



Enhancing Organizational Resilience Through Executive Compensation

EVWIERHURHOMA, Ejiroghene Daniel and OGA, Kelechi Charles

Department of Management,
Faculty of Management Sciences,
University of Port Harcourt, Nigeria

Abstract: *The purpose of this paper is to examine the relationship between executive compensation and organizational resilience of Deposit Money Banks in Rivers State, Nigeria. The predictor variable is executive compensation while the criterion variable is organizational resilience. The study adopted a correlational and cross-sectional research design and uses questionnaire as the research instrument which was distributed to 57 top executives of 19 DMBs operating in Rivers State which comprises of 3 executives from each DMBs. The data generated were analyzed through the use of Spearman's Rank Order Correlation Coefficient to test the relationship between the variables of the study through the use of Statistical Package for Social Sciences within a significance level of 0.05. The findings showed that executive compensation has positive and direct significant effect on organizational resilience of DMBs in Rivers State respectively. Thus, we concluded that executive compensation has positive and direct significant effect on organizational resilience of DMBs in Rivers State respectively. We therefore recommend among others that DMBs should apply effective and efficient executive compensation packages to enable the executives possess the motivation to withstand environmental threats and make the banks more resilient.*

Keywords: *Executive Compensation; Organizational Resilience.*

Introduction

The capability of any business firm to succeed and survive in today's business environment is a function of its capacity to effectively and efficiently adapt to its environment continuously. Consequently, business firms that want to be prosperous and survive in nowadays dynamic and complex environment must be able to adapt to it. Thus, organizations have to possess resilience as quality in order to be able to manage threats externally on their way to achieving their set objectives. In this view, Seville, Porter and Askew (2008) articulated that given that environment of business cannot be wholly controlled, organizations must be resilient in their daily operations. In order to achieve this, business firms must build up capacities to respond continuously to changes in the environment by engaging more in executive compensation packages.

Compensation is an important tool organizations can apply to enhance the passion of executives in carrying out their roles in the organization. This is because it assists in motivating as well as to retain hardworking human resource in the organization (Petera, 2011). Thus, the motivation needed by the organization to pursue its goals regardless of interruption through resourcefulness flexibility as well as recoverability can be enhanced through executive compensation using both

financial and non-financial form. Also, Khan, Aslam and Lodhi (2011) opined that managing compensation effectively and efficiently helps to promote, maintain as well as propels executives to increase the success of the organization. This can result in resilient behavior such as personal optimism, a positive mind-set towards the organization, hope, adaptation, a passion for the organization and ability to navigate through challenges and adversities. Over the years equitable compensation has been found as a major tool a firm can employ on to motivate their executives thus enhancing organizational success for better organizational resilience.

Accordingly, the purpose of this study is to examine the relationship between executive compensation and organizational resilience of Deposit Money Banks in Rivers State, Nigeria. Additionally, the research question for this study is: what is the relationship that exist between executive compensation and organizational resilience of Deposit Money Banks in Rivers State, Nigeria? While the stated research hypothesis is: there is no significant relationship between executive compensation and organizational resilience of Deposit Money Banks in Rivers State, Nigeria.

Literature Review

The Concept of Executive Compensation

Compensation is an essential element of an employment relationship where all forms of financial returns on tangible services and benefits for workers are received (Milkovich, Newman & Gerhart, 2011). It has to do with the pay given to the employee by an employer due to the task offered. It is noteworthy that compensation is usually associated with employee productivity among other factors. Compensation can be in the form of incentive pay, merit awards, gain sharing and tuition reimbursement, other fringe benefits, health benefits, pension and gratuity plans, (Terera & Ngriande, 2014). Sinambela (2016) expressed that compensation comprises financial, and nonfinancial. He explains that financial compensation can be divided into direct compensation, such as merit pay, bonuses, base pay, profit sharing, and differed pay, such as annuity programs; and indirect compensation which include benefit program, that is life insurance, health insurance, pensions and labour insurance, including overtime payments, annual leave and maternity leave, and employee. While the non-financial or psychological compensation include appreciation, praise, recognition. In giving out compensation, the following are considered such as qualification of the individual, experience, attitude, and pay by trends the labour market. The main aim of compensation in most organization is to motivate employee and influence the behavior in a favorable way. Hence, an organization desires to motivate employees as a retention strategy, and reinforces performance through performance boosting compensation.

Furthermore, the term executive compensation represents the top executives' gross earnings in the form of financial rewards and benefits. Junaidu and Sanni (2014) defined executive compensation as financial and non-financial awards paid for service rendered to the organization. This includes of salary, bonuses, share benefits etc. One reason for compensation is to keep executives motivated enough not to quit their job when the organization need them most. Also to create a positive work environment free from grievance. There is more and more focus on executive compensation from a proactive perspective for better productivity by the recipients. Research has shown that one of the central pillars of human resources management is compensation management. Compensation management is an aspect of compensation offering which serves as a benchmark for planning suitable remuneration, reflected in the organization

culture and reward strategies. It is linkable with the development and implementation of competitive strategies and policies that aim to empower the human resources practically, ethically and consistently in agreement with their influence on the organization (Armstrong, 2005). Compensation management remains the most vital elements of human resources management. This comprises economic rewards in shape of wages and salaries as well as in different forms of non-economic payment referred to as fringe benefits, indirect compensation or supplementary pay. Compensation management aims at the formulating policies for rewarding people fairly, equitably and consistently in accordance with their worth in company (Pingle, 2014). Compensation management involves the design, implementation and maintenance of reward measures that are tailored towards the improvement of the individual, team and organization (Abolade, 2012). It is an integral part of human resource management which entail personnel development for achieving successful implementation of business strategy. This a positive employment relationship is expected to foster longer term issues relating to how people should be valued for their capacity and what they achieve (Sisson, 2010). The main objectives of the compensation management is to create a system that favours both parties in employment relationship. The outcome of compensation should be and not limited to employees been motivated to work and motivated to see a job is well done. One of the functions of compensation management is that it serves as a pillar of cooperation (Suwatno & Priansa, 2011). This means that compensation raises formal cooperation tendencies between the organization and employees as well as executives. Managers must perform their duties properly, while the owners are expected to reward accordingly.

According to Bauweraerts, Vandernoot and Tyrant (2013) some managers view compensation as a tool that influences their success, in that the higher the pay, it is likely their interest on the job may increase and excellence can be attained. This results in competitive pressure on the employees which invariably forces them to consider the positives of their compensation packages at their disposal. In modern times, the obvious gaps that exists between the executive pay and that of the ordinary employees have continued to widen and has being a source of debate at annual board meetings and staff review sessions around the world (Tay & Bipinchandra, 2013). In regulating human behavior money can be a motivating factor instrumental for many aspects of human endeavor. Money can fashion results that satisfy physiological needs as expressed by Abraham Maslow, meeting needs in terms of housing, clothing, food etc. Also, money bring about social comparison within interpersonal relationships, work and social groups. Potentially, a sound executive compensation scheme depends on well-established compensation philosophies, policies and practices that are closely aligned with the organization's overall goals and objectives (Sinambela, 2016). Armstrong (2005) argues that compensation management entails developing cordial psychological contracts that demonstrates an inclusive compensation tactics able to identify several ways through which executives can be rewarded.

The Concept of Organizational Resilience

Organizational resilience is the capability of a firm take action speedily to unforeseen changes, even chaotic disruption. According to Weick, Sutcliffe and Kathleen (2007) organizational resilience is basically has to do with a firm's ability to pursue its goals regardless of interruption through doggedness. Also, Madni (2007) explains that organizational resilience is more of the capacity of an organization to predict a change or disruption and adapt to same as well as

recovering quickly as much as possible from perturbation. The unpredictable business environment makes business firms susceptible to risk emanating from the environment; thus organization must be flexible and have the ability to be adaptable in order to be able to withstand these changes. Organizational resilience is a vital and crucial tool organization must possess to be successful in today's turbulent environment. Hence, it is of great significance for managers to build this quality so that they will be able to respond to change in order to attain set goals.

Empirical Review

Ebereonwu (2017) examined employee compensation and organizational Effectiveness in Port Harcourt Electricity Distribution Company Plc. The researcher used a cross-sectional survey Research design method. Descriptive statistic and spearman rank order correlation technique was also used for data analysis and test of hypothesis. The measuring of organizational effectiveness used are, quality services and profitability. The outcome of the research showed that there is a significant positive relationship between employee compensation and organizational effectiveness. The researcher further recommended that firms should be more proactive in employee compensation. That fair and equitable compensation should be devoid of threats; performance must be matched with compensation, because these are very important practical implications that relate positively to organizational effectiveness. Firms should adopt and conduct stay and exit interviews and strategies that will help understand reasons behind high level turn over in organizations.

Isaac (2017) investigated the relationship between mentoring and organizational resilience of construction firms in rivers state. The measures of organizational resilience used are situation awareness, keystone vulnerability management and adaptive capacity. The research found out that there is a weak relationship between mentoring and situation awareness. There is on the other hand a strong positive relationship between mentoring and keystone vulnerability and finally there is a moderate relationship between mentoring and adaptive capacity. A positive relationship exist at different levels with the measures of organizational resilience. It was finally recommended that management of construction companies should regularly arrange for collective mentoring, so as to sustain keystone vulnerability management. Keystone vulnerability are those important aspects of the organization that by their loss could affect the organization negatively example, disruption in infrastructure.

Methodology

We used correlational research design through cross-sectional studies that focused on top executives of DMBs in Rivers State in other to know the relationship that exist between executive compensation and organizational resilience. Consequently, research survey design was adopted using questionnaire as the research instrument which consist of four respond choices with 5 Point Likert scales ranging from 1 to 5 indicating strongly disagree, disagree, indifference, agree and strongly agree respectively. To ascertain the validity and reliability of the research instrument, we adopted face and content validity while the reliability of the instrument was done using Cronbach Alpha which showed a Cronbach Alpha value of 0.918 for executive compensation and 0.867 for organizational resilience. The predictor variable is executive compensation while the criterion variable is organizational resilience. The population of the study comprised of 57 top executives of 19 DMBs operating in Rivers State which comprises of 3 executives from each DMBs. Though, these DMBs have their Head offices in Lagos, they however have their regional offices in Rivers

State and the executives ranges from General Managers (GM), Deputy General Managers (DGM), Assistant General Managers (AGM), Executive Directors (ED), Divisional Executives (DE), Principal Managers (PM), Zonal Managers (ZM). More so, all the 57 executives were also used as the sample size. Furthermore, out of the 57 questionnaires distributed 53 representing 92.98% were retrieved and were properly filled which were used for our analysis while the other 4(7.02%) questionnaire were not retrieved. Data gathered were analyzed through the use of Spearman's Rank Order Correlation Coefficient as well as t-statistics was used to test the relationship between the variables of the study through the use of Statistical Package for Social Sciences (SPSS) Windows version 25 within a significance level of 0.05.

Data Analysis and Result

Relationship between Executive Compensation and Organizational Resilience

Table 1: Correlations analysis showing the relationship between executive compensation and organizational resilience

		Executive Compensation	Organizational Resilience
		1.000	.986**
Spearman's rho	Executive Compensation	Correlation Coefficient	
		Sig. (2-tailed)	.000
		N	34
	Organizational Resilience	Correlation Coefficient	1.000
		Sig. (2-tailed)	.000
		N	34

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

Source: SPSS 22 Output, 2019

Above Table 1 indicates an R= 0.986, P= 0.000, (p < 0.05). The result indicate a direct relationship exists between executive compensation and organizational resilience in DMBs in Port Harcourt, Rivers State, Nigeria. Thus, the null hypothesis was rejected, consequently, positive and direct significant relationship exist between executive compensation and organizational resilience in DMBs in Port Harcourt, Rivers State, Nigeria.

Discussion of Finding

Table 1 revealed that there is positive, direct significant relationship between executive compensation and organizational resilience in the DMBs in Port Harcourt with probability/significant value (PV) of 0.000 which is less than (<) 0.05. In view of the above finding, Hills, Bergmann and Scarpello (1994) observed that compensation impact on the behaviour of executives who take decision in the organization that is aligned with the organization's needs in adapting to environmental changes as well as bounce back swiftly to higher organizational performance in periods of turbulence or after turbulence. Also, Lee and Bruvold (2003) opined that the more the executives are encouraged by the organization through effective compensation, the more the executives will be ready to increase their commitment level to the organization. This

provides executives the motivation to ensure that the ability of an organization to respond rapidly to unforeseen changes, and chaotic disruption. Day and Gu (2009) observed that providing executive with good compensation packages has a means of providing satisfaction to them which would also enhance resilience. Thus, organization can attain and subsequently enhance their resilience by providing executives job satisfaction in terms of appropriate compensation.

According to Snell and Bohlander (2010) an understanding of the best way to compensate human resources which the executive is an important aspect to influence their performance and motivate them is essential for organizations. The success of business firm lies on the competence of its human resources, which are the most respected assets of the business firm. One of the most difficult tasks of every organization is on how to develop a compensation system to incorporate both organization's goals and individuals' need, to have motivated workforce and improve productivity. The enhanced productivity and performance, organizations are able to achieve can serve as momentum for an organization to adapt quickly to changes in the environment. Mathis and Jackson (2011) observed that a good compensation given to the executives increases their dedication and impact their attitude towards handling issues related to the organization with more determination. More so, Hills et al. (1994) observed that compensation helps to achieve high level of performance from the executives beyond the minimally acceptable levels. This should be able to provide excellent performance of the executives towards achieving set objectives as well as help to successfully innovate and acclimatize to swift environmental changes. Compensation management which has to do with rewarding human resources for their performance (Hewitt, 2009); plays a role of motivating executives in increasing their efforts so that they can help to build an effective environment for organization that can withstand environmental changes (Hewitt, 2009). Thus, effective and efficient executive compensation influences the employment behaviour of executives who are in charge of the decision making of the organization through the alignment with the organization's needs to effectively and efficiently react to environmental changes and turbulence as well as bounce back in an event of loss of performance.

Conclusion and Recommendation

Outcome of the study provides an empirical, direct, and very strong significant influence of executive compensation on organizational resilience of DMBs in Rivers State, Nigeria. Thus, from the outcome of the research findings, we therefore concluded that executive compensation should be taken seriously by the DMBs so as to enhance their resilience capability in Rivers State, Nigeria. Organizations of all types and sizes may strengthen their resilience by engaging in a good, effective and efficient executive's compensation packages. More so, sound executive compensation means having an environment that gives just and equitable compensation to executives for their works which serves as a means to motivating them to work harder to building an organization that will be able to withstand environmental changes. The roles an executive of the organization play is very important to attaining the goals of the organization. In today's uncertain global business environment, the executives have a major role to play which affect all parts of the organization's success. In fact the rising and falling of any organization depends on the decisions of the executives. This is because executive formulate strategies as well as the implementation of same to determine the outcome of the organization; thus they have to be effectively compensated to be able to stand for the organization during crisis, through motivation.

This is because compensation has the capacity to enhance executive's commitment that can bring about organizational resilience. We therefore, recommend that DMBs that want to attain resilience must make sure their compensation plans include policies that should provide comprehensible executives' compensation management. Also, DMBs should apply effective and efficient executive compensation packages to enable the executives possess the motivation to withstand environmental threats and make the banks more resilient.

Reference

- Abolade, D.A. (2012). Impact of unionization and non-unionization of workers on organizational efficiency in work organizations in south-western Nigeria. *Economic Insight-Trends and Challenges*, 64(2), 19-29.
- Armstrong, M. (2005). *A handbook of human resources management practices*. UK: Kogan page publishers.
- Bauweraerts, J., Vandernoot, J. & Tyrant, T. (2013). Manager's compensation in large public firms in Belgium: an analysis on the BEL 20. *Eurasian Journal of Business and Economics*, 6(11), 15-38.
- Day, C. & Gu, Q. (2009). Veteran teachers: commitment, resilience and quality retention. *Teachers and Teaching*, 15(4), 441-457.
- distributions sub-stations. *Nigerian business and social review journal*, 9(3), 106-117.
- Ebereonwu, O. (2017). Employee Compensation and organizational effectiveness in electricity
- Hewitt, A. (2009). Managing performance with incentive pay. *Journal of Personnel Management*, 7(1), 20-31.
- Hills, P.S., Bergmann, T.J. & Scarpello, V.G. (1994). *Compensation decision making* (2nded.). New York: The Dryden Press.
- Isaac, N.I. (2017). Mentoring and organizational resilience of construction firms. *Nigerian Business and social review journal*, 9(2), 28-37.
- Junaidu, M. K. & Sanni, K. S. (2014). Executive compensation and financial performance of listed banks in Nigeria: an empirical analysis. *Research Journal of Accounting*, 2(3), 1-13.
- Khan, R.I., Aslam, H.D. & Lodhi, I. (2011). Compensation management: a strategic conduit towards achieving employee retention and job satisfaction in banking sector of Pakistan. *International Journal of Human Resource Studies*, 1(1), 89-97.
- Lee, C.H. & Bruvold, N.T. (2003). Creating value for employees: investment in employee development. *International Journal of Human Resource Management*, 14(6), 981-1000.
- Madni, A.M (2007). *Designing for resilience*. ISTI Lecture Notes on Advanced Topics in Systems Engineering.
- Milkovich, G.T., Newman, J.M., & Gerhart, B. (2011). *Compensation* (10th edi.). New York: McGraw Hill.
- Petera, P. (2011). Evaluating the quality of rewards systems. *European Financial and Accounting Journal*, 6(3), 66-91.
- Pingle, S. (2014). Reward and recognition practices in public sector: an empirical study at Steel Authority of India Ltd (SAIL). *Journal of Institute of Environment and Management*, 7(1), 10-15.

- Seville, E., Porter, J. & Askew, G. (2008). Enterprise resiliency: a sustainable growth imperative. Seoul, South Korea. *Journal of Public Administration and Governance*, 5(3), 41-59.
- Sinambela, L.P. (2016). *Human resource management: building a solid work team to improve performance*. Jakarta:PtBumiAksara
- Sisson, K. (2010). Employment relations matters. Research Studies and Reports, ILR collection. <http://digitalcommons.ilr.cornell.edu/reports>
- Snell, S. &Bohlander, G. (2010).*Principles of human resource management (10th edi.)*. London: prentice Hall
- Suwatno, H., &Priansa, D. (2011). *Human resource management in organizations public and business*. Bandung: Alfabeta.
- Tay, A. & Bipinchandra, P.A. (2013). Compensating human capital in organizations: the general concerns about paying top executives excessively. *Scottish Journal of Arts, Social Sciences and Scientific Studies*, 14(2), 158-174.
- Terera, S.R. & Ngriande, H. (2014).The impact of rewards on job satisfaction and employee retention. *Mediterranean Journal of Social Sciences*, 5(1), 481-487.
- Weick, K., Sutcliffe, B. & Kathleen, M. (2007).*Managing the unexpected: resilient performance in an age of uncertainty*. San Francisco: Jossey-Bass.