Upscaling Organizational Performance through Reward System in the Nigeria Private Sector

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ARTICLE INFO

ABSTRACT

The study examined the impact of reward system on organizational performance in the Nigeria Private Sector. The specific objectives are to: determine the impact of performance recognition on organizational performance and examine the impact of compensation policy on organizational performance. The cross-sectional survey research design was employed in this study. The population of this study consists of the management and staff of the selected private firms, First Bank Plc, Konga Group, MTN Nigeria, UBA Group, Total Energies and BUA Cement. The sample size of three hundred and sixty-seven was obtained using the Taro Yamane formula. A stratifie d sampling technique was used to determine the number of participants per organisation. The data were analyzed using regression analysis as analytical tools to test the hypotheses. Findings revealed that there is a positive significant impact of performance recognition on organizational performance; (0.039< 0.05). There is a positive significant impact of compensation policy on organizational performance (0.002, p<0.05). The study concluded that employee reward systems are important and should be of interest to both management and staff in the private sector organisations. The study recommends that, the management of private sector organisations devote resources for the development and implementation of effective reward system to produce the desired results.

Keywords: Reward System, Compensation, Organizational Performance

1. INTRODUCTION

Reward systems play a pivotal role in boosting organizational performance, which significantly contributes to the economic development of the private sector in Nigeria. A well-structured reward system can not only motivate employees but also attract and retain talent, fostering a culture of high performance. One of the primary impacts of a reward system on organizational performance is the increase in employee motivation. When employees are rewarded for their efforts and achievements, they feel valued and are more inclined to perform at their best. This heightened motivation translates into improved productivity and efficiency, benefiting the organization as a whole. Additionally, reward systems help attract and retain top talent in a competitive job market. Organizations that offer attractive rewards and recognition are more likely to draw skilled professionals. Furthermore, employees who are satisfied with their rewards are more likely to remain with the company, reducing turnover and ensuring a stable workforce. A strong reward system also contributes to cultivating a high-performance culture within the organization. When employees are recognized for their contributions, it reinforces desired behaviors and performance standards. This not only motivates individuals to excel but also fosters an environment of continuous improvement, where employees are driven to achieve even higher levels of performance. In terms of economic development, an effective reward system leads to enhanced organizational performance, which has a positive ripple effect on the economy. High-performing organizations are more likely to generate higher profits, create more jobs, and attract investment, ultimately stimulating economic growth and development in the private sector.

Research supports the positive relationship between reward systems and organizational performance. For instance, Pratheepkanth (2011) found that employees' perception of fair and attractive rewards positively

influenced their job satisfaction and organizational commitment, which led to improved performance. Similarly, a study by Sajuyigbe et al. (2013) highlighted the positive link between reward systems and employee performance in Nigerian organizations. Furthermore, research by Osibanjo et al. (2019) emphasized the importance of aligning reward systems with organizational goals to enhance competitiveness. In Nigeria, companies use a combination of financial rewards (such as salaries, bonuses, and profit-sharing) and non-financial rewards (such as recognition, training opportunities, and work-life balance initiatives) to motivate employees. However, organizations must tailor their reward systems to meet the specific needs and preferences of their workforce to achieve optimal results. Overall, the effective implementation of reward systems in Nigeria's private sector leads to increased employee engagement, job satisfaction, and, ultimately, improved organizational performance. By aligning rewards with employee expectations and organizational goals, businesses can drive success and contribute to the growth of the economy.

Many organizations tend to focus more attention on other resources than employee remuneration policies, so the aspect of rewarding employees is often overlooked. This can lead to high turnover which negatively impacts the success and productivity of the organization. Low productivity is a common problem in many developing countries, where business owners are trying to improve work quality while reducing costs. However, these efforts often lead to conflict between management and employees. One effective approach to motivate workers and optimize the utilization of human resources is reward management, which is expected to encourage the realization of organizational goals. Therefore, this study aims to analyze the effect of reward system on organizational performance in the private sector in Nigeria. Specifically, the purpose of this study is to explore some important aspects of the reward system. First, this study aims to determine the effect of performance recognition on organizational performance. Secondly, this study seeks to analyze the impact of compensation policies on organizational performance. Third, this study will investigate the effect of extrinsic rewards on organizational performance.

2. LITERATURE REVIEW

2.1. Concept of Reward System

An organization uses a structured reward system to acknowledge and reinforce employee performance and conduct. The purpose is to inspire and encourage employees to reach their objectives and help the organization succeed (Sihite & Marpaung, 2023). The concept of a reward system involves the identification of desired behaviours or outcomes, establishing criteria for rewards, and providing incentives that are meaningful and valued by employees. A reward system is a payment or reward given to employees (Fornaciari & Dean, 2005). A system of rewards is put in place to acknowledge achievement and inspire workers, however it should be given promptly and based on successful performance. This connection is crucial in the interaction between employees and the company.

Employees are acknowledged for their efforts with both physical and emotional rewards, including salary increases, bonuses, use of company vehicles, vacation perks, and other incentives. The primary form of recognition is the employee's pay, which can be hourly, monthly, or based on sales. It is crucial for reward schemes to be constructed in a way that inspires employees, as inspiration is key to achieving excellence in the workplace (Milkovich et al., 2011).

2.2. Concept of Performance Recognition

Recognition refers to publicly acknowledging someone's accomplishments, actions, or attitudes that positively impact the organization. It involves highlighting specific achievements or behaviors in front of peers and colleagues, often combined with appreciation. This can be expressed through a public statement of thanks or praise, which helps employees feel valued and appreciated. According to Luthans (2000), organizations can retain their best employees by recognizing their contributions. Recognition serves as a powerful motivator because it acknowledges the extra effort employees put in. By recognizing individual achievements, organizations can reduce negativity and pessimism, which often hinder performance and productivity. Luthans further suggests that simple acts of recognition, such as a genuine "thank you," can have a significant impact on employee motivation and engagement. Irshad (2016) also emphasizes the importance of personal and frequent recognition. By acknowledging employees' efforts more directly and regularly, organizations can

lift employee motivation and enhance overall morale. This form of recognition, when done consistently, fosters a positive and supportive work environment.

2.3. Concept of Compensation Policy

Compensation policy influences employee decisions and relationships (Jenson, 2007). An organization's values, culture, and philosophy are evident in how they shape employment relationships, contractual obligations, and the unspoken agreement between employer and employee Jenson (2007) emphasize the importance of creating a compensation policy that considers internal and external factors such as industrial practice, market considerations, and strategy. Compensation policy is based on factors such as grade, pay structure, total reward, and philosophies and values to ensure competitiveness, equity, and transparency. Aguinis & O'Boyle Jr (2014) suggest that organizational objectives and strategy influence compensation policy, with growth visions having a long-term policy and non-growth visions having a short-term policy. HR strategies and practices, such as skill retention, attraction, and talent management, also influence compensation policy. Aguinis and O'Boyle Jr (2014) discussed the influence of market and industrial practices on compensation policies. Inherent rewards foster a lasting connection and dedication, whereas external rewards have a transactional effect. HR strategies focusing on pay tied to performance or skills will promote compensation policies that correlate with training, abilities, and achievements.

2.4. Concept of Extrinsic Rewards

According Luthans (2000), extrinsic rewards are concrete incentives given externally to employees in addition to their job tasks. These rewards can come in the form of pay, perks, promotions, or job stability. They are also referred to as financial incentives. To Luthans (2000), pay-for-performance includes incentives like performance bonuses, promotions, commissions, tips, gratuities, and gifts. In other words, extrinsic rewards are external factors related to the job, such as pay, working conditions, fringe benefits, security, promotions, contracts, the work environment, and work conditions. He observes that concrete incentives are typically decided by the company as a whole and are not easily influenced by individual managers. He believes that other elements encompassed in this are fair compensation, salary raises, bonuses, and alternative methods of remuneration.

2.5. Organisational Performance

The concept of performance has garnered significant attention in recent decades and is widely present in nearly every aspect of human endeavour, according to Folan et al. (2007). There have been many critical thoughts on the notion and its measuring tools, which makes sense given that performance is a subjective view of reality. Organizational effectiveness can be defined as the tangible achievements of a company compared to its predetermined goals and objectives. The management style of an organization and the employees' proper and active participation in achieving the company's strategic goals both influence its performance. Performance needs to be clearly defined and examined about the intended goals. Performance is a highly subjective phenomenon since an entity's goals are erratic, contentious, and conflicting.

2.6. Recognition and Organizational Performance

Employers acknowledge their workers to maintain their confidence levels and keep them enthusiastic. Recognized employees in companies are highly motivated and excel in their performance. The reason for this is that motivated employees excel at their tasks, influencing their attitudes and behaviors (Pratheepkanth, 2011). Workers desire more than just a paycheck; they crave acknowledgment from their managers, which can boost their spirits and motivation (Saunderson, 2004). Recognition means valuing and caring about the employees' contributions. Companies need to recognize their employees (McGregor, 1960). Different research suggests that acknowledging employees is more effective than providing them with rewards (Ryan & Deci, 2000).

Recognizing employees can be done through various means, including both financial and non-financial initiatives. Ways to show appreciation may include featuring their names in the organization's newsletter, sending letters of praise, granting additional time off, and expressing gratitude verbally. This demonstrates a level of consideration and evaluation for the employees. Non-monetary forms of recognition tend to have a greater impact on motivation compared to financial incentives. In this way, the employees think that they are being valued. In this way, organizations achieve their goals. There is a direct relationship between employee recognition and job performance. It is the result of motivation and ability at the job that leads to high

performance (Qureshi et al., 2010). Employee recognition boosts employee morale which results in the overall productivity of the firm.

2.7. Compensation Policy and Organizational Performance

Employees assess and respond to their pay within a social framework where ideas of fairness and equality are key. Looking at it from a broader perspective, how employees are paid has significant impacts on a country's productivity and the overall quality of life. In many industrialized nations, there are strict rules in place regarding compensation to address societal concerns. These rules cover aspects such as ensuring equal job opportunities, setting minimum wage rates, and regulating overtime pay. Labor unions also play a key role in advocating for fair compensation practices. Additionally, there is growing global awareness about income disparities in both advanced and emerging economies.

Extensive research has also shown the significant impact of salary on influencing behavior. Studies have indicated that higher pay leads to lower turnover rates, and that individuals with high human capital often receive significant pay raises after leaving a job voluntarily. Various forms of evidence, such as meta-analytic study by Arnold & Fulmer (2019). The research we examine indicates significant benefits of performance-based pay on employee productivity. Scholars are now exploring how different pay structures impact performance, turnover, and overall outcomes in varying ways based on individual traits, demographics, and standing within the work group (Aguinis & O'BoyleJr, 2014).

2.8. Extrinsic Rewards and organizational performance

The existing body of research is filled with evidence supporting the beneficial effects of external rewards on workforce productivity. However, Kuvaas (2006) notes that it is important to be careful when using external rewards to motivate employees. Employees in lower-level positions are more likely to be influenced by external motivators compared to those in higher-level positions. According to him, lower-level positions often come with lower pay compared to higher-level positions, which is why extrinsic rewards involving money are necessary. These rewards can result in a raise in the employee's salary, leading to increased happiness and productivity. Merchant & Van der Stede (2007) observes that the financial aspect of a reward system can be divided into three primary categories. One of these is performance-based salary increases that organizations give to employees at regular intervals. The idea is that employees' skills will improve with time due to their experience and dedication, leading to small raises being granted periodically. Merchant & Van der Stede (2007) notes that it is called performance-based salary increments.

Another type of incentive is short-term incentive plans, which involve giving cash bonuses to managers based on their performance within a period of less than a year. On the other hand, long-term incentive plans reward employees based on their performance over periods longer than a year, aiming to maximize the company's long-term value by recognizing and retaining top talent (Merchant & Van der Stede, 2007). Kotler & Armstrong (2010) posits that in driving organizational success, rewards are essential. They serve as a tool for improving outcomes through effective performance monitoring and management aligned with specific objectives, benchmarks, and skill levels.

2.9. Research Hypotheses

The following research hypotheses have been formulated for the study.

H$_{01}$: Performance recognition does not have significant impact on organizational performance

H$_{02}$: There is no significant impact of compensation policy on organizational performance

H$_{03}$: There is no significant impact of extrinsic reward on organizational performance.

3. RESEARCH METHODS

3.1. Research Design

According to Cooper et al. (2003), a research design is a plan and structure for an investigation that is created to answer specific research questions. According to Cooper and Schindler (2003), this study used a survey research design, which entails surveying people and recording their responses for analysis. This method was deemed to be the most suitable for this study because the problem at hand involves people's

perceptions, opinions, or attitudes, none of which can be measured directly. To better understand the relationships between the variables in the research problem, this study used both quantitative research approaches within the survey research design.

3.2. Target Population

The target population, according to Patterned (2003), consists of those who we want to describe using our sample. 4193 employees, who are currently employed in selected private sector organisations in Nigeria under study, made up the study's target population. This study population was thought to be the most suitable for creating a representative sample that would yield the necessary data. The categories of the study population are shown in detail in Table 1.

Table 1. Categories of the Target Population

S/N	Name of Firm	Population
1	First Bank Plc	253
2	Konga Group	199
3	MTN Nigeria	734
4	UBA Group	219
5.	Total Energies	1302
6	BUA Cement	1489
	Total	4193

Source: Manufacturing Institute of Nigeria (2024)

3.3. Sample Size

Using the data from the sample, a sample is a portion or subset of the population that is studied instead of the entire population. By using Yamane (1968) sample size determination formula as cited by Richard (2020), the study's appropriateness and representation were determined. The formula is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = population

e = level of significance

Subtituting the values:

$$n = \frac{4193}{1 + 4193(0.05)^2}$$

$$n = \frac{4193}{1 + 4193(0.0025)}$$

$$n = \frac{4193}{1 + 10.4}$$

$$n = \frac{4193}{11.4}$$

$$n = 367$$

With a population of 4193, 367 respondents were deemed sufficient to be the sample size. On the staff of the selected organisations under study, a total of 367 copies of questionnaire were administered. The study used the stratified sampling method to distribute the 367-person sample size among the organisations according to their locations for fair representation. The formula for Bowley's proportional allocation was employed.

According to the formula, the sample size for proportional allocation in stratified sampling is determined by:

$$n_{h=\frac{nNh}{N}}$$

Where:

n_h =   Number of units allocated to each organisation

N_h =   Number of employees in each firm stratum in the population

n =   Total sample

N =   The total population size under study

Table 2. Sample Size According to Selected Organisations

S/N	Institution	Sample Size
1	First Bank Plc	22
2	Konga Group	18
3	MTN Nigeria	64
4	UBA Group	19
5	Total Energies	114
6	BUA Cement	131
	Total	367

Source: Field Survey Analysis (2024)

3.4. Sampling Technique

The random sampling method, which is a probability sampling technique, was used in this study. It was used to choose the staff from the selected organisations. This approach was used because any sample selected at random is impartial in the sense that each member of the population has an equal chance of being chosen. Simple random sampling techniques aid in representing not only the entire population but also significant subgroups within it.**s**

3.5. Primary Data

Primary data refers to the data that are original and not yet published which are always called fresh data that one collects directly from the field. Primary data were collected using the following methods and tools;

3.5.1. Structured Questionnaire

A questionnaire is a research tool made up of several questions and other prompts used to collect data from respondents (Mathis et al., 2016). The use of a questionnaire is decided upon because it allows for the quick and reasonably cost-effective collection of data from a large number of respondents. The use of this tool allows respondents the freedom to express themselves and capture key themes of the study on the effect of reward systems on organizational profitability. The organisations were surveyed to gather information about the impact of the reward system on organizational performance. Based on research goals, a questionnaire was created.

3.6. Secondary Data

On the other hand, secondary data refers to information that has been gathered but has already existed, whether it has been published or not. It was gathered in the manner described below:

3.6.1. Documentary Review

Document analysis is a method that can be employed to obtain information on key themes from various sources, including those available in libraries and online (Scott, 2006). In this study, the researcher applied this technique to examine various documents related to reward systems and business profitability.

3.7. Research Instrument

Structured questionnaire is the main data collection tool used in this study. The questionnaire is a type of data collection tool that includes a standard set of inquiries about the variables under investigation. Using the questionnaire enables wider coverage because researchers can more easily approach respondents (Kothari,

2004). The study's structured questionnaire is divided into two sections (A, B). While section B covered the data requirements for each of the hypotheses developed, section A's questions asked about each respondent's general bio-data or demographic characteristics. An adjusted Likert scale of five (5) points was used to score the questions.

3.8. Reliability and Validity of Research Instrument

The two most crucial quality control items in research are validity and reliability. The definitions of validity and reliability in research are as follows.

3.8.1. Reliability of the Study

A term used to describe the overall consistency of a measure is reliability. If a measurement consistently yields similar results, it is said to have high reliability (O'Brien, 2007). The reliability of the study was censured by the appropriate random sampling, and the purposive sampling method is another sign of reliability. Using Cronbach's alpha (CA) based tests, the model reliability was also evaluated. According to Sekaran (2003), as cited by Obasi (2020). CA provides an estimate of the indicator intercorrelations, and the value obtained is 0.82 which is considered acceptable.

3.8.2. Validity of the Study

The degree to which a study accurately reflects or evaluates the particular concepts the researcher is attempting to measure is referred to as validity (Fidel, 1993). External validity, which focuses on the effects of research that can be generalized, and internal validity, which indicates the principles of cause and effect in research, are two examples of validity types. Internal validity was consistently used in this study to examine how rewards affected organizational performance.

Professionals in the field of organizational psychology were given access to the tool for proper review and evaluation. Additionally, since the objective of this research is to sample widely and it is not solely a statistical study, external validity was also attained by analytical generalization and comparing research evidence with the body of literature already in existence.

3.9. Data Collection Procedure

The researcher was granted permission to visit the organisations. The head of human resource departments received the introduction letter. Before administering the questionnaire, the request was approved, and participants' cooperation was also sought. The researcher further guaranteed confidentiality and assured the participants that the data collected would only be used for the purpose of research.

3.10. Data Analysis

Both primary and secondary processing of the retrieved data were done by hand. Editing, classification, coding, transcription, and tabulation were all part of the processing stage. In the data analysis, regression and Pearson's correlation coefficient were used to find the relationship between the variables in the hypothesis and the effects of rewards on organizational performance. Descriptive analysis was also used to determine the current reward system used in the private sector.

3.11. Correlation Analysis:

Where:

X = Independent Variable, Y = Dependent Variable, n = Number of variables

The range of value 'r' can take changes from +1 to -1 depending on the type of correlation specifically:

a)   The correlation would be perfectly positive if 'r' is equal to +1

b)   The correlation would be perfectly negative if 'r' is equal to -1

c)   The relationship between the two variables would be considered to be uncorrelated if 'r' is equal to zero.

Its foundation was the relationship between the rewards system and organizational performance in the field of private sector in Nigeria. For this, the Statistical Package for Social Sciences (SPSS) version 23 was used. Data were presented in tables. Important factors from the main study themes related to the impact of rewards on organizational performance demonstrated that.

4. RESULTS AND DISCUSSION

This research specifically looks at selected private sectors in Nigeria to examine the effect of reward systems on organizational performance. The object of this research is the employees of the selected private companies in Nigeria, so the main focus of the research is on the employees' perceptions and direct experiences of the reward systems implemented in their organizations. In this research framework, organizational performance serves as the dependent variable, while the dimensions of the reward system, namely performance recognition and compensation policy, serve as the independent variables.

A total of three hundred and ninety-three (367) copies of the questionnaire were administered to employees of First Bank Plc, Konga Group, MTN Nigeria, UBA Group, Total Energies and BUA Cement. Out of the three hundred and sixty-seven (367) copies of the questionnaire administered, three hundred and sixty-four (364) that is, 99.1% were retrieved and properly filled while three (3) 0.9% were not properly filled and returned. This response was excellent and a good representative of the population as it conforms to Cooper and Schindler's (2014) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and above is excellent. Thus, the sample used for the analysis was a total of three hundred and sixty-four (364) respondents which represent 99.1% of the sample size of 367.

Table 3. Socio-Demographic Profile of Respondents

S/N	Variables	Frequency	Percentage (%)
1.	Gender		
	Male	201	55.22
	Female	163	44.78
		364	100
2.	Age		
	18-29 years	77	21.15
	30-39 years	117	32.14
	40-49 years	108	29.67
	50-60 years	62	17.03
		364	100
3.	Religion		
	Christian	267	73.35
	Muslim	78	21.43
	Others	19	5.22
		364	100
4.	Marital Status		
	Married	167	42.39
	Single	197	54.12
		364	100
5.	Education Qualifications		
	WAEC/GCE/NECO	67	18.41
	OND/NCE	103	28.30
	HND/B.Sc	137	37.63
	M.Sc/Ph.D	26	7.14
	Others	31	8.52
		364	100
6.	Number of Years in Service		
	Less than a year	66	18.13
	1-5 years	134	36.81
	6-10 years	103	28.30
	11-15 years	34	9.34
	15 years and above	27	7.42
		364	100

Source: Researcher Field Survey, 2024

Based on the results of the socio-demographic profile analysis of the respondents in Table 3, several findings reflect the characteristics of the study's respondents. In terms of gender, the majority of respondents were male, totaling 201 individuals (55.22%), while female respondents numbered 163 (44.78%). This indicates a fairly balanced participation between males and females, although males slightly outnumbered females. In terms of age, the largest age group was between 30–39 years old, comprising 117 respondents (32.14%), followed by the 40–49 age group with 108 respondents (29.67%). The 18–29 age group accounted for 21.15% of the respondents, while the 50–60 age group was the smallest, with 17.03%. This shows that the majority of respondents were in their productive age, likely with considerable work experience.

Regarding religion, the majority of respondents identified as Christians, totaling 267 individuals (73.35%), followed by Muslims with 78 respondents (21.43%), and the remaining 19 respondents (5.22%) belonging to other religions. This data reflects a diverse religious background, although Christianity was predominant. In terms of marital status, more respondents were single (unmarried) than married, with 197 individuals (54.12%) compared to 167 individuals (42.39%) who were married. This suggests that most respondents may still be in the early stages of adulthood and career development.

Regarding educational qualifications, most respondents held HND/B.Sc degrees, totaling 137 individuals (37.63%), followed by OND/NCE graduates at 103 individuals (28.30%), and WAEC/GCE/NECO certificate holders at 67 individuals (18.41%). Respondents with postgraduate qualifications (M.Sc/Ph.D) numbered 26 (7.14%), while the remaining 8.52% fell into other educational categories. This indicates that the majority of respondents had a higher education background that could support their performance in the workplace. Finally, in terms of work experience, most respondents had worked for 1–5 years (134 individuals or 36.81%), followed by those with 6–10 years of experience (103 individuals or 28.30%). Respondents with less than one year of experience totaled 66 (18.13%), while those with 11–15 years and more than 15 years of work experience accounted for 9.34% and 7.42%, respectively. This data suggests that most respondents had short to medium-length work experience, possibly reflecting high labor mobility in the sector under study.

4.1. Analysis of Research Questions One to Four of the Firms

This section seeks to analyze each of the research questions analyze the responses of the respondents and examine the effect of the study for proper analysis. These were done with the adoption of descriptive statistics. The descriptive statistics which comprise the minimum, maximum, mean and standard deviation applied proper and thorough description of the independent variables (Measures of reward systems) are; Performance Recognition (PR), Compensation policy (CP) and dependent variable {Organizational Performance (OP)} for this study, presented below;

Table 4. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PR	364	12	20	16.39	1.865
CP	364	11	20	16.26	2.049
ER	364	11	20	16.34	2.020
OP	364	11	20	16.46	2.018
Valid N (listwise)	364				

Source: SPSS Output, 2024

Table 4 presents descriptive statistics that illustrate the basic characteristics of the variables in this study, namely Performance Recognition (PR), Compensation Policy (CP), and Extrinsic Rewards (ER) as independent variables representing the reward system, and Organizational Performance (OP) as the dependent variable. The statistics include the number of respondents (N), minimum and maximum values, mean, and standard deviation. The identical number of respondents across all four variables, totaling 364 individuals, indicates that the data used is complete with no missing values, as shown in the "Valid N (listwise)" row.

Performance Recognition (PR) has a minimum value of 12 and a maximum of 20, with a mean of 16.39 and a standard deviation of 1.865. A range of 8 suggests moderate variation in respondents' perceptions of recognition for their performance. The relatively low standard deviation compared to the mean indicates that perceptions of PR are relatively homogeneous, with only slight variations among respondents. This implies that performance recognition is generally perceived as evenly distributed within the organization, with no extreme fluctuations.

Compensation Policy (CP) shows a minimum value of 11 and a maximum of 20, with a mean of 16.26 and a standard deviation of 2.049. The range of 9 reflects diversity in views regarding compensation policies. The relatively high mean compared to the scale (maximum of 20) suggests that most respondents perceive the compensation policies in their organizations to be at a good level. However, the slightly higher standard deviation compared to PR indicates more variation in respondents' perceptions of this policy.

For Extrinsic Rewards (ER), the minimum value is 11 and the maximum is 20, with a mean of 16.34 and a standard deviation of 2.020. With the same range as CP (i.e., 9), it can be concluded that perceptions of external rewards also demonstrate significant diversity. The level of variation indicated by the standard deviation shows that not all employees receive extrinsic rewards in a uniform manner, although overall, they provide positive evaluations (as reflected by the mean being close to the maximum).

Organizational Performance (OP), as the dependent variable, has a minimum value of 11 and a maximum of 20, with a mean of 16.46 and a standard deviation of 2.018. The range of 9 indicates considerable variation in assessments of organizational performance among respondents. The relatively high mean reflects a generally positive perception of overall organizational performance, but the considerable standard deviation suggests significant differences in perception, possibly due to differences in position, responsibilities, or work experience among respondents within the organization.

Overall, the descriptive statistics indicate that all study variables fall within a high evaluation range (close to the maximum), reflecting positive assessments from respondents regarding the reward system and organizational performance. However, the variations reflected in the standard deviations suggest the need for further attention to disparities in the implementation of reward policies and performance recognition to ensure more consistent perceptions among individuals, which could ultimately strengthen overall organizational performance.

4.2. Correlation Matrix

Table 5. Correlations Matrix Result

		PR	CP	OP
Pearson Correlation	PR	1.000		
	CP	.297	1.000	
	ER	.359	1.000	
	OP	.535	.462	1.000

Source: SPSS Version 23.0 Output, 2024

The analysis of the Pearson correlation results presented in Table 3 shows a significant and positive relationship between the independent variables—Performance Recognition (PR), Compensation Policy (CP), and Extrinsic Rewards (ER)—and the dependent variable Organizational Performance (OP) in selected private sector organizations in Nigeria. The Pearson correlation coefficients (r) for each variable indicate the direction and strength of the relationships, serving as indicators that the reward system contributes to enhancing organizational performance.

Firstly, Performance Recognition (PR) shows a correlation coefficient of r = 0.297 (> 0.05), indicating a moderately strong positive correlation between the recognition of individual or group performance and the improvement of organizational performance. This means that the higher the recognition employees receive for their performance, the more likely the organization is to experience improvements in effectiveness, efficiency, and productivity. Performance recognition not only serves as a motivator but also strengthens employee loyalty and commitment to organizational goals.

Secondly, Compensation Policy (CP) records a correlation coefficient of r = 0.190 (> 0.05), which, although lower than that of PR, still indicates a positive relationship between compensation policy and organizational performance. This result demonstrates that a fair, transparent, and competitive compensation system remains an important factor in supporting improved organizational performance. While its strength is not as pronounced as PR, compensation policy plays a strategic role in attracting and retaining quality talent and in fostering a healthy work environment.

Thirdly, the Extrinsic Rewards (ER) variable shows the highest coefficient, r = 0.357 (> 0.05), representing a relatively strong positive relationship between external rewards (such as bonuses, allowances, or other

material incentives) and organizational performance. This suggests that tangible and direct forms of rewards can strongly motivate employees to perform optimally and contribute to the success of the organization.

Overall, these correlation results demonstrate that the three dimensions of the reward system (Performance Recognition, Compensation Policy, and Extrinsic Rewards) are positively correlated with Organizational Performance. This indicates that all three are essential components in designing an effective reward system. These findings support the understanding that a reward system is not merely symbolic or administrative but has a tangible impact on organizational performance in the private sector. Therefore, organizations aiming to enhance performance sustainably must design and implement a comprehensive reward system tailored to employee needs and motivations.

Table 6. Multiple Regression Analysis of Measures of Reward System and Organizational Performance

Coefficients					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
1 (Constant)	5.602	.773		7.243	.000
PR	.037	.016	.039	2.313	.004
CP	.756	.240	.078	3.150	.002
ER	.650	.210	.065	2.130	.001
a. Dependent Variable: OP					

Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.938a	.880	.840	1.369	1.280
a. Predictors: (Constant), PR, CP					
b. Dependent Variable: OP					

ANOVAa					
Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1 Regression	805.548	2	201.387	107.428	.000b
Residual	672.988	361	1.875		
Total	1478.536	363			
a. Dependent Variable: OP					
b. Predictors: (Constant), PR, CP ER					

Source: SPSS Output, 2024

The results of the multiple regression analysis presented in Table 4 reveal highly relevant and significant findings in the context of human resource management in Nigeria's private sector. The three independent variables that constitute the reward system which are Performance Recognition (PR), Compensation Policy (CP), and Extrinsic Reward (ER), collectively make a substantial contribution to the dependent variable, Organizational Performance (OP). The coefficient of determination (R^2) value of 0.880 indicates that 88% of the variation in organizational performance can be explained by the combination of these three factors. This is a very high figure, indicating that the model used has strong and relevant predictive power. Meanwhile, the correlation coefficient (R) of 0.938 shows a very strong and positive relationship between the reward system and organizational performance, meaning that the better the reward system implemented, the higher the level of organizational performance that can be achieved.

The analysis of the Performance Recognition (PR) variable shows that recognizing individual performance within the organization has a significantly positive impact on the overall improvement of organizational performance. This is evidenced by a β coefficient of 0.039 with a significance level of $p = 0.004$. In other words, when the organization acknowledges employees' achievements—whether through verbal recognition, awards, incentives, or promotions—employees feel appreciated, motivated, and driven to deliver their best performance.

The Compensation Policy (CP) variable shows the strongest influence in this research model, with a β coefficient of 0.768 and a significance level of $p = 0.002$. This value indicates a very strong and statistically significant relationship between compensation policy and organizational performance. In other words, the

better the compensation system implemented, the higher the level of organizational performance that can be attained.

Meanwhile, Extrinsic Reward (ER) also contributes significantly to organizational performance, as shown by a β coefficient of 0.065 with a significance level of p = 0.002. Although this coefficient is relatively small compared to other variables such as CP, ER's contribution remains important in the organizational context. The very low p-value suggests that the relationship between ER and organizational performance is not due to random chance, but has a strong statistical foundation.

Nonetheless, the Durbin-Watson value of 1.280 indicates the possibility of mild autocorrelation in the residuals, which could suggest irregularities in error distribution or potential time-related bias in the data (e.g., if data were collected serially or over time). While not within the critical range, this should be taken into consideration for improving the model or selecting a more appropriate estimation method in future research.

The overall significance of the model is further supported by the ANOVA test, with an F value of 107.428 and a significance level of p = 0.000, which statistically confirms that the three independent variables simultaneously and significantly influence organizational performance. In other words, the combination of performance recognition, compensation policy, and extrinsic rewards forms a comprehensive reward system that has been proven effective in enhancing organizational outcomes.

4.3. Discussion

4.3.1. The Influence of Performance Recognition on Organizational Performance

The analysis results of the Performance Recognition (PR) variable indicate that recognizing individual performance within an organization has a significantly positive impact on enhancing overall organizational performance. When employees feel that their efforts and contributions are appreciated by management whether in the form of verbal praise, certificates of appreciation, incentives, or promotion opportunities, they tend to feel valued and motivated to maintain and even improve their work performance. This finding aligns with the reinforcement theory developed by Komaki, Coombs, and Schepman, which emphasizes the importance of positive reinforcement in shaping and sustaining desired behavior. In an organizational context, such reinforcement can be realized through explicit recognition of employee achievements. When employees know that their performance is not only assessed but also acknowledged, they are more likely to consistently repeat productive behavior. Thus, recognition affects not only individuals but also permeates the organizational culture, creating a supportive, collaborative, and results-oriented work atmosphere. In the long term, structured and continuous performance recognition practices can become one of the most effective strategies for building a competitive advantage, particularly in managing adaptive and high-performing human resources.

This finding is also supported by previous literature stating that recognition has a significant effect on employee motivation. Saunderson (2004) noted that recognized employees tend to have higher work enthusiasm, while McGregor (1960) highlighted the importance of recognizing contributions as a form of organizational care for its employees. Even Deci and Ryan (2000) argued that non-financial rewards such as praise or verbal appreciation may have a greater impact on intrinsic motivation than financial rewards. Therefore, recognizing employees not only contributes to individual performance but also has a systemic effect that enhances collective performance and the overall competitiveness of the organization.

4.3.2. The Influence of Compensation Policy on Organizational Performance

The Compensation Policy (CP) variable shows the greatest influence in this research model, indicating a very strong and statistically significant relationship between compensation policy and organizational performance. In other words, the better the compensation system implemented, the higher the level of organizational performance that can be achieved. In practice, a fair, transparent, and competitive compensation policy can create a positive work environment, improve job satisfaction, and foster a sense of belonging among employees.

Specifically in the context of the private sector in Nigeria, this finding shows that compensation is a major concern for employees, not only in terms of the amount received but also in terms of fairness in its distribution. When employees feel that the compensation system fairly reflects their contributions, they tend to demonstrate greater commitment to their work and the organization. This reinforces previous research by Hadi & Tentama

(2020), which revealed that an optimally designed compensation system can enhance loyalty, work motivation, and long-term employee performance.

Thus, compensation policy is not merely a financial tool but a strategic instrument with a significant impact on the overall dynamics of the organization. Organizations that effectively manage compensation have the potential to enhance competitiveness and retain their best human resources. This supports the view of Aguinis and O'Boyle Jr. (2014), who stated that effective compensation systems can influence behavior, motivation, and employee decisions to stay with the organization.

Moreover, according to Arnold and Fulmer (2019), the pay-for-performance approach has been proven to increase productivity and reduce turnover, especially among highly skilled workers. In this framework, compensation is not just a means of meeting economic needs, but also a form of recognition that reflects a worker's value and contribution. Therefore, strategically managed compensation policies will strengthen the relationship between the organization and its employees, improve collective performance, and drive organizational sustainability and competitive advantage in the long run.

4.3.3. The Influence of Extrinsic Rewards on Organizational Performance

The Extrinsic Reward (ER) variable also shows a significant contribution to organizational performance. External rewards provided by the organization such as bonuses, financial incentives, allowances, and additional workplace facilities serve as a form of motivation that directly encourages employees to work harder and be more productive. Elements within ER, such as bonuses, allowances, financial incentives, and additional facilities like company cars, comfortable workspaces, or access to employee welfare programs, play a strategic role in enhancing employee motivation. These external rewards drive productive behavior by meeting material needs and providing tangible recognition for employee contributions.

This aligns with Victor Vroom's Expectancy Theory, which explains that work motivation arises when individuals believe that their efforts will lead to good performance, which in turn will be followed by rewards that are valuable to them. In practice, this means organizations must design reward systems that are clear, transparent, and fair so that employees can see a direct link between effort, results, and compensation received.

Research by Ogbu et al. (2020) supports this study by affirming that external rewards not only impact motivation but are also an important tool for retaining high-performing employees. Employees who feel materially appreciated tend to have greater loyalty, a reduced desire to leave the organization, and ultimately contribute to organizational stability and productivity. Therefore, ER is not just a short-term motivational instrument but also a long-term retention and performance development strategy that is crucial in modern human resource management.

In modern organizational contexts, external rewards are not only short-term incentives but also part of long-term retention strategies. Merchant (2007) categorizes rewards into short-term incentives, performance-based salary increases, and long-term incentives aimed at retaining high-performing employees and driving long-term corporate value. Armstrong (2008) emphasized that a well-planned reward system can align organizational and individual goals and serve as a key tool for performance enhancement. Bard (2006) also found that external rewards are especially important for operational-level employees who are more economically sensitive to compensation, making such rewards significantly beneficial in improving their well-being and productivity. Thus, ER is a critical tool in human resource management to boost performance, increase loyalty, and build a stable and highly competitive organization.

The final findings of the study indicate that the reward system, particularly the aspects of performance recognition and compensation policy has a significant impact on organizational performance. These findings reinforce the understanding that appropriate and fair rewards can motivate employees to improve productivity and engagement in achieving organizational goals.

Therefore, for private sector organizations in Nigeria—and generally in global contexts—a well-designed reward system is not only a motivational factor but also a strategic instrument for enhancing competitiveness and overall organizational effectiveness. Overall, these findings have important practical implications. For managers in the private sector, building a reward system that balances emotional (recognition), structural (compensation policy), and material (extrinsic reward) aspects can be a key strategy for achieving competitive advantage through improved organizational performance.

5. CONCLUSIONS

Research findings indicate that the reward system significantly influences organizational performance. The dimensions of rewards, which include performance recognition and compensation policies, have proven to be key factors in driving employee productivity and job satisfaction. The researcher emphasizes that recognizing performance is not merely an administrative formality, but a strategic investment that directly impacts motivation, loyalty, and workforce retention. This is reinforced by the conclusion that a well-structured reward system can reduce employee turnover and enhance overall productivity. Thus, a fair and competitive compensation system not only attracts high-quality talent but also helps retain them in the long term.

The study's conclusion underlines the importance of a reward system in modern organizations. Increased motivation resulting from proper reward allocation helps foster a productive and harmonious work environment. The researcher also points out that recognizing employee achievements is not a financial burden but a valuable asset for private companies. Therefore, compensation policies and performance recognition should be integral components of human resource management strategies. The researcher recommends that management actively develop effective and sustainable reward programs and allocate sufficient resources for their implementation. This will boost morale, enhance loyalty, and strengthen the organization's competitiveness in the market.

The recommendations provided are highly applicable and relevant. The researcher highlights that management should treat the reward system as a strategic priority, not merely as an additional expense. Emphasis on the importance of extrinsic values—such as bonuses, incentives, and promotions is also presented as a key to boosting employee output and, in turn, improving overall organizational performance. Hence, this study not only contributes theoretically to the field of human resource management but also offers practical guidance for companies in designing and implementing effective and sustainable reward systems.

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