
Reward Management Strategies in Nigerian Work Environment: A Conceptual Model

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Abstract: *The purpose of this study is to investigate reward management strategies in the Nigerian work environment. This study sheds light on some of the reward management strategies adopted in Nigerian organizations such as: variable pay, cash bonuses, profit sharing, recognition programmes, stock options, group-based reward systems, among others. This study utilized literature on reward management strategies and adopted an ex post facto research design. As established by the various theories, it was revealed that the reward management strategies adopted by various work environments contribute to their goal accomplishments and also enable them to recruit and retain key employees that contribute to the performance of their organizations. The study found out that reward strategies improve the connection among variables such as performance, reward, and motivation. For a reward management strategy to be most effective, it has to conform to the organizational HR policies.*

Keywords: *Reward Management Strategies, Work Environment, Total Reward Management, Employees, and Human Resource*

Introduction

The needs and goals of individuals are broadly at variance to the extent that it is almost impossible to determine how a particular reward system will affect one individual or another or what kind of behavior it will trigger in the individual. People can be motivated by rewards and incentives which will in turn enable them to satisfy their individual needs or help them set a goal to attain.

Having a remarkable reward system in place is all about understanding the expectations; such as, what employees expect from their employers in return for the task they perform well and what employers expect from employees in return for the money or payment they receive and the skills and training they acquire on the job, and also a chance for their career advancement. There is a contract of expectations from the start, involving an employee to provide effort and inputs to the employer, in return for payments such as salary or wages from the employer.

Reward management strategies have the following relevance or importance in the Nigerian work environment;

Mutually beneficial: A reward system is beneficial to the employee and the organisation. The employee will be more motivated to work harder by having a reward system in place and this will lead to increased productivity which will in turn benefit the organisation. Therefore a reward system benefits the employee and the organization mutually.

Motivation: A reward system will motivate employees in reaching targets and organisational goals so as to get rewards. A reward system does well at motivating employees but they will also be motivated to prove themselves to the organisation.

Absenteeism: A reward system will reduce an organisation's absenteeism. Employees prefer being rewarded for a job well done and if there is a reward system in place, employees would not pretend to be sick or deliberately stay away from work. A good reward system in place clarifies the targets and goals of the organization to the employees as they will be rewarded upon reaching certain targets. So by having a reward system as an incentive they will rarely be absent from work.

Loyalty: A reward system encourages the employee loyal in the organisation. The existence of a perceived perfect reward system being in place would make the employees feel they are valued by the organisation and know that their opinions matter to the organisation. If employees are happy with the reward system, they are more likely to appreciate their work place and tasks assigned to them and remain loyal to the organization.

Morale: Having a reward system that provides employees with incentives and recognition will boost their morale. By encouraging employees to meet goals and targets it gives them clear focus and purpose which will improve their morale, which will increase the morale of the entire organisation. This is made possible by a reward system in the organisation.

Teamwork: The reward system will promote teamwork among the employees. The employees will work together as a team to achieve their targets in return for rewards. Teamwork within the organisation helps increase efficiency and create a happier workplace since the employees will be familiar with and close to each other.

Statement of the Problem

This study looks at the problems suffered by most organizations today due to negligence on their part regarding the establishment of a good reward strategy, which as a result they have had to face problems such as ; low morale of the employees, lack of confidence and self-esteem of employees, low productivity, high labour turnover etc. Reward management needs to be considered in these Organisations. This is necessitated by the various dissatisfaction and strikes that occurs occasionally owing to unsuitable remuneration package when compared with those of other employees of same level within the same organization or other organization. Most organizations or firms have poor or no reward management structure which leads to lack of commitment on the part of employees and also lack of loyalty. The aim of reward management is to ensure that the value of employees and the contributions that they make in an organization is recognized and rewarded (Armstrong, 2012). This means that organizations use rewards management in order to fulfill and satisfy the needs of their employees as well as to ensure that they operate equitably and fairly. Danish and Usman (2010) point out that employees are fully motivated and satisfied with their jobs when their needs are met and this may lead to increased organizational performance and commitment. This implies that employees' performance and commitment is based on the ability of an organization to recognize and reward employees in exchange for their input. Many studies have addressed the effects of reward management on employees' performance, only a few have really focused on reward management strategies in the Nigerian work environment. Therefore, it is evident that there is a knowledge gap to be filled. Therefore, this study aims at filling the knowledge gap on reward management carrying out an in-depth study on the reward management strategies adopted in the Nigerian work environment.

Review of Related Literature

Meaning and Scope of Reward Management

Reward has its background in management and was developed by behavioural management psychologist Sigmund Freud in the early 1900s. The work was built upon by other behavioural theorists who try to find out how people react to being rewarded and what motivates them to do so in clinical psychology and psychotherapy (Pavlov, 1927; Skinner, 1938; Bandura, 1986; Staddon, 2001; Armitage & Conner, 2001). In the field of HRM, the concept of reward is rooted in the social exchange theory (SET) which asserts that human relationship is based on expectation and “exchange process of comparison and cost-benefit analysis” (Homan 1958). Cropanzano and Mitchel (2005) argued that the fundamental core of the SET theory is hinged on clearly stated rules and regulation and reciprocity to guide the relationship. This is in support of Rousseau (1995; 2000) work on psychological contract that exchange relationship should be explicit, reciprocal, and based on expectation with implications given for breach of contract by the parties involved.

Reward management in an organization can be seen as the way in which an organisation formulate and implements strategies and policies to reward its workers considerably and fairly, according to how the organisation values them. Reward management in a business organisation usually concerns how the business analyses and controls the employee's remuneration and other employees' benefits.

The main aim of reward management is to reward the employees fairly for a job well done. The main reason reward management serves to motivate the employees in that particular business organisation to work hard and put in their best to achieve organizational goals. Reward management in business organisations consist of financial rewards such as pay and also of non-financial rewards such as employee recognition, employee training/development and increase in job responsibility.

Reward management in a business organisation deals with the designing, implementing and maintaining of reward practices that are focused on the improvement of the organisations performance.

The elements of reward management in a business organisation are the things used to attract potential employees to their organisation which includes salary, bonuses, incentive pay, benefits and employee growth opportunities such as professional development and training opportunities. Establishing a reward management model provides the business with many advantages, especially in small to medium size organisations where there tend to exist a good manager-employee relationship. Reward management programmes have been very successful in motivating employees and in increasing the employee performance of the whole organisation.

Reward management hinges on organizational philosophy – a set of beliefs and guiding principles that are in line with the values of the organization and help to institutionalize them. These involve beliefs in the need for fairness, equity, justice and transparency in the reward system. The idea here is that if HRM is to invest in human capital from which they expect a huge return, then it is only reasonable on their part to keep differences in rewards according to their contribution (i.e. the return on investment they generate). The philosophy of reward management recognizes that it must be strategic. That is, it addresses longer-term issues pertaining how people should be valued for the work they do and also their achievements to a large extent. Reward strategies and processes needed to implement them are often adopted from the business

strategy.

Reward management adopts a 'total reward' approach which focuses on the importance of considering all parts of reward as a whole, integrated with other Human Resource initiatives made to achieve the motivation, loyalty, engagement, growth and development of all employees. This needs the reward strategies to be integrated with other strategies of the human resource management (HRM) department, most importantly, those dealing with human resource development. Reward management is an integral and important part of an HRM approach by which people are being managed. The philosophy is impacted by the organisation's business and HR strategies, the importance attached to reward issues by top management executives, the internal and external environment of the business organization as well.

Underlying Theories of Reward Management

Management Theories: Other approaches to reward management are driven by aspects of management, such as productivity, human resources, and other considerations. Most notable in this regard are the following:

Scientific Management Theory: Frederick Taylor's ideas, put into practice by the Gilbreths in the film *Cheaper by the Dozen*, focused on studying job processes, determining the most efficient means of performing them, and in turn rewarding employees for their productivity and hard work. This theory assumes that people are motivated and able to continually work harder and more efficiently and that employees should be paid on the basis of the amount and quality of the work performed. Over time, this approach is limited by the capacity of employees to continue to increase the quantity of work produced without sacrificing the quality.

McGregor's Theory X and Theory Y: This approach again draws upon the work of Herzberg and develops a human resources management approach to reward management. This theory first classifies managers into one of two groups. Theory X managers view employees as unmotivated and disliking of work. Under the Theory X approach the manager's role is to focus on the hygiene and to control and direct employees; it assumes that employees are mainly concerned about safety. In contrast, Theory Y managers focus on Herzberg's motivators and work to assist employees in achieving these higher levels. In assessing this theory, researchers have found that approaching motivation from either of these perspectives is short-sighted.

Ouchi's Theory Z: This theory is rooted in the idea that employees who are involved in and committed to an organization will be motivated to increase productivity. Based on the Japanese approach to management and motivation, Theory Z managers provide rewards, such as long-term employment, promotion from within, participatory management, and other techniques to reward employees (Ouchi, 1981).

Total Reward Management

If organizations want to be straightforward about what they are demanding, then they should also be explicit about how they can reward individuals who go the extra mile (Baron, 1983). Beer et al. (1984) succinctly argue that: "Organisations must reward employees because, in return, they are looking for certain kinds of behaviour: they need competent individuals who agree to work with a high level of performance and loyalty. Individual employees, in exchange for their

commitment, expect certain extrinsic rewards in the form of promotions, salary, fringe benefits, bonuses, or stock options. Individuals also seek intrinsic rewards such as feelings of competence, achievement responsibility, significance, influence, personal growth, and meaningful contribution. Employees will judge the adequacy of their exchange with the organisation by assessing both sets of rewards.”

Deeprise (1994) defines reward management as “the process of developing and implementing strategies, policies and systems which help the organisation to achieve its objectives by obtaining and keeping the people it needs, and by increasing their motivation and commitment.” It also relates to intrinsic as well as extrinsic motivation, the non-financial as well as the financial rewards (Armstrong & Murlis, 1991).

While all of these theories are helpful in understanding management and motivation from a conceptual perspective, it is important to recognize that most managers draw upon a combination of needs, extrinsic factors, and intrinsic factors in an effort to help motivate employees, to help employees meet their own personal needs and goals, and ultimately to achieve effectiveness and balance within the organization. Managers typically take into account most of the aspects upon which these theories focus. That is, expectancy, goal setting, performance, feedback, equity, satisfaction, commitment, and other characteristics are considered in the process of motivating employees.

Understanding Reward Management Strategies

Different organizations especially in Nigeria adopt various reward strategies as we will see below; According to BT e-reward report, 2005 British Telecommunication (BT) switched from the traditional pay by grade structure to adopting a holistic total reward strategy which includes (a) bonuses -linked to employee performance (b) recognition, (c) Base pay- based on role and performance and (d) benefits Flexibility - over which employees have a choice for recruitment and talent retention. This is in line with their corporate mission of rewarding behaviour and achievement consistent with the business value of creating high performance culture and these has resulted in the reduction in employees cost for the management.

Centrica, after the merger with British gas and Enron, adopted an environmental adaptive strategy (Hall & Vredenburg, 2012) which sees to the migration of the two companies to Centrica culture. Competitive pay for performance strategy was adopted for low level employees and a total reward strategy for senior management staff. This is said to have increased the level of employee engagement by 2% which may be small, but is a milestone considering the changes the organizations has undergone during the year (Centrica CSR Report, 2006).

However, in the Nigerian context, organizations adopt various kinds of reward management systems, some of which would be discussed below.

Telecommunication companies such as 9mobile, formerly called Etisalat, an international Telecommunication company in Nigeria, adopted a hybrid reward strategy that operates the equal traditional pay grade structure for entry level employees and promotion based on length of service until they have reached a managerial level, while performance based and total reward strategy is used for senior management (Madichie, 2011). Although, the approach for the entry level staff ensure equality and transparency, but can also be frustrating as they have a long time to wait before a chance of promotion or growth is allowed.

In the Nigerian banking sector, for example, what is obtainable is more of ‘pay for

performance' reward strategy, where a clearly defined target is set at the beginning of the year and assessed through a performance management approach that rewards performance and ease out none performers (Gberevbie, 2010). The practice in the sector generally is high bonuses are given to workers who meet their target and those who cannot meet these targets are either not rewarded or relieved of their jobs overtime.

The Public Secondary Schools sector as is obtainable with other sectors, have the reward policy peculiar to it. The same reward can take different nomenclature from one organization to the other. However, the few commonly employed in Nigerian schools are organizational pension schemes, official cars, loan for purchase of personal cars, subsidy for housing rent, education leave with pay, health benefits, vouchers scheme as an alternative to a direct cash bonus, promotion to the post of Director-general or tutors-general, special awards and certificates, leave of absence and stock optional commission (Adelabu, 2003).

Catering, confectionery and fast food firms from investigations/studies, have the following strategies of promotion to a higher level, job security, good working conditions, recognition programs, praises given to employees for task accomplishments, transport allowance, housing allowance, gifts apart from individual salary, etc. (Oshi, & Enyia, 2017)

Types of Reward Programs

Different reward strategies are put in place to achieve individual and group performance.

Variable pay

Also called pay-for-performance, is a compensation program in which a portion of a person's pay is at risk. The risk is due to the fact that the pay is dependent on the organization's performance or that of its SBU's, a person's accomplishments at a given task, or it can encompass all of the above. It includes employee bonuses, stock options, and awards given for accomplishment of a feat.

Bonuses

Bonus programs reward individual accomplishments and are frequently used in sales organizations to encourage sales persons to generate additional business or higher profits, for instance, the bonuses given to direct sales agents in Nigerian banks such as Sterling Bank etc. They can also be used, to recognize group accomplishments. Bonuses are generally short-term motivators. By rewarding an employee's performance for the previous year, bonus programs tend to encourage short-term perspective rather than future-oriented accomplishments. In addition, these programs need to be carefully structured to ensure they are rewarding accomplishments above and beyond an individual or group's basic functions. Otherwise, they run the risk of being perceived as entitlements or regular merit pay, rather than a reward for outstanding work.

Profit sharing

Profit-sharing refers to the strategy of creating a pool of monies to be disbursed to employees by taking a stated percentage of a company's profit. The amount given to an employee is usually equal to a percentage of the employee's salary and is disbursed after the business closes its books for the year. The benefits can be provided either in actual cash or via contributions to employees' pension plans.

Stock options

Employees' stock-option programs give them the right to buy a specified number of the company's shares at a fixed price for a specified period of time (usually around ten years). They are generally authorized by the company's board of directors and approved by its shareholders. The number of options a company can award to its employees is usually equal to a certain percentage of the company's outstanding shares.

Group-based reward systems

Group-based reward systems are based on a measurement of team performance, with individual rewards received on the basis of his/her performance. While these systems encourage individual efforts toward common business goals, they also tend to reward underperforming employees along with average and above-average employees. Bonuses, profit sharing, and stock options can all be used to reward team and group accomplishments.

Recognition programs

For small business owners and other managers, a recognition program may appear to be mere extra effort on their part with few tangible returns in terms of employee performance. While most employees certainly appreciate monetary awards for a job well done, many people merely seek recognition of their hard work.

Methodology

For this study, the ex post facto research design was utilized, particularly, which involved no manipulation of variables or the participants such as the human resource managers and other relevant personnel in the work environments that are crucial to the accomplishment of the study. Moreover, these firms are known to be vast in the usage of reward management strategies.

Conclusion/Recommendations

These findings will help the managers to understand how fair and equitable reward strategies could contribute towards the effective management of workforce through implementation of organizational policies such as reward and performance evaluation policies.

As established by the various theories, it was concluded that the reward management strategies adopted by various work environments contribute to their goal accomplishments and also helps to recruit, retain and keep high caliber employees that contribute to the performance of a workplace, especially to those located in Nigeria. Reward strategy help strengthen the connection between reward and performance and motivate employees to put in their best in order to get desired reward.

Finally, reward strategies if they are to give the most promising results are to be in line with already established HRM policies and practices so as to bring about desired synergy.

Hence the study suggests that, organizations can implement reward strategies by applying the following recommendations;

1. Clarifying key organisational issues affecting reward policies and practices, similarly devising means of forming a strategy that is to be clear on how it will benefit the organisation and employees, and how it fits with HR and business strategies and already existing reward model.

2. Identify critical success factors (CSF) of their organisation.
3. Review existing reward practices/models.
4. Get ideas and opinion from employees and other stakeholders ensure that all units of the organization are represented.
5. Set reward goals that fits the organisational culture and goals.
6. Review external environmental trends, considering government policy, economic indices etc.
7. Assess organisational fit by considering existing HR and reward practices in relation to organisational culture and the proposed reward strategy.
8. Review and get approval for the proposed reward strategy incorporating stakeholder feedback prior to approval.
9. Definite implementation of the reward strategy/model as prescribed.

After carrying out the above steps, organizations should adopt the practice of regularly checking if the reward strategy is still relevant, current, and effective so as to make change if and when necessary. All that matters is that organizations use current strategies suitable and in line with the organizational needs, goals, and objectives.

Contribution to Knowledge

This study has made an immense scholarly contribution to the field of human resource management.

The study provides an in-depth investigation of the concepts of reward management, specifically as it concerns some Nigerian work environment.

To the academic community, this work serves as a reference material, especially to human resource management students.

The work is also of great importance to managers with strategic policy burden in the Nigerian work environment.

Suggestion for Further Studies

This research work is not exhaustive. However, an empirical study is needed to determine whether the conclusion of the study is applicable to other circumstances of reward management strategies in Nigeria.

Other reward strategies and criteria for evaluating their effectiveness can be analyzed in respect to the Nigerian work environment.

Determinants of reward management strategies can be further analyzed.

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