

ILORIN JOURNAL OF MANAGEMENT SCIENCES



ISSN 2408-655X

**Published by:
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF ILORIN**

e-mail: editorijms@hotmail.co.uk

<http://ejournals.unilorin.edu.ng/journals/index.php/ijms>

**Volume 4, No.1,
June 2017**

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EXECUTIVE COMPENSATION AND ORGANISATIONAL PERFORMANCE IN FOOD, BEVERAGE AND TOBACCO INDUSTRY IN NIGERIA

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Abstract

This study identified the factors that influenced executive compensation in the selected firms within the Food, Beverage and Tobacco industry in Nigeria and examined factors that contributed to organizational performance in the industry. It also assessed the influence of executive compensation on organizational performance in the industry. These were with the view to providing information on how executive compensation affected organisational performance. Primary and secondary data were used for this study. Primary data were collected through the administration of 56 copies of questionnaire to executives of eight purposively selected firms out of 30 quoted companies in the industry during the period of 2009-2013. The eight quoted companies were chosen due to their impressive growth in the food, beverage and tobacco industry with several years of operation in Nigeria. Stratified random sampling technique was used in selecting the 56 executives from the selected companies. The top executive, middle level and lower level staff were used for stratification. Secondary data were sourced from Nigeria Stock Exchange Factbook, Annual Reports and Financial Statements of selected firms, variables such as asset utilization, net profit margin, return on capital employed, and directors' emolument. Data collected were analyzed using binary logistic regression and two-stage least squares regression analysis. The results showed that five factors influenced executive compensation, out of which only two were significant in the selected firms within the food, beverage and tobacco industry in Nigeria they are: years of experience ($t = 2.931$, $p < 0.05$), take home packages ($t = 2.638$; $p < 0.05$) while age ($t = 0.916$, $p > 0.05$), qualification ($t = 1.208$, $p > 0.05$) and department of works ($t = 1.482$, $p > 0.05$) were not significant. The results also showed that the factors that led to organisational performance in the industry included asset utilization ($t = 7.238$, $p < 0.01$) and returns on capital ($t = 2.391$, $p < 0.05$). Finally, the results showed that executive compensation (measured with director's emolument) had no significant influence on organisational performance ($t = -1.245$, $p > 0.05$). The study concluded that executive compensation in the food, beverage and tobacco industry had substantial effect on organisational profitability.

Introduction

According to Business Dictionary (2015), Executive compensation is the financial payments and non-financial monetary benefits provided to high-level management in exchange for their work on behalf of an organization. The type of

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employees that are typically paid with executive compensation packages include corporate presidents, chief executive officers, chief financial officers, vice presidents, managing directors, and other senior executives even political leaders. This means that executive compensation is mainly an internally determined decision as boards of directors to influence both the level and composition of executive compensation (Sapp, 2008).

According to Beatty and Zajac (1994), there are much ambiguity and conflict surrounding executive compensation. High executive compensation has triggered intense debate over excess of rewards and congruence with performance and productivity of firms (Gordon, 2004, Donovan, 2015). The more compensation that firms provide for their executive, the less will be available for the investment in workers rewards for their contributions to the organization and achievement of strategic goals. Most organization tied executive compensation to the profitability of an organization. Often their base pay is a relatively small portion of their overall compensation, with large amounts of their pay tied to stock options and bonuses that should relate to organizational performance. Many argue that ability to reap huge rewards tempts executives to make the organization look profitable at all cost. Compensation Strategy is seen as one of the most important strategies in the human resource management function as it influences the productivity and growth of an organization. According to Bob (2011) and Idemobi (2011) Compensation processes are based on compensation philosophies, strategies and contain arrangement in the shape of policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation to the employees. Armstrong (2005) in his own analysis says compensation management is all about developing a positive employment relationship and psychological contract to adopt a total compensation approach, which recognizes that there are number of ways in which people can be compensated.

Organization cannot perform at peak level unless each employee is committed to the organizations objectives. Hence, it is important to understand the concept of executive compensation strategy and its feasible outcome. Not only in practice, but also in theory, the debate on what determines executive pay levels is still unending. Although many different theories are used to explain executive pay, the field is still dominated by agency theory as introduced by Jensen and Meckling (1976). A great deal of empirical studies have been conducted in this manner. Some of them tried to cover the determinants of the CEO compensation package while others related to the executive compensation to corporate performance.

Statement of the Problem and objective

Organization cannot last without their top executives and its employees, they are the main reason an organization could exist for a long time. The prevailing state of Nigeria economy and her incessant social and political instability have skyrocketed executive compensation over the past several decades that was having negative effect on organizational performance in food, beverage and tobacco industry in Nigeria. In the

polity, the executive compensation being paid to the state executives and the thirty six states in this country call for re-assessment and evaluation. In term of landmass Nigeria is the size of California, a state in America. The problem of excessive executive compensation is a major organisational challenge that affects perceptions of fairness by stakeholders, especially employees whose contributions to organisational performance and success are not being adequately rewarded. From the employee's perspective, pay is the reward for labour, that is, the actual effort of producing goods or services. With the Nigerian economic downturn, financial crisis, companies no longer possess the prominence that they once enjoyed. Stakeholder's foster lack of trust for their executives' pay with different forms of stock compensation, may not tie the executive's efforts to organizational performance. The complexity of executive compensation is necessary, so the strengths of one component offset the weaknesses of another pay component.

The objective of this study is to identify the factors that influence executive compensation in the selected firms within the food, beverage and tobacco industry in Nigeria; examine the factors that leads to organizational performance in the selected subsectors; assess the influence of executive compensation on organizational performance in the industry. The study will expand our horizon on how executive compensation affects organizational performance. In addition, it will expand our knowledge by shedding more light on the nexus between executive compensation and organizational performance in food, beverage and tobacco industry in Nigeria.

Literature Review

Many studies have tried to determine the relationship between executive compensation and organizational performance of the company but results are vague and in some cases totally different frm one another. Johnson (1982); Finkelstin and Boyd (1998), and Ozkan (2007) found a strong and positive relationship between them. According to Beatty and Zajac (1994), there is much ambiguity and conflict surrounding executive compensation. There are five basic components of most executive compensation packages that are constantly identified in the specialized literature: (i) base salary, (ii) short-term incentives or bonuses, (iii) long-term incentives, (iv) benefits, and (v) perquisites (Dessler, Cole & Sutherland (1999); Milkovich and Newman,(2002).

Base Salary: The base salary represents a fixed amount of money the company is committed to disburse annually to its managers, whatever the circumstances. Base salaries for CEOs are typically determined through competitive benchmarking, based on general industry salary surveys and supplemented by detailed analyses of selected industry or market peers (Murphy, 1998).

Short-term incentives or bonuses: Short-term incentives are designed to reward managers for attaining short-term goals and objectives within a given period, normally not exceeding one year (Dessler et al., 1999).

Long-term incentives: Long-term incentives are aimed at rewarding top management for the firm's long-term prosperity, such as increased market share or value of company stock, by incorporating a long-term perspective into executive decisions. Therefore, long-term incentives, which are possibly the major wealth building opportunity available to CEOs (Henderson, 1997) are primarily intended to encourage managers to stay with the

firm in the long-run and to contribute to its long-term growth, by giving them the possibility to acquire stock or some combination of money and stock that relates to the improved firm performance (Dessler, 1999).

Benefits: Benefits are defined as all the indirect financial payments an executive receives for continuing his/her employment with the company (Dessler et al., 1999). There are two special benefits for top executives that are commonly identified in the literature as Supplemental executive retirement plans (SERP) and a "*Key executive*" life insurance policy (Milkovich and Newman, 2002; Chingos, 2004).

Determinants of Executive Compensation

Given the huge amounts distributed at top executive / management levels, questions about executive pay abound. In the specialized literature, notwithstanding a unanimous recognition of their complexity, there is substantial disagreement regarding the determinants of executive pay. Finkelstein and Hambrick (1988, 1989) established two major sets of CEO compensation determinants

1. Market factors such as firms size, corporate performance, corporate complexity and human capital (e.g., manager's investment in education and experience), and
2. Political factors, such as CEO power (e.g., managerial tenure, CEO holdings or a CEO's family holdings) and board vigilance (e.g., stock owned by outside directors).

Performance Concept

Performance refers to the degree of achievement of the mission at work place that builds up an employee job (Cascio, 2006). Different researchers have different thoughts about performance. Mostly researcher has used the term performance to express the range of measurements of transactional efficiency and input & output efficiency (Stannack, 1996). According to Barney (1991), Akindele, Olajide & Ajayi (2011) performance is a continuous process to controversial issue between organizational researchers. Organizational performance does not only mean to define problem but it also for solution of problem (Hefferman and Flood 2000). Daft (2000), said that organizational performance is the organization's capability to accomplish its goals effectively and efficiently using resources. As similar to Daft (2000), Richardo (2001) said that achieving organizational goals and objectives is known as organizational performance.

Performance is defined as a function of individual ability, skill, effort in a given situation (Porter and Lawler 1974) in the short run, employee skills and abilities are relatively stable. Efforts is an internal force of a person which makes him/her to work willingly when employees are satisfied with their job and their needs are met, they develop an attachment to work or we say they make an effort to perform better. Performance is the ability of an organization to organize its work and control / adapt to its environment sufficiently for the achievement of the set goals or targets within a given time span and available resources (Edokpa, 1989) as cited by Akindele, Olajide & Ajayi (2011) and Olajide, (2012). Performance is an accomplishment of work or tasks or goals to a certain level of desired satisfaction (Aluko, 2004). Hornby (2010) defined performance as how well / badly something work or you do same thing.

Organizational Performance

Olajide (2012) defined organizational performance as the ability of an organization to satisfy the desired expectation of the major stakeholder- the owner, employees and customers. In the concept of management, human resources in the company/manager should be able to fully utilize and enhance power or as optimal as possible to increase productivity, followed by the creation of a quality working relationship with connotations of fun, full of tolerance and mutual building. Utilizing human resources development embodied understanding organizational structure and development of quality manpower both actual and potential. Performance is not only a productivity because of performance concerns owned a natural behavior to act freely as he wishes, the behavior is still free to act cannot be separated from the terms of an employee's formal role to enhance the effective functions of an organization.

Methodology

This study was designed to be both qualitative and quantitative. The study employed both primary and secondary data. The primary data were sourced through administration of questionnaire while the secondary data were sourced from the Annual Audited Financial Statement of the registered companies with the Nigerian Stock Exchange (NSE) Fact-book. The study sample consists of eight companies out of the 30 quoted firms in the Food, Beverage and Tobacco Industry in Nigeria. The study period was between 2009 and 2013. Secondary data on variables such as asset utilization, net profit margin, return on capital employed, executives remuneration was sourced from annual report and financial statement of selected firms. The population for the study consists of registered firms in Food, Beverage and Tobacco Industry in the Nigerian Stock Exchange Fact-book. There are 30 firms in the category. Purposive sampling technique was used in selecting eight dominant firms in the industry namely; Dangote Sugar Refinery Plc, Guinness Nigeria Plc, National Salt Company of Nigeria Plc, Honeywell Flour Mills Plc, Cadbury Nigeria Plc, Nestle Nigeria Plc, Dangote Flour Mills Plc, and Nigerian Breweries Plc. The choice of these industry was due to their impressive progress in Food, Beverage, and Tobacco Industry which was invariably been expanding in Nigeria. In addition, the companies provide a significant source of employment to Nigerians and they are quoted in Nigeria Stock Exchange. In addition, the questionnaire was given to my supervisor and others in the department of Management and Accounting who have done extensive work in organizational performance, and that covered the face validity. A Pilot survey pre-test was carried out in the Southern Institute of Innovative Technology, Delightful wood, to test the reliability of the questionnaire the r-value was 0.74. The Cronbach's α value of 0.6871 or 0.7. That was a test on a very small subset of correspondents with same characteristics to the study out. The population of this test was 56 respondents that were purposefully selected. This helped to rephrase the questions that were not well structured to achieve the objective.

Findings of the study

Factors that influence executive compensation in the selected firms within the Food, Beverage and Tobacco industry in Nigeria

The respondents personally opined that firm size stand determines executive compensation (96%) while they also believed that leadership style has an influence on organizational performance (94%). The implication shows that leadership especially in a firm's top positions—has an important impact on firm performance and survival at all levels. (Drucker 1954; Collins, 2001). In addition, majority believed that years of experience of an executive in an organization have positive effect on organizational profitability (83%) (One consequence of this might be that the firms with high levels of managerial discretion tend to prefer to select executives with prior experience in food beverage and tobacco industry in Nigeria); and that executive can only receive handsome pay when there is a good performance in the firm (91%). This shows that executives are majorly concern about organizational productivity in order to increase their executive compensation. All the respondents personally believed that stock option as a method of compensating an executive also increases organizational profitability, that short-term incentive has an influence on organizational performance, and that executive compensation are linked with organizational performance. The implication of this results indicated that short-term and long-term incentives have an effect on organizational performance, which variably increase executive compensation. Lastly, majority of the respondents believed that perquisites or benefits given to an executive have a long-term effect on their firms' performance (91%), long-term incentive has an effect on organizational performance (98%), and that qualification determines firm's executive compensation (74%). This result shows that perquisite are benefits enjoyed by executive in order to retained them in the firm, while long-term incentives have an impact on organizational profitability, and qualification of an executive are dominated with executive with additional qualification of M.Sc. and MBA which have an effect on organizational performance. However, less than two-third of the respondents are of the opinion that their executive compensation package is satisfactory (61%).

Table 1: Personal Opinion on the rating of Executive Compensation and Organizational Performance in selected Food, Beverage and Tobacco Industry in Nigeria

S/N		Variables & Statement	Freq.	Percentage
A		Firm size		
	1	Firm size stand determine executive compensation.(Q1)	52	96.30%
	2	Firm size are linked with organizational performance which has an effect on executive compensation positively	54	100%
B		Leadership style in the selected firm		
	1	Leadership style has an influence on organizational performance.	51	94.4%
	2	Leadership styles in the firm has an increase on organizational profitability	49	90.74%
C		Short-term incentives		
	1	Short-term incentive has an influence on organizational performance.	54	100%
	2	Executive compensation packages; is it satisfactory or not?	33	61.11%
D		Long-term incentives		
	1	Long-term incentive has an effect on organizational performance.	53	98.15%
	2	Stock option is a method of compensating an executive that also increases organizational profitability.	54	100%
	3	Perquisites or perk given to an executive have a long term effect on their firms performance	49	90.74%
E		Experience and educational qualification		
	1	Qualification determines firm's executive compensation.	40	74.07%
	2	Years of experience of an executive in an organization have positive effect on organizational profitability.	45	83.03%

Source: Fieldwork, 2013

Distribution of the respondents' average annual take home package and engagement within an organization that justifies higher executive compensation

The average annual take home package is a nominal or continuous data which ranged from 2,000,000 naira to 100,000,000 naira, and was only categorized as shown on above. From Table 2, a greater proportion of the respondents reportedly received more than ₦10,000,000 as average annual take home package from their respective organizations (72%) and the main reasons cited as justifications for higher executive compensation are firm performance itself (49%) and being involved in decision-making within the organization.

Table 2: Distribution of the respondents' average annual take home package and engagement within an organization that justifies higher executive compensation

Variable	Percent	Freq.
Average annual take home package		
₦10,000,000 or less	28.00	7
Above ₦10,000,000	72.00	18
Total	100.00	25
Engagements within an organization that justifies higher executive compensation		
Attendance of board meeting	2.86	1
Budget implementation	2.86	1
Decision-making	28.57	10
Direct liaison	2.86	1
Firm performance	48.57	17
Leadership roles	2.86	1
Policy formulation and implementation	2.86	1
Safeguarding company's SWOT Analysis	5.71	2
Strategic planning and implementation	2.86	1
Total	100.00	35

Source: Fieldwork, 2013

N.B.: The frequencies did not add up to 54 in all cases due to missing or non-response category.

Bivariate Result

Table 3. The Selected Companies, their Profitability, Asset Utilization, Returns on Capital and Directors' Emoluments between 2009 And 2013

Name of Company	Year	Profit	Asset Utilization	Returns on Capital	Directors' Emoluments
Dangote Sugar Refinery Plc.	2009	13,185,599,000	1.35	0.45	58,755,000
	2010	11,282,240,000	1.97	0.38	27,897,000
	2011	7,111,318,000	2.02	0.24	37,744,000
	2012	10,735,450,000	1.66	0.51	37,744,000
	2013	13,548,353,000	1.79	0.68	152,661,000
Guinness Nigeria Plc.	2009	13,541,189,000	2.49	0.44	92,619,000
	2010	13,736,359,000	2.85	0.42	94,722,000
	2011	17,927,934,000	2.78	0.46	92,270,000
	2012	14,214,620,000	4.05	0.34	280,263,000
	2013	11,863,726,000	3.8	0.24	184,382,000
National Salt Company of Nigeria Plc.	2009	1,842,346,000	1.67	0.51	23,123,000

	2010	1,648,321,000	1.8	0.38	25,818,000
	2011	2,203,695,000	1.54	0.48	31,138,000
	2012	2,766,308,000	1.91	0.55	43,093,000
	2013	2,699,542,000	1.91	0.53	59,642,000
Honeywell Flour Mills Plc.	2009	1,176,000,000	3.48	0.13	20,245,000
	2010	1,175,922,000	2.07	0.17	27,340,000
	2011	2,492,397,000	2.17	0.23	34,264,000
	2012	2,694,000,000	2.01	0.14	36,828,000
	2013	2,844,000,000	2.23	0.14	44,193,000
Cadbury Nigeria Plc.	2009	1,023,699,000	2.25	0.13	352,366,000
	2010	1,352,154,000	1.93	0.14	10,274,000
	2011	3,812,826,000	1.67	0.27	58,683,000
	2012	3,454,991,000	1.19	0.22	157,446,000
	2013	6,023,219,000	1.36	0.26	165,647,000
Nestle Nigeria Plc.	2009	9,783,578,000	3.63	0.55	83,747,000
	2010	12,602,000,000	4.11	0.45	88,127,000
	2011	16,809,000,000	4.46	0.35	101,490,000
	2012	21,137,275,000	4.43	0.39	113,736,000
	2013	22,258,279,000	3.19	0.64	119,668,000
Dangote Flour Mills Plc.	2009	5,561,080,000	1.48	0.19	54,370,000
	2010	2,722,575,000	1.31	0.18	57,175,000
	2011	920,383,000	0.93	0.04	65,244,000
	2012	3,138,119,000	0.94	0.12	73,967,000
	2013	7,217,001,000	1.21	0.46	72,673,000
Nigerian Breweries Plc.	2009	27,910,000,000	4.36	0.64	5,600,000
	2010	30,332,000,000	4.61	0.65	5,375,000
	2011	38,409,000,000	3.97	0.44	9,031,000
	2012	38,042,714,000	4.44	0.33	10,311,000
	2013	43,080,000,000	5.93	0.41	10,600,000

Source: Data Extracted and worked upon by the author from Annual Reports between 2009 and 2013.

Descriptive statistic of the eight selected companies in group and individually in terms of profitability, asset utilization, returns on capital and directors' emolument
Table 3 shows the basic statistic (mean, standard deviation, minimum, maximum and sum) for the selected companies taken together and individually as it relates to net profit margin, asset utilisation, returns on capital and directors' emoluments for the period 2009

to 2013. Nigerian Breweries Plc. had the highest mean net profit margin (N36 billion) for the period in question while Honeywell Flour Mills Plc. had the lowest mean net profit margin (N2.1 billion). On asset utilisation, Nigerian Breweries Plc. had the highest mean value with 4.66 while Dangote Flour Mills Plc. had the lowest mean value with 1.17. With respect to returns on capital, Nigerian Breweries Plc. and National Salt Company of Nigeria Plc. took the lead with mean value of 0.49 while Honeywell Flour Mills Plc. had the lowest mean value of 0.16. Lastly, with regards to the directors' emolument, Guinness Nigeria Plc. and Cadbury Nigeria Plc. paid the highest mean emoluments of N150 million respectively while Nigerian Breweries Plc. paid the lowest mean emoluments of N8.1 million to their executives/directors during the period 2009 to 2013.

Table 4: Descriptive statistic of the eight selected companies as a group and individually in terms of profitability, asset utilization, returns on capital and directors' emolument.

Variable	Mean	Standard Deviation	Minimum	Maximum	N
Group of Companies					
Net Profit Margin	1.1e+10	1.124e+10	9.2e+08	4.3e+10	40
Asset Utilisation	2.5738	1.2619	0.93	5.93	40
Returns on Capital	0.3570	0.1720	0.04	0.68	40
Directors' Emolument	7.6e+07	73036450.872	5375000	3.5e+08	40
Dangote Sugar Refinery Plc.					
Net Profit Margin	1.1e+10	2568730223	7.1e+09	1.4e+10	5
Asset Utilisation	1.7580	0.26957	1.35	2.02	5
Returns on Capital	0.4520	0.16239	0.24	0.68	5
Directors' Emolument	6.3e+07	51393235.710	27897000	1.5e+08	5
Guinness Nigeria Plc.					
Net Profit Margin	1.4e+10	2235439839	1.2e+10	1.8e+10	5
Asset Utilisation	3.1940	0.68653	2.49	4.05	5
Returns on Capital	0.3800	0.09055	0.24	0.46	5
Directors' Emolument	1.5e+08	83404079	92270000	2.8e+08	5
National Salt Company of Nigeria Plc.					
Net Profit Margin	2.2e+09	499347859.6	1.6e+09	2.8e+09	5
Asset Utilisation	1.7660	0.16041	1.54	1.91	5
Returns on Capital	0.4900	0.06671	0.38	0.55	5
Directors' Emolument	3.7e+07	15006668.441	23123000	59642000	5
Honeywell Flour Mills Plc.					
Net Profit Margin	2.1e+09	831455620.0	1.2e+09	2.8e+09	5
Asset Utilisation	2.3920	0.61418	2.01	3.48	5
Returns on Capital	0.1620	0.04087	0.13	0.23	5
Directors' Emolument	3.3e+07	9156319.867	20245000	44193000	5
Cadbury Nigeria Plc.					
Net Profit Margin	3.1e+09	2033455798	1.0e+09	6.0e+09	5
Asset Utilisation	1.6800	0.42720	1.19	2.25	5
Returns on Capital	0.2040	0.06580	0.13	0.27	5
Directors' Emolument	1.5e+08	131442176.3	10274000	3.5e+08	5
Nestle Nigeria Plc.					

Net Profit Margin	1.7e+10	5363317098	9.8e+09	2.2e+10	5
Asset Utilisation	3.9640	0.54661	3.19	4.46	5
Returns on Capital	0.4760	0.11866	0.35	0.64	5
Directors' Emolument	1.0e+08	15602043.081	83747000	1.2e+08	5
Dangote Flour Mills Plc.					
Net Profit Margin	3.9e+09	2480216332	9.2e+08	7.2e+09	5
Asset Utilisation	1.1740	0.23860	0.93	1.48	5
Returns on Capital	0.1980	0.15818	0.04	0.46	5
Directors' Emolument	6.5e+07	8846969.408	54370000	73967000	5
Nigerian Breweries Plc.					
Net Profit Margin	3.6e+10	6258702254	2.8e+10	4.3e+10	5
Asset Utilisation	4.6620	0.74664	3.97	5.93	5
Returns on Capital	0.4940	0.14363	0.33	0.65	5
Directors' Emolument	8183400	2532100.373	5375000	10600000	5

Source: Author's computations based on the annual reports of selected Nigerian companies 2009-2013

Pairwise Correlation Analysis showing the relationship between Organizational Performance (net profit margin) and other predictor variables

To achieve the two objectives, which is to examine factors that lead to organizational performance, pairwise correlation analysis was carried out and the result presented in Table 4. It is clear from Table 5 that there is a positive association between net profit margin and two of the predictor variables namely asset utilisation and returns on capital but a negative one between net profit margin and directors' emolument. Also there is a statistically significant association between the net profit margin which is a measure of organisational performance and asset utilisation ($p < 0.01$), returns on capital ($p < 0.01$) but not with directors' emolument. This means that asset utilization, return on capital and net profit margin are factors that lead to organisational performance. Adequate utilisation of an assets lead to increase in productivity and profitability of an organisation organisational performance.

Table 5: Pairwise Correlation Analysis showing the relationship between Organizational Performance (net profit margin) and other predictor variables

Variables (N=40)	Net Profit Margin	Asset Utilization	Returns on Capital employed	Directors' Emolument
Net Profit Margin	1	0.787**	0.478**	-0.153
Asset Utilization	0.787**	1	0.320*	-0.010
Returns on Capital	0.478**	0.320*	1	-0.124
Directors' Emolument	-0.153	-0.010	-0.124	1

Significant at ** $p < 0.01$; * $p < 0.05$

Regression Analysis showing the independent effect of Asset Utilization, Returns on capital and Directors' Emolument on Organizational Performance in selected Food, Beverage and Tobacco Firms in Nigeria

To achieve the third objective that is to assess the influence of executive compensation on organizational performance in the industry, regression analysis was used to achieve the stated objective shown in table 6, which reveals the independent contribution of each of the independent variables to the net profit margin of the various companies selected for this study. It is clear that asset utilization and returns on capital exerted a positive effect on the net profit margin of the selected companies between 2009 and 2013 as shown by the coefficients of each of the factors. The adjusted R squared values showed that asset utilization contributed most to the organizational performance measured with net profit margin as a proxy and it contributed sixty-one percent points to the increase in profitability while returns on capital contributed twenty-one percent points to the increase in profitability. However, a negative relationship exists between profitability and directors' emolument with a negative contribution of -0.00227 to the decline in profitability. This may be due to the magnitude of the amount going into directors' emolument (executive compensation). This means that there is a negative influence of executive compensation on organizational performance because the higher the profitability of an organization the higher the compensation paid to the executives. The nature of relationship that is positive, existing between profitability and asset utilization. It clearly depicted in profitability and returns on capital while that of profitability and directors' emolument showed a negative trend.

Table 6: Regression Analysis showing the independent effect of Asset Utilization, Returns on capital and Directors' Emolument on Organizational Performance in selected Food, Beverage and Tobacco Firms in Nigeria

Independent Variables	Coefficient (S.E)
Asset utilization	7006283526.0279** (891834522.9)
Constant	-6925441925.1143** (2550220662)
Adjusted R Squared	0.60889
Returns on capital	31225171483.562** (9312633808)
Constant	-40405919.631715 (3681553996)
Adjusted R Squared	0.20800
Directors' Emolument	-23.554703 (24.667642)
Constant	12885519969.656240 (2575641863)
Adjusted R Squared	-.00227

Significant at **p<0.01; *p<0.05

Standard error is in parentheses

Two-stage Least Square Regression Analysis showing the combined effect of Asset Utilization, Returns on capital and Directors' Emolument on Organizational Performance (Profit) in selected Food, Beverage and Tobacco Industry in Nigeria

In addition, it is clear from Table 7 using the two-stage least square regression method showed that asset utilization and returns on capital employed are the most important predictors of profitability in the selected firms and not directors' emolument. The

adjusted R squared value showed that sixty-six percentage changes or variations in profitability in the eight selected firms was caused by the three variables in question and that the remaining thirty-four percent variations lies in factors outside of those included in this analysis. This tells us of the possibilities of some other variables not included in this model and serves as a limitation to this study.

Table 7: Two-stage Least Squares Regression Analysis showing the combined effect of Asset Utilization, Returns on capital and Directors' Emolument on Organizational Performance (Profit) in selected Food, Beverage and Tobacco Industry in Nigeria

Predictor Variables	B (Coefficient)	Standard Error of B	Beta	T	Significance level
Asset Utilisation	6322969394.0160	873545094.7	.709989	7.238	0.0000
Returns on capital	15445845963.732	6459760861	.236357	2.391	.0221
Directors' Emolument	-17.940465	14.412996	-.116591	-1.245	.2213
Constant	-9326302516.2	3127100260		-2.982	.0051
Model Parameters					
Multiple R	0.83027				
R Squared	0.68934				
Adjusted R Squared	0.66345				
Standard Error	6519730523.55				

Validation of Hypothesis

The hypothesis put forth in this study is as stated below:

H₀: There is no significant relationship between executive compensation and organizational performance.

H₁: There is a significant relationship between executive compensation and organizational performance.

From Table 7, it is clear using the two-stage least square regression statistic that directors' emolument which is a proxy for executive compensation does not have any statistically significant relationship with organizational performance measured with the profitability of the selected Food, Beverage and Tobacco industry in Nigeria ($p=0.2213$).

Discussion

It is clear that all the independent variables (e.g. sex of the respondents, age of the respondents, educational qualification of the respondents, years of experience in the organization and department of work) tested against the outcome variable (executive compensation measured by the average annual take home package in naira), only years of experience was statistically significantly related to the average annual take home package of the respondents (Pearson coefficient: 0.5438; $p<0.01$). However, qualification and

years of experience in a work are significantly statistically related to the age of the respondents ($p < 0.01$) and at the same time, years of experience is statistically significantly related to the qualification of the respondents ($p < 0.01$). This implies that year of experience of executives and qualification dictates take home package of an executive, because executives play pivotal roles in the organization and they are the life wire of an organizational success.

Descriptive statistic of the eight selected companies in group and individually in terms of profitability, asset utilization, returns on capital and directors' emolument showed the basic statistic (mean, standard deviation, minimum, maximum and sum) for the selected companies taken together and individually as it relates to net profit margin, asset utilisation, returns on capital and directors' emoluments had the highest mean of net profit margin (N36 billion) value for the period in question while Honeywell Flour Mills Plc. had the lowest mean net profit margin (N2.1 billion). On asset utilisation, Nigerian Breweries Plc. had the highest mean value with 4.66 while Dangote Flour Mills Plc. had the lowest mean value with 1.17. With respect to returns on capital, Nigerian Breweries Plc. and National Salt Company of Nigeria Plc. took the lead with mean value of 0.49 while Honeywell Flour Mills Plc. had the lowest mean value of 0.16. Lastly, with regards to the directors' emolument, Guinness Nigeria Plc. and Cadbury Nigeria Plc. paid the highest mean emoluments of N150 million respectively while Nigerian Breweries Plc. paid the lowest mean emoluments of N8.1 million to their executives/directors. This shows firms performance of the selected companies.

Pairwise correlation analysis showed the relationship between Organizational Performance (net profit margin) and other predictor variables. It is clear that, there is a statistically significant association between the net profit margin which is a measure of organisational performance and asset utilisation ($p < 0.01$), returns on capital ($p < 0.01$) but not with directors' emolument. This means that net profit margin, asset utilisation and return on capital employed are the factors influencing organisational performance while directors' emolument gives negative values (-0.153, -0.010, -0.124) respectively among the predictors variables.

Two-stage Least Squares Regression Analysis showing the combined effect of Asset Utilization, Returns on capital and Directors' Emolument on Organizational Performance (Profit) in selected Food, Beverage and Tobacco Industry in Nigeria. It is clear using the two-stage least square regression method that asset utilization and returns on capital employed are the most important predictors of profitability in the selected firms and not directors' emolument. The adjusted R squared value showed that sixty-six percentage changes or variations in profitability in the eight selected firms was caused by the three variables in question and that the remaining thirty-four percent variations lies in factors outside of those included in this analysis. This tells us of the possibilities of some other variables not included in this model and also serves as a limitation of this study.

Validation of Hypothesis was clearly indicated on the two-stage least square regression statistic that directors' emolument which is a proxy for executive compensation does not have any statistically significant relationship with organizational performance measured

with the profitability of the selected Food, Beverage and Tobacco industry in Nigeria ($p=0.2213$).

Conclusion

The study concluded that executive compensation in the food, beverage and tobacco industry had substantial effect on organizational profitability. However, a number of factors needs to be considered in a bid to guarantee that compensation facilitates the expected result in the level of profitability.

Recommendations

The facts emerging from the findings and conclusion of this study provided sufficient ground to recommend that Board of Directors are the main engine in determining executive compensation in food, beverage and tobacco industry in Nigeria, they are to ensure that the executive compensation correlate positively to organizational performance.

Executives of the selected firm in food, beverage and tobacco industry in Nigeria should be sensitized on the need to align their payment to accounting performance measures as these measures directly linked to shareholders wealth maximization and organizational success.

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