

COMPENSATION STRATEGY AND ORGANIZATIONAL SUSTAINABILITY IN PHARMACEUTICAL FIRMS IN PORT HARCOURT

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Article Info

Keywords: Compensation, Organizational, Strategy, Sustainability

DOI

10.5281/zenodo.8410256

Abstract

This study aims to analyze the effect of compensation strategy and organizational sustainability in the pharmaceutical companies in Port Harcourt. The effect of compensation strategies and how this can decide whether an organization will grow. The two strategies are closely related because the compensation system is a critical component of an organization's overall HR strategy. An effective compensation system can help attract, retain, and motivate employees while also ensuring the organization's financial sustainability. In any profit-oriented organization, the employment relationship is seen as an exchange process where employees provide inputs in terms of skills and expertise in return for various compensations from the employer. From the perspective of the employee, pay has an important influence on the Standard of living, status, and security. Less direct forms of compensation such as health care, pensions, and other benefits also impact employees' well-being. From the employer's point of view, compensation is both a major cost of doing business that needs to be controlled and an investment that must generate adequate returns in terms of employee attitudes, skills, behaviors, and organizational performance. In the present research work, we survey some of the research evidence on compensation in relation to staff performance and its influence in organizational sustainability. The survey will be looking at the pharmaceutical companies and shops in Port Harcourt. I singled out Barata Pharmacy for this research to find out various compensation strategy if it has influenced its sustainability over the years. An online, social media questionnaire was adopted as well as physical questions were asked. The results of this study indicate that compensation has a positive and significant effect on work satisfaction, and organization sustainability.

1.1 Introduction

Compensation strategies can influence organizational sustainability by incentivizing employees to adopt sustainable practices and behaviors. According to an article in the Harvard Business Review, (Seymour Burchman and Blair Jones, 2019). Companies can tie executive compensation to sustainability by following steps: Clarify the organizational scope, Identify the right metrics, Set the right targets, Determine the right incentives, and communicate effectively. Compensation strategies refer to the plans that describe how a company determines employee benefits and pay. These plans include information on the company's goals for providing compensation and remuneration ranges for roles within the company. It also outlines how the company evaluates employees when determining compensation. Organizational sustainability is a concept that covers various aspects of an organization's ability to maintain and improve its performance, profitability, customer and worker satisfaction, and competitiveness in the face of challenges. It also involves having the leadership, talent, global insights, and change strategies necessary for success in the 21st century. Additionally, it encompasses the environmental, societal, and economic impacts of the organization's operations, such as resource optimization, waste reduction, emissions reduction, corporate citizenship, social development, research and innovation, procurement, supply chain, logistics, governance, sustainability management tools, employee relations, and health.

Compensation and organizational sustainability can spur growth in the pharmaceutical industry by following sustainable supply chain processes such as sustainable design and development, strategic sourcing, sustainable product returns, and recycling. The COVID-19 pandemic has prompted pharma companies to rethink their organizational strategies. These global trends have six major implications for pharmacies: rising operational complexity, increasing risk, shifting capability requirements, higher capital expenditure requirements, variable-cost increases, and opportunities for savings. (McKinsey & Company, Oct. 2022). Many organizations had tried various means of compensation for their employees as a means of boosting loyalty and sustaining their growth and dominance in the marketplace using a motivated workforce. By aligning executives' financial incentives with company strategy, a firm can inspire its management to deliver superior results. But it can be hard to get pay packages right. Decisions about executive pay can have an indelible impact on a company. When managed carefully, compensation aligns people's behavior with the company's strategy and generates better performance. When it's managed poorly, the effects can be devastating: the loss of key talent, demotivation, misaligned objectives, and poor shareholder returns. Given the high stakes, it's critical for boards and management teams to get compensation right.

1.2 Statement of the Problem

Most Organizations might be faced with the challenge of higher compensation in relation to Organizational sustainability and expected profit margin for its shareholders. Now this seminar will be looking at compensation strategies and their effect or impact on sustaining an organization especially pharmaceutical firms in Port Harcourt.

1.3 Objective of the Study

The broad objective of this study is to examine the effect of compensation strategy on organizational sustainability in pharmaceutical firms in Port Harcourt. Specifically, the study intends to:

- i. Examine the effect of fringe benefits on organizational sustainability in pharmaceutical firms in Port Harcourt.
- ii. Evaluate the effect of career development on organizational sustainability in pharmaceutical firms in Port Harcourt.

1.4 Hypothesis of the Study

The following postulations stated in null form guided this study.

- i. Fringe benefits have no significant effect on organizational sustainability in pharmaceutical firms in Port Harcourt.
- ii. Career development has no significant effect on organizational sustainability in pharmaceutical firms in Port Harcourt.

Review of Related Literature

2.1 Conceptual Review

Compensation

Compensation is the remuneration received by an employee in returns of their contribution to the organization. The compensation management is an organized practice which is important for balancing the work and employee relationship by providing monetary and non-monetary compensation to employees. Compensation includes all form of pay given to the employees which arise from the employment. The one of the strapping features of the organizations is compensation management and they used it to attract and retain the most important and worthy assets. The compensation management is considered to be a complex process which requires accuracy and precision and if not carried out properly may lead to employees' dissatisfaction Khan, Aslam, Lodhi (2011).

Compensation Management

Compensation is the set of valuable things that are given to employees in exchange for their labor. Usually, compensation is money, which is given to employees as an hourly wage or salary. However, in addition, to pay, some organizations offer benefits, stock options, bonuses, profit sharing, commissions, allowances, and other rewards. It is very common for labor to be the largest expense for an organization. As such, systems are put in place that attempt to ensure that no money is being wasted and that the money that is spent secures the highest levels of productivity from the best employees possible. These systems are called compensation management. The ideal compensation management system pays employees well enough to be motivated to do their best and wants to stay with an organization. New talent will be drawn to the company based at least in part on the fact that employees at the firm are compensated fairly. Those who are not performing at high levels will receive less pay than their productive counterparts and will eventually leave the organization to make room for more-talented individuals. A compensation system that bases reward on individual performance results is suggested to be a PFP scheme in the present study. The employee understands that there is a straight connection between their performance results and their compensation reward, generally, PFP indicates that there is a meaningful proportion of total compensation that is "pay at risk", while a commission scheme might be a pure example of PFP. To provide an incentive for the employee to perform, the linkage between the employee's performance and their pay in PFP programs is assumed, Cammann & Lawler (1973)

Compensation Strategy

A compensation strategy outlines your organization's approach towards pay and benefits for your employees. This includes your business' position on the job market, the level of the total cash, the main bonus principles in the organization, rules for the base salary, and employee benefits. Compensation Strategy is seen as one of the most important strategies in the human resource management function as it influences the productivity and growth of an organization. Recently, numerous special journal issues have emerged on compensation, often focusing on organization differences. Also published series of papers by scholars in the management field that reviewed the effectiveness of pay programs such as profit sharing, employee ownership, and so forth, (Obasan, 2012).

Fringe benefits

Fringe benefits are forms of indirect compensation given to an employee or group of employees as a part of organizational membership. Bratton and Gold (2009) defined them as that part of the total reward package provided to employees in addition to base or performance pay. Fringe benefits focus on maintaining (or improving) the quality of life for employees and providing a level of protection and financial security for workers

and for their family members. Like base pay plans, the major objective for most organizational fringe compensation programs is to attract, retain and motivate qualified, competent employees (Bernardin, 2017). Erbas (2012) defined fringe benefits as compensation in addition to direct wages or salaries, such as company car, house allowance, medical insurance, paid holidays, pension schemes, subsidized meals. Some fringe benefits are regarded part of a taxable income.

Career Development

Career development defines as an organized, planned endeavor; which involves structured activities or processes, resulting in a mutual career conspiracy effort between the employees and the organization. It is an ongoing process by which individuals progress through a series of steps, each of which characterizes by a relatively unique set of issues, themes, and actions. Career development is a very important aspect of a person's life. Rewards and benefits are obtained only when a person can develop a career. Career development helps individuals to develop their capabilities and improve their performance, Nagecshwar D (2018). Career development is a joint responsibility of an employee and the organization. If an employee wants only the organization to develop his career, the organization is likely to impose too much organizational control restricting the autonomy of that employee. Therefore, it is advised that you should be instrumental to manage your own career.

Theories of compensation generally assume that higher performance requires greater effort or that it is in some other way associated with disutility on the part of workers. In order to provide incentives, these theories predict the existence of reward systems that structure compensation so that a worker's expected utility increases with observed productivity. These rewards can take many different forms, including praise from superiors and co-workers, implicit promises of future promotion opportunities, feelings of self-esteem that come from superior achievement and recognition, and current and future cash rewards related to performance. Analysts, while recognizing that non-monetary rewards for performance can be important, tend to focus on monetary rewards because individuals are willing to substitute non-monetary for monetary rewards and because money represents a generalized claim on resources and is therefore in general preferred over an equal dollar-value payment in kind.

Evidence from research on compensation plans indicates that explicit financial rewards in the form of transitory performance-based bonuses seldom account for an important part of a worker's compensation. Medoff and Abraham (1980), who examine the pay of managerial and professional employees in two large manufacturing firms, find little differences in earnings resulting from superior performance.

Lawler (1971, p. 158) cites six separate studies of the relationship between pay and performance, and finds that "their evidence indicates that pay is not very closely related to performance in many organizations that claim to have merit increase salary systems. The studies suggest that many business reorganizations do not do a very good job of tying pay to performance. This conclusion is rather surprising in light of many companies' very frequent claims that their pay systems are based on merit. Surprisingly, pay does not seem to be related to performance at the managerial level. Thus, the Medoff and Abraham evidence seems to be indicative of general performance measurement and compensation systems, and we have no thorough understanding of the forces responsible for these practices.

The potential benefits of tying pay to performance are obvious, and it is surprising to researchers that firms resist introducing bonus-based compensation plans with enough financial "action" to have a major

2.2 Theoretical Framework

Three main theories are used by human resource professionals when developing compensation management plans:

Behavior reinforcement theory is similar to that of operant conditioning. If a person is rewarded for a particular behavior, he or she is more likely to perform those actions again. You can probably think about a time when you

did something that made your parents or teacher happy, and you were rewarded in some way. The positive reaction motivated you to do the same actions again because you would anticipate getting the same or a similar reward.

Equity theory suggests that employees' actions will be changed based on their perception of how they are paid in comparison to their coworkers. For example, if you and Billy work the same number of hours and have the same type of job and a similar level of work experience, you would expect to be paid fairly and about the same salary. However, if you discovered that Billy was paid more than you are, then your productivity will probably decrease so that you are only working up to the fair level based on your new perception of your compensation.

Agency theory attempts to use pay to get the different interests of people involved with the company to become the same. There are many categories of people within a company and each has its own set of priorities: Employees wish to have a safe workplace, to be paid fairly based on their level of effort, and maybe even share in company profits if the company is successful. After all, the company could not make profits without employees.

a. Management seeks to increase the productivity of employees and to be paid fairly based on their level of expertise within the organization.

b. Stockholders want the company to maximize profits by reducing costs (including labor expenses) while increasing the value and reputation of the company.

As you can see, the priorities of each group can be in direct conflict. The agency theory of compensation management can make it a priority to maximize productivity, performance, and the reputation of the company so that employees, management, and stockholders all ultimately have the same goals.

2.3 Empirical Review

Obasan (2012) conducted a study on the effect of compensation strategy on corporate performance in the manufacturing industry in Nigeria. Cross-sectional data analysis was used for this study. The results revealed that compensation strategy has the potential beneficial effects of enhancing workers' productivity and by extension improving the overall organizational performance.

Tausif (2012) conducted a study on the relationship between fringe benefits (such as promotion, job enrichment, health protection benefits, recognition and job autonomy) and job satisfaction for the educational sector of Pakistan. Survey Design was used. The results revealed that there is a strong relationship of fringe rewards with job satisfaction and satisfaction increases with the age, and the older employees are more satisfied with retirement benefits than younger employees.

Adighije, Nkechi and Dialoke (2017) conducted a study on the effects of career growth on employees' performance with reference to the Non-academic Staff of Michael Okpara University of Agriculture Umudike in Abia State, Nigeria. Survey research design was adopted. The results revealed that there is a positive and significant correlation between career development and the performance of the Non-academic Staff of the university.

Saud, Tulus, Asri, Huni & Mugi (2017) examines the influence of career development on employee performance in public sector in Indonesia. Structural equation analysis with SmartPLS 2.0 program was used. The results revealed that career development has positive direct influence on perceived organizational support, motivation, and affective commitment.

Oaya, Mambula and Anyatonwu (2019) conducted a study on the impact of fringe benefits on employee performance using Nasco Group in Jos, Nigeria as a study. The study adopted descriptive survey research design, while regression method of analysis was used in carrying out the empirical analysis. Findings from the study showed that health protection benefits have a positive and significant impact on employee performance in Nasco group.

Kang and Lee (2021) conducted a study on employee compensation strategy as sustainable competitive advantage for Hr. education practitioners in America. Survey data was used for this study. The results revealed that there

are significant relationships statistically between employee competencies and organizational cultures in this firms in America.

Methodology

This study involves largely the use of primary data for empirical analysis. The primary data were obtained with the use of structured questionnaires and selected interviews. The questionnaires were both open-ended and close-ended questions. The random sampling technique was employed in the distribution of the questionnaires. The population for this research covers only Barata Pharmacy located in Port Harcourt. The population size is 140 staff at its two branches in Port Harcourt.

Method of Data Analysis

The data was generated using an online questionnaire, general observation, and one on one interviews with Barata Pharmacy staff. Using questionnaires made it easy for me to assess the opinions and thoughts of the staff in respect of compensation strategy that could positively enhance organizational sustainability. Out of the 140 staff who received a questionnaire, 100 responded. 80 of the staff said with better compensation they shall help the company grow and put in their best effort. 20 of the staff said if they have a better offer elsewhere, they may leave. 50% of the sample size is indifferent about career development whether it will encourage their stay but will rather make them go for higher positions elsewhere. The above research confirms that 80% of my sample size agrees with my hypothesis which says "Compensation strategy has no significant effect on organizational sustainability in pharmaceutical firms in Port Harcourt. However, 20% of the sample size still believe fringe benefits have no significant effect on organizational sustainability in pharmaceutical firms in Port Harcourt. 50% of the sample size did not agree that career development has any effect on organizational sustainability at Barata pharmaceutical firms in Port Harcourt

4.1 Data Presentation

In this section, the data generated from the pharmaceutical company - Barata were presented, A total of one hundred and forty (140) copies of questionnaires were distributed online using WhatsApp to the respondents, out of which hundred (100) copies of the questionnaire were properly answered or filled and found relevant to this study.

4.2 Data Analysis

This analysis is based on my research questions as presented below.

Research Question One: To what extent does compensation strategy affect organizational sustainability in pharmaceutical firms in Port Harcourt?

Table 1: Respondents’ Opinion: Why do you think an employee should be compensated?

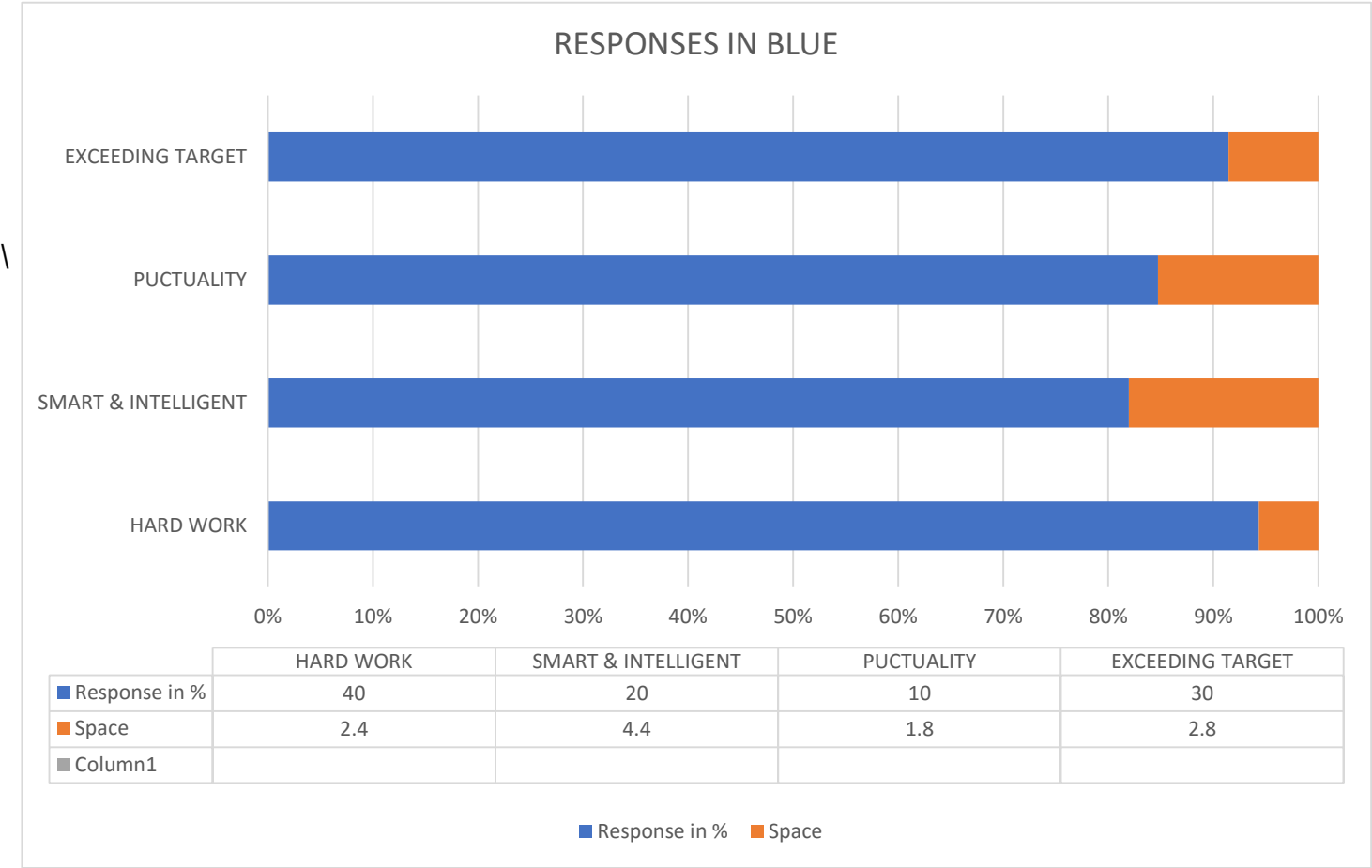


Table 2: Respondents’ Opinion: To what extent does fringe benefit affect organizational sustainability in pharmaceutical firms?

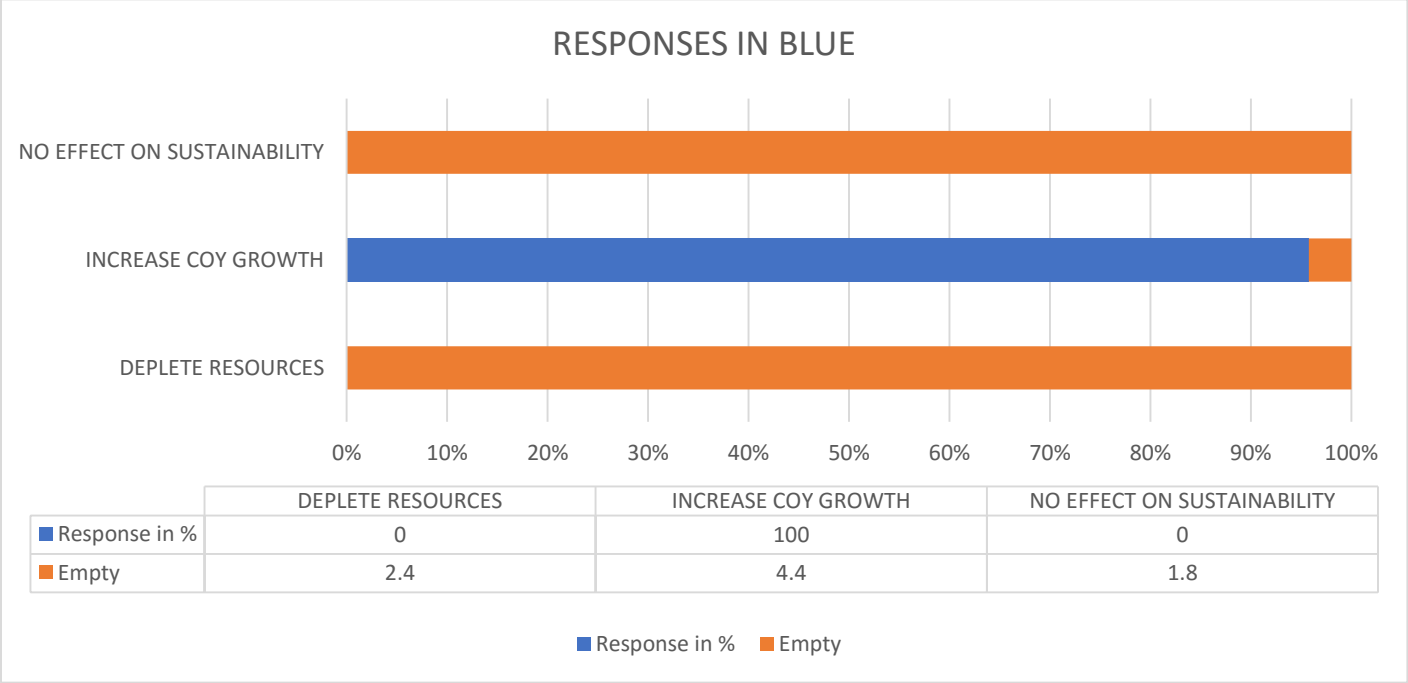
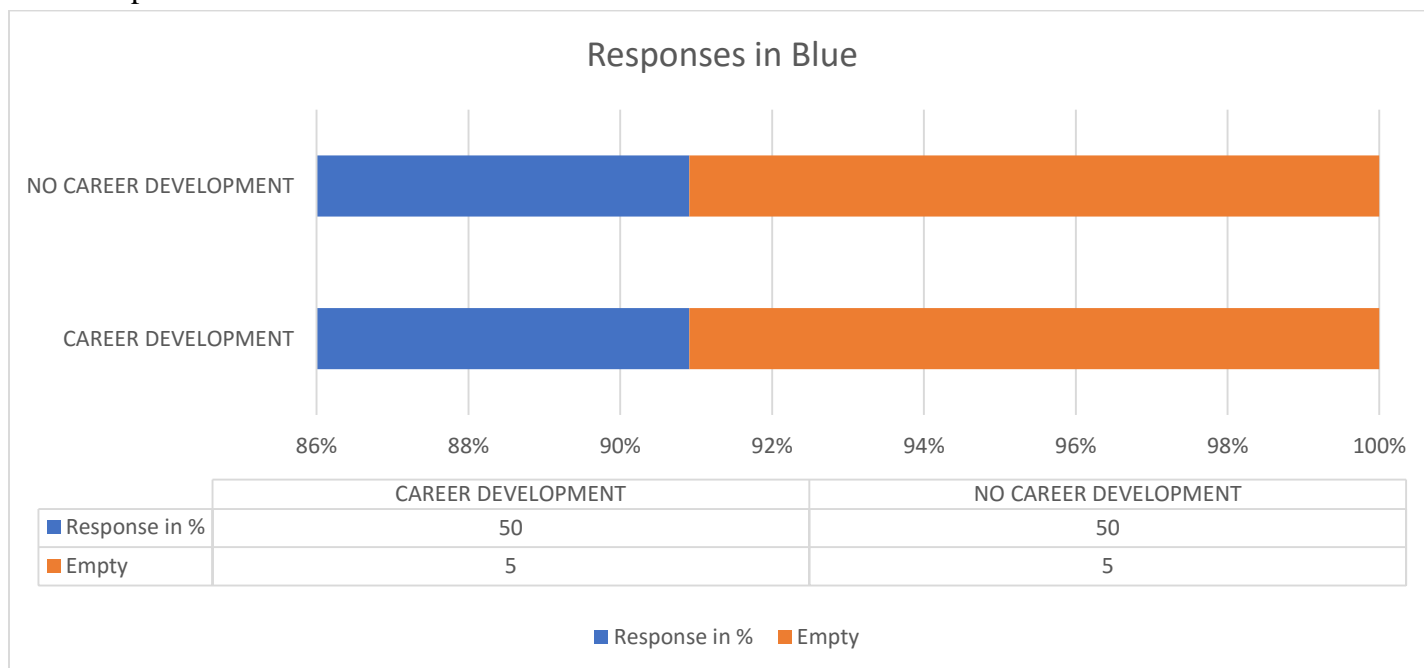


Table 3: Respondents' Opinion: To what degree does career development affect organizational sustainability at Barata pharmaceutical firms?



4.3 Hypothesis Testing:

- i. Fringe benefits have a significant effect on organizational sustainability in pharmaceutical firms in Port Harcourt.
- ii. Career development has no significant effect on organizational sustainability in pharmaceutical firms in Port Harcourt

Discussion of Findings

This work examined compensation strategy and organizational sustainability in pharmaceutical firms in Port Harcourt with a particular reference to Barata Pharmacy. The results showed that the compensation system has a significant positive effect on organizational sustainability. This agrees with the findings of Onyango (2014) that the appreciation system significantly affects organizational performance. This also tallies with the findings of Odoh (2011) that the appreciation system has a significant effect on the productivity of Nigerian workers. The study also found that fringe benefits have a significant positive effect on organizational sustainability. This tally with the findings of Wasiu and Adebajo (2014) that significant relationship exists between the reward management system and organizational sustainability. This also agrees with the findings of Hatice (2012) that intrinsic reward management systems have a significant influence on employee results.

5.1 Summary of Findings

In summary, the findings of the study are:

- i. Fringe benefits have a significant positive effect on organizational sustainability as this will reduce staff turnover.
- ii. To Career development has a significant positive effect on organizational sustainability.

5.2 Conclusion

In conclusion, we looked at the compensation strategy and organizational sustainability in a pharmaceutical company in Port Harcourt with a case study of Barata Pharmacy. I generated data through a questionnaire and analyzed it using percentages found to have a significant positive effect on organizational sustainability. Based on the foregoing, the study concludes that compensation strategy has a significant positive effect on organizational sustainability in at Barata Pharmacy in Port Harcourt.

5.3 Recommendation

Based on the findings, the study recommends the following:

- i. Pharmaceutical firms should ensure constant review of their reward management system and policy to ensure that they are in line with the current Fringe benefits, to motivate their employee to be committed to improved performance and organizational sustainability.
- ii. Training is another aspect that will help employees to develop their careers on the level of services they render to the organization since a performance-based reward management system brings out the best in the organization. However, the research shows that staff do not care but prefer better benefits.

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