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# Compensation and Organizational Performance, a Study of Muoka Foam Lagos

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**Abstract:** *The study examined compensation and organizational performance, a study of Muoka foam in Lagos state. The objectives of the study were as follows, to assess the effect of Salary increase on organizational performance of Muoka foam. To determine the effect of promotion on organizational performance of Muoka foam. To investigate the degree to which recognition affects organizational performance of Muoka foam. Questionnaire was used to collect data from the staff as it concerns safety management. The population and sample size of the study was 875. Purposive sampling techniques were adopted. . The study used survey research design due to the nature of the work. Primary and secondary sources of data were used in the study. Correlation analysis was used to analyze the collection questionnaire. From the analyses tested, the study found out that, salary increase has significant effect on organizational performance. Promotion has significant effect on organizational performance. Recognition has significant positive effect on organizational performance. The study recommended that once in a time salary should be increase for the committed staff to encourage showing that their efforts are being recognize However it will motivate the other workers to put more efforts. Organizations are encouraged to enshrine promotion in their organizations law and be serious with it, this will also encouraged staff to work tirelessly to be promoted. Recognition is also an effective tools for organizational performance and should be taken serious in all ramification as well should be use to encourage staffs*

**Keywords:** *salary increase, promotion, recognition, compensation, organizational performance*

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## 1.Introduction

Employees in each organization are observed as the greatest pertinent resource and they institute the intellectual and creative makeup of the organization. Seidu, Jiang & Korankye, (2020). Organizations today face an increasingly competitive and rapidly changing environment branded by a varied labour market, improvement in information technologies, globalization, deregulation, continuous customer demands Omuya, (2018).

Over time it has been a case in some organizations that their employees are under-remunerated or that some organizations do not have good compensation administration programs. This could be that employee promotion does not come in time, or that their pay packages are not commensurate to the work they have done for the organization (Fein, 2010). At times, this could be a deliberate act by management in other to frustrate the employees or that the management lacks the required managerial capabilities to effectively administer a compensation administration program (Dyer & Schwab 2004). Gone are those days when such issues can be condoned or accepted by the employees, and therefore there is a need to tackle the problem head long so that employees can bring out their best in terms of performance in order to boost their

productivity. Compensation is one of the key drivers of productivity because humans are naturally inclined to perform better when they perceive that they will get sufficient payment or returns from their efforts. While people exert effort for different reasons, today's competitive economic environment coupled with the consumer society has made compensation arguably the most important motivation factor. Most people are motivated by money at least for their basic needs and wants. Compensation in any form is the most obvious extrinsic reward; it provides the carrot that most people want (Armstrong, 2008).

As Milkorich Newman (2008) observed, management of reward systems ensures the creation and sustenance of competitive advantage for organizations. Thus, as earlier stated, objective of any organization is profitability. So organization's success depends on the employee's performance; poor performance is detrimental to the organization's success. Hence, the success of any organization is closely tied to the work performance of its employees. Reward management is very important to any business or organization because, it is seen as compensation given to the staff due to their efforts in the organization. This reward packages can come in form of bonus, pay raise (increase in salary/wages), public recognition, awards, good working environment, benefits etc.

Compensation system can drive commitment and passion for one's job providing it is strategic. Meanwhile, various organizations in both private and public sectors have not fully cherished the importance of a planned compensation system in enhancing employee performance. Correspondingly, Mutahi (2015) maintained the necessity to advance compensation systems in organizations as he observed that selected workers in private sector were not effectively compensated and as a result the sector continued to post unacceptable outcomes with respect to their key performance indicators. However, many authorities has studied on the effect of compensation such as Seidu Jiang & Korankye, B (2020) sort to explore the impact of compensation taking into consideration elements such as salary, rewards, incentives, and indirect compensations impact on employee's performance in AngloGold Ashanti Obuasi, Ghana. The results indicate that salary, rewards, incentives, and indirect compensations have a positive and significant impact on employee performance. Afriyie, Twumasi, Sarpong, & Darko. (2020) investigated the effect of compensation on employee's performance Accra Technical University: We also find that, housing loan and accommodation are the most crucial needs. Abdul-Jaleel & Millan (2017) examine the effect of compensation systems on the work performance of employees (junior staff) of the University of Cape Coast (UCC), Ghana. Findings from the study show that the junior staff has positive view on the university's compensation packages as a whole. Oboreh, & Arukaroha, (2021) examined the effect of reward on organizational performance in universities in Edo State. The study found that salary increase, cash bonus, promotion, recognition and career development have significant effect on organizational performance. Jemima (2021) main purpose of this study was to investigate the effect of compensation and reward system on employee performance at Kenya Revenue Authority. The findings lead to the conclusion that Kenya Revenue Authority has put in place a fair compensation and reward system although the system has not inspired high employee performance to the fullest. Omuya, (2018) sought to evaluate the influence of compensation and reward on employees' performance in public universities in Kenya.. The findings also showed that most of the respondents agreed or strongly agreed that employee training has

contributed to employee performance in public universities in Kenya. These are clear issues of concern that require in-depth investigation which the study sought to accomplish by examining the effect of compensation on organizational performance, a study of Muoka foam in Lagos state.

### **Objectives of the Study**

The main objective is to critically examine compensation and organizational performance, a study of Muoka foam in Lagos state. The specific objectives of the study are to:

- i. Assess the effect of Salary increase on organizational performance of Muoka foam
- ii. Determine the effect of promotion on organizational performance of Muoka foam
- iii. Investigate the degree to which recognition affects organizational performance of Muoka foam

## **2. REVIEW OF THEORETICAL LITERATURE**

### **Concept of Compensation**

Compensation may be defined as money received for the performance of work plus many kinds of benefits and services that organizations provide their employee. Compensation is recompense, reward, wage or salary given by an organization to persons or a group of persons in return to a work done, services rendered, or a contribution made towards the accomplishment of organizational goals. Wage, dearness allowance, bonus and other allowance are examples of monetary compensation, while good accommodation, children education, transport facilities, subsidized ration of essential commodities, etc. come under non-monetary compensation. In short, wage paid to collar workers or salaries paid to white collar employee can be classified as compensation (Kleiman 2000). The impact of compensation and benefits on employee performance and organizational effectiveness depends on the existing compensation and performance management programs at an individual organization. Typically, most employees respond to increases in pay and benefits with a positive and more productive attitude. However, the opposite is true as well. Sometimes, employees only notice rewards of a salary increase the day the increase is communicated to them, and the day they receive the first paycheck that includes the salary increase (Wadhwa, & Tripathi, 2018). In the long run, the effects of compensation and benefits diminish as employees begin to feel a sense of loyalty and organizational commitment. When employees begin to feel they are an indispensable part of the organization, they often become dissatisfied with their compensation and benefits. Finally, when employees feel they are a superior part of an organization, they typically believe that the organization owes them much more than what they are already receiving. At this point, compensation is simply the glue which holds many dissatisfied employees in place.

## **Theoretical Review**

### **The Reinforcement Theory**

Behaviorist B.F. Skinner, (1953) determined the reinforcement hypothesis, one in each of the most seasoned theories of motivation, as how to explain laborer behavior and why we have a propensity to do what we have a tendency to do. The theory is moreover alluded to as behaviorism, or conditioning. The theory states that "an individual's behavior could be an introduction of its results" (Administration Consider Direct, 2013) Reinforcement theory outlines that a reaction taken after by a gift is extra possible to be futuristic and repeat itself (Thorndike's Law of Impact). The suggestion for remuneration administration states that the top labore execution followed by money related remunerate can make future high execution extra probably. By an equivalent token, high enactment not taken after by a gift can make it less likely inside the future. The theory emphasizes the significance of an individual really encountering the remunerate.

### **Empirical Review**

Seidu Jiang & Korankye, (2020). sort to explore the impact of compensation taking into consideration elements such as salary, rewards, incentives, and indirect compensations impact on employee's performance in AngloGold Ashanti Obuasi, Ghana. Using a simple random sampling approach, a questionnaire was administered to 240 employees in the organization with 222 completing them and same adopted for the study. The study used the SPSS version 26 to process the data after all errors were corrected and data coded. Descriptive analysis and multiple regression analysis were employed to analyze and give meanings to the output. The results indicate that salary, rewards, incentives, and indirect compensations have a positive and significant impact on employee performance. The study hence recommends that the organization should constantly enhance their compensation schemes in order to consistently improve the performance of their employees.

Afriyie, Twumasi, Sarpong, & Darko. (2020) investigated the effect of compensation on employee's performance Accra Technical University: Ghana. Descriptive survey design was used for the investigation. A simple random sampling technique was used to sample 40 respondents out of a total population of 57 Administrators of which 35 responded to the Twenty-item questionnaire. Frequency tables were used to present the responses. The main conclusions were that administrators were not attracted by the monetary aspect of compensation but rather management sensitivity to their needs. We also find that, housing loan and accommodation are the most crucial needs. The recommendation was that Management should create another form of set-off package alongside with the one in the condition of service to encourage workers to put up their best.

Abdul-Jaleel & Millan (2017) examine the effect of compensation systems on the work performance of employees (junior staff) of the University of Cape Coast (UCC), Ghana. The sample size for the study was 346. Stratified random sampling technique was used to select the junior staff. Also, 24 administrators were selected purposively to help collect data from the respondents. Questionnaire and an annual assessment form were the instruments used in

collecting data. Both descriptive and inferential statistics were used in analysing the data. Findings from the study show that the junior staff have positive view on the university's compensation packages as a whole. However, junior staffs' view on the university's compensation packages does not influence employees' work performance directly. It does so only if it boosts their level of satisfaction which in turn boosts their commitment to the university and in the long run increases their work performance. It was recommended to management of the university to ensure a congenial environment and improved its compensation packages, especially non-financial, to encourage and motivate staff to be committed to the university which will lead to a significant increase in the work performance of the staff.

Oboreh, & Arukaroha, (2021). examined the effect of reward on organizational performance in universities in Edo State. The study aimed to determine the effect of salary increase, cash bonus, recognition, promotion and career development on organizational performance. Relevant conceptual, theoretical and empirical literatures were reviewed. This research work is anchored on equity theory. Survey research design was employed in the study. Six universities comprising of two private universities, two state-owned universities and two federal universities were sampled for the study. The population consists of 3974 academic staff of the selected universities. A sample size of 365 was determined using Taro Yamene formula. Questionnaire was employed as the major instrument of data collection. The data generated were analyzed using frequency tables, percentages and multiple regression analysis. The study found that salary increase, cash bonus, promotion, recognition and career development have significant effect on organizational performance. The study concludes that reward has a significant positive effect on organizational performance in the sampled universities in Edo State. Based on the conclusion, it was recommended that universities management should ensure constant review of their reward policy to reflect current realities so as to motivate their employee to be committed to improved performance among others

Jemima (2021). main purpose of this study was to investigate the effect of compensation and reward system on employee performance at Kenya Revenue Authority. The specific objectives were; to establish the effects of salary, promotion, recognition, fringe benefits and the extent to which the four elements of compensation had affected employee performance at Kenya Revenue Authority. A number of theories informed the study. These were expectancy-reinforcement theory, equity theory and agency theory. The study adopted a descriptive survey research design, which sought to describe the prevailing state of affairs. Stratified random sampling technique was employed to select a sample of 120 respondents from a target population of 1200 employees of Kenya Revenue Authority Headquarters. A mixed method of quantitative/qualitative approach was used. The study used both primary and secondary data. Primary data was collected using questionnaires and observation of the behavior of employees with respect to the phenomenon under investigation. A multiple linear regression model was used to test the significance of the influence of each independent variable on the dependent variable. Pearson's bivariate correlation analysis revealed the extent to which the various elements of compensation (salary, promotion, fringe benefits and recognition) influenced the performance of employees at Kenya Revenue Authority. Descriptive statistics revealed that KRA has not met its revenue targets as indicated by 79% of the respondents. Additionally, 90% of the respondents indicated that motivation is a critical determinant of employee performance at KRA. The findings lead to the conclusion that

Kenya Revenue Authority has put in place a fair compensation and reward system although the system has not inspired high employee performance to the fullest.

Omuya, (2018). sought to evaluate the influence of compensation and reward on employees' performance in public universities in Kenya. Descriptive survey research design was employed which allows the researcher achieve greater control of the study and to improve the validity of the study by examining the research problem. The target population included all the HR workers in selected public universities with a sample of 125 HR employees. Structured questionnaire was used as the main primary data collection instrument while secondary data was obtained from literature developed by scholars. The instrument was tested for validity and reliability before it was used for data collection. The data collected was filtered, coded and analysed using SPSS. A regression model was used to establish the relevant relationships. The findings of the study showed that most of the respondents were not sure that recruitment and selection as an HRM practice has contributed to employee performance in public universities in Kenya. The findings also showed that most of the respondents agreed or strongly agreed that employee training has contributed to employee performance in public universities in Kenya. It was also established that most respondents strongly agreed or agreed that good compensation and reward have contributed to employee performance. The study recommends that public universities should adhere all the guidelines stipulated in the HRM Practices to enhance employee performance and productivity.

### **3. Methodology**

Research design that was used for the study is descriptive in the form of survey. Survey can be defined as the broad distribution of either questionnaires or interviews designed to get certain data from Muoka for staffs. a questionnaire was an important instrument because the researcher was able to collect a lot of information within a short time. Additionally, it was able to yield unbiased responses. The population of the study were 875, given the fact is not up to 1000 population. The researcher chooses to sample all, as the sample size. The questionnaire employed likert questions to measure employee perception of the organization, its performance and the reward system in place. After the data was collected through questionnaires, it was prepared for analysis by editing, handling blank responses, coding and categorizing. Afterwards, it was keyed into the IBM SPSS Statistics 24 program for analysis to produce frequencies, descriptive and inferential statistics. The results were then presented using tables. In addition, a multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable.

## **4. RESULTS AND DISCUSSION**

### **Introduction**

A total of 875 participants were used as population of the study, while 834 were collected and found valid for the analysis. The summary and discussion of major findings are presented in this section

### **Objective one**

Assess the effect of Salary increase on organizational performance of Muoka foam

**Table 1:** Pearson product moment correlation of Salary increase and organizational performance

Variables	N	r	P
SAR,INC	834	.524**	0.000
ORG.PER	834		

\*\**. Correlation is significant at .05 level (2-tailed).*

The results are presented in a matrix such that, as can be seen table one, the correlations are replicated. Nevertheless, the table presents the Pearson correlation coefficient, its significance value and the sample size that the calculation is based on.

The result of the pearson correlation analysis in Table 1 between Salary increase and organizational performance showed a strong correlation between them. The outcome of the result showed that the p value of 0.000 is lower than the .05 alpha level of significance while the r value of .52 show a strong correlation between the dependent and independent variable (r=.52, p=.000). This finding also implies that increase in Salary increases the organizational performance of Muoka foam

### Objective Two

Determine the effect of promotion on organizational performance of Muoka foam?

**Table 2:** Pearson product moment correlation of relationship is between promotions and organizational performance

Variables	N	r	P
PROM	834	.625**	0.000
ORG.PER	834		

\*\**. Correlation is significant at .05 level (2-tailed).*

Table 2 is a Pearson product moment correlations analysis aimed at finding the extent promotion affect organizational performance. The results revealed that the calculated value of correlations is 0.625% while the (p) value of 0.000 is less than .05 alpha level of significant. This implies that promotion positively affect organizational performance. Furthermore, increase in promotion increases organizational performance

### Objective Three

Investigate the degree to which recognition affects organizational performance of Muoka foam

**Table 3:** Pearson product moment correlation of relationship between recognition and organizational performance

Variables	N	r	P
RECOG	834	.600**	0.000
ORG.PER	834		

\*\**. Correlation is significant at .05 level (2-tailed).*

The outcome of the Pearson correlation analysis in Table 3, between recognition and organizational performance showed that there is a positive correlation between level of recognition and organizational performance. The p value of 0.000 is lower than .05 alpha level of significance while r value of .60 shows high correlation ( $r = .60, p=.000$ ). However from this finding we can comfortably say that recognition positively affect organizational performance. Moreover, increases in recognition increases organizational performance

### Discussion of findings

This research examined the effect of compensation system on organizational performance of Muoka foam in Lagos. Data were sourced from the employee of the selected staffs. The data generated were subjected to statistical analysis and the following output was ascertained.

Salary increase and organizational performance: The study found that Salary increase has a significant positive effect on organizational performance in the Muoka foam Lagos. The implication of these findings is that, for organizational to be functional to achieve their aim and purposes, the Salary increase need to satisfy the expected needs of the individual, and must be seen to be fair or equitably satisfying to the employee. This further agreed with the findings of Iyida (2015), who found that increase in salaries enhances the organizational performance. The findings also corroborate with the findings of Olatunji and Sarat (2014) that wages and salaries is a pertinent determinant to employee motivation and performance in Nigeria.

Promotion and organizational performance: The study found that promotion and development has significant positive effect on organizational performance in muoka foam firm. This implies that improved Promotion would translate to increased staff turnover, and also increase the organizational performance through profitability. It creates a less need for supervisor thereby enhancing employees output. Salah (2016) corroborates this findings by stating that, well trained and developed employees are seen as the bedrock of any organization and institution. This means that, effective training programs and carefully set development plans enhances skills and knowledge of employees which results in significant efficiency in workers productivity. This findings was inline with the study of Saharuddin, & Sulaiman .(2016) and Muhammad Herlina & Putri, (2019) who found that promotion has a positive significant impact on organizational performance.

Staff recognition and employee performance: The study found that staff recognition has a significant positive effect on organizational performance.. The implication is that acknowledgement of staff for good performance and obedience to the rules and policies of the



organization to reinforce particular behavior and activities and practices that would lead to better performance and positive result. The finding is in line with the study of Aamir, Syad, Abdul, Quasim and Shahzad (2019) that Staff recognition play an important role in boosting employee performance and enhance over all organization performance. This also agrees with the study of Ndungu, D.N (2017). that recognition can significantly influence the performance of individual employee positively.

## **5. Conclusion and Recommendation**

The main goal of fulfilling this study was to examine the effect of the effect of compensation on organizational performance, a study of Muoka foam Lagos with the intention to create awareness for governments, social partners and policy makers as well as academics and practitioners to understand that employee compensation, when fairly designed, lead to an increased organizational performance. The study has provided a better understanding of the current state of personnel satisfaction with the compensation packages received by Muoka foam to develop, motivate and retain qualified and competent graduates into the their organizations. Whenever the various financial and non-financial compensation packages get staff to be satisfied with their job, it makes them committed as well to the organization. This is then translated into a significant increase in their work performance. It is consequently essential for the firm to develop, nurture and maintain attractive compensation packages that will make staff satisfied and dedicated in order to improve their work performance in the long run. This can be accomplish by including the constituency of staff in the decision making process when determining the various compensation packages for staff and also improving technical, organisational and human environments of the staff. This will boost their perceived recognition and work performance in an organizations. Considering the findings of this study, it is recommended that once in a time salary should be increase for the committed staff to encouraged to show that their efforts are being recognize However it will motivate the other workers to put more efforts. Organizations are encouraged to enshrine promotion in their organizations law and be serious with it, this will also encouraged staff to work tirelessly to be promoted. Recognition is also an effective tools for organizational performance and should be taken serious in all ramification as well should be use to encourage staffs.

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