

## COMPENSATION POLICIES AND WORKFORCE AGILITY OF MULTI-NATIONAL FIRMS IN SOUTH-SOUTH STATES OF NIGERIA

**Dumo Nkesi Opara and Chinda, Manunyewho Hope**  
**Department of Management, Ignatius Ajuru University of Education**  
**Rumuolumeni, Port Harcourt, Rivers State, Nigeria**

### ABSTRACT

*This study ascertain the relationship between compensation policies and workforce agility using multi-national firms in south-south region of Nigeria. The study applied across sectional research survey. The population was seventeen (17) multi-national firms. However, the respondents were 1275 randomly selected employees from five active departments in each of the firms. After sampling using Taro Yamane's formula, the sample size became 305. Questionnaire as the key instrument for data collection was distributed to the 305 respondents, 298 copies were properly retrieved and useful for analyses since 7 copies were not retrieve. Questionnaire was the major instrument for data collection. Cronbach Alpha values was applied to test the reliability of the instrument while the instrument was validated by the study supervisor as well as expert in the same field. The data were analyzed with descriptive and inferential statistics, while the bivariate variables were tested with the use of Pearson Product Moment Correlation, multivariate variables were tested by partial correlation statistical tool. All analyses were done with the aid of SPSS. The study find that, there is a significant correlation between compensation policies, adaptability, responsiveness and cooperation using multinational firms in the south-south region of Nigeria as the study setting. Organizational policies mediate the association between the various dimensions and various measures using multinational firms in the south-south region of Nigeria as the study setting. It was then recommended that, Organizations should on a consistent basis, assess their dispositions and the applicability of their pay structure within their various contexts.*

**Keywords: Compensation Pay Workforce agility, Responsiveness, Agility**

### INTRODUCTION

Currently, multinational corporations (MNCs) around the world are engaged in an dynamic environment where change is a key characteristic, rapid technological progress, globalization, turbulent business models, novel and emerging markets, ever-changing customer preferences, digitalization, market deregulation and fragmentation, economic uncertainties, changing demographics, and ongoing social and political turbulence are some of the daily challenges that most multinational corporations (MNCs) ranging, from domestic to foreign, are currently coping with (Zitkiene & Deksnys, 2018). Moreover, customers are no longer mere receivers of products, rather they play a crucial role in the production process (Yang & Liu, 2012). The inability to cope with these challenges has rendered most firms moribund (Sherehiy et al., 2007).

So far, various solutions such as reengineering, networking, virtual enterprises, modular corporations, high performing organizations, flexible manufacturing, and employee empowerment have been proposed, and that of "agility" as well (Sherehiy et al., 2007). The challenges mentioned above force organizations to follow those rules which make them more efficient and agile in order to survive. In order to compete in this current turbulent market environment effectively, organizations must be proactive and be able to anticipate change. To do so, organizational structures must embrace more levels of agility through response and flexibility. Experts in the industry require novel organizational solutions, tools, and techniques to deal with environmental alterations, identify new opportunities, and be more adapted to external forces. In other words, an agile organization demands agile organizational enablers, drivers, abilities, strategies, and practices (Deksnys, 2018). Nouri and Mousavi (2020) argued that with the advances in information technology and the changes in paradigms and production strategies, agility would be a potential

opportunity to boost the productivity and profitability of industrial capital, partly replaced by the increasing financial dominance. Above all, agility would be a strategy that allows organizations to survive on a borderless battlefield (Carvalho et al., 2019; Holbeche, 2018; Storme et al., 2020). Despite the acknowledgment that it is people who are the main source of agility and anticipators of change (Holbeche, 2018; Munteanu et al., 2020), studies relating the effects of pay structure to workforce agility has been lacking. Most studies on pay dispersion has only show relationship with performance, leaving a huge gap to be fill. Furthermore, empirically the direction of the relationship between pay dispersion and performance remains unclear, as studies on this topic have not reached a definite consensus. For instance, studies using evidence from professional sports usually find either a negative or insignificant relationship between pay dispersion and performance, while studies focusing on executive compensation or firm level dispersion usually reach different conclusions (Braakman, 2008). Pfeffer (1995) notes that pay compression is effective in enhancing organizational performance by reducing interpersonal competition and enhancing cooperation, but only when work is interdependent. These arguments can be traced to earlier suggestions (e.g., Hicks, 1963) that the distribution of pay must be set against its impact on the social fabric of organizations. Sociological (e.g., Deutsch, 1985) and economic (e.g., Levine, 1991) works extend this line of reasoning. Deutsch (1985) argued that pay dispersion diminishes performance when work is interdependent by reducing cooperation among employees. He later noted that any movement toward compression in interdependent situations increases efficiency (Deutsch, 1988; cited in Levine, 1991).

Against this backdrop, this study shall empirically evaluate the association between pay dispersion based on individual level and workforce agility using multinational firms in the south-south region of Nigeria as the setting with pay system communication as the contextual factor in order to fill this gap.

### **Compensation Policies**

Employers regularly monitor their compensation policies to ensure they are paying employees in an equitable manner and as competitively as possible when compared to other businesses in the industry. Having a written reward and compensation policy helps employees understand consequences and how to align their work with their goals. Many organizations have a policy of not disclosing pay related information; in order to avoid any discontent that might result from employees' knowing what every employee else is being paid (Byars & Rue, 2003). In that respect Ferris and Buckley (1996) claimed that pay secrecy leads to low trust, and on the other hand open pay can induce management to effectively administer the pay system. Employees' satisfaction Torrington et al. (2005) argued that the compensation policy should be satisfactory for both the employer and the employee, and meets the objectives of these two parties. According to Suliman (2007) job satisfaction influences work performance, in that respect Mullins (1998) stated that motivation, job satisfaction and work performance are affected by the employees' needs and expectations, and the extent to which they are fulfilled. Nickson (2007) argued that employees seek a range of monetary and non-monetary rewards and benefits from employment, of which money is only one aspect, even if it is often the primary consideration for employee. Thus employees seek: (1) extrinsic rewards; which relates to tangible rewards such as pay, fringe benefits and conditions of work, (2) intrinsic rewards; which relates to psychological rewards and internal feelings such as the sense of personal satisfaction from the job, challenge, achievement and being treated in a considerate manner (Mullins, 1998). Everton et al. (2007) stated that when an organization is perceived to be fair and supportive, employee deviant behavior (i.e., unexplained absenteeism and stealing) will decrease. As emphasized by Negi (2002), Kotler et al. (2003) and Kandampully (2007) employee satisfaction produces ultimately customer satisfaction. Concerning the relation between the retention of employees and compensation system, Jones and Haven-Tang (2005) mentioned that there is a correspondence between these factors, they added also that there is a link between the firm size, pay levels and the retention of employees, because of

the fact that employees in small enterprises often have to apply for jobs in other firms if they want better positions with higher payment.

### **Workforce Agility**

The agility means the ability to quickly respond and adapt to volatile market environments. According to Karwowski (2014) agility includes different competitive criteria like speed, flexibility, innovation, adaptability, proactivity, quality, productivity, profitability, customization, and knowledge, which help to focus on products and services driven by customer instead of those driven by the company. Yusuf et al. (1999) proposed that agility is the successful application of competitive bases such as speed, flexibility, innovation, and quality by the means of the integration of reconfigurable resources and best practices of knowledge-rich environment to provide customer-driven products and services in a fast changing environment. An equally important attribute of agility is the effective response to change and uncertainty (Goldman et al., 1995; Kidd, 1994; Sharifi & Zhang, 2001).

In the past, it was believed that agility and responsiveness of flexibility strategy can be achieved through sophisticated technologies such as computer-integrated manufacturing (CIM) (Youndt et al., 1996). However, recent research findings showed that manufacturing flexibility depends much more on people than on technologies. Upton (1995) stated that although computer integration can provide important competitive advantages, results of his study showed that the operational flexibility is determined primarily by plant operators and the extent to which managers communicate with them. It was concluded that achievement of manufacturing flexibility, requires developing and maintaining a "highly skilled, technologically competent and adaptable workforce that can deal with non-routine and exceptional circumstances" (Youndt et al., 1996).

### **Compensation Policies and Workforce Agility**

Torrington et al. (2005) argued that the compensation policy should be satisfactory for both the employer and the employee, and meets the objectives of these two parties. According to Suliman (2007) job satisfaction influences work performance, in that respect Mullins (1998) stated that motivation, job satisfaction and work performance are affected by the employees' needs and expectations, and the extent to which they are fulfilled. However, there is no clear study that relate horizontal pay dispersion to workforce agility. It is on this note, that this study postulated the following hypotheses;

**H<sub>01</sub>** There is no significant correlation between compensation policies and adaptability of multinational firms in the Niger Delta region of Nigeria.

**H<sub>02</sub>** There is no significant association between compensation policies and responsiveness of multinational firms in the Niger Delta region of Nigeria.

**H<sub>03</sub>** There is no significant correlation between compensation policies and cooperation of multinational firms in the Niger Delta region of Nigeria.

### **Expectancy Theory**

Expectancy theory (Vroom, 1964), by contrast, suggests that pay differences are motivating if employees (a) value outcomes, such as a high level of pay (valence), (b) believe that increased efforts lead to increased performance (expectancy), and (c) perceive that a higher level of performance is tied to a higher level of outcomes such as pay (instrumentality). Although early conceptualizations of expectancy argued that the three motivating factors are multiplicative (Vroom, 1964), meta-analytic evidence suggests that all three of the motivating factors primarily impact motivation through main effects (Van Eerde & Thierry, 1996). Expectancy theory (Vroom, 1964) suggests that if employees wish for an outcome such as higher pay, believe that they can achieve the necessary performance levels, and believe that performance will lead to the desired outcome, they will be motivated to perform. (Gupta et al., 2012). According to this theory, pay dispersion will be motivating if (1) employees value outcomes such as a higher pay level (valence), (2) believe that a higher level of effort will lead to a higher level of performance

(expectancy or  $E \rightarrow P$ ), and (3) perceive that a higher level of performance will lead to a higher level of outcomes (instrumentality or  $P \rightarrow O$ ) (Vroom, 1964; Downes & Choi, 2014). Thus, larger rewards such as pay will lead to a greater motivation through increased valence, and a closer relationship between performance and pay will lead to a greater motivation through increased instrumentality (Downes & Choi, 2014). Gupta et al. (2012) enumerate four considerations implicit in the expectancy approach to pay dispersion: (1) it is performance-contingent pay dispersion, rather than pay dispersion per se, which fosters high performance; (2) Expectancy theory is a perceptual theory, meaning that the  $P \rightarrow O$  connection is more likely to be observed when differences in pay are large – the greater the performance-based dispersion, the stronger the  $P \rightarrow O$  expectancy and, thus, the motivation to achieve a higher performance; (3)  $P \rightarrow O$  expectancy is likely to be higher when for horizontal pay dispersion than for vertical, as pay dispersion among employees holding the same job is more likely to be due to differences in performance than among people holding different jobs at different levels in the organization hierarchy – performance-based variations are also more likely to increase valence (a large pay increase has higher valence than a smaller one); (4) expectancy theory may be used to explain other kinds of behaviour, such as promotion – the valence of pay could vary with the difference in pay associated with promotion (high vertical dispersion) and the overall motivation to achieve it: promotion has a high positive valence for many employees, the employee believes that performance is achievable (high  $E \rightarrow P$  expectancy), and believes promotion is linked to performance (high  $P \rightarrow O$  expectancy).

## METHODOLOGY

Thus, the population of this study was seventeen multinational firms in south-south region of Nigeria. According to Nigeria Stock Exchanges and Finelib.com (Nigeria directory) there are seventeen (17) core multinational firms in the south-south state. 305 made up the respondents for the study. Pearson's Product Moment Correlation coefficient was parametric instrument.

## Results

### Test of Research Hypothesis 1

$H_{0:1}$  There is no significant correlation between compensation policies and adaptability of multinational firms in the south-south region of Nigeria.

### Compensation Policies and Adaptability

|                       |                     | Compensation Policies | Adaptability |
|-----------------------|---------------------|-----------------------|--------------|
| Compensation Policies | Pearson Correlation | 1                     | .447**       |
|                       | Sig. (2-tailed)     |                       | .000         |
|                       | N                   | 298                   | 298          |
| Adaptability          | Pearson Correlation | .447**                | 1            |
|                       | Sig. (2-tailed)     | .000                  |              |
|                       | N                   | 298                   | 298          |

\*\* . Correlation is significant at the 0.01 level (2-tailed). Source: Survey data, 2022

As obviously specified in the correlation upshots between compensation policies and adaptability above. The outcomes display a positive as well as significant association between the variables. The correlation statistic ( $r = .0.447$ ,  $p < 0.001$ ) signpost that compensation policies can elucidate 44.7% of variation in adaptability. This is a symbol of a positive relationship between the variables. In term of intensity of the association, the outcome show that compensation policies with ( $r = 0.447$ ) is highly related to adaptability. This is very instructive to firm's management that, a unit increase in compensation policies has potential to improve adaptability with the consideration of the effects of other exogenous variables.

With reference to the yardstick specified by Irving (2005) for accepting either the null or alternative hypothesis, we thus discard the null hypothesis as the computed output is greater than 0.20, that is,  $r-.447$  is greater than 0.20. Hence the alternative hypothesis is accepted.

### Test of Research Hypothesis 2

$H_{0:2}$  There is no significant association between compensation policies and responsiveness of multinational firms in the south-south region of Nigeria.

### Compensation Policies and Responsiveness

|                       |                     | Compensation Policies | Responsiveness |
|-----------------------|---------------------|-----------------------|----------------|
| Compensation Policies | Pearson Correlation | 1                     | .589**         |
|                       | Sig. (2-tailed)     |                       | .000           |
|                       | N                   | 298                   | 298            |
| Responsiveness        | Pearson Correlation | .589**                | 1              |
|                       | Sig. (2-tailed)     | .000                  |                |
|                       | N                   | 298                   | 298            |

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

### Source: Survey data, 2022

As obviously specified in the correlation upshots between compensation policies and responsiveness above. The outcomes display a positive as well as significant association between the variables. The correlation statistic ( $r = .0.589$ ,  $p < 0.001$ ) signpost that compensation policies can elucidate 58.9% of variation in responsiveness. This is a symbol of a positive relationship between the variables. In term of intensity of the association, the outcome show that compensation policies with ( $r = 0.589$ ) is highly related to responsiveness. This is very instructive to firm's management that, a unit increase in compensation policies has potential to improve responsiveness with the consideration of the effects of other exogenous variables.

With reference to the yardstick specified by Irving (2005) for accepting either the null or alternative hypothesis, we thus discard the null hypothesis as the computed output is greater than 0.20, that is,  $r-.589$  is greater than 0.20. Hence the alternative hypothesis is accepted.

### Test of Research Hypothesis 3

$H_{0:3}$  There is no significant correlation between compensation policies and cooperation of multinational firms in the south-south region of Nigeria.

### Compensation Policies and Cooperation

|                       |                     | Compensation Policies | Cooperation |
|-----------------------|---------------------|-----------------------|-------------|
| Compensation Policies | Pearson Correlation | 1                     | .768**      |
|                       | Sig. (2-tailed)     |                       | .000        |
|                       | N                   | 298                   | 298         |
| Cooperation           | Pearson Correlation | .768**                | 1           |
|                       | Sig. (2-tailed)     | .000                  |             |
|                       | N                   | 298                   | 298         |

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

#### Source: Survey data, 2022

As perceptibly stated in the correlation upshots between compensation policies and cooperation above. The outcomes display a positive as well as significant association between the variables. The correlation statistic ( $r = .0.768$ ,  $p < 0.001$ ) signpost that compensation policies can elucidate 76.8% of variation in cooperation. This is a symbol of a positive relationship between the variables. In term of intensity of the association, the outcome show that compensation policies with ( $r = 0.768$ ) is highly related to cooperation. This is very instructive to firm's management that, a unit increase in compensation policies has potential to improve cooperation without the consideration of the effects of other exogenous variables.

With reference to the yardstick specified by Irving (2005) for accepting either the null or alternative hypothesis, we thus discard the null hypothesis as the computed output is greater than 0.20, that is,  $r-.768$  is greater than 0.20. Hence the alternative hypothesis is accepted.

#### CONCLUSION(S)

The purpose of this study was to provide useful insight to the future prospects of compensation policies if the success of multinational firms are seen as propellers of a nation economy. Based on the findings of this study. There is correlation between compensation policies and the various measures of the criterion variable (adaptability, responsiveness and cooperation). Compensation policies can elucidate 44.7% of variation in adaptability, 58.9% in responsiveness and 80.8% in cooperation. This is a sign of a positive association between the variables. This is very instructive to multinational firms in Nigeria that, a unit rise in compensation policies has potential to improve adaptability, responsiveness and cooperation, however, with consideration of the effects of other exogenous variables.

#### RECOMMENDATIONS

Based on these conclusions, it was recommended that;

1. Vertical pay dispersion being the major predictor of adaptability, should be prioritize by putting in all apparatus that would accelerate it application.
2. Organizational structures should emphasize on vertical pay dispersion, by incorporating it in the process of organizing and planning for a more effective stance towards highly volatile and unpredictable business environments

3. A unit rise in compensation policies has potential to improve adaptability, responsiveness and cooperation, therefore, organizations as a matter of fact should encourage the practice of pay policies.

## REFERENCES

- Deutsch, M. (1985). *Distributive justice: A social-psychological perspective*. New Haven: Yale University Press.
- Downes, P., & Choi, D. (2014). Employee reactions to pay dispersion: A typology of existing research. *Human Resource Management Review*, 24(1): 53-66.
- Goldman, S., & Nagel, R. (1993). Management, technology and agility: The emergence of a new era in manufacturing. *International Journal of Technology Management*, 8(1-2), 18-38.
- Levine, D. (1991). Cohesiveness, productivity, and wage dispersion. *Journal of Economic Behavior & Organization*, 15(2): 237-255.
- Pfeffer, J., & Davis-Blake, A. (1992). Salary dispersion, location in the salary distribution, and turnover among college administrators. *Industrial and Labor Relations Review*, 45: 753–763.
- Pfeffer, J., & Langton, N. (1993). The effect of wage dispersion on satisfaction, productivity, and working collaboratively: Evidence from college and university faculty. *Administrative Science Quarterly*, 38: 382–407.
- Vroom, V. H. (1964). *Work and motivation*. NY: Wiley.