion of the Company's



## Costs

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	12	11. 4	11. 4
Agree	65	61. 9	733
Not sure	25	23. 8	92. 3
Disagree	3	2.9	100
Strongly disagree	0	0	
Total	10 5	100	

Filed survey 2025

Table 4.8 findings showed that 11.4 % (12) of the respondents strongly agreed that employee compensation is significant importance, 61.9 % (65) agreed, 23.8% (25) were not sure, 3% (2.9) disagreed and none strongly disagreed that the compensation package of SHOPRITE ILORIN. Constitute significant portions of cost as illustrated in Table 4.8.

### **4.6.2. Employee's Compensation Plan is well formulated**

Employees of SHOPRITE ILORINSCo. Were asked whether the compensation plan is well formulated or not and they answered as follows.

Table 4.9. Employee's compensation plan is well formulated

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	6	5.7	5.7
Agree	43	40.9	46.6
Not sure	28	26.7	73.3
Disagree	25	23.8	97.1
Strongly disagree	3	2.9	100
Total	105	100	

Filed survey 2025

The respondents were asked if they believed that compensation plan in the company was well formulated to cover all aspects of employee compensation. The findings captured in table 4.9 showed that 5.7% (6) of the respondents strongly agreed that employee compensation plan is well formulated, 40.9% (43) agreed, 26.7% (28) were not sure, 23.8% (25) disagreed and 2.9% (3) strongly disagreed.

#### **4.6.3 Pay Structure Ensures Internal Equity**

Table 4.10. Pay Structure Ensures Internal Equity

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	6	3	3
Agree	43	22	25
Not sure	28	43	78
Disagree	25	27	95
Strongly disagree	3	5	100
Total	105	100	

Filed survey 2025

The respondents were asked whether they believed that the pay structure in the company ensured there was internal equity between employees in the organization. Only a 3% (6) of the respondents strongly agreed that the pay structure ensures there was internal equity. 22%. The respondents were asked if they believed that their jobs were well defined or not and the result of their responses are presented as follows.

Table: 4.12. Jobs are well defined

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	24	22. 8	22. 8
Agree	74	70. 5	93. 3
Not sure	6	5.7	99. 1
Disagree	1	0.9	100
Strongly disagree	0	0	
Total	10 5	100	

Filed survey 2025

Concerning whether or not the jobs are well defined respondents are responded their opinion as follows; 22.8% (24) of the respondents strongly agreed that their jobs were well defined, 70.5% (74) agreed, 5.7% (6) were not sure, 0.9% (1) disagreed and none strongly disagreed. From this we can conclude that the jobs are well defined in

#### 4.6.6 Employees are adequately compensated for the Use of Skills

Table 4.13: Employees are adequately compensated for the use of skills

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	0	0	0
Agree	66	62.8	62.8
Not sure	9	8.6	71.4
Disagree	30	28.6	100
Strongly disagree	0	0	
Total	105	100	

Filed survey 2025

When employees asked if they believed that they were adequately compensated for the use of skills in their jobs. There was no response for strongly agreeing and strongly disagreeing. However 62.8% (66) agreed while 8.6 % (9) were not sure. Those who disagreed were 28.6 %

(30) as illustrated in the above table. From this we can conclude that majority of the respondent believed that the company don't compensated for their skills used in their jobs. The interview analysis also supported the majority of the respondent answer. Even if the company compensation package manual holds different package for its employees the company do not provide it, to its employees in reality due to the company financial position and long-term consequences; as the result the employees do not satisfy but still they think that they are better in providing of compensation

package to their employees as compared to other area industry.

### **Incentives for Gaining New Skills or Knowledge**

Concerning for the incentive of gaining new skills or knowledge respondents forwarded their opinions as follows.

**Table 4.14 Incentives for gaining new skills or knowledge**

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	2	1.9	1.9
Agree	17	16. 2	18. 2
Not sure	9	8.6	26. 8
Disagree	50	47. 6	74. 4
Strongly disagree	27	25. 6	100
Total	10 5	100	

Filed survey 2025

When respondents are asked whether the respondents believed that their Jobs offered incentive for gaining new skills or knowledge; 1.9% (2) of the respondents strongly agreed and 16.2% (17) agreed. 8.6% (9) of the respondents were not sure. Those who disagreed and strongly disagreed were 47.6% (50) and 25.6 % (27)

respectively. From this we can conclude that more than 72 % (77) of the

respondent's agreed that the company do not offer for gaining of new skills and knowledge they use.

### **Employee compensation decisions are centrally managed**

When respondents are asked whether or not employee compensation decisions are centrally managed their opinion are presented as follows.

Table 4.15. Employee compensation decisions are centrally managed

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	29	27. 7	27. 7
Agree	40	38. 2	65. 9
Not sure	15	14. 2	80. 1
Disagree	20	19	99. 1
Strongly disagree	1	0.9	100
Total	10 5	100	

Filed survey 2025

The respondents were asked to confirm that all decisions relating to their compensations were centrally managed. As presented the findings. 27.7% (29) of the respondents strongly agreed while 38.2% (40) agreed, 14.2% (15) were not sure, 19%

(20) disagreed and 0.9% (1)strongly disagreed and from this we can conclude that more than 65 % (69) believed that the company compensation is managed centrally.

### **Salary surveys are conducted before determining new salaries**

This question sought to establish if a thorough survey of salaries was conducted before determining new salaries.

Table 4.16. Salary surveys are conducted before determining new salaries

Level	Frequency	Percentage	Cumulative percentage
Strongly Agree	12	11.4	11.4
Agree	6	5.7	17.1
Not sure	48	45.7	62.8
Disagree	26	24.7	87.5
Strongly disagree	13	12.5	100
Total	105	100	

Field survey 2025

Table 4.18. Correlation between the compensation package and employee productivity

Variables	Financial compensation	Non-financial compensation	Employee productivity
Pearson Correlation Financial compensation Sig. (2-tailed)	1		
N	105		
Pearson	-.150	1	

Non-financial compensation	Correlation	.127		
		105	105	
	Sig. (2-tailed)	.904**	-	1
	N		.151	
Employee productivity	Pearson	.000	.124	
	Correlation	105	105	10
	Sig. (2-tailed)			5
	N			

\*\* . Correlation is significant at the 0.01 level (2-tailed). Filed survey 2025

Table 4.18 Tell us the level of correlation coefficient of each variables with compensation package and their relationship between and among variables. Financial compensation and employee productivity have a strong positive relationship with employee productivity at significance level of 0.01 which ( $r = .904$ ,  $p < .001$ ).

Non-financial compensation and employee productivity have weak negative insignificant relationship with employee productivity at significance level of 0.01 which is ( $r = -.151$ ,  $p = .124$ ). In general the Pearson's Correlation Coefficient Matrix table 4.18 indicates that employee productivity has strong positive significant relationship with financial compensation package and weak negative insignificant relationship with non-financial compensation.

### Regression Analysis Result

A major weakness of Pearson Correlations is that they do not allow identifying causes from consequences. To overcome this shortcoming, the researcher use regression



analysis to investigate the effect of independent variables (compensation package) which comprised of Financial & Non-financial. To minimize the influence of potential violations, regression assumption are tested (normality, linearity, homoscedasticity and independence of residuals) by examining the normal probability plot (P-P) of the regression standardized residual and the scatter plot of the standardized residuals for all the four dependent variables and there was no serious violation of the normality assumption for employee productivity model. The value of F test explains the overall significance of a model. It explains the significance of the relationship between dependent variables and all the other independent variables. (Anderson et al. 2007). There is a rule of thumb which can be used to determine the  $R^2$  value as follows:

< 0.1: poor fit, 0.11 to 0.30: modest fit, 0.31 to 0.50: moderate fit, > 0.50: strong fit (Muijs, 2004, p. 166). To evaluate the study models, the value of  $R^2$  has been considered to determine the amount of variance in the dependent variables which is explained by all variables in the formula (Pallant, 2007, p.158). As the B coefficients have different scales, the absolute value

of Beta parameter under Standardized Coefficients is used in order to compare and determine the influence of independent variables on the dependent variable (Muijs, 2004, p. 167). The Significant value is used to measure the statistic significant unique contribution of each independent variable to the formula (Pallant, 2007, p.159).

#### **4.9.1. The effect of compensation package on employee productivity**

The effect of compensation package on employee productivity is analyzed using linear multiple regression method with a two-tailed significance level of 5% ( $\alpha = .05$ ) and the results are analyzed and interpreted based on (table 4.19) for the model.

Table 4.19. Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.904 a	.817	.813	.137

a. Predictors: (Constant), Non-financial compensation, Financial compensation

Source: SPSS result

Linear multiple regression was calculated to predict employee productivity Model; it had the ability to predict the employee productivity significantly,  $F(2,102) = 227.54, p < .000$ , with  $R^2$  of .817. This indicate that the model is strong fit with the predictor variables (Non-financial, & Financial compensation) accounted for 81.7% of the variance in employee productivity are well explained and the remaining 18.3% of the variation in the dependent variable is explained by other variables which is not included in this study.

Table 4.20. Anova<sup>a</sup> test

Mode 1	Sum Squares	of df	Mean Square	F	Sig.
Regression	8.540	2	4.270	227.54	.000
Residual	1.914	102	.019	5	b
Total	10.454	104			

a. Dependent Variable: Employee productivity

b. Predictors: (Constant), Non-finance compensation, Financial compensation  
Filed survey 2025

Table 4.21. Coefficients

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.404	.195		-7.211	.000
1 Financial compensation	.828	.039	.901	21.032	.000
Non-financial compensation	-.012	.033	-.016	-.377	.707

a. Dependent Variable: Employee productivity  
Filed survey 2025

For Model 1 Linear regression was calculated to predict employee productivity; it had ability to predict employee productivity significantly,  $F(2,102) = 227.54$ ,  $p < .000^b$ , with an  $R^2$  of

.817. This indicates that the model is strong fit with the predictor variables (financial compensation and non-financial compensation) accounted for 81.7% of the variance in employee productivity well explained. In the Employee productivity model, Financial compensation were statically significant with ( $\beta = .901$ ,  $p = .000$ ), and similarly Non-Financial compensation has statistically insignificant with ( $\beta = -.016$ ,  $p = .707$ ) (Table 4.21).

The predictive model is:

$$\text{Employee Productivity} = -1.404 + .901(\text{financial compensation}) + .195$$

From table 4.20, the employee productivity model, we can see that, when the financial compensation package increased by 1 unit of standard deviations then the employee productivity will improve by .901 unit of standard deviations if other factor remain the same and if we improve the Non-financial compensation by 1 unit of standard deviations then the

employee productivity will decrease by .016 unit of standard deviation if other factor remain the same. Generally speaking from the above model we can see that employee productivity is affected by financial compensation positively and non-financial compensation negatively respectively.

## **CHAPTER FIVE:**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **Introduction**

In this section conclusions were made based on the findings and relevant recommendations have been given.

#### **Summary of findings**

- ✓ The gender distribution of respondents in the company indicates that 60% (63) were females and 40% (42) were males.
- ✓ Majority of the employees near to 93.3% (98) employees are between young and adult age that have the potential to increase the productivity of the mall.
- ✓ Majority of employees (81%) in the mall have diploma & below diploma academic qualifications which requires different manpower development program to improve the productivity & service quality of the mall employees.
- ✓ Service year of respondents tell us near to 60% of the respondents are serve the mall below 5 years.
- ✓ In determining of employee compensation Package at SHOPRITE ILORIN employees ranked the job or position of employees, employee performance, educational qualification of employees, skills and knowledge, collective agreements with unions & some respondents were of the view that compensation was based on who one knows in management positions got the rank from one to six respectively.
- ✓ The satisfaction level of compensation package and readiness to boost their productivity shows majority of the employees 54.3% (57) are not satisfied and ready to boost their productivity. In general the Pearson's correlation

coefficient matrix indicates employee productivity has strong positive significant relationship with financial compensation package and insignificant and weak negative relationship with non-financial compensation package.

- ✓ Concerning effect of compensation package on employee productivity regression analysis shows that financial compensation was statically significant with ( $\beta = .901, p = .000$ ), and similarly non-financial compensation has statistically insignificant with ( $\beta = -.016, p = .707$ ).

## **. Conclusions**

- ✓ Despite of the fact that there are different factors that determine employee compensation package at Shoprite Holdings Ilorin basically the overall performance (profitability) of the company, position of the employee, annual performance of employee and skill of employee are the basic factors that affect employee compensation at SHOPRITE ILORIN.
- ✓ Majority of the employees 54.3% (57) in Shoprite Holdings Ilorin do not satisfied by the company compensation package and the benefit getting from the company; the interview analysis from the top management support that even though the compensation package manual is good enough, the company is not able provide the benefits as per the manual consequently employees are dissatisfied and not ready to boost their productivity; hence the company productivity and profitability are affected by the compensation package. Since employers need to offer their employees a compensation package that would enable them attract, retain and motivate employees. This study shown that compensation has a direct influence on employee.

productivity. However, this can be achieved if there is transparency in the reward system and if the rewards or compensation meets the aspirations of the beneficiaries. Hopefully, the results of this study will enhance the understanding of management on issues bordering on the perception of employees about compensation and productivity and help managers in developing policies related to these issues

- ✓ Compensation at Shoprite Holdings Ilorin are tried to manage using by different mechanisms to improve the performance and productivity of the employee in department wise and the company level; even if is not consistent, the first tools which are used to manage are evaluation performance twice a year through evaluation committee and others are for mall workers, amount of waste and quantity of product produced and down time recorded are used as tools for managing of compensation to increase employee labour productivity.
- ✓ Employee productivity has strong positive significant relationship with financial compensation ( $r = .904$ ,  $P < .001$ ) but employee productivity also have negative and weak insignificant relationship with non-financial benefit ( $r = -.151$ ,  $p = .124$ ); hence the company need to identify the relationship of benefit with employee productivity.
- ✓ Regression analysis also shows that financial compensation have significant and positive effect on employee productivity ( $\beta = .901$ ,  $p < .001$ ) but the non-financial compensation have negative insignificant effect on employee productivity ( $\beta = -.016$ ,  $P = .707$ ).

### **Recommendations**

The following recommendations are forwarded to the SHOPRITE ILORIN based on the findings in the study.



## **On the Methods of Determining Employee's Compensation**

- ❖ Since compensation have a positive and significant effect on employee productivity, the mall top management should review periodically the compensation package of the mall, increase the awareness & the understanding of the package for its employee and put the compensation package manual in accessible place to all employee to improve the transparency & build confidence to its employees.

### **Direct Financial Payments and Employee's productivity**

- ❖ High awareness of existence of basic and other additional payment, only a small population was interested with their basic pay and the overwhelming positive response on employee productivity improving as a result of change in basic pay. The researcher recommended that a proper salary survey and job evaluation vis-a-vis total rewards received to be commissioned in a bid to ensure there is internal and external equity in the organization and that compensation is driven by the right fundamentals. On the contingent pay, although the study did not go deep into finding out the various forms of contingent pay in the organization, the general feeling of compensation was high. The researcher also recommends that a further study be done even by department to determine the specifics and take necessary actions. In the area of team work, team rewards and whole organization reward it is recommended that further study be done to enhance it.

### **Concerning Benefits and Employee's productivity**

The respondents seemed quite aware of the benefits available and what they

were entitled to and also there high level interest for benefits received, although a small group felts benefits were not important. In the light of the findings the researcher would recommend that management to take initiatives in finding out which benefits work well and why. This could be done by creating an environment conducive for information sharing and brain storming. Different views would then be evaluated and implemented as necessary. This could help the organization in cost saving with unnecessary benefits and help in improving productivity.

### **Suggestions for Further Research**

- ❖ In light of the great number of youthful population in the organization and the number of years spent in the organization. The researcher would also recommend that further studies done on what inspire the youth to give their best and expected duration of stay.

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