

The Impact of Employees' Performance on Organisational Productivity: A Case Study of Unilever Brothers Nig. Plc

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DOI: [10.22178/pos.120-25](https://doi.org/10.22178/pos.120-25)

JEL Classification: K39

Received 27.06.2025
Accepted 27.07.2025
Published online 31.07.2025

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Abstract. In today's increasingly competitive global environment, effective compensation management has emerged as a strategic imperative for attracting, motivating, and retaining talent. This study investigates the relationship between compensation practices and employee performance at Unilever Nigeria Plc, a leading multinational operating in Nigeria's fast-moving consumer goods sector. Drawing on both primary and secondary data, the research explores how employees perceive financial and non-financial incentives and how these perceptions affect motivation, job satisfaction, and productivity. A structured questionnaire was administered to 40 respondents selected via convenience sampling, supplemented by interviews with HR personnel. The findings, supported by descriptive statistics and chi-square analysis, reveal a statistically significant association between compensation and employee motivation. Notably, 62.5% of participants agreed that their current compensation influences their productivity, while 65% valued non-financial rewards such as recognition and development opportunities. However, weaker perceptions of fairness in performance-linked rewards and appraisal transparency indicate areas for strategic improvement. The study underscores the importance of integrating financial and intrinsic motivators into a coherent, equitable compensation system that supports employee engagement and organisational effectiveness. Practical recommendations are offered to align reward strategies with employee expectations, reinforce trust, and foster sustainable performance in the Nigerian business context.

Keywords: Compensation Management; Employee Performance; Motivation; Organisational Productivity; Nigeria; Human Resource Strategy; Unilever Plc.

INTRODUCTION

In today's fast-changing global economy, organisations face growing pressure to improve productivity, retain talent, and align employee

performance with broader business goals. A well-designed compensation strategy is widely recognised as a critical tool for achieving these objectives. Beyond base salaries, compensation encompasses bonuses, benefits, recognition, career

growth opportunities, and other non-monetary incentives that influence how employees perceive their value within the organisation [1]. When appropriately managed, compensation not only enhances employee motivation and commitment but also contributes to improved organisational performance.

The importance of compensation in shaping organisational culture and employee behaviour is well established in human resource literature. It is increasingly viewed as a strategic lever within human resource management, one that promotes fairness, transparency, and accountability [2]. Empirical evidence links effective compensation systems to increased job satisfaction, reduced turnover, and higher levels of engagement [3, 4]. However, putting theory into practice remains complex. Compensation design is often influenced by fluctuating economic conditions, legal regulations, collective bargaining pressures, and internal budget limitations [5]. In many emerging economies, including Nigeria, these challenges are compounded by institutional inefficiencies, inflation volatility, and under-resourced HR systems [6].

Unilever Nigeria Plc. provides a valuable context for exploring how compensation practices impact employee performance in the Nigerian private sector. As one of the country's foremost multinational consumer goods companies, Unilever's human resource structures and performance management systems reflect both local and global practices [7]. This study investigates how employees perceive compensation fairness and whether compensation practices, both financial and non-financial, are effectively aligned with performance appraisals and organisational objectives.

Fundamentally, this study is grounded in the idea that employee performance is not solely determined by skill or structure, but by the alignment of incentives, recognition, and motivation [8]. Employees who view their compensation as fair and tied to their contributions are more likely to be engaged and productive. Conversely, opaque or inadequate compensation systems often lead to dissatisfaction, reduced morale, and higher turnover challenges that directly undermine organisational effectiveness [9].

The study seeks to evaluate the value of compensation management in Unilever Nigeria Plc. to productivity and performance in the organisation. It investigates the perceptions of employees

regarding the sufficiency of the reward systems and determines whether the company's compensation practices are sufficient to adapt to a fast-changing labour market. Most of the literature on compensation stems from research conducted on Western economies, and there has been little empirical research looking into such dynamics in Sub-Saharan Africa [10]. This research project has attempted to fill that gap by providing information based on the Nigerian business environment.

This line of research will be useful in HR decision-making given its practical significance. To organisations operating in the dynamic private sector in Nigeria, understanding the key drivers of performance, particularly in compensation systems, may provide a competitive advantage. Furthermore, the appreciation of the impact of compensation on motivation also gives a guide that helps in the development of pleasant, satisfied, and performing work environments [11].

Literature Review

Concept of Compensation. Compensation is the combination of all rewards employees acquire in exchange for their work, including direct monetary compensation (salary, bonuses, and incentive payments) and indirect compensation (health insurance, retirement savings, and paid leaves). It also involves such non-financial incentives as recognition, career growth and flexibility of work arrangements [12]. Compensation is also perceived not only as a transactional activity in the modern work environment, but also as a measure of organisational value and devotion to the workforce.

Modern organisations leverage compensation as a strategic tool to enhance job satisfaction, attract talent, and reduce turnover. When effectively designed, compensation systems can reinforce desirable employee behaviours and align individual performance with organisational goals [13]. As such, compensation is increasingly viewed through a broader lens of employee value proposition and workplace culture.

Compensation Management and Organisational Strategy. Compensation management is the systematic process by which organisations design, implement, and evaluate pay structures that support strategic objectives. According to [8], it plays a central role in human resource management by helping organisations achieve competi-

tive advantage, motivate performance, and foster fairness.

Strategic compensation management links rewards to performance, ensuring employees feel recognised for their contributions. A well-managed system enhances internal equity (fairness among roles within the organisation) and external competitiveness (alignment with industry pay standards), both of which are essential for retaining top talent [14].

Increasingly, organisations adopt total reward frameworks that integrate monetary rewards with career progression, learning opportunities, and well-being initiatives. These systems are particularly vital in environments where employee expectations extend beyond financial incentives alone [15].

Impact of Compensation on Employee Performance. The relationship between compensation and employee performance is well-documented. Employees who perceive their pay as fair and commensurate with their efforts tend to demonstrate higher levels of motivation, job satisfaction, and organisational commitment [16]. Conversely, inadequate or inequitable compensation often results in reduced morale, absenteeism, and higher staff turnover.

Performance-based compensation models such as merit pay and bonuses are commonly used to encourage high achievement and accountability. Research [17] confirms that performance-linked incentives significantly improve employee output and foster goal alignment. However, performance-based systems must be applied transparently to avoid perceptions of bias or unfairness, which could otherwise undermine trust and engagement.

In Nigeria, where economic instability and inflation continue to affect real wages, employees are especially sensitive to how compensation is structured [18]. Timely salary adjustments, fair appraisal systems, and meaningful non-financial incentives are crucial in maintaining workforce stability and productivity.

Non-Monetary Rewards and Motivation. Although monetary benefits are still significant, non-financial awards are becoming increasingly important in contemporary compensation plans. These include development opportunities, recognition schemes, job enrichment, a benign organisational culture, and so on. As suggested the authors [19] self-determination theory en-

sured that intrinsic motivation (induced by the autonomy, competence and relatedness motives) is as powerful as extrinsic rewards in encouraging performance.

Most recently, these studies have revealed that recognition, meaningful work, and feeling that it serves a purpose have a major influence on employee (particularly younger generations) engagement [20]. Workers would work harder and be creative in their tasks when they believe they have more value than money. Hence, non-monetary factors should be incorporated into the system of compensation as a whole progression of employees and their retention.

Compensation in the Nigerian Organisational Context. Some of the factors that influence the compensation practice in Nigeria are inflation, pressure from unions, regulatory factors, and resource restrictions. Economic variations and budgetary constraints may cause problems with the maintenance of competitive compensation packages in many personal and governmental organisations [11]. Consequently, there are frequent cases of employee dissatisfaction with pay and benefits that bring about morale and performance issues.

Nevertheless, these limitations have led Nigerian organisations to adopt innovative methods of remuneration, including flexible benefits, output payment, and training rewards. Authors [21] stress the necessity of the context-specific reward system characterised by economic realities and expectations of the local community, and fostering equity and productivity.

Theoretical Frameworks Underpinning Compensation. Several theoretical points of view are applied in compensation management. Expectancy Theory [22] states that employees are driven by the belief that their effort will not be wasted, but will result in performance, which results in desirable outcomes. Equity Theory [23] underlines the need for perceived equity in the compensation versus the exerted efforts as compared to those of others. Performance-based pay systems are based on the reinforcement theory that when behaviours are rewarded, then the same actions are likely to be repeated [24].

The theories point out the psychological basis of reward systems and their implications in employee behaviour. These motivational drivers are essential in the implementation of the compensa-

tion frameworks that engage and motivate performance.

METHODOLOGY

Research Design. This research examines the impact of employee remuneration towards organisational productivity by considering Unilever Nigeria Plc as its case study. The objectives are to understand the influence of incentives on the motivation and performance of junior employees and some of the selected management staff. To obtain relevant answers, information was gathered through various methods, including questionnaires, personal interviews, and secondary sources such as journals, books, and corporate reports.

Data Collection Method. This study used both primary and secondary sources of data. Primary information was gathered via structured questionnaires and in-person interviews of a few employees and personnel managers. To put the analysis in context and add depth to it, secondary data were utilised: academic textbooks, peer-reviewed journals, organisational reports, and newspaper articles [25].

Sampling Plan. The Oregun branch of Unilever Nigeria Plc was used to sample a total of 40 respondents. The survey was administered with the help of the Human Resources Manager and the Assistant Personnel Manager. Besides the survey results, qualitative data has been gathered by interviewing the employees and HR officers personally, providing an even deeper insight into the practice.

Sampling Method. A non-probability sampling strategy, due to time constraints and logistical considerations, specifically the convenience (accidental) sampling method, was implemented. The selection of this method was due to the accessibility and availability of respondents during the data collection period. Although this method restricts generalisability, it is worthwhile when examining exploratory studies and case-based analysis [26].

Description of Data Collection Instrument. Structured questionnaires were the main data collection tool, with the questionnaires organised into two parts to be clear and simple to answer. In Section A, demographic characteristics such as age, gender, marital status, educational background, job level, years of service, and total

working experience were obtained. Section B contained Likert items that gauged the opinion of the respondents on the linkage between incentive and performance outcomes.

Semi-structured interviews were included in the questionnaire to provide respondents with the opportunity to give additional details about their experience and beliefs about the compensation practices at the company. These qualitative answers were evaluated and examined thematically to supplement the survey answers.

Restatement of Hypotheses. To guide the study and test the underlying assumptions, the following hypotheses were formulated:

H₀₁: Employee incentives do not significantly influence productivity.

H₁₁: Employee incentives are positively related to productivity.

H₀₂: Financial incentives do not improve employee performance.

H₁₂: Financial incentives significantly improve employee performance.

These hypotheses form the foundation for evaluating the statistical relationships between compensation variables and employee performance indicators.

Limitations of Methodology. Ideally, a probability-based sampling method would have ensured greater representation and statistical robustness. However, due to time constraints and logistical considerations, the study adopted a non-probabilistic sampling technique, which, while practical, may introduce selection bias.

Furthermore, the study was limited to a single branch (Oregun) of Unilever Nigeria Plc. This narrow scope restricts the extent to which the findings can be generalised across the entire organisation or similar firms within the industry. Despite these limitations, the study provides useful insights that could serve as a basis for further research and organisational benchmarking.

Method of Data Analysis. Quantitative data from the questionnaires were analysed using descriptive statistics, particularly simple percentages, to summarise demographic profiles and response trends. Responses were presented in frequency tables and later converted to percentage distributions for easier interpretation.

To test the hypotheses and explore the relationship between compensation variables and em-

ployee performance, the chi-square (χ^2) test was employed. The formula used for the chi-square analysis is as follows:

$$X^2 = \sum \frac{(O - E)^2}{E} \quad (1)$$

where O – Observed Frequency; E – Expected Frequency; Σ – Summation across all response categories.

The chi-square test allows the researcher to determine whether observed differences in employee responses are statistically significant or likely due to chance. Results were interpreted at a 5% significance level ($p < 0.05$), ensuring adequate rigour in hypothesis testing.

RESULTS AND DISCUSSION

A total of 40 respondents participated in the survey. Descriptive statistics were used to summarise the responses, followed by inferential analysis using chi-square tests to evaluate the stated hypotheses.

Demographic Characteristics of Respondents. Table 1 summarises the demographic profile of the respondents. The purpose of this data is to contextualise the perspectives shared in the compensation-performance relationship.

Table 1 – Demographic Profile of Respondents (n=40)

Variable	Category	Frequency	%
Gender	Male	26	65
	Female	14	35
Age	18–30 years	11	27.5
	31–45 years	21	52.5
	46 and above	8	20
Marital Status	Single	13	32.5
	Married	27	67.5
Educational	OND/HND	9	22.5

Variable	Category	Frequency	%
Qualification	Bachelor's degree	20	50
	Postgraduate degree	11	27.5
Job Level	Junior Staff	22	55
	Middle Management	14	35
	Senior Management	4	10

The demographic data reveal a fairly diverse employee pool, with the majority between the ages of 31 and 45. Most respondents held at least a bachelor's degree, and over half were in junior-level roles, making them ideal for gauging responses to compensation-based performance drivers.

Employee Perception of Compensation. Employees were asked to indicate their agreement with statements regarding their compensation using a 5-point Likert scale. Table 2 summarises the responses.

The responses indicate that while a portion of employees feel moderately satisfied with their salaries and benefits, a significant number express ambivalence or disagreement regarding the fairness and transparency of compensation practices.

Compensation and Performance Linkage. To further examine the relationship between compensation and performance, respondents were asked to assess how compensation affected their motivation, productivity, and willingness to exceed performance expectations. The results are presented in Table 3.

These findings suggest a positive perceived relationship between compensation and performance. Over 80% of respondents agree that improved compensation would directly enhance their performance. However, perceptions of performance-reward linkage remain mixed.

Table 2 – Perceptions of Compensation Fairness and Adequacy

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I am satisfied with my salary level.	6	13	10	8	3
My benefits (e.g., pension, medical) are adequate.	7	16	9	6	2
I believe my compensation reflects my performance.	5	10	11	10	4
I feel motivated by the compensation I receive.	8	14	7	9	2
Compensation practices in this company are transparent and fair.	4	12	10	9	5

Table 3 – Influence of Compensation on Performance

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Compensation motivates me to perform better.	10	18	6	4	2
I would improve performance if offered higher compensation.	15	17	4	3	1
I see a direct link between effort and reward in this company.	6	11	12	8	3
Non-monetary rewards encourage me to go beyond my duties.	8	14	9	6	3

Table 4 – Summary of Respondent Ratings on Compensation and Performance (%)

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The current compensation motivates me to perform better	5.0	12.5	20.0	37.5	25.0
I believe incentives are fairly distributed in the organisation	7.5	15.0	17.5	35.0	25.0
Non-financial rewards are important to my job satisfaction	2.5	7.5	25.0	40.0	25.0
My productivity is influenced by how well I am compensated	5.0	10.0	22.5	37.5	25.0
Performance appraisal influences compensation in my department	7.5	17.5	20.0	32.5	22.5

Interview Insights. To deepen the understanding of survey data, brief interviews were conducted with five employees and two HR personnel. Themes that emerged include the following:

- Many employees felt that while salaries were generally competitive, annual appraisals did not always translate to corresponding rewards.
- Non-financial incentives such as flexible schedules and recognition awards were appreciated but inconsistently implemented.
- HR officers emphasised that company-wide standardised pay structures sometimes limit differentiation based on performance.

These qualitative insights reveal underlying tensions between formal policy and employee perception, particularly concerning merit-based incentives.

Chi-Square Analysis. To statistically assess whether employee perceptions of compensation significantly influence their motivation, a chi-square test was conducted on responses to the statement: "The current compensation motivates me to perform better."

Observed Frequencies: Strongly Disagree: 2; Disagree: 5; Neutral: 8; Agree: 15; Strongly Agree: 10.

Assuming a uniform expected distribution (i.e., no preference), the expected frequency for each category would be eight responses (total = 40; $40 \div 5 = 8$).

The test produced the following results: Chi-square statistic (χ^2): 12.25; p-value: 0.016 (approx.)

The p-value of 0.016 is less than the conventional threshold of 0.05. This means we reject the null hypothesis and conclude that there is a statistically significant association between employee compensation and perceived motivation levels among staff at Unilever Nigeria Plc.

In simple terms, how employees feel about their compensation is not random; it meaningfully influences how motivated they are at work.

The results are interpreted in light of existing literature and theoretical frameworks, with emphasis on the relationship between compensation management and employee performance. The analysis draws on both descriptive statistics and inferential testing (specifically, the chi-square test), enabling a nuanced understanding of how compensation influences employee motivation, satisfaction, and productivity within the organisational context.

Overview of Key Findings. The data reveal several important trends regarding employee perceptions of compensation practices at Unilever Nigeria Plc. A majority of respondents agreed that their current compensation motivates them to perform better, while a significant portion acknowledged the importance of non-financial rewards. Responses also suggested that although many employees perceive incentive distribution as fair, there remains a degree of scepticism, particularly about how compensation is linked to performance appraisal outcomes.

The chi-square analysis further supports these findings by establishing a statistically significant relationship between employee compensation and motivation. This reinforces the hypothesis

that compensation systems, when perceived as fair and motivating, play a pivotal role in shaping employee attitudes and behaviours.

Compensation as a Driver of Motivation. The finding that 62.5% of respondents felt motivated by their current compensation aligns with extensive literature linking pay satisfaction to work motivation. According to [8], compensation is not merely a transactional mechanism but also a form of recognition that reinforces employee value. Expectancy Theory [22] also supports this view, suggesting that motivation arises when individuals believe that their effort will lead to desirable rewards.

At Unilever Nigeria Plc, this association appears robust. The chi-square test ($\chi^2 = 12.25$, $p = 0.016$) confirms a non-random relationship between compensation and motivation. This implies that the organisation's compensation structure, particularly its financial rewards, is meaningfully shaping employee engagement levels. Given that financial motivation remains a primary concern for employees in inflation-prone economies like Nigeria, this result is unsurprising. Employees want to feel that their efforts are recognised and that their performance is adequately rewarded.

However, it is worth noting that a minority of respondents (17.5%) either disagreed or strongly disagreed with the motivating effect of compensation. This suggests the presence of unmet expectations or inconsistencies in reward distribution, highlighting the need for periodic review of the organisation's reward structure to ensure alignment with employee needs and current economic realities.

Perceptions of Fairness and Equity in Incentive Distribution. Equity theory [23] asserts that employees continuously evaluate the fairness of their compensation by comparing it with that of their peers. In the present study, 60% of respondents agreed that incentives were fairly distributed. While this reflects a generally positive perception, the 22.5% who disagreed indicate a noticeable equity gap.

This finding is significant, as perceived unfairness in compensation can lead to dissatisfaction, reduced performance, and eventually higher turnover rates (Gerhart & Fang 2014). Unilever Nigeria Plc must therefore pay close attention to both internal and external equity. Internally, it should ensure that roles with comparable responsibilities are rewarded similarly. Externally,

it must benchmark against industry standards to remain competitive and attractive to talent.

Given the non-probabilistic nature of the sampling method, it is also possible that perceptions of fairness vary widely across departments. Managers may need to communicate compensation decisions more transparently and ensure that performance criteria used in reward allocation are well understood and objectively applied.

The Role of Non-Financial Incentives. An encouraging 65% of respondents agreed that non-financial rewards were important to their job satisfaction. This supports the findings [19], who argued that intrinsic motivators such as autonomy, recognition, and meaningful work can be as effective as financial rewards in sustaining performance. In Nigeria's employment landscape, where financial resources are often constrained, non-monetary rewards represent an important alternative or supplement to traditional pay structures.

At Unilever, non-financial rewards could include professional development opportunities, flexible working conditions, employee recognition programmes, and supportive leadership. Employees who find meaning in their roles and who feel supported by their supervisors are more likely to be engaged and productive, even when financial incentives are modest.

These findings also align with those of [27], who found that millennials in particular value workplace experiences that offer purpose, learning, and community. Given the increasing number of younger professionals in the Nigerian workforce, Unilever's reward system must be responsive to evolving generational preferences.

Productivity and Compensation Alignment. The majority of respondents (62.5%) affirmed that their level of compensation influences how productive they are at work. This finding is consistent with research [28], who showed a positive relationship between performance-based incentives and employee output. Employees who feel adequately rewarded tend to invest more effort in their roles, meet performance expectations, and contribute to team and organisational success.

Nevertheless, 15% of participants reported feeling that compensation does not influence their productivity. This minority could represent employees who are either intrinsically motivated or those who are disengaged, regardless of financial

incentives. Managers need to identify such individuals and explore alternative strategies such as coaching, re-skilling, or team realignment to re-engage them.

The implication is that compensation should not operate in isolation. It should be part of a holistic performance management system that includes clear goal setting, continuous feedback, personal development plans, and team collaboration frameworks.

Weak Links Between Appraisal and Compensation. The weakest area identified in the results was the perceived link between performance appraisal and compensation, with only 55% of respondents agreeing that appraisal outcomes influence pay decisions. This reveals a critical gap in the reward system. If employees do not see a clear and fair connection between how they are evaluated and how they are rewarded, the performance appraisal process risks becoming demotivating or irrelevant.

These finding echoes criticisms found in studies [29], who noted that misalignment between appraisal systems and compensation frameworks leads to employee disengagement and mistrust. In the context of Unilever Nigeria Plc, it may reflect inconsistencies in how appraisal data is used or a lack of communication about its purpose and impact on reward decisions.

To address this, HR policies should explicitly connect performance evaluation criteria to compensation adjustments. Employees must also be trained on how performance ratings are determined and what they mean for their career growth and financial progression.

Contextual Implications for Unilever Nigeria Plc. The discussion of these results must also consider the broader organisational and economic context. Operating in Nigeria presents unique challenges, including high inflation, currency fluctuations, and a competitive labour market. These factors influence both employee expectations and employer capacity to offer attractive compensation packages.

Unilever Nigeria Plc, as a multinational firm, is likely to be held to higher standards of HR practice. Therefore, maintaining a robust and fair compensation system is not only critical for performance but also for protecting the firm's employer brand. The findings of this study suggest that while the organisation has made meaningful efforts in this direction, there is still room for en-

hancement, especially in ensuring transparent performance-based pay, addressing equity concerns, and enriching non-financial incentives.

Theoretical and Practical Implications. The results support key theoretical frameworks in compensation management. Expectancy theory is validated through the significant association between compensation and motivation; equity theory is reflected in the importance of fair distribution; and reinforcement theory is supported by the relationship between rewards and behavioural outcomes [24].

Practically, the findings underscore the importance of aligning HR strategies with employee expectations and organisational goals. Compensation systems must be flexible enough to accommodate diverse motivational drivers while being robust enough to ensure equity, transparency, and sustainability. Managers should be trained to use compensation not only as a transactional reward but as a strategic lever for culture-building and performance enhancement.

CONCLUSIONS

This study examined the relationship between compensation management and employee performance at Unilever Nigeria Plc. The findings affirm that well-structured compensation – encompassing both financial and non-financial rewards – significantly influences employee motivation, productivity, and satisfaction. A majority of employees reported that their performance improves when they feel fairly rewarded, and that non-monetary benefits such as recognition and growth opportunities contribute meaningfully to job satisfaction. However, some respondents expressed concern about the perceived disconnect between performance appraisal outcomes and compensation, indicating a need for clearer, more transparent reward frameworks.

Based on these insights, it is recommended that Unilever strengthen the alignment between appraisal systems and compensation decisions to reinforce fairness and motivation. The company should also invest more in non-financial incentives and ensure regular communication around compensation policies. Additionally, periodic market benchmarking should be conducted to maintain competitiveness in Nigeria's dynamic labour market. By refining its compensation practices to reflect both employee expectations and organisational goals, Unilever can improve

retention, enhance productivity, and foster a more engaged workforce. Ultimately, a strategic, transparent, and inclusive approach to compen-

sation management will catalyse sustained organisational performance.

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