Title       An investigation into performance based pay in Nigerian financial institutions
Name        Eno Amasi Maycock

This is a digitised version of a dissertation submitted to the University of Bedfordshire.

It is available to view only.

This item is subject to copyright.
AN INVESTIGATION INTO PERFORMANCE BASED PAY IN NIGERIAN FINANCIAL INSTITUTIONS

By

ENO AMASI MAYCOCK

A thesis submitted for the degree of Doctor of Philosophy of the University of Bedfordshire

OCTOBER 2009
Dedication

I dedicate my PHD thesis to Engr Okon Effiong Amasi. Thank you for your love and the wonderful new future you gave me. This would not have been possible without you.

To my supervisor, Dr. John Stredwick, thank you for all your advice and support.

To the entire Amasi family, you have all been a blessing to me. I am honoured to be a part of you.

To my husband, Shaun Maycock and the entire Maycock family, I love you all.
Acknowledgement

It would not have been possible to write this PHD thesis without the help and support of the kind people around me, to only some of whom it is possible to give particular mention here.

Firstly, I would like to thank my greatest teacher of all: God. I know that I am here and that I am able to write all of this for a reason. I will do my best in never forgetting what a great fortune I have had in just being here, and that it comes with a lesson and a responsibility. I hope I am doing the work you have planned for me to do.

This thesis would not have been possible without the help, support and patience of my supervisor, Dr John Stredwick. His good advice and support has been invaluable on both an academic and a personal level, for which I am extremely grateful. Thank you for putting in me the idea of never giving up and for creating an environment of humour around this whole ordeal. Thank you for believing in me, even when the odds where against me.

I would like to acknowledge the academic and technical support of the University Bedfordshire and its staff. I would like to thank the staff and directors of Standard Guardian Group of Companies. Without their help and support, this PhD would not have been possible.

I would like to acknowledge my parents in law, Brian and Diane Maycock. I want to thank you for your support, encouragement and love while I sat trying to complete this project. Thank you for accepting me as your daughter and ensuring that my transition from being single to being married to your son has been an exciting journey.

To my beloved husband, Shaun Maycock. Our relationship was born in a very odd way, but I would not have expected otherwise, as both of us are odd in our own beautiful world. You portray the symptoms of my shortcomings, and the celebration of my virtues. I have become a better woman because of the mirror you hold up for me. Thank you.
To my beloved parents: HRH. Engr Robin Effiong Amasi and Mrs Arit Amasi. You gave me my name, you gave me life, and everything else in between, and I love you both. I am honoured to be called your daughter.

To my sisters you have given me your unequivocal support throughout, as always, for which my mere expression of love and thanks likewise does not suffice.

To my sister-in-laws, your good advice, support and friendship have been invaluable for which I am extremely grateful.

I would like to thank my brother specially, you have granted me the possibility to do whatever I want, to experiment with my thoughts, to write my ideas down, and to share them with the world. I would never forget you.

I pride myself in having words for everything, but they truly shut me up when it comes down to describing how much I love and appreciate the efforts my family have put into giving me the life I have now. You all are the reason I did this; you are the reason I thrive to be better. I am very honoured to be part of this great family.
DECLARATION

I declare that this thesis is my own unaided work. It is being submitted for the degree of the award of PHD at the University of Bedfordshire.

It has not been submitted before for any degree or examination in any other University.

Name of candidate: Eno Amasi Maycock  Signature: EAM

Date: 01/10/09
ABSTRACT

PURPOSE – To critically investigate the effect/impact the implementation of both team and individual based pay has when responses are measured in terms of teamworking, job satisfaction, culture and commitment in 2 Nigerian financial institutions.

DESIGN/METHODOLOGY/APPROACH – The study presents the first empirical case-study research carried out in Nigeria. The data are based on 2 Nigerian financial institutions surveys from 2002 to 2006. The analysis addresses the impact of the introduction of PRP within these institutions. Questionnaires were sent out to the 226 employees. Interviews and focus groups 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 suggest that there are clear indications that it has raised motivational levels, though 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, but the responses indicate that individual performance related pay has damaged the concept of team working. The results indicated a positive link of PRP having a positive effect with employees on higher grade levels; this result support other results from a number of earlier UK studies. The results also indicate that the introduction of PRP can enhance culture change and enhanced performance but may not ultimately lead to commitment from employees. The findings also indicate a positive link between PRP, improved individual and organisational performance, change in culture and job satisfaction.

Though the research indicates positive outcomes from one organisation it also indicates negative outcomes from the other organisation. Why would that occur, as both organisations operate the same form of individual PRP? It leads the researcher to conclude that PRP must be modified to take into account the cultural (national & organisational) implications of the transference western management practices into non-western organisations. The research finishes by listing out implications for management and recommendations.
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 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. It also provides a new empirical evidence on the use of performance related pay. The results also show a link between the introduction of performance related pay and a change in the psychological contract from a relational contract to a transactional psychological contract, where commitment (bought) and loyalty is based on the monetary aspects of the relationship. The results supports an interpretation of incentive pay as motivated by expectancy theory and provides new evidence on the relationship between the success of performance related and its use by employees as a bargaining tool for salary increases and new job roles. 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, team working, culture, performance related pay, performance management, job satisfaction and commitment.
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>1</td>
</tr>
<tr>
<td>List of Tables</td>
<td>6</td>
</tr>
<tr>
<td>List of Diagrams</td>
<td>7</td>
</tr>
<tr>
<td><strong>CHAPTER 1:  INTRODUCTION</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Introduction</td>
<td>8</td>
</tr>
<tr>
<td>1.2 Structure of Thesis</td>
<td>12</td>
</tr>
<tr>
<td>1.3 Scope of the Research</td>
<td>14</td>
</tr>
<tr>
<td>1.4 Research Aims and Questions</td>
<td>15</td>
</tr>
<tr>
<td>1.5 Contributions and Purpose of the Research</td>
<td>17</td>
</tr>
<tr>
<td>1.6 Background of Research (First Assurance PLC)</td>
<td>20</td>
</tr>
<tr>
<td>1.7 Background of Research (MASL)</td>
<td>23</td>
</tr>
<tr>
<td>1.8 Contextual Map of PRP for Nigerian Organisations</td>
<td>25</td>
</tr>
<tr>
<td>1.9 Contextual Map of PRP for the UK Organisations</td>
<td>26</td>
</tr>
<tr>
<td><strong>CHAPTER 2:  LITERATURE REVIEW</strong></td>
<td></td>
</tr>
<tr>
<td>2.1 HRM and Reward in Organisations</td>
<td>27</td>
</tr>
<tr>
<td>2.2 Reward and the New Pay: The New Agenda – Rewarding Contribution</td>
<td>28</td>
</tr>
<tr>
<td>2.3 Changing Reward Practices in the UK</td>
<td>30</td>
</tr>
<tr>
<td>2.4 Underpinning Motivational Theories and Research Framework</td>
<td>31</td>
</tr>
<tr>
<td>2.4.1 Herzberg Two-Factor Theory</td>
<td>37</td>
</tr>
<tr>
<td>2.4.2 Expectancy Theory</td>
<td>39</td>
</tr>
<tr>
<td>2.4.3 Goal setting theory</td>
<td>42</td>
</tr>
<tr>
<td>2.4.4 Agency Theory</td>
<td>44</td>
</tr>
<tr>
<td>2.4.5 Equity Theory</td>
<td>48</td>
</tr>
<tr>
<td>2.4.6 The Research Framework</td>
<td>54</td>
</tr>
<tr>
<td>2.4.7 Total Reward &amp; the link with Performance Management &amp;PRP</td>
<td>56</td>
</tr>
<tr>
<td>2.5.1 Operations of Performance Related Pay</td>
<td>61</td>
</tr>
<tr>
<td>2.5.2 Examples of Actual PRP Schemes in Organisations</td>
<td>65</td>
</tr>
<tr>
<td>2.6.1 The Objectives of Performance Related Pay</td>
<td>80</td>
</tr>
<tr>
<td>2.6.2 Arguments for and against Performance Related Pay</td>
<td>82</td>
</tr>
<tr>
<td>2.6.3 Research and Academic Evidence of PRP in Practice in the U.K.</td>
<td>88</td>
</tr>
<tr>
<td>2.6.4 Performance-Related Pay: The Link with Pay and the Future.</td>
<td>97</td>
</tr>
<tr>
<td>2.7 Teamworking and Team Pay</td>
<td>100</td>
</tr>
<tr>
<td>2.7.1 The Problems of Team Based Pay</td>
<td>101</td>
</tr>
<tr>
<td>2.7.2 The Advantages of Team Based Pay</td>
<td>103</td>
</tr>
<tr>
<td>2.7.3 Research and Academic Evidence of Teamworking and Team Based Pay</td>
<td>105</td>
</tr>
<tr>
<td>2.8 Outcomes of PRP – Job Satisfaction and Commitment</td>
<td>109</td>
</tr>
<tr>
<td>2.8.1 The Psychological Contract and Employee Commitment</td>
<td>115</td>
</tr>
<tr>
<td>2.8.2 Implications for Performance Pay and Employee Commitment</td>
<td>118</td>
</tr>
<tr>
<td>In Organisations</td>
<td></td>
</tr>
<tr>
<td>2.9 Reward and Culture</td>
<td>120</td>
</tr>
<tr>
<td>2.10 Human Resource Management in Africa</td>
<td>125</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>2.11</td>
<td>African Organisational Systems: The Complex Role of Culture</td>
</tr>
<tr>
<td>2.12</td>
<td>Nigeria: The Birth of the Money ‘Culture’</td>
</tr>
<tr>
<td>2.13</td>
<td>Human Resource Management in Nigeria</td>
</tr>
<tr>
<td>2.14</td>
<td>Conclusion</td>
</tr>
<tr>
<td>3.1</td>
<td>The Research Approach</td>
</tr>
<tr>
<td>3.2</td>
<td>Sources of Secondary Data</td>
</tr>
<tr>
<td>3.3</td>
<td>Sources of Primary Data</td>
</tr>
<tr>
<td>3.3.1</td>
<td>Questionnaires</td>
</tr>
<tr>
<td>3.3.2</td>
<td>Interviews</td>
</tr>
<tr>
<td>3.3.3</td>
<td>Focus Groups</td>
</tr>
<tr>
<td>3.4</td>
<td>Case-studies</td>
</tr>
<tr>
<td>3.5</td>
<td>Ethical Issues to be Considered</td>
</tr>
<tr>
<td>3.6</td>
<td>The Research Process Discussed</td>
</tr>
<tr>
<td>3.7</td>
<td>The Justification of Research</td>
</tr>
<tr>
<td>3.8</td>
<td>Justification for the Choice of Organisation</td>
</tr>
<tr>
<td>3.9</td>
<td>MASL &amp; First Assurance PLC PRP Scheme</td>
</tr>
<tr>
<td>3.10</td>
<td>Turning Performance into Pay at MASL &amp; First Assurance</td>
</tr>
<tr>
<td>3.11</td>
<td>Team PRP and Teamworking at MASL &amp; First Assurance</td>
</tr>
<tr>
<td>4.1</td>
<td>Research Design &amp; Data Collection linking back to the Contextual Map</td>
</tr>
<tr>
<td>4.2</td>
<td>The Results from the Questionnaire - The Means, Reliability Analysis and Correlation Tables Discussed</td>
</tr>
<tr>
<td>4.2.1</td>
<td>Discussion of the Combined Correlation Tables</td>
</tr>
<tr>
<td>4.2.2</td>
<td>Demographic Characteristics of the Sample and the Impact On the Findings</td>
</tr>
<tr>
<td>4.3</td>
<td>Analysis of the Results from the Questionnaires as Shown in Column/Bar Charts</td>
</tr>
<tr>
<td>4.4</td>
<td>Discussion of Results From the Interviews for the Bank and And Insurance Organisations</td>
</tr>
<tr>
<td>4.4.1</td>
<td>The Interview Stage and Discussion of Findings Linked With the Research Questions</td>
</tr>
<tr>
<td>4.4.2</td>
<td>Job Satisfaction</td>
</tr>
<tr>
<td>4.4.3</td>
<td>PRP and Culture Change</td>
</tr>
<tr>
<td>4.4.4</td>
<td>PRP and Damage to Teamwork</td>
</tr>
<tr>
<td>4.4.5</td>
<td>PRP and Performance</td>
</tr>
<tr>
<td>4.4.6</td>
<td>PRP and Commitment</td>
</tr>
<tr>
<td>4.4.7</td>
<td>Preference of Individual Performance Related Pay</td>
</tr>
<tr>
<td>4.4.9</td>
<td>Summary of Findings from the Interviews</td>
</tr>
<tr>
<td>4.5</td>
<td>Discussion of Findings from the Focus Group Interviews for the Bank and Insurance Organisation</td>
</tr>
<tr>
<td>4.5.1</td>
<td>Summary of Findings from the Focus Group Interviews</td>
</tr>
</tbody>
</table>
CHAPTER 5  DISCUSSION OF FINDINGS AND RESULTS

5.1 Introduction 258
5.2 Comparing and Contrasting Results and Outcomes from both Organisations 264
5.3 Summary of Findings from the Bank 272
5.4 Summary of Findings from the Insurance 282

CHAPTER 6: OUTCOMES, RECOMMENDATIONS, FUTURE RESEARCH AND CONCLUSIONS.

6.1 Outcomes 286
6.1.1 PRP Outcomes for the Bank 289
6.1.2 PRP Outcomes for the Insurance 290
6.2 Recommendations 292
6.3 Contribution to Knowledge, Implications for Practice and Future Research 298
6.4 Conclusions 301

REFERENCES 305

APPENDICES 328

Appendix 1 Demographic Data for both Organisations 328
Appendix 2 Grouped Mean Scores 334
Appendix 3 Data Reduction - Mean Score for each Question 340
Appendix 4 Questionnaire 343
Appendix 5 Overview of Interview Results 351
Appendix 6 Result from Interviews MASL 352
Appendix 7 Result from Interview First Assurance 370
Appendix 8 Result from Focus Group First Assurance & MASL 381
Appendix 9 Tables for the Correlation 384
Appendix 10 Exploring the Reward Strategy at Standard Guardian Group – A look at Mutual Alliance Savings and Loans limited and First Assurance 388
LIST OF TABLES

Table 1  What Motivates Employees?  33
Table 2  Summary of Motivational Theories and Reward Systems  35
Table 3  Points score Midland Shire Council  70
Table 4  Overall performance ratings and rewards  71
(Midland Shire Council)
Table 5  Advantages & Disadvantages of Performance Related Pay  86
Table 6  Frequency of New Pay Practices in U.K. Organisations  92
Table 7  Types of cash Based Bonus Plans on Offer in the  93
   UK in 2004
Table 8  Trends in the Pay System (%)  98
Table 9  Four Dimensions of Culture In Relation to Reward  122
   and Recognition
Table 10  Objectives of Organisational Performance Related Pay  171
Table 11  Assessment Rate Tables  176
Table 12  Pay Scales According to Grade Level at MASL  179
Table 13  Pay Scales According to Grade Level at First  180
   Assurance PLC
Table 14  Performance Pay scales for MASL and First  181
   Assurance PLC
Table 15  Mean Tables for Both Organisations  195
Table 16  Reliability Analysis Table  196
Table 17  Reliability Analysis Table for PRP & Performance  197
Table 18  Reliability Analysis Table for Teamworking  198
Table 19  Reliability Analysis Table for Individual Pay  198
Table 20  Reliability Analysis Table for Culture Change  199
Table 21  Reliability Analysis Table for Appraisal and Fairness  199
Table 22  Reliability Analysis Table for Level of Reward  200
Table 23  Reliability Analysis Table for Job Satisfaction  201
Table 24  Reliability Analysis Table for Commitment  202
Table 25  Reliability Analysis Table for Preference of IPRP to  203
   Team Pay
Table 26  Reliability Analysis Table for the Principle of PRP  203
Table 27  Reliability Analysis Table for IPRP and Damage  203
to Teamwork
Table 28  Reliability Analysis Table for Motivation and IPRP  203
Table 29  Tables for the Combined Correlations Means for Both  205
   Organisation
Table 30:  Group and Combined Means for the Bank and  208
   Insurance Organisation
Table 31:  Mean Score for each question  211
<table>
<thead>
<tr>
<th>Diagram</th>
<th>Description</th>
<th>Page No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Diagram 1: Contextual Map of PRP in Nigeria</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>Diagram 2: Contextual Map of PRP in Nigeria</td>
<td>26</td>
</tr>
<tr>
<td>3</td>
<td>PRP in Context – Midland Shire Council</td>
<td>76</td>
</tr>
<tr>
<td>4</td>
<td>PRP in Context – BBC</td>
<td>79</td>
</tr>
<tr>
<td>5</td>
<td>Objectives of Performance Related Pay</td>
<td>81</td>
</tr>
<tr>
<td>7</td>
<td>Types of Reward in Operation at MASL</td>
<td>170</td>
</tr>
<tr>
<td>8</td>
<td>Types of Reward in Operation at First Assurance PLC</td>
<td>109</td>
</tr>
<tr>
<td>9</td>
<td>Expected Results of MASL Reward Strategy</td>
<td>173</td>
</tr>
<tr>
<td>10</td>
<td>Expected Results of First Assurance PLC Reward</td>
<td>174</td>
</tr>
<tr>
<td>11</td>
<td>Linking Team Based Pay to Various Outcomes</td>
<td>185</td>
</tr>
<tr>
<td>12</td>
<td>Bar Chart 1 – PRP &amp; Commitment</td>
<td>213</td>
</tr>
<tr>
<td>13</td>
<td>Bar Chart 2 – PRP &amp; Teamworking Operating Together</td>
<td>214</td>
</tr>
<tr>
<td>14</td>
<td>Bar Chart 3 – Principle of PRP</td>
<td>215</td>
</tr>
<tr>
<td>15</td>
<td>Bar Chart 4 – PRP &amp; Individual Performance</td>
<td>215</td>
</tr>
<tr>
<td>16</td>
<td>Bar Chart 5 – PRP &amp; Organisational Performance</td>
<td>216</td>
</tr>
<tr>
<td>17</td>
<td>Bar Chart 6 – PRP &amp; Individual &amp; Organisational Performance</td>
<td>217</td>
</tr>
<tr>
<td>18</td>
<td>Bar Chart 7 – PRP &amp; Culture Change</td>
<td>218</td>
</tr>
<tr>
<td>19</td>
<td>Bar Chart 8 – PRP &amp; Fairness of Appraisal</td>
<td>219</td>
</tr>
<tr>
<td>20</td>
<td>Bar Chart 9 – Reward linked to PRP &amp; Motivation</td>
<td>220</td>
</tr>
<tr>
<td>21</td>
<td>Bar Chart 10 – Teamworking Damaged by PRP</td>
<td>221</td>
</tr>
<tr>
<td>22</td>
<td>Bar Chart 11 – PRP &amp; Job Satisfaction</td>
<td>222</td>
</tr>
<tr>
<td>23</td>
<td>Bar Chart 12 – PRP &amp; Commitment</td>
<td>223</td>
</tr>
<tr>
<td>24</td>
<td>Bar Chart 13 – Targets of PRP</td>
<td>224</td>
</tr>
<tr>
<td>25</td>
<td>Bar Chart 14 - IPRP does not Damage Teamwork</td>
<td>225</td>
</tr>
<tr>
<td>26</td>
<td>PRP in Context</td>
<td>258</td>
</tr>
<tr>
<td>27</td>
<td>New Contextual Map of PRP in Mutual Alliance</td>
<td>271</td>
</tr>
<tr>
<td></td>
<td>Savings and Loans</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>New Contextual Map of PRP in First Assurance PLC</td>
<td>284</td>
</tr>
</tbody>
</table>
Chapter 1: Introduction and Background of Study
1.1 Introduction

In the UK and in North America, Performance-related-pay arrangements have assumed a high profile. A survey in 1997, for instance, found that in a poll of 316 Canadian companies, 74% of employees offered performance related pay arrangements, up 8% from 1997 (Globe & Mail, 1997, p. 12). By 1995, over 10% of the employed labour force participated in the performance related pay schemes alone. The present debate is whether the current managerial drive to establish a close relationship between individual pay and individual performance constitutes a qualitative change from past management strategies. In other words, is the shift an ad hoc, reactive response to contextual changes or do the reported changes in reward systems represent a more proactive and strategic HRM approach (Kessler, 1995)?

The alternative pay systems currently gaining popularity with managers indicate that pay options are being selected to deal with new versions of traditional managerial problems. What may be qualitatively different is the attempt to use pay in a strategic way argues Kessler, is the use of variable pay systems to facilitate cultural change. According to Smith (1992), performance related pay is said to underpin a more purposeful and ‘objective achieving’ strategy for managing workers. In public policy debate it has been common to associate the introduction of PRP with the aim of improving incentives and motivation among public employees (Brown & Heywood 2002; Marsden 2004). Performance related pay represents a shift from the traditional view of rewards as incentives directed at generating short-term improvements in employee performance, and towards rewards or total pay systems aimed at improving organisational performance’ (Smith, 1992, p.178). Individual performance related pay and the growing use of
Performance appraisal is symbolic of the desire by firms to move towards an organisational culture, that is focus on the individual employee (Robbins, 1990; Bacon and Storey, 1993).

Performance related pay is not new, whatever its recent popularity. Forms of performance related pay, such as sharecropping, in which agricultural labourers receive a fraction of the harvest as payment for their work, have operated for as long as anthropologists are able to report (Mabey, C. & Salaman, G. 1997). The link of performance with pay is the defining characteristic of performance-related pay. At the lowest level such performance based schemes are based on the premise that the perception of a direct link between performance and pay will motivate employees to higher levels of performance and productivity (Thorpe and Homan 2000). There has been a widespread increase in the last 15 to 20 years of performance related pay being introduced in the public sector; despite evidence pointing to the dissatisfaction with the negative aspects of performance related pay (PRP) experienced by private sector organizations (Arrowsmith, J., et al: Performance Related Pay in Health Care. Journal of Health Service, Vol. 6 No 2, April 2001). Also contrary to the belief that organizations are becoming disillusioned with performance pay and with IPRP schemes in particular, the results, which states that 59% of individual performance related pay schemes, had been introduced within the last five years, and that the percentage of employees covered by an organizations IPRP scheme is in the 70-80% range; team based or skill or competency based pay which is more focused, has a coverage rate of just below 50%, this results strongly suggests that all forms of performance pay are growing (IPD 1998).
Since the late 1970’s there has been a steady growth in the number of organizations especially in Britain and the United States of America, who practice or claim to practice systems of performance related pay. Henemann (1992) reports that over 80% of US companies explicitly link the pay of at least some of their employees with individual performance. The US government’s committee on performance appraisal for merit pay (Milkovitch and Wigdor, 1991) put this figure at between 94% - 95%. Incidence is higher amongst large companies than in small organizations, and significantly higher in the private sector than in the public sector, but in all sectors it has increased since the mid 1970’s. In Britain fewer firms practice performance related pay (PRP), but the IPD 1998 performance pay survey of 3,855 UK employees found that 27% received some form of performance related pay (PRP), with team or group bonuses being more common than individual incentives.

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 group has more importance than the individual and group success is more valued than individual success. Group activities have always characterised the traditional African societies e.g. fishing, hunting and harvesting were performed through various groups. The average African feels more comfortable when he or she is in a group rather than when alone (Ahiauzu, 1989). These cultural patterns such as the importance of group and solidarity may encourage the development of teamwork.

In an empirical research study of Malawian and Nigerian managers, carried out by Blunt and Jones (1986) found that managers assigned the highest importance to security needs. Beugre (1998) carried out a research on motivation on a sample of managers in Ivory Coast using Maslow’s hierarchy of needs. He found that managers ranked social relations first, self-actualisation second, self-esteem third, autonomy fourth and security fifth. Similarly, in an empirical research 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"
1.2 Structure of thesis

Chapter one provides a general introduction, the research aims, objectives and question and a background of both organisations.

A review of human resource management and reward in organisations; the changing reward practices and the underpinning motivational theories and performance related pay is presented in Chapter Two. This chapter also discusses the concept of teamworking, teampay, job satisfaction and commitment, as an outcome of PRP. It also focuses on Reward in Africa and the Nigeria culture of gift giving.

In Chapter three, the methodology adopted for the research and the justification for the choice of organisation is laid down.

Chapter four shows the data collection and data analysis process.

Chapter five discusses the findings and the results and the implications for both organisations.

Chapter six which is the last part of the thesis includes the outcomes, recommendations and conclusions of the impact the implementation of both team and individual based pay has when responses are measured in terms of teamworking, job satisfaction, culture and commitment.
1.3 Scope of the Research

This study is focused primarily on two financial organisations namely Mutual Alliance Savings and Loans Limited and First Assurance PLC. It entails critically investigating the impact the implementation both team and individual based pay has on employees when responses are measured in terms of teamwork, culture, job satisfaction and commitment. The objective of introduction of introducing the performance pay scheme into both organisations was to encourage a performance oriented culture, improve incentives and the notion that linking an aspect of pay with performance will stimulate employee commitment towards achieving set targets, which will overall increase productivity and motivation among employees and profitability of the organisations.

The aim of the research was to broaden the research agenda to the financial sector in general and to Nigeria in particular. There is little or no research into performance pay in Africa. The research will draw from samples of 2 financial institutions in Nigeria a mortgage bank with over ten branches nation-wide and an insurance firm with 6 branches nation-wide with over 226 employees. If the transference and implementation approaches of the performance pay scheme are appropriate within the organisation and the culture (of gift giving) of the nation.
1.4 Research Aims, Objectives and Questions.

The research aim and objective of this investigation is:

To critically investigate the effect/impact the implementation of both team and individual based pay has when responses are measured in terms of teamwork, job satisfaction, culture and commitment.

Research Questions

1) To analyse the effects of the implementation of team and individual based pay on employees when measured in terms of job satisfaction, commitment and teamwork in the 2 Nigerian financial institutions.

2) To examine the attitudes of employees towards the implementation the reward schemes (PRP) in the 2 Nigerian financial institutions.

3) To examine the preferences of the employees towards individual and team reward (PRP) in the 2 Nigerian financial institutions.

4) To examine the approaches in the operation and implementation of team and individual based pay and analyse if they are appropriate when transferring it within the context of a developing country.

5) To investigate if the introduction and implementation of performance related pay has lead to a change in the existing culture of the 2 Nigerian financial organisations.

6) To investigate if the performance of the organisation and employees in the 2 Nigerian financial institutions has improved since the introduction and implementation of performance related pay.
1.5 Contributions and Purpose of the Research

Very little or no work has been carried out on reward in Africa least of all Nigeria; this research will add to the existing body of knowledge and shed light on the impact/effect the performance pay schemes being transferred from organisations in the developed nations to organisations in developing nations. This research contributes to the literature that examines the effect of both individual and team performance related pay in the financial sector.

While there are problems associated with the operation of individual PRP, where considerable research has been carried out, there is yet to be research done in the operation of both team and individual PRP in an organisation and also the operation of PRP in Nigeria, hence the need for this research to be done to address/fill these gaps. Theory and empirical evidence suggests that performance related pay could improve employee motivation and 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 teamwork, commitment and job satisfaction there seems to be gaps in the research work done so far.

This study should shed some light on this issue by critically investigate the effect/impact the implementation of both team and individual based pay has when responses are measured in terms of teamwork, job satisfaction and commitment. Despite its growing importance, empirical testing of detailed theoretical aspects of both team and individual performance related pay (PRP) has been patchy (Mabey & Salaman, 1997).
This research provides a unique opportunity to compare and contrast the experience of performance related pay being introduced, implemented and operated in two Nigerian Companies. It would also shed some light on the unique impact and effect culture has on the operation of Performance related pay in these two companies.

There is a need for more research work to be done in the area of performance related pay, because it becoming more widespread and the use of it in organisations as a means to motivate employees has increased over the past years.

To address these issues raised, methodologically, this research will be a case study as its unique strength is its ability to deal with a variety of evidence – documents, surveys, interviews and observation leading to greater validity and reliability (Yin, 2003, p. 19). This research was split into two major phases: the exploratory phase and the descriptive/explanatory phase. The exploratory phase was done mainly through the review of literature, interviews and observation. The aim of this was to explore the meaning and the operation of performance related pay and to design a questionnaire for the descriptive/explanatory phase.

This explanatory/descriptive phase was carried out using both qualitative and quantitative research. The aim is to describe and explain the effect/impact performance related pay has on inter alia teamwork, job satisfaction and commitment. To increase validity and reliability of the research outcomes, different approaches was used instead of a single methodological approach and then the data triangulation of methods (Yin, 2003, p.97-
Dey, 1993). It is anticipated that the outcome of this research will shed light on the effect/impact the implementation of team and individual performance related pay has on employees when responses are measured in terms of job satisfaction, teamwork and commitment when operated in an organisation and in different cultural environments. Thus, Kessler, I. (1994) argues that the real contribution of PRP lies in its largely symbolic role as a part of a broader HRM strategy to promote cultural change, at the operational level.
1.6 **Background of Study - First Assurance PLC**

First Assurance PLC formerly known as Towergate insurance was incorporated in 1984 as one of the foremost indigenous insurance companies in Nigeria. In January 1995, the company became quoted on the Nigerian Stock exchange as a public liability company. In 2001 a group of investors under the umbrella of Standard Guardian Limited, a company with broad interest in commercial and mortgage banking, telecommunications and downstream sector of the Nigerian oil industry became core investors in First Assurance PLC. This necessitated the general overhaul of the company for prime positioning in the insurance industry and indeed the Nigerian economy. They carry out motor vehicle insurance, house and building insurance, fire insurance, marine insurance, burglary insurance, workman compensation and construction insurance.

It began operation in Nigeria in 1984 as Tower Gate Insurance PLC and was then owned by Ogun state government. In the late 90’s it began performing poorly as compared with its competitors, which include Cornerstone Insurance PLC, Leadway Insurance and Industrial and General Insurance PLC this was due to its need to recapitalise, the privatisation policy of the government to revamp its ailing companies, bad debts and poor management. First Assurance PLC bought it over in 2001 through the sale of its shares, which were quoted on the Nigerian Stock Exchange. It is quoted on the Nigerian stock exchange.

The buying over of Tower Gate Insurance PLC lead to the change of its name to First Assurance PLC and a recovery in its profits and performance as a whole in the insurance sector. The major changes that took place included right sizing, appointing of new directors, change of the company’s name, logo, vision and mission statement, opening of
two new branches so as to serve the eastern part of the country where few insurance companies are represented and a major increase in the reward package. Performance related pay was also introduced leading to a change in the culture of the organisation to that of performance oriented one and the appraisals are done once a year. This has lead to the recruitment of qualified and experienced staff, while other employees with no qualifications where relieved of their services. First Assurance Plc has 6 branches spread throughout Nigeria, and they include Abeokuta, Lagos, Abuja, Uyo, Calabar and Ibadan with a total of about 62 employees, mostly below the age of 40 years which include 38 men and 29 women. Its head office is located in Lagos, Nigeria. Put simply, the business strategy/mission statement at First Assurance PLC is to become a dominant player in the insurance industry, by giving a quality and superior service thereby increasing profitability. The culture is moving from one of beaurocracy to one of openness; from efficiency to effectiveness and it has become more performance oriented since the introduction of performance related pay and the appraisal process. Trade unions are not recognised in the Nigerian financial sector; therefore collective bargaining does not take place. Salaries are set using internal and external relativities.

First Assurance PLC introduced its new reward strategy (PRP) in 2002. The introduction of Performance related pay carried a clear message that under performance would be penalise in the pay package (Annual General Meeting, 2002). First Assurance PLC operates its performance related pay scheme under the umbrella of a performance management system. The cornerstone of this system was the setting of objectives by the implementing manager for the recipient employees. These objectives were derived form the organisations objectives. The main components of these objectives were the ‘hard’ financial targets e.g. sales of insurance packages, number of customers and companies
taking out insurance policies and leads for managers and employees to follow up on as well as softer objectives relating to how well managers and employees carry out their jobs. The objectives and targets for the performance related pay system are assessed and appraised once each year. This is for performance pay purposes, although implementing managers are supposed to conduct monthly reviews to assess progress and if necessary adjust targets and objectives to align with the overall business and reward strategy of the organisation.
1.7 Background of Study - Mutual Alliance Savings and Loans Limited

Mutual Alliance Savings and Loans Limited is a Mortgage Bank, which also carries out the functions of commercial banks too. The mortgage industry is just gaining prominence in Nigeria and very few financial institutions carry out these services. It has over 120 employees and about ten branches throughout Nigeria. The branches include Abuja, Lagos, Uyo, Kubwa, Calabar, Ugep, Ikot Omin, Ikot Ekpene, Port-Harcourt, Oron and Uyo’s main head office. Its commercial performance was poor in the 1990s in comparison with its major competitors. This was as a result of both external and internal factors such as:

- The increasingly competitive financial market, with competition from the banking industry well placed to take advantage of the growth in the financial sector.
- The need to yield cost savings and benefits
- The need to recapitalise
- The privatization policy of the government to revamp its ailing industries
- Poor management and misappropriation of funds
- Poor performance.

Mutual Alliance Savings and Loans Limited formerly known as Quality Assurance Limited was incorporated in 1996. In 2001 a group of investors under the umbrella of Standard Guardian Limited, a company with broad interest in commercial and mortgage banking, telecommunications and downstream sector of the Nigerian oil industry became core investors in Mutual Alliance Savings and Loans Limited. This necessitated the general overhaul of the company for prime positioning in the banking industry and indeed the Nigerian economy.
The buying over of Quality Assurance Limited lead to the change of its name to Mutual Alliance Savings and Loans Limited. Major changes that took place included right sizing, appointing of new directors, change of the company’s name, logo, vision and mission statement, opening of more branches to serve the eastern part of the country and a major increase in the reward package. Performance related pay was also introduced leading to a change in the culture of the organisation to that of performance oriented one and the appraisals are done once a year. This has lead to the recruitment of qualified and experienced staff, while other employees with no qualifications where relieved of their services. Trade unions are not recognised in the Nigerian financial sector; therefore collective bargaining does not take place. Salaries are set using internal and external relativities.

The early 2000s saw a recovery in profits, this recovery was in part due to the major changes that took place in Mutual Alliance (MASL), which included restructuring and buying it over which lead to a change in its name, change of its reward strategy, downsizing and the closure of a few branches and opening of five new branches to serve the eastern part of the country and relocating it headquarters from Lagos to Uyo. A major change that took place was the inclusion of performance related pay into its reward strategy, though this change has lead to retention issues with top performing employees. Senior management emphasised the organisations vision and strategy which is to increase profitability, maintain and keep good customer relationships and reward and keep high achieving employees. In addition the scope of the performance targets/objectives for employees in this organisation is restricted and seemed to dwell mostly on the achievement of financial business targets. This is consistent with the emphasis of the new reward strategy of increasing profits. There has also been a culture
change towards that of increased performance. The research relates specifically to the reward strategy (PRP) which forms a major part of its business strategy within the organization.

The key purpose of the PRP being operated is to:

- Improve the performance of the organization.
- Distribute pay increases in line with employee contribution.
- Motivate employees by letting them have influence over the achievement of targets and thereby having influence on their financial rewards.
- To offer competitive rewards in comparison with competitors in order to increase commitment and attract high caliber staff.
- To instill a positive message about performance expectations and achievement of objectives for the good of all thereby making employees feel more secure with their jobs (job satisfaction).

These are monitored in two ways; firstly objectives/targets are assessed annually at the end of every financial year, for the performance pay purposes, through performance appraisal processes and then implementing managers conduct monthly reviews to assess progress against objectives and adjust them to align with the overall business strategy.
1.8 **Contextual Map of PRP for Nigerian Organisations**

Support for PRP is theoretically grounded in the expectancy theory (Pearce and Perry 1983), which is based on the belief that individuals will exert effort if they expect it will result in an outcome they value, in the case of PRP employees will work harder if they value monetary rewards and believe that those awards will result from their increased effort. It also suggests that pay can be used to create consequences for desired performance that will reinforce the behaviour (Perry, Engbers & Jun, 2009). The straightforwardness of this theory encouraged many Nigerian financial institutions to embrace and implement PRP as the holy grail of drilling high performance in organisations in the late 1990s.

PRP sought to enhance the believe that the value of rewards and the probability that effort will achieve desired performance and result will lead to increased effort, (though dependent on the ability of the individual, job demands/expedient methods) would lead to desired performance and the receipt of both intrinsic and extrinsic rewards from the performance related pay. Thereby enhancing employee satisfaction, commitment (bought), change in the culture of the organisation, increased individual and organisation performance, retention of top performers, improve team working and increase profitability. This is the context in which PRP is based in both organisations.

**Diagram 1: Contextual Map of PRP in Nigeria**
1.9 Contextual Map of PRP in the UK

Big idea in the 1980s embraced by many employers as the holy grail of drilling high performance in organisations. As this concept was being embraced in Nigeria and other countries, in the UK and the US, the 1990’s and beyond witnessed a number of challenges to the theory and principle of PRP. As some of the earlier schemes failed to deliver the promised results, some employers brought in new or revised PRP schemes or moved to new approaches altogether (for example, skills-based pay) while others have developed hybrid schemes (CIPD, 2008).

Today in the UK, the notion of linking pay to a wider definition of employees’ ‘contribution’ rather than simple ‘performance’ is gaining ground. This emphasizes not only performance in the sense of the output (the end result that is achieved) but also the input (what the employee has contributed in a more holistic sense).
Diagram 2: Contextual Map of PRP in the UK

In summary, there are dimensions covered in the consideration of PRP in Nigeria that differ from those identified in the UK. Today in the UK, the notion of linking pay to performance is defined widely as ‘contribution’ rather than performance. It looks at both output and input of the individual employee, as research carried out within UK organisations has shown that performance pay has often failed to trigger expected intermediate changes in employee perceptions necessary to change motivation (Perry, Engbers & Jun, 2009). In Nigeria performance pay looks only at the performance of the employee and not contributions and the notion that the monetary incentive will lead to increased performance and a whole host of other benefits mostly to the organisation and not the individual employee. Both dimensions expect that PRP will motivate employees and that employees would value their rewards offered to them but rather than link pay to just performance as is the case with the Nigerian model of PRP, linking pay with performance and contribution is gaining ground (CIPD, 2008).
Chapter 2: Literature Review

2.1 HRM and Reward in Organisations

In the wider human resource management debate, an interest and theoretical focus on the link between modern reward systems and ‘high commitment management’ has been developed (Wood 1996; Wood and Albanese 1995). They are particularly associated with performance or contingent pay systems and above all they are seen to be rooted in the strategies of the firms themselves (Lawler 1990). At the heart of developments in HRM has been changes in reward management systems. The literature has shifted its focus making the employment relationship more individualistic and a lot more emphasis has been placed on linking HRM policies and practices to the business strategy of the organisation and the performance of the employees (Drucker and White, 1997). As has been argued, human resource management strategies and corporate strategies drive ‘reward management strategies and policies’. Performance pay has increasingly been used by employers as a lever for this organisational change (Kessler, 1994).

This debate on reward systems within the HRM literature has borrowed heavily on the contingency theory. Conceptual HRM models have highlighted the importance of pursuing a specific set of organisational goals as a means of addressing intensive competitive pressures and have suggested that reward is the key policy-making area or lever to be used in their achievement. Reward should be at the heart of affairs, reflecting the business direction of the organisation and acting as a strategic lever for change in employee behaviour. This is could be done by encouraging a performance culture and by linking the efforts of staff to business goals (Lawler, 1990; Reily, 2003).
2.2 **Reward and the New Pay: The New Agenda – Rewarding Contribution.**

The concepts of the ‘new pay’ have formed many of the reward issues and debates (Lawler 1990; Schuster and Zingheim 1992; Ulman 1992). The development of the new pay in the 1980s has been credited to Ed Lawler. Though Kanter (1989) followed up with his contribution, the baton was later passed onto Schuster and Zingheim (1992). The new reward is characterised by number of features: it is strategic, business aligned, flexible, performance driven, distinctive, and integrative of the actions of employers and employee (Reily, 2003). The fit between rewards and the strategy of the firm, and between the flexibility and variability of the pay systems and unitarism in the decision-making processes whereby rewards are determined, is the notion on which it is based (Brown 1993; Metcalf 1993). It contrast with the ‘old pay’ which includes job evaluated grade structures, payment by time and seniority, service related benefits and pluralism (Heery, 1996). The ‘new pay’ is likely to encompass reward for competencies (especially skill and knowledge), this is different from the ‘old pay’ in which production or job related characteristics were the dominant factor (Heery 1996; Poole and Jenkins 1998).

For the fast moving and performance driven business organisations of the 21st century the new pay is seen as more suitable. It draws on a number of ideas but central to the paradigm is the objective of increasing control over pay at company level by allowing pay levels and structures to fluctuate according to business circumstances. This means that the business strategy and culture are aligned with and support the design of pay systems (Drucker and White 1997). The new pay argues in favour of a pay design and process that starts with the business strategy and organisational design. Lawler (1990) argues against the assumption that certain best practices must be incorporated into a company’s
approach to pay’. Heery (1996, p.3) also states that ‘for Lawler and other new pay writers, discrete business strategies require particular behaviours and attitudes from employees and strategic pay management involves selecting pay policies which will secure these behaviours and attitudes’.

The characteristic of the ‘new pay’ is based on its emphasis on ‘individual and person-related’ pay systems. Lawler (1990, p.153) asserts that strategic pay systems must emphasize the person related forms of reward – ‘paying people according to their value in the market pays... after all it is people who move from job to job and from company to company; it is people who develop skills, and it is people who are the important organisational assets’. The new pay also involves much variability in the pay packet and therefore implies a more individualised approach to pay which most obviously manifest in the use of individual performance related pay but is also evident in the new skills based or competency based pay systems (Drucker and White 1997). ‘New pay’ is a way of thinking about the role of reward systems in a very complex organisation (Lawler, 1995, p.5) and certain reward practices are consistent with the new-mindset. Individual performance related pay, skills or team based pay also link actions and behaviours of employees to business goals and objectives and therefore encourage better productivity, quality and other key organisational outcomes (Reily, 2003).
2.3 Changing Reward Practices in the UK

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 and White 1997).

Others (Brown and Walsh 1991; 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). Brown and Walsh (1991) have also argued that 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). 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’ (Country Monitor, April 2002).
2.4 Underpinning Motivational Theories and Research Framework

One of the major tasks facing managers is motivating their employees to perform to the best of their ability (Moorhead and Griffin, 1998) as employee performance which leads to reward is said to be a joint function of ability and motivation. Work motivation could be described as the set of internal and external forces that initiate work related behaviour and determine its form, direction, intensity and duration. It recognises the influence of both forces inherent in the person (e.g. motives and individual needs) and environmental forces (e.g. organisational reward systems and the nature of work being performed) on work related behaviour (Pinder 1998; Ambrose and Kulik 1999). We rely on established theories and frameworks to guide us in measuring the observable manifestations of work motivations such as teamwork, commitment, job satisfaction, pay satisfaction e.t.c as we cannot actually see work motivation nor can we measure it directly. For some theories (e.g. equity and expectancy theory) work motivation is expected to manifest itself both in attitudinal (e.g. satisfaction, commitment) and behavioural (e.g. performance and teamworking). The primary manifestation of work motivation is behavioural (e.g. enhanced performance when ability is held constant) (Ambrose and Kulik 1999).

Motivation as a concept is definitely linked with the notion of reward. How then can we get workers to be more productive or perform better? Over a number of years management experts have tried to find an answer for this question. The Hawthorne studies by Elton Mayo showed that employees are not only motivated by money. The studies also revealed that an interesting work is one of the most important criteria for hardwork, but this raises the question that is it possible to make all work in the organisation interesting. Sadly this view cannot hold as what may seem interesting to one person may not be to
another (Bedeian, A.G. 1993). Kovach’s study revealed that younger workers with non-supervisory roles were most concerned about money, while older workers with higher incomes and organisational positions were motivated by work, job security, being appreciated and its quality (Rai, 2004).

Many studies have been conducted over the years to assess the factors that motivate employees. Appreciating of work done was the most important factor in the first survey as well as in 1997. This involves positive feedback which helps to improve the performance of employees and recognition. It is important to note that the studies here cited are specific to developed countries like the UK and US (Rai, 2004). To date there is no proper survey based study conducted in the Nigerian setting to identify the factors that motivate employees to work hard. Demographics and culture plays a major role in the various levels of motivation.

Table 1: What Motivates Employees?

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Most Important Motivational Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>Appreciation</td>
</tr>
<tr>
<td>1980</td>
<td>Interesting work</td>
</tr>
<tr>
<td>1986</td>
<td>Interesting work</td>
</tr>
<tr>
<td>1992</td>
<td>Good Wages</td>
</tr>
<tr>
<td>1997</td>
<td>Good Wages and Full Appreciation of Work Done</td>
</tr>
</tbody>
</table>

Table 2: Motivational Theories and Reward Systems

<table>
<thead>
<tr>
<th>Motivation Theory</th>
<th>Design of Reward System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Man (F. Taylor, 1947)</td>
<td>Payments directly linked to measured increments of work, as in payment by results</td>
</tr>
<tr>
<td>Human relations (Elton Mayo, 1950s)</td>
<td>Emphasis on motivating through human relations skills, job enrichment or opportunities to satisfy higher order needs such as achievement.</td>
</tr>
<tr>
<td>Need Theories</td>
<td></td>
</tr>
<tr>
<td>Maslow (1954), Herzberg (1959)</td>
<td></td>
</tr>
<tr>
<td>McGregor (1960)</td>
<td></td>
</tr>
<tr>
<td>McClelland (1967)</td>
<td></td>
</tr>
<tr>
<td>Goal Setting Theory (E Locke, 1960s)</td>
<td>Payments related to achieving goals or modified ways of working that have been identified as desirable and accepted by employee, such as pay for performance.</td>
</tr>
<tr>
<td>Expectancy Theory (Victor Vroom, 1964)</td>
<td>Payments directly linked to effort, care taken to ensure employees rewards are desirable and believe that if they put the effort their performance will improve and produce the expected reward.</td>
</tr>
<tr>
<td>Equity Theory (Adams, 1963)</td>
<td>This theory provides a practical rationale for the morally correct treatment of people’s rewards. It supports the use of job evaluation and the need to adopt transparent reward policies and use performance management processes as a means of providing for fair reward decisions and explaining how they were made.</td>
</tr>
</tbody>
</table>
2.4.1 Herzberg Two-Factor Theory

The most well known competing theory to that of expectancy theory is the work of Herzberg. He said that the work environment, and work itself could be classified into two types of factors, namely; hygiene factors this relates to the content of the job and motivational factors, which relates to the context in which the job is carried out. The strength of Herzberg’s theory is that it sets pay within a wider framework of motivation and acknowledges that individuals are stimulated by factors other than money in the workplace.

Motivation theory has a long history of taking into account the motives and needs of employees (Alderfer 1969; Maslow 1954; McClelland 1961). To better understand employee attitudes and motivations, Frederick Herzberg performed studies which factors in an employee's work environment caused by satisfaction or dissatisfaction. Herzberg found from his studies the factors causing job satisfaction and presumably motivations were different from that causing job dissatisfaction. He then developed the motivation hygiene theory to explain these results. He argued that there are two distinct human needs portrayed. First, the physiological needs that can be fulfilled by money and secondly the physiological need to achieve and grow (Herzberg 1959). If the motivation hygiene theory holds management must not only provide hygiene factors to avoid employee dissatisfaction but also must provide factors intrinsic to the work itself in order for employees to be satisfied with their jobs (Herzberg 1959; Ambrose and Kulik 1999). Relating Herzberg’s theory of motivation to performance related pay, where pay is linked to performance and trying to form the link will be quite difficult as the theory emphasizes other forms of motivators instead of money. The question now arises do you include some form of intrinsic and extrinsic motivators to enhance performance pay? Will
employees value it and be motivated? Would it also be cost effective for the organisations implementing this new management reward strategy? How do you form this design and measurement link?
2.4.2 Expectancy Theory

According to Vroom (1964) motivation in the work place is a multiple function of three constructs: **expectancy, instrumentality and valence**. Different work organisations use expectancy theory as a general framework for assessing, interpreting or evaluating human behaviour and this may have become a standard in motivational research, especially with the emergence of performance related pay practices in recent years.

Expectancy theory linked with Vroom (1964), Porter and Lawler (1968), Lawler (1971) and Furnham (1997) 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 the 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)** (Salaman and Mabey 1997; Marsden, 2004). 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?

Although subject to a great deal of empirical investigation and theoretical scrutiny, the expectancy theory approach to the motivation of performance has remained essentially of the form described (Salaman and Mabey, 1997) below:
When this theory is applied to PRP in the workplace it is based on three main assumptions:

- That individual differences in performance can be accurately measured and communicated;
- That pay differences can be related to performance differences and will be perceived as related;
- That individuals will increase their effort to gain more rewards, resulting in increased performance.

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.
In conclusion, motivation depends on the situation facing people and how it fits their needs. The expectancy theory is based on a logical flow: effort leads to performance, which leads to primary outcomes which leads to secondary outcomes. Expectancy theory has become a standard in motivation as reflected by its use as a general framework for a wide variety of researches both in motivation and elsewhere.
2.4.3 Goal Setting Theory

Edwin Locke established goal setting theory in a paper published in 1968, in which he argued that goals pursued by an employees could play an important role in motivating superior performance. Little emphasis is placed on rewards by the goal setting theory but it stresses the motivating power of defining appropriate work goals and including the commitment of employees to them (Locke and Latham 1990; Latham and Brown 2000; Marsden 2004). People examine the consequences of their behaviour when following these goals. They will either modify their behaviour or choose more realisable goals if they realise that their goals will not be achieved by their current behaviour. Further empirical research carried out into goal setting (Mento et al., 1987) has set out more precisely the necessary conditions for organisational goals to be motivating to employees; these are that:

- Goals should be specific, rather than excessively general or vague;
- Goals should be demanding, but also attainable;
- Feedback of performance information should be made;
- Goals need to be accepted by employees as desirable.

Since it was first advanced, goal-setting theory has been subject to a lot of theoretical and empirical scrutiny. The resulting body of evidence now provides a set of rigorously tested principles, which offer clear guide to designers of performance management systems (Salaman and Mabey, 1997).

Goals affect performance by directing attention and action, mobilising effort and motivating individuals to develop goal attainment strategies (Locke, Shaw, Saari and Latham, 1981). There is substantial support for the basic principles of goal setting theory
(Locke and Latham 1990a, 1990b; Wofford, Goodwin and Premack 1992; Hollensbe and Gunthrie 2000). First specific difficult goals lead on a constant basis to better performance than specific easy goals, general goals e.g. ‘do your best’ or no goals at all (Latham and Locke, 1991; Locke 1996). When there is feedback showing progress towards the goal, goal setting theory is very effective (Ambrose and Kulik 1999; Latham and Locke 1991; Locke 1996). One of the most frequently studied factors influencing goal commitment was monetary incentives. Locke and Latham (1990b) suggested that if the amount of money is sufficiently large and the incentives are not tied to goals perceived as impossible then monetary incentives would strengthen goal commitment. Goal setting theory is a very active area of research. The straightforward application of the goal setting principle is a major strength, particularly the effectiveness of goal setting demonstrated on complex tasks and in field settings.
2.4.4. Agency Theory

Academic research on compensation and reward has been greatly influenced by agency theory (Swagerman D. and Terpstra, E., 2007). Because the implications of this theory are also reflected in many compensation and reward arrangements, this is still the necessary point of departure for any study on reward.

The Agency Relationship

Two problems can occur in this agency relationship. The first is the agency problem, which arises when the desires and goals of principal and agent conflict, and it is difficult for the principal to verify what the agent is actually doing. The second is the problem of risk sharing that occurs when principal and agent have different attitudes toward risk.

These problems are rooted in assumptions about the behavior of human beings, of which the most important are that people act in their self-interest, that they are naturally risk averse and that they are limited by bounded rationality. These characteristics, in combination with a lack of monitoring caused by the diffuse ownership structure, can lead to suboptimal decision making (resource allocation) from the point of view of the shareholders.

Agency theory (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). Based on microeconomic principles of utility maximization, human behavior in agency theory is usually reduced to simplifying assumptions such as opportunism in the form of *shirking* as the default behavior when agency controls are not present (Jensen & Meckling, 1976).

In favor of agency theory’s critics, estimates of the effects of incentive alignment on performance (Gomez-Mejia, 2000) and monitoring on performance are inconclusive, which suggests that (a) the default agent behavior is not one of opportunism and/or (b) that both incentive alignment and monitoring are not straightforward mechanisms for controlling agent performance.

For example, Tosi, et al. (2000) suggested that experience may affect feelings of control over whether someone will meet performance requirements needed for incentive distribution; hence, those with more experience may put forth more effort because they feel their effort will lead to the required outcomes.

Research on conscientiousness can provide evidence that some individuals may shirk more than others and that agency controls play a critical role in reducing their opportunistic behaviors. For example, Judge and Ilies (2002) showed that conscientiousness is related to the motivational criteria found in theories of performance motivation in the organizational behavior literature (e.g., goal-setting theory, expectancy theory, and self-efficacy theory). In addition, Heneman and Judge (2000) suggested that individual differences could play a role in reactions to pay. It may be that differences between individuals on their level of conscientiousness affect their reactions to agency controls.
**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 a strong relationship between firm performance and CEO pay; however, they also accounted for changes in existing share and stock-option holdings (Hall, B. J., & Liebman, J. B., 1998). Furthermore, 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 (Core, J. E., & Larcker, D. F., 2002).

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).

2.4.5 Equity Theory

Equity theory (developed by J. Stacy Adams) provides the foundation for this research study. According to equity theory, an individual forms a ratio of outcomes (e.g., merit pay) divided by inputs (e.g., effort and performance). This individual then typically compares his or her ratio of outcomes divided by inputs to the ratios of other workers. If the ratio of the individual is approximately equal to the ratios of the other workers that he or she compares himself or herself to, equity is perceived to exist. If the ratios are unequal however, inequity is perceived to exist. Equity theory predicts that perceived inequity will lead to tension for the individual and that this tension will motivate the individual to find a way to reduce the inequity (Terpstra D. and Honoree A. 2005).

Methods Reducing Inequity

One method involves the individual changing his or her inputs in an attempt to restore equity. For example, if you feel underpaid in terms of merit pay relative to the other workers, you could decrease your level of effort and performance in the future to restore equity and bring the ratios back in balance.
A second method involves the individual changing his or her outcomes to restore equity. Assuming again that you feel underpaid in terms of merit pay, you might increase the sheer quantity of your output and not worry as much about the quality of your work. If merit pay is based primarily on quantity, this resolution method could restore perceived equity.

A third method proposed by equity theory involves the individual distorting or altering his or her perception of himself or herself. For example, if you initially thought that you were underpaid relative to your coworkers, you could attempt to convince yourself that your effort or performance wasn’t really as good as you initially thought.

A fourth method involves the individual distorting or altering his or her perceptions of the other workers. Once again, if you initially felt that you were relatively underpaid, you could try to convince yourself that your coworkers’ performance was actually better than you initially thought.

A fifth method involves the individual changing the person or group that he or she compares himself or herself to. For example, you may feel underpaid when you compare your ratio of outcomes divided by inputs to the ratio of Coworker X, but you might feel equitably paid if you were to compare your ratio to the ratio of Coworker Y.

A sixth resolution method proposed by equity theory is for the individual to leave the field. If you feel relatively underpaid in terms of merit pay, you could simply quit your job and begin seeking work elsewhere.
Research on Equity Theory

In general, research support for Adams’s equity theory is quite strong. But additional studies are needed to better understand and predict how employees will respond to perceived inequity that results from poor performance appraisal and merit pay systems. More information on employees’ relative use of the six methods of restoring equity would be very useful for organizations. At the present time, we do not know if most employees would quit in response to merit pay inequity, or if they would simply choose a different object of comparison, or if they would simply shrug off the inequity. The current study addresses this research need.

Another area of research on equity theory that has received relatively little attention concerns the influence of individual and organizational variables on employees’ use of methods to resolve perceived inequity resulting from poor merit pay systems. For example, individual difference variables such as sex, age, seniority, or tenure status may moderate or influence the types of methods that are employed to reduce perceived inequity. Similarly, some organizational variables, such as the general salary level, may influence employees’ use of responses to pay inequity. For example, an individual may be less likely to quit in response to merit pay inequity when his or her organization’s general salary level is high compared to other organizations.

Organizations with existing merit pay systems would be wise to closely monitor them for potential problems related to a lack of fairness and equity. Formal or in-
formal surveys could be periodically conducted to assess employees’ perceptions of the fairness of their merit pay systems. Exit interviews of those individuals leaving the organization could also be used to identify potential problems with merit pay systems.

Organizations that are considering switching over to the use of merit pay should design and implement their performance appraisal and merit systems based on sound principles derived from research evidence. More specifically, the performance criteria that are chosen should be relevant, appropriate, and measurable. The performance appraisal format or method that is used to generate ratings should be reliable and valid. If possible, the numerical degrees of the rating scale should be anchored with concrete and behaviorally specific examples of performance. Generally speaking, the standards or scale degrees that represent differing levels of performance should be clear, unambiguous, and well defined.

The individuals who will serve as raters should be thoroughly trained in the use of the performance appraisal method. These individuals should also be encouraged to avoid rating errors and biases that can undermine merit pay systems. For example, the constant errors such as leniency error, severity error, and the error of central tendency (where everyone in the rating group receives roughly the same performance appraisal rating) need to be avoided if a merit pay system is to succeed. The performance ratings of the different employees should be spread out as much as possible.
After the performance appraisal ratings have been conducted, the actual merit pay distribution should reflect and reinforce the differences in the ratings. There should be significant differences in the merit pay amounts received by the good performers, the average performers, and the poor performers (who will likely receive no merit pay increase). In addition, the size of the merit pay increases in general should be large enough to provide true incentives to the employees.

According to a research by Terpstra, D. and Honoree, A. (2005), there was evidence that top management support is critical to the success of merit pay systems. Top management must stress the importance of conducting thorough, fair, and objective appraisals. Incentives could also be used to encourage the raters to conduct sound appraisals. For example, the raters themselves could be appraised on their rating performance. Fair procedures and processes for making merit pay decisions are very important. Politics and bias must be avoided, or the system will fail over time. The employees must believe that their pay is truly based on merit.

Young, inexperienced employees appear to be especially sensitive to merit pay inequity. Thus, compensation managers should handle them with care, and the performance appraisal and merit pay decisions regarding these individuals should be monitored closely, lest an organization lose some talented young employees. Perhaps these individuals could be given more frequent formal or informal performance-related feedback. Specific explanations and reasons for their appraisal ratings should also be provided. Upper-level management reviews of the appraisal
ratings for these individuals should also prove useful. An appeals system of some sort could also be employed to provide some insurance against poor decisions.

This study also found that the overall salary level influenced the use of two resolution methods. Employees were more likely to quit their jobs, and they were also more likely to decrease the quality of their output in response to merit pay inequity when their organizations had lower overall salary levels. Apparently, organizations can lessen the potential problems associated with poor merit pay systems by increasing the overall salary level.

Employees are more apt to overlook problems with poor merit pay systems when the general salary level is relatively high. For some types of organizations, it is likely that the monetary cost of raising the overall salary level will be more than offset by the savings resulting from reduced turnover, replacement, and training costs and from the increased revenue resulting from increased performance and productivity.

Finally, it should be remembered that most merit pay systems work very well. The research evidence clearly indicates that a merit pay plan is one of the best ways to significantly increase employee performance and organizational productivity. But there are instances where merit pay systems have been poorly designed, implemented, and administered. And as this study has shown, problems that arise from inequitable merit pay can have rather serious consequences for organizations (Terpstra, D. and Honoree, A. (2005)).
2.4.6 The Research Framework

The expectancy, equity and goal-setting theory shed more light into the incentive and appraisal processes present in PRP as it has been common to analyse the workings of PRP in recent years through the two main theories. The focus has been mainly on how management can influence employee choice between different levels of effort or care in their work for a given set of performance norms (Reily, 2003). Performance management is not new, despite the fact that the use of the term has grown popular recently. Managers have always devised ways to set tasks, see that they are carried out well, and make modifications designed to secure further improvements.

Models of performance management may seem to be ‘an apparently obvious invention’ as Jevons (1983), described performance related pay, but is built on well-developed theoretical foundations. Or rather it may be fairer to say, since the economist Alfred Marshall (1987) described the theoretical case for performance related pay as ‘a formalisation of existing practice’, that a substantial body of theory has grown up among models of performance management in use. The essence of performance management is establishing a framework in which performance by individuals can be directed, monitored, motivated and refined; and whereby links in the cycle can be audited.

Given this, the principal theoretical foundation of performance management is social psychology, with its detailed consideration of the ways in which people are motivated to perform. Two theories are particularly pertinent to discussions of performance management are the goal-setting theory (Locke et al., 1981) and expectancy theory (Vroom, 1964) (Salaman and Mabey, 1997).
The main justification for investigating performance-related pay using the expectancy theory and the goal setting framework is that individuals are involved in the reward relationship and management are enabled to communicate new performance standards and make them have direct effect on employee performance. The reward that employees receive from a Performance related pay scheme (perceived reward) will be a function of the additional financial reward associated with increased performance, the effectiveness of the appraisal process, goal-setting and the scope for employees to improve their performance (Reily, 2003).
2.4.7 Total Reward and the Link with Performance Management and PRP.

In today’s turbulent business environment, most companies will say they have a strong pay for-performance culture/strategy, or they are changing to one that will make them competitive to the market. When pushed to discuss their programs, they will say that they have implemented a merit adjustment program based on performance ratings and a variable pay program for most employees based on one or two of the top 20 company financial measures currently in favour.

Most of the research completed on pay for performance in the past decade has shown a rise in variable pay use, which means that variable pay is being pushed lower into the organization. The 2001-2002 World at Work Total Salary Increase Budget Survey shows that nearly two thirds of companies offer some type of variable pay to their employees. Also, 22% of companies that currently do not offer any type of variable pay are considering implementing such a program in the next year. Similar practices are revealed in our research at Andersen: most of the companies have variable pay programs focused on broad company or divisional financial measures. (Source: Lyons, F. and Ben-Ora, D. 2002).

Total Reward Strategy

A key element of successful pay-for-performance design and implementation is to begin with a total reward strategy. This gives the company a structured platform from which future plan decisions can be made consistently even as the environment
changes. It also contributes to making sure all human resource programs are in alignment with the overall business strategy and company direction.

For the purposes of this article, we define a total reward strategy to include the following:

- Base salary
- Variable pay

Short-term incentives versus Long-term incentives

- Other compensation
- Perquisites
- Benefits
- Performance management

A total reward strategy may also include training, career development, coaching and other employee-related policies. A good reward strategy needs to be looked at holistically within the company’s framework. All pay components should be aligned so as to complement one another. The total reward strategy should support the overall business strategy and, more important, should be communicated to all employees (Armstrong, 1999).

Pay for performance can be addressed through all aspects of the reward strategy. True pay for performance is when employees are rewarded for meeting and exceeding performance expectations. Base salary is the foundation of a compensation program. Adjustments to pay maintain competitiveness and can also
confirm good performance. Effective and efficient use of merit pay can meet the essential goals of a pay-for-performance strategy.

Cash-based variable pay has been one of the primary vehicles in pay-for-performance short-term (annual) strategies to date. Stock options have been used and viewed as a desired form of long-term reward. In some cases, however, stock options can potentially do more damage than benefit to pay-for-performance programs. External market considerations may affect stock price with no correlation to actual individual or company performance. Options whose market price has fallen under the strike price can also be a disincentive to performance.

Other forms of compensation, including benefits that the employee receives, should also be reviewed. As part of the overall strategy, all these areas must be at least competitive to market practices to not distract from the direction of the other pay programs. From a pay-for-performance perspective, we see recognition programs playing a big role in the support of a company’s variable pay culture and accomplishment of key short-term initiatives or goals. Retirement programs can be used effectively to reward company performance through company profit-sharing contributions. This is considered a bonus system and should be reviewed in the context of the overall strategy and the goals of the company. Finally, an effective pay-for-performance total reward strategy would not be complete without a performance appraisal program (Source: Lyons, F. and Ben-Ora, D. 2002).
Performance Management

Finally, recreate the performance appraisal process to treat your employees like your customer. Specifically, the objective of performance appraisal is no longer “what can you do for me?” it is, “how can we help you do a better job?” This fundamental shift in perspective changes every aspect of the performance appraisal process. The new performance appraisal program

- looks forward,
- emphasizes recognition and development,
- focuses on values and skills as well as results,
- provides two-way conversation,
- lasts throughout the year,
- uses objective criteria,
- emphasizes improving communications,
- feels good and
- Changes behaviour.

Performance appraisal is about two people improving the nature of their professional working relationship through a conversation that helps them establish a new way of communicating. The performance appraisal form becomes a conversation guide to ensure that the communication includes the three most essential components of effective performance in today’s workplace: values, skills and results.

Performance can be defined by the following simple formula:
Performance = (want to) X (can do) x (allowed to)

Although most traditional performance appraisals focus on results, the real opportunity to improve performance is to ensure that people are aligned with the vision of the company and its values. Values are the highly regarded principles and standards inherently worthwhile and desirable in a company. You either agree or disagree with values such as integrity, professionalism and quality. You can also see when people demonstrate values—they are exhibited in behaviours. If your people are aligned with your values, they will want to improve performance (Armstrong, 1999).

Skills are the component of effective performance. Focusing on results without addressing the underlying skills necessary for results is a source of frustration with traditional appraisals. Skill improvement addresses the can do component of effective performance.

Pay for performance is best served by a holistic approach to rewarding employees and a strong performance management system. Start the process of change by determining where you want to be. Then, determine where you are today and the challenges to the change. Draft a plan to achieve the results you want and implement. The key to an effective pay-for-performance process is driving toward an ideal state for your company (Source: Lyons, F. and Ben-Ora, D. 2002).
2.5 Operations of Performance Related Pay

According to Armstrong and Murlis (1994), performance related pay (PRP) links pay progression to a performance and/or competence rating. It generally provides for an increase in basic pay, which is governed by a rating against a criteria as performance; contribution output and skill and competence inputs. Performance related pay is a means by which organisations attempt to achieve sets of goals and objectives by communicating performance objectives to employees, monitoring the achievement of these objectives, and rewarding successful achievements to the end of shaping behaviours to be consistent with those thought to be conducive to the attainment of the organisation’s wider objectives (Mabey and Salaman, 1997). The term performance related pay is often used generically to refer to all the many ways in which performance and pay have been linked in order to motivate people at work to improve their performance.

Cuming (1994) says that performance related pay schemes attempt to link some proportion of pay not only to individual output but also to other indicators of performance, such as quality, flexibility, commitment, job satisfaction, contribution to team working and ability to hit targets. The rewards of performance related pay might take the form of pay increase, which progresses individuals through a pay range, which will vary according to performance. PRP is generally applied to individuals but increasing attention is being paid to developing good teamwork is encouraging some organisations to concentrate more on team pay.

Performance related pay schemes are often seen as a solution to productivity problems. In the public sector politicians and others see performance related pay as a convenient tool for improving employee motivation, innovation, improving individual accountability,
where they feel the automatic incremental progression model of pay has failed to operate effectively. These objectives are usually encompassed under more broad-sweeping desires to change the culture of the public service organisations, in order to make them more customer service oriented. The adoption of performance related pay claims to convey a certain message; employees are under control, there is an evaluation process and this process is used to reward productive employees (IMS Report, 1992).

Recent textbooks and the evidence provided by research (Mabey and Salaman, 1995) have tended to present a less optimistic picture of the viability of the off-the-shelf schemes promoted by textbooks and suggest that successful management schemes, of which performance related pay may be one dimension, may need to be organisation or company specific. However, both the textbook writers and the empirical researchers have agreed that a large number of issues surround the operation of performance related pay schemes.

But the question here includes the following; Does performance related pay have an effect on employee performance and motivation to work, thereby increasing organisational effectiveness? If no, why; what is the reason? Or must the performance related pay scheme be organisation specific? If yes, can any performance related pay scheme be successful in any organisation? The term performance related pay is often used generically to refer to all the many ways in which performance and pay have been linked in order to motivate people at work to improve their performance.

In summary then, rather than attempting a tight comprehensive definition of performance related pay, it is perhaps, more useful to identify the defining characteristics of
performance related pay schemes. Thus, the diversity of the schemes that might be called performance related can be as follows:

- Where individual performance criteria are established so that actual individual performance can be judged or assessed against the performance criteria established.
- Where links are established between the level of individual performance as assessed and the level of reward received by the individual.
- Where the actual relationship between pay and performance is established by a managerial assessment of performance, which may be based on either objective or subjective criteria.
- Where it is assumed that these links will lead to increased organisational performance through improved individual performance, which arises from higher rewards for improved performance.
- Where a formal performance management system is used to establish the linkage between the performance of the individual and the performance of the organisation (Thorpe and Homan, 2000).

Performance related pay scheme is one, which provides for payments to individuals at work, which are related to their performance. The rationale for performance related is to improve the performance of the organisation through motivating individuals to improve their performance. It is argued that performance related pay achieves its objectives by motivating people in the organisation; by focusing attention on key areas, which will improve overall performance. The literature also makes a number of significant claims for performance related pay: such as, it communicates information about the performance expectation of the organisation; it helps the organisation to become more performance or result oriented or it supports existing cultures or values which are already characterised
by high performance, innovation, quality and teamwork. It can also emphasize the
importance of teamwork as well as individual effort; it can improve recruitment and
retention of high quality employees who will expect that their high performance will be
appropriately rewarded; it ensures that the pay bill varies in line with performance (Thorpe
and Homan, 2000). The distinctive aspects of performance related pay schemes have
been identified as:

• The nature of the performance measures
• How performance against such criteria is assessed
• And, how this assessment is linked to pay.
The case-studies below consider the implementation and operation of PRP in two (2) UK public sector organisations. The first organisation (Midland Shire Council) highlights the fragility of PRP and a failed system. In this case the PRP scheme experienced very little or no success, which could be linked to its implementation, union opposition, unclear goals, employee perception of the scheme, the assessment process and a lack of funding. The scheme in this organisation is a contrast with the second organisation (BBC) where the uptake of PRP had experienced some success. The outcomes of the PRP scheme was to attract and retain the best performers and create a close link between pay and performance leading to a culture of high performance, but it lead to concerns being expressed by trade unions and staff and the scheme being described as inherently unfair and discriminatory.

These case-studies allows us scope to compare the PRP schemes in operation in Nigeria, with the schemes in practice in the UK. The methodology follows a critical case logic. In choosing 2 organisations in Nigeria that operate similar PRP schemes and are both owned by the same group of investors. Though a limitation is the differences in salaries earned and performance payout in both organisations (this is based on market forces and salaries comparative for the sector in which they operate). There would be a maximisation that there is the possibility that the reward system operates according to plan and similar outcomes would be expected.
CASE-STUDY 1: NO PANACEA - A FAILED PRP SYSTEM AT MIDLAND SHIRE COUNCIL (this relates to First Assurance PLC).

INTRODUCTION

During the 1980s and early 1990s, many local authorities started to carefully examine their long-standing systems of pay and conditions. This was in response to a number of internal and external tensions:

- The growing shortage of skilled professional staff in areas such as accounting, computing and law brought about by the rapid economic boom in the late 1980s which substantially raised pay levels for these professions in the private sector.

- Pressure increasingly came from the Thatcher government for local authorities to produce 'value for money'. This pressure came in various forms. Firstly, the Audit Commission was set up to investigate and compare performance between authorities and to highlight areas of waste and inefficiency leading to poor performance. Early reports purported to identify better management control methods which eventually led to the creation of performance indicators. Secondly, compulsory competitive tendering (CCT), subsequently re-named ‘Best Value’ by the in-coming Labour Government, ensured that in-house units had to get their act together and improve efficiency and performance if they were to win contracts and stay in business. Finally, as part of the government's attempt to rein back public spending, local authorities had their funding increasingly squeezed and those authorities had their spending capped if they exceeded the Secretary of State's estimate of what they ought to spend—the basis of this calculation, one must add, changed almost every year!
• Political influences also occurred within the authority as conservative-controlled councils moved to the right and looked to the private sector for successful operating innovations. These included de-centralising decision-making and local accountability together with the desire to provide a better customer service.

• Pay rates were generally determined by national negotiations under various National Joint Councils and these were rigid, inflexible and did not take into account the variations in the living costs in different parts of the country. Increasingly, this was perceived as crude and unfair and unlikely to motivate employees to support the changes towards improved performance that were on the agenda.

The move towards a greater emphasis on performance led to a large number of PRP schemes being introduced in this period. Not all of them have proved successful or durable. This case study is one in question.

BACKGROUND
Midland Shire Council, an authority with 20,000 employees, was faced by all the issues raised above. In particular, salaries for section managers (fourth tier) and team managers and senior professionals (fifth tier) had been placed on the same salary bands in the early 1980s regardless of professional qualifications and the differing times it took to obtain them. There were many professional vacancies and the list was growing. Moreover, the national scheme was one of narrow bands which meant that the maxima were achieved in 6 years or less, with the result that most staff in these jobs were on the top of the scale.
The price of housing in the area had risen substantially and the level of temporary assistance allowed by the NJC rules was nowhere near sufficient to cover the costs of the move.

THE REVISED SCHEME

The authority had the choice to leave entirely the NJCs, as did some Home Counties authorities (notably Kent), or to adapt part of the structure to resolve the immediate problem concerning the 4th and 5th tier staff. The second option was chosen and a new scheme was devised with the help of Hay consultants, leaving the greater part of the old structure unaltered. In a number of ways, the scheme remained unaltered as 4 salary bands were retained with 7 incremental points in each band. There were, however, a number of significant changes:

The midpoints of the new bands were substantially above the old ones, in one case by £1,700 to take account of the higher market rates.

Progression through the band was wholly performance driven and there was a provision for down-rating in the case of inefficiency.

Those joining the scheme renounced their right of appeal under the NJC grievance procedure and the grievance procedure became a local and much shortened affair.

There was considerable debate within the authority as to how wide the cover of the new scheme should be and whether the principle of moving up the scale by performance alone should be extended to staff at lower levels. Should the scheme apply only where recruitment and retention problems applied or should it be part of the cultural change towards a performance-oriented culture? Should special cases be made of professional
staff or should equity considerations apply and equal opportunities be given to high performers at all levels to move more swiftly up the scale?

The decision was made to take a broad view of the scheme. As unemployment continued to fall sharply it was forecast that retention problems would, in any case, spread throughout the authority and the demographic time-bomb was just down the road. This decision, although ensuring equal treatment of staff, would be more likely to increase the cost of implementing the new system.

**APPRAISAL SCHEME**

Underpinning the PRP scheme was a revised appraisal scheme which incorporated a quarterly appraisal. Ratings were based on points awarded under a set of up to 12 performance measures. These measures included the attainment of 'Goals' which were reset each year and 'Accountabilities' with the remainder being reflections of the different qualities expected of the appraisee - clarity of expression, depth of thought, ability to work under pressure, etc. Because of the differences between each job, a 'gearing' system was instituted so that the indicators had a different value at each grade level with differential weightings applied between 5% and 25%. The points that were awarded at each level of performance (excellent or good, for example) against the gearing for that indicator is set out in the Table below
### Table 3: Points score Midland Shire Council

<table>
<thead>
<tr>
<th>% gearing</th>
<th>Outstanding 6</th>
<th>Excellent 5</th>
<th>Good 4</th>
<th>Satisfactory 3</th>
<th>Less than satisfactory 2</th>
<th>Unsatisfactory 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>150</td>
<td>125</td>
<td>100</td>
<td>75</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>20%</td>
<td>120</td>
<td>100</td>
<td>80</td>
<td>60</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>15%</td>
<td>90</td>
<td>75</td>
<td>60</td>
<td>45</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>10%</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>5%</td>
<td>30</td>
<td>25</td>
<td>20</td>
<td>15</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

The appraisal was carried out by the employee's immediate supervisor who would award the points on each indicator and provide a total. The resultant ratings arising from the total scores is set out in the Table below.
### Table 4: Overall performance ratings and rewards (Midland Shire Council)

<table>
<thead>
<tr>
<th>Total Score – All Job factors</th>
<th>Equivalent Overall rating</th>
<th>Scale Points</th>
<th>Maximum attainable in 7 point scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above 550</td>
<td>Outstanding</td>
<td>To any scale point</td>
<td>7th point</td>
</tr>
<tr>
<td>450 to 549</td>
<td>Excellent</td>
<td>2</td>
<td>7th point</td>
</tr>
<tr>
<td>350 to 449</td>
<td>Good</td>
<td>1</td>
<td>7th point</td>
</tr>
<tr>
<td>250 to 349</td>
<td>Satisfactory</td>
<td>1</td>
<td>5th point</td>
</tr>
<tr>
<td>150 to 249</td>
<td>Less than satisfactory</td>
<td>0</td>
<td>See notes</td>
</tr>
<tr>
<td>Below 150</td>
<td>Unsatisfactory</td>
<td>0</td>
<td>See notes</td>
</tr>
</tbody>
</table>

### Notes

1. Employees whose ratings were either satisfactory or good would receive one increment on their scale. Those below satisfactory would not receive any increment and those who were 'very poor' would be disciplined. Those in the 'excellent' and 'outstanding' categories could receive an additional increment.

2. For those on the top of their grade who could not be receipt of a further incremental increase, a further incentive was introduced two years after the initial PRP scheme. This gave one-off bonuses where employees continued to be rated 'Excellent' or 'Outstanding'. A caveat had been inserted at the start that funds
would need to be available for additional increments or bonuses to be implemented.

DIFFICULTIES WITH THE SCHEME

Construction of goals - It was made clear at an early stage that goals had to be seen as over and above an employee's main duties in their jobs. To complete an audit on time could not be a goal - that was a normal duty of the job and extra increments could not be earned by simply doing your job. Defining that narrow channel between what was a normal duty and what was an extra goal became very controversial. It was difficult enough for those staff with comparatively routine and predictable management positions, such as in accounting or public service areas, to agree what were definable goals; for those in project based areas, such as planning and development, where their job normally involved a set of goals for each project in any case, constructing and agreeing the 'extra' goals became almost impossible.

Working the system - It did not take too long for a proportion of the staff to work out what they needed to concentrate on to achieve higher ratings. Firstly, they could ignore those indicators which carried low gearings. For example, goals that had a gearing of 5 could be ignored. No matter how good or bad their achievements for these goals, it would make no difference to their final rating. The same point applied to those accountabilities with low gearings. Indicators which were ignored became marginalised and merely added to the bureaucratic process. Staff concentrated their effort on indicators which had a significant influence on the final result. Now, it is possible that this could have positive results for an organisation. Creating priorities (giving indicators a high gearing) could focus employees' attention on those areas which are crucial to the authority's performance at the expense
of areas which have received too much attention and contribute little to the authority’s success. What tended to happen, however, is that there was too much focus on large value goals at the expense of important routine activities particularly those that served the public.

Assessment processes - Not unexpectedly, the difficulty arose with applying quantitative judgments to qualitative indicators, i.e. when the question is not ‘How many does she do?’ But ‘How well does she do them?’ The same appraisee may be rated a good verbal communicator by manager X, wordy and verbose by manager Y. There were also large variations between the amount of work assessed. Some conscientious managers examined every goal, assessed every accountability and judged each personal quality for each of the staff under their control. This took place every quarter. Others recognised that they could not be expected to spend over 20 % of their time on this activity and cut their cloth accordingly. Another difficulty was the reluctance of assessors to allow a final rating to finish on the three lowest grades or the higher ones which meant that most employees finished up in the satisfactory or good grades. These may be intrinsically satisfying but carried no additional increment.

The major fault here was lack of training for the assessors. Not only would it have helped the managers concerned to gain confidence and experience in this most difficult of skills, but it would also have ensured a reasonable degree of consistency in the process. As it was, the recipients became progressively confused and angry at their unequal treatment which ranged between the cavalier and the deadly serious.
Individual versus Team - The entire system was set up to allow increased rewards for individuals justified by their high performance. Unfortunately, this encouraged some individuals to concentrate on improving their own performance at the expense of the team with whom they worked. If there was a choice between furthering their own goals or helping out the team, then the choice was an easy one. Teamwork, therefore, had little encouragement from this scheme.

Employees' perception of the scheme - The scheme had been introduced as a major break from the traditional pay system which was based on service only and unrelated to performance. Although the initial pay increases when the scheme was introduced were welcomed, the on-going results left most employees feeling that the scheme had barely changed. The number of additional increments awarded was fairly small in the first year of operation and fell in each successive year so that, by 1994, no additional increments were awarded at all. It seemed to employees at all levels that a great deal of administrative work in terms of appraisals, measures and indicators was being carried out four times a year to achieve little or nothing.

Union Opposition - The scheme was opposed by the union who saw acceptance as employees signing their rights away. In the end, however, all but the Branch Secretary accepted and signed up to the new arrangement.

Funding difficulties - The final and most crucial difficulty was that related to the funding of the scheme. When it was begun, there was a genuine belief that it would be self-funding. This would be through the general expansion of business and services in the community
which would generate higher local and national funding together with efficiency savings and through the withholding of increments to poor performers.

The reality was that the recession at the start of the 1990s cut back income from all sources and the efficiency savings had to go towards funding theses shortfalls in income. Moreover, the number of withheld increments was very small providing little or no extra income sources.

**CONCLUSION**

In the mid-1990s, the authority decided to abandon the scheme using the argument that it could not be funded. By that time, it no longer served any useful purpose. With hindsight, it can be seen that it carried the seeds of its own destruction. It was conceived as a method of salary enhancement and it ran out of steam as soon as problems of recruitment and retention disappeared.

Unfortunately, this coincided with additional pressure from the government for authorities to implement John Major's Citizen's Charter. In setting out the need for all areas of the public domain to improve their service to their clients, the government inferred strongly that authorities should use performance pay to reward employees who contributed to authorities meeting their service targets. Midshires were faced with another dilemma. Given the demise of the PRP scheme, it would be more than difficult to resurrect a new performance pay scheme with any degree of conviction and it would be met with a large degree of cynicism. The issue may be unresolved nationally where numerous schemes survive in various forms but in Midland Shires, pay has reverted to the National Joint Council scales and PRP is no longer on the agenda.
Diagram 3: PRP in Context – Midland Shire Council

- Value of Rewards
- Ability of employee
- Effort
- Environment
- Desired Performance (Leading to PRP payout)
- Equity and Fairness
- Culture of high Performance
- Attract & retain best performers
CASE-STUDY 2: A Case of British Broadcasting Corporation (BBC) (This relates to MASL)

BBC employs 23,000 staff in the United Kingdom and its total paybill in 1995 was nearly £700 million, this represents a third of its total operating costs. Though not in the private sector, the radical changes in the broadcasting sector have helped to drive a significant shift in the reward strategy and Performance related pay remains at the heart of that strategy.

The objectives of the BBC’s reward strategy have been a ‘modern flexible pay system which helps to attract, retain and reward the best talent with the most competitive pay and create a close link between pay and performance’. Jobs are placed in bands using a tailor-made, computerised point factor job evaluation scheme. Staff and trade unions were closely involved in developing this scheme and the measurement factors employed are designed to reflect key business and cultural requirements, and essential employee skills and competencies.

PERFORMANCE MANAGEMENT

In respect of performance, the broad principles of the BBC’s performance review system are that, ‘staff will be clear about their role and purpose and how this fits into the overall objectives of their departments and those of BBC’. This is being achieved by:

- Cascading objectives, linked to business strategies down the organisation, with managers agreeing staff objectives after they have agreed their own.
- Agreeing objectives on an annual basis, with managers discussing progress throughout the year particularly when priorities change or achievement is threatened by external factors; and
• Setting between four and six objectives for each individual to achieve during the year.

Appraisals contain:

• A review of performance against objectives.
• A review of the way in which objectives were achieved in the previous 12 months
• A discussion of individual training and development needs and career plans; and
• A summary of performance support recommendations about staff development, future work and recognition.

THE LINK TO PAY

Each August a ‘standard’ pay rise is negotiated with trade unions at the corporate level. Managers then recommend additional merit awards for high performers. In the case of unsatisfactory performance, since 1996 pay levels for individual employees can be frozen and can actually be reduced by up to 4.5%. Such a step would only be taken after formal interviews have been held following the identification of poor performance. Managers can make salary adjustments other times of the year to reward new skills, job growth or respond to external market pressures. To ensure consistency and equity in the appraisal and pay management:

• The job evaluation scheme and pay awards are subject to a thorough equal value review process.
• Information on the distribution of pay awards in business units is monitored centrally.
• Recommendations for merit pay awards have to be signed off by two levels of senior managers.
This change process has lead to concerns being expressed by trade unions and staff and a short term industrial action taken in 1994 which described the system of merit pay as being ‘inherently unfair and discriminatory’ (Source: Adapted from Brown D. and Armstrong M., 1999).

**Diagram 4: PRP in Context - BBC**

![Diagram 4: PRP in Context - BBC](image-url)
2.6.1 Objectives of Performance Related Pay

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 lead 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). Further more 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 (Torrington and Hill, 1998). PRP allows managers to reinforce control over employees. The single most important objective of PRP is to improve employee performance by:

1. Specifying to all employees the objectives and targets of the business.

2. Supporting and building a performance orientated culture by paying for results.

3. Emphasising individual performance or teamwork through various schemes.

4. Setting objectives and performance standards for employers to meet.

5. Rewarding top performers.

6. Motivating employees.
Diagram 5: OBJECTIVES OF PERFORMANCE RELATED PAY

For managers to achieve the above objectives successfully, they need to be able to use PRP for their advantage. Not only will the extra pay concept help motivate the workforce to work harder; it will also help them to become more aware of business objectives. Though the effectiveness of money can be questioned, it is fair to pay people according to their contribution. The drive against incremental systems took place because managers could not see why they should pay people more for simply being there. PRP is a lever for cultural change in the direction of accountability for results and orientation towards high performance (Armstrong and Murlis, 1998).
2.6.2 Arguments For and Against Performance Related Pay

One of the strongest arguments in favour of PRP is that it is right and equitable to reward people according to their contribution. PRP provides a tangible means of recognising achievements. It also ensures that everyone understands the performance needs of the organisation. (Armstrong, 1996; 2002).

Against Performance Related Pay

- Its effectiveness as a motivator can be questioned – there is little firm evidence that people are motivated by their expectations of the rewards they will get from PRP, especially as these are often quite small.

- Financial incentives may work for some people because their expectations that they will be rewarded well are high. Less confident employees will not respond so well to the possibility of rewards, which they do not expect to receive.

- Also pay increases are usually quite small and have little influence on the changes in an employee’s performance. This leads us to the expectancy theory and the idea that people will only change their existing behaviour only if the see the potential reward as sufficient.

- Measurement Problems - It can be difficult to measure individual performance objectively, especially in the demand-led or process jobs and unfair assessments may be made in such circumstances because ratings tend to be both subjective and inconsistent.

- Narrow Focus - It can encourage people to focus narrowly on the task that will earn them increased pay and to be less concerned about innovation, longer-term issues and quality.

- If there is undue emphasis on individual performance then teamwork will suffer.
• It can lead to pay rising faster than performance if proper control is not exercised. There is always a tendency for PRP to drift upwards without any commensurate improvements in performance.
Arguments for Performance Related Pay

- Performance related pay not a guaranteed motivator - While it may not have been proved that PRP guarantees better motivation, neither has it been disproved. The concept that people react positively to financial incentives has considerable face validity – as long as it is not argued that money is all they work for and as long as the financial rewards are worthwhile and attainable. The impact of PRP as a direct motivator may be arguable and the prospect of a small reward might not provide a powerful incentive. But the achievement of a reward is a tangible means of recognition and can therefore provide for less direct but possibly longer-term motivation. Even if it is conceded that PRP may have little effect as a motivator, it can still play an important part in defining the performance expectations of the organisation and focusing effort.

- Limited impact of financial incentives - PRP need not be regarded as the only motivator. Attention should also be given to the non-financial approaches to motivation and recognition. An integrated approach to performance management can motivate all types of employee’s not just high flyers only, by providing a basis for a mix of financial and non-financial rewards.

- Measurement problems - It is true that PRP will not work unless fair and realistic performance measures are established. But it can be argued that anything that can be managed can be measured. It is possible to measure performance by reference to agreed standards of behaviour by adopting a competency approach which involves the definition and agreement of levels of competence required and an assessment of performance in relation to that definition. It has to be admitted that this is not an easy answer. This requires considerable skill and the organisation must be prepared to invest in the time and training required in developing these skills.
Narrow focus - The danger of performance related pay encouraging people to focus narrowly on short-term quantifiable results and quantity rather than quality is a real one. But it is avoidable if care is taken to widen the criteria for rewards to include behaviour, which satisfies requirements for innovation, contribution to the achievement of longer-term results and quality.

Discourages teamwork - Including the achievement of good teamwork and collaborative behaviour as performance measures can reduce the potentially harmful effect on teamwork of individual PRP. Performance agreements can specify the specific contributions employees are expected to make to teamwork and ratings can take account of levels of performance in this area. Where teamwork is all-important, some form of team pay – pay related to the performance of the team, can be considered too.

Control problems - PRP schemes can fail to provide value-for-money unless they are properly controlled to avoid payments unrelated to performance improvements. This involves setting up a scheme in a way that spells out the parameters clearly and specifies how control will be exercised. Training and support of managers who operate the scheme is important too and of course the implementation of the scheme must be monitored and evaluated to ascertain its effectiveness.

(Source: IRS Management Review 22 (2001); Armstrong (1996; 2002); Armstrong and Murlis, 1994)

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. (Dyer
and Schwab, 1982; Ilgen, 1990). 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 (Salaman and Mabey, 1997).

Table 5: Summary of the Advantages and Disadvantages of Performance related pay

<table>
<thead>
<tr>
<th>Advantages of PRP</th>
<th>Disadvantages of PRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pays the right people the right amounts.</td>
<td>If not carefully planned and managed PRP can cause as many problems as benefits.</td>
</tr>
<tr>
<td>Weeds out lazy workers.</td>
<td>Conflicts between employees competing with each other. Undermines co-operation and teamwork.</td>
</tr>
<tr>
<td>Defines the clear objectives of the business. Improves goal setting.</td>
<td>Additional pressures placed upon managers and supervisors. Relies on the quality of line managers.</td>
</tr>
<tr>
<td>Retains skills - Employees are attracted and retained as the company recognizes achievement through the pay system.</td>
<td>High costs of implementation and awards may be arbitrary.</td>
</tr>
<tr>
<td>Increased efficiency through improved company performance.</td>
<td>In times of recession, high fliers are not promoted or rewarded greatly - may result in the high quality staff leaving.</td>
</tr>
<tr>
<td>Focuses efforts of employees where the business needs it.</td>
<td></td>
</tr>
<tr>
<td>Improves individual/team performance,</td>
<td></td>
</tr>
<tr>
<td>Productivity and quality of work. Provides a warning criteria, employers make clear performance criteria they require. Employees seek to achieve these criteria in order to be rewarded with higher pay. Provides a direct incentive. Tangible means of recognising achievement. Generates a ‘performance culture’. Can support organisational change. The flexibility may help retain valued staff. Identifies poor performance.</td>
<td>Workers are being controlled via reward system. Raises expectation of continual payout. Needs commitment from employees. Difficult to measure levels of performance. Reduces pay equity and may be discriminatory. Often PRP is used in the wrong areas where it is difficult to improve performance. The managers become the judges - too subjective. Unreasonable levels of criteria may be set. This demotivates if goals are too hard to achieve. Contaminates the developmental aspects of performance reviews. Union and employee acceptance. Focuses attention on activities (often short-term quantifiable goals) that attract financial reward. Performance being recognised and not effort.</td>
</tr>
</tbody>
</table>

(Source: Adapted from IRS Management Review 22 (2001) and Armstrong M., 1999).
2.6.3 Research and Academic Evidence of Performance Related Pay in Practice in the UK.

Prior studies examining team and individual reward practices discuss various reasons for introducing it. It has usually been seen mainly as an incentive to motivate employees to perform better and has therefore been investigated and researched in the academic literature through a number of motivational theories such as goal-setting theory, equity theory or expectancy theory (Review Article, Journal of Health Services Policy 2001). Heightened motivation to perform better is not the only possible purpose PRP as a reward strategy, as research in the NHS clearly illustrates. It could also be used as a way to improve the recruitment and retention of employees, to signal a change in organizational culture (Kessler. & Purcell 1992), to reward more selectively so as to keep better control of the pay bill (Financial Times, 1993), to reduce the power of trade unions (Fowler 1988), or to reinforce other human resource management policies, such as appraisal procedures or employee development programs.

Prendergast (1999) remains the most recent, comprehensive review of robust evidence on incentives in both private and public sectors. It concludes that:

- There is strong evidence that workers do respond to incentives;
- Evidence of incentive programmes that reward relative performance improvements is also inconclusive;

(Source: Prentice, G. 2007)

The IPD (1997) survey, as shown in their executive summary, established that 40% of 1,158 respondents had adopted performance-related pay. Contrary to the popular belief that organisations are becoming disillusioned with PRP, its use is growing. It also
established that 74 percent of respondents believed that PRP improves performance. This is a strong vote of confidence in the system. The only reservation that can be made about this information is that it represents the opinion of the respondents, who were mainly personnel specialists and might be expected to be bullish about PRP. The survey also found that respondents largely believed that PRP delivered a clear message about organisational performance (67%) and rewarded people in a way they think is fair (57%), although (14%) felt that PRP had worsened perceptions about fairness. In the opinion of the survey respondents PRP schemes had made their most positive impact on the behaviour of high performers, 21 percent compared with the 4 percent for average performers and 4 percent for poor performers (Armstrong and Murlis, 1998).

According to the Pay and Benefits Bulletin (1999) the reason for introducing performance related pay was to improve employee and corporate performance. Few survey participants had one specific reason for introducing performance pay, with majority citing a range of objectives. Introducing performance pay as part of a programme of cultural change was cited in relation to half of the schemes surveyed (51%), followed by the need to improve recruitment and retention (45%) and a desire to increase managerial discretion (40%). The survey also highlighted between the private and public sectors in the objectives of performance pay:

- All private sector respondents (100%) cited improved performance as a goal for their performance pay schemes, compared to 62% in the public sector;
- Twice as many private sector organisations (48%) introduced performance pay to increase managerial discretion than the public sector (24%);
- Almost a quarter of public sector schemes (22%) were implemented as part of a quality initiative (8% in the private sector); and
Setting pay rates and performance rises to keep up with competitors is cited as important for 27% of private sector schemes and 8% in the public sector (IPD, 1998).

For the most of the employee groups (78%) in the sample survey done by IPD (1998), the performance pay award was based on individual appraisal, with the level of payment being linked to an overall performance rating or a series of performance categories. Reward specialists Armstrong and Murlis (2000) suggest that most appraisal systems use between three and six ratings depending on the level of analysis required. ‘Three ratings do not a give a narrow performance definition, while six allows the appraiser to clearly distinguish between differing levels of performance’. This is confirmed by the IPD (1998) survey, which finds that over 90% of the schemes are based on between three and six performance ratings. The most commonly used number is five, used for almost four in ten employee groups. The methods for determining increased performance are broadly similar in the public and private sectors organisations, although in the latter a slightly higher proportion of schemes whole job assessments or appraisals are based on competency or skills acquisition. Examples from the respondents on how performance awards are determined include:

- At the Charity Help the Aged, individual performance is measured against objectives, job descriptions and competency profiles. Line managers recommend an award, which is then authorised by the relevant director;
- At Cardiff and Vale NHS Trust, staff have to meet at least four criteria from a range as well as achieving a good sickness record and having no complaints against them;
- At thread manufacturers Coats, managers must take account of central guidelines, while also accommodating overall increases within their departmental budgets (IPD, 1998).
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 and almost half (49%) have successfully supported change in company culture. However, there are many organisations for whom merit pay has failed to reach its objectives. For example:

- 55% of schemes where improved recruitment and retention was an objective did not achieve this outcome;
- 44% of performance systems seeking an improvement in corporate performance failed to deliver this objective;
- A quarter of the schemes (26%) which aimed to support a change in culture failed in this process;
- One-fifth (21%) of the employee groups that moved to performance pay in the hope of improving individual performance failed to reach their aim.

Problems are found to be prevalent in schemes covering staff groups. In particular, difficulties such as pay being too low to motivate, a lack of management training, employees questioning line managers’ judgement and a lack of communication are recorded in much greater numbers among staff groups than managerial grades (Pay and Benefits Bulletin, 1998).

Research evidence from the CIPD (2005) survey of 477 organisations in the UK indicated that there is a widespread use of cash bonus and incentive schemes especially across the private sector and it tends to cover most of their employees. 44% of the respondents
used individual based incentive scheme while 63% of the respondents indicated that their pay progression is based on some form of individual performance pay and skills and competency pay. 30% of the responding organisation use individual performance to manage pay progression in their organisation.

Table 6: Frequency of new pay practices in UK organisations

<table>
<thead>
<tr>
<th>Types of bonus and incentive plans</th>
<th>Bonus scheme driven by business results</th>
<th>65%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individual-based incentives</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>Combination schemes</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td>Team-bonus schemes</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td>Ad hoc/project-based schemes</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>Profit-sharing</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>Gain sharing</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: CIPD (2005)

According to CIPD (2008) Survey on reward, short-term, cash-based bonus and incentive schemes are widespread in the private sectors, with most employers operating more than one scheme. The most common types are individual-based schemes, followed by ones driven by business results, such as profit. In the UK, one-third of all respondents use recognition/non-cash incentive schemes. They are more common among private sector employers and large organisations.
Table 7: Types of Cash-based or incentive plans offered by sector (%)

<table>
<thead>
<tr>
<th></th>
<th>All &amp; Production</th>
<th>Private sector services</th>
<th>Voluntary sector</th>
<th>Public sector services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual based</td>
<td>60</td>
<td>61</td>
<td>65</td>
<td>72</td>
</tr>
<tr>
<td>schemes</td>
<td>53</td>
<td>57</td>
<td>54</td>
<td>26</td>
</tr>
<tr>
<td>Schemes driven by</td>
<td>51</td>
<td>57</td>
<td>54</td>
<td>26</td>
</tr>
<tr>
<td>results</td>
<td>50</td>
<td>46</td>
<td>57</td>
<td>35</td>
</tr>
<tr>
<td>Combination</td>
<td>27</td>
<td>24</td>
<td>30</td>
<td>26</td>
</tr>
<tr>
<td>Team based schemes</td>
<td>19</td>
<td>20</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>Ad/hoc and project</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>based</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CIPD Reward Survey, 2008

Despite all the growing concerns by various authors and researchers that the implementation and operation of performance related pay in organisations has lead to a lot of problems; the implementation and use of performance related pay in organisations seems to be growing each year. According the CIPD (2005; 2008) Reward Survey; Individual based reward schemes grew from 44% in 2005 to 60% in 2008; Team based reward schemes grew from 16% in 2005 to 27% in 2008 in the UK. This is from a survey of 603 organisations across all sectors employing over 2 million people. A research by Cowling, C. (2007) found that there is greater incidence of PRP being used in micro and small firms in the UK.
According to a research by McCausland (2005), incentive pay such as PRP has a positive effect with employees on higher grade levels. He asserted that using performance pay as an incentive device could prove counter productive in the long run for certain lower paid jobs. Findings from a study by Baruch et. Al (2004), where PRP was used in Chinese professional sports indicated the importance of value for monetary incentives, using improved performance as an instrument to achieve clear objectives. This also confirms the study carried out by Helm et. Al (2007) at Anderson Clinical Center, Texas, which showed that a performance management system clearly linking performance and pay such as PRP, can have the desired effect of linking performance with pay and also encourage employees to focus on the need to improving their 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).

Much has been written about the negative side effects of individualised performance related pay (PRP), which include the tensions between it and the trends towards teamworking. A survey conducted at a large pharmaceutical company found that 82% of staff believed that performance related pay did not encourage teamwork (Armstrong, 1992).

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 cooperation, 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. Critics of the psychologically based needs theories point out that pay is an important factor in motivating people at work and that they wish to be rewarded according to their contribution. Some support for this comes from a report by the Centre for Economic Performance questioning the use of merit pay in the public sector (Inland Revenue). It discovered that while most employees agreed with the principle of linking pay to performance, more than 80% of the Inland Revenue staff questioned, said that PRP did not give them an incentive to work beyond the requirements of their job or to be more effective in dealing with the members of the public but welcomed PRP in principle (IRS, 2000). It is thought that where there is trust, involvement and commitment to fairness, the scheme works.
2.6.4 Performance-Related Pay: The Link with Pay and the Future.

Three reviews by Armstrong, M. (1993), Kessler, I. (1994) and Mardsen and Richardson (1994) provide little support for the link between pay and performance. Other researches and studies also question the pay-performance connection. A summary of some recent evidence on the link between pay and performance include the following: Bevan, S. and Thompson, M., 1991 study of performance management found no strong link between pay and performance. Also a study of BT executives showed that only 6% thought that PRP improved their performance compared with 70% who thought it did not (Armstrong, 1993). Cannell and Wood’s (1992) study for NEDO and the IPM could not find a perceived relationship between pay and motivation, individual and organizational performance. A study by Wyatt consultants (1993) reported that only 11% of the organisations surveyed believed that their schemes delivered improved performance.

The amount of work being undertaken in organizations to modify, change and improve individual performance-pay schemes shows the level of dissatisfaction with them. Employers are mostly concerned with their performance management systems and the design of their incentive schemes. And, disturbingly, majority of employers do not intend to involve their employees or their trade unions representatives in any re-design or improvement (Thorpe and Homan 2000). The human resources model of management embraces the notion that individual employees should be able to attain personal goals through their work; that idea has now been developed to the extent to which it is suggested that an individual human life be seen as an ‘enterprise of self’ in which individuals continuously engage in the ‘continuous business of living to make adequate provision for the preservation, reproduction and reconstruction of one’s own human capital’ (Gordon 1991). It is likely that approaches to performance-related pay need to
adapt to embrace the further development of particular competencies and skills which the organisation defines as necessary for self development (Du Gay, Salaman and Rees, 1996).

Table 8: Trends in Pay Systems (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PRP/Merit Pay</td>
<td>62.6</td>
<td>70.0</td>
<td>61.5</td>
<td>58.0</td>
<td>53.8</td>
<td>44</td>
<td>60</td>
</tr>
<tr>
<td>Team Pay</td>
<td>6.6</td>
<td>8.8</td>
<td>6.1</td>
<td>4.4</td>
<td>5.0</td>
<td>16</td>
<td>27</td>
</tr>
<tr>
<td>Profit Sharing</td>
<td>2.3</td>
<td>18.3</td>
<td>19.5</td>
<td>17.7</td>
<td>20</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Gain Sharing</td>
<td>2.2</td>
<td>2.9</td>
<td>3.0</td>
<td>2.2</td>
<td>3.1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Adapted from CIPD (2005; 2008) and IRS Management Review (2001)

The following trends in pay systems suggests to researchers that performance related pay is growing in use and operation in a lot of organisations despite earlier criticisms by other writers about its limitations. But could the growth of the use of performance related pay in organisations be due to a modification of the scheme to suit the organisations culture and business strategies, thereby limiting and managing the negative effects or disadvantages that it could lead to?

There has also been a sharp growth in the use of team pay within the last 3 years (from 16% to 27%). Between 1996 and 2000 the use of team pay within organisations in the UK has remained relatively stable under 10% but between 2000 and 2005 its use increased to 16% and in 2008, it had increased to 27%. This is an indication that team pay is
growing in popularity within organisations in the UK because of the benefits of teamworking.
2.7 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. Compensation writers have therefore often used team reward to cover a whole variety of collective pay and reward schemes, with Milkovich and Newman (1987), defining it ‘as any form of variable pay scheme which rewards employees collectively on the basis of their performance’.

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. But the two over-riding sets of criteria that consistently come out from this type of study and from individual HR managers responsible for introducing team rewards are:

- To help improve ‘hard’ business performance and competitiveness;
- But also to have a ‘softer’ and more general impact in support of this, of reinforcing employee involvement, teamwork, communication and commitment.
- The desire to motivate and mobilise everyone’s performance is often a major goal of team reward plans. (Armstrong and Brown 1999).
2.7.1 The Problems of Team Based Pay

The information given will therefore suggest that team rewards are well worth a serious examination as a means of reinforcing performance and contribution, but there are clearly also potential problems with their usage. Some of the most significant to be drawn out from research are as follows:

- Individual perceptions of an inability to affect team performance, which clearly is likely to increase with the size of the collective unit. Maggi Coil, formerly corporate director at Motorola, describes team pay with equal payments to team members as, ‘often problematic and dysfunctional, rewarding mediocrity’ (Poole and Jenkins, 1988).

- The effect of external and uncontrollable factors on performance of the team. In line with expectancy theory employees find it demotivating if they feel that factors outside their control actively influence whether or not they can achieve a team bonus.

- As with individual incentives Kohn (1993) notes that there can be undesirable side effects of the team bonus on aspects of performance not included in the scheme, and on broader relationships in the organisation.

- And where they believed that work was not shared equally amongst team members. Not surprisingly individuals rating themselves as high performers were less satisfied with team rewards than those who rated themselves as average performers (Macadams and Hawk, 1995).

- The research highlights team and collective rewards (Bullock and Lawler, 1984) as ‘peaking out’ effect, which is that performance gains achieved tend to fall significantly after the initial 2-3 years of operation. This is one of the factors leading Scottish Nuclear Electric to review the operation of its scheme after several years of success in 1998.
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. In Schuster and Bowey’s (1983) research studies, those 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 were far more dissatisfied with team rewards where they were not distributed to reflect individual contribution.
2.7.2 The Advantages of Team Based Pay

One of the major criticisms levelled against individual performance pay is that it motivates people to act individually, rather than to co-operate and work as a team (IRS Management Review, 2001). What then is the evidence as to the effectiveness team pay in motivating people to achieve improved results by improved teamworking and greater commitment? Katzenbach and Smith (1993) asset that, ‘teams outperform individuals acting alone or in large organisational 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. There is a fairly impressive body of evidence to indicate that, in appropriate circumstances, team reward plans are effective in terms of both their ‘hard’ and their ‘soft’ behavioural impact. The research seems to compare particularly favourably with that on individual performance pay. The American Compensation Association (ACA), carried out a large study of 2,200 collective reward plans in 1995 (Macadams and Hawk 1995), in the plans performance impact were measurable, they calculated an average return on the cost of scheme payments in excess of 200%: that is the performance improvements associated with such schemes generated $2 to the company for every $1 of payment to their employees. The average satisfaction levels of these companies on a Likert scale from 1 not satisfied to 5 very satisfied, in terms of scheme effectiveness were as follows:

- improve business performance: 3.25;
- foster team work: 3.09;
- Improve communications: 3.39.
Improved teamworking, greater commitment and improved employee relations were similarly the factors demonstrating the greatest improvement according to an earlier study by the American Productivity Centre (1987), with productivity, quality and absenteeism all seen to generally improve. Plans based on smaller teams and those using operational rather than financial measures tended to score most highly in this regard. Towers Perrins (1990) study of over 150 collective reward plans revealed very similar results, with 73% of participants feeling that their plans had exceeded their expectations.

In general, therefore, the data is fairly impressive but as we have already seen, team rewards are far from being a foolproof means of creating really effective pay-for-performance linkages in many of these studies it is difficult to assess the extent to which performance gains are dependent on improved teamworking rather than the team reward vehicle. Indeed there is evidence to suggest that bonuses can help improve performance of an already effective team, but simply exacerbate the problems in a poorly performing group. Another difficulty is that many of these studies rely on management assessments of effectiveness. A very interesting exception is the study, which De Matteo (1997) undertook, looking at the perceptions of reward plans by 330 employees in 57 different teams. In general these employees were somewhat dissatisfied with their team reward plans, with an average satisfaction level of 3.59 on a scale from 1 to 7. While the satisfaction team rewards increased with the size of reward in this study (the average payment was under 4 per cent of base pay), it was also strongly influenced by employee perceptions of a link between their individual performance and the reward. Indeed the belief that team reward payments were distributed equitably in relation to each individual’s contribution, rather equally within the team, had a strong correlation with satisfaction.
2.7.3 Research and Academic Evidence of Teamworking and Team Based Pay.

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.

A CIPD (1998) survey of 98 organisations found incidence of team working almost a quarter surveyed had formal links between team performance and pay, this was concentrated in the financial services, high-tech and pharmaceutical industries.

The findings include:

- 87% operated team bonus or incentive scheme
- 26% used team part of their individual assessment process
- 22% used team pay within the context of a competency based reward scheme

A WERS (1998) research reported that 65% of organisations that participated in this survey operate some form of team working and most employees work formally in designated teams. The PAAB (2000) annual survey put the proportion of firms using team pay at 5% with a further 10% examining the possibility of adopting some form of team reward. A survey of 79 call centres by IRS (2001) found that almost 32.9% had a team reward mechanism in place (IRS Management Review 2001).
In a CIPD (2005) survey only 12% of the 477 organisations surveyed in the UK linked pay progression to some form of team profit or performance and 16% use team based incentive schemes. Other methods of rewards included an individual competence at teamworking in base pay, and non-cash recognition awards for high performing teams. Many of these sorts of team rewards have a long history. The traditional image of collective bonus schemes in the UK is perhaps, the type of 1970s’ style productivity scheme in the manufacturing industry.

There is an increasing shift to the use of teams in developed nations (Katzenbach et al., 1993). This is occurring for several reasons. There is a move away from directive, hierarchical leadership structures to more participative equality among group members. Also technology, competition and customer expectations require that organisations are highly responsive and adapt quickly to customer requirements and finally organisations are downsizing and use teams as a of making better use of their workforce. Teams are increasingly being used as primary work units within organisations (Guzzo and Dickson, 1996). In a survey reported by Lawler et al., (1995), 51% of fortune 1,000 companies reported having more than 20% of employees in teams, which increased to 68% in a follow up survey (Lawler et al., 1995). Teamworking offers many advantages over the fragmented work characteristics of traditional production lines, particularly in relation to problem solving and continuous improvement (CI) activities. (Berger, 1997; de Leede and Looise, 1999; Lindberg and Berger, 1997).

Reasons for implementing team based rewards include:

- Supporting team-based structures,
- Encouraging co-operation among team members (Tjosvold, 1986),
- Encouraging team productivity and
Overcoming limitations of other group-based plans such as gain sharing (DeMatto et al., 1998).

With the emphasis growing and gaining ground on teamwork, many organisations are searching for better ways to link this new and emerging form of work to compensation and reward. According to Kessler (2000) he reports that the example of Ethicon, a manufacturer of health-care products, which introduced the team reward scheme, links pay to three measures of team performance – output, quality and lead time.

An alternative approach to reward for the civil service has developed under Labour. The Makinson’s Report (2000) looked at team based pay. The outcome of the report was that individual PRP was unsuitable for parts of the civil service, particularly where large number of employees were doing the same type of job, working to common goals as a team. He believed that public sector team based pay had a number of advantages and they include:

- It recognises collective rather than individual effort. Collective effort is an important feature of the civil service culture.
- It is capable of being accurately measured and related to organisational goals.

A research carried out using data from the 1998 British Workplace Employee Relations Survey indicated that Performance related pay schemes based on group measures of output are more positively associated with productivity performance than those based on individual measures (Mcnabb, R. & Whitfield, K., 2003). Team based pay is currently operating at the Department for Work and Pensions, was looked at by HM Customs and Excise, is being piloted in the NHS, and is about to be launched in the Inland Revenue (Reily, 2003). Recent works on health care by Borrill et al. (2001) argues that teams can
be more innovative and open to change – they can increase staff motivation and retention, through improving their physical well being. Gomez-Mejia and Balkin, (1989) have suggested that team-based pay can be effective in motivating staff to improve their performance, but it seems as with most pay schemes, that the environment and culture of the organisation has to be right. In the case of relating pay to team performance, you have to have an embedded team structure first. And it may be that it is teamwork and goal setting that has a positive effect rather than the team pay scheme itself. Or it may even be that teamworking and team pay are part of a bigger ‘bundle’ (Huselid, 1995) of people management initiatives that work together to improve performance (Reily, 2003).

There are differing viewpoints as to how team pay should be implemented; many researchers and authors have suggested that the application of individually-based reward systems may not necessarily support team based approaches to work organisations (Zingheim and Schuster, 1997). According to Montemayor (1996) one of the most important factors to consider in designing pay systems for teams is the degree of task interdependence. Unfortunately, evidence shows that a lot of effort will be wasted if organisations don’t succeed in aligning the team concept with their business strategies and human resource management systems. Despite its growing importance, empirical testing of detailed theoretical aspects of both team and individual performance related pay (PRP) has been patchy. In particular the overwhelming proportion of studies, which have been carried out, has taken place in American organisations, with smaller numbers applied to the British context and fewer or none in the African setting. (Mabey and Salaman, 1997).
2.8 Outcomes of Performance Related Pay - Job Satisfaction and Commitment

One of the aims of performance related pay operated in the organisations used in this research is that the outcomes of PRP could lead to employees being satisfied with their jobs (job satisfaction) and increased commitment to the organisation thereby improving productivity and performance, leading to a reduced employee turnover and other positive outcomes. But this assumption by management cannot be confirmed except it has been thoroughly tested through surveys and interviews and also indications from the performance and human resource records of the organisations.

There has been major public and private sector reform targeted at changing the operations of most organisations (Crossman and Abou-Zaki, 2003; Boland and Fowler, 2000), due to these changes employees within most African organisations have been subject to major changes in the workplace in drive to improve organisational efficiency and effectiveness. To achieve this efficiency and effectiveness a number of management practices have been adopted in most organisations (Ferlie et al., 1996). Employee satisfaction is multi-dimensional comprising constructs such as satisfaction with supervision at work, work it self, pay conditions, appraisal, promotion practices and co-workers (Hackman and Oldham, 1980). Job satisfaction is one the major criteria for establishing the health of any organisation. Over the last four decades it has been widely used for organisational research (Currivan, 1999); providing effective services mainly depends on the human source (Fitzgerald et al., 1994) and employees’ job satisfaction will affect the total quality of service they provide and overall organisational performance and profitability.
Pay has often been mentioned as a determinant of job satisfaction but the exact role of pay has always been questioned (John and Weitz 1989). Job satisfaction is a criteria in establishing the health of an organization and job satisfaction felt by staff will seriously affect the quality of service they offer (Fitzgerald et al. 1994). Bagozzi (1980) sees satisfaction as the positive experience people derive from a positive appraisal of their interactions and experience on the job. Locke (1976) has defined Job satisfaction and Spector (1997) as a positive emotional state resulting from the pleasure a worker derives from the job. Spector (1997) implies that satisfaction is related to the component facets rather than the whole job. Also Kalleberg (1997); Mercer (1997); Wright and Cropanzano (1997), define job satisfaction as the affective and cognitive attitudes held by an employee about various aspects of their job (Crossman and Abou-Zaki, 2003). Fogarthy (1994) also defines job satisfaction as the extent to which employees gain enjoyment from their efforts in the workplace. Job satisfaction has been defined and measured both as a global construct and as a concept with multiple dimensions or facets (Locke, 1969, 1970; Price, 1997). In general it has been defined as “a function of what on wants from ones job and what one perceives it as offering” (Locke, 1969; Lund, 2003). There have been a large number of researches into the relationship between job satisfaction and a number of other variables.

Very few research work have been carried out on investigating the link between performance pay and job satisfaction. Lawler and Porter (1969); Tvorik and McGivern (1997) investigated the relationship between performance and satisfaction. Some of these research work found employee satisfaction to be important because customer satisfaction can only be achieved when employees are content (Rogers et al., 1994) and low job satisfaction can have a negative effect on corporate productivity (Berman and Nevo,
1994). A major reason that job satisfaction is a significant concern is due to the fact that it is very often found to be highly linked to commitment (Taormina, 1999).

Different research work and studies have supported the fact that age, gender, race, and education have important impact on job satisfaction. For example older workers, are more likely to be satisfied than younger workers, (Kalleberg and Loscocco, 1983) and non-Hispanic white workers are more likely to be satisfied than minority workers (Firebaugh and Harley, 2000). Different results from various research works carried out for job satisfaction among men and women depending on their occupational level are supported in a study by Varca et al., (1983) who examined job satisfaction among an alumni 5 years after they had graduated from college. The researchers found that at higher occupational levels men experienced more satisfaction than women in terms of pay and opportunities for advancement.

Chiu (1998) found that female lawyers had significantly lower job satisfaction than male lawyers, and that the major reason for the difference was that women felt they had fewer opportunities for promotion and advancement than men. Miller (1980) found that job satisfaction was greater among workers in jobs that were more secure and highly paid. Other influential and important factors include if the individual worked full time or part time, and whether they were self-employed or worked for someone else.

Also other important aspect of job satisfaction is the employee’s attitude toward their job. The intrinsic rewards of a job such as having a sense of control over one’s work and the feeling of accomplishment are very important in determining job satisfaction. Also the
employees’ perception of fairness with the various aspects of their job (Janssen 2001; Brunnetto and Farr-Wharton 2003). More complex jobs generally are more mentally challenging, and when employees have various autonomous tasks in their jobs, they tend to have more of a sense of control. Previous studies and researches have shown that job satisfaction is negatively related to the performance of routine tasks, and also that job satisfaction is positively related to the performance of more complex and autonomous tasks. (Blau, 1999; Kalleberg and Griffin, 1978).

Several studies and researches have taken a social approach to job satisfaction, examining and analysing the influence of supervision, management, and co-worker social support. An employee’s level of job satisfaction may be as a result of personal characteristics and the characteristics of the groups to which she or he belongs. (Blau and Scott, 1962; Pfeffer, 1983). Relationships with co-workers and supervisors are important. Various studies have shown that the when there is good relationships between co-workers and their supervisors, then there is a greater level of job satisfaction among the employees (Kalleberg and Griffin, 1978; Souza-Poza, 2000).

The relationship between job satisfaction and performance is still open to question; it will be unwise to just assume that high job satisfaction will leads to high performance and that all high performers are will be satisfied with their jobs and vice versa (Crossman and Abu-Zaki, 2003; Euske et al., 1980). A number of studies and research into the area of job satisfaction and performance indicate quite a weak link (Petty et al., 1984) while others (Spector, 1997) have suggested that there is a potential a potential relationship between job satisfaction and performance. The determinants of the causes and effect are still not clear and it still cannot be assumed that satisfaction leads to high performance, or that
high performers are necessarily satisfied with their jobs and vice versa (Crossman and Abu-Zaki, 2003; Euske et al., 1980).

The commitment of employees to the organisation is of prime concern to human resource managers in most organisations, because employees committed to the organisation will definitely serve it better. There will be a reduction in the overall costs commonly associated with human resource functions e.g. training and development, recruitment and selection. Most literature suggests that employees who are more committed are less likely to be absent and to voluntarily leave their organisations (Iverson and Buttigieg, 1999). Organisational commitment can help explain a range of human attitudes and behaviours at work and the measurement of this construct is central to explaining some dimensional linkages (Matthews and Shepherd, 2002).

According to Iverson and Buttigieg (1999) there is still a lot of disagreement amongst researchers over the definition of organisational commitment (e.g. Cohen and Kirchmeyer, 1995; Dunham et al., 1994; Hackett et al., 1994; Iverson and Roy, 1994) though most researchers consider commitment to comprise of two distinct but related components: attitudinal and behavioural commitment. Attitudinal commitment represents the degree of loyalty an individual has for an organisation, while behavioural commitment reflects the process by which an individual links themselves to an organisation and focuses on the actions of the individual (Porter et al., 1974). Commitment is an internalised employee belief often associated with 'soft HRM' and a high trust organisational culture.
Mowday, Porter and Steers (1982) have defined organisational commitment as 'the relative strength of an individual identification with an involvement with a particular organisation'. This definition affirms and implies a strong belief in and acceptance of the organisation's goals and values and a willingness to exert considerable effort on behalf of the organisation.
2.8.1 The Psychological Contract and Employee Commitment

Psychological contracts consist of the beliefs employees hold regarding the terms and conditions of the exchange agreement between themselves and their organizations (Robinson, Kraatz & Rousseau, 1994; Rousseau, 1989). Specifically, psychological contracts are comprised of the obligations that employees believe their organization owes them and the obligations the employees believe they owe their organization in return. Psychological contract breach arises when an employee perceives that his or her organization has failed to fulfill one or more of the obligations comprising the psychological contract (Morrison & Robinson, 1997; Robinson, 1996).

Research on psychological contracts has generally focused on two areas. First, a number of articles have discussed the changing nature of the psychological contract and the general decline in mutual loyalty between employees and their organizations (Hall & Moss, 1998; McLean Parks & Kidder, 1994). These articles have typically provided anecdotal evidence of the types of psychological contract breach that employees have experienced or contrasted “historical” and “contemporary” psychological contracts.

Second, another line of research has investigated the negative consequences of psychological contract breach (or violation) on employee attitudes and behaviors (e.g., Robinson, 1996; Robinson & Morrison, 1995a; Robinson & Rousseau, 1994). This literature suggests that psychological contract breach results in a wide array of negative outcomes, including reduced job satisfaction, reduced trust in the organization, increased cynicism about organizational life in general, and increased intent to quit. This study aims to extend prior research on psychological contracts in three ways.
Most prior research on psychological contracts has examined cases in which employees perceive that they have received less than promised. However, recent research focusing on different types of employment relationships suggests that, in some instances, organizations may benefit from over-fulfilling psychological contracts (e.g., Shore & Barksdale, 1998). According to this line of research, and consistent with the predictions of social exchange theory and equity theory, employee contributions to the firm may rise as organizations provide more than they originally agreed to provide. When psychological contracts go unfulfilled, both Rousseau (1995) and Morrison and Robinson (1997) suggest that employees’ attributions regarding the reason for the breach play an important role in determining how they will respond. At the broadest level, employees are likely to view the breach as either intentional or unintentional (Turnley & Feldman, 1999b). Unintentional psychological contract breach tends to arise from one of two sources. First, *incongruence* occurs when the employee and the agent representing the organization have an honest difference of opinion regarding what the organization is obligated to provide (Morrison & Robinson, 1997).

In these cases, while employees perceive that they are not getting all they expected to receive, they understand that those representing the organization believe that the organization is fulfilling its obligations. Second, *disruption* occurs when the organization is unable to live up to the promises and commitments it made to its employees (Morrison & Robinson, 1997). In many instances, psychological contract disruption occurs when the organization is experiencing financial difficulties. For example, when the organization is losing money or market share, it may have to cut back on the inducements that had previously been offered as a part of the employment relationship.
2.8.2 Implications for Performance Pay and Employee Commitment in Organisations

Research by Turnley, W. et al., (2003) suggests that psychological contract fulfillment results in increased employee performance both in terms of in-role and citizenship behavior. Likewise, psychological contract breach is associated with poorer employee performance. Thus, this research further supports the idea that the outcomes of psychological contract breach are likely to extend beyond the hurt feelings, sense of betrayal, and poor job attitudes experienced by employees who perceive that their organizations have not lived up to their commitments (Turnley & Feldman, 1999a). Indeed, because employee contributions to the organization are likely to decrease, psychological contract breach may have a negative impact on organizational performance in the long run. This research yields only limited support for the idea that attributions play an important role in determining employees’ responses to psychological contract breach.

Specifically, when breaches concern pay, there is at least some evidence that employees’ attributions matter. Thus, when organizations cannot meet employee expectations regarding compensation, it may be desirable for the organization to effectively communicate the reasons for the discrepancy (especially if there is a legitimate reason for the organization’s failure to honor its commitments). Such communication could serve to mitigate against employees decreasing their commitment to the organization and their efforts on its behalf. However, the attributions that employees made regarding why breach occurred on the relationship dimension had less of an impact on their behavior. To the extent that these results are generalizable, it represents bad news for
organizations. In effect, such a finding suggests that employees typically respond negatively to psychological contract breach, even in those instances when they do not believe the organization intentionally reneged on its commitments.

The psychological can be categorised into 2 types the relational psychological contract, which indicates long term exchanges that maintain employer employee relationships (e.g. obligations about personal support and meaningful jobs and the transactional psychological contract which refers to specific monetisable exchanges over a limited period of time (e.g. obligation about high pay and merit pay which includes PRP). (Kratz, Robinson & Rousseau, 1994). To some extent the relationship between employer and employees can be seen to as transactional due to the provision of wages, but the introduction of performance related pay into the reward package could potentially turn the relationship between employee and employer to a transactional psychological contract as the relationship now based on bought commitment rather than enduring commitment which is gained through a relational contract.

The Research by Turnley, W. et al, (2003) suggests that psychological contract fulfillment results in increased employee performance both in terms of in-role and citizenship behavior. Likewise, psychological contract breach is associated with poorer employee performance. This suggests that in event of a breach of the psychological contract by the employers, the employee’s performance would reduce thereby affecting the PRP scheme in operation in the organisation and leading little or no performance payout. This indicates that performance pay schemes have a direct link between the switch from a relational to a transactional psychological contract due to the move from enduring commitment to bought commitment.
2.9  **Reward and Culture**

Louis (1980) defines culture as a set of understanding or meanings shared by a group of people. The meanings are largely tacit among members, are clearly relevant to a particular group and are distinctive to the group. These meanings are passed onto new group members. Also Williams et al., (1993) explains that culture is a commonly held and relatively stable beliefs, attitudes and values that exist within an organisation. 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.

Culture and not nature according to Michael Foucault govern human societies. The accumulated set of common experiences, beliefs and values that members of groups of people call on to address the challenges they encounter in the world all consist of their cultural influences. This is very important in designing and applying employee reward strategies. Organisations need to take into consideration the cultural similarities and differences between employees, differences arising from race, ethnic and tribal origins (IPD Guide on International Reward, 1999).

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.
### Table 9: Four Dimensions of Culture in Relation to Reward and Recognition

<table>
<thead>
<tr>
<th>Cultural Factors</th>
<th>Rewards/Recognition Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power Distance</strong>: the extent to which people accept an unequal distribution of power and authority.</td>
<td>Tolerance of inequality</td>
</tr>
<tr>
<td></td>
<td>Range of income differentials</td>
</tr>
<tr>
<td><strong>Masculinity</strong>: the degree to which the dominant values of society favour heroism, assertiveness and material achievement or lean towards relationships, caring, nurturing and intrinsic rewards.</td>
<td>Potential for competition between individuals and business units</td>
</tr>
<tr>
<td></td>
<td>Performance link</td>
</tr>
<tr>
<td><strong>Individualism</strong>: the extent to which peoples self-image is as a detached individual or as a member of the social institution to which they belong (family, work group, organisation)</td>
<td>Feasibility of group rewards</td>
</tr>
<tr>
<td><strong>Uncertainty avoidance</strong>: the degree to which people feel at ease with, or threatened by, ambiguity and uncertainty</td>
<td>Income predictability importance</td>
</tr>
<tr>
<td></td>
<td>Standards of performance</td>
</tr>
<tr>
<td></td>
<td>Ease of pay performance separation</td>
</tr>
</tbody>
</table>


A number of models have been developed to assist the process of sensing cultural differences. One of the oldest and well known is that developed by Geert Hofstede. Bento and Ferreira (1992) extended Hofstede’s work in terms of the impact and effect on rewards of different cultural assumptions and preferences (IPD Guide on International Reward, 1999).
According to research carried out by Hofstede in 1991 about the analysis of national cultural differences he found that Asian and African countries had high power distance values low power distance was found to be a feature of the USA, the UK and its former colonies. He also found that nearly all wealthy countries except Singapore and Hong Kong scored highly on individualism while nearly all poor countries were found to be collectivist in nature.

A shocking find by Hofstede (1991) was that there was a mixture of poor and rich countries when the values of short-termism and long-termism were measured. He found that the USA, Pakistan, Zimbabwe, Nigeria, UK, Canada and the Philippines tended to be more short-termist in planning when compared to the Netherlands which was the most long-termist, China, Brazil, South Korea, Taiwan and Switzerland (Brown, A. 1998).

Many commentators have questioned whether there is a ‘single best culture’ that will bring success to all commercial organisations. There are some general features of organisational culture that are likely to be associated with organisational success in the view of Kotter and Heskett (1992), a culture in which there is a strong consensus that

1) Large stakeholders be valued

2) Leadership at all levels is important to success

3) Engages in practices that fit a sensible strategy for the organisations context will enhance economic performance.
One of the most widely cited hypotheses is that a strong culture enables an organisation to achieve excellent performance. Deal and Kennedy (1982:15) have argued that: ‘the impact of a strong culture on productivity is amazing. In extreme we estimate that a company can gain as much as one or two hours of productive work per employee per day’. It is not always spelled out how a strong culture leads to exceptional organizational performance by commentators but there are three key arguments:

1. Goal alignment is facilitated by a strong organisational culture. The idea behind this is that all staff share the same basic assumptions they can agree on not just on what goals to pursue but also on the means by which they should be achieved.

2. A strong culture leads to high levels of employee motivation. There are 2 arguments here that. It has been suggested that there is something intrinsically appealing about strong cultures that encourage people to identify with them and secondly strong culture organisations incorporate practices which make working for them rewarding.

3. A strong culture organisation is better able to learn from its past. The suggestion here is that an organisation which is able to reflect on its development and draw on a stock of knowledge encoded in stories, rules of thumb is likely to perform better than competitors who are unable to learn from its past successes and failures (Adapted from Brown, D. 1998).

Other commentators have argued that it is wrong to concentrate on organisational culture when considering performance as particular industry sectors have their own set of cultures that need to be studied in order for a complete picture for organisational
effectiveness to be revealed. Also other groups put a lot of emphasise on national culture, and attempts have been made to explain the rise of South Asian economies and the decline of the British economy by reference to their national culture differences. It can also be noted that culture itself does not provide a direct explanation for organisational performance, as there is an indication of a complex and dynamic relationship between organisational culture, industry sector culture, national culture, organisational structure and performance (Brown, 1998; Whipp et al., 1989)
2.10 Human Resource Management in Africa

The study of organisational behaviour and management as they relate to developing countries has been receiving increased attention over the years. This attention is mostly culture oriented and focused reflecting national interests and problems (Negandhi and Prasad, 1971). Hypotheses have asserted universality to the relationships that exist only within a very particular cultural framework. This tendency has had very important consequences for management thinking and training (Zeffane and Rugimbana, 1995).

The current literature and researches on management in developing countries generally (e.g. Jaeger and Kanungo, 1990) and management in the African continent specifically (e.g. Blunt and Jones, 1992) presents a picture and an idea which sees management in these countries as fatalistic, resistant to change, reactive, short-termist, authoritarian, risk reducing, context dependent and basing decisions on relationship criteria, rather than on universalistic criteria (Jackson, 2002). It is very sad that this perspective and view paints a negative image of management in Africa, and one within the developing world paradigm that actually hampers constructive research into the main the nature of people management, reward management and change in Africa.

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).
A lot of African economies are going through a stage of transition from large and often over-staffed public corporations and government agencies to enterprises and organisations that are more publicly accountable and private enterprises and organisations that have to compete globally and become profitable (Ibru, 1997; Barrat Brown, 1995). There is also a great need for people development as human resources in any country is a great asset (Kifle, 1998; Bazemore and Thai, 1995; Kamoche, 1997) and to do this specifically within the work organisations (Anyanwu, 1998).

There is also a need to develop relevance, flexibility, responsiveness and accountability in the public sector and government agencies. This is hampered by a legacy of administration and bureaucracy that was tacked onto African societies with standardisation of functions and low transferability of skills (Carlsson, 1998; Picard and Garrity, 1995). Of recent the imposition of economic structural adjustment programmes, which have totally reduced government spending, removed subsidies, deregulated goods, money and labour markets and decontrolled prices to respond to market forces and liberalisation of trade has militated and worked against protecting and developing indigenous organisations and businesses through long-term government and private investment in organisations and businesses to develop human capacity (Mbaku, 1998; Wohlgemuth et al., 1998; Jackson, 2002).

Privatisation and related cost-cutting measures have resulted in widespread and redundancy retrenchment, which in turn has lead to high scale unemployment and in many cases, poverty for extended families that relied on a sole breadwinner (Kamoche,
This also has increased crime and corruption in many African countries, as the people have to find a way to feed their families.

The current tendency (both within and outside academia) to treat Africa as one homogenous continent inevitably prevents and stops observers from achieving a comprehensive and full picture of the various management challenges facing large organisations and businesses on the continent and ultimately fosters and encourages inappropriate practices by foreign and western investors. In reality, Africa is characterised by a high degree of diversity, which cuts across various spheres – political, economic, social, cultural, national and so forth (Blunt and Jones, 1992; Kamoche, 2000; 2002).

Many African countries gained independence some forty to fifty years ago, and they are still in the process of defining themselves as nation-states with a comprehensive social-political and economic agenda and plan (Kamoche, 2002). Very sadly enough, the only image that a lot of outsiders have of the African continent is that of social-political strife, crime, armed conflict and military dictatorships, disease, corruption, poverty, vulnerability to the elements leading to famine and a gradual decline in standards of living. Against this backdrop, organisations, industries and state or government beaurocracies struggle really hard to provide goods and services as well as employment and income earning opportunities for their citizens though they have not yet fully succeeded in doing this (Kamoche, 2002).

Current research works suggests that the challenges of managing people on the African continent are further compounded by the environmental uncertainties such as flood, wars,
political instability, coups, devaluation of the currencies, unexpected changes in
government policies which impede planning (Kamoche, 1997; 2002; Munene, 1991).
Other problems include governmental interference, social-cultural factors, which appear
to be at odds with contemporary industrial imperatives, inappropriate management
practices, inappropriate leadership styles and adversarial labour relations.
2.11 African Organisational Systems: The Complex Role of Culture

The major strength of the cultural view lies in recognising the major fact that cultural values and attitudes are very different from one society and country to another. This view assumes that there are very strong elements of convergence among and within members of a particular cultural group and different cultural groups are likely to behave differently under similar circumstances because of differences in their underlying values and attitudes. The controlling values of a culture serve several purposes in a society, e.g. they provide a way of looking at the world and at people. They furnish those who hold them with a particular set of beliefs, which then explain as it were the various functions and structures of what is perceived to be (Zeffane and Rugimbana, 1995; Zeffane, 1992). They also set out one or more approved aim and goal towards which the human effort could be channelled within that part of life.

Attempts have been made in recent research efforts to overcome this major problem through the use of comparative analyses. This has not proved convincing at all (Ali et al., 1992; Morris et al., 1993; Zeffane, 1994; 1995). The ideal management and organizational behavior framework is to formulate concepts and propositions which are universal and can be applied cross-culturally. It has been admitted however that the idea/perspectives which have arisen in the fields of social science are in themselves the cultural products of the Western world, which does not increase our understanding of the organisational processes of the various African countries (Zeffane and Rugimbana, 1995; Zeffane, 1992). Many industries and organisations operating in Africa have found cultural differences to be very important in various aspects of management. A lot of socio-economic mishaps, such as misinterpretations, frustrations and conflicts have caused delays and wastage of resources. Dafar and Gustavsson (1993) asserts that project
managers in Africa and the Middle East should arrange culturally similar groups of
different cultures, to create competition among the different cultural groups which will then
evoke pride in their work leading to improved performance.

The cultural challenge is in fact more far reaching and tends to question the conventional
organisational behaviour theories e.g. ‘motivation theories’. In the African countries the
great majority of these house and nurture ‘collectivist cultures’ which does not align with
the motivational advocacies of Maslow and McGregor. These cultural tendencies have
repercussions on management at all levels and functions. Many management principles
spring and emanate from proponents of individualistic cultures and societies, which
emphasises individual interest and individual achievements as means of distinguishing
and defining themselves.

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. Description of management in Africa has largely been informed by the developed/developing world dichotomy (Blunt and Jones, 1992; 1997; Jaeger and Kanungo, 1990). Systems of management identified in literature as African are mostly representative of post-colonial heritage, reflecting a theory X style of management (from McGregor) which generally mistrusts human nature with a need to impose controls on workers, allowing little worker initiative and rewarding a narrow set of skills simply by financial means (Carlsson, 1998; Dia, 1996; Jackson, 2002).

It is somewhat idealistic to try to identify a particular African style or even philosophy of management (Human, 1996; Jackson, 2002). It is worth stating the aspects that it may include so that in empirical studies those aspects may be discerned where they do exist. The main key values and characteristic can be summarised as follows.

**Sharing:** Mbigi (1997) has suggested that collective and group trust is a very large part of this value and should be developed in organisations before collective participation and empowerment initiatives can succeed. According to Gelfand (1973) and Boon (1996), trust, openness, a sense of belonging and sharing are important components in a wider community stakeholder orientation, which also includes elements of family and other well-being and welfare of its people, with a general people orientation (Jackson, 2002).

**Deference to rank:** According to Dia (1996) he asserts that this refers to the distance in power within the various organisational context between employee and employer is rather simplistic. Although traditional and community leaders were such by their title and lineage to the senior/royal lineage, they still had to earn the respect of their followers and rule by consensus. At the same time taking ones place in the social scale is an important aspect of the virtue of humility and refers not only to rank, lineage and seniority, but also to the
senior and older person showing humility to the younger person, and to the more educated person not looking down or feeling more superior on those who are less educated than they are (Gelfand, 1997; Mbigi, 1997; Jackson, 2002).

**Sanctity of commitment:** Commitment and mutual obligations come from group pressures to meet one’s promises and to conform to social expectations (Jackson, 2002).

**Regard for compromise and consensus:** This involves the maintenance of harmony within the social context (Jackson, 2002).

**Good social and personal relations:** Dia (1996) had observed and noticed that the tensions of management-labour relations and the various strikes that ensued have been a feature that has repeated itself over and over again in African organisations can be largely attributed to a lack of human dimension and adversarial attitudes of colonial employment relations (Jackson, 2002).

For managers in Africa, trying to make sense of the complex nature inherent in the historical circumstance and various levels of cultural interaction, the ‘Western’ world paradigm has not been very useful and advantageous to them. By also recognising the interplay of the dynamics of human value, at the intercontinental level of cross-cultural analysis, it may be possible to develop hybrid approaches as seems to be happening in India leading to the effective management of people, at the micro-level (Rao, 1996; Jackson, 1999; 2002). The Asian continent as a whole, seem to have integrated the western world paradigm with their on cultures which have lead to rapid development of their countries and benefited their economies too. It may be necessary for us to focus on
the development of hybrid systems of people management, and through research see what has been successful and what has not in terms of the adaptation, integration and synthesising of the ‘different management systems’ being used to motivate and manage employees in various organisations. Above all the ‘Western’ view, perspective and practice of human resource management (and accepting that there are differences amongst western countries) does not represent a cross-cultural perspective (Jackson, 1993). Blindly trying to implement a human resource management system in Africa may not be an appropriate thing to do. Jackson (2002) suggests that a cross-cultural approach to managing people based on creating multi-cultural synergies may be a good and faster way forward.
Nigeria is diverse culturally and historically. The most important aspect which is common to all cultures in Nigeria is the belief system. Before the advent of Christianity and Islam, Nigerians were mainly believers and worshippers of deities. With the advent of trans-Saharan trade which later transformed to trans-Atlantic trade, which brought about the conversion of various groups of Nigeria to Islamic faith and Christianity a gradual pollution of the original African culture became realised. Indeed the colonisation by the British could directly be seen as one of the powerful influence on the original culture of the Nigerian society.

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. It is important to acknowledge the fact that Nigeria was never a country but a separate polity that was made up of kingdoms, empires, emirates and areas without a central administrative system. But as the aftermath of the Berlin conference of 1884/85 where areas that have become the present day Nigeria came under the colonisation of the British administration - the colony of Lagos, protectorate of the south and north were amalgamated in 1914 and pronounced Nigeria.

The Nigerian culture can certainly not be separated from the structural frames and colonial policies. It is an irony of event that the amalgamated country or territory called Nigeria has continued to exist under the powerful influence of mutual suspicion, insecurity and attempts by one group to dominate the other. This has been the fate of the Nigerian state. Nigerian has been existing as a country where nobody is committed to its interest,
rather sectionalism, nepotism, tribalism and all other social vices has contributed to threaten its existence.

It is important to note that this complex socio-political structure stimulated the military intervention in Nigeria which started from 1966 and 1967, the Nigerian civil war between 1967 and 1970 and subsequently military incursion in government until recent and current political dispensation. The military rulership never accommodated any form of democratic principles and was dominated by a section of the country. This naturally imposed a culture of insecurity in all aspects of Nigerian business as most policies were constantly changing so as to put their rival political and military opponents out of business.

Going by the recent report by transparency international (2004) that Nigeria was one of the most corrupt countries in the world. Corruption was an infection which has now become a cultural practice in nearly all sectors of the economy. As businesses were being asked for percentage returns (bribery) before a contract was awarded to them by the government. This gradually permeated in all other segments of the economy, that the government agencies and organisations now allocates a specific amount of money in its budget called ‘public relations’ so as to give out this percentage returns. Going by the recent reports by transparency international (2004), it can be seen that the Nigerians perceive the Nigerian police as the most corrupt, followed by the government agencies and third thirdly the customs and the legal system. They also perceive corruption affecting mostly private businesses in Nigeria. Even the major crimes committed in Nigeria are the 419 scams where groups of individuals dupe people out of large sums of money. This also is an indicator of the permeating money culture in the country.
According Nworah, U. (2005) 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 igbu ozu mentality), such that in our society, respect is now, only accorded to the man who gives the most money in our highly expensive traditional marriages and other ceremonies, we do not care anymore where the wealth comes from, we have thieves and robbers now as our role models, it is like we have since sold our conscience and soul at the market. It appears also, that the new wave money culture was influenced by the 419 scourge in Igboland of Nigeria (www.kwenu.com).

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 as it has few others on Earth. Corruption is so rampant that when the nation's education minister, Fabian Osuji, was caught giving $400,000 to Nigerian lawmakers for favourable votes, he formally protested that such behaviour was "common knowledge and practice at all levels of government." Besides, Osuji added, he had struck a good deal; the lawmakers had asked for twice as much. He was fired from the government (Timberg, C. 2005).

Now, after decades of open and freewheeling graft, President Olusegun Obasanjo has declared war on corruption. And Osuji is far from alone in suddenly having to account for his actions. A succession of senior government figures - including the top police official, the housing minister and the Senate president - also have been pushed from their jobs in recent months and threatened with jail for offences that once would have earned them
little more than a wink. The police inspector general, Tafa Balogun, even appeared in court wearing handcuffs. And in separate action, a court in Abuja, the capital, has ruled that the son of late dictator Sani Abacha must stand trial for his alleged role in the looting of more than $1 billion in public funds during his father’s reign from 1993 to 1998 (Timberg, C. 2005).

A new culture was 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’. That is to say that Nigerians are stimulated to put in their best at a given monetary price. The Nigerian value has been reduced to monetary terms, so has its culture. The question of career progression does not come into play; as most organisations that exist do not have a pension scheme, hence whatever the employees can earn during his working years them in life after his years of service. 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. In Nigeria it could be said that nobody cares for the system, people do everything to provide security for self and family because there are no existing security and welfare system in place by the government.

You cannot separate the economic trend from the social and political situation because each of them dictates the situation of the other. It is well known that in the public sector employees are recruited according to quota from the state they are from in Nigeria and not on qualifications and being promoted or securing your job is usually done through
connections to the power base and not by performance. It is a well known saying the employees deserved to be paid whether the government agency performs better or not for ‘the money is government money and they want a piece of the national cake whether they work or not’. This culture and attitude to work in the public sector makes it difficult for progress and improved performance to take place and most of these agencies are being bought over by private individuals and organisations but due to the culture of the employees management strategy to improve performance can hardly work because employees still assume that it is government money not realising that individuals and stakeholders money are now at stake and they need to make some profit to keep their salaries coming.

But the private sector is much different from the public sector in that most businesses in the private sector succeed and expand while the public sector organisations fail. The recruitment process here is based on qualification, skill and rigorous aptitude test before an employee is employed. Here in the private sector the rule of the game is performance before pay. It is all about profit as most organisations have developed this strategy (in the form of performance related pay) in face of the economic uncertainty in the country as every new government dispensation brings in new laws and policies which could affect their survival. A recent one is central bank of Nigeria new policy in which every bank in Nigeria must have a capital base of N25 billion Naira (approximately £10 million pounds) before November 2005 or face closure. This has brought about immense competition among financial institutions, extra pressure on bank employees to raise funds and cash and a lot of mergers are taking place which may lead to more job losses and increased insecurity in the country and economy as the financial institutions depend largely on government accounts and contracts.
In Nigeria, although traditional values of gift-giving and tributes to leaders often lead to what Brownsberger (1983) describes 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 (Wraith and Simpkins 1963, Lloyd 1967, McMullan 1961) 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.
2.13 Human Resource Management Systems in Nigeria

An understanding of the inter-ethnic and inter tribe interaction is very crucial to effective management of organisations in Africa, especially in developing synergistic work teams. With the globalisation of the world economy and marketplace, there is increasing recognition that the efficacy and generalisation of human resource management (HRM) interventions to other cultures and economic system need to be investigated thoroughly and properly (Akande et al., 1995; Jackson, 2002).

In very recent years, several developing countries, including Nigeria have implemented extensive reform programmes in attempts to turn their dwindling economies and organisations around (Blackburn, 1986; Kapur et al., 1991; Akande et al., 1995). These programmes have all been macro-economic and fiscal in nature. Blunt (1990) offers some strategies for improving the effectiveness of organisations in developing countries that focuses on organisational human resource management (HRM) rather than economic factors. In a country like Nigeria whose three main languages or tribal groupings (Hausa, Yoruba and Igbo) are fairly well documented even in management literature (e.g. Ahiauzu, 1989; Adigun, 1995; Akande et al., 1995; Anakwe, 2002), it may be appropriate and feasible to undertake studies that consider cross-cultural variations/differences within the country. In other countries with large settler population like South Africa, Zimbabwe and Kenya, differences between white and black tribal groups may be an appropriate avenue for research purposes. This may be particularly the case as white managers may be closer to the instrumental approach of western companies and black managers closer to a humanistic approach. The mainly Western approaches to studying cultural differences (Hofstede, 1980; Schwartz, 1994; Smith et al., 1996; Jackson, 2002) provide only a very ‘thin’ description, which has a lot of limits in describing differences and various
characteristics between African countries, let alone within African countries themselves as there are several different groups and tribes within a country (Thomas and Bendixen, 2000; Jackson, 2002).

Nigeria is one of the developing countries of the sub-Saharan Africa whose rich natural resources (Crude oil, iron ore, lead, coal, bitumen, columbite, limestone, zinc, tin and natural gas) have attracted much foreign interest and investment over the years. Due to an unstable and tumultuous political environment characterised by totalitarian military governments and interspersed civilian democracies, its development and progress has been slow. Since its transition to a civilian democratic government since May 1999, the potential for fast development and growth and continuous development in many of the sectors of the economy has been noteworthy. Consequently, Nigeria is among the 54 developing countries that were considered to be among the emerging economies by the International Finance Corporation (IFC) in 1999 (Hoskisson et al., 2000; Anakwe, 2002). Its transition to democracy and its pro-market economy policies and practices has rekindled foreign and western interest in Nigeria. It is now safe home to more than 200 multi-national companies (Anakwe, 2002; Geo-Jaja and Mangum, 2000; Jason, 1997; Thompson, 1994).

Nigeria and various other African countries that have experienced pre-colonial, colonial and independent eras share a similar history that transcends their work arrangement, systems of organisations and the world of work in general. The indigenous Nigerian system is associated with traditional workplaces. These include village farms, fishing ports, crafts and traditional trading concerns that are most locally owned (Anakwe, 2002). Some researchers (Ahiauzu, 1989) have identified various principles underlying the
African system of work organisation and these principles have been derived and taken from ethnographic studies of one of the indigenous societies in Nigeria. They are also found to be common among other African societies like the Bemba of Zambia, Tallensi of Ghana, Lugbara of Uganda e.t.c and they include:

- The organisation of work on the basis of unitary ideology of the workplace and the lack of pluralistic objectives among members of the work group.
- Status differences are recognised between the head of the group and the members. The head is regarded as the father of the group and is expected to cater to the members’ livelihood and provide remuneration, even though the work relationship is not contractual.
- The group members’ responsibilities are not job specific; rather, they are derived from work group activities.
- Although teamwork is emphasised, competition among members is encouraged.
- Age is a determining factor in the choice of persons for leadership positions. Authority is based largely on experience and wisdom, which is inferred from age.

(Ahiauzu, 1989).

The Western system is associated with industrial and ‘modern’ workplaces, which include various multinational organisations and/or their subsidiaries, companies that were initiated by foreign and western partners, indigenous companies and public enterprises whose histories can be traced to the colonial era. Examples of such companies can be found in the almost all sectors of the economy, particularly in the banking, insurance and financial, oil and gas, telecommunications, construction, manufacturing and service sector. The organisational and workplace practices in these organisations may vary from organisation to organisation but they have been described to have these characteristics and attributes.
in common: they focus on individual responsibility and accountability, impersonal, task-oriented, close supervision and enforcement of strict disciplinary code, very little autonomy and decision-making power at the levels of the majority of public and private businesses (Blunt, 1983; Deresky, 2000; Anakwe, 2002). Since culture is ingrained and has a very strong influence on every aspect of behaviour, Nigerian workers will interpret and implement the ‘foreign’ practices within society’s cultural contexts. Many of the foreign organisational and work practices have lost their initial meaning and purpose, resulting in a blend of the contexts of their existence. Nigerian workers represent a wide majority of those who occupy the middle to top-level positions in companies. Many were educated in other countries, particularly the US and the UK; some attended parent-company-sponsored training and development programmes in their headquarters or other affiliates; those whose went to Nigerian universities were taught in English and the Knowledge gained is not country specific. Also, technological advances have exposed them to various types of influences, mainly those of the Western developed world. As a result of all these factors the Western management practices initiated in these organisations must have been modified, but the negative consequences of these practices have been echoed by many (Anakwe, 2002; Abudu, 1986; Nzelube, 1986; Onyemelukwe, 1973).

Nigeria and other African countries have been described as being collectivist in nature (Anakwe, 2002; Anakwe and Purohit, 2000; Gannon, 2001; Hofstede, 1980, 1997). This indicates the extent to which a society is group oriented and identifies itself with certain in-groups in carrying out daily life activities (Hofstede, 1980). This collectivist orientation is consistent and in line with the principle of traditional system of organisation described by Ahiauzu (1986) in which group members’ responsibilities are derived from work-group
activities rather than from specific jobs and team work is particularly and strongly emphasised. The principles guiding the African thought system presented earlier strongly differ from the western system. Such differences have resulted in very negative consequences to both the employees and their various organisations. The convergence perspective adapted by the organisations has been described as one of the major sources of the confusion, frustration and malaise characterising the work world in Nigeria (Anakwe, 2002).

A better option for organisations to salvage and redeem working relations and conditions or relieve workers/employees frustrations and malaise will be to adopt a cross-vergence perspective in developing, designing and implementing human resource management practices in Nigeria and other developing countries. Organisations should develop socialisation programmes, which will include the organisations corporate culture as well as the culture of the host country and other contextual factors. This will enable the organisations to foster an appropriate blend of uniform and localised human resource management practices. Though there is a blend existing in the Nigerian situation, understanding, implementing and fostering an appropriate blend to maximise the organisations performance potential is highly essential and truly desired (Tung, 1993; Anakwe, 2002).
2.14 Conclusion

In conclusion the researcher has discussed how the changing reward practices in the UK has lead to the new pay agenda that is rewarding contribution. 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 and White 1997).

Two theories are particularly pertinent to discussions of performance management are the goal-setting theory (Locke et al., 1981) and expectancy theory (Vroom, 1964) (Salaman and Mabey, 1997). The main justification for investigating performance-related pay using the expectancy theory and the goal setting framework is that individuals are involved in the reward relationship and management are enabled to communicate new performance standards and make them have direct effect on employee performance and pay. The reward that employees perceive from a Performance related pay scheme (perceived reward) will be a function of the additional financial reward associated with increased performance, the effectiveness of the appraisal process, goal-setting and the scope for employees to improve their performance (Reily, 2003).

Despite all the growing concerns by various authors and researchers that the implementation and operation of performance related pay in organisations has lead to a lot of problems; the implementation and use of performance related pay in organisations seems to be growing each year. According the CIPD (2005; 2008) Reward Survey;
Individual based reward schemes grew from 44% in 2005 to 60% in 2008; Team based reward schemes grew from 16% in 2005 to 27% in 2008 in the UK.
CHAPTER 3  RESEARCH METHODOLOGY

3.1 THE RESEARCH APPROACH

The research approach 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. Social science researchers, in particular, have used this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods. A case study research method is defined as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984, p. 23).

The major strength of using case studies and data collection is the opportunity to use many different sources of evidence. Also the need to use many sources of evidence far exceeds that in other research strategies such as experiments, surveys or histories. The use of multiple sources of evidence in case studies allows a researcher to address a broader range of historical, attitudinal and behavioural issues. Triangulation is the most important advantage presented by using multiple sources of evidence; this brings about the development of multiple sources of inquiry. Thus any finding or conclusion is likely to be far more convincing and accurate if it is based on several different sources of evidence (Yin, 2003).
3.2 SOURCES OF SECONDARY DATA

Secondary data include quantitative and qualitative data which were used in both descriptive and explanatory research. Within business and management research such types of data are used mostly in case study and survey-type research. However there is no reason not to include secondary data in experimental research (Kervin, 1992). With all these advantages and disadvantages in mind a study of some of the work done by pioneers in the field of performance related pay, motivation, commitment, job satisfaction, performance management and reward management had been carried out. Textbooks, journals, articles and related publications were used for this research. The literature was used mainly for the literature review and gave the researcher a general knowledge of the area of study. Also the researcher was able to analyse carefully the various results from other researchers. This has helped the researcher to gain a theoretical perspective.
3.3 SOURCES OF PRIMARY DATA

Primary data collection enables you to collect the data yourself through the use of methods such as interviews, observations, case-studies, diaries, critical incidents, portfolios and questionnaires. The main point and focus here is that the data you collect is unique and specific to you and your research and, until you publish your work, no one else has access to it. The researchers sources of primary data are discussed below.

3.3.1 QUESTIONNAIRES

Questionnaires for exploratory or other research work best with standardised questions, which you can be confident, will be interpreted in the same way by all respondents (Robson, 1993). Descriptive research, such as those undertaken using attitude and opinion questionnaires on organisational practices, will enable you to identify and describe variability in different phenomena. Although questionnaires may be used as the only data collection method, it is often better to link them with other methods in a multi-method approach e.g., semi or in-depth interviews (Jankowicz, 1995). The design of a questionnaire differs according to how it is administered, in particular the amount of contact you have with the respondents. The researcher used the self-administered questionnaire, which was usually completed by the respondents. It was delivered to the respondents through their managers and collected at a later date -this is called delivery and collection questionnaires (Saunders et al., 1997).
3.3.2 INTERVIEWS

An interview is a purposeful discussion between two or more people (Kahn and Cannell, 1957). The use of interviews can help you to gather valid and reliable data, which are relevant to your research questions and objectives. Where you have not yet formulated such a research question and objectives, an interview may help you achieve this. In reality, the research interview is a general term for several types of interview. This fact is significant since the nature of any interview should be consistent with your research questions and objectives, the purpose of your research and the research strategy you have adopted. There are basically three types of interviewing techniques according to Saunders et al., (1997). They include; the structured interview, the semi-structured interview and the unstructured interview.

The interviewing method that was used by the researcher was the semi-structured interview. In the semi-structured interviews the researcher had a list of themes and questions to be covered, although these varied from interview to interview. The order of questions also varied depending on the flow of the conversation. On the other hand additional questions were required to explore the research questions and objectives given the nature of events within particular organisations. The nature of the questions and the ensuing discussion meant that data was recorded by note taking (Saunders et al., 1997).
3.3.3. FOCUS GROUPS

This is a form of group interview that is based on communication between research participants in order to generate data. It is a convenient way to collect data from several people simultaneously and use group interaction as part of the method. This means that instead of the researcher asking each person to respond to a question in turn, people are encouraged to talk to one another and commenting on each others' experiences and points of view (Kitzinger, 1994). This method was particularly useful for exploring employee’s knowledge and experiences of the PRP scheme in operation. Questions are asked in an interactive group setting where participants are free to talk with other group members. Group participants are encouraged to share their thoughts, feelings, attitudes and ideas on certain subject.

Focus group research can be defined as an organised discussion with a selected group of individuals to gain information about their views and experiences of a topic (Goss J.D., Leinbach T.R. 1996). Focus groups in social and business research are under used.

What are focus groups?

There are many definitions of a focus group in the literature, but features like organised discussion (Kitzinger 1994), collective activity (Powell et al 1996), social events (Goss & Leinbach 1996) and interaction (Kitzinger 1995) identify the contribution that focus groups make to social research.
Powell et al (1996) define a focus group as group of individuals selected and assembled by researchers to discuss and comment on, from personal experience, the topic that is the subject of the research.

The key characteristic which distinguishes focus groups from group interviews is the insight and data produced by the interaction between participants.

The strengths of using focus groups as a research method include:

- Its suitability for obtaining several perspectives about the same topic.
- It also enables the researcher gain considerable insights into peoples shared understanding of everyday life.
- Another benefit is that focus groups elicit information in a way which allows researchers to find out why an issue is salient, as well as what is salient about it (Morgan 1988). As a result, the gap between what people say and what they do can be better understood (Lankshear 1993). If multiple understandings and meanings are revealed by participants, multiple explanations of their behaviour and attitudes will be more readily articulated.
- Another benefit of focus groups is that it allowed us to study employees who shared the experience of being in the same workplace in which the new performance related pay practice had been introduced.
- It also provided an interactive context that is the hallmark of the focus group (Morgan, 1988) and may have captured some of the group processes of the workplace (Bloor et al., 2001).

The weaknesses of using focus groups as a research method include:
• Identifying the individual view from the group view is a major issue/problem

• Another major issue was the practical arrangements for conducting focus groups.

• Another problem was the limitation of the generalisation of findings to a whole population, mainly because of the small numbers of people participating and the likelihood that the participants will not be a representative sample.

• On a practical note, focus groups can be difficult to assemble. It may not be easy to get a representative sample.

• Finally, focus groups are not fully confidential or anonymous, because the material is shared with the others in the group.

**Rationale for the use of focus groups**

• The main reason is to draw upon respondents’ feelings, experiences, attitudes and reactions in a way that would not be feasible using other methods, for example observation, one-to-one interviewing, or questionnaire surveys. These attitudes, feelings and beliefs may be partially independent of a group or its social setting, but are more likely to be revealed via the social gathering and the interaction which being in a focus group entails. As the researcher wanted to understand what the respondents attitudes are in a social gathering.

• The researcher wanted to reduce/eliminate bias as individual interview is easier to control than a focus group in which participants may take the initiative.

• It also enables the researcher to gain a larger amount of information in a shorter period of time.

• According to Morgan & Kreuger (1993) focus groups are particularly useful when there are power differences between the participants and decision-makers or professionals, when the everyday use of language and culture of particular groups
is of interest. The researcher wants to explore the degree of consensus on the performance related pay scheme being operated in the organisation.
3.4  CASE-STUDY RESEARCH

Case study generally refers to an intensive examination of a single unit such as a person, a small group of people, or one or more companies. Case-studies are historical in a sense as it involves measuring what is there and how it got there. It can enable the researcher to explore, unravel and understand problems, issues and relationships. It does not allow the researcher to generalise, that is, to argue that from one case-study the results, findings or theory developed apply to other similar case-studies. The case looked at may be unique and, therefore not representative of other instances. It is, of course, possible to look at several case-studies to represent certain features of management that we are interested in studying. The case-study approach is often done to make practical improvements. Contributions to general knowledge are incidental. There are four main steps in the case-study method and they include:

1. Determining the present situation.

2. Gathering background information and facts about the past and key variables.

3. Testing the hypotheses. The background information and facts collected will be analysed for possible hypotheses. Specific evidence about each hypothesis can be gathered. This step aims to eliminate possibilities which conflict with the evidence collected and to gain confidence for the important hypotheses. The culmination of this step might be the development of an experimental design to test out more rigorously the hypotheses developed, or it might be to take action to remedy the problem.

4. Taking remedial action. The aim is to check that the hypotheses tested actually work out in practice. Some action, correction or improvement is made and a re-check carried out on the situation to see what effect the change has brought about.
The case-study approach can be a time-consuming process. It is also not useful and inefficient in researching situations which are already well structured and where the important variables have been identified.

Yin (1993) has identified some specific types of case studies: Exploratory, Explanatory, and Descriptive.

- Exploratory cases are sometimes considered as a prelude to social research.
- Explanatory case studies may be used for doing causal investigations.
- Descriptive cases require a descriptive theory to be developed before starting the project.

In all of the above types of case studies, there can be single-case or multiple-case applications. Case study is known as a triangulated research strategy. Stake (1995) stated that the protocols that are used to ensure accuracy & alternative explanations are called triangulation. The need for triangulation arises from the ethical need to confirm the validity of the processes. In case studies, this could be done by using multiple sources of data (Yin, 1984).

Researchers from various disciplines use the case study method to build upon a theory, to produce new theory, to challenge theory, to explain a situation, to provide a basis to apply solutions to situations, to explore, or to describe an object or phenomenon. Case study method has the advantage of being applicable to real-life; contemporary, human situations and the results relate directly to the common reader’s everyday experience and facilitate an understanding of complex real-life situations (Stake, 1995).
3.5 ETHICAL ISSUES TO BE CONSIDERED

Ethical issues to be considered in this research include that of confidentiality – in order to obtain true perceptions and information. It is possible that participants may wish to take part anonymously, and it is important that their confidentiality be respected.

There is a risk of bias, particularly in the process of interviewing, and care will be taken on the part of the interviewer not to lead the interviewee or show bias in the way the questions are asked.

Plagiarism is an issue in all written work, and in order to ensure that the researcher does not fall foul of this (plagiarism) the researcher will reference all authors and sources included in this researcher using the Harvard referencing system/style.
3.6 THE RESEARCH PROCESS DISCUSSED

As discussed earlier the fundamental aim of this research to broaden the research agenda to the financial sector in general and to Nigeria in particular; to critically investigate the effect/impact both team and individual based pay has when responses are measured in terms of teamwork, job satisfaction and commitment. There is little or no research into performance pay in Africa. The research will draw from samples of 2 financial institutions in Nigeria; A mortgage bank with over 10 branches nation-wide, and 2 branches in Tanzania and an insurance firm with 6 branches nation-wide with over 226 employees.

In order to explain how this was achieved researchers such as Stake, R. (1995) and Yin, R. (1994) have suggested techniques for organizing and conducting the research successfully; this techniques were followed for this study. They proposed six steps that should be used in carrying out a case-study research:

- Define the research questions
- Select the cases and determine data gathering and analysis techniques
- Prepare to collect the data
- Collect data in the field
- Evaluate and analyze the data
- Prepare the report and conclude

Methodologically, this research is a case study as its unique strength is its ability to deal with a variety of evidence – documents, surveys, interviews and observation leading to
greater validity and reliability (Yin, 2003, p. 19). This research was split into two major phases: the exploratory phase and the descriptive/explanatory phase.

The exploratory phase was done mainly through the review of literature, interviews and observation. The aim of this was to explore the meaning and the operation of performance related pay and to design a questionnaire for the descriptive/explanatory phase. The researcher worked in the MASL for 3 months between September and December 2002 observing the actual operation of the performance related pay in practice in the organisation.

The explanatory/descriptive phase was both quantitative and qualitative. The aim is to describe and explain the effect/impact performance related pay has on inter alia teamwork, job satisfaction, culture and commitment. The researcher sent out questionnaires in 2004 to all employees in the different branches of MASL and First Assurance PLC. The sampling method used was the purposive sampling this method was chosen to enhance accuracy, full representation and to limit bias.

An interview was held in the year 2004 with the Chairman of Standard Guardian, which is the parent company for the 2 organisations used in the case study, to find out the main reasons for the introduction of similar performance pay schemes in both organisations.

- Interviews also took place in the year 2006 with 2 human resource managers in both organisations to find out the way the performance pay scheme operates.
- Interviews were carried out in the year 2006 with 4 managers from the 3 regional offices (Uyo, Calabar and Lagos) and the head office in Abuja and
Interviews were also carried out with over 10 employees in the year 2006 from the 3 regional offices (Uyo, Calabar and Lagos) and the head office in Abuja. The interviews lasted between 20 minutes and 30 minutes. It was conducted by me and an administrative assistant who did not work in any of the organisations. The interviews were carried out in a secluded room away from other employees to ensure privacy and confidentiality. This was mainly to find out their perception of the performance pay scheme in operation and if it had any impact/effect on them or the way they carry out their jobs. The interviews took place in a closed office and provided the employees the opportunity to give their viewpoints without fear of reprisal, which they did in a very strong way and it indicated the strength of views and feelings from a majority of employees.

Also one focus group was held in the year 2006 in the head office of both organisations consisting of between 5 to 7 employees (5 employees in the insurance organisation and 7 employees in MASL). This lasted for no more than 50 minutes as they had to go back to their jobs. The focus groups were conducted in a closed office so as to maintain confidentiality and increase trust between the researcher and the respondents. However the employees in the insurance company really had very strong views and opinions on the performance pay in operation in their organisation.

The design of the performance pay part questionnaire was a modification of that constructed by Thompson (1993), the commitment part was a modification of the Shortened Organisational Commitment Questionnaire (OQC) by Mowday et., al (1992) the co-efficient alpha values ranged from 0.74 to 0.92 Vanberg and Lance (1992) found the test re-test reliability to be 0.74 (Huselid and Day, 1991; Aryee, Luk, & Stone, 1998; Fields, 2002) and Organisational Commitment by Cook and Wall (1980) to describe an employees overall organisational commitment. The co-efficient alpha values ranges from
0.71 to 0.87 (Furnham, Brewin, & O’kelly, 1994; Fields, 2002), the job satisfaction part of the questionnaire was a modification of the Psychometric Assessment of a reduced version of INDSALES for job satisfaction by Comer, J.M. et al. (1989) which has been used numerous times by various researchers to measure employee’s level of job satisfaction.

The questionnaire was piloted with a car leasing company in Luton, Europe Car in early 2003 and a small group of employees in Mutual Alliance savings and Loans Limited, Nigeria towards the end of 2003, this lead to a modification of a number of questions, the removal of some questions and some changes in the wording of a few questions to enable easy understanding and interpretation of the questions and to take into account the views and recommendations of the organisations. Also minor wording changes were made and a major factor that led to that was culture; as the existing questionnaire scales have been developed in Western cultures/environments; though proper care was taken to ensure that the respondents understood the questions. This change in and modification may have influenced the style of the sample and the alpha reliability test scores.

The survey was carried out in 2004 after the performance pay scheme had been in operation for more than three years in Mutual Alliance and 2 years in First Assurance and the first and second performance pay awards had been received. The return rate was 71.8% giving 107 usable questionnaires for Mutual Alliance and 67.7% for First Assurance giving 61 usable questionnaires.

An integrated questionnaire has been developed specifically for this study. It consists of 4 parts, which are geared towards the objective/aims of 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, culture, level of reward, feedback/appraisal, and the operation of both team and individual performance pay simultaneously and individual PRP. There has been some adaptation to the existing scales; this has been to aid easy understanding of the questions. Some questions have been modified, using short simple sentences, avoiding metaphors and colloquialism and a few others added to provide context and illustrations for research purposes; this has involved minor wording changes and the exclusion of some questions. A major factor that led to the modification and a change of the wording of the questions was the cultural factor, since most of the existing questionnaire scales have been developed in western cultures/environments; care was taken to ensure that the items were properly understood by the respondents. A five point Likert scale ranging from ‘strongly agree’, which is valued, as ‘1’ to ‘strongly disagree’ which is valued as ‘5’ was used. Below is an example.

1) I prefer individual pay to team pay.

1  2  3   4   5
Strongly Agree  Not Sure  Disagree  Strongly Agree
Agree  Disagree
**Part 2: Demographic Questions**

The demographic questions for this study consist of grade level in the organisation, age and sex of the employees. To facilitate the data analysis of grade level in each organisation, this study divided the employees into 5 levels, it includes; clerical, management trainees, heads of department, management staff and senior management. Also to facilitate the data analysis of age in each organisation, this study divided employees into 5 age ranges, which includes; 20-25 years, 26-30 years, 31-35 years, 36-40 years, and 41 and above.

**Part 3: Job Satisfaction**

The Psychometric Assessment of a reduced version of INDSALES for job satisfaction by Comer, J.M. et al. (1989) has been used to measure employee’s level of job satisfaction. There has been some adaptation to the existing scales; this has been to aid easy understanding of the questions. A five point Likert scale ranging from ‘strongly agree’ valued as ‘1’ to ‘strongly disagree’ valued as ‘5’ was used.

**Part 4: Commitment**

The organisational commitment questionnaire developed by Mowday et al. (1979) and has a high reliability. It has been used successfully in more than 35 researches in organisational behaviour (Cullen et. al. 1995; Randall, 1990). But again, there has been some adaptation to the existing scales; this has been to aid easy understanding of the questions. A five point Likert scale ranging from ‘strongly agree’ valued as ‘1’ to ‘strongly disagree’ valued as ‘5’ was used.
3.7 THE JUSTIFICATION FOR RESEARCH

Prior research provides little evidence on the implementation and operation of team and individual performance based pay operating in an organisation, its effect on aspects of employee responses measured in terms of teamwork, job satisfaction and commitment. Despite its growing importance and use in many private financial organisations in Nigeria, empirical testing of detailed theoretical aspects of both team and individual performance related pay (PRP) has been patchy and even none existent (Mabey & Salaman, 1997). There is a need for more research work to be done in the area of performance related pay, because it becoming more widespread and the use of it in organisations as a means to motivate employees, improve performance and attract the best skilled people has increased over the past years.

This study should shed some light on this issue (1) By critically investigating the effect/impact the implementation of both team and individual based pay has on aspects of employee responses measured in terms of teamwork, commitment, and job satisfaction (2) By critically analysing and evaluating the operation and implementation of team and individual based pay when transferred to Nigerian a developing country. This research will shed considerable light into the implementation and effect of operating team and individual performance pay in a developing economy/country, and provide a unique opportunity to compare and contrast the operation of both team and individual performance related pay being operated in 2 Nigerian companies, hence filling the gap of a Nigerian longitudinal survey in this subject area which is currently lacking.
The main research consists of two main case studies where the organisations are faced everyday by the challenges of improving the service they provide to their customers and also increase profitability to be able to survive and compete effectively in the harsh business environment in which it operates, in order to compete effectively, performance related pay was introduced in both organisations. The reward strategy and philosophy of the organisations (which is linking aspects of their pay to reward) was examined to thoroughly understand the various reasons for the introduction of performance pay and the impact/effect PRP has when responses are measured in terms of teamwork, culture, job satisfaction and commitment. A combination of research methods such as interviews, questionnaire, focus groups and participant observation was used to ensure a degree of triangulation.
3.8 JUSTIFICATION FOR CHOICE OF ORGANISATIONS

This research project is being sponsored by a Nigerian financial institution, hence the need for a case study with the two Nigerian financial institutions which have implemented performance pay within the last five years as a means for relevance, culture change, improved performance and employee motivation and to be able to compete effectively through human, financial and technological resources in the business environment, taking into account the impact the transfer of performance related pay has on the culture and values of a developing African society. But research in comparative management suggests that an organisation’s policies can lose their effectiveness when its cultural environment changes (Hofstede, 1980a, 1980b).

Hence, Mutual Alliance and First Assurance were chosen for this reason as they were both in the financial sector but offering differing services; they also operated performance pay schemes. These organisations were faced with changes in the economic and political climate of the country, competition from foreign financial institutions operating in the country, the expansion of various financial organisations into other West African countries due to the free trade zone within West African countries and the opening up of their borders to other West African countries.

First Assurance PLC was formally owned by a Government agency but towards the end of the 1990s it was sold to private investors due to the need to recapitalise, policies of privatisation by the government, improve their services, efficiency, and profitability and be relevant to the ever-changing market place. The financial industry have been subject to increasingly fast movements in order to deal with threats from competitors, fraud from the Nigerian 419ers, bad governmental policies which do not encourage businesses to thrive,
instability in the country caused by dictatorship by the military juntas, but this has given
way to democracy though we still have the problems of corruption, bad policies,
mismanagement of funds, non payment of loans/bad loans and the revamping of the
country’s ailing financial organisations.

The two cases chosen had introduced performance pay scheme as part of their reward
strategy in a move away from the traditional job-evaluated salary structure which had
always been in operation the country and the financial sector since the time of
independence in the 1960s to the more flexible system where performance had a far
greater influence on salary determination this is talked about as the ‘New pay Agenda’
(Lawler, 1990; Zingheim, 1992). This was to increase employee motivation, profitability
and performance and the recruitment and retention of high performers in the organisation.
This was a drive to compete effectively in the expanding financial sector.

For all these reasons Mutual Alliance savings and Loans Limited and First Assurance
Limited fitted the research requirements for this study. These investigations and study
add to the very limited Nigerian research evidence in these areas, hence filling the gap of
a Nigerian longitudinal survey in this subject area which is currently lacking.
In keeping with the focus on aligning the reward package to the business strategy of the organisation, Mutual Alliance Savings and Loans Limited offers an element of variable pay to all employees – which means an element of pay which is not fixed and is dependent on certain factors such as the organisational and individual performance. Mutual Alliance Savings and Loans Limited offer a diverse package of pay and benefits to its staff, this aids the organisation in being competitive in the marketplace.

Interviews with the Chairman of Standard Guardian Dr. Mary Essang, which is the parent company for both organisations, lead to the researcher drawing up a diagram of the reward strategy in operation in both organisations. She also talked about the performance management scheme in operation in both organisations and referred the researcher the reward handbook.

**Reason for Introducing Performance Related Pay**

According to the Chairman, Dr Mary Essang, she discussed the reward strategy of both organisations and the types of reward options available to employees and this is shown in the form of diagrams for easy understanding. She said that the main reasons for introducing performance related pay was to:

a) Retaining and rewarding top performing employees, thereby reducing turnover of top performing employees.
b) To offer a competitive salary to employees according to their contribution to the profitability of the organisation thereby improving employee job satisfaction and commitment to the organisation.

c) To motivate employees to increased performance on their jobs by giving them a means by which they can determine for themselves how much they earn.

d) To change and maintain the culture of the organisation to that of a performance oriented one.

e) To help the organisation save cost, by paying only those employees who have performed extremely well thereby helping the organisation increase their profitability and capital market share.

Diagram 2: Types of Reward in operation in Mutual Alliance
The performance management scheme can be divided into 2 groups:

1) Achievement of set targets (outputs)

2) General processes/Behavioural based (inputs)

Performance management according to Armstrong (1999) is a means of getting better results from the organisation, teams and individuals. Performance management aims to ensure that performance is measured as objectively and as fairly as possible. It can also be used to produce ratings which govern the distribution of rewards in a performance pay scheme.

There are two kinds of performance bonus paid out to the employees at the end of each review and financial period/year. The first is profit sharing and the second is performance related pay.
1) **PROFIT SHARING OR ORGANISATIONAL PRP**: Targets are set and defined for the organisation as a whole, and performance is assessed at the level of the organisation. If the organisation meets its minimum profit targets/objectives at the end of the review/financial year. The board of directors approves 10% of the profits before tax to be shared to all employees according to their grade level. The money is divided into the five grades with various percentages.

<table>
<thead>
<tr>
<th>Objectives of Organisational PRP/profit sharing</th>
<th>Reasons</th>
<th>Final Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Improve the link between individual and organisational objectives.</td>
<td></td>
<td>Increase overall organisational performance and profitability</td>
</tr>
<tr>
<td>2) Improve recruitment and retention of quality employees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Increase employee job satisfaction, commitment and team working.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Improve Human resources control on employees through improved performance appraisal systems</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 10 – Objectives of Organisational PRP

2) **TEAM/INDIVIDUAL PERFORMANCE RELATED PAY**

Here performance is assessed at the level of the individual or team on the basis of the collective outputs of the team, or individual output of the employee. The objectives that the board of directors, management and the Chairman for Standard Guardian Group of Companies gave for the introduction of performance pay scheme into the various organisations were:
a) To retain and reward top performing employees, thereby reducing high turnover of top performing employees.

b) To offer a competitive salary to employees according to their contribution to the profitability of the organisation thereby improving employee job satisfaction and commitment to the organisation.

c) To motivate employees to increased performance on their jobs by giving them a means by which they can determine for themselves how much they earn.

d) To change and maintain the culture of the organisation to that of a performance oriented one.

e) To help the organisation save cost, by paying only those employees who have performed extremely well thereby helping the organisation increase their profitability and capital market share.

**REASONS FOR THE INTRODUCTION OF PRP – MASL (BANK).**

- Retain and reward top performers
- Reduce staff turnover
- Offer a competitive salary, thereby increasing job satisfaction and commitment
- Increasing organisational performance leading to profitability
- Change and maintain a performance oriented culture
- Most importantly save cost.
- Improve teamwork
- Save cost by not paying poor performers
Diagram 10: Expected Results of Mutual Alliance (MASL) Reward Strategy

Reasons for the introduction of PRP – First Assurance (Insurance).

Management

- Change the culture of the organisation
- Increase the performance of the employees and organisation
- Increase profitability
- Retain top performing employees
- Save cost
- Encourage commitment and job satisfaction
Diagram 11: Expected Results of FIRST ASSURANCE Reward Strategy

The scheme chosen emphasises both inputs/processes and outputs. Feedback and communication are very important features of the performance management scheme in operation.

**Inputs/processes** refers to what the employees bring into their jobs which includes skill, expertise, and the behaviour exhibited while carrying out their jobs.
**Outputs**—refer to the results from achieving their set targets/objectives (mostly financial) and the effect this has on the performance of their teams and the organisation as a whole.

Employees agree to a set of targets/objectives and the expected standards of performance before the start of the review period. This is usually based on the financial business targets and some may include team results. At the end of the review period, objectives/target achievement are then measured and percentage produced according to the ratings which indicates the extent to which the targets/objectives were achieved. The first period of operation of the performance pay scheme at Mutual Alliance began in September 2000 at the end of that financial year and the first performance appraisal and payout took place in August 2001, the following year. While in First Assurance the first period of operation of the performance pay scheme began in September 2002 at the end of that financial year and the first performance appraisal and payout took place in August 2003.

Feedback is an important feature and branch managers usually brief their staff and hold meetings. This takes place in various stages;

1) At the beginning of the performance pay period branch managers define and agree on targets with employees.

2) Then every three months progress is monitored and reviewed. Also senior management meetings are held, employees progress is reviewed and necessary actions are taken that would help improve results would be established; targets could also be modified to aid in their achievement.

3) Branch managers then communicate these to employees and implement or change what has already been decided at the meetings in their various branches.
4) At the end of the performance pay period when all the reviews, measurements and assessments has taken place. A full discussion of outcomes and results takes place with the employee.

There are 3 major divisions in these organisations and these divisions have different ratings according to their grades and divisions. The 3 divisions are

1) **Marketing Division**: This includes sales

2) **Operations Division**: This includes credit control, cashiers, tellers, accountant’s etc.

3) **Support Services Division**: This includes Information Technology Department, Legal department and the Human Resources department.

<table>
<thead>
<tr>
<th>DIVISIONS</th>
<th>FINANCIAL TARGETS</th>
<th>GENERAL PROCESSES/BEHAVIOUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Grade 2,3 &amp; 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Grade 2,3 &amp; 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Grade 1,2,3 &amp; 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grade 5 for all Divisions</td>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Table 11: ASSESSMENT RATE TABLES (MASL)
All employees agree to a set of financial targets (hard targets) with their managers and some of these targets may include team results.

In the general processes and behaviours, the organisation implemented a mechanism to measure employee’s behaviour while in the process of achieving the ‘hard targets’. This is based on a set of 4 values which include:

1) Disciplinary Records
2) Absenteeism
3) Team working and customer services
4) Responsibility & Handling of company property & skills/qualifications acquired.

The manager then decides a rating that describes the staff concerned on a scale of 1-5. This rating is totalled and multiplied by 4 to give a rating out of a maximum of 100. An example of a final rating of a grade 3 employee in the marketing division with a rating of 80 for targets and 40 for behaviour would be;

Targets: 80% of 80 = 64
Behaviour: 20% of 40 = 8
Final rating = 72

It has been noted that the achievement of targets which are mostly financial has a higher rating for employees in the marketing division and for employees on grade 5. Those employees in support services and operations the achievement of the General
processes/behavioural has a higher rating as they deal mostly with customers and are always the ones with high exposure to the public in their daily office routine.
3.10 TURNING PERFORMANCE INTO PAY IN MASL & FIRST ASSURANCE

There are three (3) scales in each grade and an employee’s position on this pay grade is determined by length of service, qualifications and performance. Salaries are reviewed and upgraded every two years depending on the growth and performance of the organisation. Employees could rise to the top of their pay grade band between a period of 4.5 years to 7 years as promotions take place every 18 months. There is also the fast track route for high performing employees and they could move up to the top of their pay grade band with a period of 3 years to 5 years and then be promoted onto the next grade level. The performance of an employee, the employee’s grade level and division in the organisation has a major effect and is taken into account in the pay matrix of the organisation. This is its underpinning philosophy. Its philosophy and pay matrix is quite straightforward and simple to understand.

<table>
<thead>
<tr>
<th>GRADES</th>
<th>PAY/SALARY BAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 1</td>
<td>Between N180,000 (£720) and N240,000 (£960) per annum (N15,000 and N20,000 per month)</td>
</tr>
<tr>
<td>Grade 2</td>
<td>Between N480,000 (£1920) and N720,000 (£2880) per annum (N40,000 and N60,000 per month)</td>
</tr>
<tr>
<td>Grade 3</td>
<td>Between N840,000 (£3360) and N1,320,000 (£5280) per annum (N70,000 and N110,000 per month)</td>
</tr>
<tr>
<td>Grade 4</td>
<td>Between N1,440,000 (£5760) and N2,100,000 (£8,400) per annum (N120,000 and N175,000 per month)</td>
</tr>
<tr>
<td>Grade 5</td>
<td>Between N3,000,000 (£12,000) and N4,200,000 (£16,800) per annum (N250,000 and N350,000 per month)</td>
</tr>
</tbody>
</table>

Table 12: PAY SCALES ACCORDING TO GRADES AT MASL (BANK)
<table>
<thead>
<tr>
<th>GRADES</th>
<th>PAY/SALARY BAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 1</td>
<td>Between N75,000 (£300.00) and N150,000 (£600.00) per annum (N6,250 and N12,500 per month)</td>
</tr>
<tr>
<td>Grade 2</td>
<td>Between N240,000 (£960.00) and N480,000 (£1,920.00) per annum (N20,000 and N40,000 per month)</td>
</tr>
<tr>
<td>Grade 3</td>
<td>Between N600,000 (£2,400.00) and N780,000 (£3,120.00) per annum (N50,000 and N65,000 per month)</td>
</tr>
<tr>
<td>Grade 4</td>
<td>Between N960,000 (£3,840.00) and N1,200,000 (£4,800.00) per annum (N80,000 and N100,000 per month)</td>
</tr>
<tr>
<td>Grade 5</td>
<td>Between N1,440,000 (£5,760.00) and N2,100,000 (£8,400.00) per annum (N120,000 and N175,000 per month)</td>
</tr>
</tbody>
</table>

Table 13: PAY SCALES ACCORDING TO GRADE IN FIRST ASSURANCE PLC (INSURANCE)
<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>RATINGS</th>
<th>MARKETING DIVISION ONLY (Percentage of target award)</th>
<th>OTHER DIVISIONS (Percentage of target award)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXCELLENT</td>
<td>90% - 100%</td>
<td>15% of employees annual income</td>
<td>10% of employees annual income</td>
</tr>
<tr>
<td>TARGET</td>
<td>70% - 89%</td>
<td>10% of employees annual income</td>
<td>6% of employees annual income</td>
</tr>
<tr>
<td>THRESHOLD</td>
<td>50% - 69%</td>
<td>5% of employees annual income</td>
<td>3% of employees annual income</td>
</tr>
<tr>
<td>NO AWARD GIVEN</td>
<td>0% – 49%</td>
<td>0% of employees annual income</td>
<td>0% of employees annual income</td>
</tr>
</tbody>
</table>

Table 14: PERFORMANCE PAY SCALE/TABLES FOR MASL & FIRST ASSURANCE PLC

**Threshold**: This is the level of performance deemed worthy of an incentive payment below which on payment is given.

**Target**: The goal or planned result. Its attainment represents performance success and payment award is given.

**Excellent**: The ideal result. This represents performance excellence worthy of a maximum award in which payment is given.

The performance pay scale for the marketing division (MASL) & First Assurance PLC is explained thus:
An employee who gets to the threshold of the pay scale that is between 50% - 69% gets an award of 5% of their annual income at the end of the review year.

An employee who meets his targets that is between 70% - 89% gets 10% of their annual income at the end of the review year.

An employee who meets and exceeds his targets that is between 90% - 100% gets 15% of their annual income at the end of the review year.

For example an employee in the marketing division on grade level 2 whose salary band is between N480,000 and N720,000 per annum, if the employee hits his threshold his performance payout will be between N24,000 and N36,000.

If that employee hits his targets his performance payout will be between N48,000 and N72,000.

If that employee exceeds his targets his performance payout will be between N72,000 and N108,000.

The performance pay scale for the other divisions (MASL & First Assurance PLC) is explained thus:

An employee who gets to the threshold of the pay scale that is between 50% - 69% gets an award of 3% of their annual income at the end of the review year.

An employee who meets his targets that is between 70% - 89% gets 6% of their annual income at the end of the review year.

If an employee in the marketing division meets and exceeds his targets before the end of the financial year, he is paid a commission on the amount of revenue or business brought into the organisation which may at times be half of his annual salary depending on the
amount of business brought in. The amount paid to an employee is between 0.5% or 1% of the total amount of revenue or business brought into the organisation and a fresh set of targets are set for the employee to achieve.

More than half of the employees at MASL and First Assurance PLC are marketing staff; their role involves the marketing of the various mortgage and insurance facilities, loans and various investment portfolios to individuals, government agencies and organisations. As such, close working relationships are built by the marketing teams and their clients such as corporate organisations, senior management in government agencies and individuals.

It is not unusual in most financial institutions in Nigeria, for marketing staff are treated as a distinct group for reward purposes. The main element of the marketing staff reward packages is that their percentage of target award is higher than other divisions and there is also the potential to earn a commission over and above their annual their salary, if the individual or team as it may be; delivers an exceptional result that surpasses set targets. The set targets are usually hard financial targets. These relate to measures such as the amount of money deposited in the bank and the volume of business generated. Also customer satisfaction is of major importance as the marketing staff spends lots of time building long term business relationships with their clients to develop high levels of trust, loyalty and good customer service.
3.11 TEAM PERFORMANCE RELATED PAY AND TEAMWORKING IN MASL AND FIRST ASSURANCE PLC

The teams in Mutual Alliance Savings and Loans Limited earn monetary bonuses when the team meets or exceeds its set targets but the teams in First Assurance PLC do not earn a monetary bonus as they do not have enough money to fund or run a team performance pay scheme they only receive recognition certificates, lunches/ dinners, weekend breaks and awards. The teams consist of whole divisions in each branch working together to achieve their set targets. The teams are evaluated and appraised once a year and when a team meets or exceeds its set targets, team members earn a variable pay which generally amounts to 2% of their annual salary according to grade level.

In this system the team leaders (usually the marketing manager) set the targets for their teams which usually aligns with the overall reward strategy of the organisation, such targets may be very short or long term objectives. If the team meets its targets team members earn team performance payout though all team members may not receive the same amount of pay. The rewards are allocated proportionally to each team member’s salary. Also teams who exceed their targets are given a form of non-monetary reward. The teams are usually sent out on a weekend retreat to hotel outside of town for two nights all expense paid by the organisation, and also achievement awards are also given to them.
Diagram 11: Linking team based performance pay to the various outcomes.

This system was meant to be fully understood by management employees and as well so that it could be properly implemented and the employees could calculate themselves the amount of money that they expect to get from the performance payout after their appraisals have been done before the monies are paid out. The marketing divisions targets mainly dwelt on the financial business targets of the organisation and their performance pay scales where substantially higher, because they are the core and the power house of the organisation and their performance determines if the organisations make profits or losses at the end of each financial year, also the jobs in the marketing division were considered to be high risk, due to the fact that if the organisation is not performing well financially the employees in this division were the first to lose their jobs and their output/performance is controlled mainly by external forces such as the amount of money in the economy, competition from other financial institutions, the risk of being deceived by prospective investors (the Nigerian 419ers) and also internal factors also affects them such as their level of motivation and having a good manager to lead them
and encourage them and the money linked to PRP being sufficient enough to motivate them to do better at their jobs.

Although this system is fully justified in the minds of the implementers of the scheme, the line managers operating the scheme have indicated that it has caused some jealousy and negative reactions and attitudes by employees from other departments when performance payouts are paid at the end of each review/financial year, as the marketing department usually gets the highest performance payout.
4.1 Research design and data collection linking back to the contextual map.

The research design is the deliberately planned 'arrangement of conditions for analysis and collection of data in a manner that aims to combine relevance to the research purpose with economy of procedure' (Selltiz C.S., Wrightsman L.S. and Cook S.W. 1981).

The idea behind a design is that different kinds of issues logically demand different kinds of data-gathering arrangement so that the data will be:

- relevant to your thesis or the argument you wish to present;
- an adequate test of your thesis (i.e. unbiased and reliable);
- accurate in establishing causality, in situations where you wish to go beyond description to provide explanations for whatever is happening around you;
- capable of providing findings that can be generalized to situations other than those of your immediate organization.

(Jankowicz, A.D., 2003)

Research Methodology

This research first considers the implementation of PRP in 2 financial institutions in Nigeria. The first organisation (First Assurance PLC) highlights the fragility of PRP. In this case the PRP scheme experienced a relatively negative response and very little success, which could be linked to its implementation. The scheme in this organisation will be contrasted with the second organisation (Mutual Alliance Savings and Loans limited) where the uptake of PRP has seen a little success and the outcomes of PRP has
brought about a change in the culture of the organisation, though with problems of retention of top performing employees. This second case allows us scope to compare the scheme as pronounced with the scheme in practice. The methodology follows a critical case logic. In choosing 2 organisations that operate similar PRP schemes and are both owned by the same group of investors. Though a limitation is the differences in salaries earned and performance payout in both organisations (this is based on market forces and salaries comparative for the sector in which they operate). There would be a maximisation that there is the possibility that the reward system operates according to plan and similar outcomes would be expected.

In both organisations the PRP scheme is in operation for all employees in the marketing/sales department, operations department and all senior management staff. In addition, given the influence of local ‘product and labour market forces’ (Lupton, 1963) on the effort/reward equation, it was deemed prudent to select 2 organisations that represent a different product market.

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, 1984). The major strength of using case studies and data collection is the opportunity to use many different sources of evidence. Also the need to use many sources of evidence far exceeds that in other
research strategies such as experiments, surveys or histories. The use of multiple sources of evidence in case studies allows a researcher to address a broader range of historical, attitudinal and behavioural issues (Yin, 2003).

Data collection methods included:

- observations in both organisations of PRP in operation and practice,
- focus group interviews,
- interviews with senior management, middle management and employees,
- analysis of company documentation, and
- the administering of a questionnaire survey.

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 total data collection period extended from 2002 to 2006.

1) The observation which took place in the year 2002 was an exploratory and descriptive phase of the study, which enabled the researcher to obtain an initial grasp of the PRP scheme in operations and provided a profile and description of the scheme before the
actual research started. It also formed the basis of the pilot survey and enabled the formulation/modification of the questionnaire.

The questionnaire was piloted with a car leasing company in Luton, Europe Car in early 2003 and a small group of employees in Mutual Alliance savings and Loans Limited, Nigeria towards the end of 2003, this lead to a modification of a number of questions, the removal of some questions and some changes in the wording of a few questions to enable easy understanding and interpretation of the questions and to take into account the views and recommendations of the organisations. Also minor wording changes were made and a major factor that led to that was culture; as the existing questionnaire scales have been developed in Western cultures/environments; though proper care was taken to ensure that the respondents understood the questions. This change in and modification may have influenced the style of the sample and the alpha reliability test scores.

2) The questionnaire was sent out in the year 2005 and the analysis was carried out in the year 2006. This was the explanatory and descriptive phase of the study, examining the causal relationship between the various variables. The sampling method used was the purposive sampling this method was chosen to enhance accuracy, full representation and to limit bias.

The survey was carried out in 2005 after the performance pay scheme had been in operation for more than three years in Mutual Alliance and 2 years in First Assurance and the first and second performance pay awards had been received. The return rate was 71.8% giving 107 usable questionnaires for Mutual Alliance and 67.7% for First Assurance giving 61 usable questionnaires.
An integrated questionnaire has been developed specifically for this study. It consists of 4 parts, which are geared towards the objective/aims of 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, culture, level of reward, feedback/appraisal, and the operation of both team and individual performance pay simultaneously and individual PRP. There has been some adaptation to the existing scales; this has been to aid easy understanding of the questions. Some questions have been modified, using short simple sentences, avoiding metaphors and colloquialism and a few others added to provide context and illustrations for research purposes; this has involved minor wording changes and the exclusion of some questions. A major factor that led to the modification and a change of the wording of the questions was the cultural factor, since most of the existing questionnaire scales have been developed in western cultures/environments; care was taken to ensure that the items were properly understood by the respondents. A five point Likert scale ranging from ‘strongly agree’, which is valued, as ‘1’ to ‘strongly disagree’ which is valued as ‘5’ was used. Below is an example.

I prefer individual pay to team pay.

1   2   3   4   5
Strongly Agree Not Sure Disagree Strongly Agree

Part 2: Demographic Questions
The demographic questions for this study consist of grade level in the organisation, age and sex of the employees.

**Part 3: Job Satisfaction**

The Psychometric Assessment of a reduced version of INDSALES for job satisfaction by Comer, J.M. et al. (1989) has been used to measure employee’s level of job satisfaction. There has been some adaptation to the existing scales; this has been to aid easy understanding of the questions. A five point Likert scale ranging from ‘strongly agree’ valued as ‘1’ to ‘strongly disagree’ valued as ‘5’ was used.

**Part 4: Commitment**

The organisational commitment questionnaire developed by Mowday et al. (1979) and has a high reliability. It has been used successfully in more than 35 researches in organisational behaviour (Cullen et. al. 1995; Randall, 1990). But again, there has been some adaptation to the existing scales; this has been to aid easy understanding of the questions. A five point Likert scale ranging from ‘strongly agree’ valued as ‘1’ to ‘strongly disagree’ valued as ‘5’ was used.

3) The analysis of company documentation (profit & loss accounts) was carried out in 2008.

4) The interviews with senior management, middle management and employees was an exploratory and explanatory phase of the study, which enabled the researcher gain a deeper understanding of the results from the questionnaire survey.
An interview was held in the year 2004 with the Chairman of Standard Guardian, which is the parent company for the 2 organisations used in the case study, to find out the main reasons for the introduction of similar performance pay schemes in both organisations.

- Interviews also took place in the year 2006 with 2 human resource managers in both organisations to find out the way the performance pay scheme operates.
- Interviews were carried out in the year 2006 with 4 managers from the 3 regional offices (Uyo, Calabar and Lagos) and the head office in Abuja and
- Interviews were also carried out with over 10 employees in the year 2006 from the 3 regional offices (Uyo, Calabar and Lagos) and the head office in Abuja.

The interviews lasted between 20 minutes and 30 minutes. It was conducted by me and an administrative assistant who did not work in any of the organisations. The interviews were carried out in a secluded room away from other employees to ensure privacy and confidentiality. This was mainly to find out their perception of the performance pay scheme in operation and if it had any impact/effect on them or the way they carry out their jobs. The interviews took place in a closed office and provided the employees the opportunity to give their viewpoints without fear of reprisal, which they did in a very strong way and it indicated the strength of views and feelings from a majority of employees.

5) Also one focus group was held in the year 2006 in the head office of both organisations consisting of between 5 to 7 employees (5 employees in the insurance organisation and 7 employees in MASL). This lasted for no more than 50 minutes as they had to go back to their jobs. The focus groups were conducted in a closed office so as to maintain
confidentiality and increase trust between the researcher and the respondents. However the employees in the insurance company really had very strong views and opinions on the performance pay in operation in their organisation.

The Contextual Map of PRP in Nigeria
4.2 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 and standard deviations of the measures for performance, job satisfaction and commitment and the mean, standard deviation and percentages were performed.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>Combined Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grouped Mean (Insurance)</td>
<td>Standard Deviation (Insurance)</td>
<td>Grouped Mean (Bank)</td>
</tr>
<tr>
<td>Teamworking</td>
<td>1.85</td>
<td>0.86</td>
<td>2.69</td>
</tr>
<tr>
<td>IPRP</td>
<td>3.00</td>
<td>1.13</td>
<td>2.18</td>
</tr>
<tr>
<td>Operating both Team &amp; IPRP Simultaneously</td>
<td>2.25</td>
<td>0.88</td>
<td>2.14</td>
</tr>
<tr>
<td>Culture</td>
<td>4.07</td>
<td>0.89</td>
<td>3.91</td>
</tr>
<tr>
<td>Financial Targets</td>
<td>1.70</td>
<td>0.832</td>
<td>2.62</td>
</tr>
<tr>
<td>Appraisal</td>
<td>2.72</td>
<td>1.09</td>
<td>1.95</td>
</tr>
<tr>
<td>Reward</td>
<td>1.77</td>
<td>1.14</td>
<td>1.91</td>
</tr>
<tr>
<td>PRP as a Whole</td>
<td>4.38</td>
<td>0.90</td>
<td>3.73</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>3.90</td>
<td>0.99</td>
<td>2.34</td>
</tr>
<tr>
<td>Commitment</td>
<td>2.27</td>
<td>0.92</td>
<td>3.62</td>
</tr>
<tr>
<td>Individual &amp;</td>
<td>2.17</td>
<td></td>
<td>3.63</td>
</tr>
</tbody>
</table>
RELIABILITY ANALYSIS

In the second stage of analysis the researcher did the reliability tests and found the Cronbach alpha values for the various variables;

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED VALUES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cronbach Alpha</td>
<td>Cronbach</td>
<td>Cronbach Alpha</td>
</tr>
<tr>
<td></td>
<td>Values</td>
<td>Alpha Values</td>
<td>Values</td>
</tr>
<tr>
<td>Teamworking</td>
<td>0.670</td>
<td>0.750</td>
<td>0.71</td>
</tr>
<tr>
<td>IPRP</td>
<td>0.741</td>
<td>0.773</td>
<td>0.76</td>
</tr>
<tr>
<td>Culture</td>
<td>0.857</td>
<td>0.771</td>
<td>0.81</td>
</tr>
<tr>
<td>Reward</td>
<td>0.642</td>
<td>0.898</td>
<td>0.77</td>
</tr>
<tr>
<td>PRP as a Whole</td>
<td>0.708</td>
<td>0.778</td>
<td>0.74</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>0.538</td>
<td>0.778</td>
<td>0.66</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.727</td>
<td>0.732</td>
<td>0.73</td>
</tr>
<tr>
<td>PRP &amp; Performance</td>
<td>0.751</td>
<td>0.594</td>
<td>0.67</td>
</tr>
<tr>
<td>IPRP &amp; Motivation</td>
<td>0.727</td>
<td>0.669</td>
<td>0.70</td>
</tr>
</tbody>
</table>

The Cronbachs 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. The alpha co-efficient was calculated using SPSS and indicated the level of consistency (internal) of the scale items. The questions that were asked in the questionnaire have been put into various groups that dealt with similar issues relevant to the specific hypotheses and cronbachs reliability tests were conducted to generate a statistic on each scale. The various scales that have been used and the alpha co-efficient from the questionnaires are shown below:

**Cronbachs Reliability Analysis Results**

Scale 1 PRP & PERFORMANCE ALPHA = 0.751 (insurance) & 0.594 (banks)

<table>
<thead>
<tr>
<th>Q 14</th>
<th>I believe the introduction of PRP has not been overall been effective in enhancing my performance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 18</td>
<td>PRP has not increased the performance of the organisation as a whole.</td>
</tr>
</tbody>
</table>

**Tables 17: Reliability analysis table for PRP & Performance**

Explanations

- The insurance grouped scales indicated a high degree of reliability (0.750) when it is compared with the results from the bank (0.594) but it could be explained that the respondents could have answered the questions based on different viewpoints and the fact that only two questions were asked can have an effect on the low degree of reliability indicated in the bank. The first question (Q14) is a direct question about the improvement of the respondents own performance. It can be argued that as the respondents meet their targets and receive performance bonuses will be indicator of PRP enhancing their performance. This is definitely what the company is expecting, but such an improvement in the context of the organisation as whole may dilute their responses.
Scale 2 TEAMWORKING  
\[ \text{ALPHA} = 0.750 \text{ (insurance)} \& 0.670 \text{ (banks)} \]

<table>
<thead>
<tr>
<th>Q 8</th>
<th>Team reward makes me more committed to my job.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 9</td>
<td>Team pay encourages teamwork among team members</td>
</tr>
<tr>
<td>Q 10</td>
<td>Team pay has raised my motivation to work beyond the requirements of my job.</td>
</tr>
<tr>
<td>Q 25</td>
<td>Team working is greatly enhanced when there is a team reward.</td>
</tr>
</tbody>
</table>

Tables 18: **Reliability analysis table for Teamworking**

Explanations

- The alpha co-efficient shows a high degree of reliability.

Scale 3 INDIVIDUAL PAY  
\[ \text{ALPHA} = 0.773 \text{ (insurance)} \& 0.741 \text{ (banks)} \]

<table>
<thead>
<tr>
<th>Q 3</th>
<th>Individual PRP has raised my motivation to work.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 7</td>
<td>Individual PRP has motivated me to work beyond the requirements of my job.</td>
</tr>
<tr>
<td>Q 11</td>
<td>I am more committed to my job when there is an individual reward.</td>
</tr>
<tr>
<td>Q 12</td>
<td>I am motivated by individual pay because I have more control over the output I give on my job.</td>
</tr>
</tbody>
</table>

Tables 19: **Reliability analysis table for Individual Pay**

Explanations

- The alpha co-efficient shows a high degree of reliability consistent with all questions.

Scale 4 CULTURE CHANGE

| Q 20 | I think that the operation of both team and individual pay has not lead to a change in culture to that of a performance oriented one. |
Tables 20: Reliability analysis table for Culture Change

As this was a single question item, the alpha values cannot be calculated.

Scale 5 APPRAISAL & FAIRNESS  ALPHA= 0.723 (insurance) & 0.355 (bank)

| Q 16 | My manager gives me feedback on my performance. |
| Q 17 | I was involved in the setting of my own targets. |
| Q 22 | I am confident that my manager is as objective as possible when conducting my performance appraisals. |
| Q 23 | A third party should oversee the appraisal process. |
| Q 27 | The appraisal process rewards people who are highly visible rather than quiet good performers. |
| Q 28 | The managers use the appraisal process to reward their favourite employees. |

Tables 21: Reliability analysis table for PRP & Performance

Explanations

- The alpha co-efficient shows a high degree of reliability (the insurance 0.723) consistent with all questions but the alpha reliability is extremely low in the bank (0.355), this is a strange result and it indicates an apparent lack of reliability; but this could be explained in the way the appraisal processes are implemented in both organisations.

- Also most of these questions asked may not apply to some respondents in the bank and some questions are contradictory for examples in the bank, your manager giving you feedback on their performance, most employees in the bank already know their performance and are usually the ones who provide upward feedback to their managers on meeting their targets.
But the reliability test score for the bank is so low for the bank that it does throw some doubts on the conclusions that could be drawn concerning the appraisal process and fairness.

Scale 6 LEVEL OF REWARD \( \text{ALPHA} = 0.898 \) (insurance) & \( 0.642 \) (bank)

<table>
<thead>
<tr>
<th>Q 24</th>
<th>The financial incentive an employee gets from PRP should be substantially increased (R).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 26</td>
<td>The financial reward from PRP is sufficient enough to motivate me to do better at my job.</td>
</tr>
</tbody>
</table>

**Tables 22: Reliability analysis table for Level of Reward**

Explanations

* Only two questions were asked in this scale. The first (Q24) question is a reverse question, while the second question (Q26) is straight to the point. The first question is a reflection of the second question but asked in a negative light. It refers to what exactly should be done about the financial incentive from PRP increase its motivational impact on the respondents/employees. For an individual especially in the African setting talking about money in a very direct manner is generally not appropriate or acceptable and their responses could be influenced by the experience they have of the performance pay in operation in their organisations. This could explain the poor alpha results in the bank.

Scale 7 JOB SATISFACTION \( \text{ALPHA} = 0.538 \) (insurance) & \( 0.778 \) (bank)

<table>
<thead>
<tr>
<th>Q 32</th>
<th>My job gives me a sense of accomplishment.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 33</td>
<td>My work is satisfying</td>
</tr>
<tr>
<td>Q 34</td>
<td>My pay is low compared with what others get for similar work (R).</td>
</tr>
<tr>
<td>Q 35</td>
<td>I am highly paid.</td>
</tr>
</tbody>
</table>
Q 36 | In my opinion my pay is lower than those with similar education and background in other companies.
---|---
Q 37 | My job is stable.
Q 38 | My job provides me with a good sense of security.
Q 39 | I worry about losing my job (R).
Q 40 | My fellow workers are selfish (R).
Q 41 | The people I work with are selfish (R).
Q 42 | The people I work with help each other out when someone falls behind
Q 43 | My current job is much better than expected

**Tables 23: Reliability analysis table for Job satisfaction**

**Explanations**

- The alpha reliability tests results for the insurance is very low indicating some apparent lack of reliability of the results. This may be due to the respondents contradictions and conflicting responses some who believe that they are not highly paid and are therefore not satisfied with their jobs but still indicate that their jobs provide them with a sense of security, is stable and they have good relationships with their fellow workers this could be due to the fact that the high level of unemployment in the country does not provide them with other job options even when they are unsatisfied with their current jobs.

- Also the insurance organisation has moved from being public owned to being privately run within the last eight years; this has led to a sudden change in culture where they have to work to meet definite targets for the their wages/salaries (salaries based on performance) is different from where they were paid their full wages whether they performed better and meet their targets or not (salaries based on service offered). This
would be explored further with focus groups and interviews. It can be said that the reliability score for the insurance throws some doubts on the conclusions that could be drawn concerning job satisfaction.

Scale 8 COMMITMENT  ALPHA= 0.727 (insurance) & 0.732 (bank)

| Q 44 | I plan to stay with this company as long as possible. |
| Q 45 | I am willing to put a great deal of effort beyond that normally expected in order to help this organisation to be successful. |
| Q 46 | I am very loyal to this organisation. |
| Q 47 | This organisation really inspires the very best in me. |
| Q 48 | I would accept almost any type of work to keep me working for this organisation. |
| Q 49 | I find that my values and those of this organisation are very similar. |
| Q 50 | I am quite proud to tell people I work for this organisation. |
| Q 51 | I sometimes feel like leaving this organisation for good |
| Q 52 | I feel myself to be part of this organisation. |
| Q 53 | In my work I feel that I am making some effort not just for myself but for the organisation as well. |
| Q 54 | To know that my work has contributed to the good of this organisation would please me. |
| Q 55 | The offer of a bit more money with another employer would not seriously make me think of changing my job. |

Tables 24: Reliability analysis table for Commitment

Explanations

* The alpha co-efficient shows a high degree of reliability consistent with the all questions.
Scale 9 PREFERENCE OF INDIVIDUAL PAY TO TEAM PAY

Q 1  I prefer individual pay to team pay.

Tables 25: Reliability analysis table for preference of Individual Pay to team Pay

As this was a single question item, the alpha values cannot be calculated

Scale 10 PRINCIPLE OF PRP

Q 21  The principle of PRP is not a good one

Tables 26: Reliability analysis table for principle of PRP

As this was a single question item, the alpha values cannot be calculated

Scale 11 INDIVIDUAL PAY DAMAGES TEAMWORK

Q 5  Individual pay does not damage teamwork amongst team members

Tables 27: Reliability analysis table for Individual pay damages teamwork

As this was a single question item, the alpha values cannot be calculated.

SCALE 12 MOTIVATION AND IPRP  ALPHA = 0.727 (insurance) 0.669 (bank)

Q3  Individual PRP has motivated me to work.

Q7  Individual PRP has motivated me to work beyond the requirements of my job.

Q12  I am motivated by individual PRP because I have more control over the output I give on my job.

Tables 28: Reliability analysis table for Motivation and IPRP

Explanations
The alpha co-efficient shows a high degree of reliability consistent with all questions.
4.2.1 DISCUSSION OF THE COMBINED CORRELATION TABLES FOR BOTH ORGANISATIONS

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.

Table 29: Combined Correlations for both organisations for 10 variables

<table>
<thead>
<tr>
<th>IPRP</th>
<th>Team working</th>
<th>Culture</th>
<th>Performance</th>
<th>Job sat</th>
<th>Commitment</th>
<th>Level of Reward</th>
<th>Preference</th>
<th>Simultaneously</th>
<th>Damages teamwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPRP Correlation</td>
<td>Pearson</td>
<td>1</td>
<td>1.000(**)</td>
<td>.441</td>
<td>.573</td>
<td>.537</td>
<td>.559</td>
<td>.501</td>
<td>.482</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.152</td>
<td>.051</td>
<td>.072</td>
<td>.059</td>
<td>.097</td>
<td>.113</td>
<td>.937</td>
<td>.389</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Team working Correlation</td>
<td>Pearson</td>
<td>1.000(**)</td>
<td>1</td>
<td>.435</td>
<td>.571</td>
<td>.534</td>
<td>.556</td>
<td>.502</td>
<td>.481</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.158</td>
<td>.053</td>
<td>.074</td>
<td>.060</td>
<td>.096</td>
<td>.114</td>
<td>.936</td>
<td>.381</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Culture Correlation</td>
<td>Pearson</td>
<td>.441</td>
<td>.435</td>
<td>1</td>
<td>.799(**)</td>
<td>.832(**)</td>
<td>.803(**)</td>
<td>.411</td>
<td>.554</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.152</td>
<td>.158</td>
<td>.002</td>
<td>.001</td>
<td>.002</td>
<td>.185</td>
<td>.062</td>
<td>.974</td>
<td>.695</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Performance Correlation</td>
<td>Pearson</td>
<td>.573</td>
<td>.571</td>
<td>.799(**)</td>
<td>1</td>
<td>.991(**)</td>
<td>.993(**)</td>
<td>.803(**)</td>
<td>.848(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.051</td>
<td>.053</td>
<td>.002</td>
<td>.000</td>
<td>.000</td>
<td>.002</td>
<td>.000</td>
<td>.314</td>
<td>.487</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Job satisfaction Correlation</td>
<td>Pearson</td>
<td>.537</td>
<td>.534</td>
<td>.832(**)</td>
<td>.991(**)</td>
<td>1</td>
<td>.995(**)</td>
<td>.763(**)</td>
<td>.828(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.072</td>
<td>.074</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.004</td>
<td>.001</td>
<td>.357</td>
<td>.444</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Commit Pearson</td>
<td>.559</td>
<td>.556</td>
<td>.803(**)</td>
<td>.993(**)</td>
<td>.995(**)</td>
<td>1</td>
<td>.799(**)</td>
<td>.849(**)</td>
<td>.318</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Level of Reward</td>
<td>Pearson</td>
<td>.501</td>
<td>.502</td>
<td>.411</td>
<td>.803(**)</td>
<td>.763(**)</td>
<td>.799(**)</td>
<td>1</td>
<td>.952(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.097</td>
<td>.096</td>
<td>.061</td>
<td>.002</td>
<td>.004</td>
<td>.002</td>
<td>.002</td>
<td>.000</td>
</tr>
<tr>
<td>Preference</td>
<td>Pearson</td>
<td>.482</td>
<td>.481</td>
<td>.554</td>
<td>.848(**)</td>
<td>.828(**)</td>
<td>.849(**)</td>
<td>.952(**)</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.113</td>
<td>.114</td>
<td>.062</td>
<td>.000</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.109</td>
</tr>
<tr>
<td>Simultaneously</td>
<td>Pearson</td>
<td>-.026</td>
<td>-.026</td>
<td>-.011</td>
<td>.318</td>
<td>.292</td>
<td>.318</td>
<td>.456</td>
<td>.486</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.937</td>
<td>.936</td>
<td>.974</td>
<td>.314</td>
<td>.357</td>
<td>.314</td>
<td>.137</td>
<td>.109</td>
</tr>
<tr>
<td>Damages</td>
<td>Pearson</td>
<td>-.274</td>
<td>-.278</td>
<td>.126</td>
<td>.223</td>
<td>.245</td>
<td>.235</td>
<td>.140</td>
<td>.284</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Correlation</td>
<td>.389</td>
<td>.381</td>
<td>.695</td>
<td>.487</td>
<td>.444</td>
<td>.463</td>
<td>.663</td>
<td>.372</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
The correlation results indicated:

- A link between PRP enhancing the performance of employees and the organisation as a whole and the culture of the organisation, the level of job satisfaction and employee commitment.

- 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.

- The results indicate a link between job satisfaction and the performance of employees, their commitment, the level of reward, their preference for individual PRP and PRP leading to a change in the culture of the organisation.

- There are strong indications from the correlation results above that working simultaneously with both individual and team performance related pay damages teamwork amongst team members.

The full correlation table for both organisations is shown in Appendix 9 on page 293 -295.
<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>Combined Mean for Both Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grouped Mean (Insurance)</td>
<td>Grouped Mean (Bank)</td>
<td>Combined Group Mean for Both Organisations</td>
</tr>
<tr>
<td>Teamworking is Damaged by IPRP</td>
<td>1.85</td>
<td>2.69</td>
<td>2.27</td>
</tr>
<tr>
<td>IPRP (increases commitment &amp; motivation)</td>
<td>3.00</td>
<td>2.18</td>
<td>2.60</td>
</tr>
<tr>
<td>Operating both Team &amp; IPRP Simultaneously</td>
<td>2.25</td>
<td>2.14</td>
<td>2.20</td>
</tr>
<tr>
<td>Principle of PRP is a good one</td>
<td>4.38</td>
<td>3.73</td>
<td>4.05</td>
</tr>
<tr>
<td>Improved Individual Performance</td>
<td>2.40</td>
<td>3.63</td>
<td>3.02</td>
</tr>
<tr>
<td>Improved Organisational Performance</td>
<td>1.94</td>
<td>3.62</td>
<td>2.78</td>
</tr>
<tr>
<td>PRP led to a Culture</td>
<td>4.07</td>
<td>3.91</td>
<td>4.00</td>
</tr>
<tr>
<td>Financial Targets</td>
<td>1.70</td>
<td>2.62</td>
<td>2.16</td>
</tr>
<tr>
<td>Appraisal</td>
<td>2.72</td>
<td>1.95</td>
<td>2.34</td>
</tr>
<tr>
<td>Reward</td>
<td>1.77</td>
<td>1.91</td>
<td>1.84</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>3.90</td>
<td>2.34</td>
<td>3.12</td>
</tr>
<tr>
<td>Commitment</td>
<td>2.27</td>
<td>3.62</td>
<td>2.95</td>
</tr>
<tr>
<td>Individual &amp; Organisational Performance</td>
<td>2.17</td>
<td>3.63</td>
<td>2.00</td>
</tr>
</tbody>
</table>
## Data Reduction - Mean scores for each question

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I prefer individual pay to team pay.</td>
<td>2.67</td>
<td>2.10</td>
<td>2.38</td>
</tr>
<tr>
<td>2</td>
<td>My targets dwell mostly on the financial business targets.</td>
<td>1.70</td>
<td>2.62</td>
<td>2.16</td>
</tr>
<tr>
<td>3</td>
<td>Individual performance related pay has raised my motivation to work</td>
<td>2.65</td>
<td>2.15</td>
<td>2.40</td>
</tr>
<tr>
<td>4*</td>
<td>I have a strong sense of commitment to my team</td>
<td>2.54</td>
<td>3.74</td>
<td>3.14</td>
</tr>
<tr>
<td>5*</td>
<td>Individual pay does not damage teamwork among team members</td>
<td>3.80</td>
<td>3.1</td>
<td>3.45</td>
</tr>
<tr>
<td>6*</td>
<td>I believe that the performance related pay being operated aligns with the overall business strategy of this organisation.</td>
<td>1.72</td>
<td>2.21</td>
<td>1.97</td>
</tr>
<tr>
<td>7</td>
<td>Individual pay has motivated me to work beyond the requirements of my job.</td>
<td>2.76</td>
<td>2.63</td>
<td>2.70</td>
</tr>
<tr>
<td>8</td>
<td>Team reward makes me more committed to my job.</td>
<td>2.23</td>
<td>2.71</td>
<td>2.47</td>
</tr>
<tr>
<td>9</td>
<td>Team pay encourages teamwork amongst team members</td>
<td>1.74</td>
<td>2.64</td>
<td>2.19</td>
</tr>
<tr>
<td>10</td>
<td>Team pay has raised my motivation to work beyond the requirements of my job.</td>
<td>2.64</td>
<td>3.1</td>
<td>2.87</td>
</tr>
<tr>
<td>11</td>
<td>I am more committed to my job when there is an individual reward.</td>
<td>3.5</td>
<td>2.11</td>
<td>2.8</td>
</tr>
<tr>
<td>12</td>
<td>I am motivated by individual pay because I have more control over the output I give on my job.</td>
<td>3.12</td>
<td>1.91</td>
<td>2.51</td>
</tr>
<tr>
<td>13*</td>
<td>I feel demotivated at times when the focus moves from individual pay to team pay.</td>
<td>2.64</td>
<td>1.84</td>
<td>2.24</td>
</tr>
<tr>
<td>14</td>
<td>I believe that the introduction of performance related pay has overall not been effective in enhancing my performance.</td>
<td>2.40</td>
<td>3.63</td>
<td>1.93</td>
</tr>
<tr>
<td>15*</td>
<td>It is easier for targets to be met as a team than as an individual.</td>
<td>2.2</td>
<td>3.77</td>
<td>2.98</td>
</tr>
<tr>
<td>16</td>
<td>My manager gives me feedback on my performance.</td>
<td>1.83</td>
<td>1.6</td>
<td>1.71</td>
</tr>
<tr>
<td>17</td>
<td>I was involved in the setting of my own targets.</td>
<td>3.51</td>
<td>1.71</td>
<td>2.61</td>
</tr>
<tr>
<td>18</td>
<td>Performance related pay has increased the performance of the organisation as a whole.</td>
<td>1.94</td>
<td>3.62</td>
<td>2.78</td>
</tr>
<tr>
<td>19</td>
<td>I have not found any difficulty in working with the system where both</td>
<td>2.25</td>
<td>2.14</td>
<td>2.19</td>
</tr>
</tbody>
</table>
team and individual pay are operating together.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Value 1</th>
<th>Value 2</th>
<th>Value 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>I think that the operation of both team and individual pay has not led to a change in the culture of the organisation to that of a performance oriented one.</td>
<td>4.07</td>
<td>3.91</td>
<td>4.00</td>
</tr>
<tr>
<td>21</td>
<td>The principle of performance related pay is not a good one.</td>
<td>4.38</td>
<td>3.73</td>
<td>4.05</td>
</tr>
<tr>
<td>22</td>
<td>I am confident that my manager is as objective as possible when conducting my performance appraisals.</td>
<td>2.61</td>
<td>1.81</td>
<td>2.21</td>
</tr>
<tr>
<td>23</td>
<td>A third party should oversee the appraisal process.</td>
<td>3.23</td>
<td>2.01</td>
<td>2.62</td>
</tr>
<tr>
<td>24</td>
<td>The financial incentive an employee gets from performance pay should be substantially increased</td>
<td>1.69</td>
<td>1.75</td>
<td>1.72</td>
</tr>
<tr>
<td>25</td>
<td>Teamworking is greatly enhanced when there is a team reward.</td>
<td>1.96</td>
<td>2.73</td>
<td>2.34</td>
</tr>
<tr>
<td>26</td>
<td>The financial reward from the performance pay award is not sufficient incentive to motivate me to do better at my job.</td>
<td>1.85</td>
<td>2.07</td>
<td>1.96</td>
</tr>
<tr>
<td>27</td>
<td>The appraisal process rewards people who are highly visible, rather than quiet good performers</td>
<td>2.33</td>
<td>2.72</td>
<td>2.52</td>
</tr>
<tr>
<td>28</td>
<td>Managers use the appraisal process to reward their favourite employees.</td>
<td>3.10</td>
<td>1.90</td>
<td>2.5</td>
</tr>
<tr>
<td>29</td>
<td>Are you? a) Male  b) Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>What age range?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>What grade level are you on?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>My job gives me a sense of accomplishments</td>
<td>4.1</td>
<td>1.75</td>
<td>2.91</td>
</tr>
<tr>
<td>2</td>
<td>My work is satisfying</td>
<td>4.0</td>
<td>1.8</td>
<td>2.9</td>
</tr>
<tr>
<td>3</td>
<td>My current job is much better than expected.</td>
<td>4.4</td>
<td>2.2</td>
<td>3.3</td>
</tr>
<tr>
<td>4</td>
<td>My pay is low compared with what others get for similar work.</td>
<td>2.3</td>
<td>1.7</td>
<td>2.00</td>
</tr>
<tr>
<td>5</td>
<td>I am highly paid</td>
<td>4.42</td>
<td>2.9</td>
<td>3.66</td>
</tr>
<tr>
<td>6</td>
<td>In my opinion my pay is lower than those with similar Education and work background in other companies</td>
<td>3.9</td>
<td>3.1</td>
<td>3.5</td>
</tr>
<tr>
<td>7</td>
<td>My job is stable</td>
<td>3.87</td>
<td>2.2</td>
<td>3.04</td>
</tr>
<tr>
<td>8</td>
<td>My job provides me with a good sense of security</td>
<td>4.0</td>
<td>2.5</td>
<td>3.25</td>
</tr>
<tr>
<td></td>
<td>Question</td>
<td>Blue</td>
<td>Purple</td>
<td>Red</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------------------------------</td>
<td>------</td>
<td>--------</td>
<td>------</td>
</tr>
<tr>
<td>9</td>
<td>I worry about losing my job</td>
<td>4.3</td>
<td>1.9</td>
<td>3.1</td>
</tr>
<tr>
<td>10</td>
<td>My fellow workers are selfish</td>
<td>4.32</td>
<td>3.2</td>
<td>3.76</td>
</tr>
<tr>
<td>11</td>
<td>The people I work with are selfish</td>
<td>4.4</td>
<td>2.9</td>
<td>3.65</td>
</tr>
<tr>
<td>12</td>
<td>The people I work with help each other out when someone falls behind.</td>
<td>2.51</td>
<td>1.9</td>
<td>2.21</td>
</tr>
<tr>
<td>1</td>
<td>I plan to stay with this company as long as possible.</td>
<td>1.8</td>
<td>4.43</td>
<td>3.12</td>
</tr>
<tr>
<td>2</td>
<td>I sometimes feel like leaving this organisation for good.</td>
<td>2.3</td>
<td>3.9</td>
<td>3.1</td>
</tr>
<tr>
<td>3</td>
<td>I would accept almost any type of work in order to keep me working for this organisation.</td>
<td>2.1</td>
<td>4.21</td>
<td>3.15</td>
</tr>
<tr>
<td>4</td>
<td>I am very loyal to this organisation.</td>
<td>2.02</td>
<td>3.93</td>
<td>2.97</td>
</tr>
<tr>
<td>5</td>
<td>The offer of a bit more money with another employer would not seriously make me think of changing my job.</td>
<td>3.1</td>
<td>4.63</td>
<td>3.9</td>
</tr>
<tr>
<td>6</td>
<td>I am willing to put a great deal of effort beyond that normally expected in order to help this organisation to be successful.</td>
<td>1.9</td>
<td>3.91</td>
<td>2.9</td>
</tr>
<tr>
<td>7</td>
<td>In my work I feel that I am making some effort not just for myself, but for the organisation as well.</td>
<td>2.03</td>
<td>3.41</td>
<td>2.72</td>
</tr>
<tr>
<td>8</td>
<td>To know that my own work has contributed to the good of this organisation would please me.</td>
<td>1.8</td>
<td>3.12</td>
<td>2.46</td>
</tr>
<tr>
<td>9</td>
<td>This organisation really inspires the very best in me.</td>
<td>3.13</td>
<td>3.32</td>
<td>3.22</td>
</tr>
<tr>
<td>10</td>
<td>I find that my values and those of this organisation are very similar.</td>
<td>3.2</td>
<td>2.83</td>
<td>3.01</td>
</tr>
<tr>
<td>11</td>
<td>I am quite proud to be able to tell people I work for this organisation</td>
<td>1.72</td>
<td>2.67</td>
<td>2.19</td>
</tr>
<tr>
<td>12</td>
<td>I feel myself to be part of this organisation</td>
<td>2.1</td>
<td>3.1</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Table 31: Mean Score for each question**

* Means questions not put in the grouped variables.

Blue – means insurance grouped means

Purple – means bank grouped means

Red – means combined grouped means

Green - means question that have not been grouped
4.2.2 Demographic Characteristics of the Sample and the impact on the Findings.

There were no significant differences in the responses from respondents, when responses were assessed in terms of age and gender. 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) and no employee had spent more than 7 years within both organisations. It appeared to be an organisation filled with young employees below 40 years and just over 57% of employees in both organisations are male and while 43% are female, in both organisations, the males outnumber the female employees by a small margin.

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 and 83% of management and senior management employees indicated that they were very satisfied with their jobs. These employees are on a higher pay band therefore their performance pay out is higher. These results support the findings of McCausland et al (2005), that incentive pay such as performance related pay has a positive effect on the job satisfaction of higher paid employees. A research by Miller (1980) found that job satisfaction was greater among workers in jobs that were more secure and highly paid.
4.3 ANALYSIS OF RESULTS FROM THE QUESTIONNAIRE SHOWN IN BAR/COLUMN CHARTS

Grouped Mean Key Findings from the Questionnaires

Below are bar charts indicating mean scores for the grouped means for both organisations and the combined values, with ‘5’ being strongly disagree and ‘1’ being strongly agree.

1. 

![Bar Chart](Diagram_12.png)

**Diagram 12: Bar chart – IPRP increases my commitment & motivation to work**

For the combined results for both organisation Individual performance related pay has a mean score of 2.6, which seems to borderline as most respondents are not sure if IPRP has increased their motivation and commitment to work. But when the results are compared between the bank and insurance organisations, the results indicate that employees from the bank agree that IPRP has increased their commitment and motivation to work (2.18); when compared to employees from the insurance organisation (3.00) most employees didn’t feel that individual performance related pay had made them more committed and motivated to do their jobs.
No difficulty in working in a system where team & IPRP are operating together

Diagram 13: Bar chart – No difficulty in working in a system where teamworking & IPRP are operating together

For the combined results for both organisation Individual performance related pay has a mean score of 2.2, which indicates that employees from both organisations have found no difficulty working in system where team and IPRP operate together. But when the results are compared between the bank and insurance organisations, the results indicate that employees from the bank are more positive with a mean response (2.14), when compared to responses from the insurance (2.25).
Diagram 14: Bar chart – The principle of PRP is a good one

This is a reverse question as it is negatively worded. The combined mean score (4.05) indicate employees in both organisations believe that the principle of PRP is a good one, but when the results are assessed separately in the two organisations, employees in the insurance organisations have a more positive mean score (4.38) when compared to the responses from the bank (3.73); yet they seem to disagree with the idea that IPRP has actually had an impact in improving their motivation and commitment to work.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>4.38</td>
</tr>
<tr>
<td>Bank</td>
<td>3.73</td>
</tr>
<tr>
<td>Combined</td>
<td>4.05</td>
</tr>
</tbody>
</table>

4.

Diagram 15: Bar chart – I believe the introduction of PRP has not been effective in enhancing my performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>2.4</td>
</tr>
<tr>
<td>Bank</td>
<td>3.63</td>
</tr>
<tr>
<td>Combined</td>
<td>3.02</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Series1</th>
<th>Series2</th>
<th>Series3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>Bank</td>
<td>Combined</td>
</tr>
</tbody>
</table>
Diagram 15: Bar chart – The PRP has not been effective in enhancing my performance

When results are combined the employees appear to agree that the introduction of PRP has been effective in enhancing their performance; but when results are assessed separately in the two organisations employees from the insurance organisation are less positive about the introduction of PRP enhancing their performance with a mean score of 2.4, when compared to employees from the bank with a higher mean score of 3.63. They felt that the introduction of performance related pay had enhanced their performance.

5.

Diagram 16: Bar chart – PRP has not increased the performance of the organisation as a whole

This is a reverse question as it is negatively worded. When results are combined the employees appear to agree that the introduction of PRP has been effective in enhancing the performance of their organisation (2.78); but when results are assessed separately in the two organisations employees from the insurance organisation are less positive about that the introduction of PRP has enhanced the performance of their organisation with a
The mean score of 1.94, when compared with the responses of employees from the bank, whose responses gave a higher mean score of 3.62. They felt that the introduction of performance related pay had improved the performance of their organisation.

6.

Diagram 17: Bar chart – PRP has not been effective in enhancing my performance and that of my organisation

This is a reverse question as it is negatively worded. When results are combined the employees appear to agree that the introduction of PRP has been effective in enhancing their performance and that of their organisations with a mean score of 2.9; but when results are assessed separately in the two organisations employees from the insurance organisation are less positive about the introduction of PRP enhancing their performance and that of the organisation with a mean score of 2.17, when compared to employees from the bank with a higher mean score of 3.63.

7.
Diagram 18: Bar chart – PRP has not led to a change in the culture of my organisation to that of a performance oriented one

This is a reverse question as it is negatively worded. When results are combined the employees appear to strongly agree that the introduction of PRP has led to a change in the culture of their organisation to that of a performance oriented one with a high mean score of 4.00. Also when results are assessed separately in the two organisations employees from the insurance (4.07) and bank (3.91) organisation are very positive about the introduction of PRP changing the culture of their organisation to that of a performance oriented. Employees from both organisations seem to agree that the introduction of performance related pay has led to a change in culture to that of a performance oriented one, yet responses of employees from the insurance organisation indicate that though it has led to performance oriented culture, their performance and that of their organisation has not improved. This seems to indicate that the reason for the introduction of PRP has not been achieved and employees have a negative attitude towards the PRP scheme in operation yet agree that the idea of PRP is a good one. Could this be due to the actual implementation method? Or the business environment?
When results are combined the employees appear to agree that the appraisal process relating to PRP is fair (2.34); but when the results as assessed separately in the two organisations employees from the bank organisation are more positive about the fairness of the appraisal process (a mean score of 1.95), when compared to the responses of employees from the insurance organisation, there is an indication of a perception of an unfairness during the appraisal process, (a higher mean score of 2.72). This is a rather surprising result for the organisations; as it indicates a lack of trust between employees and management in both organisations but the level of distrust is higher among employees in the insurance organisation. This again leads the researcher to the question of the actual implementation and operating process of the PRP scheme in place in this organisation.
Diagram 20: Bar chart – Reward linked to PRP is not sufficient to motivate me to do better at my job

When results are combined the employees appear to agree that the reward linked to PRP is not sufficient enough to motivate employees to do better at their job with a low mean score of 1.84. But when results are assessed separately in the two organisations the mean score from the insurance and bank organisation is quite low (1.77 & 1.91 respectively), indicating that employees feel that the reward linked to PRP should be substantially increased to increase their motivation to do better at their jobs.

This is a rather surprising result as responses of employees at the bank appear to indicate that individual performance related pay has increased their commitment and motivation to do their job (mean score of 2.18). But the mean score drops further to 1.91 when their responses are measured in response to the question of the reward linked to performance related pay not being sufficient enough to motivate them to do better at their jobs. This is quite contradictory, as one hand they motivated to do their jobs and on the other if given more money they would do better at their jobs. Are they actually putting in
their best or just doing enough work to get their performance pay? Does PRP actually motivate them or is it the money itself that motivates them?

10.

Diagram 21: Bar chart – Teamworking is damaged by IPRP

When results are combined the employees appear to agree that teamworking is damaged by individual performance related pay with a mean score of 2.27; but when results are assessed separately in the two organisations employees from the insurance organisation are more positive about that teamworking is damaged by individual performance related pay with a very low mean score of 1.85 (this may be due to the fact that teamworking is not linked to team pay), when compared to employees from the bank, where teamworking is linked to team pay. They have a slightly higher mean score of 2.69, which indicates that most employees do not really feel that teamworking is damaged by individual performance related pay, because teamworking in the bank is actually linked to team reward.

11.
Diagram 22: Bar chart – Job satisfaction

When results are combined the employees appear to be dissatisfied with every aspect of their job with a mean score of 3.12; but when results are assessed separately in the two organisations employees from the insurance organisation are highly dissatisfied with every aspect of their job with a mean score of 3.9, when compared to employees from the bank with a lower mean score of 2.34, which seem to indicate that they are not dissatisfied every aspect of their job.
Diagram 23: Bar chart – Commitment

When results are combined the employees appear not to be committed to their jobs with a mean score of 2.95; but when results are assessed separately in the two organisations employees from the insurance organisation appear to be more committed to their organisation than their colleagues in the bank with mean score of 2.27 and 3.62 respectively.

The difference in these mean scores are slightly surprising as employees from the bank appear to be more satisfied with their jobs than employees from the insurance organisation. Shouldn’t employees who are satisfied with their jobs be committed to their jobs? An overview of their overall responses indicate a more positive attitude towards the performance related pay in operation in their organisation when compared to employees from the insurance organisation, yet it has not led to more commitment from the employees in the bank.
Diagram 24: Bar chart – My targets dwell mostly on the financial business targets of the organisation

When results are combined the employees appear to agree that their targets dwell mostly on the financial business targets of the organisation with a mean score of 2.16; but when results are assessed separately in the two organisations employees from the insurance appear to strongly agree that their targets dwell mostly on the financial business targets of the organisation with a very low mean score of 1.7, when compared to employees from the bank with a slightly higher mean score of 2.62.
Diagram 25: Bar chart – Individual pay does not damages teamwork amongst team members

This is a reverse question. When results are combined the employees appear to agree that individual pay damages teamwork amongst team members; this is indicated with a mean score of 3.47; which is also the case when results are assessed separately in the two organisations; but the responses of employees from the insurance indicate a slightly higher mean score of 3.8 (they hold stronger views), when compared to employees from the bank with a slightly lower mean score of 3.13.

SUMMARY OF RESULTS FROM THE QUESTIONNAIRE

In summary the results indicate that

* PRP damages teamwork amongst team members.
* Employees in both organisations agree that IPRP damages teamworking.
* Employees PRP targets dwell mostly on the financial business targets of the organisation.
* Employees in the Bank are less committed than their counterparts in the insurance organisation.

* Employees in the bank are more satisfied with their jobs than employees in the insurance organisation.

* 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 appraisal process relating to PRP is fair but when results are assessed separately for both organisations, there is evidence that employees from the insurance organisation where less positive about the perceived fairness of the PRP appraisal process.

* 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.
4.4 Discussion of Results from the Interviews for the Bank and the Insurance Organisations

The fourth Stage of the research was discussion on the results from the interviews.

- An interview was held with the Chairman of Standard Guardian, which is the parent company for the 2 organisations used in the case study, to find out the main reasons for the introduction of similar performance pay schemes in both organisations.

- Interviews also took place with 2 human resource managers in both organisations to find out the way the performance pay scheme operates.

- Interviews were carried out with 4 managers from the 3 regional offices (Uyo, Calabar and Lagos) and the head office in Abuja and

- Interviews were also carried out with over 10 employees from the 3 regional offices (Uyo, Calabar and Lagos) and the head office in Abuja. The interviews lasted between 20 minutes and 30 minutes. It was conducted by me and an administrative assistant who did not work in any of the organisations. The interviews were carried out in a secluded room away from other employees to ensure privacy and confidentiality. This was mainly to find out their perception of the performance pay scheme in operation and if it had any impact/effect on them or the way they carry out their jobs. The interviews took place in a closed office and provided the employees the opportunity to give their viewpoints without fear of reprisal, which they did in a very strong way and it indicated the strength of views and feelings from a majority of employees.

The general comments 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 lead 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.

Also, there is more satisfaction from employees in the bank than in the insurance organisation and less commitment from employees in the bank than in the insurance 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.
4.4.1 THE INTERVIEW STAGE AND DISCUSSION OF FINDINGS LINKED WITH THE RESEARCH QUESTIONS

Following the analysis of the questionnaires and the results and findings interpreted. The researcher went on to administer interviews with the management and staff of both organisations; Mutual Alliance Savings and Loans, Limited and First Assurance Limited to get clarification on various issues, like the disparity of results between both organisations and get their viewpoints to be able to fully understand the results to increase its validity.

Interviews were held with employees from various branches from both organisation and their responses have been documented below, discussed in relation to the mean score calculated for each variable, in order to clarify and enhance our understanding of the responses from the questionnaire, the employees view points and their perception towards the introduction of the performance related pay in operation in both organisation. Below are the discussions and results from the interviews.
4.4.2 JOB SATISFACTION

The combined mean score from the responses on job satisfaction was 3.12, indicating that employees were not satisfied with their jobs. But when responses were assessed separately in both organisations, the overall job satisfaction response from the bank had a mean score of 2.34 and the insurance 3.90. This indicates a wide disparity in views or perception of job satisfaction in both organisations as the mean score indicates that employees in the bank are more satisfied with their jobs than employees in the insurance company, who appear to be highly dissatisfied with their jobs in general.

Below are comments during the interviews from employees in the both organisations when asked if they were satisfied with their jobs and the level of reward given out by performance pay scheme:

‘Satisfaction with my job; yes, but with more money I can’t be satisfied, I think the level of reward paid out by the performance pay scheme should be substantially increased’.
(Employee, Bank, Abuja Branch)

‘I don’t know if I am satisfied, I am always looking for the next big thing. If I am satisfied why then do I strive for more and more, you answer that for yourself’. (Employee, Bank, Calabar Branch)
‘Yes, I think the level of reward should be increased so I won’t be tempted to leave for another organisation if offered more money and also money is a form of motivation’ (Bank, Abuja)

‘I was satisfied before the introduction of PRP, but now I am always fighting to keep my job. Would you call that satisfaction? We are under a lot of pressure and the competition is stiff. I think the PRP in operation in this organisation should be scrapped and discontinued’ (Insurance, Employee)

When responses where measured to questions regarding level of reward linked to performance related pay, the responses from employees emphasises strongly again their level of dissatisfaction with pay, the financial element of reward. The combined mean score for 24 and 26 is 1.84 indicating a very high level of dissatisfaction with the proportion of their pay linked to Performance related pay; when this mean scores are examined separately in both organisations the mean score is slightly higher in the Insurance organisation (1.77) than in the bank (1.91). This indicates a strong dissatisfaction with the reward linked to PRP but there is a trend as employees from the insurance organisation are highly dissatisfied with their pay from PRP, when compared with employees from the bank.

This disparity in the level of satisfaction with their jobs in the insurance organisation could be linked to the change in culture of their organisation which was facilitated by the introduction and operation of the performance pay scheme into their once beaurocratic and stable organisation.
4.4.3 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 organisation, 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 lead 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.

Also the results may be due to the constant reminders that the scheme only favours top performers and managers during the meetings with employees emphasizing increased performance with the threat of more job losses if the organisations run at a loss at the end of the financial year. It may be that in the mind of the employees they believe that all the management are concerned about is to increase performance and profitability of the
organisation; and this is what the employees perceive as a change the culture of the organisation. As an employee in the insurance organisation commented during the interviews.

‘The culture of this organisation has changed to that a more performance and target oriented one. We really only focus on jobs that would help us meet our targets and get the performance pay bonus. Everything is all about performance and it has begun to make us very competitive like our sister company its funny though that no matter how hard we work at the end of the financial year we still run at a loss’. (Employee, Insurance, Calabar Branch)

This may be due to the fact that employees have over the years realised that the culture in the financial industry has undergone a series of changes from being more traditional and being operated like a government agency or parastatal to most financial institutions linking most of their staff/employee salaries to pay.

This new ‘money and performance’ culture found in the financial sector has been brought about by:

- increased competition for customers,
- employers and investors when licenses where give to private investors to operate banks, mortgage companies, finance houses, insurance firms and other financial establishments in the 1990’s. These financial institutions needed to stay profitably as the three major government owned banks were being funded by government funds and one of the ways of competing in an over saturated market was by changing the culture by imbibing 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, increasing the attractiveness of wages, changing the culture and recruiting and the retention of top performing employees.

Research results indicate that a quarter of the PRP schemes (26%) which aimed to support a change in culture failed in this process (CIPD, 1998). This indicates that nearly three quarters of schemes succeeded in changing their cultures using the PRP schemes. While linking some form of pay to performance could have been the reason for the good performances of most financial institutions; the financial sector in Nigeria is also noted as being very ‘money’ focused and performance pay seems have delivered its promise of improving performance but brought along a different problem, relating to the retention of top performing employees. The financial sector in Nigeria is noted for its high employee turnover as most organisations steal, buy or lure potential top performers in rival organisations with the promise of more money than what is being paid to them in their present organisation.

As an employee stated in his interview:

‘Yes the financial sector is very money driven – very target driven. Quite unstable though with increased staff turnover especially from high or top performers if they are offered more money from other banks. In this sector money is a major factor in determining how long you stay with an organisation especially if you are a top performer and have loads of clients then most financial institutions would be looking for you and all you have to do is go for the highest bidder. It is very sad though and rubbishes this sector but I call it bank prostituting, that is just how the system works’. (Employee, Bank, Uyo Branch)
What also seems to be more significant is the culture of the country of Nigeria itself seems to align very well with the culture of the financial sector. It has been noted by many Nigerian writers and authors such as Anyanwu and Emeoha (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.

The amount of money and possessions an individual has determines his status among his kinsmen and once a man is known to be rich his whole family benefits from it and are well known families. He employs his relatives both nuclear and extended to hold major posts and positions in his organisation and the organisation is run like a family owned business. This status gives him an opportunity to marry the most beautiful and educated women from his community and if he is well known this extends throughout the country. Most families encourage their daughters to marry into these families as they feel that they are elevating their own status in the community and nation as a whole by being linked by blood to a well known and successful family through marriage.

Also the high level of unemployment and disparity between the poor and the rich may have brought about this ‘money’ culture. There is a very wide gap in Nigeria between the rich and the poor. Most graduates dream after their university education is to earn a lot of money and improve the quality of life for their families. This may have been observed by the implementers of performance related pay schemes that the basic need of an individual is to feed his family, clothe and provide shelter for their families as there is no welfare system in operation Nigeria; as one employee from the insurance company stated:
‘I would say I am committed to my job, if not why am I fighting so hard to keep it. Remember that there is a high rate of unemployment in this country and I do need to feed my family. This performance pay provides me with an opportunity to earn more money like my colleagues in the bank, if I do become a top performer then I become much more recognised in my community as I would be earning a lot more money’. (Employee, Insurance, Uyo Branch)

This is a major motivating factor for employees as performance pay gives them another opportunity to make a substantial amount of money to increase the standard of living for their families and enhance their status in the community. As Maslow (1954) in his hierarchy of needs stated, that human beings have their needs arranged in a hierarchy, that they are first motivated to seek satisfaction of the lower levels of needs.
4.4.4. 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.

The insurance organisation only has individual performance pay scheme in their organisations as the management decided against introducing team pay (saying it would divide employees and that the reward strategies in operation should be introduced at various stages to allow employees adjust to the new culture and systems of pay. They also stressed that the cost implications would be too high for the organisation to bear as it is still struggling with the losses in profits due to bad debts) but teamworking and team reward is in operation but there are no financial rewards attached to it. This may have led to their responses being very negative as some employees may only focus on the jobs that are linked to reward at the expense of teamworking (Armstrong, 1999).

This supports the findings of Stredwick J. (2005) 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. Hypothesis 3 is supported by these findings.
There are conflicting findings from this research, indicating that employees recognise that team working would be enhanced (2.34) and lead to more commitment (2.47) 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. 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. If you refuse both you stand the chance of a poor appraisal. 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).

Individual pay works against the group culture associated with African countries, but due to the level of influence from the Western world and the high rate of unemployment, the work place culture has been changing over the past few years to accommodate individualism especially when associated with pay. Though the money received from individual pay is still spent on a group of people which include the employees nuclear and extended family as most family members live with the most successful member of their extended family. This way of life or culture of the African people explains why most of the respondents agree that individual pay damages team working (3.47), yet still agree that team working is greatly enhanced when there is team pay involved (2.34). This emphasizes the fact that money plays a major role in the working life of a Nigerian employee.
4.4.5 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.

This may be due to the improvement in their salary structure which has taken place twice over the past four years and also the yearly organisational 10% performance payouts which have be given to employees consistently for the past three years. Also going through the yearly financial reports, there has been indication that this organisation has run on a profit consistently for the past 4 years. 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)
Lawler (1990) explaining the likely motivation of PRP argues that if employees are generally in agreement with both the principle and practice of PRP, then they will be motivated to do better at their jobs, thereby increasing organisational performance and the beneficial organisational outcomes will follow. Conversely, if they are not in agreement then the opposite happens. 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 indicates that employees oppose the hypothesis that since the introduction of performance pay some 2 years ago 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.

The employees also held views that all the management is concerned was about profitability and not them as employees as they had experienced lots of redundancies since its take over. 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)
One comment from an employee in the insurance organisation when asked if performance pay has increased organisational and employee performance:

‘At first I would say no it didn’t improve performance but after the first year and the appraisal where done and just a few staff were given performance payouts, then the shock began, staff began to lose their jobs due to poor performance we all had to sit up and improve and now we are under a lot of pressure to keep our jobs because of the high rate of unemployment’. (Employee, Uyo Branch)

Also as a manager in the insurance organisation put it:

‘As the insurance sector is quite slow, very unlike the banking sector. Only government agencies and parastatals and very large multinational organisations buy insurance. Ordinary individuals don’t buy insurance, except the rich. This is a challenge we face everyday in this sector, but we are doing our very best to keep afloat’ (Branch Manager, Insurance).

Organisational performance may not have improved despite employee’s performance improving due to the nature of the insurance market, which is very slow as there are not many buyers of the product in the market.
Below is the financial overview for the past 8 years of First Assurance PLC and MASL, given to the researcher by the Accounts department. A detailed financial statement was denied due to confidentiality issues and issues with competition from other organizations.

**Financial Overview**

**Historical data – First Assurance PLC**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Profit or Loss after Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash flow</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>5 million</td>
<td>-350,000</td>
</tr>
<tr>
<td>2004</td>
<td>5.35 million</td>
<td>-435,000</td>
</tr>
<tr>
<td>2005</td>
<td>5.1 million</td>
<td>-60,000</td>
</tr>
<tr>
<td>2006</td>
<td>4 million</td>
<td>-50,000</td>
</tr>
<tr>
<td>2007</td>
<td>3.5 million</td>
<td>-25,000</td>
</tr>
<tr>
<td>2008</td>
<td>5 million</td>
<td>30,000</td>
</tr>
</tbody>
</table>

**Financial Overview**

**Historical data – Mutual Alliance Savings & Loans Limited**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Profit or Loss after Tax</th>
<th>Profit Transferred to Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash flow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>105 million</td>
<td>2.51 million</td>
<td>1 million</td>
</tr>
<tr>
<td>2003</td>
<td>106.5 million</td>
<td>5.7 million</td>
<td>3 million</td>
</tr>
<tr>
<td>2004</td>
<td>110.2 million</td>
<td>6.2 million</td>
<td>3 million</td>
</tr>
<tr>
<td>2005</td>
<td>113.4 million</td>
<td>14.4 million</td>
<td>8 million</td>
</tr>
<tr>
<td>2006</td>
<td>119.7 million</td>
<td>26.5 million</td>
<td>6 million</td>
</tr>
<tr>
<td>2007</td>
<td>140 million</td>
<td>48.5 million</td>
<td>8 million</td>
</tr>
<tr>
<td>2008</td>
<td>180 million</td>
<td>39 million</td>
<td>9 million</td>
</tr>
</tbody>
</table>

*£1 Pound = Approximately N180 Naira*
4.4.6 PRP AND COMMITMENT

The combined mean scores is 2.95 indicating employees show a little commitment to the organisation. But when the mean scores are assessed separately in both organisations, there is an interesting variation in the mean score of employees in both organisations. The employees in the insurance organisation have a mean score of 2.27 this low. Employees in the insurance are also committed to the success of their organisation (1.91), identify with their organisation (2.54) and intend to stay and work as long as possible with their organisation are more committed and loyal to their jobs (2.26). But when the question of the offer of a bit more money with another employer would not make me seriously make me think of changing was asked, the mean score rose to 3.1, this indicates that money plays a major role in their commitment and loyalty to the organisation. This may be explained thus that if more money is offered to employees that their level of commitment would drop.

But this response is very surprising and is a contrast to their responses on job satisfaction (3.90 mean score), which indicated a very high level of dissatisfaction with their jobs. How could employees who are generally dissatisfied with their jobs and have a very negative perception of the performance related pay in practice, be committed to their jobs? Is this due to the high levels of unemployment in the insurance sector and the country as a whole?

This was very confusing at first but when the researcher looked through the comments from employees about how they feel being bought over by private investors, the employees seemed to like the fact that their organisation had been bought over by private investors. In Nigeria, working for a private run organisation gives employees a bit of
status as they tend to associate it with the fact that you earn a lot more money than an employee working in the public sector or in a government agency.

People tend to associate government jobs with very low wages and therefore look at them with very little respect. Also the government are known in Nigeria for long delays in the payment of their staff salaries for as long as 4 months at a stretch (Nigerian Guardian Newspaper, March 2006). This may explain why the employees from the insurance organisation perceive themselves to be committed to their jobs despite their high levels of dissatisfaction.

As one employee from the insurance commented during the interviews:

‘At first I was excited with the fact that we were being taken over by private investors and our salary will increased but then came performance pay with our bonuses tied to our performance I became really dissatisfied which makes us take on more responsibility than we were used to just to get that performance bonus, I think it really puts a lot of pressure on us’. (Employee, Insurance, Uyo Branch)

Other comments by employees:

‘I don’t think the implementation of performance pay has made me more committed to my job, as I feel that I am always under a lot of pressure to perform especially after meetings with my manager’. (Insurance, Employee, Abuja Branch)

‘I don’t think I am committed to my job but I need the money to feed my family right now and there is also a high rate of unemployment out there so I won’t resign but if I see a higher paying job I would leave’. (Employee, Insurance, Calabar Branch)
Comment from the head of human resources in the insurance organisation when asked if employees are committed:

‘The employees may say yes but I will say no, the employees stay to keep their jobs as there are really no jobs out there. They put in no effort and complain about the pay. They feel it is unfair that Mutual Alliance Bank salary scale is nearly twice ours since they are our sister company, but they forget that the employees perform so well and that they keep our company in operation by servicing us from their profits…….Yes we are being paid from their profits because we have been running at a loss trying to clear our bad debts’ (Insurance, HR Manager, Abuja Branch).

The bank has a high mean score of 3.63. The results indicate that the employees in the bank have little or no commitment to their jobs and are not loyal to the organisation. These results may be due again to the change in the reward strategy of the organisation which has lead to a change in the culture of the organisation making it very performance oriented and employees having to justify their salary increases by high performance. The high mean score of 3.63 indicates that the employees in the bank are not committed to the success of their organisation (3.48), they do not identify with their organisation (2.98) and do not intend to stay and work as long as possible with their organisation are more committed and loyal to their jobs (4.22).

But when the question of the offer of a bit more money with another employer would not make me seriously make me think of changing was asked, the mean score rose to a staggering 4.63, this indicates that money plays a very major role in their commitment and loyalty to the organisation. This may be explained thus that the commitment of employees
in the bank is only dependent on the amount of money the organisation is willing to pay them for the services they offer the organisation.

This is rather surprising as employees in the bank appear to be satisfied with their jobs (a mean score of 2.34) and the operation of performance related pay in their organisation, yet their level of commitment has dropped. This could be due to the fact that performance related pay has increased the bargaining power of employees. They now determine how much they earn, giving them more independence and the upper hand in any bargaining situation. The PRP scheme in operation appears to have lead to retention problems amongst top performers in organisations, where employees are willing to sell their services to the highest bidder.

In the financial sector especially the banking sector in Nigeria, money is a major factor in securing top performers in various organisations, because if these the top performers change organisations they also bring in their clients accounts with them because they have built up trust over the years of working with their clients and most people and organisations will feel secure when they know the individual who is personally looking after their monies, investments, properties and accounts and would feel comfortable moving their monies and assets also the new banks would gain in the process as their capital base would increase from these movement of money giving them a greater share in the capital market.

The results also indicate change in employee commitment from enduring commitment to bought commitment. This has also lead to a change in the psychological contract from a relational contract to a transactional psychological contract. Research by Turnley, W. et al.
(2003) suggests that psychological contract fulfillment results in increased employee performance both in terms of in-role and citizenship behaviour, such as organisational commitment. Likewise, psychological contract breach is associated with poorer employee performance.

These results are supported by comments from employees, as one employee from the bank put it:

‘I can say I am committed to the organisation to a point but if a new job opening comes up with a larger pay packet am sorry I will have to leave, this is a dog eat dog market, its all about the money’. (Bank, Employee, Abuja Branch)

Other comments from employees at the bank when asked if they are committed:

‘As far as I am being paid what I am worth then there is no problem about commitment’. (Bank, Employee, Abuja Branch)

‘It given me focus on my job. I am committed as far as there is a reward linked to the job. I find it really hard and sometimes a drag to do jobs that are not linked to performance pay. All jobs should be linked to performance pay, as you may have realised in this country money is a good motivator’. (Bank, Employee, Uyo Branch)
4.4.7 PREFERENCE OF IPRP

This could be calculated for only the bank, as there is no team pay in operation in the insurance organisation. Employees also indicate that they like working in teams as but team pay causes divisions amongst them. The overall viewpoint appears to be that employees in the bank prefer individual performance related pay to team pay because they have more control over their jobs.

Comments from an employee about working in teams:
‘I like working in teams in reminds me of a family unit as you know we are Africans and are very group oriented. We usually help each other out and the work moves faster, also the celebration time when you meet your targets is just wonderful but it can also be divisive when individual pay is involved or when other team members refuse to do their share, so I think I will stick to individual pay as I have control over my job and I determine if I get my targets or not’. (Bank, Employee, Abuja Branch).

4.4.8 Motivation from IPRP

The combined mean score for the both organisation is low at 2.6 indicating that individual performance related pay has raised employee’s motivation and commitment. But the question the researcher asks is; is it motivation to do the job or motivation for the money involved in performance related pay? Whatever motivates the employee, PRP appears to have achieved its aim.
These results may be due to internal culture of the organisation and the culture of the financial sector where performance is really the only thing that counts in determining the amount of salary you receive at the end of the year. The monetary reward really is the driving force in this sector of the economy.

The mean score for the insurance is 3.00 indicating that individual performance related pay does not have a strong impact on motivating the employees in the insurance organisation. This indicates that there may be other reasons which may be many and varied for the motivation which may include the fact that individual performance related pay had been imposed on them by management and they had to go along with it to keep their jobs.

The results from the insurance organisation supports the research carried out by Dowling and Richardson (1997) 29% of NHS employees agree that PRP had increased their motivation to work beyond their job requirements. But research by Marsden (1998) indicates contrary that individual performance pay had not raised employee’s motivation.

The question then is asked how then can individual performance pay motivate these employees when there are indications from their comments during the interviews and focus group meetings that they hate the fact that they have to justify their salary by their performance which is major building block of performance pay. But the ‘money’ culture in the financial sector of the economy, this may be a motivating factor, in employees saying they are motivated by performance pay.
4.4.9 SUMMARY OF FINDINGS FROM THE INTERVIEWS

The findings from the interviews indicate that

* Money plays a very important role in determining the commitment and satisfaction of employees within these organisation. This could be linked to the culture of the country and the sector in which these organisations operate.

* Employees in the bank are more satisfied with their jobs but less committed to the organisation especially the top performers as PRP has given the employees a tool to bargaining for new jobs and more money; in the insurance employees are more committed but less satisfied with their jobs, but would switch jobs immediately if there was an offer of more money from another organisation.

* There are also indications that since the introduction of PRP, employees actually put in the effort to improve their performance in order to receive the performance payouts, this effort which has been put has paid off in the bank but not in the insurance organisation.

* There are indications from the responses of employees that the introduction of PRP has lead to a change in the culture of both organisation to that of a performance oriented one.

* Employees attitudes towards the implementation of the performance related pay in both organisation appear to be positive as they like the principle of PRP but in the insurance organisation, PRP appears to have failed them and caused more frustration and dissatisfaction to the employees since its introduction.

* As there is no team pay in the insurance organisation, findings could only relate to employees from the bank and there are indications that they prefer individual performance related pay, as they have more control over their job and output.
4.5 Discussion of Results from the Focus Group Interviews for the Bank and the Insurance Organisations

For this research 2 focus group sessions were carried out in the head office of both organisations. In the insurance organisation, there were 5 participants and in the mortgage bank there were 7 participants. This lasted for no more than 55 minutes as they had to go back to their jobs. The focus groups were conducted in a closed office so as to maintain confidentiality and increase trust between the researcher and the respondents. However the employees in the insurance company really had very strong views and opinions on the performance pay in operation in their organisation.

How were the focus groups established

The focus groups session was used to evaluate and assess the effect (on employees attitudes and behaviour) of the performance related pay scheme in operation in both organisations (Kreuger 1988). It was not used in isolation but as a complement to other methods for triangulation (Morgan 1988) and validity checking (questionnaire survey and interviews).

The organising of focus group interviews required more planning than we had expected, as we had to seek permission from the senior management in order to get the respondents to group gatherings and set up appropriate locations and employees who would be available at the agreed time and location, appropriate rooms with adequate recording facilities.

- The recommended number of people per group is usually six to ten (MacIntosh 1993), but some researchers have used up to fifteen people (Goss & Leinbach
1996) or as few as four (Kitzinger 1995). For this research 2 focus group sessions were carried out in the head office of both organisations. In the insurance organisation, there were 5 participants and in the mortgage bank there were 7 participants.

- Some studies use only one meeting with each of several focus groups (Burgess 1996), while others meet the same group several times. For this research only one meeting was held with each focus group. As we had 2 focus groups.

- Focus group sessions usually last from one to two hours (Powell & Single 1996). For this research the focus group meeting with the insurance organisation lasted approximately 45 minutes, while in the mortgage bank it lasted approximately 50 minutes. The timing was a limitation for but the senior management had stressed that we could only use up the participants one hour lunch break.

- It is not always easy to identify the most appropriate participants for a focus group. Meeting with others whom they think of as possessing similar characteristics or levels of understanding about a given topic, will be more appealing than meeting with those who are perceived to be different (Morgan 1988). For this research most of the participants for the focus groups where of similar levels and job grades and had all participated in the performance related pay schemes in place in their organisations.

- Recruitment of participants can be time consuming. It is likely that people with specific interests will have to be recruited by word of mouth (Burgess 1996). Incentives, whether expenses, gift vouchers or presents, will usually need to be offered (Holbrook & Jackson 1996). Recruitment for the focus groups was through the use of word of mouth and the availability of participants at the scheduled time and location. Incentives were also offered to the participants in the form of a free 2
course lunch and confidentiality ensuring that no real names would be mentioned, during the write up of the research.

- The focus group interviews was conducted and facilitated by a Masters Research student from the University of Calabar, in order to reduce bias from the researcher being involved, all the researcher did was to sit quietly and take notes. The focus group sessions was recorded and was later transcribed for analysis and interpretation.

**What did the focus group contribute?**

Following Holbrook & Jackson (1996) identities are not fixed essences which people carry around with them from one context to another but are always negotiated and performed in particular contexts. Focus groups provided opportunities to observe the coproduction of social relations and emotions within the workplace and hence were much more than opportunities to capture attitudes and talk about experiences.

Factors came into play such as disparities in gender, economic status of individual employees and whether or not people worked well together these helped to shape the groups’ dynamics. Existing connections between participants were clearly important in a positive way: namely ties of working in the same branch or team. In a group of highly pressured employees, a whole series of complaints about managers, the organisation, their feelings about the scheme and the implementation of the performance related pay scheme in place flowed in quick succession, perhaps
suggesting that the method here played a part in generating an overly negative picture of the performance related pay scheme in place.

It needs to be stressed that participants jointly and collectively generated feelings that were expressed and shared in the focus group context as well as ‘representing’ how employees felt about the performance related pay scheme in place and of their past experiences of it. In the case of the insurance organisation the group's dynamics amplified criticism to an extent that may not be replicated in individual interviews.

Experiences and the feelings about the performance related pay were not simply reported but were validated through their expression and body language, for example discussions about receiving the performance related pay payout was expressed through smiles and laughter and gave the findings authenticity; discussions about the feelings of unfairness and not being able to meet targets despite all the hard work and effort put in, was expressed through hitting the tables, folding of arms across the chest, very strong opinions and hard frowns.

Most participants welcomed the opportunity of being able to talk at some length and truthfully with people not involved in with the organisation about issues which were clearly important to them and felt as if their voices and opinions were being taken on board. In other words the focus group was not experienced as simply a means of eliciting their viewpoints but was something more creative, an opportunity for forging relationships, understanding each other and developing ideas.
4.5.1 SUMMARY OF RESULTS FROM THE FOCUS GROUP INTERVIEWS

- Employees in both organisations felt that the main reasons for the introduction of PRP were to maximise profits and improve performance.

- Employees from both organisations felt that the introduction of PRP has lead a change in the culture of the organisations, but in the insurance organisation, it had lead to a complaining culture only focused on targets and rewards while in the bank it has lead to a performance oriented culture.

Two employees from the insurance company commented during the focus group interviews:

‘the new management now only looks at performance to reward you, they are more performance oriented and no more people oriented but we have to accept this and quickly change because that is all we hear in every meeting and motivation seminars we attend’.

‘all the management is concerned about is making a profit and not minding how they achieve that, every system that we had been used to over the past years has so changed all we hear now is performance, profits and job losses’. (Focus group, Employees, Insurance, Calabar Branch)

- Employees from the insurance organisation appear to have a negative attitude towards the introduction and implementation of PRP in their organisation and believed it should be scrapped as it has done more harm than good; while employees from the bank have a more positive attitude towards the PRP scheme in operation, but insist that the reward associated with the scheme should be substantially increased.
• Employees from both organisations agree that the level of reward offered by PRP should be substantially increased.

• Employees from the insurance appear committed to the organisation not because they are loyal but because of other reasons, as an employee from the insurance stated

‘I need to feed my family’ (employee 3)

‘Yes at first but now no, but I have got no other job to go to’ (employee 1)

‘I am committed to my job but not to PRP’ (employee 4)

• Employees from the insurance organisations agree that the idea of PRP is a good one, in theory but not in practice, as you are penalised in the pay packet. They also talked about the issue of fairness and claimed that PRP is not for their organisation.

They had strong opinions about it various employee form the insurance said

‘What if I can’t hit my targets I would always be penalised in the pay packet. The idea is a good one but not the practice of it (employee 4)

If you hit your targets then PRP favours you, but if you don’t it doesn’t (employee 2)

PRP is only for high achievers (employee 5)

Yes the idea of PRP is a good one, but not for this organisation, it indicates a symbol of an employees worth financially for the organisation (employee 2)

No, if we all come to work 5 days a week, why shouldn’t we get the same pay at the end of the day (employee 3)

Yes it is fair but again, it is not suitable for this organisation (employee 2)
It should be noted that employees from the insurance organisation had strong negative opinions about the performance related pay in operation in their organisations and just wanted it to be scrapped. The only positive thing about it was that it led to a change in the culture of their organisations. It did not bring about job satisfaction and commitment as the survey results indicate, they only reason they remain in their jobs is the high level of unemployment and the fact that they have no other choices.

Employees from the bank were a lot more positive towards the introduction and implementation of the performance related pay in operation and agreed that management should only pay top performers. They agreed with the principle and practice of PRP, but only insisted that the amount of reward associated with PRP should be substantially increased and PRP should not be scrapped as it had given them an advantage over the organisation (bargaining power). The employees were generally satisfied with their jobs but less committed because they had more choices. They agreed that since the introduction of PRP in their organisation, there has been an increase in the performance output and a new performance oriented culture.
CHAPTER 5       DISCUSSION OF FINDINGS & RESULTS

5.1 INTRODUCTION

This study investigates the impact of introducing performance related pay within 2 organisations in the same sector, when responses are measured in terms of teamwork, job satisfaction, culture and commitment. As well as their relationship with cultural factors that relate to employee attitudes and behaviours.

Diagram 26: PRP in Context

Linking back to the conceptual map above, in contrast to the expectations of the implementers of the performance related pay scheme in both organisations, the findings indicate that Nigerian 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. It discovered that while most employees agreed with the principle of linking pay to performance, more than 80% of the Inland Revenue staff questioned, said that PRP did
not give them an incentive to work beyond the requirements of their job or to be more effective in dealing with the members of the public but welcomed PRP in principle (IRS, 2000).

The correlation and survey results from the bank also indicates a positive relationship between PRP enhancing the performance of employees and the organisation as a whole. These findings support 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 were 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.

There is evidence from the results that since the introduction of PRP job satisfaction had decreased in the insurance organisation and had led to little or no improvement in employee and organisational performance but employees from the bank were more satisfied with their jobs and the introduction of PRP had also led to an improvement in the performance of the employees as well as that of their organisation, this meant that employees from the bank were receiving their performance payout while employees from the insurance were not receiving any performance payout. A research carried out by McCausland, Poliakas & Theodiossiou (2005), found that PRP appeared to have positive impact on pay satisfaction. Surprisingly this study also found that lower paid employees perceived PRP to be more controlling, whereas higher paid employees derive a utility
benefit from what they perceive as supportive reward. This supports the positive views and attitudes of employees from the bank and the negative responses and attitudes towards the implementation of PRP in the insurance organisation.

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.

The results indicate a link between job satisfaction and the performance of employees, their commitment, the level of reward, their preference for individual PRP and PRP leading to a change in the culture of the organisation. According to research carried out by McCausland, Poliakas & Theodossiou (2005), PRP appears to have a positive impact on the pay satisfaction of a larger fraction of workers. It results in greater overall happiness among workers who are at the top of their earnings.

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, 1992). 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

Results from the current research indicate that employees in the Bank are less committed than their counterparts in the insurance organisation. Employees in the bank especially the top performers are less committed to the organisation as PRP has given the employees a tool to bargaining for new jobs and more money; in the insurance employees are more committed but less satisfied with their jobs, but would switch jobs immediately if there was an offer of more money from another organisation.

Money plays a very important role in determining the commitment and satisfaction of employees within these organisation. This could be linked to the culture of the country and the sector in which these organisations operate. It has been suggested that although the culture of a country or society remains relatively stable over long periods of time, the orientation of the society can shift relatively easily and swiftly according to the priorities in the goals of the society (Chen, 1995). The change in the economic conditions of Nigeria between 1986 and 2004, when the military where ruling Nigeria (Omoiya, 2006) is likely to have shifted the orientation and culture of the society to enhance the focus on the importance of money. Also the level of corruption inherent in the various sectors of the economy and the emphasis placed on money is also a contributing factor.
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.

These findings also suggests that cultural characteristics of the society relates to attitudes towards the performance related pay in operation. As money and hard work is an important aspect of the Nigerian culture, the expectancy theory fits in perfectly. The belief that payments directly linked to effort, will be valued and that the rewards (money) are desirable to the employees and they believe that if they put the effort their performance will improve and produce the expected reward (expectancy theory). According to the IPD (1998) survey it indicated that performance pay has only been partly successful in reaching its objectives. Half of the merit schemes (50%) have enhanced corporate performance and almost half (49%) have successfully supported change in company culture.

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 the appraisal process relating to PRP is fair but when results are assessed separately for both organisations, there is evidence that employees from the insurance organisation where less positive about the perceived fairness of the PRP appraisal process.
Employees attitudes towards the implementation of the performance related pay in both organisation appear to be positive as they like the principle of PRP but in the insurance organisation, PRP appears to have failed them and caused more frustration and dissatisfaction to the employees since its introduction.

As there is no team pay in the insurance organisation, findings could only relate to employees from the bank and there are indications that they prefer individual performance related pay, as they have more control over their job and output.
5.2 COMPARING AND CONTRASTING RESULTS AND OUTCOMES FROM BOTH ORGANISATIONS (Mutual Alliance Savings & Loans (MASL) & First Assurance).

There are indications from the results that both organisations may have used PRP strategically to achieve its objectives but at what cost? In MASL – Mutual Alliance Savings and Loans Limited, the results from the research indicates support for individual PRP, the PRP improving performance and changing the culture of the organisation. It also improved job satisfaction among employees but did not enhance employee commitment to the organisation and PRP also damaged team working amongst team members as employees prefer to have more control over the output of their jobs. There are indications that the introduction of PRP has damaged the concept of team working as some comments from employees:

‘Individual pay has caused a lot of quarrels especially when we have to work in groups (teams) because most employees would want to do their own jobs which are linked to IPRP and put other jobs as secondary. It has caused a lot of competition amongst us dividing many friendships because we all want the money. It is really not easy for us to work in teams except there is a team reward associated with the job, in other words management has to bribe us with a reward before team working can take place successfully’ (Bank, Employee Abuja Branch).

‘Individual PRP does motivate me because I can determine how much I earn especially when I surpass my targets I get paid a commission on the amount of money brought and that can be as much as my six months salary at a go. That fact alone is highly motivating’ (Bank, Employee Calabar Branch).
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. If you refuse both you stand the chance of a poor appraisal. 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).

The above comment agrees with findings from IPD (1998) surveys about individual pay damaging team work and causing competition and jealousies amongst employees who had otherwise had good relationships with each other before the introduction of PRP.

The comments also indicate that employees only work well in teams when there is a reward associated with the task at hand. Also judging by the Nigerian culture where money is viewed as very important and this culture has also been imbibed by the financial sector who use money as a major recruitment and retention tool for obtaining, recruiting and retaining top performers.

When employees in the bank where asked the main reasons for the introduction of PRP their responses indicated only two major objectives, as they felt in practice that was what management wanted to achieve. The reasons they felt management introduced it was to increase their profits primarily, improve the performance of employees and save the management cost by not paying poor performers. Employees did not feel it increased or
enhanced commitment as they commented that staff turnover had increased as a result of its introduction as one employee put it:

‘PRP top performers go to the highest bidder it’s the amount of money you offer that matters at the end of the day. What most employers want to achieve is profitability’ (Bank, Employee Uyo).

In the case PRP improving the performance of individuals and the organisation as a whole, the employee and management agree that it has worked in improving performance as indicated by their financial results for the past three years. Also employees believe that PRP has changed the culture of their organisation to become more performance oriented. Findings from a study by Baruch et. Al (2004), where PRP was used in Chinese professional sports indicated the importance of value for monetary incentives, using improved performance as an instrument to achieve clear objectives. This also confirms the study carried out by Helm et. Al (2007) at Anderson Clinical Center, Texas, which showed that a performance management system clearly linking performance and pay such as PRP, can have the desired effect of linking performance with pay and also encourage employees to focus on the need to improving their performance.

This is a good thing on one hand as it has achieved a change in the culture of the organisation to that of a performance oriented culture, there is evidence from the results that PRP has achieved its aims but it has also made the employees focus only on tasks that have a reward associated with it, thereby making management or managers link nearly every task to a reward.
The cost that the implementers have to take into consideration; bribing employees to do their jobs, through the use of PRP for most task (linking most task to a reward). This would become a major cause of concern in the near future. If this trend continues the performance pay cost may spiral out of control.

As an employee from the Abuja branch noted when asked if there had been improved performance and what things indicate improved performance;

‘Yes, I think there has been improved performance, my own performance has improved as I have received performance payouts for two consecutive years and a part of the profits from the organisation which I think the management calls it profit sharing’. There has also been expansions, since I joined this organisation in 2001 there has at least two new branches opened each year in the south eastern region of the country were there is less development but a lot more money due to the crude oil in those regions. What other indicators do you need?’(Bank, Employee, Abuja Branch).

Also another employee commented

‘the performance of the organisation has improved but I am not sure if it is linked to the performance pay in operation or the buoyancy of the financial sector, but I know that the money PRP offers is a great motivator’(Bank, Employee, Calabar Branch).

A management executive comments when asked if the culture of the organisation had changed since the introduction of PRP:

‘I think a positive change has occurred in that employees are very performance focused. Really, that is what we tell managers to emphasize (performance) in meetings with staff;
we have to justify our salaries with good performance. The financial sector in Nigeria is very performance focused as we have to meet our capital base or face the wrath of central bank and its auditors. There are only two options to increase profitability in a very competitive market or shut down; we choose to increase profitability that is the only option for survival’ (Head of Support Services, Bank, Head office, Uyo).

From the bank results of this research, there is evidence that employees in the bank are satisfied with their jobs since the introduction of PRP but not committed to their organisation. How can you be satisfied with your job as a whole and yet not committed to your organisation?

During the interviews these results were probed further and the findings indicate that employee commitment to the organisation is dependent on one major factor, MONEY. This plays a major role in determining an employee’s commitment to the organisation. Findings from a study by Baruch et. Al (2004), where PRP was used in Chinese professional sports indicated the importance of value for monetary incentives, using improved performance as an instrument to achieve clear objectives. Also the culture of the financial sector and the nation as whole plays an important role in enforcing the money factor in every aspect of daily life. When this was probed further through interviews with employees their comments were as follows;

‘Satisfied…. Can anyone be satisfied with the amount of money he or she is paid. If an opportunity arises in another organisation that offers me more money then I would leave. To me it’s all about the money at the end of it. As for commitment, I am committed as far as I am paid what I am worth’(Bank, Employee, Uyo Branch).
‘PRP has made me more committed as far there is a reward if not I don’t put in much effort’ (Bank, Employee, Uyo Branch).

‘It has given me a focus. I am committed as far as there is reward attached. I do find it hard to do jobs that are not linked to performance pay. If offered a job by another employer who pays more, am sorry I would resign and leave. It’s all about the money’ (Bank Employee, Abuja Branch).

Comment from a senior manager at the head office

‘Employees are committed to the money and keeping their jobs or moving to other banks with higher salaries. Satisfaction I don’t think they are satisfied with the money paid out as we can’t compete with other multinational banks like Citibank and Barclays who pay much more, but the good thing is that there are a lot of people in the job market and money in the economy especially from the government establishments. We do poach (steal) top employees from other banks as far as they can increase our capital base. It is a highly competitive market and we need to stay on top. That is what PRP helps us achieve. Although the cost associated with PRP is very high turnover of employees, this is a price we have to pay and also try to manage it as best as we can (Bank, HR Manager, Uyo Branch).

Spector (1997) has suggested that there is a potential relationship between job satisfaction and performance. The determinants of the causes and effect are still not clear and it still cannot be assumed that satisfaction leads to high performance, or that high performers are necessarily satisfied with their jobs and vice versa (Crossman and Abu-
Zaki, 2003; Euske et al., 1980). This confirms this research as employees indicated a satisfaction with their jobs.

Having said all this and noted some of the comments from the interviews; PRP in this organisation appears to be successful on the surface achieving some of the objectives that it set out to achieve as the results indicates that the introduction of PRP had enhanced employee and organisational performance, led to a change in the culture of the organisation to that of a performance oriented one and enhanced job satisfaction, but damaged teamwork amongst team members and did not enhance commitment and loyalty to the organisation.

When probed further it is discovered that it has created a new set of problems which may spiral out of control in the near future such as:

- High staff turnover, problems with retention of top performers. It had failed in retaining top performers. The PRP payouts and award certificates given to top performers, has given top performers a bargaining tool within the financial sector, to the disadvantage of their employers. This has enabled employers bargain for higher wages and new jobs with better reward.

- This has led to conditional commitment of employees which is dependent on the amount of money offered. Employees are not committed to the organisation but only the financial reward linked to PRP.

- Though the introduction of PRP had improved the performance of employees and the organisation, it encouraged employees to focus on only jobs linked to a reward. This has encouraged management to link most tasks to PRP, as an expectation of
a reward for completing a task would encourage employees to put in more effort and improve their overall performance.

- The introduction of individual PRP has led to an increase in competition among employees leading to jealousies and conflict at work. This has also led to the 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 could spiral out of control.

These problems were not anticipated by management and the implementers of PRP and do not seem to be taken seriously, as they believed that the introduction of PRP was a cure for all problems. They all see it as the money culture of the financial sector and have not taken steps in trying solve the problems PRP has caused since its introduction in early 2000’s.

But on the whole looking at the contextual map, the introduction of PRP has had some positive impact on Mutual Alliance Savings and Loans, but also brought about more problems within the organisation.

Diagram 27: New Contextual Map of PRP in Mutual Alliance Savings and Loans
5.3 SUMMARY OF FINDINGS IN THE BANK

- The introduction of PRP has enhanced individual and organisational performance.
- The introduction of PRP has led to a change in the culture of the organisation to that of a performance oriented one.
- The introduction of PRP has enhanced employee Job Satisfaction.
- Employees agree that teamworking is greatly enhanced when it is linked to reward.
- Employees prefer individual PRP to team PRP, as PRP motivates employees mainly because they can determine how much they earn and the money involved with PRP.
- Employees in this organisation believe that the financial reward linked to PRP should be substantially increased.
- Employees feel the main reasons management introduced PRP was to increase profits, improve performance, save cost.
- The introduction of PRP did not enhanced employee commitment and loyalty to the organisation. Commitment from employees is dependent on one major factor – MONEY. More than 90% of employees agree that the offer of a bit more money by another employer would make them think of changing their jobs.
- Most employees agree that the idea and principle of PRP is a good one and have a positive attitude towards the PRP scheme in operation in their organisation.
- Employees in the banks had found no difficulty working in a system where both team and individual performance pay were operating together but still prefer individual performance related pay to team pay. They also indicate that individual performance related pay had raised their motivation and commitment to work.
An interesting find from the research results indicate that employees have the option of using PRP as a bargaining tool by employees to secure higher paid jobs and higher positions within the organisation, thereby encouraging a high turnover rate.

The results of the findings above support results from earlier research, by Baruch et al. (2004), where PRP was used in Chinese professional sports indicated the importance of value for monetary incentives, using improved performance as an instrument to achieve clear objectives. A study carried out by Helm et al. (2007) at Anderson Clinical Center, Texas, also showed that a performance management system clearly linking performance and pay such as PRP can have the desired effect of linking performance with pay and also encourage employees to focus on the need to improving their 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).
In contrast First Assurance PLC has been plagued with series of losses, bad debts and mismanagement of funds. PRP was a management strategy introduced to change the course of this organisation to help it start trading profitably in the financial sector. Performance related pay (PRP) was to be used to increase profitability, motivate the employees and lead to culture change, but has it achieved this? The results from the findings and research indicate that it has not achieved this.

The results from the survey and interviews indicated a lot of dissatisfaction with the performance related pay in operation in First Assurance PLC. Over 80% of employees agreed that the culture of the organisation had changed but it is not known whether this change was due to the take over by private investors and the move from being a government owned company to a privately owned company or the change was brought about by the introduction of PRP and management constant emphasis on employee performance.

As an employee indicated ‘this organisation has become more performance oriented and less people oriented’ (Insurance, Employee Abuja Branch).

Another employee commented during an interview

‘I don’t know if we have become more performance oriented, but I do know that we have a complaining and pressure filled culture. We are demotivated. Only the management feel that we have become more performance oriented because that is all we hear. Performance, performance, performance. We have to perform better if not we stand the risk of losing our jobs especially since the introduction of performance pay’ (Insurance, Employee Calabar Branch).
The research indicates that most employees believe the principle of PRP is a good one, but very little can be achieved because of all the problems faced by the organisation. The major reasons according to a manager are the people, the market and the government policies in place in their organisation. He states;

‘moving from a government owned and run organisation where you are paid even if the organisation runs at a loss to privately owned organisation where performance is linked with pay and private investors money is at stake, is a really hard thing to do and would take a lot of time for employees to adjust. Talking about the policies, the agreement during the takeover is that we keep 50% of staff but these come with its own inherent problems as they know they can’t be sacked even if they don’t perform. This fact demotivates other new staff as it appears that we have sacred cows with god fathers in high places. Also the Nigerian market is still quite new to insurance and only government and large corporations buy insurance, as it is not a legal requirement to insure your properties or cars, this thereby reduces the market and makes it hard and difficult for employees to meet their targets as there is not a large proportion of the population who buy insurance’ (Insurance, Manager Uyo Branch).

When the question of job satisfaction comes into place the results and findings from the research goes from bad to worse and the comments from the interviews confirm these results. Employees believe that the financial incentive an employee gets should be substantially increased to motivate them to do better at their jobs, indicating that they are highly dissatisfied and are not motivated by the level pay linked with performance related pay. Again the money factor comes into play in this organization. They employees have
imbibed the role of money in the private financial sector but not the fact that their performance has to be linked with pay.

As a manager commented that;

‘the employees want to be paid high salaries like their sister company (MASL), but do not want to put in the effort that they put in. They still demand higher wages but not increased performance, higher wages must come with increased performance if not where then do we get the money to pay them’ (Insurance, Manager, Uyo Branch).

A number of studies and research into the area of job satisfaction and performance indicate quite a weak link (Petty et al., 1984) while others (Spector, 1997) have suggested that there is a potential a potential relationship between job satisfaction and performance. The determinants of the causes and effect are still not clear and it still cannot be assumed that satisfaction leads to high performance, or that high performers are necessarily satisfied with their jobs and vice versa (Crossman and Abu-Zaki, 2003; Euske et al., 1980). If job satisfaction leads to increased performance for employees then this research confirms the work of Spector, 1997; Crossman and Abu-Zaki, 2003; as a lack of job satisfaction has lead to performance not improving though performance related pay was introduced to help improve performance. Yet employees appear to be committed to the organisation yet, not satisfied with their jobs.

The research indicates that employees are committed to the organisation, but this appears to be contradictory, as they are dissatisfied with their jobs. How then can they be committed to their organization? In other to understand this contradiction, interviews were
carried out to probe and find out the reasons for their commitment to the organisation. The findings indicate that they are committed because there are no other job opportunities due to the high unemployment rate in the country, as there are no other choices.

A management staff commented:

‘Employees stay because there are no jobs out there. Their feel it is unfair that MASL’s salary scale is about twice ours. I do too but it must be noted that MASL runs on a profit and keep our organisation in operation by servicing us from their profits. PRP has brought about decreased motivation as only few people get the performance pay reward making others feel jealous’ (Insurance, Abuja Branch Manager).

An employee commented during his interview that:

‘I don’t think the introduction of PRP has made me more committed to my job. I am always under a lot of pressure especially after the monthly meetings with our managers. PRP tries to define the worth of an employee by the level of his performance. Top performers love PRP because they get all its benefits such as fast promotions, more money and recognition. When I see this I get very demotivated and depressed’ (Insurance, Employee Calabar).

Another employee commented:

‘I was satisfied with my job before its introduction, but now I am always fighting to keep my job. Would you call that satisfaction? We are under a lot of pressure and the competition is stiff as you know there is a high rate of unemployment in the country this gives me no option of other sources of employment and I have a family to feed. In truthfulness I think the whole scheme should be scrapped and discontinued (Insurance, Employee Calabar Branch).
Having noted most of the very strong comments and opinions of employees about the performance pay in operation, one begins to wonder if PRP was really the best strategy to use in changing the culture of this organisation, as it seems the only thing it has achieved is to demotivate employees. The employees appear to like the principle of PRP but not the idea of linking their performance to pay, the actual operation and implementation of PRP.

Research evidence has indicated that the introduction of PRP has actually damaged the concept of teamworking, which is supported by survey results conducted at a large pharmaceutical company, which found that 82% of staff believed that performance related pay did not encourage teamwork (Armstrong, 1992). The research evidence from First Assurance also indicated that the introduction of PRP had not improved performance or job satisfaction but has led to a change in the culture of the organisation and commitment of employees to the organisation.

Management insisted that the introduction and implementation of PRP would dramatically change the culture in the organisation to a performance oriented. The introduction of performance related pay in this organization has not been successful; it has rather caused more problems and has failed in achieving its overall objective of increasing and maximising profits. It was difficult for the researcher to accept some of the results from First Assurance as there were conflicting results from the questionnaire survey and with employees responses from the interviews and focus groups. Research results from the questionnaire had indicated that the introduction of PRP had led to a change in the culture of the organisation to that of a performance oriented one, but results from the
interviews and focus groups indicated that the culture had actually changed from being people oriented to that of a complaining one because of the focus on performance, leaving many employees dissatisfied with their jobs but still retaining their jobs because of the high unemployment rate within the sector and country. This explained the survey results of the introduction of PRP having a positive effect on employee commitment.

Another reason for the level of dissatisfaction and opposition to the introduction of PRP within the organisation was the inherent culture which was brought in from the old government owned and run organisation still persists, where performance was based on quality of service to the public and not in financial terms, and their salaries have never been linked to their performance. Hofstede (1997) and Bozionelos & Wang, (2007) assert that the cultural characteristics must be taken into account for the successful design and implementation of any reward system.

PRP has not really achieved anything in this organization except changing the culture of the organization to that of a performance oriented one, but it has not improved the performance of the employees or the organization as a whole. It may have succeeded in changing the culture of the organisation only on the surface but with further probing it has been indicated that the employees themselves are not willing to accept that their pay will now be linked to their performance. They feel it is unfair. This is supported by a research carried out in the NHS on the introduction of PRP, which found that there were tensions between PRP and feelings of equity (Corby, et.al, 2003). Whether or not PRP has been unsuccessful in this organisation, lies in the fact that there are conflicting cultures: the underlying culture of the former organisation and the new culture of the new owners and management culture and objectives (Public sector versus private sector organization).
Whether or not they can reach a truce or come to an agreement cannot be known; as management is still holds the idea that if PRP can work in MASL then it should work in First Assurance. They forget that MASL has always been privately owned and run and while First Assurance had been owned and run by the government (Public) since inception until it was bought over in the late 1990’s and these two organisations come in with their existing cultures which are very hard to change.

‘The introduction of performance pay has changed the culture of this organisation, I have worked here for about 8 years, when we were government owned we didn’t care about performing well or meeting our targets because we got promoted whether we worked or not; but since we were bought over by private investors the culture has changed and we have to prove that we are working for the salary paid to us, the management is now so focused on money and making huge profits that they introduced performance pay, we are now so performance and money oriented that nothing else seems to matter’ (Insurance, Employee Lagos Branch)

‘Performance pay is a good idea only if you are meeting or surpassing your targets but if you are not then you will just be taking home only your basic salary and that is very depressing when you see your other colleagues young ones at that with no responsibility taking home a lot of money every month and driving very good cars, that is so depressing. I am quite discontent with it to be truthful I have not met any of my targets it is really hard for me to change from a bureaucratic culture to that of a performance oriented one. I guess change is difficult but I don’t want to lose my job’. (Insurance, Employee Lagos Branch)
The case-studies considered in Chapter 2 discussed the implementation and operation of PRP in two (2) UK public sector organisations. These findings allow us to compare our findings with that of the case-studies. The first organisation (Midland Shire Council) highlights the fragility of PRP and a failed system. In this case the PRP scheme experienced very little or no success, which could be linked to its implementation, union opposition, unclear goals, employee perception of the scheme, the assessment process and PRP working against teamworking. The problems with this scheme highlights some problems faced by First Assurance PLC, where the implementation of the PRP scheme failed, due to PRP working against PRP, culture, its implementation and employees opposition to the scheme.

This is in contrast with the second organisation (BBC) where the uptake of PRP had experienced some success, where the uptake of PRP had experienced some success. The outcomes of the PRP scheme was to attract and retain the best performers and create a close link between pay and performance leading to a culture of high performance, which were among the objectives of MASL for introducing PRP, but it led to concerns being expressed by BBC trade unions and staff and the scheme being described as inherently unfair and discriminatory, while at MASL concerns were expressed with the turnover rate amongst top performers, as they used PRP as a bargaining tool. The methodology follows a critical case logic, in choosing 2 organisations in Nigeria that operate similar PRP schemes. A limitation is the differences in salaries earned and performance payout in both organisations (this is based on market forces and salaries comparative for the sector in which they operate).
5.4 SUMMARY OF FINDINGS IN THE INSURANCE

- The introduction of PRP has led to commitment from employees demotivation but also brought about complacency. It enhanced employee commitment and loyalty to the organisation. But that commitment is only due to the fact that they had no other offer of a job, due to the high unemployment rate within the sector and country as a whole. Nearly half of employees agree that the offer of a bit more money by another employer would make them think of changing their jobs.

- Findings from the research indicate that employees are very negative about the PRP in operation and oppose it strongly.

- The introduction of PRP has not enhanced individual and organisational performance. The results of this research contradicts with the findings of Piekkola (2005), that the introduction of PRP improves profitability and performance and the findings of Belfield, R & Marsden, D. (2003), but the explanation for these results are that the cultural characteristics of the organisation and country were not taken into account before the design and implementation of any reward system (Bozionelos & Wang, 2007, Hofstede, 1997).

- The introduction of PRP has led to a change in the culture of the organisation, but there is no evidence of improved performance to indicate that individual and organisational performance had actually improved. PRP has definitely changed the culture of the organisation to that of a performance oriented one which has drifted away from being people oriented.

- The introduction of PRP has enhanced not employee Job Satisfaction.

- Employees in this organisation believe that the financial reward linked to PRP should be substantially increased.
• Employees feel the main reasons management introduced PRP was to increase profits, improve performance, save cost.

• The results indicate that most employees agree that the idea and principle of PRP is a good one but have a negative attitude towards the PRP scheme in operation in their organisation. This supports the findings of a research 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).

• PRP demotivates employees mainly because of the pressure the feel in meeting their targets.

• An interesting find from the interviews and focus groups carried out is the feeling of unfairness as employees feel it is unfair that MASL’s salary scale is almost twice theirs. This result supports the results of a research carried out in the NHS on the introduction of PRP, which found that there were tensions between PRP and feelings of equity (Corby, et.al, 2003).

Diagram 28: New Contextual Map of PRP in First Assurance PLC
From the results of the 3 different research methods used in this research, there were no major differences in the findings as the results from the survey was validated by the results from the interviews and focus group session. The only difference was the depth, passion and impact of the responses received by employees from the insurance organisation during the focus group session. There was clear indications that they disliked the use of PRP as a reward mechanism. Using focus groups actually enabled the respondents to express fully the way they felt and show their emotions.

The successes and failure of PRP in both organisations could be linked to the way PRP scheme was actually introduced, implemented, operated and communicated to the employees. Also the history of the organisations and the underlying culture of the employees and the organisation also played a part in the success and failure of the scheme. This was the case in First Assurance PLC as it moved from being a publicly (government) owned organisation to a privately owned organisation. Though major changes that took place included right sizing, appointing of new directors, change of the company’s name, logo, vision and mission statement, and a major increase in the reward package.

Performance related pay was also introduced in 2002 which was supposed to lead to a change in the culture of the organisation to that of performance oriented one, but rather it had lead to distrust amongst employees and management and a complaining culture, where every new management idea is treated with suspicion.

The culture of the host country, sectors and organisation is something management didn’t 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.

Based on these findings it can be said that culture plays a very important and powerful role in the success or failure of the transference of foreign management culture into a different culture. Also the culture of the receiving or implementing organisation does matter and the culture of the country in which the organisation based, is a major factor to be considered when implementing any new management practice, as it may result in negative consequences as is indicated from the disparity of results from research carried out in both organisations.
CHAPTER 6: OUTCOMES, RECOMMENDATIONS, CONCLUSIONS AND FUTURE RESEARCH.

6.1 OUTCOMES

In keeping with the focus of aligning the reward package to the business strategy of the organisation, Mutual Alliance Savings and Loans Limited and First Assurance PLC offers an element of variable pay to all employees – which means an element of pay which is not fixed and is dependent on certain factors such as the organisational, team and individual performance. They both offer a diverse package of pay and benefits to their staff, this aids the organisation in being competitive in the marketplace.

The main aim of this study was to critically investigate the effect/impact both team and individual based pay has when responses are measured in terms of teamwork, culture change, improved performance, motivation, job satisfaction and commitment. Also taking into account the cultural implications of the transference, operation and implementation of performance related pay in a developing country.

Analysing the results of the research undertaken, it is quite clear that PRP has achieved some of the objectives it set out to achieve (enhancing performance, changing the culture, enhancing job satisfaction) in MASL but it has also created new problems for the organisation. In First Assurance PRP appears to have failed considerably, except on the basis of changing the culture of the organisation.

In MASL employees appear not to have any difficulty working in a system where both team and individual pay is in operation but would prefer working with individual pay rather than team pay as they have more control over the output they give in their jobs. There has
definitely been a culture change in the organisation which has lead to an increased level of job satisfaction and performance has been enhanced. Employee’s attitudes are very positive towards the PRP scheme being operated but, a very surprising outcome despite their positive attitudes towards the PRP scheme, is the fact that employees have indicated very little commitment to the organisation as PRP is being used as a bargaining tool for better jobs.

In First Assurance employees do not appear to have any difficulty working in a system where both team and individual pay operates, though team working is not financially rewarded. Their responses indicate that employees prefer individual performance related pay because it is rewarded and would not mind working in teams if only it is rewarded financially. The only thing PRP seems to have achieved is changing the culture of the organisation to that of a performance oriented one but that is still in doubt as employees feel that they now have a complaining culture. The results also indicate that the performance of the organisation has not improved and employees are highly dissatisfied with their jobs and have a very negative attitude towards the PRP scheme in operation; but surprisingly evidence from the survey and interviews indicate that they are committed to the organisation.

As an employee in First Assurance 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, Abuja Branch)’.
This is in line with the findings from similar studies in the UK. Marsden & French (1998) they found very little evidence that the PRP scheme had little beneficial effect in motivating employees and had led to a decline in morale in the Public Services. The management saw things very differently. They believed that the introduction of PRP had changed the culture of the organisation to that of a performance oriented one. Management felt that it helped clarify employee’s goals and what was expected of them, thereby dealing with the issue of poor performance.
6.1.1. PRP OUTCOMES FOR THE BANK

Though employees are very positive towards the performance related pay in operation in their organisation and PRP had achieved some success, it has led to a lot of problems and this has implications for the organisation. The performance related pay in operation in MASL seems to have been successful in achieving some of what it set out to do but at what cost?

Some of the problems arising from the operation of performance related include –

- Employees being focused on jobs linked only to a reward.
- Conditional commitment of employees which is dependent on the amount of money offered.
- 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 linked to PRP spiralling out of control.
- Enhancing the money culture rampant in the financial sector.
- Giving top performers a bargaining tool which has been exploited by some employees to the disadvantage of their employer; this is linked to high employee turnover especially top performers.
6.1.2. PRP OUTCOMES FOR THE INSURANCE

The performance related pay scheme in this organisation has not achieved all it set out to do, (though the employees agree to with the principle of PRP), it has actually failed in everything it was meant to achieve, except changing the culture of the organisation which is still questionable, rather it has led to a myriad of problems associated with its introduction, implementation and operation and they include:

- A very high level of dissatisfaction amongst its employees.
- A surprising outcome is that employees appear to be committed to the organisation, which is questionable and the results would have been different if there were more job opportunities within the sector.
- Employees prefer individual PRP but would love working in teams if it is rewarded financially.
- Employees see PRP as a threat to the stability of their jobs and therefore strongly oppose the scheme.
- It has also brought jealousies amongst employees.
- Employees feel that their targets relating to PRP are impossible to achieve.

This has serious implications for the organisation as a whole. Though the employees agree that PRP has led to a change in the culture of their organisation but PRP seems to have changed the culture to that of complaining one. Why continue with a scheme which definitely is not working but rather causing a myriad of problems? Do they need to switch from individual PRP to Team Pay? Or get rid of the entire PRP and focus on schemes that enhance employee involvement and participation?
As an employee from first Assurance said when interviewed that ‘the PRP scheme should be scrapped’.

The future of performance related pay in this organisation appears to be very bleak as both managers and employees agree that it has not been successful in their organisation.

‘Very little has been achieved with PRP. Public and private run organisations have different values and cultures. We need to change our values, cultures, attitudes and mentality before PRP can succeed in our organisation’. (Insurance Manager, Abuja Branch).

In conclusions, the research results also supports findings from earlier research carried out that PRP caused jealousies amongst employees, damaged the concept of teamwork (Armstrong, 1992), but could also enhance the performance and productivity of the individual and employee (IPD, 1998; Marsden, 2003; Helm, et al. 2007). PRP could also lead to a change in the culture of the organisation (IPD, 1998), but did not improve retention, thereby did not enhance employee commitment but enhanced only bought commitment to the organisation (IPD, 1998), thereby leading to a change from a relational psychological contract to a transactional psychological contract. The results also indicate that employees are motivated by team performance related pay but prefer individual Performance related pay because they have more control over their output. The results indicated a positive link of PRP having a positive effect with employees on higher grade levels. This results supports research results from a number of earlier U.K studies (McCausland, et.al. 2005; Miller 1980).
6.2 RECOMMENDATIONS

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: High staff turnover especially top performers, focus on only jobs linked to a reward, conditional continuance commitment of employees which is dependent on the amount of money offered, 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, enhancing the money culture rampant in the financial sector, giving top performers a bargaining tool which could be exploited by some employees to the disadvantage of their employer.

All these problems which have arisen have implications for the organisations as the research indicates that commitment from employees can only be gained through financial means and leading to high levels employee turnover and employees focused on jobs linked only to reward. The commitment of employees to the organisation is of prime concern to human resource managers in most organisations, because employee’s commitment to the organisation will definitely serve it better. There will be a reduction in the overall costs commonly associated with human resource functions e.g. training and development, recruitment and selection. Most literature suggests that employees who are more committed are less likely to be absent and to voluntarily leave their organisations (Iverson and Buttigieg, 1999).
Though the PRP scheme being operated in MASL appears to be successful but care should be taken to ensure that the cost of operating the scheme does not spiral out of control. Also there is the need to shift the focus of employees from financial benefits of PRP to other benefits which are not linked to money alone and also a need to encourage long-term commitment from employees.

In response to these research findings from both organisations, the following recommendations have been made:

* MASL could modify their reward strategy and introduce share ownership schemes were employees are allowed to buy shares in their organisation and this gives employees a direct interest in improving organisational performance in order to enhance the value of their shares. Also top performers could be offered some shares of the organisation as a part of their reward for meeting their targets. Implementing share schemes in MASL can be help in the recruitment and retention of top performing employees, thereby encouraging long-term commitment to the organisation. This also would help reduce the financial payout linked to PRP as some aspects of their performance payout would be linked to share ownership schemes; thereby reducing the risk of the performance payout linked to PRP spiralling out of control and offering a reward package which is not currently offered by other financial institutions in Nigeria, thereby increasing the organisations attractiveness to employees.

_As a senior Manager, in FI Group put confirms the benefits of shared ownership to his organisation: ‘The directors recognise that the quality and motivation of its workforce is crucially important to the future success of the group and consequently effort has been_
made to encourage share ownership within the workforce. This develops a culture of shared success in the group, helping to foster a high level of workforce commitment and loyalty’. (www.xansa.com)

The benefits for the employees would mean that there is an awareness of their organisations aims, objectives and its overall performance which could eventually lead to enhanced commitment to the organisation. On a personal level employees would feel that share schemes help them save for the future for themselves and their family as a whole. This could eventually lead to changing employees focus from short-term monetary gains to longer term monetary gains, by saving for the future through share ownership. The organisation could also invest in long term career and educational development of their top performers and include a lot more non-financial rewards to the PRP scheme in operation.

Management should seek ways to motivate employees to work in teams not just for the monetary reward but also for non-monetary rewards. Modifying their team reward strategy to include training and development of top performing teams to encourage the building of relationships amongst employees and mentoring/buddying of new employees as part of their reward strategy.

PRP should not be used as a quick fix for problems as that was the case in this organisation. In First Assurance, PRP failed to deliver its promises, but rather compounded an underlying problem, which was and still is the underlying culture of the organisation. The reward strategy being operated in First Assurance and PRP should be scrapped as employees have indicated very strong negative attitudes and views towards
the PRP in operation in their organisation. The main issue is trust, communication and commitment between employees and management, and trust needs to be built between the two parties before any management practices can succeed in this organisation. According to Brown, D. (2000) support from employees and line managers correlate strongly with successful changes to reward than technical design variables. Brown (2000) asserts that involving all levels of staff and management in the change process, but thinking through them carefully would lead to trust, motivation and commitment in reward.

Adopting an inclusive approach which encourages employee involvement and participation, in management decision making should be introduced. This would encourage employee buy-in to new ideas and the chances of success would increase. Practices like ‘employee voice’ which is an initiative that directly involves employees in a two-way communication and seeks to promote higher performance should be adopted. This would appeal to organisations seeking greater efficiency and productivity as the CIPD (2007) research suggests that organizations that seek to promote ‘voice’ are those that believe that ‘employees want to contribute to the business’ and that ‘for employees to have an effective voice, the important part of the communication process is not what the employer puts out but what it gets back. Employees in First Assurance want to contribute significantly to the success of the organization as shown by the research results from the interviews and surveys, which indicated that they were committed to the organisation but not satisfied with their jobs. This could be due to that not consultation with employees took place before the PRP scheme was introduced into the organisation.

Voice is ‘defined most typically in terms of two-way communications, an exchange of information between managers and employees or "having a say" about what goes on in
the organisation’ (CIPD, 2007). First Assurance can use the mechanisms of upward problem-solving which refers ‘to any technique that managers use to tap into employee ideas and opinions, either through two-way communications channels such as the electronic media, suggestion schemes, attitude surveys and project teams or through specific systems that are set up for employees to express their voice and give them a chance to contribute to the success of their organisation and encourage a more positive attitude towards planned organisational changes in the future.

The benefits for the organisation include the skills and knowledge of the employees could be better utilised, which leads to higher productivity and eventually profitability, employees feel more valued and are more likely to be committed to the organisation and satisfied with their jobs. The employees would in turn benefit from employee voice by having more influence over their work, changes that take place in their organization, higher job security and satisfaction and more opportunity to develop skills.

There has to be active commitment from top and senior management, line managers and the employees themselves otherwise these initiatives and recommendations that have been suggested will not succeed. Training of managers has to take place as most managers in Nigeria were brought up in a top-down tradition of communication, which indicates respect for your superiors and is embedded in the African culture. According to Hofstede (1997) and Gannon (2001) African countries are characterized by high power distance cultures. This power distance and being collective in nature does provide the rationale for top management making final decisions in organisations and passing these
instructions down to managers to implement in their various branches (Anakwe, 2002; Dorfman and Howell, 1988), therefore managers would need to be trained in communication and inter-personal skills and an ability to involve and engage employees. Finally these new initiatives will not succeed without trust, honesty and openness in communications (CIPD, 2006).
6.3 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. (Schuler and Rogovsky, 1998).

This study was conducted in 2 privately owned Nigerian financial institutions and one of the institutions (First Assurance) 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 results from this research on Nigerian Financial institutions provides an interesting case-study of long-term implementation of performance related pay schemes, therefore it provides other organisations in Nigeria and other countries with an opportunity to assess
features that may facilitate or hinder successful implementation as well as highlight issues related to the outcomes of performance related pay programs. A new contribution to knowledge include an interesting find from the research results (from MASL) which indicate that employees in one of the Nigerian financial institutions have used PRP (their performance through PRP appraisals) as a bargaining tool to secure higher paid jobs/positions within the organisation and other Nigerian financial institutions, this has lead to bought employee commitment organisation, thereby leading to a change in the psychological contract from that of relational contract to a transactional psychological contract.

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 when responses of employees are measured in relation to teamwork, performance, culture, job satisfaction and commitment. The extent to which both organisations, its employees and our conclusions are representative of other organisations and employees is unknown. What is critical though is that the approach taken to arrive at these finding and results can be applied in a wide variety of situations, thus enabling the examination of external validity.

Another implication is that organisations must be careful about the context in which they introduce performance related pay (PRP) schemes, as the cultural characteristics must be taken into account for the successful design and implementation of any reward system (Hofstede, 1997; Bozionelos & Wang, 2007). Considerations about the effectiveness of Performance related pay in the context of an institution steeped in a history of being publicly owned draws attention to the conditions and rationale for using PRP pay to
motivate employees. To ensure employees perceive the scheme as being fair was complicated by the fact that pay differences in the 2 Nigerian financial institutions, gave room for comparisons between employees. Also their perception of what fairness is, was influenced by the fact that individual differentiations had not been the norm in the public sector. This discussions and results suggest that care must be taken when implementing performance pay schemes in organisations especially public sector owned organisations.

Also the context of the culture of country, where the organisation is located must be taken into account, as most African countries are quite collective in nature, therefore individual PRP schemes may work against the inherent culture of the country especially where monetary rewards are involved and therefore lead to a failure of the scheme. The culture also of ‘gift-giving’ in Nigeria may also work against the success of PRP schemes in Nigeria, as it may lead to employees expecting their organisations to bribe them with PRP payouts before they carry out their jobs, thereby enhancing the ‘negative Nigerian money culture’ in organisations.

These insights stress the importance of managers taking the responsibility of ensuring that any reward scheme being implemented is perceived as fair in the context and environment in which the operate. In practice care must be taken by managers and the implementers of PRP scheme to ensure that they communicate effectively with employees and get them to participate in the formulation and implementation of new reward schemes. The support of employees and the culture and context of the organisation and society plays an important part in the success of any reward scheme. Its implications should be of interest to human resource managers when designing reward strategies for their organisations.
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.

- These findings from the Nigerian Financial Institutions (MASL and First Assurance) indicate the need for future research to explore the extent to which culture the culture of the host society and organisation plays in the success of performance related pay schemes.
- Secondly, another research area that could be exploited would be to expand the behavioural outcome measures. To date there has been little attention given to performance related pay and its impact on the psychological contract.
- Thirdly, future research should consider the extent market forces and pressures impact performance related pay outcomes.
- Fourthly, future research should examine the extent and use of PRP as a bargaining tool across different sectors.
- Finally our results are specific to Nigeria and the financial sector over the last 6 years; it would be interesting for future research to determine whether they found length of service, grade, gender and age difference in the outcomes linked to the introduction of performance related pay in organisations, across African, Asian, European and Western countries and how these differences impact on the outcomes and attitudes of employees to Performance related pay.
6.4 **CONCLUSIONS**

According to Vroom’s (1964) theory of expectancy, motivation in the workplace is a multiple function of three constructs: **expectancy, instrumentality and valence**. Different organisations use expectancy theory as a general framework for assessing, interpreting or evaluating human behaviour and this may have become a standard in motivational research, especially with the emergence of performance related pay practices in recent years. Expectancy theory linked with Vroom (1964), Porter and Lawler (1968), Lawler (1971) and Furnham (1997) emphasize the motivational effects of incentives such as performance related pay.

The expectancy theory is based on a logical flow: effort leads to performance, which leads to primary outcomes which leads to secondary outcomes. Employees in both organisations appear to be motivated by the financial reward associated with performance related pay as they have put a value on it financially (its **valence**), and they are sure that high performance will lead to attaining a given reward (**instrumentality**), and they expect that all their efforts will lead to the desired performance associated with the reward (**Expectancy**).

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? (Salaman & Mabey 1997; Marsden, 2004). With the employees in both organisations working hard to achieve their targets and receive the reward, that this indicates that the reward is large enough to be **valued** by the employees and the **link**
between performance and reward is clear enough for employees to be motivated by it; as the employees now use their performance under performance related pay as a bargaining tool with their employers.

This has in turn caused problems for the Mutual Alliance Savings and Loans Limited such as commitment of employees only dependent on the amount of money offered by the organisation (Bought commitment) leading to a change in the psychological contract from a relational contract to a transactional psychological contract, high turnover rate for top performing employees and employees having a greater bargaining power than their employers as they can decide how much they can earn in the organisation or they could leave for the highest bidders in the sector, taking all the business they have accumulated through performance pay with them to a new organisation.

The main justification for investigating performance-related pay using the expectancy theory framework is that individuals are involved in the reward relationship and management are enabled to communicate new performance standards and make them have direct effect on employee performance. The reward that employees receive from the performance related pay scheme (perceived reward) is a function of the additional financial reward associated with increased performance, the effectiveness of the appraisal process and the scope for employees to improve their performance (Reily, 2003).

The performance pay scheme in operation appears not to have increased job satisfaction in both organisations, but employees agree that it has damaged the concept of teamwork, changed the culture of the organisation to that of a performance oriented one, but it has
not improved performance in both organisations and the commitment of employees both organisations. Most employees prefer individual performance related pay to team pay and believe that the principle of performance related pay is a good one. Though there are contrasts in the responses of employees are assessed separately in both organisations. The employees from MASL seem to have a more positive attitude or view towards the PRP scheme in operation when compared to responses from employees in First Assurance PLC.

Motivation from PRP depends on the situation facing people, how it fits their needs, the underlying culture of the organisation and the viability of the sector in which the organisation operates as employees perceive the banking sector be a more viable sector than the insurance sector. This could be a reason for the different outcomes from both organisations operating the same form of performance related pay schemes. As the scheme seems to have achieved most of what it set out to achieve in Mutual Alliance Savings and Loans – MASL, but the opposite was the case in First Assurance PLC.

‘I know it works for them (MASL) and remember their salary scale is very good. They have been used to this pressure filled performance culture as it is the only thing that drives them. We (First Assurance) haven’t. The introduction of PRP was a real culture shock for us’. (Insurance Employee, Lagos Branch).

When asked why PRP was not successful in First Assurance, the Chairman of the parent company for both organisations her response was, ‘It could be the underlying culture of the organisation or the sector in which the industry operates, we are not sure what the real problem is but that’s up to you to find out, isn’t it? You are the researcher.’
A surprising new finding with the introduction, implementation and operation of PRP in Mutual Alliance Savings and Loans Limited is that PRP is now being used as a bargaining tool by employee to secure more money their organisations and new jobs from other organisations, as an employee from the bank.

‘PRP is very motivating as my yearly appraisal results are my negotiating and bargaining tool for new and higher paid jobs; as this is one of the first things new employers look out recruiting’.

It may not matter how or how much we actually pay for performance, but we simply agree that payment should be related in some way to performance. Finding that perfect system may not be as important as spending time to ensure that the system currently in use is modified to suit the context and environment in which they operate in. Therefore, organisations must be careful about the context and environment in which they introduce and implement performance related pay (PRP) schemes, as the cultural characteristics must be taken into account for the successful design and implementation of any reward system (Hofstede, 1997; Bozionelos & Wang, 2007).

It is anticipated that the outcomes of this research has shed a new light and a better understanding of the complex phenomena the effect/impact the implementation of team and individual performance related pay has when employee responses are measured in terms of job satisfaction, teamwork, culture and commitment; when operated in Nigerian financial institutions and in different cultural context and environments.


_Behavior, 1: 111–136._


CIPD (2007) Employee Voice Fact Sheet


Incomes Data Services (1994) Managing Creativity, IDS Focus December.


IRS April 2000, Volume 701, pp 7.


Kitzinger J. (1994) ‘The methodology of focus groups: the importance of interaction between research participants’, Sociology of Health 16 (1): 103-21.

Kitzinger J. (1994) The methodology of focus groups: the importance of interactions between


McCausland, W., Pouliakas, K. and Theodossiou, I. (2005) Some are Punished and some are


Paper, Cardiff Business School, Cardiff Univeristy.


Relations.


Milkovich, G. and Milkovich, C. (1992) Strengthening the Pay for Performance Relationship:
the research, Compensation and Benefits Review, pp. 53-61


Effort: A Theoretical, Methodological and Empirical appraisal. Psychology Bulletin, 81: 1053-
1077.


Saville and Holdsworth (1998) Study Referred to in Industrial Relations Services, Appraisals are Failing to Motivate, Employment Trends, 650, February.


Thompson, M. (199) Pay and Performance: the Employees Experience, Brighton: IMS.


### APPENDICES

#### Appendix 1 DEMOGRAPHIC DATA FOR BOTH ORGANISATIONS

**Combined Sex of Employees in Both Organisations**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Male</td>
<td>96</td>
<td>57.3</td>
<td>58.3</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>72</td>
<td>41.2</td>
<td>41.7</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>168</td>
<td>98.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>2</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>63</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**Sex of employees (Insurance)**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Male</td>
<td>38</td>
<td>60.3</td>
<td>62.3</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>23</td>
<td>36.5</td>
<td>37.7</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>61</td>
<td>96.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>2</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>63</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**Sex of employees (Bank)**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Male</td>
<td>58</td>
<td>54.2</td>
<td>54.2</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>49</td>
<td>45.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>107</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
### AGE RANGE

#### Combined Age range of employees for both Organisations

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>168</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25</td>
<td>18</td>
<td>10.1</td>
<td>10.1</td>
<td>10.1</td>
</tr>
<tr>
<td>25-30</td>
<td>65</td>
<td>37.5</td>
<td>47.6</td>
<td></td>
</tr>
<tr>
<td>31-35</td>
<td>59</td>
<td>35.5</td>
<td>82.6</td>
<td></td>
</tr>
<tr>
<td>36-40</td>
<td>20</td>
<td>13.2</td>
<td>95.8</td>
<td></td>
</tr>
<tr>
<td>40 and above</td>
<td>6</td>
<td>4.25</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Age range of employees (Bank)

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25</td>
<td>13</td>
<td>12.1</td>
<td>12.1</td>
<td>12.1</td>
</tr>
<tr>
<td>26-30</td>
<td>45</td>
<td>42.1</td>
<td>54.2</td>
<td></td>
</tr>
<tr>
<td>31-35</td>
<td>38</td>
<td>35.5</td>
<td>89.7</td>
<td></td>
</tr>
<tr>
<td>36-40</td>
<td>9</td>
<td>8.4</td>
<td>98.1</td>
<td></td>
</tr>
<tr>
<td>40 and above</td>
<td>2</td>
<td>1.9</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

#### Age range of employees (Insurance)

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>63</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25</td>
<td>5</td>
<td>7.9</td>
<td>8.2</td>
<td>8.2</td>
</tr>
<tr>
<td>25-30</td>
<td>20</td>
<td>31.7</td>
<td>41.0</td>
<td></td>
</tr>
<tr>
<td>31-35</td>
<td>21</td>
<td>33.3</td>
<td>75.4</td>
<td></td>
</tr>
<tr>
<td>36-40</td>
<td>11</td>
<td>17.5</td>
<td>93.4</td>
<td></td>
</tr>
<tr>
<td>40 and above</td>
<td>4</td>
<td>6.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### GRADE LEVEL

**Combined Values Grade level of employees for Both Organisations**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>clerical</td>
<td>15</td>
<td>9.6</td>
<td>9.8</td>
<td>9.8</td>
</tr>
<tr>
<td>management trainees</td>
<td>111</td>
<td>64.6</td>
<td>65.6</td>
<td>75.4</td>
</tr>
<tr>
<td>heads of department</td>
<td>18</td>
<td>10</td>
<td>10.1</td>
<td>85.6</td>
</tr>
<tr>
<td>management</td>
<td>16</td>
<td>9.4</td>
<td>9.5</td>
<td>95.2</td>
</tr>
<tr>
<td>senior management</td>
<td>8</td>
<td>4.7</td>
<td>4.8</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>168</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Grade level of employees (Bank)**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clerical</td>
<td>7</td>
<td>6.5</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>management trainee</td>
<td>72</td>
<td>67.3</td>
<td>67.3</td>
<td>73.8</td>
</tr>
<tr>
<td>heads of department</td>
<td>13</td>
<td>12.1</td>
<td>12.1</td>
<td>86.0</td>
</tr>
<tr>
<td>management</td>
<td>10</td>
<td>9.3</td>
<td>9.3</td>
<td>95.3</td>
</tr>
<tr>
<td>senior management</td>
<td>5</td>
<td>4.7</td>
<td>4.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**Grade level of employees (Insurance)**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>clerical</td>
<td>8</td>
<td>12.7</td>
<td>13.1</td>
<td>13.1</td>
</tr>
<tr>
<td>management trainees</td>
<td>39</td>
<td>61.9</td>
<td>63.9</td>
<td>77.0</td>
</tr>
<tr>
<td>heads of department</td>
<td>5</td>
<td>7.9</td>
<td>8.2</td>
<td>85.2</td>
</tr>
<tr>
<td>management</td>
<td>6</td>
<td>9.5</td>
<td>9.8</td>
<td>95.1</td>
</tr>
<tr>
<td>senior management</td>
<td>3</td>
<td>4.8</td>
<td>4.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>96.8</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>2</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
DEMOGRAPHICS FOR BOTH ORGANISATIONS & COMBINED

SEX - Combined Values for both organisations

- Male: 72
- Female: 96

SEX - INSURANCE

- Male: 28
- Female: 38

SEX - BANK

- Male: 49
- Female: 58
AGE RANGE – COMBINED, BANK & INSURANCE

**COMBINED - Age ranges for both organisations**

- 20-25: 18
- 25-30: 65
- 31-35: 59
- 36-40: 20
- 40 and above: 6

**INSURANCE - Age Range**

- 20-25: 5
- 25-30: 20
- 31-35: 21
- 36-40: 11
- 40 and above: 4

**BANK - Age Range**

- 20-25: 13
- 25-30: 45
- 31-35: 38
- 36-40: 9
- 40 and above: 2
GRADE LEVEL FOR THE BANK, INSURANCE & COMBINED

COMBINED - GRADE LEVEL

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>clerical</td>
<td>15</td>
</tr>
<tr>
<td>management trainee</td>
<td>111</td>
</tr>
<tr>
<td>heads of department</td>
<td>16</td>
</tr>
<tr>
<td>management</td>
<td>16</td>
</tr>
<tr>
<td>senior management</td>
<td>8</td>
</tr>
</tbody>
</table>

INSURANCE - Grade Level

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>clerical</td>
<td>8</td>
</tr>
<tr>
<td>management trainee</td>
<td>39</td>
</tr>
<tr>
<td>heads of department</td>
<td>5</td>
</tr>
<tr>
<td>management</td>
<td>6</td>
</tr>
<tr>
<td>senior management</td>
<td>3</td>
</tr>
</tbody>
</table>

BANK - Grade Level

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>clerical</td>
<td>7</td>
</tr>
<tr>
<td>management trainee</td>
<td>72</td>
</tr>
<tr>
<td>heads of department</td>
<td>13</td>
</tr>
<tr>
<td>management</td>
<td>10</td>
</tr>
<tr>
<td>senior management</td>
<td>5</td>
</tr>
</tbody>
</table>
### Appendix 2 GROUPED MEAN SCORE TABLES FOR THE VARIABLES

#### MEAN SCORE TABLE FOR JOB SATISFACTION

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>My job gives me a sense of accomplishments</td>
<td>4.1</td>
<td>1.75</td>
<td>2.91</td>
</tr>
<tr>
<td>2</td>
<td>My work is satisfying</td>
<td>4.0</td>
<td>1.8</td>
<td>2.9</td>
</tr>
<tr>
<td>3</td>
<td>My current job is much better than expected</td>
<td>4.4</td>
<td>2.2</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td><strong>MEAN SCORE – SATISFACTION WITH JOB</strong></td>
<td><strong>4.16</strong></td>
<td><strong>1.92</strong></td>
<td><strong>3.03</strong></td>
</tr>
<tr>
<td>4</td>
<td>My pay is low compared with what others get for similar work.</td>
<td>2.3</td>
<td>1.7</td>
<td>2.00</td>
</tr>
<tr>
<td>5</td>
<td>I am highly paid</td>
<td>4.42</td>
<td>2.9</td>
<td>3.66</td>
</tr>
<tr>
<td>6</td>
<td>In my opinion my pay is lower than those with similar Education and work background in other companies.</td>
<td>3.9</td>
<td>3.1</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td><strong>MEAN SCORE – SATISFACTION WITH PAY</strong></td>
<td><strong>3.54</strong></td>
<td><strong>2.57</strong></td>
<td><strong>3.05</strong></td>
</tr>
<tr>
<td>7</td>
<td>My job is stable</td>
<td>3.87</td>
<td>2.2</td>
<td>3.04</td>
</tr>
<tr>
<td>8</td>
<td>My job provides me with a good sense of security</td>
<td>4.0</td>
<td>2.5</td>
<td>3.25</td>
</tr>
<tr>
<td>9</td>
<td>I worry about losing my job</td>
<td>4.3</td>
<td>1.9</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td><strong>MEAN SCORE – JOB SECURITY</strong></td>
<td><strong>4.05</strong></td>
<td><strong>2.2</strong></td>
<td><strong>3.13</strong></td>
</tr>
<tr>
<td>10</td>
<td>My fellow workers are selfish (R).</td>
<td>4.32</td>
<td>3.2</td>
<td>3.76</td>
</tr>
<tr>
<td>11</td>
<td>The people I work with are selfish (R).</td>
<td>4.4</td>
<td>2.9</td>
<td>3.65</td>
</tr>
<tr>
<td>12</td>
<td>The people I work with help each other out when someone falls behind (R).</td>
<td>2.51</td>
<td>1.9</td>
<td>2.21</td>
</tr>
<tr>
<td></td>
<td><strong>MEAN SCORE – RELATIONSHIP WITH COLLEAGUES</strong></td>
<td><strong>3.74</strong></td>
<td><strong>2.67</strong></td>
<td><strong>3.205</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL MEAN SCORE – JOB SATISFACTION</strong></td>
<td><strong>3.90</strong></td>
<td><strong>2.34</strong></td>
<td><strong>3.12</strong></td>
</tr>
<tr>
<td>NO</td>
<td>QUESTIONS</td>
<td>INSURANCE</td>
<td>BANK</td>
<td>COMBINED</td>
</tr>
<tr>
<td>----</td>
<td>----------------------------------------------------------------------------</td>
<td>-----------</td>
<td>------</td>
<td>----------</td>
</tr>
<tr>
<td>1</td>
<td>I plan to stay with this company as long as possible.</td>
<td>1.8</td>
<td>4.43</td>
<td>3.12</td>
</tr>
<tr>
<td>2</td>
<td>I sometimes feel like leaving this organisation for good.</td>
<td>2.3</td>
<td>3.9</td>
<td>3.1</td>
</tr>
<tr>
<td>3</td>
<td>I would accept almost any type of work in order to keep me working for this organisation.</td>
<td>2.1</td>
<td>4.21</td>
<td>3.15</td>
</tr>
<tr>
<td>4</td>
<td>I am very loyal to this organisation.</td>
<td>2.02</td>
<td>3.93</td>
<td>2.97</td>
</tr>
<tr>
<td>5</td>
<td>The offer of a bit more money with another employer would not seriously make me think of changing my job.</td>
<td>3.1</td>
<td>4.63</td>
<td>3.9</td>
</tr>
</tbody>
</table>

**MEAN SCORE - CONTINUANCE COMMITMENT**

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>I am willing to put a great deal of effort beyond that normally expected in order to help this organisation to be successful.</td>
<td>1.9</td>
<td>3.91</td>
<td>2.9</td>
</tr>
<tr>
<td>7</td>
<td>In my work I feel that I am making some effort not just for myself, but for the organisation as well.</td>
<td>2.03</td>
<td>3.41</td>
<td>2.72</td>
</tr>
<tr>
<td>8</td>
<td>To know that my own work has contributed to the good of this organisation would please me.</td>
<td>1.8</td>
<td>3.12</td>
<td>2.46</td>
</tr>
</tbody>
</table>

**MEAN SCORE - COMMITMENT TO THE SUCCESS OF ORGANISATION**

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>This organisation really inspires the very best in me.</td>
<td>3.13</td>
<td>3.32</td>
<td>3.22</td>
</tr>
<tr>
<td>10</td>
<td>I find that my values and those of this organisation are very similar.</td>
<td>3.2</td>
<td>2.83</td>
<td>3.01</td>
</tr>
<tr>
<td>11</td>
<td>I am quite proud to be able to tell people I work for this organisation.</td>
<td>1.72</td>
<td>2.67</td>
<td>2.19</td>
</tr>
<tr>
<td>12</td>
<td>I feel myself to be part of this organisation</td>
<td>2.1</td>
<td>3.1</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**MEAN SCORE - IDENTIFICATION WITH**

<table>
<thead>
<tr>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.54</td>
<td>2.98</td>
<td>2.76</td>
</tr>
</tbody>
</table>
### ORGANISATION

| TOTAL MEAN SCORE – COMMITMENT | 2.27 | 3.63 | 2.95 |

### MEAN SCORE TABLE FOR PRP & PERFORMANCE

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I believe that the introduction of performance related pay has overall been not effective in enhancing my performance.</td>
<td>2.40</td>
<td>3.63</td>
<td>3.01</td>
</tr>
<tr>
<td>2</td>
<td>Performance related pay has not increased the performance of the organisation as a whole.</td>
<td>1.94</td>
<td>3.62</td>
<td>2.78</td>
</tr>
<tr>
<td></td>
<td>TOTAL COMBINED MEAN</td>
<td>2.17</td>
<td>3.62</td>
<td>2.89</td>
</tr>
</tbody>
</table>

### MEAN SCORE TABLE FOR TEAM PAY & TEAMWORKING

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Team reward makes me more committed to my job.</td>
<td>2.23</td>
<td>2.71</td>
<td>2.47</td>
</tr>
<tr>
<td>2</td>
<td>Team pay has raised my motivation to work beyond the requirements of my job.</td>
<td>2.64</td>
<td>3.1</td>
<td>2.87</td>
</tr>
<tr>
<td>3</td>
<td>Team pay encourages teamwork amongst team members.</td>
<td>1.74</td>
<td>2.64</td>
<td>2.19</td>
</tr>
<tr>
<td>4</td>
<td>Teamworking is greatly enhanced when there is a team reward.</td>
<td>1.96</td>
<td>2.73</td>
<td>2.34</td>
</tr>
<tr>
<td></td>
<td>TOTAL MEAN SCORE</td>
<td>2.14</td>
<td>2.8</td>
<td>2.47</td>
</tr>
</tbody>
</table>
## MEAN SCORE TABLE FOR TEAMWORKING

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Team pay encourages teamwork amongst team members.</td>
<td>1.74</td>
<td>2.64</td>
<td>2.19</td>
</tr>
<tr>
<td>2</td>
<td>Teamworking is greatly enhanced when there is a team reward.</td>
<td>1.96</td>
<td>2.73</td>
<td>2.34</td>
</tr>
</tbody>
</table>

**MEAN SCORE**

1.85  
2.69  
2.26

## MEAN SCORE TABLE FOR IPRP RAISING COMMITMENT & COMMITMENT

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Individual performance related pay has raised my motivation to work.</td>
<td>2.65</td>
<td>2.15</td>
<td>2.40</td>
</tr>
<tr>
<td>2</td>
<td>Individual pay has motivated me to work beyond the requirements of my job.</td>
<td>2.76</td>
<td>2.6</td>
<td>2.68</td>
</tr>
<tr>
<td>3</td>
<td>I am more committed to my job when there is an individual reward.</td>
<td>3.5</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>4</td>
<td>I am motivated by individual pay because I have more control over the output I give on my job.</td>
<td>3.1</td>
<td>1.9</td>
<td>2.5</td>
</tr>
</tbody>
</table>

**MEAN SCORE**

3.00  
2.18  
2.6

## MEAN SCORE TABLE FOR APPRAISAL & FAIRNESS

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>My manager gives me feedback on my performance.</td>
<td>1.83</td>
<td>1.6</td>
<td>1.71</td>
</tr>
<tr>
<td>2</td>
<td>I was involved in the setting of my own targets.</td>
<td>3.51</td>
<td>1.71</td>
<td>2.61</td>
</tr>
<tr>
<td>3</td>
<td>I am confident that my manager is as objective as possible when conducting my performance appraisals.</td>
<td>2.61</td>
<td>1.81</td>
<td>2.21</td>
</tr>
<tr>
<td>4</td>
<td>A third party should oversee the appraisal</td>
<td>3.23</td>
<td>2.01</td>
<td>2.62</td>
</tr>
</tbody>
</table>
The appraisal process rewards people who are highly visible, rather than quiet good performers.

Managers use the appraisal process to reward their favourite employees.

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The financial incentive an employee gets from performance pay should be substantially increased.</td>
<td>1.69</td>
<td>1.75</td>
<td>1.72</td>
</tr>
<tr>
<td>2</td>
<td>The financial reward from the performance pay award is not sufficient incentive to motivate me to do better at my job.</td>
<td>1.85</td>
<td>2.07</td>
<td>1.96</td>
</tr>
<tr>
<td></td>
<td><strong>MEAN SCORE</strong></td>
<td><strong>1.77</strong></td>
<td><strong>1.91</strong></td>
<td><strong>1.84</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I prefer individual pay to team pay.</td>
<td>2.67</td>
<td>2.1</td>
<td>2.38</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The principle of PRP is not a good one</td>
<td>4.38</td>
<td>3.73</td>
<td>4.05</td>
</tr>
</tbody>
</table>
### MEAN SCORE TABLE FOR OPERATING BOTH TEAM & IPRP SIMULTANEOUSLY

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I have not found any difficulty in working with the system where both team and individual pay are operating together.</td>
<td>2.25</td>
<td>2.14</td>
<td><strong>2.19</strong></td>
</tr>
</tbody>
</table>

### MEAN SCORE TABLE FOR PRP & FINANCIAL BUSINESS TARGETS

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>My targets dwell mostly on the financial business targets.</td>
<td>1.70</td>
<td>2.62</td>
<td><strong>2.16</strong></td>
</tr>
</tbody>
</table>

### MEAN SCORE TABLE FOR PRP & CULTURE

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I think that the operation of both team and individual pay has not lead to a change in culture to that of a performance oriented one.</td>
<td>4.07</td>
<td>3.91</td>
<td><strong>4.00</strong></td>
</tr>
</tbody>
</table>

### MEAN SCORE TABLE FOR IPRP DAMAGES TEAMWORKING

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>INSURANCE</th>
<th>BANK</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Individual pay does not damage teamwork among team members.</td>
<td>3.8</td>
<td>3.13</td>
<td><strong>3.47</strong></td>
</tr>
</tbody>
</table>
## Appendix 3

### Data Reduction - Mean scores for each question

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>INSURANCE</td>
</tr>
<tr>
<td>1</td>
<td>I prefer individual pay to team pay.</td>
</tr>
<tr>
<td>2</td>
<td>My targets dwell mostly on the financial business targets.</td>
</tr>
<tr>
<td>3</td>
<td>Individual performance related pay has raised my motivation to work</td>
</tr>
<tr>
<td>4*</td>
<td>I have a strong sense of commitment to my team</td>
</tr>
<tr>
<td>5*</td>
<td>Individual pay does not damage teamwork among team members</td>
</tr>
<tr>
<td>6*</td>
<td>I believe that the performance related pay being operated aligns with the overall business strategy of this organisation.</td>
</tr>
<tr>
<td>7</td>
<td>Individual pay has motivated me to work beyond the requirements of my job.</td>
</tr>
<tr>
<td>8</td>
<td>Team reward makes me more committed to my job.</td>
</tr>
<tr>
<td>9</td>
<td>Team pay encourages teamwork amongst team members</td>
</tr>
<tr>
<td>10</td>
<td>Team pay has raised my motivation to work beyond the requirements of my job.</td>
</tr>
<tr>
<td>11</td>
<td>I am more committed to my job when there is an individual reward.</td>
</tr>
<tr>
<td>12</td>
<td>I am motivated by individual pay because I have more control over the output I give on my job.</td>
</tr>
<tr>
<td>13*</td>
<td>I feel demotivated at times when the focus moves from individual pay to team pay.</td>
</tr>
<tr>
<td>14</td>
<td>I believe that the introduction of performance related pay has not overall been effective in enhancing my performance.</td>
</tr>
<tr>
<td>15*</td>
<td>It is easier for targets to be met as a team than as an individual.</td>
</tr>
<tr>
<td>16</td>
<td>My manager gives me feedback on my performance.</td>
</tr>
<tr>
<td>17</td>
<td>I was involved in the setting of my own targets.</td>
</tr>
<tr>
<td>18</td>
<td>Performance related pay has not increased the performance of the organisation as a whole.</td>
</tr>
<tr>
<td>19</td>
<td>I have not found any difficulty in working with the system where both team and individual pay are operating together.</td>
</tr>
<tr>
<td>20</td>
<td>I think that the operation of both team and individual pay has not led</td>
</tr>
</tbody>
</table>
to a change in the culture of the organisation to that of a performance oriented one.

21 The principle of performance related pay is not a good one | 4.38 | 3.73 | 4.05

22 I am confident that my manager is as objective as possible when conducting my performance appraisals. | 2.61 | 1.81 | 2.21

23 A third party should oversee the appraisal process. | 3.23 | 2.01 | 2.62

24 The financial incentive an employee gets from performance pay should be substantially increased | 1.69 | 1.75 | 1.72

25 Teamworking is greatly enhanced when there is a team reward. | 1.96 | 2.73 | 2.34

26 The financial reward from the performance pay award is not sufficient incentive to motivate me to do better at my job. | 1.85 | 2.07 | 1.96

27 The appraisal process rewards people who are highly visible, rather than quiet good performers | 2.33 | 2.72 | 2.52

28 Managers use the appraisal process to reward their favourite employees. | 3.10 | 1.90 | 2.5

29 Are you? a) Male    b) Female

30 What is you age range?

31 What grade level are you on?

1 My job gives me a sense of accomplishments | 4.1 | 1.75 | 2.91

2 My work is satisfying | 4.0 | 1.8 | 2.9

3 My current job is much better than expected. | 4.4 | 2.2 | 3.3

4 My pay is low compared with what others get for similar work. | 2.3 | 1.7 | 2.00

5 I am highly paid | 4.42 | 2.9 | 3.66

6 In my opinion my pay is lower than those with similar Education and work background in other companies (R). | 3.9 | 3.1 | 3.5

7 My job is stable | 3.87 | 2.2 | 3.04

8 My job provides me with a good sense of security | 4.0 | 2.5 | 3.25

9 I worry about losing my job | 4.3 | 1.9 | 3.1

10 My fellow workers are selfish (R). | 4.32 | 3.2 | 3.76

11 The people I work with are selfish (R). | 4.4 | 2.9 | 3.65

12 The people I work with help each other out when someone falls behind. | 2.51 | 1.9 | 2.21

1 I plan to stay with this company as long as possible. | 1.8 | 4.43 | 3.12
<table>
<thead>
<tr>
<th></th>
<th>Question</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>I sometimes feel like leaving this organisation for good.</td>
<td>2.3</td>
<td>3.9</td>
<td>3.1</td>
</tr>
<tr>
<td>3</td>
<td>I would accept almost any type of work in order to keep me working for this organisation.</td>
<td>2.1</td>
<td>4.21</td>
<td>3.15</td>
</tr>
<tr>
<td>4</td>
<td>I am very loyal to this organisation.</td>
<td>2.02</td>
<td>3.93</td>
<td>2.97</td>
</tr>
<tr>
<td>5</td>
<td>The offer of a bit more money with another employer would not seriously make me think of changing my job.</td>
<td>3.1</td>
<td>4.63</td>
<td>3.9</td>
</tr>
<tr>
<td>6</td>
<td>I am willing to put a great deal of effort beyond that normally expected in order to help this organisation to be successful.</td>
<td>1.9</td>
<td>3.91</td>
<td>2.9</td>
</tr>
<tr>
<td>7</td>
<td>In my work I feel that I am making some effort not just for myself, but for the organisation as well.</td>
<td>2.03</td>
<td>3.41</td>
<td>2.72</td>
</tr>
<tr>
<td>8</td>
<td>To know that my own work has contributed to the good of this organisation would please me.</td>
<td>1.8</td>
<td>3.12</td>
<td>2.46</td>
</tr>
<tr>
<td>9</td>
<td>This organisation really inspires the very best in me.</td>
<td>3.13</td>
<td>3.32</td>
<td>3.22</td>
</tr>
<tr>
<td>10</td>
<td>I find that my values and those of this organisation are very similar.</td>
<td>3.2</td>
<td>2.83</td>
<td>3.01</td>
</tr>
<tr>
<td>11</td>
<td>I am quite proud to be able to tell people I work for this organisation.</td>
<td>1.72</td>
<td>2.67</td>
<td>2.19</td>
</tr>
<tr>
<td>12</td>
<td>I feel myself to be part of this organisation</td>
<td>2.1</td>
<td>3.1</td>
<td>2.6</td>
</tr>
</tbody>
</table>

* Means questions not put in the different groups.

Blue – means insurance grouped means

Purple – means bank grouped means

Red – means combined grouped means

Green - means question that have not been grouped
Appendix 4. Questionnaires

QUESTIONNAIRES ITEMS ON INDIVIDUAL AND TEAM PERFORMANCE RELATED PAY.

According to Armstrong (1998), performance related pay (PRP) links pay progression to a performance and/or competence rating. It normally provides for an increase in base pay, which is governed by a rating against such criteria as performance and contribution output and skill and competence inputs. Cuming (1994) asserts that performance related pay schemes attempt to link some proportion of pay not only to individual output but also to other indicators of performance, such as quality, flexibility, contribution to team working and ability to hit targets.

Below is a list of statements about the way work performance is assessed and rewarded. Please indicate the extent to which you agree or disagree by circling the appropriate number in the column.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

1) I prefer individual pay to team pay.

2) My targets dwell mostly on the financial business targets.

3) Individual performance related pay has raised my motivation to work.

4) I have a strong sense of commitment to my team.
5) Individual pay does not damage teamwork among team members.

1 2 3 4 5
S  A  N  D  S
G  A  D  D

6) I believe that the performance related pay being operated aligns with the overall business strategy of this organisation.

1 2 3 4 5
S  A  N  D  S
G  A  D  D

7) Individual pay has motivated me to work beyond the requirements of my job.

1 2 3 4 5
S  A  N  D  S
G  A  D  D

8) Team reward makes me more committed to my job.

1 2 3 4 5
S  A  N  D  S
G  A  D  D

9) Team pay encourages teamwork amongst team members.

1 2 3 4 5
S  A  N  D  S
G  A  D  D

10) Team pay has raised my motivation to work beyond the requirements of my job.

1 2 3 4 5
S  A  N  D  S
G  A  D  D

11) I am more committed to my job when there is an individual reward.

1 2 3 4 5
S  A  N  D  S
G  A  D  D

12) I am motivated by individual pay because I have more control over the output I give on my job.

1 2 3 4 5
S  A  N  D  S
G  A  D  D
13) I feel demotivated at times when the focus moves from individual pay to team pay.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

14) I believe that the introduction of performance related pay has not overall been effective in enhancing my performance.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

15) It is easier for targets to be met as a team than as an individual.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

16) My manager gives me feedback on my performance.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

17) I was involved in the setting of my own targets.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

18) Performance related pay has not increased the performance of the organisation as a whole.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

19) I have not found any difficulty in working with the system where both team and individual pay are operating together.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

20) I think that the operation of both team and individual pay has not led to a change in the culture of the organisation to that of a performance oriented one.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Not Sure</td>
<td>Disagree</td>
<td>Strongly Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>
21) The principle of performance related pay is a good one.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

22) I am confident that my manager is as objective as possible when conducting my performance appraisals.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

23) A third party should oversee the appraisal process.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

24) The financial incentive an employee gets from performance pay should be substantially increased.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

25) Teamworking is greatly enhanced when there is a team reward.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

26) The financial reward from the performance pay award is not sufficient incentive to motivate me to do better at my job.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

27) The appraisal process rewards people who are highly visible, rather than quiet good performers.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

28) Managers use the appraisal process to reward their favourite employees.

1  2  3  4  5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree
29) Are you?
   a) Male    b) Female

30) What is your age range?
   a) 20-25    b) 26-30    c) 31-35    d) 36-40    e) 41 years and above

31) What grade level are you on?
   a) Clerical    b) Management Trainee    c) Heads of Department    d) Management Staff
   e) Senior Management

QUESTIONNAIRE ITEMS ON JOB SATISFACTION

1) My job gives me a sense of accomplishments
   1  2  3  4  5
   Strongly Agree Not Sure Disagree Strongly Agree Disagree

2) My work is satisfying.
   1  2  3  4  5
   Strongly Agree Not Sure Disagree Strongly Agree Disagree

3) My pay is low compared with what others get for similar work.
   1  2  3  4  5
   Strongly Agree Not Sure Disagree Strongly Agree Disagree

4) I am highly paid
   1  2  3  4  5
   Strongly Agree Not Sure Disagree Strongly Agree Disagree

5) In my opinion my pay is lower than those with similar Education and work background in other companies (R).
   1  2  3  4  5
   Strongly Agree Not Sure Disagree Strongly Agree Disagree

6) My job is stable.
   1  2  3  4  5
7) My job provides me with a good sense of security.

1  2  3  4  5

Strongly Agree Not Sure Disagree Strongly Agree

8) I worry about losing my job.

1  2  3  4  5

Strongly Agree Not Sure Disagree Strongly Agree

9) My fellow workers are selfish (R).

1  2  3  4  5

Strongly Agree Not Sure Disagree Strongly Agree

10) The people I work with are selfish (R).

1  2  3  4  5

Strongly Agree Not Sure Disagree Strongly Agree

11) The people I work with help each other out when someone falls behind.

1  2  3  4  5

Strongly Agree Not Sure Disagree Strongly Agree

12) My current job is much better than expected.

1  2  3  4  5

Strongly Agree Not Sure Disagree Strongly Agree

QUESTIONNAIRE ITEMS ON COMMITMENT

1) I plan to stay with this company as long as possible.

1  2  3  4  5

Strongly Agree Not Sure Disagree Strongly Agree

2) I am willing to put a great deal of effort beyond that normally expected in order to help this organisation to be successful.
1) 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

3) I am very loyal to this organisation.
1 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

4) This organisation really inspires the very best in me.
1 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

5) I would accept almost any type of work in order to keep me working for this organisation.
1 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

6) I find that my values and those of this organisation are very similar.
1 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

7) I am quite proud to be able to tell people I work for this organisation
1 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

8) I sometimes feel like leaving this organisation for good.
1 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

9) I feel myself to be part of this organisation
1 2 3 4 5
Strongly Agree Not Sure Disagree Strongly
Agree Disagree

10) In my work I feel that I am making some effort not just for myself, but for the organisation as well.
1 2 3 4 5
<table>
<thead>
<tr>
<th>Strongly</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
</table>

11) To know that my own work has contributed to the good of this Organisation would please me.

1  2  3  4  5

<table>
<thead>
<tr>
<th>Strongly</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
</table>

12) The offer of a bit more money with another employer would not seriously make me think of changing my job.

1  2  3  4  5

<table>
<thead>
<tr>
<th>Strongly</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
</table>

## Appendix 5: Overview of Interview Results for Aspects of the Performance-related pay scheme

<table>
<thead>
<tr>
<th></th>
<th>First Assurance</th>
<th>Mutual Alliance Savings &amp; Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Scheme</strong></td>
<td>Individual &amp; Team PRP (financially rewarded)</td>
<td>Individual PRP (financially rewarded) &amp; team working (non-financial rewards)</td>
</tr>
<tr>
<td><strong>Main reason for the scheme</strong></td>
<td>Increase profits</td>
<td>Improve organisational performance and maximise profits</td>
</tr>
<tr>
<td><strong>Employees view and attitude towards the scheme</strong></td>
<td>Very negative</td>
<td>Quite positive</td>
</tr>
<tr>
<td><strong>Management view of the scheme</strong></td>
<td>Unsuccessful - due to the culture of the organisation and slow insurance market</td>
<td>Successful – enhanced a change in culture to that of a performance oriented one and ultimately enhanced overall performance of the organisation</td>
</tr>
<tr>
<td><strong>Job satisfaction</strong></td>
<td>Highly dissatisfied with their jobs</td>
<td>Quite satisfied but would not mind more money</td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>Committed to their jobs</td>
<td>No commitment to their jobs as PRP is being used as a bargaining tool to secure higher paid jobs.</td>
</tr>
</tbody>
</table>
Appendix 6: Result from the interviews held in MASL

Interview with the chairman of Mutual Alliance Savings and Loans Limited.

Question 1: Why was PRP introduced into your organisation?

Performance related pay was introduced in 2000; the main reason for its introduction was to
a) Retain and reward top performing employees, thereby reducing turnover of top performing employees.
b) To offer a competitive salary to employees according to their contribution to the profitability of the organisation thereby improving employee job satisfaction and commitment to the organisation.
c) To motivate employees to increased performance on their jobs by giving them a means by which they can determine for themselves how much they earn.
d) To change and maintain the culture of the organisation to that of a performance oriented one.
e) To help the organisation save cost, by paying only those employees who have performed extremely well thereby helping the organisation increase their profitability and capital market share.

The whole aim of this new reward strategy is to improve the profitability of our group of companies. The reward options offered in both organisations are individual performance related pay, team pay and profit sharing but in First Assurance team pay is not rewarded in monetary terms only in non-monetary terms. Profit sharing is rewarded in only
monetary terms as you know it is sharing 10% of the total profit of the organisation with employees at the end of the financial year, depending on their grade level within the organisation. I think that this new reward strategy has been effective in improving the performance of the organisations and the motivation and commitment of employees as a whole.

Question 2: Do you think that the PRP in operation in MASL & First Assurance PLC has actually achieved the main aims it set out to achieve.

I don’t expect our reward strategy to be 100% problem free. Yes I believe it has achieve at least 70% of what it set out to do in MASL; but in First Assurance, it does not appear to work as effectively as we thought it would. I always question why that is the case. It is exactly the same reward strategy being operated in both organisations.

Question 3: Are you saying that the PRP scheme in First Assurance is not as successful as the PRP scheme being operated in MASL, despite it being the same scheme being operated in both organisations?

Yes…. Hmmm, that makes me really worried as that has implications for the employees as well as the organisation as a whole. It could be the underlying culture of the organisation or the sector in which the industry operates, we are not sure what the real problem is but that’s up to you to find out, isn’t it? You are the researcher.
Question 4: You said earlier that the performance related pay scheme had achieved 70% of what it set out to do. What areas are of concern to you? What has it not achieved?

Commitment from employees. As you know we have a slightly high turnover rate and that is what we are trying to reduce and we assumed the introduction of performance pay would reduce it, but it hasn’t.

Question 5: Do you think that the reward scheme in operation aligns with the overall business strategy of your organisation?

Yes it does. Apart from corporate social responsibility, our main business strategy is to make profits, gain a large share of the market and expand into other African countries. We already have branches in Tanzania and Zambia and we are hoping to open new branches in South Africa in the near future. We are already gaining a large share of the market.
INTERVIEWS FROM MUTUAL ALLIANCE SAVINGS & LOANS LIMITED

BRANCH MANAGER

Question 1: What year PRP introduced in your organisation?
In the year 2000, I was the head of marketing department then.

Question 2: Why was it introduced?
The main reason for its introduction was to improve performance, especially the marketing department because we bring in all the business to the organisation. It was also to reduce turnover of employees and to maximise profits.

Question 3: Has performance related pay been successful in your organisation?
The first year was disastrous....... We just we not used to the idea that our total salary was linked to our performance.....the idea that our salaries were tied to us meeting our targets. My God!!! It was awful. But by the end of the financial year when the performance pay was paid to those who met their targets, which was a real motivation. The following year employees began to work towards it and then it became the norm in the organisation. It is also the norm in other financial institutions now as PRP is actually expected as part of your reward options especially if you are in the marketing department.

Question 4: What difficulties did you face with the introduction of PRP?
First of all we always under a lot of pressure and a lot of competition amongst employees.

Question 5: Has the attitude employees and the culture of the organisation changed since the introduction of PRP?
Yes of course!!! Performance oriented. We are more performance oriented and PRP focus, most times employees only do jobs that are linked to PRP and would help them meet their targets. They are just focused on the money. The change in culture has brought about high staff turnover, which makes us a bit unstable and more money is spent on recruitment and training of new employees.

Question 6: Has there been any increase in the performance and profits of the organisation since the introduction of PRP?
Yes. We have seen considerable growth over the years since the introduction of PRP. This has been indicated by the opening up of at least 2 new branches every year, increase in our salaries and the payment of our bonuses related to profit sharing.

Question 7: Will there be any changes or modification of the PRP scheme in the future, if it fails to achieve the desired result or outcome it has set out to do?
I think it has achieved what it set out to do…. Increase profits. What changes are you talking about? Is that the reason you are carrying out this research?

No just to improve the PRP scheme we already have.
Okay then, the only changes I want made would be to increase the money being paid out by the PRP scheme.

Question 8: Would you say that employees are committed to the scheme and the organisation and satisfied with their jobs?
Being satisfied…. You will have to ask the employees I can’t speak for them. Committed… I can say no. as the branch manager I don’t think they are committed to the
organisation, but maybe to the money PRP pays out as they see it as a bargaining tool for more money or new higher paid jobs as you know we are competing with international banks like Barclays bank and Citi Group who are willingly to pay them a lot more than we can offer but the downside is that those jobs are on fixed term basis of one or two years.

I have to go now. I have chatted with you for nearly 30 minutes.

INTERVIEW ENDED.
INTERVIEW WITH HEAD OF HUMAN RESOURCES FOR MASL

I am Iquo Akan, the Head of human resource for the Mutual Alliance Savings and Loans. I manage the other HR managers in other branches.

Question 1: Why was PRP in this organisation?
The PRP scheme was introduced in the year 2000. The main reason for its introduction was to improve organisational performance and profitability, to reduce staff turnover (which is still a problem), to change the culture of the organisation, which I am afraid to say has gone too far. We now have a money oriented culture with very little commitment from employees as they believe it is all about performance and money with the organisation and no meaningful relationships. We have imbibed the money culture of the financial sector and the country as a whole.

Question 2: What do you mean it has gone too far?
All employees are focused on now is how to meet their targets which are linked to pay. No effort is put into other aspects of their jobs which are not linked in any way to PRP. They are just focused on the reward.

Question 3: What about staff turnover?
We still have a problem with that and it is costing us a lot of money. Once the PRP payout is no more satisfactory to them, they leave for another bank, taking all their business with them and negotiating a higher pay deal, which we can’t afford to pay, as you know our major strategy for now is long term growth and expansion.
Question 4: Are you saying that you are disappointed with the PRP scheme?
No I am not disappointed with the scheme because it has achieved some of what it set out to do but it has grave implications for us in the HR department. In the areas of staff turnover and commitment to the organisation. We do need some modifications to be made in these areas.

Question 5: What obstacles and difficulties have you faced since its introduction?
As you know with implementing anything new, you will always face opposition. We lost a few good employees who felt that their pay should not be tied to their performance. But to survive in such a competitive market changes must take place and we are glad we implemented the scheme as it has had quite a positive response from employees but again I stress it has not brought about commitment to the organisation.

Question 6: Do you think the PRP scheme is fair?
Yes I think so. You meet your targets, you get rewarded and vice versa. Is life fair? You need to work for what you want.

Question 7: Has the attitude of the employees changed since its introduction?
Yes a great deal. They are more performance oriented. This has both positive and negative impacts. We make profits yes we do but there is less commitment. If there is an offer of more money by another bank, they would leave immediately.

Also the culture of the organisation and the employees has changed as well. As you know we are Africans, we are group oriented and love working and socialising in groups. This gives us an identity. So having team pay was necessary to facilitate some jobs especially
in the operations and HR department. But the marketing team, that’s a whole new story. They make our job a lot harder with so many issues of disciplinary cases. We have so much quarrels and strife there. There is also a lot of competition among employees. They get the highest performance payout than any other department but yet they are the most unsatisfied group of people. This is the department that we have the highest turnover rate, but we also have the best performers here too. They bring in so much money. Individual Performance pay has diluted the African group culture that we had before, so we thought team pay could minimise that and reduce the quarrels. Has the quarrels reduced when they work in teams? Well yes especially when team reward is linked to team working.

Question 8: What would you say employees prefer? Team pay or Individual pay?
I would say individual pay because they have autonomy, but they don’t mind working in teams when a team reward is linked to it. But that’s my own point of view. Why don’t you ask them? They would speak up for themselves.

END OF INTERVIEW
HEAD INTERNAL CONTROL (FINANCE DEPARTMENT)

Head internal control (fraud division). Cliff Atata. I joined the bank in 2002 from Prudent Bank.

Question 1: What are the main reasons for the introduction of PRP?
To improve profitability. Every business is out to make a profit. If we don’t make a profit, how can we survive in this very competitive market?

Question 2: Do you know the success rate of the PRP scheme in operation?
It has been very successful, but it has led to a lot of competition amongst employees, even back stabbing. They will do anything to meet their targets in other to get their PRP bonus. This is especially true amongst the marketing staff. But overall, I think the PRP scheme has been successful.

Question 3: What obstacles have you faced since its introduction?
That is not my place to answer as you know I was brought in from Prudent bank, after its introduction.

Question 4: Do you think that the employees are satisfied and committed?
Satisfied..... Can anyone be satisfied with the amount of money he is paid? If another company is willing to pay you more then I would leave. To me it’s all about the money for my skills.
Commitment.... As far as I am being paid what I am worth, then no problem.
Question 5: Now talking about the employees… Are the employees satisfied and committed?

The employees are not satisfied with the money paid out from the PRP scheme, if not why would they be struggling so hard to meet their targets or even exceed it.

Committed I am not sure. Committed to the PRP scheme yes, to the organisation I am not sure. You would need to ask them.

Question 6: Now talking about the PRP scheme in place…. Do you think employees prefer team or individual performance pay?

I would say team if it is linked to reward. Meeting targets as a team is much easier especially when everyone pulls their weight. If one person is not pulling their weight, then expect to lose your job if they don’t get their PRP bonus at the end of the year. It works like a mafia; you must pull your weight or leave the team. I also think it is also our culture, we are quite group/family oriented. We always want to belong to something and the team creates that for them since they spend 5 or 6 days a week here in the office and at least 10 hours a day here.

Question 7: What about IPRP?

They also love working with individual pay as they have more control over their jobs and are not dependent on others but it also has its own downsides. Quarrels... the HR department will tell you more about that; they settle a lot of disputes amongst staff. Most of their time is spent on disciplinary hearings, recruiting and training.

Question 8: Has there been any change in the culture of the organisation since the introduction of PRP?
Well since I joined the organisation, it is more performance oriented; but this is the culture in most banks. You just have to work for your pay. Why should I pay you when the business is running at a loss? This is not a charity organisation. I think it is a good culture. Our investors need to make some profit too.

Question 9: Do you think there should be a modification of the PRP scheme to address some of these issues raised?
Yes. Right now the scheme focuses employees on the reward part of the organisational strategy. All they talk about is the money they get when they meet their targets. Don’t you think a commitment scheme should be implemented? When employees are committed you would not need to bribe them to do their jobs
MASL EMPLOYEE INTERVIEW

Question 1: What are the reasons for the introduction of PRP in your organisation?
To motivate employees, increase the profitability of the organisation, to retain high performers. Let me say retention of top performers and profitability.

Question 2: Has it achieved this?
In a lot of ways, yes it has achieved this, but we still see top performers leave for other multinational banks.

Question 3: Has PRP changed the culture of your organisation?
Yes it has definitely changed the culture of the organisation. It is more performance oriented. We focus a lot on hitting our targets or even exceeding it. All we see is the reward at the end of the financial year.

Question 4: Do you prefer team pay to IPRP?
Yes I love individual PRP but I don’t mind team working. It gives me a sense of belonging and also brings me up to date with the gossips in the office. The quarrels are nice because it makes life more exciting.

Question 5: Has the introduction of PRP lead to satisfaction with your job?
Satisfaction with my job? Yes I am. But with the money no I am not. How can I be?

Question 6: Are you more committed to your job and organisation?
What do you mean by commitment? If I get an offer of a higher salary in another organisation, then I am off, I would not think twice about it. The employer employee relationship these days is all about the money. Isn’t it? The psychological contract. Think about it. If not why link our pay to performance. But I don’t mind PRP. It is my bargaining tool.
I can say I am committed to a point. I am sorry to say if another job comes up with a higher pay I will leave. That is life. I have to think about raising the standard of living for my family.

Question 7: Would you say you are loyal to this organisation?
I would rather not answer that. I am loyal to an extent. Then ....

Question 8: Are you happy with the PRP being operated here?
Yes I am happy with it. But they can increase the percentage linked to PRP as we are making a profit each year.

Question 9: Is the money linked to PRP sufficient to motivate you to do better at your job?
Well yes to an extent. But the level of Pay linked to PRP should be substantially increased.

Question 10: What challenges have you faced since the introduction of PRP?
Not much really. Just the usual competition from colleagues-Envy, jealousies etc. also meeting my targets. But now that is just a part of me. I see it as part of my job.
EMPLOYEE 2 (MASL)

Question 1: What are the reasons for the introduction of PRP in your organisation?

Profits, profits, profits…. What else; Maybe to motivate employees. But you need to ask yourself the question, why do you want to motivate me with money? Answer, to increase my performance for more profits. So it all boils down to profits. Doesn’t it?

Question 2: Has it achieved this?

Yes, but employees keep leaving for other banks, especially the multinationals.

Question 3: Has PRP changed the culture of your organisation?

Yes we are more targets driven, more performance oriented. Everything is all about performance. I also think that the idea of PRP is a good one and it is also fair. Why pay me for not producing? Where would you get the money to pay me?

Question 4: Do you prefer team pay to IPRP?

I love IPRP, but I don’t mind team working especially when it is linked to a reward. You get the best of both worlds. Friendship and money. With IPRP, you make lots of enemies as you work towards meeting your targets, because you do step on other people’s toes.

Question 5: Has the introduction of PRP lead to satisfaction with your job?

Not really, I am usually looking for the next big thing. I don’t know if I am satisfied. If I am why then do I strive for more and more? My answer would be no, I am not satisfied with my job. I strive for more challenges. You could say I am restless spirit

Question 6: Are you more committed to your job and organisation?
Yes when it is linked to reward. If not I don’t put in much effort. As for the organisation, I would rather not talk about that.

Question 7: Would you say you are loyal to this organisation?
Increase the amount of money offered by PRP so I won’t be tempted to leave.

Question 8: Are you happy with the PRP being operated here?
Yes I am. It is for the driven, the top performers. Others would be demotivated.

Question 9: Is the money linked to PRP sufficient to motivate you to do better at your job?
No, it should be substantially increased.

Question 10: What challenges have you faced since the introduction of PRP?
Nothing I can think of right now.
Question 1: What are the reasons for the introduction of PRP in your organisation?
The main reasons were to motivate employees, improve performance, reduce turnover, increase profitability and retain high performers.

Question 2: Has it achieved this?
Yes but it has increased staff turnover.

Question 3: Has PRP changed the culture of your organisation?
Yes it has changed the culture of the organisation, but that is a good thing as we are more performance driven. This new culture has enabled us to be able to compete effectively in the market. The idea of PRP is a good one. It has made us richer and increased our standard of living. You put in more effort then you get well paid.

Question 4: Do you prefer team pay to IPRP?
I love working with IPRP because I have more control over my job. I am a control freak. But I do enjoy team working. We all celebrate our achievements together. It is more fun working in groups. We also share ideas and experiences and have the opportunity to travel together for business and get to know each others families.

Question 5: Has the introduction of PRP lead to satisfaction with your job?
Yes but I would like an increase in the PRP award. I am not sure if I am satisfied, but on this occasion I would say yes.
Question 6: Are you more committed to your job and organisation?

The introduction of PRP has made me happier and given me a focus. I am committed as far as there is a reward attached to it. I find it hard to do jobs that are not linked to a performance payout. I am committed to that extent.

If I am offered more money by another employer I may leave, I am not sure. But damn, I will be tempted to leave.

Question 7: Would you say you are loyal to this organisation?

To an extent, yes.

Question 8: Are you happy with the PRP being operated here?

Yes, but increase the performance payout linked to PRP.

Question 9: Is the money linked to PRP sufficient to motivate you to do better at your job?

Well I am meeting my targets so I am motivated, but I wouldn’t mind some more money.

Question 10: What challenges have you faced since the introduction of PRP?

Competition from employees in the bank and other organisations.
Appendix 7: Result from the interview held at First Assurance PLC

INTERVIEWS WITH EMPLOYEES AT FIRST ASSURANCE PLC

Interview with the General Manager of First Assurance PLC. Chief Sony Udom.

Question 1: Why was PRP introduced in your organisation?
It was introduced a couple of years after its successful introduction and operation in our sister company. The reason for its introduction was mainly to change the culture of the organisation. If the underlying culture can be changed then it would lead to improved performance and increase profitability of the organisation.

Question 2: Has PRP achieved its desired result?
Truthfully NO.
Why?
There are a few explanations I could give. But you as the researcher are supposed to find that out.
Beaurocracy is the main issue. We as an organisation were bought over from the government by a group of private investors, though the government, who insisted that we keep some of its staff in key positions. This has brought a lot of managerial problems.
PRP brings along with it a culture change to that of a performance orientation which is measured in monetary terms in this sector; but our former culture profit did not matter, it was service to the people. Whether we made a profit or not didn’t matter, we were paid and we got promoted regardless.
Now we have investors who put in their money and see the organisation as an investment, they want to see a return on their investment. They introduced PRP, downsized the organisation, brought in very young, dynamic and educated professionals in various field (that was an expensive investment) as the insurance sector is quite slow, very unlike the banking sector. Only government agencies and parastatals and very large multinational organisations buy insurance. Ordinary individuals don’t buy insurance, except the rich. This is a challenge we face everyday in this sector, but we are doing our very best to keep afloat.

Question 3: Are you then saying that it is impossible for PRP to succeed in First Assurance PLC?
No I didn’t mean that. I just discussed the challenges that we face each day.

Question 4: Could you please explain?
I am saying it takes time to change the culture of the organisation as it is embedded.

Question 5: Do you think the employees are committed to their jobs?
Yes, why not there is a very high rate of employment and they love the fact that they are now privately owned because they get their salaries on time.

Question 6: What about job satisfaction?
No, I don’t think so. We have been running at a loss for over 3 years, this is very worrying. We are being supported by the profits from our sister company MASL. There is a threat of closures or do I say mergers. That means jobs losses. So on the issue of satisfaction; no one is satisfied as our jobs are not secure.
Question 7: Do you think the idea/principle of PRP is a fair one?

The principle yes. The practice no. It is not a suitable scheme for this organisation. Our underlying culture does not support it and employees are against it.

The employees still feel they should be paid a bonus like MASL and their salaries increased yearly like MASL too, but there is a difference which they seem not to realise. MASL is making a profit yearly, their employees are meeting and exceeding their targets, their underlying culture supports PRP. While we are the opposite. This brings a lot of dissatisfaction and demotivates the employees.

Question 8: What do you think?

I think the idea of PRP is a good one. Why should I pay you if I make no profits and you are not meeting your targets? Are they actually putting in any effort, or just comparing themselves to the employees at MASL?

Question 9: What has been the success rate of the PRP in operation?

Success rate? Has there been any? Only a handful, if any. Government corruption and beaurocracy at top levels has not allowed us to make any profit.

Question 10: Can you please explain?

That's all I have to say.

Question 11: Has there been any change in the culture of the organisation?
Yes. I could say that. Employees have just realised that either they improve their performance or lose their jobs. There is also the threat of the newly employed graduates who are meeting their targets and getting the rewards associated with the PRP in place.

Question 12: So why did you say earlier that PRP has not succeeded?
The mentality of the employees from the old government agency. If we keep them, we wouldn’t be able to move forward with the changing times and management practices. We wouldn’t be able to compete in the market and already we are losing a lot of the market share.

Question 13: Do you think there needs to be a modification of the PRP scheme in operation?
Yes.

Question 14: How?
That’s your job. Find that out for your self.

Question 15: But I need your ideas too.
Okay. Trust needs to be built between employees and management. They feel we are out to make profit at their expense. But even if trust is built I am sceptical that a change will occur. The attitudes are so negative. They want everything for free. How do you change that type of culture? You need to think of something really fast.
My name is Azeke Daniels. I am the branch manager for Abuja branch of First Assurance PLC.

Question 1: What are the main reasons for the introduction of PRP?
Profitability and culture change.

Question 2: Has these objectives been achieved?
Very little has been achieved. Public and private run organisations have different values. We need to change our values, attitudes and mentality before PRP can succeed in our organisation.

Question 3: Why hasn’t PRP achieved its objectives?
The people, the government, our policies, the market or sector we operate in. where do I even start?

Question 4: Are you saying that all these are obstacles and difficulties faced by the organisation?
Yes, moving from a government owned organisation to being run by private investors, is a great challenge. Our investors monies are at stake. Employees don’t realise this. They want to be paid as much as employees from our sister company MASL, without working as hard as they do. The Nigerian market or people don’t place much value on insurance as it is not a major requirement by law to have insurance on anything except cars. Only the government and large organisations buy insurance.
Question 5: Do you think the principle of PRP is a good one?
Yes I think so. If it can work at MASL, then why can’t it work here?

Question 6: Are employees committed to their jobs and the organisation since the introduction of PRP?
No, they only stay because there are no jobs for them elsewhere. They put in no effort but complain about the pay. They feel it is unfair that MASL salary scale is nearly twice ours. I do feel it is unfair but the truth is that they run on a profit year in year out and so can afford to pay themselves that much. Their profits also service our organisation and pay our salaries too. So why should we complain. Without them we would be with out jobs. So why don’t we try as an organisation to make PRP work for us?

Question 7: What changes have occurred since the introduction of PRP?
There has been a lot of opposition and very negative attitudes. Very little motivation as only a few people actually receive the performance payouts and this has lead to jealousies and quarrels.

Questions 8: Do you think there should be a modification of the PRP scheme in your organisation?
Yes I think so. The approach. The targets. The salaries should be increased. It should be more people focused than performance focused.
EMPLOYEE 1 FIRST ASSURANCE PLC

Question 1: Do you know the main reasons for the introduction of PRP in your organisation?
It is management and their crazy ideas to motivate employees. The main reason behind all this is profitability. All we hear is the losses we are making.

Question 2: Doesn't that bother you?
Yes it does but what can we do. I think the salaries paid to senior management should be cut by half.

Question 3: Okay do you think the idea of PRP is a good one?
The idea is a good one but the practice is very unfair. It causes so many problems. Our focus is mainly on the tasks that are linked to pay. If we don’t meet our targets we get demotivated and don’t bother to put in any more effort.

Question 4: Has PRP lead to a change in the culture of the organisation?
I don’t know, maybe a complaining one. We are demotivated only management feels it has made us more performance oriented.

Question 5: Do you think it has?
Maybe it has, I don’t know, because all I think about now is how to perform better in order to keep my job.
Question 6: Are you committed to your job since the introduction of PRP?
Committed yes. If not why am I fighting so hard to keep it? Remember the high rate of unemployment. I have a family to feed you know.

Question 7: Are you satisfied with your job?
I don’t know if I am satisfied with it, but the salary is much better than my last job. And it is very regular too. So I am glad about that.

Question 8: Do you think the level of reward PRP offers should be substantially increased?
Yes it should. Systems should be put in place for us to achieve these rewards.

Question 9: Are you happy with the PRP in operation.
No it should be scrapped and discontinued immediately.
EMPLOYEE 2

Question 1: What are the main reasons for the introduction of PRP?
To motivate employees so as to make a profit.

Question 2: Do you think the idea of PRP is a good one?
Yes I think so

Question 3: Do you think the PRP being practiced in your organisation is fair?
No, our targets are impossible to meet, since the insurance market is slow. We are then penalised in the pay packet for not meeting our targets.

Question 4: Has PRP changed the culture of your organisation?
Yes we only look and talk about performance. We are less people oriented.

Question 5: Do you prefer team PRP to IPRP?
I really don’t care; this whole PRP scheme should be scrapped. I don’t mind IPRP.

Question 6: What about commitment? Are you committed to your job since the introduction of PRP?
No it has demotivated me. I wouldn’t go any extra mile to achieve any reward.

Question 7: Are you satisfied with your job?
Yes, I have no other option, with the skills I have. What would I use to give me an edge over others during interviews? It is quite sad. But if I see another better paid job I would leave.
EMPLOYEE 3

Question 1: Do you know management's main reason for the introduction of PRP?
It must be to motivate employees to work harder, which would lead to more profits.
It was just to let us know that we have been bought over by new investors and maybe to implement a change to the way we do things here.

Question 2: How do you do things here?
Being a government agency, we were used to taking things a lot easier, no pressure, no hurry. Whether we make a profit or not we still get paid and promoted. Our performance was not tied to our salaried but now everything seems to have changed. Hasn’t it?

Question 3: So would you say the implementation of PRP has changed the culture of your organisation?
Yes we feel it is performance and target driven. Everything is all about high performance. That's all we hear.

Question 4: Do you think the principle of principle is a good one or a fair scheme?
Yes I think the principle is a good one. Once implemented it creates a lot of problems. It actually has demotivated us. We feel it is unfair, especially when you put in your best and you still don’t meet your targets. That is highly demotivating.

Question 5: Has the implementation of PRP made you more committed to your job?
I don’t think so because I am always under a lot of pressure to perform, especially after my monthly meetings with my manager.
I am not sure it has. Maybe it has made me realise that my job is worth fighting for. PRP tries to define the worth of an employee to his organisation by his performance only, mostly by meeting your targets. High performers love PRP because they get fast promotions, more money, more recognition and a lot of other benefits. When I see that I get very worried or should I say sad and demotivated.

Question 6: Are you satisfied with your job?
I was satisfied before the introduction of PRP, but now I am always fighting to keep my job. Would you call that satisfaction? We are under a lot of pressure and the competition is stiff. I think the PRP in operation in this organisation should be scrapped and discontinued.

Question 7: But without the profits, this organisation will eventually shut down?
I don’t think so. MASL has been funding us. They should continue to do so till we find our feet. They should reduce their salaries in other to keep both organisations running or they should take the profits from the telecoms company and fund us.

Question 8: But MASL operates exactly the same PRP in operation here?
I know it works for them and remember their salary scale is very good. They have been used to this pressure filled performance oriented culture as it is the only thing that drives them. We haven’t. The introduction of PRP was a real culture shock for us. We thought management was joking until people starting losing their jobs and now we are under a lot of pressure to keep our jobs. I need to keep mine because of the high rate of unemployment.
Appendix 8: Result from the Focus Groups held at First Assurance & MASL

FOCUS GROUP (5 EMPLOYEES in First Assurance)

Question 1: What are the main reasons for the introduction of PRP in your organisation?
To make profits (employee 1)
They say (management) it is to change the culture of the organisation to a more performance oriented one. Has that been achieved? I am not sure maybe a few people but not everyone (employee 2)
Have you forgotten they also said it is to motivate us (employee 3)

Question 2: Do you think the idea of PRP is a good one?
No (employee 1 and 3)
What if I can’t hit my targets I would always be penalised in the pay packet. The idea is a good one but not the practice of it (employee 4)
If you hit your targets then PRP favours you, but if you don’t it doesn’t (employee 2)
PRP is only for high achievers (employee 5)
Yes the idea of PRP is a good one, but not for this organisation, it indicates a symbol of an employees worth financially for the organisation (employee 2)

Question 3: Do you think PRP is fair?
No, if we all come to work 5 days a week, why shouldn’t we get the same pay at the end of the day (employee 3)
Yes it is fair but again, it is not suitable for this organisation (employee 2)

Question 4: Has PRP changed the culture of this organisation.
Yes (all employees)
Yes we now realise that we have to meet our targets and increase our performance in
other to get our PRP bonus (Employee 1)

Question 5: What changed in culture has occurred?
It is more target driven (employee 2)
It is more performance oriented (employee 5)
Our focus is mainly on rewards (employee 1)

Question 6: Do you prefer team PRP to IPRP
I really don’t mind (employee 2, 4 & 5)
Any would do as far as I get a reward (employee 1)
I actually prefer IPRP as it is rewarded financially but team working is not rewarded
financially (employee 3)

Question 7: Are you more committed to your job since the introduction of PRP?
I need to feed my family (employee 3)
Yes at first but now no, but I have got no other job to go to (employee 1)
I am committed to my job but not to PRP (employee 4)
Yes (2 & 5)

Question 8: Are you satisfied with your job?
Yes (employee 2, 4 &5)
Yes as far as I don’t get sacked (employee 3)
No, I am just too demotivated (employee 1)
Question 9: What about the level of reward offered by PRP, should it be increased?

Yes it should be increased (employee 4 & 5)

Who doesn’t want more money (employee 1)

I wouldn’t say no to an increment, it would come in really handy (employee 3)

Question 10: Are you happy with the PRP scheme being operated in your organisation?

No, it should be scrapped (employee 2 & 5)

It has only demotivated me (employee 3)

It would be good if targets were a lot easier to meet, so I could get the reward attached to it (employee 1)
## Appendix 9: COMBINED CORRELATION TABLES FOR THE BANK AND THE INSURANCE ORGANISATIONS

### Combined Correlations for both organisations

<table>
<thead>
<tr>
<th></th>
<th>IPRP</th>
<th>Team working</th>
<th>Culture</th>
<th>Performance</th>
<th>Job satis</th>
<th>Commitment</th>
<th>Level of Reward</th>
<th>Preference</th>
<th>Simultaneously</th>
<th>Damages teamwork</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IPRP</strong></td>
<td>1</td>
<td>.100(**)</td>
<td>.441</td>
<td>.573</td>
<td>.537</td>
<td>.559</td>
<td>.501</td>
<td>.482</td>
<td>-.026</td>
<td>-.27</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.012</td>
<td>.015</td>
<td>.051</td>
<td>.072</td>
<td>.059</td>
<td>.097</td>
<td>.113</td>
<td>.937</td>
<td>.36</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Team working</strong></td>
<td>1.000(**)</td>
<td>.435</td>
<td>.571</td>
<td>.534</td>
<td>.556</td>
<td>.502</td>
<td>.481</td>
<td>-.026</td>
<td>-.27</td>
<td></td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.158</td>
<td>.053</td>
<td>.074</td>
<td>.060</td>
<td>.096</td>
<td>.114</td>
<td>.936</td>
<td>.36</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td>.441</td>
<td>.435</td>
<td>1</td>
<td>.799(**)</td>
<td>.832(**)</td>
<td>.803(**)</td>
<td>.411</td>
<td>.554</td>
<td>-.011</td>
<td>.12</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.152</td>
<td>.158</td>
<td>.002</td>
<td>.001</td>
<td>.002</td>
<td>.185</td>
<td>.062</td>
<td>.974</td>
<td>.66</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>.573</td>
<td>.571</td>
<td>.799(**)</td>
<td>1</td>
<td>.991(**)</td>
<td>.993(**)</td>
<td>.803(**)</td>
<td>.848(**)</td>
<td>.318</td>
<td>.22</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.051</td>
<td>.053</td>
<td>.002</td>
<td>.000</td>
<td>.000</td>
<td>.002</td>
<td>.000</td>
<td>.000</td>
<td>.314</td>
<td>.46</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Job satisfaction</strong></td>
<td>.537</td>
<td>.534</td>
<td>.832(**)</td>
<td>.991(**)</td>
<td>1</td>
<td>.995(**)</td>
<td>.763(**)</td>
<td>.828(**)</td>
<td>.292</td>
<td>.24</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.072</td>
<td>.074</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.004</td>
<td>.001</td>
<td>.357</td>
<td>.44</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>.559</td>
<td>.556</td>
<td>.803(**)</td>
<td>.993(**)</td>
<td>.995(**)</td>
<td>1</td>
<td>.799(**)</td>
<td>.849(**)</td>
<td>.318</td>
<td>.22</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.059</td>
<td>.060</td>
<td>.002</td>
<td>.000</td>
<td>.000</td>
<td>.002</td>
<td>.000</td>
<td>.000</td>
<td>.314</td>
<td>.46</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Level of Reward</strong></td>
<td>.501</td>
<td>.502</td>
<td>.411</td>
<td>.803(**)</td>
<td>.763(**)</td>
<td>.799(**)</td>
<td>1</td>
<td>.952(**)</td>
<td>.456</td>
<td>.14</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.097</td>
<td>.096</td>
<td>.185</td>
<td>.002</td>
<td>.004</td>
<td>.002</td>
<td>.000</td>
<td>.137</td>
<td>.66</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Preference</strong></td>
<td>.482</td>
<td>.481</td>
<td>.554</td>
<td>.848(**)</td>
<td>.828(**)</td>
<td>.849(**)</td>
<td>.952(**)</td>
<td>1</td>
<td>.486</td>
<td>.28</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.113</td>
<td>.114</td>
<td>.062</td>
<td>.000</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.109</td>
<td>.37</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Simultaneously</strong></td>
<td>-.026</td>
<td>-.026</td>
<td>-.011</td>
<td>.318</td>
<td>.292</td>
<td>.318</td>
<td>.456</td>
<td>.486</td>
<td>1</td>
<td>.758(+)</td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.937</td>
<td>.936</td>
<td>.974</td>
<td>.314</td>
<td>.357</td>
<td>.314</td>
<td>.137</td>
<td>.109</td>
<td>.09</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Damages teamwork</strong></td>
<td>-.274</td>
<td>-.278</td>
<td>.126</td>
<td>.223</td>
<td>.245</td>
<td>.235</td>
<td>.140</td>
<td>.284</td>
<td>.758(+)</td>
<td></td>
</tr>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.389</td>
<td>.381</td>
<td>.695</td>
<td>.487</td>
<td>.444</td>
<td>.463</td>
<td>.663</td>
<td>.372</td>
<td>.004</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
### Correlation for the insurance (First Assurance)

<table>
<thead>
<tr>
<th></th>
<th>IPRP</th>
<th>Team working</th>
<th>Culture</th>
<th>Performance</th>
<th>Job satisfaction</th>
<th>Commitment</th>
<th>Level of Reward</th>
<th>Preference</th>
<th>Simultaneously</th>
<th>Damages teamwork</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.915(**)</td>
<td>.676(**)</td>
<td>.494</td>
<td>.314</td>
<td>.177</td>
<td>.106</td>
<td>-.317</td>
<td>-.40C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Team working</strong></td>
<td>.915(**)</td>
<td>.570</td>
<td>.577(*)</td>
<td>.225</td>
<td>.249</td>
<td>.228</td>
<td>.173</td>
<td>-.242</td>
<td>-.46(*)</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.053</td>
<td>.050</td>
<td>.482</td>
<td>.434</td>
<td>.476</td>
<td>.591</td>
<td>.448</td>
<td>.11</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td>.676(*)</td>
<td>1</td>
<td>.583(*)</td>
<td>.617(*)</td>
<td>.278</td>
<td>.146</td>
<td>.291</td>
<td>-.218</td>
<td>-.11</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.016</td>
<td>.047</td>
<td>.033</td>
<td>.381</td>
<td>.651</td>
<td>.359</td>
<td>.497</td>
<td>.73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>.494</td>
<td>.577(*)</td>
<td>.583(*)</td>
<td>.654(*)</td>
<td>1</td>
<td>.693(*)</td>
<td>.698(*)</td>
<td>.198</td>
<td>.27</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.102</td>
<td>.050</td>
<td>.047</td>
<td>.021</td>
<td>.016</td>
<td>.022</td>
<td>.040</td>
<td>.572</td>
<td>.87</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Job satisfaction</strong></td>
<td>.314</td>
<td>.225</td>
<td>.617(*)</td>
<td>.654(*)</td>
<td>1</td>
<td>.693(*)</td>
<td>.698(*)</td>
<td>.198</td>
<td>.27</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.320</td>
<td>.482</td>
<td>.033</td>
<td>.021</td>
<td>.012</td>
<td>.053</td>
<td>.012</td>
<td>.538</td>
<td>.36</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>.177</td>
<td>.249</td>
<td>.278</td>
<td>.673(*)</td>
<td>.693(*)</td>
<td>1</td>
<td>.971(**)</td>
<td>.930(**)</td>
<td>.508</td>
<td>.25</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.582</td>
<td>.434</td>
<td>.381</td>
<td>.016</td>
<td>.012</td>
<td>.000</td>
<td>.000</td>
<td>.092</td>
<td>.35</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Level of Reward</strong></td>
<td>.106</td>
<td>.228</td>
<td>.146</td>
<td>.650(*)</td>
<td>.570</td>
<td>.971(**)</td>
<td>1</td>
<td>.906(**)</td>
<td>.509</td>
<td>.2C</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.743</td>
<td>.476</td>
<td>.651</td>
<td>.022</td>
<td>.053</td>
<td>.000</td>
<td>.000</td>
<td>.091</td>
<td>.52</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Preference</strong></td>
<td>.140</td>
<td>.173</td>
<td>.291</td>
<td>.598(*)</td>
<td>.698(*)</td>
<td>.930(**)</td>
<td>.906(**)</td>
<td>1</td>
<td>.559</td>
<td>.41</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.664</td>
<td>.591</td>
<td>.359</td>
<td>.040</td>
<td>.012</td>
<td>.000</td>
<td>.000</td>
<td>.059</td>
<td>.17</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Simultaneously</strong></td>
<td>-.317</td>
<td>-.242</td>
<td>-.218</td>
<td>.182</td>
<td>.198</td>
<td>.508</td>
<td>.509</td>
<td>.559</td>
<td>1</td>
<td>.781(*)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.316</td>
<td>.448</td>
<td>.497</td>
<td>.572</td>
<td>.538</td>
<td>.092</td>
<td>.091</td>
<td>.059</td>
<td>.09</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td><strong>Damages teamwork</strong></td>
<td>-.401</td>
<td>-.481</td>
<td>-.111</td>
<td>-.051</td>
<td>.274</td>
<td>.293</td>
<td>.205</td>
<td>.416</td>
<td>.781(**)</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.196</td>
<td>.114</td>
<td>.732</td>
<td>.874</td>
<td>.389</td>
<td>.356</td>
<td>.524</td>
<td>.179</td>
<td>.03</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
### Correlations for the Bank (MASL)

<table>
<thead>
<tr>
<th></th>
<th>IPRP</th>
<th>Team working</th>
<th>Culture</th>
<th>Performance</th>
<th>Job satis</th>
<th>Commitment</th>
<th>Level of Reward</th>
<th>Preference</th>
<th>Simultaneously</th>
<th>Damages Teamwork</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPRP</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.994(**)</td>
<td>.831(**</td>
<td>.860(**</td>
<td>.724(**</td>
<td>.594(*)</td>
<td>.292</td>
<td>.320</td>
<td>-.091</td>
<td>-.14</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Team working</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>.994(**)</td>
<td>.802(**</td>
<td>.840(**</td>
<td>.746(**</td>
<td>.574</td>
<td>.328</td>
<td>.349</td>
<td>-.063</td>
<td>-.15</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.002</td>
<td>.001</td>
<td>.005</td>
<td>.051</td>
<td>.299</td>
<td>.266</td>
<td>.845</td>
<td>.63</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>.831(**)</td>
<td>.802(**</td>
<td>.986(**</td>
<td>.664(**</td>
<td>.722(**</td>
<td>.169</td>
<td>.224</td>
<td>-.181</td>
<td>-.05</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.002</td>
<td>.000</td>
<td>.019</td>
<td>.008</td>
<td>.600</td>
<td>.484</td>
<td>.573</td>
<td>.77</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>.860(**)</td>
<td>.840(**</td>
<td>.986(**</td>
<td>1</td>
<td>.737(**</td>
<td>.735(**</td>
<td>.262</td>
<td>.308</td>
<td>-.099</td>
<td>-.05</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.001</td>
<td>.000</td>
<td>.006</td>
<td>.007</td>
<td>.411</td>
<td>.329</td>
<td>.760</td>
<td>.86</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>.724(**)</td>
<td>.746(**</td>
<td>.664(**</td>
<td>.737(**</td>
<td>1</td>
<td>.733(**</td>
<td>.614(*)</td>
<td>.621(*)</td>
<td>.206</td>
<td>.04</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.008</td>
<td>.005</td>
<td>.019</td>
<td>.006</td>
<td>.007</td>
<td>.034</td>
<td>.031</td>
<td>.521</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>.594(*)</td>
<td>.574</td>
<td>.722(**</td>
<td>.735(**</td>
<td>.733(**</td>
<td>1</td>
<td>.525</td>
<td>.571</td>
<td>.164</td>
<td>.2</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.042</td>
<td>.051</td>
<td>.008</td>
<td>.007</td>
<td>.007</td>
<td>.080</td>
<td>.052</td>
<td>.610</td>
<td>.51</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Level of Reward</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>.292</td>
<td>.328</td>
<td>.169</td>
<td>.262</td>
<td>.614(*)</td>
<td>.525</td>
<td>1</td>
<td>.994(**</td>
<td>.576(*)</td>
<td>.34</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.356</td>
<td>.299</td>
<td>.600</td>
<td>.411</td>
<td>.034</td>
<td>.080</td>
<td>.000</td>
<td>.050</td>
<td>.27</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Preference</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>.320</td>
<td>.349</td>
<td>.224</td>
<td>.308</td>
<td>.621(*)</td>
<td>.571</td>
<td>.994(**)</td>
<td>1</td>
<td>.583(*)</td>
<td>.36</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.311</td>
<td>.266</td>
<td>.484</td>
<td>.329</td>
<td>.031</td>
<td>.052</td>
<td>.000</td>
<td>.047</td>
<td>.21</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Simultaneously</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>-.091</td>
<td>-.063</td>
<td>-.181</td>
<td>-.099</td>
<td>.206</td>
<td>.164</td>
<td>.576(*)</td>
<td>.583(*)</td>
<td>1</td>
<td>.806(*)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.779</td>
<td>.845</td>
<td>.573</td>
<td>.760</td>
<td>.521</td>
<td>.610</td>
<td>.050</td>
<td>.047</td>
<td>.00</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Damages teamwork</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>-.148</td>
<td>-.152</td>
<td>-.093</td>
<td>-.057</td>
<td>.044</td>
<td>.208</td>
<td>.346</td>
<td>.383</td>
<td>.806(*)</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.647</td>
<td>.637</td>
<td>.774</td>
<td>.861</td>
<td>.892</td>
<td>.517</td>
<td>.270</td>
<td>.219</td>
<td>.02</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Appendix 10: Reward Strategy


This case describes the developing reward strategy of Standard Guardian Group from 1999 to 2008, a time of considerable organizational change. During this period, the Standard Guardian Group became an independent private financial organization after being divested and buying over various financial institutions from the Federal Government of Nigeria.

The case describes the strategic reward changes that has taken place within these organizations and also describes how it intends to use its new reward strategy to drive organizational change with a focus on performance and a change in the culture of the organization.

This case was prepared by Eno Amasi Maycock at Bedfordshire Business School. It is intended as a basis for my PhD research and not as an illustration of either good or bad management practice. © Eno Amasi Maycock, 2008. Not to be reproduced or quoted without permission.
STANDARD GUARDIAN GROUP

Founded in 1997 by 2 investors, the Standard Guardian Group now has an annual turnover in excess of N400m Naira and nearly 1,300 employees.

Headquartered in Wuye, Abuja, the Federal Capital territory of Nigeria, the Group operates in Nigeria, Tanzania and South Africa in the fields of commercial and mortgage banking, telecommunications, trading, real estate, asset management and downstream sector of the Nigerian oil industry.

The Standard Guardian Group comprises of six (6) distinct companies involved in different aspects of business. The group is made up of the following distinct Companies:

1. Mutual Alliance Property Development Limited: This Company is involved in real estate developments. Presently the company is involved in the development of 400 units of 2-bedroom and 3-bedroom detached bungalows valued at ₦700 million for the Akwa Ibom State Government at Uyo, Akwa Ibom State.

2. Mutual Alliance Asset Management Limited: This Company is involved in consumer leasing/hire-purchase and Payroll Lending. The company presently has the franchise for Motorcycles in Nigeria. The company has monthly turnover in excess of ₦100 million.

3. Mutual Alliance Trading Company Limited: This Company is involved in commodity trading of items such as Rice, Sugar, Cement, Salt etc. The company is also involved in importation of Building materials.

4. Mutual Telecommunications Limited: This Company is in partnership with a South African company (i.e. Skywards Development Limited, SA) for the provision of V-Sat, Internet Services and International Call Card Business in Nigeria.

5. Mutual Alliance Savings and Loans Limited: The Company is a mortgage bank involved in Mortgage, Retail and Investment Banking with 10 branches spread all over Nigeria. Mutual Alliance Savings and Loans is the flagship of the group. Mutual Alliance Real Estate Limited and Mutual Alliance Bureau De Change (proposed) are the subsidiaries of Mutual Alliance Savings and Loans Limited while de Petraco Leasing Company Limited is its associate company.
Fig. 1 Subsidiaries and associate company of Mutual Alliance Savings and Loans Limited

Mutual Alliance Real Estate Limited
This company carries out development of commercial and residential housing, facility management and buying and selling of real estate/land holdings. The company presently has land holdings in its portfolio in excess of N100 million and manages some choice facilities.

Mutual Alliance Bureau De Change (Proposed)
This company will be responsible for foreign exchange transactions and will leverage on the existing customer base of Mutual Alliance Savings and Loans Limited. Application for license has already been submitted to the Central Bank of Nigeria and business is expected to commence once the license is secured.

de Petraco Leasing Company Limited
This company was incorporated in 1993 as a leasing company providing operating leases for its numerous clients in strategic areas such as the financing of heavy equipment, vehicles, generators, speedboats etc. Mutual Alliance Savings and Loans Limited made a strategic investment as core investor into the company in 2008 and re-engineered it to act as a vehicle for its leasing transactions.

6. First Assurance PLC: First Assurance PLC formerly known as Towergate insurance was incorporated in 1984 as one of the foremost indigenous insurance companies in Nigeria. In January 1995, the company became quoted on the Nigerian Stock exchange as a public liability company. It began operation in Nigeria in 1984 as Tower Gate Insurance PLC and was then owned by Ogun state government. First Assurance PLC was bought over in 2001 by Standard Guardian Group of Companies. It carries out motor vehicle insurance, house and building insurance, fire insurance, marine insurance, life and construction insurance.
Sometimes, things just happen all at once. First Assurance PLC formerly known as Towergate insurance was incorporated in 1984 as one of the foremost indigenous insurance companies in Nigeria. In January 1995, the company became quoted on the Nigerian Stock exchange as a public liability company. It began operation in Nigeria in 1984 as Tower Gate Insurance PLC and was then owned by Ogun state government. First Assurance PLC carry out motor vehicle insurance, house and building insurance, fire insurance, marine insurance, life and construction insurance.

In the late 90’s it began performing poorly as compared with its competitors, which include Cornerstone Insurance PLC, Leadway Insurance and Industrial and General Insurance (IGI) PLC this was due to its need to recapitalise, the privatisation policy of the government to revamp its ailing companies, ailing economy, bad debts and poor management. Intense weekend meetings between the periods of February and April 2001 marked the beginning of a very busy period for the top management team and representatives from the Ogun state Government and private bidders.

In April 2001 a group of investors under the umbrella of Standard Guardian Limited, a company with broad interest in commercial and mortgage banking, telecommunications and downstream sector of the Nigerian oil industry became core investors in First Assurance PLC. The number of concurrent changes in the company made for a window of opportunity to redirect the strategic focus of the company. This necessitated the general overhaul of the company for prime positioning in the insurance industry and indeed the Nigerian economy.

The buying over of Tower Gate Insurance PLC lead to the change of its name to First Assurance PLC and a recovery in its profits and performance as a whole in the insurance sector.

The major changes that took place included:

- Right sizing,
- Appointing of new directors,
- Change of the company’s name, logo, vision and mission statement,
- Opening of two new branches so as to serve the eastern part of the country where few insurance companies are represented and
- A major increase in the reward package.
- Performance related pay was also introduced leading to a change in the culture of the organisation to that of performance oriented one and the appraisals are done once a year.
- This has lead to the recruitment of qualified and experienced staff, while other employees with no qualifications where relieved of their services.
Put simply, the new business strategy/mission statement at First Assurance PLC “is to become a dominant player in the insurance industry, by giving a quality and superior service thereby increasing profitability”.

First Assurance Plc, as at 2004 now has 6 branches spread throughout Nigeria, and they include Abeokuta, Lagos, Abuja, Uyo, Calabar and Ibadan with a total of about 62 employees. Its head office is located in Lagos, Nigeria.

First Assurance PLC introduced its new reward strategy (PRP) in 2002. The introduction of Performance related pay carried a clear message that under performance would be rewarded or penalise in the pay package (Annual General Meeting, 2002). First Assurance PLC operates its performance related pay scheme under the umbrella of a performance management system rewarding only Individual Performance.

The cornerstone of this system was the setting of objectives by the implementing manager for the recipient employees. These objectives were derived form the organizations objectives. The main components of these objectives were the ‘hard’ financial targets e.g. sales of insurance packages, number of customers and companies taking out insurance policies and leads for managers and employees to follow up on as well as softer objectives relating to how well managers and employees carry out their jobs.

The objectives and targets for the performance related pay system are assessed and appraised once each year. This is for performance pay purposes, although implementing managers are supposed to conduct monthly reviews to assess progress and if necessary adjust targets and objectives to align with the overall business and reward strategy of the organization.

According to the Chairman of the Group, Dr (Mrs) Mary Essang,

“The culture is moving from one of beaurocracy to one of openness; from efficiency to effectiveness and it has become more performance oriented since the introduction of performance related pay and the appraisal process”.
SUPPORTING THE NEW REWARD STRATEGY

Changes in organisational structure and routines accompanied the company’s claims of a new commitment to this new culture has enabled the employees to think more about the overall impact their performance has on the performance of the organization.

The top management team was changed to incorporate 2 managers from regional offices not just the head office as well 2 managers from the Standard Guardian Group. The new management structure was not only a change at the top level. There were also changes in operating systems.

One of these was the installation of a new accounting system and HR system in September 2002. Earlier, First Assurance (Formerly Tower Gate) had only a vague idea about how much they spent on the marketing of specific insurance products, let alone what their competitors spent, as no correct accounts were kept and historical comparisons could not be made. However, as an independent private company, First Assurance needed to assess the accounting information in new ways to keep track of the various activities taking place within the organization and monitor changes in expenditure and income, in order to make the right strategic decision. All these changes were carried out in order to support the new reward strategy in place within the organization.

BACK TO SQUARE ONE

The review process of the Tower Gate acquisition started 6 months after the closing of the deal. Deciding who had to go and who would stay, what needed to be tackled immediately and what could be left until next year, was a daunting task.

Based on the strategic plan of the Standard Guardian Group and First Assurance PLC, it was clear from the beginning that they were only interested in the household, household and life insurance part of Towergate. Towergate had previously incurred losses for five years in a row on the Nigerian market and market penetration was going nowhere.

Financial Overview - Historical data – First Assurance PLC

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income or Cash flow</th>
<th>Profit or Loss after Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>5 million</td>
<td>-350,000</td>
</tr>
<tr>
<td>2004</td>
<td>5.35 million</td>
<td>-435,000</td>
</tr>
<tr>
<td>2005</td>
<td>5.1 million</td>
<td>-60,000</td>
</tr>
<tr>
<td>2006</td>
<td>4 million</td>
<td>-50,000</td>
</tr>
<tr>
<td>2007</td>
<td>3.5 million</td>
<td>-25,000</td>
</tr>
<tr>
<td>2008</td>
<td>5 million</td>
<td>30,000</td>
</tr>
</tbody>
</table>

*£1 Pound = Approximately N200 Naira
A NEW BEGINNING AND DIRECTION – Mutual Alliance Savings & Loans Limited, Mortgage Bankers

Mutual Alliance Savings and Loans Limited was incorporated on 20th August, 1992 as Quality Homes Savings and Loans Limited with a paid-up capital of N10 million. Mutual Alliance Savings and Loans Limited formerly known as Quality Homes is a Mortgage Bank, which also carries out the functions of commercial banks too.

The mortgage industry is just gaining prominence in Nigeria and very few financial institutions carry out these services. It has over 120 employees and about ten branches throughout Nigeria. The branches include Abuja, Lagos, Uyo, Kubwa, Calabar, Ugep, Ikot Omin, Ikot Ekpene, Port-Harcourt, Oron and Uyo’s main head office.

Its commercial performance was poor in the 1990s in comparison with its major competitors. This was as a result of both external and internal factors such as:

- The increasingly competitive financial market, with competition from the banking industry well placed to take advantage of the growth in the financial sector.
- The need to yield cost savings and benefits
- The need to recapitalise
- The privatization policy of the government to revamp its ailing industries
- Poor management and misappropriation of funds
- Poor performance.

In 2001, the Bank was taken over by strategic investors (Standard Guardian Group) who reorganized and re-engineered the bank and changed the name to Mutual Alliance Savings and Loans Limited with a fully paid-up share Capital of N100 million.

The early 2000s saw a recovery in profits, this recovery was in part due to the major changes that took place in Mutual Alliance (MASL), which included:

$ Restructuring and buying it over
$ Which lead to a change in its name,
$ Change of its reward strategy - Performance related pay was introduced leading to a change in the culture of the organisation to that of performance oriented one, with appraisals carried out once a year.
$ Downsizing and the closure of a few branches and
$ Opening of five new branches to serve the eastern part of the country and
Relocating it headquarters from Lagos to Uyo.
Appointing of new directors,
Change of the company's name, logo, vision and mission statement,
A major increase in the reward package.
This has lead to the recruitment of qualified and experienced staff, while other employees with no qualifications where relieved of their services.

A major change that took place was the inclusion of performance related pay into its reward strategy. Senior management emphasised the organisations vision and strategy which is to increase profitability, maintain and keep good customer relationships and reward and keep high achieving employees. In addition the scope of the performance targets/objectives for employees in this organisation is restricted and seemed to dwell mostly on the achievement of financial business targets. This is consistent with the emphasis of the new reward strategy of increasing profits. There has also been a culture change towards that of increased performance.

The key purpose of the PRP being operated is to:

- Improve the performance of the organization.
- Distribute pay increases in line with employee contribution.
- Motivate employees by letting them have influence over the achievement of targets and thereby having influence on their financial rewards.
- To offer competitive rewards in comparison with competitors in order to increase commitment and attract high caliber staff.
- To instill a positive message about performance expectations and achievement of objectives for the good of all thereby making employees feel more secure with their jobs (job satisfaction).

These are monitored in two ways; firstly objectives/targets are assessed annually at the end of every financial year, for the performance pay purposes, through performance appraisal processes and then implementing managers conduct monthly reviews to assess progress against objectives and adjust them to align with the overall business strategy.

Presently Mutual Alliance Savings and Loans Limited has an authorised share capital of N400 million divided into 800 million ordinary shares of 50 kobo each. The company's head office is situated at No. 209, Oron Road, Uyo Akwa Ibom State.
Corporate Governance Structure
The general policy of the Bank is determined by the Board of Directors comprising of six (8) industrious and experienced professionals, committed to the highest ideals of service excellence.

The Bank’s vision and strategic objectives are delivered by an executive management team, headed by the Chief Executive Officer Mr Okon Amasi -B.Sc. Biochemistry, PGD. Chemical Engineering, MBA (Finance) and the Chairman Dr. (Mrs.) Mary Essang, Chairman - B.A., M.A., PhD. (Educational Administration), FIAM, JP.

Vision
“Our vision is to be among the top three mortgage banks in Nigeria in terms of profitability, and market share.”

Mission Statement
“To create a unique mortgage bank focused on providing the best financial services available, using creative business solutions to meet our customers’ needs and powered by committed, experienced and well trained professionals, supported by the best technology available to achieve quality service to our customers and good returns on investment for all stakeholders”.

Our Core Values
- Integrity, Passion, Professionalism

Strategic Business Plan (2007 - 2010)
- The bank intends to set up new branches/cash centres in a least six viable Local Government Areas in Akwa Ibom and Cross River State where banking services are non-existent and two additional cash centres in Lagos and Abuja. This will enable the Bank to increase its portfolio of savings accounts.

- With the increased accessibility to funds by the middle class and civil servants for house acquisition, Mutual Alliance is very aggressive in the development of affordable housing, sites, service and commercial properties.

Products & Services
A summary of our services & products are as follows:
- Current Accounts
- Normal Savings Accounts
- Target Savings Accounts
- Investment Accounts
• Credit Facilities: Our credit facilities includes: Rent Payment Scheme, Bank Guarantees, Invoice Discounting, Mortgage Loans, National Housing fund Loans, House Improvement Loans, Personal Loans, L.P.O Financing.
• Cash Management Services
• Local Money Transfer Services with our Branches
• Bills Collections Services.
• Foreign Currency Denominated Business: The Bank carries out this kind of business through correspondent banks.
• Leasing, Real Estate Development.
• Stock broking: Our sister Company carries out these transactions on behalf of our customers.

SUPPORTING THE NEW REWARD STRATEGY
Changes in organisational structure and routines accompanied the company’s claims of a new commitment to this new culture has enabled the employees to think more about the overall impact their performance has on the performance of the organization.

The top management team was changed to incorporate 6 managers from regional offices not just the head office, as well 3 managers from the Standard Guardian Group. There were also changes in operating systems.

One of these was the installation of a new accounting system and HR system in September 2002. Earlier, Mutual Alliance Savings and Loans, Limited had only a vague idea about how much they spent on they invested, their profits and bad debts, as no correct accounts were kept. However, as an independent private company, Mutual Alliance Savings and Loans needed to assess the accounting information in new ways to keep track of the various activities taking place within the organization and monitor changes in expenditure and income, in order to make the right strategic decision. All these changes were carried out in order to support the new reward strategy in place within the organization.

BACK TO SQUARE ONE
The review process of the Mutual Alliance Savings and Loans acquisition started 1 year after the closing of the deal. Deciding who had to go and who would stay, what needed to be tackled immediately and what could be left until next year, was a daunting task.

Based on the strategic plan of the Standard Guardian Group and Mutual Alliance Savings and Loans Limited senior management team, it was clear from the beginning that they were only interested in the Mortgage, Real Estate, Leasing and banking side of things.

Financial Overview
## Historical data – Mutual Alliance Savings & Loans Limited

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income or Cash flow</th>
<th>Profit or Loss after Tax</th>
<th>Profit Transferred to Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>105 million</td>
<td>2.51 million</td>
<td>1 million</td>
</tr>
<tr>
<td>2003</td>
<td>106.5 million</td>
<td>5.7 million</td>
<td>3 million</td>
</tr>
<tr>
<td>2004</td>
<td>110.2 million</td>
<td>6.2 million</td>
<td>3 million</td>
</tr>
<tr>
<td>2005</td>
<td>113.4 million</td>
<td>14.4 million</td>
<td>8 million</td>
</tr>
<tr>
<td>2006</td>
<td>119.7 million</td>
<td>26.5 million</td>
<td>6 million</td>
</tr>
<tr>
<td>2007</td>
<td>140 million</td>
<td>48.5 million</td>
<td>8 million</td>
</tr>
<tr>
<td>2008</td>
<td>180 million</td>
<td>39 million</td>
<td>9 million</td>
</tr>
</tbody>
</table>

*£1 Pound = Approximately N200 Naira*