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Reward economics and organisation: The issue of effectiveness

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The paper sets out to assess the relationship that exists between reward in an organization and organizational effectiveness. Organizational effectiveness is defined in terms of profitability. Guinness Nigeria Plc was taken as the case study. An instrument of questionnaire containing both open and close ended questions was used to elicit information from both the management staff and employees of Guinness Plc, Benin city, Nigeria on their perceived impact of reward structure on organizational effectiveness. The study tested three main hypotheses with the use of chi-square technique. Our study revealed that organizational effectiveness can be achieved to a great extent with solid reward structure and that corporate reward policy influences individual employees' behaviour. It was also found that non-financial rewards, such as training and development, seminars, symposia and workshops can enhance organizational effectiveness. However, the application of the coefficient of contingency test on one of our chi-square analysis result indicated that there is a weak correlation between the effectiveness and salary structure under investigation. This phenomenon results in a major break through in our study in that it pin-points that organizational effectiveness can not be achieved only by the organization's reward structure. Thus, effectiveness is a variable of so many factors and individual needs and goals are not always the same. This study therefore recommends that a piece rate system of reward can be adopted to mechanically link pay to job performance.

Key words: Reward, economics, organization, effectiveness, human behaviour.

INTRODUCTION

Organizational rewards influence a variety of behaviour—those that have an internal impact on the organization, as well as those that have an external impact on the organization. Another area of concern to managers is retaining valued employees and making the best use of their time. This problem involves the dual tasks of reducing turnover and minimizing the time lost through absenteeism. Rewards can be used to keep the organization and the attractiveness of the job itself. The organization reward policy has an external influence on the source of labour supply. All organizations face various degrees of competition in variety of labour markets. Supply and demand conditions in these markets require that organizations offer rewards that are competitive enough to attract a sufficient number of competent job applicants.

In practice, this requires that an organization offer rewards that are not too low to attract such applicant, but that are not unnecessarily high. A casual acquaintance with people in organizations will demonstrate that they choose careers, join organizations, decide to stay or leave employment, and decide to perform at given levels for a wide variety of reasons. Social workers, while not liking the low pay associated with the jobs, might enjoy the opportunity of providing a very tangible service to those who need it most. In contrast, a crane driver, on the other, may not really like anything about the job, except that it pays extremely well and allows him to be free of close supervision. Another thing is that, people go for a particular job for a variety of reasons. Very few employees have single over-riding reason for working where they do, and each differs from the other in his or her reasons. While money is not often the only reward a person seeks through employment, indeed, in some cases, money may even be of secondary importance after
several considerations, as is the case with the management trainee. Moreover, research studies have also shown this. The content theorists suggest that the manager's job is to create work environment that respond positively to individual need. To them, individual needs activate tensions, which influence job satisfaction and work behaviour. On the other hand, the process theories offer a more dynamic alternative. Process theories seek to understand the thought processes that take place in the minds of people and which set to motivate their behaviour. Two process theories that offer significant managerial implications are the equity theory and the expectancy theory. Equity theory is a process theory whose origins lie in studies of social comparison. Inequity is a motivating state of mind. That is, when people feel a sense of inequity in that work, they will be aroused to move the discomfort and restore a sense of felt equity to the situation. Management has varying degree of control over the amount and distribution of rewards, depending upon the nature of the reward. For example, a company may have direct control over the policy by which monetary rewards are set and administered, while having little or no control over facets of the job that the employee finds inherently interesting.

In essence, for the organization to be effective, it must be able to structure a reward policy that will match the desired reward of the employee. Because, while intrinsic reward is sought by some employee, others may be interested in extrinsic reward and the attainment of this is a problem, since we have varieties of desired reward. Of all the factors in the production process, man is the most complex. This complexity, as we know, is attributable to the fact that the worker, indeed the human being, is a dynamic entity that can articulate himself, has feelings, emotion, expectations, attitudes, anxieties and experiences, in the bid to socially satisfy his need for survival. It is the extent to which these characteristics are understood and appropriately channeled that determines an organization's effectiveness vis-à-vis the reward derivable by the workers. Policies on how rewards should be managed need to be formalized to ensure that the development of various components of the system is geared towards achieving overall aims. The policies should be thought through against the background of an understanding of:

i) The main factors affecting reward levels in an organization.
ii) The role of money as a motivator and, importantly, the corporate culture.

The main objective of this paper is to assess the impact of reward structure on organizational effectiveness. To achieve this, three main hypotheses are tested. They are:

H₀₁: There is positive and significant relationship between salary structure and organizational effectiveness.

H₀₂: The way in which rewards are distributed influences the behaviour of individual employee.

H₀₃: There is positive and significant relationship between job performance and management reward structure.

CONCEPTUAL AND THEORETICAL REVIEW

Organizational effectiveness

Management and organizational theory scholars like Schein (1970), Duncan (1973), Webb (1974), Child (1969) and Goodman and Whittingham (1969) have remarked that the literature on organizational effectiveness is large and growing. As a result, there seems to be little consensus on how to conceptualize, measure and explain effectiveness. In spite of this intractability, the field of organization theory in particular and management in general offers some insight into the conceptualization, measurement and explanation of organizational effectiveness. Cunningham (1977) maintained that “the concept of organizational effectiveness is an elusive one and there is no single adequate way of defining it”. However, Lmosilli (1978) remarked that most practicing managers agree that organizational effectiveness incorporates both economic and non-economic behaviour or dimensions.

Conversely, Veldsman (1980) defined organizational effectiveness as a qualification and value attached to an organization resulting from the comparison of the actual state of the entity against its ideal state. He maintained that an organization is effective if the actual state is congruent with the ideal and ineffective if the actual state is incongruent with the latter state. To him:

"the value ascribed to an organization depends on the evaluator's conception of the state of that organization. For example, whether an organization is described as effective or ineffective depends on the evaluator's ideal state. This ideal state, in turn, prescribes the aspects of the actual state of the organization, which the evaluator will use to make his comparison".

Viewing organizational effectiveness in Veldsman's perception gives the evaluator freedom to decide on what should constitute the ideal state. Thus, a lot of individual judgment is required. But for the judgment to be realistic, it must be based on defined criteria. Among other criteria, the individual must consider the type of enterprise under study and the various environmental stakeholders of the organization. Nonetheless, giving each evaluator the chance to decide on the criteria by which to measure and compare organizational effectiveness will provide various criteria and thereby widen and worsen the management theory jungle. In contrast, the varied conceptualization of organizational effectiveness that may arise from different
individuals may be a means of expanding the body of knowledge on the concept of organizational effectiveness. In another dimension, Cameron et al. (1978) posits that:

“Organizational effectiveness may be typified as being mutable (composed of different life stages), comprehensive (including a multiplicity of dimensions), divergent (relating to different constituencies), trans positive (altering relevant criteria when different levels of analysis are used) and complex (having non-parsimonious relationship among dimensions)”

Similarly, Maheshwari (1980) maintained that organizational effectiveness is a multi-dimensional concept, which has no agreement as to which dimensions are significant and should be used as the basis of analysis. He however, remarked that several variables must be used for measuring organizational effectiveness. Further, he warned that selection of appropriate variables should depend on the nature of the organization being studied. Categorically, he remarked that organizational effectiveness measures for business organizations are expected to be different from those for social services or research organizations even though similarities can be observed.

In addition, he advised that the specific environment, traditions, internal processes, resources, technology and goals should be considered in selecting organizational effectiveness dimensions. Here again, Caplow (1976) and Duncan (1973) maintained that research on effectiveness should include appropriate universal indicators of effective organizations. To them, the universal indicators of effective organizations are typified largely by adaptivity, flexibility, sense of identity, absence of strain and capacity of reality testing. As Maheshwari (1980), Rice (1963), Hall (1976) and Scott (1981) maintained, since organizations have different characteristics, goals and constituencies, each type of organization requires a unique set of effectiveness criteria. However, Evans (1976) suggested that all the variables need not be operationalized in any given study. He also maintains that an organization needs not to be high or low on all the dimensions. Similarly, Molner and Rogers (1976) opined that:

“Not only do the pragmatics of research contain the types and sources of criteria that can be considered, but some choices of criteria may be appropriate in one type of organization than in another”

Based on the views of Molner and Rogers (1976), the existence of universal indicators of effectiveness as posited by Georgelous and Tannenbaum (1957), Caplow (1964) etc. all becomes questionable. Still on effectiveness, Lawler (1986) in his comprehensive model, believed that effective organizations are built on effective individuals who work effectively in groups. For him, organizational effectiveness is determined by individual related variables. He maintained that these different variables are interrelated and interact in a dynamic way. Supporting the individual-related level of analysis, Levitt and March (1988) maintained that “no organization can achieve greatness without a vigorous leader who is driven onward by his own pulsating zeal to succeed”.

Lawler (1986) based his system analysis of organizational effectiveness on the premise that if individuals are effective, the group will be and if the group is effective, the organization will be too. This interactive influence of the various levels is noteworthy considering the contribution of human resource in organizations. However, an organization staffed with the most competent individuals may not achieve effectiveness without other resources and favourable environment.

**Reward**

There have been many radical changes in the remuneration scene. The emphasis has moved from relatively inflexible salary structures to increasing use of performance related reward system, which is tailored more precisely to individual organizational need.

The whole reward structure changed dramatically in the mid 1970s (about 1976) with the introduction of Government Income Policy Guidelines. With the very high level of inflation, the reward system witnessed the following main features:

1. The prevalence of incremental payment system based on service. Many organizations resorted to elongated incremental steps to avoid employees getting to the top of their grades too soon. This has created problems – particularly in public sector.
2. Rigid pay structures due to the restructured nature of the income guidelines.
3. Out-dated job evaluation schemes arising from neglect and grade drift (unjustified promotions in order to get around incomes policy).
4. An over-emphasis on fringe benefits in the form of company cars, accommodation, etc.
5. A failure to control pay roll costs because they were seen as either insignificant or under outside control.

In addition to the aforementioned features, the following other changes have also taken place:

(i) Emphasis on Performance: The enterprise culture postured by the government policy has led to all sorts of initiatives designed to encourage performance-related pay. Sharp competition and the emergence of highly rewarded jobs in the finance sector and service industries such as banks and advertising, has led to a substantial increase in the belief that reward should be ‘commensurate with the results achieved’. Specifically, organizations have been learning how to manage performance more
effectively by setting profit objectives and spelling out what people are expected to achieve and what they will get for doing so: Shifting the balance between basic salary and performance and review practices-making managers discriminate between good and poor performance. (ii) Technological change: Technological changes (e.g., computerization) have created many new jobs and skill shortages have resulted in wide variations in market rate. (iii) Market fragmentation: The growing number of highly paid specialists and the variation in market rates arising from this development and from technical change have resulted in the creation of market groups that have had to be specially catered for in pay structures. As a result, internal equity considerations have sometimes become less prominent. (iv) Widening differentials: The emphasis on performance payment for responsibility and the pressure of markets rates have increased the gap between senior managers, professionals, and other staff. The glittering prizes that have become increasingly available may well encourage ambition and enterprise among those with the ability and the opportunity to reach for them. But this development can create envy and apathy among middle managers and more junior staff on whose effort, however uninspired they may seem by comparison, organizations depend to get the bulk of the work done. The reward culture can over-emphasis the benefits available to the favoured few. The needs of the great majority of staff must not be neglected.

**METHODOLOGY**

**Population and sample of the study**

The population of this study is infinite comprising of people employed generally in all facets of work-life. However, the study selected Guinness Nig. Plc., Benin City as the case study. Guinness Nig. Plc., Benin City was opened in 1974 as part of Guinness Nig. Plc., which was incorporated in 1962 and listed on the Nigerian Stock Exchange in 1965. The company’s gross earnings rose from N62.2 million to N43.48 billion in the second quarter of 2008. The choice of this company is derived from three main points:

1. It is a relatively large-sized establishment with formalized administrative structures.
2. Employees of the company are members of trade union and staff associations.
3. It is within the proximity of the researchers – this will reduce cost and energy involved and enables the study to be completed within a reasonable time frame.

Within the organization, all the employees constitute the population. The sample was taken by selecting employees at random irrespective of their departments. The sample also includes the top managers in the personnel department where reward policies are being made. The principal reason for choosing these sets of people is the peculiarity in their characteristics. The choice of Guinness Plc. is purely judgmental, while the employees that made up the sample were selected by random sampling and quota sampling for the personnel department top managers. The sampling technique adopted for any study should be determined by the purpose of the study. The aforementioned technique, which is a combination of both probability and non-probability sampling techniques enable the relevant elements to be included in the sample to be able to achieve the objective of this study.

**Research design**

As a strategy, the research design used in this study is descriptive and cross-sectional survey. On the one hand, the descriptive design method was suitable because it enables the researcher to know how rewards are structured and the impacts it makes on organizational effectiveness. On the other hand, a cross-sectional approach is used for the following reasons:

1. To enable the researcher to collect primary data on a definite research studies and thereby providing first-hand information.
2. It is used instead of the longitudinal studies because the advantages of the latter could still be achieved by astute questioning about the past attitudes, present practices and future expectations.
3. It was also assumed that the respondents were able to recall their past, assess their present and predict their future in terms of their inputs to the study.

Two sets of questionnaires were designed and administered to 90 respondents; 20 and 70 questionnaires to the top managers and employees, respectively, for the survey. Though questionnaires, as research instrument, have their merits and demerits, the open-ended and closed response patterns used in the study reduced the demerits and enhanced reliability of the data. First, the open responses form two or more predetermined response possibilities. Though, some critics argue that the closed response form imposes a choice on the respondent, its application results in standardized answers, which are relevant to a particular study. The questionnaire was in two forms. One was for the top management and the other for the employees. Each was also divided into three sections. Section I was on personal data. Section II on reward policy and organizational effectiveness. Closed responses were employed here. Section III comprised of open-ended questions, which provided further insights on the subject matter of the study.

**Operational measures of the variables**

The operational definitions of the dependent and independent variables were discussed under the review of concepts. Here, their measurement is dealt with. The dependent and independent variables are organizational effectiveness and corporate reward structure, respectively. They were measured with questions 6 to 14 in section II of questionnaires I and II, respectively. The respondents were required to indicate the extent to which reward has affected the effectiveness of Guinness Nigeria Plc. as a corporation. The following options were provided:

1. Little extent
2. Moderate extent
3. Considerable extent
4. Great extent

**Data collection**

The data used for this study were mainly primary. The data were obtained through the use of questionnaires. Ninety questionnaires were administered to dominant coalition members in the corporation. The dominant coalition refers to representatives of the personnel department and random survey of the employees within
the organization. The dominant coalition was selected first because several writers, such as Yutchman and Seashore (1967), Price (1972) and Goodman and Whittingham (1977) argued that the organization’s major decision makers or the dominant coalition should be the sources of criteria for organizational effectiveness and their measurements. Goodman and Whittingham (1977) noted that “because members of dominant coalition served as the representatives in the bargaining process within an organization, consensus among members of the dominant coalition can be employed a vehicle for obtaining effectiveness data”. In a like manner, Van de Ven (1974) suggested that solving the wrong problem with the right methods can be avoided only if users of information about organizational effectiveness are included as source. Moreover, the researchers assumed that members of the dominant coalition are a knowledgeably reliable source of information about each of the organizational effectiveness and reward policy criteria under investigation. The data obtained from them were used for the hypotheses testing.

Data analysis techniques

Chi-square ($X^2$) test was used to analyze the data and the coefficient of contingency was applied in some instance to test whether the observed relationship between the dependent and independent variables is indeed strong or weak. The $X^2$ test is applicable to cases in which the researcher wants to find out whether differences among frequencies or samples are significant (Folarin, 1999). The purpose of this test is to determine how well the observed set fits an expected set. This test can be used for one or more variables. The chi-square ($X^2$) is given as:

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

Where: $X^2_c$ implies computed (calculated) chi-square, O implies observed frequency and E implies expected frequency

Decision rule

A null hypothesis is accepted if the computed (calculated) $X^2$ is less than the tabulated (critical) value. Otherwise, it is rejected.

Table 1. Summary of responses on reward policy and extent of organisational effectiveness.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Reward policy and organisational effectiveness</th>
<th>Employee extent of organisational effectiveness</th>
<th>Management extent of organisational effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>1</td>
<td>Reward structure and profitability of the company</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>Impact of reward policy on employee motivation</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>The effect of reward policy on performance</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Reward structure and influence of labour market rate on salary within the organization</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>5</td>
<td>Centralised/decentralized reward structure and organizational effectiveness</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>Management reward structure and job performance</td>
<td>6</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Author’s Questionnaire, 2008. L represents “Little extent”; M represents “Moderate extent”; C represents “Considerable extent”; G represents “Great extent”.

Data presentation and analysis

Questionnaires were administered to 90 workers in Guinness Nig. Plc. 70 of which were given to the general staff at random and the remaining 20 to the personnel management staff. However, 80 (representing about 89% response rate) usable questionnaires provided the primary data for the study. 60 (67% response rate) were from the employees of the company, while 20 (22% response rate) were from management staff of the company. The summary of the responses on reward policy and organizational effectiveness is as shown in Table 1. The Table 1 is self-explanatory and covers questions from the two sets of questionnaires (employee and management staff). Table 2 shows the suggestions made by the respondents to improve the reward policy. This is in response to the question “In what ways do you think the organization can improve the reward policy to suit that of the employees?” On the other hand, Table 3 depicts the analysis of the response on the question “How does a reward structure take care of individual varying need in the organization to enhance organization effectiveness?”; Table 2 indicates that employees in Guinness Nig. Plc suggest that salaries increment, better personnel and welfare policies, application of industrial psychology, performance appraisal evaluation; cafeteria approach; improvement on reward policy implication, reduction of senior management benefits and increasing those of employees in other operatives and strategic areas and training and development could enhance organizational effectiveness.

From Table 2, 30% of the respondents suggests that increase in salary, better personnel and welfare policies could improve the organizational effectiveness. The suggestion provided highlights the significance of certain factors for higher effectiveness. It also depicts the weakness in the existing situation as perceived by the dominant coalitions. The table also shows that variation in emphasis and organizational content are thus applicable to the corporation under study. From Table 2, we could categorize the suggestions into 2 viz:

1. System related criteria
2. People related criteria

The system related factors comprise of industrial psychology, reward policy implementation and performance appraisal evaluation. The employees suggest that proper implementation of the employer’s performance evaluation techniques could enhance the organization’s effectiveness. As posited by one of the respondents:
Table 2. Suggestions on reward policy and organizational effectiveness by employees.

<table>
<thead>
<tr>
<th>Suggestions</th>
<th>Number of employee</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, better personnel and welfare policies</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Application of Industrial psychology</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Performance appraisal evaluation</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Improvement on reward policy implementation</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Cafeteria approach</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Reduction of senior management benefit</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Training and development programmes</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data (2008).

Table 3. Suggestion on reward structure and organization effectiveness by management staff.

<table>
<thead>
<tr>
<th>Suggestions</th>
<th>Number of MGT staff</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength and weakness analysis and development</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Motivation by promotion</td>
<td>9</td>
<td>45</td>
</tr>
<tr>
<td>Even distribution of reward</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data (2008).

“...... supervisors should avoid teleguiding employee performance evaluation”.

The suggestion goes to explain that performance rating depends on the employees’ relationship with his supervisor. This might be as a result of the method of performance evaluation used in Guinness Plc. The supervisor interviews his subordinate, asking him some standard questions according to which he does the employee rating. From the study of organizational behaviour, it is ‘crystal clear’ that this tendency would have disastrous psychological effects like stress and anxiety on the individual, reduce productivity vis-à-vis the organization. People related criteria were categorized into personnel policies, cafeteria approach, and training and development programmes. Managers’ views on the impact of ‘people factor’ on organizational effectiveness are critical. One infers that an effective human resource management strategy would boast employee moral, his job satisfaction and also enhance the utilization of human resources. In addition, adequate remuneration, training and development would catalytically integrate employees into the corporations and thereby bring goal congruency nearer to reality. To illustrate further, few of the responses are cited. A respondent remarked:

“By organizing training at all level and by making a quick response to the request of the employee…”

From Table 3, one could rightly infer that the management staff in Guinness Plc suggest that the knowledge of employee’s strength and weakness will reveal what an individual employee will want as reward at a particular time and in a particular situation, since people come to work with varying needs and motives. But the important thing is goal congruency. That is, the goal of the employee should be in line with that of the organization to enhance its effectiveness. To illustrate further, a respondent remarked:

“By helping to identify the strengths and weaknesses of the employee and developing programme to improve the strength as well as correct the weakness…”

Thurbert and Kelly (1959) pointed out that social exchange or reciprocity is a basic social pattern. They maintained that when a person or an organization receives something from another, he is under obligations to reciprocate in a socially acceptable form. The employees in Guinness Plc supply physical and mental efforts while their employer returns reward. The demand for change in the reward policies’ implementation and workers dissatisfaction, in terms of application of fringe benefits for senior staff, pin-points that the rewards have been inequitable. Thus, the principle of social exchange is violated. A respondent remarked:

“More reward better input”

That is, the more the reward employees get from the organization, the more the mental and physical effort that will be put in the job.

Hypotheses testing

While the degree of freedom (df) for testing all the hypotheses is 3, each hypothesis was tested at 5% level of significance. 3 was chosen as the degree of freedom because the tables used for testing the hypotheses were of dimension 2 X 4 ; 2 for number of rows and 4 for number of columns where degree of freedom (df) = number of columns − 1 (that is 4 − 1 = 3). 5% level of significance was chosen for testing all the hypotheses to reflect the fact that we have 95% confidence that we are making correct decisions.

H₁: Hypothesis one states that “there is positive and significance relationship between salary structure and organizational effectiveness”. The testing of this hypothesis is depicted in Table 4.

The chi-square analysis $X^2$ show that the computed $X^2$(that is, 3.65) is less than the critical value of $X^2$ (that is, 7.82). We therefore accept hypothesis one that there is positive and significance relationship between reward structure and organizational effectiveness. Hypothesis 1 was therefore accepted ($X^2 = 3.65$, $P \leq 0.05$). Table 4 shows that 11(management staff) out of 20 (representing about 55%) respond that the reward structure enhance the...
organizational effectiveness to a considerable extent.

In the same vein, the table shows that 16 respondents responded for “moderate extent”. A further look at the table shows that as one goes from little extent to great extent, one finds variation in response pattern. However, the trends seem to be supportive of our findings. Nevertheless, based on the above variations in the findings, it is imperative to verify whether the observed relationship found in our analysis is actually strong or weak, that is, the organizational effeciveness/rewards structure coefficient of contingency Symbolized by “C”:

\[ \text{Coefficient of Contingency (C) = } \frac{X^2_{\text{contingency}}}{N - 1} \]

Where: \( X^2_{\text{contingency}} \) implies critical value of chi-square = 7.82; \( X^2 \) implies calculated chi-square = 3.65; \( N \) implies number of observation = 80

It should be noted that zero signifies a very weak relationship, while 1.00 indicates a very strong relationship. That is, the closer the value of “C” to 1.00, the stronger the relationship between the variables being considered. Applying the aforementioned formula, the coefficient of contingency for our study is C = 0.32.

The result shows a weak correlation between corporate reward structure and organizational effectiveness in terms of ability to implement reward policy implementation. The weak association between the two variables may be explained by the fact that organizational effectiveness is a variable of many factors and the fact that individual goals differ.

H₂: Hypothesis 2 posits that “the ways in which rewards are distributed influences the behaviour of individual employee” (Table 5).

Since \( X^2_{\text{contingency}} \) is less than \( X^2_{\text{0.05}} \), we accept hypothesis two that the ways in which reward are distributed influence the behavior of individual employee in the company. The response patterns in Table 5 support this finding. 12 (60%) and 21 (35%) for management and employees, respectively of the total respondents indicated that the ways rewards are distributed influence the behaviours of individual employee to a great extent in the company. 10 (13%) of the respondents indicated that the method of reward distribution influences individual employee behaviour to a “little” extent. The table also depicts that the ways rewards are distributed significantly influence the behaviour of individual employee in Guiness Plc.

H₃: This hypothesis posits that “there is positive and significant relationship between Job performance and Management reward structure” (Table 6).

The chi-square analysis \( X^2 \) indicates that there is significant relationship between job performance and management reward structure. However, a thorough examination of Table 6 depicts notable differences in responses patterns. 16 (38%) of the 42 respondents indicated that there is significant relationship between job performance and management reward structure to a considerable extent. 12 (29%) of the 42 respondents indicated that the relationship is to great extent.

**DISCUSSION OF FINDINGS**

Our review of relevant literature showed that company size, profitability, type of industry and the contribution of individual managers are factors usually considered in the design of the reward system. However, based on the findings of our study, we accept these views in all ramifications. Our study has shown that corporate reward structure enhances organizational effectiveness. This finding may be reasonable because, the individual employee joins organization to maximize reward either intrinsically or/and extrinsically, through which organization effectiveness was achieved. Nevertheless, the coefficient of contingency indicated that there is a weak correlation (0.32) between organizational effectiveness and reward structure regarding ability to implement the reward policy that can be devoid of other factors in measuring an organizational effectiveness. Our analysis further highlights that the way rewards are distributed influence individual employee behaviour in the organization. The result of the chi-square analysis \( X^2 \) is supported by the literature. This finding lends credence to the view of Morris (1968) that ‘an organization could presentation
presentation indicates that among the suggestions on how reward structure can take care of individual varying needs to enhance organizational effectiveness, the management staff sampled advocated that the knowledge of strength and weakness analysis and development programme, motivation by promotion and even distribution of reward, can be applied to take care of individual varying need to enhance organizational effectiveness. This lends support to our chi-square $X^2$ analysis.

Furthermore, the literature supports the findings that there is a significant relationship between job performance and organizational effectiveness. The growing emphasis on performance implies that practitioners need to have a better approach to performance management. In other words, there is need to improve the performances appraisal system, where assessment would be based on previously agreed objectives, which could be quantified where feasible. In addition, the improvement on the corporation would enhance the retention of competent personnel therein. Here again, experts assume that the reward system can and do influence employee’s behaviour and have the desired incentive effects. In fact, the need for this linkage between employee compensation and corporate performance had been shown to exist where deliberate steps have been taken to relate compensation to organizational performance. Our descriptive analysis also shows that reward policy can be applied to suit that of employee to enhance organizational effectiveness. Table 2 shows that 13% of the employees in Guinness Plc suggests that proper performance appraisal evaluation may bring about reward that is self-satisfactory to the employee.

The potential of non-financial motivation to corporate performance cannot be understood in our particular environment. There is undoubtedly a great need for us to see the relationship between the two, so as to achieve greater corporate effectiveness. Indeed, given the economic environment and in particular the inflationary experience in the country, it is possible to use non-wage benefit to motivate individual in the company and increase the recruitment of well-trained and experienced people. A cafeteria approach, whereby employees are allowed to choose their own fringe benefits within stated limit, has been suggested by the employees. The advantage of this, they posited, is its flexibility.

### Table 6. Positive and significant relationship between Job performance and Management reward structure.

<table>
<thead>
<tr>
<th>Reward structure</th>
<th>Extent of organizational effectiveness</th>
<th>Total</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Little</td>
<td>Moderate</td>
<td>Considerable</td>
</tr>
<tr>
<td>Management</td>
<td>0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Employee</td>
<td>6</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>8</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Survey data, 2008. $X^2 = 6.17$, df = 3, P < 0.05, critical $X^2 = 7.82$.

### CONCLUSION AND RECOMMENDATIONS

The review of literature pointed out that the experience of the past decades has demonstrated to Nigerian organizations the importance of seeing organizational effectiveness as being determined by reward structure. The phenomenal structural changes in the economy during this period emphasized this important linkage effect and the need to make the compensation system responsive to organizational performance. Specifically, the deregulation of the economy and its attendant consequences on management processes made it inevitable that the reward system has to be responsive to the individual employee needs and organizational goals. Based on our findings and the discussion, we draw the following conclusions:

1. Organizational effectiveness, though a variable of so many factors, can be achieved with solid reward structure to a great extent.
2. Corporate reward policy influences individual employees behaviour, though, two individuals are not always the same. While some will prefer intrinsic reward at particular point in time, some may want extrinsic reward and others may want the two. This, to a reasonable extent affects workers attitude to work, some need more challenging work, while some want jobs that are more rewarding.
3. Non-financial reward, such as training and development programme, seminars, symposia, workshop, etc. can also be said to enhance organizational effectiveness.
4. With increasing internationalization of organization processes, there is indeed a justifiable reason for the introduction of new pay-setting method, which reflects effort and performance as an important corporate policy.

Following the aforementioned conclusions, the following recommendations are made:

1. A piece rate system of rewards can be adopted, whereby pay is mechanically linked to output. This would bring about high degree of job performance and invariably enhance effectiveness to a large extent.
2. A cafeteria approach of reward can be used in giving benefits. This is a scenario whereby employees are allowed to choose their own fringe benefits within stated limits. It is flexible and may considerably has net contribution
to the profitability of the organization.

3. Peer-rating method of performance evaluation may be applied in giving reward to an employee, where an employee rates his colleague, given a set standard of performance but the point grade might be closely kept with the supervisor. Since supervisors had been accused of been teleguided in performance rating, and employee’s progress and upliftment depends on their relationship with their supervisor.

4. Even distribution of reward should be applied to both financial and non-financial system of reward. Although, the human element involved may influence some variable, this should not be to an alarming rate. If this is seriously applied to the letter, a reasonable extent of organizational effectiveness can be achieved.

5. Corporation should properly manage both the strength and weakness of the employees irrespective of their salary level. This would improve organizational effectiveness. Roles should be unambiguously defined and power equitably distributed among organization members. Intervention strategies like planning, control and replanning should be adequately designed into the system to counter and adapt to changes, which may hamper organizational effectiveness.

6. Policies and practices relating to investment decisions, introduction of new-products and technology, work procedures, selection and training of staff, promotion and determination of the reward system should involve the active participation of workers.

However, this study has not exhausted all research opportunities on this subject matter, but has left a vacuum. Other studies on this subject should take into account other effectiveness criteria and vary the populations. This suggestion arises from our observation that there are many factors, which affect organizational effectiveness. More so, a longitudinal study could be carried out in the future to determine and clarify the impact of reward structure on organizational effectiveness over a long period. All these methodological changes, which are hoped for, could possibly enhance the generalization of future findings.

REFERENCES

Folarin BA (1999). Survey Research Methods, Ideal Press, Lagos