

BACKGROUND OF THE STUDY

1.1 Introduction

Organizations are established with the aim of effectively utilizing various available human and non-human resource to achieve certain objective. Among these resources in human, which is commonly seen as the most valuable asset an organization could use to earn competitive advantage and achieve its objective, hence the need for human resources management to ensure optimum productivity and organizational continuous existence.

Human resource has been tagged the most valued asset of any organization. Its strategic approach emphasized a “tight fit” between individual needs, rights, ambitions, and goals within the organization which make compensation system central in the affairs of emerging students, scholars and HRM practitioners in the world over. The emergence of human resource management posed great threat to the conventional personnel management and industrial relation because it evolved from the core approach or organization relationship. It is an asset that should be invested upon so as to provide long-term commitment and high performance in an organization. As organizations strive to achieve one or more objectives through exhaustive utilization of human capital, so also, the employee aim toward achieving individual purpose (objective) while working for the organization.

Reward system is the instrument used to increase employees’ productivity. It seeks to attract and retain suitable employees, encourage good management – employee relationship and commitment and minimizes tension and conflict as it deals with all forms of final returns, tangible service and mechanism for good relationship. Furthermore, the major cause of industrial conflict is based on the fact that employees feel their benefit are denied or about to be denied thus the importance of compensation system is to provide a good platform for equity and fairness. This provides a challenging environment and increase productivity of employees. The compensation system ensures that both intrinsic and extrinsic needs of employee at all levels are adequately provided for compensation develops organizational integrity, policy, procedures and practices capable of improving organizational productivity. Reward and compensation is concerned with employees and organization performance development through which better result can be achieved by understanding and managing reward and compensation within an agreed framework, planned goals, standard and competency requirements.

Petroleum sector plays a great or leading role in building Nigeria economy since petrol (Crude oil) serves as the major source of income in Nigeria and is the strength of Nigeria economy. The role petroleum industry plays cannot be overemphasized, among which are structuring the capital market, refining of crude oil for local consumption, provision of employment for both indigenes and foreigners and the marketing of crude oil and petroleum product. However, the success of the industry rests so much on its human resources capability, which is the most valuable asset of any sources capability, which is the most valuable asset of any organization. The challenging tasks of every manager at all level are how to build a befitting reward and compensation system to incorporate both organizational goals and individual needs, thus, have a motivated workforce and improve productivity. Therefore, this research work seeks to look into reward and compensation system and its implication on worker’s efficiency in the petroleum industry (Total Plc as case study). The industry has proved to be one of the most valuable in Nigeria economy and the productivity of

the industry cannot be refrained from its rewards and compensation structure, directly or indirectly. However, the study examines the impact of reward and compensation, system on organizational productivity, the base of good reward and compensation structure, employees expectation at different levels and how the compensation structure is based on performance of individual(s) or job requirement of employees. The researcher therefore tends to draw attention of Board of Directors (BOD) and management of organization to the need for effective and efficient reward and compensation system capable of improving employees' performance and enhance organizational productivity.

1.2 Statement of the Problem

Some organizations over the years see employee as additional cost as well as liability to their operations, hence do not remunerate them appropriately, and where it is more appropriate, the compensation is not commensurate with the efforts and skills that workers put into the organization's activities, instead of paying attention on how employees will be compensated appropriately, some organizations concentrate more on other resource, such as materials, machines and money. The effort is more on how to improve the production process with little or no consideration for human efforts.

This had led to the inability of such organizations to attain their set objective, organization success relies heavy on how much attention pay to its employees' reward policies. It is in view of this that the study seeks to know how reward and compensation system in organization affect the performance of employees as well as that of the organization in general.

1.3 Objectives of the Study

The major objective of this study is to examine and assess the impact (if any) of reward and compensation system on the productivity of employee in an organization. The specific objectives therefore, are to;

- Draw the attention of management to prompt, timely and adequate compensation of employee
- Analyse the available reward package and how it affect employees and organizational performance
- Ascertain the need for management to create a conducive working environment by providing both physical and psychological incentives to make employees more committed to organizational goals
- Encourage a good reward and compensation policy which should be channeled toward increasing organizational productivity.

1.4 Significance of the Study

The importance of this study cannot be overemphasized due to the fact that, it holds a lot benefit to ensure continuous existence and survival of organizations, the study will be great benefit to manager or human resource department of organization regarding the identification of effective reward and compensation, system, its cost and benefit on organizational operations, harmonizing employees and organizational interest to avoid sub-optimality etc.

In addition, the study clarifies the argument on whether effective reward and compensation system adds value to organizational activities, which will enable organizations take profitable side on whether to compensate employees or not. This research due to adequate review of various up-to-date literature is a source of material to post and undergraduate student and as well as researchers who may intend to undergo a study on the subject matter in future.

Knowledge the say, is power this research work exposed the researcher to many practical issues on human resource, reward and compensation system and the respective relationship that exist between effective reward and compensation system, productivity customer patronage as well as organization productivity and

profitability. In addition, the study was an avenue for the researcher to study some materials text book, journals, annual reports etc which on ordinary activity would not have thought of.

Finally, the study serves and meet one of the pre-national diploma in management from Kaduna Polytechnic Kaduna.

1.5 Research Question

What are the benefit of prompt compensation to employees in the organization

How can a reward package affect the performance of an employee in an organization

How does a conducive working environment make an employee committed in attaining organizational goals

In what way can employers encourage employees

1.6 Scope of the Study

This research work is undertaken to analyse the impact of reward and compensation system on the productivity of employees in an organization though employees reward and compensation system is just one of the various tools used to ensure effective human resource management, but the study strictly concerns itself with reward and compensation, its system and its impact in enhancing organizational productivity and profit ability.

In addition, the research work is carried out to study the impact of reward and compensation system on the productivity of employees in Total Nigeria Plc Kaduna. This therefore shows that the study nether cover every organization in petroleum industries non has it cover every branch of total Nigeria Plc but Total Nigeria Plc, Kaduna South.

1.7 Limitation of the Study

A research work of this nature is however unpleasant with numerous problem that limit the researcher ability especially in Nigeria where many organizations do not disclose the true information about their organization to researcher.

The researcher found it difficult to access meaningful data concerning the organization reward, policy but has to use the limited information available. Nevertheless, the research work was adequately covered based on the available information to the researcher though its difficult to claim a total perfection, therefore the topic is opened for further build up consideration and research.

1.8 Definition of Terms

Compensation: Compensation of all form of financial return, tangible services and benefit an employee receives as part of an employment relationship.

Industry: This is the group of firm that engage in the production of similar product (i.e. goods / services)

Productivity: Productivity is the output unit / per labour input into the production process given the level of existing technology.

Management: This is the process of planning, organizing, staffing, leading, directing, coordinating and controlling available resources toward s achieving a target objective.

Reward: This is the cor-faced of an employment relationship. Reward system consists of an organization's integrated policies process and practices for rewarding its employees in accordance with their contribution skills competence and their market worth.

Remuneration: This is the financial reward accruing to employee for his or her performance in the organization.

Motivation: It is the inner drives that arouse direct and maintain an individual behavior toward accomplishing organization goals.

Research: Is a way of arriving at a dependable solution to business and management problem through a systematic way of data collection, data analysis and data interpretation.

Pay Structure: Is a framework for managing base pay progression over time for employee benefit.

Policy: Is organizational guiding principles that regulate its operation and activities.

Job Analysis: According to Raymond, et al (2004) it is the process of getting detailed information about jobs.

Job Description: Is the setting out of the purpose of job, where it is fit in the organization structure the content within which the job holder function and the principal accountability of job holder. Main task the employee has to carry out.

Job Enlargement: Is the act of combining previously fragment task into one job to add greater autonomy and responsibility to a job and is based on the job characteristic approach and maximizing the interest and challenges of work.

Job Evaluation: Is a systematic process for establishing the relative work of job within an organization.

Reward Strategy: It is a definition of the intention of the organization on how its reward policies and process should be developed to meet business requirement.

THE IMPACT OF COMPENSATION AND REWARD SYSTEM ON ORGANIZATIONAL PERFORMANCE IN TOTAL NIGERIA PLC KADUNA

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