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## Performance Based Pay: A Study of 2 Nigerian Financial Institutions

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### **Abstract:**

*Purpose:* To critically investigate the effect/impact the implementation of both team and individual based pay in 2 Nigerian financial institutions when responses are measured in terms of teamwork, performance and culture.

*Design/Methodology/Approach:* The study presents the first empirical case-study research carried out in Nigeria. The data are based on 2 Nigerian financial. The analysis addresses the impact of the introduction of PRP and team pay within these institutions. Questionnaires were sent out to the 226 employees. Interviews were also carried out with both managers and employees across both organisations.

*Findings:* The findings indicate the importance of valence for monetary incentives, the instrumentality of performance for the monetary incentives and clear individual and group objectives for improving performance. On the basis of the analysis of the data from employees covered by the scheme, the results suggests that there are clear indications that employees prefer working with individual performance related pay than in teams, but would not mind working in teams if it is linked to a reward. The results also indicate that individual performance related pay has damaged the concept of team working and that the introduction of PRP brought about a culture change and enhanced employee performance. The findings highlighted a positive link between PRP, improved individual and organisational performance and change in culture and that PRP had a positive effect with employees on higher grade levels; this result support other results from a number of earlier UK studies.

*Research Limitations:* As this study utilises data from Nigerian financial institutions only, its results cannot be generalised to other sectors and countries characterised by different cultures and contexts. However, what is critical though is that the approach used to finding these results can be applied in a wide variety of situations, thus enabling the examination of external validity.

*Originality/Value:* This study is one of the first to explore the effect/impact of the introduction of individual and team performance related pay in Nigerian financial institutions and reflecting on the historic cultural context of gift giving and culture within organisations and the impact this has on the success or failure of PRP schemes. The results supports an interpretation of incentive pay as motivated by expectancy theory. Its implications should be of interest to human resource managers when designing reward strategies for their organisations.

**Keywords:** Nigeria, financial institutions, individual performance related pay, team pay, performance, culture and team working

### **1. Introduction**

For the past 15 years, UK governments have promoted new reward practices, not just with directly employed staff, but in the wider economy. The recent Conservative and Labour Governments both encouraged employers to set their paybill in line with the business situation and labour market conditions as a component of a flexible labour market (Reily, 2001; 2003). The need to shift from short term, ad hoc approaches to pay management to a longer-term strategic approach has been emphasized by the reward management literature. Under the notion of the 'new pay' (Lawler 1995) changes in pay and benefits systems have therefore been prescribed as key HRM objectives. There has been the shift away from collective bargained pay towards a more individual performance driven or skills-based systems; and an attempt to link pay systems with strategic organisational goals and the development of more variable and flexible pay components and reward systems (Drucker & White 1997).

Others (Smith 1992; 1993) have questioned the strategic and coherent nature of rewards in Britain. Smith (1993) suggests that, compared with America, the development of new reward systems in Britain has been much more circumscribed and far less coherent. Their adoption is viewed as a product of 'management fads' – introduced into organisations often in the face of opposition from the personnel function, stimulated by political intervention, particularly in the introduction of financial participation schemes, and more prevalent in certain sectors than others (e.g. finance). Changes in pay practices may have been more ad hoc than strategic and that apparent changes on the surface can be misleading. They conclude that the traditional approach to remuneration in Britain of 'muddling through' continues to dominate (Poole and Jenkins 1998). Successive pay surveys confirm the changes in the approach to pay by British employers (CIPD Reward Survey, 2004; 2008; 2012). These

surveys conclude that fundamental changes have occurred in pay practices. Almost half of the organisations reported some changes in their pay practices over the last two years – the main areas being salary structures, salary progression practices and the introduction of profit related pay (which can also be called performance related pay). There was also evidence that competency or skill based pay systems were on the increase. The survey found some increase of variable to base pay, especially in the finance sector but this was mainly for managerial and professional staff and senior management (CBI/Hay 1996; CIPD Reward Survey, 2004; 2008). The PSI survey (Casey et al., 1992) found that 81% of organisations had introduced some form of merit pay, but again this was concentrated in the higher occupational groups. Also the IMS/IPM survey (Bevan and Thompson 1991) emphasised that the policy approaches to managing performance were reward-led.

'Reward-driven integration' was the dominant model being used in the British industry (Poole and Jenkins 1998; Drucker and White 1997). Reward strategies differ considerably across Europe. While structured reward systems dominate Germany and the Netherlands, they are increasingly geared towards performance and risk related schemes. This is even truer for the UK which has seen a 'huge cultural shift in reward management'. Theory and empirical evidence suggests that performance related pay could improve employee overall performance (Armstrong, M., 1998) and a large body of literature also shares this view.

Prior research provides little evidence on the operation of team and individual performance pay operating in an organisation, its effect on team working, organisational culture and performance there seems to be gaps in the research work done so far; hence the need for this study.

The aim of this study is to critically investigate the impact the implementation of both team and individual based pay has when responses are measured in terms of teamwork, culture and employee performance. It would also examine the preferences of the employees towards individual and team reward (PRP) in the 2 Nigerian financial institutions.

## 2. Literature Review

The overall objective of performance related pay is to improve the performance of individual and organisational performance through the provision of incentives and rewards. The appearance of fairness has led to the growth of performance related pay and to its supposed incentives effects. In seeking to reward individuals for their personal contributions to business success the principles that underlie PRP make it attractive to employers and employees (Mardson and Richardson, 1991). Furthermore PRP provides a means whereby individuals can be motivated in an organisational environment with flatter hierarchies and in consequence fewer promotion opportunities. It also suits the needs of organisations in an era of relatively low inflation in which annual salary increases are no longer automatic but have to be earned. PRP allows managers to reinforce control over employees. The single most important objective of PRP is to improve employee performance by specifying to all employees the objectives and targets of the business; supporting and building a performance orientated culture by paying for results; emphasising individual performance or teamwork through various schemes and rewarding top performers.

Expectancy theory linked with Vroom (1964) and Porter and Lawler (1968) shows employees as having choices and emphasizes the motivational effects of incentives such as PRP and the troubles associated with poorly defined targets. Staff will be motivated by a reward (PRP) if they have value for it (its valence), or if they are sure that high performance will lead to attaining a given reward (instrumentality), and if they expect all their efforts will lead to the desired performance associated with the reward (Expectancy) (Marsden, 2003). This is what performance related pay promises that high performance will lead to a reward but the question lies in that is the monetary reward large enough to be valued by employees? Or is the link between performance and reward clear enough for employees to be motivated by it? In practical terms, the theory suggests a good appraisal system can demonstrate the link between effort and performance. Furthermore, a good appraisal system should reinforce the employees' perceptions that effort will result in reward performance requirements. Claims have been made that a well designed and implemented performance pay scheme can potentially increase an individual's productivity by 10-20% (Lawler, 1971).

However not all researchers are convinced of its role in raising productivity/performance as the circle of Valence-instrumentality-expectancy can be broken at different points. Staff may feel they lack the ability to increase their performance, or that the effort they put in will make very little difference to the desired performance, if unattainable work targets are given by the management, such may arise. Expectancy is thus undermined. (Institute of Manpower Studies 1992; Marsden, 2004). Trying to form the performance pay link has proved difficult over the past years and there have been few advances over the past years.

### 2.1. Pay-Performance Relationship

The pay-performance relationship can be interpreted in two ways; first, in terms of the sensitivity of pay to changes in performance and, second, in terms of the effects that a certain pay structure has on performance (Jensen, M. C., & Murphy, K. J., 1990). Another influential study documented that they found that the sensitivity of compensation to firm performance had risen dramatically because of large increases in stock- option grants. The increased importance of equity-based compensation in Dutch executive pay packages therefore suggests an increased pay-performance relationship in Dutch executive pay. These findings, however, only start to become interesting under the assumption that a stronger pay-performance relationship leads to improved firm performance, the main hypothesis of basic agency theory.

Agency theory according to Fama & Jensen, 1983; Jensen & Meckling (1976) deals with the motivation of human behavior, which is aligning principal (the "buyer" of a good or service) and agent (the provider of that good or service) interests through the use of agency controls (i.e., incentives or monitoring). PRP is one of the ways in which employers seek out ways to ensure employees act in the best interest of the organisation. Therefore employers could use the pay for performance link with schemes like performance related pay to modify the behaviour of their employees and motivate them to ensure that they act in the best interest of the organisation. The

pay for performance link ensures that employees work harder and improve their performance in order to increase the profitability of the organisation thereby acting in the best interest of the organisation, especially if the main aim of the organisation is profitability (Grimshaw and Rubery, 2007).

There have been various reviews of the empirical literature, which have attempted to answer the question; does performance related pay schemes produce higher performance? Each has presented a set of conclusions, which includes some examples of failure in this objective, but they tend to conform to the view that the overall direction of its effects is towards enhanced performance provided the design factors are met. Milkovich and Wigdor (1991) found that evidence concerning group performance related pay tends to be of a case study design, making overall quantification of the effects of group schemes on performance problematic. However as with individual PRP schemes, the actual design features of the schemes appeared to be the principal discriminators between enhanced and other performance. Studies show consistently those organisations, which manage to base performance related pay systems on meaningful goals, robust performance measures, significant rewards, and well provided links between performance and rewards operate systems which are most likely to result in enhanced performance.

A study carried out from the panel data of the 1998 Workplace Employee Relations Survey to explore the relationship between PRP and organisations performance found strong evidence that the use of PRP can enhance performance outcomes (Belfield, R & Marsden, D., 2003). This is supported by another research carried out in Finland which indicated that PRP improves both firm productivity and profitability by around 6% (Piekkola, 2005). Another study carried out in China investigating the attitudes of Chinese workers to IPRP found that the views of Chinese employees are positive towards PRP in principle, but the cultural characteristics must be taken into account for the successful design and implementation of any reward system (Bozionelos & Wang, 2007).

The successful implementation and operation of it appears to depend on at least two contextual variables: first the nature of the scheme in operation and second, the criteria used for judging success. PRP is not restricted in practice to individualised schemes – team/group-based schemes and organisation-wide schemes are becoming more common – this research will be restricted to the evidence on individual and team/group PRP. Richardson (1999a), in his report commissioned by the NUT, considered studies into the introduction of PRP in local government (Heery, 1996) and the NHS (Dowling and Richardson, 1997), which again rely on self-reported judgements about individual behaviour. While over half of the local government respondents said that performance related pay had had an impact on their work behaviour, a large majority did not believe that they had worked harder. Amongst the NHS workers, just fewer than 30% agreed that performance related pay had improved their motivation, but it was still a small percentage (12%) that agreed that they worked harder. (Research Papers in Education, Vol. 17 No 1, 2002). Heery's study (1996) of local Authority employees found that 14% admitted to concentrating on the measurable aspects of their job, while 10% said that they were less prepared to take on tasks not covered in their appraisal. This is not a large proportion but still undesirable and potentially dysfunctional. A research carried out in the NHS on the introduction of PRP found that there were tensions between PRP and feelings of equity (Corby, et.al, 2003).

## 2.2. Teamworking and Team Pay

Most of us probably think of a team as a small group of people, maybe up to a dozen working together to achieve a shared goal. However if we take Katzenbach and Smith's (1993) definition of teamworking as 'two or more people interacting (where) the combined effort and co-operation of each team member enhances the performance of the rest... (and) characterised by a deep sense of common purpose', then potentially much larger groups of people might be involved.

A variety of factors appear to explain the growth in the interest and incidence of team reward schemes. Dissatisfaction with individual incentives, business restructuring and the increasing importance of teamworking is apparent and 20% of the UK companies in the Tower Perrin's executive remuneration database are planning to place a greater emphasis on team goals in the future within their management incentive plans. Team based schemes appear to have a lot advantages in the new millennium. The popularity of team-based working and related HR initiatives have fuelled the interest in team and collective rewards (Armstrong and Brown, 1999). Following the trend in the United States of America there is a substantial increase in the level of interest in team rewards in the United Kingdom in recent years. An IPD (1994) study on teams and teamworking, encompassing over 100 UK organisations, found that 24% rewarded teamwork in some way, with 19% doing so in form of a cash bonus. An IRS (1998) survey found that team based pay remains at the margins of the current reward practices, operated by just 5% of the survey respondents.

Team-based reward plans are therefore no more likely to be universally successful than individual schemes, but they can in many organisations act as an effective component of performance related pay and reward strategy (Armstrong and Brown, 1999). Successful team reward plans according to Schuster (1987), need to be introduced and operated with clear objectives, as part of a comprehensive management strategy to engage employees in a collective effort to achieve key business goals. Companies without clearly stated objectives and a clear business rationale generally had unsuccessful plans. Successful companies on the other hand, operate their team reward plans as part of a total, holistic, approach incorporating senior management support and endorsement, and alongside a wide range of other team-building and performance management and communicative initiatives. One of the key problems specific to team reward schemes is the 'social loafing' or 'free rider' phenomenon, of individuals earning bonus through efforts of their higher performing and hardworking colleagues, even as evidenced in the work of Heneman and Von Hippel (1995). In ACA's research staff was far more dissatisfied with team rewards where they were not distributed to reflect individual contribution.

### 2.3. Reward Management and Culture

The dynamics of management of organisations in Africa arise basically from the interaction of African countries with western powers, countries and corporations, as well as through exposure to foreign and western management education. In addition, managers in Africa have had to manage the internal dynamics of inter-ethnic, cross-cultural difference and diversity. If anything, 'African management' is cross-cultural management (Mulat, 1998; Jackson, 2002). Hofstede (1991) defined culture as 'the software of the mind'. He helps us think about cultures impact on the ways in which 'collective mental programming' distinguishes a category of people from another. A very important challenge for firms is the impact of culture on rewards, as there is profound impact of dominant cultural influences resulting from the transference of western reward practices into the African culture. Consideration must be given to 'the range of business transitions that are breaking up national reward systems' (Sparrow, 1999). Sparrow (1999) also states that he believes that approaches and attitudes towards the drive for flexibility in employment relationships and work organisations are strongly influenced by the national culture of any country.

There is increasing evidence showing that western theories of motivation and work values in particular, need to be adapted to local cultural features of independent African countries (Orpen, 1979; Blunt, 1983; Munro, 1986). Much of this research has been hampered by measurement and definitional problems in addition to the wider issues associated with the substantial economic and social changes in many countries (Blunt, 1983; Munro, 1986; Jones, 1997). But research in comparative management suggests that an organisation's policies can lose their effectiveness when its cultural environment changes (Hofstede, 1980a, 1980b). Also several authors (Hofstede, 1980b; Kiggundu, 1988) have questioned the transferability of management techniques. As stated by several authors (Drucker, 1969; Hofstede, 1980a, 1980b, 1991), management theories are culture dependent. Theories developed in a given culture reflect the main patterns of that culture and are not easily transferable to other cultures and societies. African culture is collectivist in nature (Dia, 1991; Hofstede, 1991). The average African feels more comfortable when he or she is in a group rather than when alone. These cultural patterns such as the importance of group and solidarity may encourage the development of teamwork.

To understand the management of people in African countries, requires greater knowledge of group or team oriented societies where people define themselves as members of clans and communities and consider the group or team welfare to be very important. This is not a total and full explanation but it does give some understanding to some of the important management issues, differences and aspirations of organisations in African countries (Zeffane and Rugimbana, 1995; Zeffane, 1994). For example, HR policies may follow either individual or group orientations. Human resource managers in African countries will be more group oriented and may also tend to hire those most qualified as they value education especially if you studied abroad in developed nations like Europe or the Americas, but their major qualifications are trustworthiness, loyalty and compatibility with co-workers. They are also more likely to hire friends or relatives of people already working for the organisation, as this breeds a sense of belonging and loyalty amongst the employees.

In an empirical study carried out on a sample of public service managers in Botswana, Jones et al. (1996) found that their participants were more focused on developing strong relationship with their bosses rather than striving to reach organisational performance, this may serve as a way of benefiting from the boss's favours. Some of the evidence from which these comparisons are derived is anecdotal rather than measured, which may make it no less valid than measures whose underlying concepts may vary between cultures. All of these may be summarised by the words of Munro (1986), following his research work based in Zimbabwe, that "an interaction of value systems occurring in Africa... and ... indigenous theories of work motivation and values have not emerged and research methods that embody African values remains to be invented".

### 2.4. Nigeria and Influence of 'Money Culture'

Today, to talk of the Nigerian culture is to refer to a hybrid or mixture of the traditional culture of the people of Nigeria and the influenced culture of the developed world. There is now a survivalist and Machiavellian tendency which are strongly rooted in our world acclaimed devotion to and the worship of money (the ezego and igbuozu mentality) in our society. Police call it "a kola nut." Journalists call it "the brown envelope." And politicians call it "a welfare package." Whatever the name, the almighty bribe or money culture long has lubricated Nigerian society. A new culture has being formed over the years as this percentage returns permeated through all sectors of the economy from the police to the government and the educational sector and could be summarised as the '*negative Nigerian money culture*'. This culture encourages effort and commitment a given monetary price. By the current culture commitment is to self and family members rather than the system or the government, being able to acquire as much money for you and your family due to the level of insecurity in every aspect of the system. This is due to insecurity of jobs, political instability, poverty, social demands by extended family.

The traditional values of gift-giving and tributes to leaders in Nigeria often lead to what can be described as "polite corruption", the extent of such corruption is relatively small. The prevalence of this kind of corruption in Nigeria is illustrated by Chinua Achebe (1959), in his novel, Things Fall Apart. Here, a strong and determined young man, called Okonkwo, went to the 'great man' of his Igbo village to ask a favour. In seeking the loan of yam seeds to plant on his farm, Okonkwo brought a cock, a pot of palm-wine, a kola nut, and an alligator pepper. Offering them to elder, he said:

*'[Our father], I have brought you this little kola. As our people say, a man who pays respect to the Great paves the way for his own greatness. I have come to pay you my respects and also to ask a favour'*.

Thus, Okonkwo's gift-giving constitutes 'polite' corruption. It should be noted, however, that although gift-giving and tributes to leaders may lead to corruption, not every gift-giving should constitute corruption. A number of authors have pointed out that Africans know the difference between a polite gratuity and a bribe and that traditional (Nigerian) culture does recognise that the

community leader has a duty to his people, and that this bars systematic exploitation of office. What is the principle of PRP? Rewarding employees (in monetary terms) for improved performance. From the discussion above the Nigerian culture of gift-giving actually supports the principle of performance related pay and may actually be the rationale for the implementation of PRP in many Nigerian organisations, as it supports the culture of gift-giving when asking for a favour, though this favour is from employees. PRP could be seen as *polite corruption*, which is a generally acceptable culture in Nigeria; where the employer asks his employees for a favour (improved performance) – in return for money. But there is a danger of PRP spiralling out of control from the view of gift-giving and blatantly becoming bribery and corruption, where employees expect their organisations to bribe them with PRP payouts before they carry out their jobs, which would then enhance the ‘negative Nigerian money culture’ in organisations.

### 3. Research Methodology

The research approach/methodology used in this research is the case study research. Case studies excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Detailed contextual analysis of a limited number of events or conditions and their relationships are emphasized by case studies (Yin, 2003). In order to achieve the aim and objectives of the research, data was collected using the cross-sectional survey research strategy, which is predominantly by questionnaire but other sources such as semi-structured interview and the analysis of company documentation (profit & loss accounts) were utilised. These methods were used to enable triangulation (Triangulation refers to the process of ensuring that any defects in a particular methodology are compensated by use of another at appropriate points in the design), ensure validity and reduce bias.

The survey was carried out after the performance pay scheme had been in operation for more than three years in MASL and 2 years in FA PLC and the first and second performance pay awards had been received. The return rate was 71.8% giving 107 usable questionnaires for MASL and 67.7% for FA PLC giving 61 usable questionnaires. An integrated questionnaire has been developed specifically for this study.

- Part 1: Performance Related Pay

The multifactor performance related pay questionnaire by Thompson (1993) was used to determine employees responses/attitudes towards PRP, team working, performance, culture and the operation of both team and individual performance pay simultaneously and individual PRP. A five point Likert scale ranging from ‘strongly agree’ valued as ‘1’ to ‘strongly disagree’ valued as ‘5’ was used.

- Part 2: Demographic Questions

The demographic questions for this study consist of grade level in the organisation, age and sex of the employees.

Semi- structured interviews with senior management, middle management and employees were undertaken an exploratory and explanatory phase of the study, which enabled the researcher gain, a deeper understanding of the results from the questionnaire survey.

### 4. Data Analysis of the Sample

The results indicate that over 96% of employees were below the age of 40 years (This is currently the case in Nigerian financial institutions as an unspoken rule employers generally employee people under the age of 35 years, as employers). It appeared to be an organisation dominated by employees below 40 years and just over 57% of employees in both organisations are male and while 43% are females. There was significant impact on the findings when responses were measured in terms of grade level. The results indicated a positive link of PRP having a positive effect with employees on higher grade levels. 96% of management and senior management employees in both organisations indicated that the introduction of PRP had improved their performance. These employees are on a higher pay band therefore their performance payout is higher.

#### 4.1. The Results from the Questionnaires - The Means, Reliability Analysis and Correlation Tables Discussed

The data analysis proceeded in different stages. Firstly on scales where descriptive analysis was done finding the mean of the measures, then the second stage of analysis the researcher used reliability tests and found the Cronbach alpha values for the various variables, the third stage was the bivariate correlation analysis; which was carried out to determine if there was a link between any of the variables. This offers further evidence of reliability and validity.

4.1.1. Group and Combined Means for the Bank and Insurance Organisation

VARIABLES	INSURANCE	BANK	Combined Mean
	Grouped Mean (Insurance)	Grouped Mean (Bank)	Combined Group Mean for Both Organisations
Teamworking is Damaged by IPRP	1.85	2.69	2.27
IPRP (increases motivation)	3.00	2.18	2.60
Operating both Team & IPRP Simultaneously	2.25	2.14	2.20
Principle of PRP is a good one	4.38	3.73	4.05
Improved Individual Performance	2.40	3.63	3.02
Improved Organisational Performance	1.94	3.62	2.78
PRP led to a Culture	4.07	3.91	4.00

Table 1: Mean tables for both organisations and the combined mean

4.2.2. RELIABILITY ANALYSIS – Cronbach Alpha

VARIABLES	INSURANCE	BANK	COMBINED VALUES
	Cronbach Alpha Values	Cronbach Alpha Values	Cronbach Alpha Values
Teamworking	0.670	0.750	0.71
IPRP	0.741	0.773	0.76
Culture	0.857	0.771	0.81
Reward	0.642	0.898	0.77
PRP as a Whole	0.708	0.778	0.74
PRP & Performance	0.751	0.594	0.67

Table 2: Reliability Analysis Table

The Cronbach alpha assesses the internal consistency and unidimensionality for most of the measures/variables the exceeded the minimum benchmark of .70 as specified by Nunnally (1978). Thompson (1993) also agrees with this statement and generally recommends that if a scale should be used in comparing groups of respondents it should have an alpha co-efficient of 0.7 or greater.

4.2.3. Discussion of the Correlation Tables for Both Organisations

		IPRP	Team working	Culture	Performance	Level of Reward	Preference	Simultaneously	Damages teamwork
IPRP	Pearson Correlation	1	1.000(**)	.441	.573	.501	.482	-.026	-.274
	Sig. (2-tailed)		.000	.152	.051	.097	.113	.937	.389
	N	12	12	12	12	12	12	12	12
Team working	Pearson Correlation	1.000(**)	1	.435	.571	.502	.481	-.026	-.278
	Sig. (2-tailed)	.000		.158	.053	.096	.114	.936	.381
	N	12	12	12	12	12	12	12	12
Culture	Pearson Correlation	.441	.435	1	.799(**)	.411	.554	-.011	.126
	Sig. (2-tailed)	.152	.158		.002	.185	.062	.974	.695
	N	12	12	12	12	12	12	12	12

Performance	Pearson Correlation	.573	.571	.799(**)	1	.803(**)	.848(**)	.318	.223
	Sig. (2-tailed)	.051	.053	.002		.002	.000	.314	.487
	N	12	12	12	12	12	12	12	12
Level of Reward	Pearson Correlation	.501	.502	.411	.803(**)	1	.952(**)	.456	.140
	Sig. (2-tailed)	.097	.096	.185	.002		.000	.137	.663
	N	12	12	12	12	12	12	12	12
Preference	Pearson Correlation	.482	.481	.554	.848(**)	.952(**)	1	.486	.284
	Sig. (2-tailed)	.113	.114	.062	.000	.000		.109	.372
	N	12	12	12	12	12	12	12	12
Simultaneously	Pearson Correlation	-.026	-.026	-.011	.318	.456	.486	1	.758(**)
	Sig. (2-tailed)	.937	.936	.974	.314	.137	.109		.004
	N	12	12	12	12	12	12	12	12
Damages teamwork	Pearson Correlation	-.274	-.278	.126	.223	.140	.284	.758(**)	1
	Sig. (2-tailed)	.389	.381	.695	.487	.663	.372	.004	
	N	12	12	12	12	12	12	12	12

Table 3: Discussion of the Correlation Tables for Both Organisations

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

- The correlation results indicated:
- A relationship between PRP and teamworking
- A relationship between PRP enhancing the performance of employees and the organisation
- A relationship between PRP and the culture of the organisation.
- The results indicate a relationship between the level of reward, their preference for individual PRP and PRP leading to a change in the culture of the organisation.
- The results above indicate that working simultaneously with both individual and team performance related pay damages teamwork amongst team members.

## 5. Discussion of Results

The general outcomes from employees across both organisations is that the idea of PRP is a good one and they all seem to agree that the introduction of PRP has led to a change in the culture of the both organisations; but the level of reward associated with PRP should be substantially increased. Employees from the bank believe that introduction of PRP has substantially increased their performance and that of their organisation; while the opposite is the case for the insurance organisation, but they agreed that PRP had changed the culture of their organisation. The findings from the questionnaire survey prompted the researcher to carry out interviews and probe further in order to enhance greater depth of knowledge and understanding.

### 5.1. PRP and Culture Change

The combined mean score from the questionnaire survey for this question is 4.00, indicating that the operation of PRP has definitely led to a change in the culture of the organisation to that of a performance oriented one. When results are assessed separately in both organisations, there is very little change in the mean score though the mean score is slightly higher for the responses from the insurance organisation (4.07) when compared to that of the bank (3.91). As an employee from the bank commented during the interviews when asked if the introduction of performance pay had led to a change in the culture of the organisation since its introduction.

‘Yes of course. It is very performance oriented. In most financial institutions this is the culture. You just have to work for what you earn. Why should I pay you when you haven’t put in justified your earnings’. (Employee, Bank, Uyo Branch)

This result could be due to the drastic change from the traditional form of reward; when pay was not tied to any form of performance or organisational profits, to the ‘new pay’ in which most of your pay is tied to a form of performance be it individual or organisational.

This new 'money and performance' culture found in the financial sector has been brought about by increased competition for customers - one of the ways of competing in a saturated market was by changing the culture using performance related pay schemes which was transferred into the country from developed countries such as USA and Britain. This scheme promised employers and management increased performance from employees thereby leading to increased profits for the organisation by lowering costs, changing the culture and recruiting. Research results indicate that a quarter of the PRP schemes (26%) which aimed to support a change in culture failed in this process (CIPD, 2008). This indicates that nearly three quarters of schemes succeeded in changing their cultures using PRP schemes. What also seems to be more significant is the culture of the country of Nigeria itself seems to align itself with the culture of the financial sector. It has been noted by many Nigerian writers and authors such as Anyanwu (2000) that Nigeria is a country whose main culture and people have evolved over the years to care so much and very deeply about money. Also the high level of unemployment and disparity between the poor and the rich may have brought about this 'money' culture.

### 5.2. PRP and Damage to Teamwork

The negative impact of individual performance pay schemes on team working is indicated from this study. The combined mean for both organisations is 3.47. There is a stronger response from employees in the insurance organisation with a high mean score of 3.8 when compared to the banks mean score of 3.13. This supports the findings of Stredwick J. (2000) whose research of performance pay in a telecoms company had a high negative mean score of 4.76 when the question was asked if performance pay has helped the department work as a team and Robinson (1992) whose research in a large pharmaceutical company found that 82% of employees said the performance pay scheme does not encourage teamwork; also a research by Marsden and French (1998) in the NHS found that almost two thirds of staff felt that the performance pay scheme had undercut teamworking.

There are conflicting findings from this research, indicating that employees recognise that team working would be enhanced (2.34) if it is rewarded in one form or the other but still believe that it may not work with the individual performance pay in operation as it may breed competition and jealousies amongst team members. The combined mean score results for the question which asked if it is easier for targets to be met as a team, than as an individual was 2.98, indicating a preference for individual performance pay, yet when results were assessed in both organisations separately the insurance organisation had a mean score of 2.2, indicating a preference for teamworking; while the bank had a mean score of 3.77, indicating they preferred working on their own (IPRP). This result for the bank is rather surprising when assessed in relation to the culture of the nation as a whole, which is quite collective in nature or group oriented.

Comment from a HR manager at the head office (Bank, Uyo):

'Employees like working in teams only when there is a team reward associated with it. It could be much easier to meet the set targets as you can rely on other team members to help you out when you face a problem. It works like a mafia here; you must pull your weight in the team or leave the team. I think also our African culture encourages it as we are quite group and family oriented. Always wanting to belong to something and the team creates that for us since we spend nearly 10 hrs per day in the office' (Insurance, HR Manager, Uyo).

Again the culture of Nigeria as a country seems to come into play here as Anakwe and Purohit, 2000; Gannon 2001 and Hofstede, 1980, 1997 have described Nigeria and other African countries as collectivist in nature. Collectivism indicates the extent to which a society is group oriented and identifies with certain in-groups in conducting daily life activities. This collectivist orientation is consistent with the principle of traditional system of organisation described by Ahiauzu (1986), team work is emphasized (Anakwe, 2002).

### 5.3. PRP and Performance

One of the main reasons for introducing performance pay is to improve performance and profitability. The combined mean score indicates that performance related pay has improved individual (3.01) but not organisational (2.78) performance. When results are assessed separately, it indicates a high mean score for the bank of 3.62 this indicates that employees support the view that since the introduction of performance related pay in their organisation, their performance and that of the organisation has improved. As a branch manager stated during my interview with him regarding the PRP and the performance of the organisation.

Comments from a branch manager in the bank when asked if performance pay has improved employee and organisational performance:

'I think so because we have recorded profits for the past three years. Most banks in Nigeria have some form of performance pay in place. It is such a competitive market. There has also been some expansions and the opening up of new branches in the south eastern region of Nigeria'. (Bank, Branch manager, Abuja)

In a study by Marsden and French (1998) he found that less than one fifth of the respondents felt that their performance had increased as a result of PRP. The mean score for the insurance is 2.17 which indicate that employees in the insurance organisation disagree that since the introduction of performance pay that their performance and that of their organisation has improved. Fewer than 4% of employees agree that the introduction of performance related pay has improved the performance of the organisation.

Comment from an employee in the insurance when asked if performance pay has increased organisational and employee performance:



'They say (the management) that the introduction of performance pay in this organisation is to improve performance and change the culture of the organisation. Management made that decision but we do wonder if performance has improved? I would say a little if not we would have all been made redundant. (Employee, Insurance, Abuja Branch)

The findings from this study indicate that employees from both organisations were more positive towards the principle of PRP. This supports the study by Bozionelos and Wang (2007) of Chinese employees that they were more positive towards the principle of equity based reward systems. The correlation and survey results from the bank also indicate a positive relationship between PRP enhancing the performance of employees and the organisation as a whole. These findings supports the research carried out in Finland by Piekkola (2005) which showed that PRP raises productivity and profitability but only if the reward is high enough. The research also indicated that the PRP schemes researched was seen to substantially improve firm performance without creating much wage pressure. The IPD (1998) survey indicated that performance pay has only been partly successful in reaching its objectives. Over eight in ten schemes (86%) are said to have improved individual performance, although when asked to indicate the relative level of improvement, most said it was 'small'. Half of the merit schemes (50%) have enhanced corporate performance. The results also indicated a strong link between the performance of employees and the level of reward given to employees and their preference for individual performance related pay.

There are strong indications from the correlation, the survey and interviews results of this research that working with individual performance related pay damages teamwork amongst team members. Employees in both organisations agree that PRP damages teamwork. According to a survey conducted at a large pharmaceutical company, it found that 82% of staff believed that performance related pay did not encourage teamwork (Armstrong, 1997). Perhaps the most worrying aspect is that PRP seems to contradict the emphasis of teamwork. Focusing on individual goals in a situation can undermine team spirit and co-operation, at the very least employees may focus their attention on individual targets especially if they are artificially contrived for the benefit of the operation of the pay system at the expense of the performance of the whole group or the organisation as a whole (Newell and Scarbrough, 2002). Katzenbach, J. and Smith, D. (1993) assert that 'teams out perform individuals acting alone or in large organizational groupings, especially where performance requires multiple skills judgements and experiences'. Yet Kohn (1993) argues that, 'performance related rewards rupture relationships', irrespective of their definition and team or individual focus.

Research evidence from both organisations indicates that PRP has lead to a change in the culture of their organisations. In the insurance organisation, it had lead to a complaining culture focused on targets and rewards while in the bank it has lead to a performance oriented culture. As an employee in the insurance organisation puts it, when asked if PRP had changed the culture of their organisation:

*'I don't know, maybe a complaining one. We are demotivated; only management feels it has made us more performance oriented (Employee, Insurance, and Abuja Branch)'.*

In summary the results indicate that

- PRP damages teamwork amongst team members.
- Employees in both organisations agree that IPRP damages teamworking.
- Employees in both organisations agree that the reward linked to PRP should be substantially increased as it is not enough to motivate them to do better at their jobs.
- Employees in both organisations agree that PRP has lead to a change in the culture of their organisations.
- Employees in both organisations agree that the introduction of PRP has lead to an increase in their performance and that of their organisation; but when the results are assessed separately, there is evidence that employees from the insurance organisation were less positive that the introduction of PRP had lead to an improvement in their performance and that of their organisation.
- Employees in both organisations believe that the principle of PRP is a good one.
- The results indicated a positive link of PRP having a positive effect with employees on higher grade levels.

## 6. Conclusion

The principle of performance related pay appears to be a good one but its implementation and operation in these organisations has led to a lot of other problems for these organisations; it is like 'opening a can of worms' and these problems include: focus on only jobs linked to a reward, Increased competition among employees, concept of team work being damaged. This also damages the African culture as it is becoming accepted as in the workplace to become more individualistic, the performance payout cost spiralling out of control and enhancing the money culture rampant in the financial sector. Though the PRP scheme being operated in the mortgage bank appears to be successful but care should be taken to ensure that the cost of operating the scheme does not spiral out of control. PRP should not be used as a quick fix for problems as that was the case in this organisation. In the insurance organisation, PRP failed to deliver its promises, but rather compounded an underlying problem, which was and still is the underlying culture of the organisation.

### 6.1. Contribution to Knowledge, Implications for Practice and Future Research

The results from the present research strongly support the expectancy model as a basis for establishing a PRP system that enhances and improvements in individual and team performance and the agency model also explains how employers use PRP to seek out ways of ensuring employees will act in the best interests of the organisation. Though the expectancy model, agency

model and performance related pay programmes have been widely tested in Western societies with similar results, this research examined the introduction of PRP in an African society, Nigeria in particular with a very different culture.

This study was conducted in 2 privately owned Nigerian financial institutions and one of the institutions (FA) has had a history steeped in the public sector with a culture not focused on performance but on service delivery, while the other organisation (MASL) has always been privately owned, with performance and profitability as the main focus of the organisation, therefore it is not certain whether the findings are generalisable to organisations under different ownership status and in other sectors. Also most of the participants in the main part of the findings were below the age of forty years, which is a common feature of the financial sector in Nigeria. Therefore there should be caution regarding the generalisation of the findings to older generations as there may be differences in work attitudes. The main implication for this study is that care must be taken in the generalisability of the results as this research reflects 2 organisations in the same sector, measuring the effect of the introduction of PRP; what is critical though is that the approach taken to arrive at these findings and results can be applied in a wide variety of situations, thus enabling the examination of external validity.

There are several implications and areas for future research. A major area of research would be to determine if the extent to which specific characteristics of an organisation relates to the implementation of PRP schemes and how the surrounding culture impacts on the success or failure of the scheme. The culture of the host country, sectors and organisation is something management did not take into account when introducing and implementing the new reward strategy (performance related pay) – culture plays an important role in the success or failure of any new management practice being introduced into an organisation. This confirms Ahiauzu (1989) statement that the existing culture of the people and the organisation actually influence the success or failure of Western management techniques in developing countries. Care should be taken when implementing and transferring new management practices as the differences in the underlying culture can affect the actual operation, implementation and outcomes of the management scheme.

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