

PERFORMANCE-BASED PAY AND EMPLOYEE PRODUCTIVITY IN TELECOMMUNICATION FIRMS IN RIVERS STATE, NIGERIA

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ABSTRACT

This study investigates the relationship between performance-based pay (PBP) systems—specifically incentive pay/bonuses and commission-based compensation—and employee productivity within the telecommunications sector in Rivers State, Nigeria. Adopting a cross-sectional survey design, the target population of this study consisted of 94 staff members from the head branches of selected telecommunication firms. These individuals were considered relevant due to their knowledge and direct involvement in organizational performance and reward systems. Using Taro Yamane's (1967) formula, a sample size of 76 was determined. The study employed a simple random sampling technique, ensuring that each staff member in the population had an equal and independent chance of being selected. This method minimized selection bias and enhanced the representativeness of the sample. Questionnaires were distributed to the 76 respondents, but only 64 valid responses (84.21%) were retrieved through structured questionnaires employing a 5-point Likert scale. Data were analyzed using Spearman's rank-order correlation coefficient with SPSS version 23.0 at a 0.05 significance level. The results revealed statistically significant but weak positive correlations between incentive pay ($\rho = 0.212, p < 0.05$) and commission-based compensation ($\rho = 0.243, p < 0.05$) with employee productivity. These findings suggest that while performance-based pay modestly enhances motivation and output, its effectiveness depends on contextual implementation factors. The study highlights the importance of fair, transparent, and strategically aligned PBP frameworks and offers empirical insights into optimizing compensation strategies for improved employee performance and sustainable organizational growth within Nigeria's telecom industry.

Keywords: *Performance-based pay, incentive pay/bonuses, commission-based compensation, employee productivity, telecommunications firms.*

INTRODUCTION

In today's dynamic and highly competitive business environment—particularly within service-oriented industries such as telecommunications—employee productivity remains a critical determinant of organizational success and long-term sustainability. As firms strive to enhance operational efficiency and customer satisfaction, aligning employee output with strategic objectives becomes increasingly essential. One human resource management strategy that has gained renewed attention is performance-based pay (PBP), which ties employee compensation directly to individual or team achievements. This approach is designed to foster a results-oriented culture by incentivizing high performance and reinforcing accountability (Gerhart & Fang, 2021).

Globally, the adoption of PBP has been linked to improvements in employee engagement, motivation, and productivity (Perry, Engbers, & Jun, 2022). However, its effectiveness often hinges on contextual variables, including industry dynamics, cultural norms, regulatory frameworks, and internal organizational systems (Kuvaas, Buch, & Dysvik, 2020). In the Nigerian context—particularly within Rivers State—there is a notable paucity of empirical studies that explore the practical implementation and outcomes of PBP in key sectors such as telecommunications. Given the sector's

critical role in Nigeria's economic development and its dependence on customer-facing employees and sales personnel, understanding how compensation structures influence employee behavior is of both academic and practical relevance (Okolie, Nwaeke, & Okoye, 2021).

This study seeks to address this gap by examining how incentive pay and commission-based compensation affect employee productivity in the telecommunications sector in Rivers State. By exploring the link between compensation models and performance outcomes, the research aims to contribute to evidence-based HRM practices and support the design of more effective performance management systems tailored to the regional and industrial context.

Statement of the Problem

In recent years, performance-based pay (PBP) has become increasingly popular among telecommunications firms in Nigeria as a strategic tool for enhancing employee motivation and organizational performance. By linking compensation to specific individual or team performance metrics, PBP aims to incentivize greater productivity and align employee efforts with corporate objectives (Gerhart & Fang, 2021). Despite this growing adoption, the expected productivity gains from PBP schemes remain inconsistent and, in many cases, underwhelming (Perry, Engbers, & Jun, 2022).

A core challenge lies in the design and implementation of these compensation models. Many firms introduce incentive and commission-based pay structures without thoroughly assessing their operational relevance or alignment with employees' roles, expectations, and motivational drivers (Kuvaas, Buch, & Dysvik, 2020). Poorly structured PBP systems—characterized by inadequate communication, vague performance metrics, and limited feedback mechanisms—can lead to unintended outcomes such as decreased morale, counterproductive competition, or a narrow focus on short-term goals (Gupta & Shaw, 2022).

Furthermore, there is a significant lack of context-specific empirical research on how various dimensions of PBP—such as incentive structure, performance evaluation processes, and reward frequency—affect employee productivity within Nigeria's telecommunications industry. This research gap is particularly evident in Rivers State, a major economic and telecommunications hub with unique organizational and socio-economic characteristics that likely influence the perception and impact of compensation strategies (Okolie, Nwaeke, & Okoye, 2021).

Without robust, localized studies that examine the efficacy of PBP in this context, organizations may continue to adopt pay-for-performance systems that fail to deliver meaningful improvements in productivity. Therefore, this study seeks to address this critical gap by exploring the relationship between key elements of performance-based compensation and employee productivity in Rivers State's telecommunications sector. The findings aim to guide more effective HR practices and contribute to the broader discourse on strategic human resource management in emerging markets.

Aim and Objectives

The aim of this paper is to examine the influence of performance-based pay on employee productivity in telecommunication firms in Rivers State, Nigeria. The specific objectives are:

- i. To examine the relationship between incentive pay/bonuses and employee productivity in telecommunication firms in Rivers State, Nigeria.
- ii. To examine the relationship between commission-based compensation and employee productivity in telecommunication firms in Rivers State, Nigeria.

Research Questions

- i. What is the relationship between incentive pay/bonuses and employee productivity in telecommunication firms in Rivers State, Nigeria?
- ii. What is the relationship between commission-based compensation and employee productivity in telecommunication firms in Rivers State, Nigeria?

Research Hypotheses

HO1: There is no significant relationship between incentive pay/bonuses and employee productivity in telecommunication firms in Rivers State, Nigeria.

HO2: There is no significant relationship between commission-based compensation and employee productivity in telecommunication firms in Rivers State, Nigeria.

Review of Related Literature

Theoretical Foundation

This study is grounded in two foundational motivational theories: Vroom's Expectancy Theory and Adams' Equity Theory. These frameworks remain widely applicable in understanding how compensation mechanisms—particularly performance-based pay (PBP)—influence employee motivation and productivity in organizational settings (Gerhart & Fang, 2021).

Vroom's Expectancy Theory (1964) posits that motivation is a product of three interrelated beliefs: Expectancy (belief that effort will lead to performance), Instrumentality (belief that performance will lead to rewards), and Valence (the value the individual places on the reward). When all three elements are strong, employees are more likely to engage in high-effort behaviors (Koopmans et al., 2021). In the context of PBP, these elements are directly addressed: employees are expected to be more motivated when they understand that high performance leads to desirable and attainable rewards.

In practice, a well-structured PBP system reinforces these motivational pathways. However, when reward criteria are unclear, inconsistent, or perceived as unattainable, employee motivation may decline, undermining productivity and engagement (Perry, Engbers, & Jun, 2022). For telecommunications firms, which often rely on sales targets and measurable service outcomes, ensuring clarity and alignment in incentive structures is essential.

Adams' Equity Theory (1965) complements this approach by emphasizing fairness in compensation. According to the theory, employees evaluate their effort-reward ratio relative to that of their peers. When individuals perceive inequity—whether being under- or over-compensated—they may respond with decreased motivation, reduced output, or disengagement (Colquitt et al., 2021). This is particularly relevant in the telecommunications industry, where diverse roles and individualized incentives can lead to perceived or actual disparities in compensation.

Incentive structures that lack transparency or consistency across similar roles may fuel perceptions of injustice and distrust. For example, if two employees deliver comparable results but receive different commissions due to poorly defined criteria, dissatisfaction may arise—negatively impacting collaboration and overall performance (Gupta & Shaw, 2022).

By integrating Expectancy Theory and Equity Theory, this study builds a robust conceptual foundation for analyzing how PBP influences employee behavior. Expectancy Theory highlights the importance of clarity and alignment in the reward process, while Equity Theory underscores the significance of perceived fairness. Together, these frameworks suggest that for PBP systems to be

effective, they must be designed to not only reward performance but also be perceived as transparent and equitable by employees (Gerhart & Fang, 2021; Colquitt et al., 2021).

Conceptual Framework

The conceptual framework for the study is shown below in figure 1.

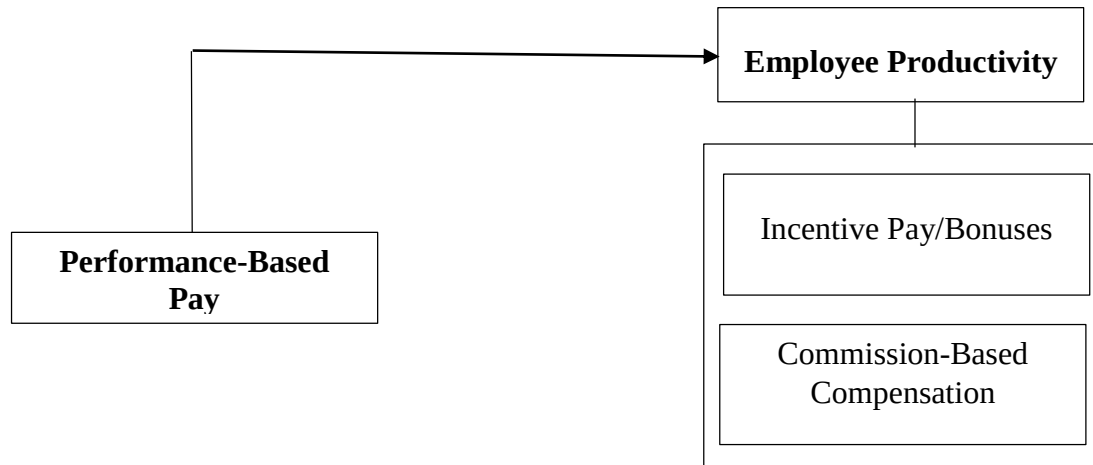


Fig. 1: Conceptual framework of performance-based pay and employee productivity conceptualized by the Researchers (2025).

Concept of Performance-Based Pay

Performance-based pay (PBP) is a strategic compensation model that ties employee remuneration to measurable performance outcomes such as individual productivity, team output, or achievement of organizational goals. Unlike fixed salary or tenure-based pay systems, PBP directly links financial rewards—such as bonuses, commissions, or merit-based increases—to specific performance indicators, thereby encouraging a results-driven workforce (Gupta & Shaw, 2022; Gerhart & Fang, 2021).

The underlying premise of PBP is rooted in motivational theory, suggesting that employees are more likely to exert effort when they believe that high performance will result in desirable rewards. This model aligns with expectancy-based perspectives on motivation and is widely used across industries to drive goal alignment and foster accountability (Perry, Engbers, & Jun, 2022). PBP systems may take various forms, including individual performance bonuses, sales-based commissions, profit-sharing schemes, or team-based incentives, all designed to reinforce performance-contingent compensation structures (Colquitt et al., 2021).

One of the key advantages of PBP is its potential to enhance employee motivation, clarify performance expectations, and support a meritocratic organizational culture. When implemented effectively, PBP encourages continuous improvement and strengthens the link between effort and reward, thereby fostering a high-performance work environment (Koopmans et al., 2021). In the telecommunications sector—where measurable targets such as sales conversions, customer retention, and service response times are common—PBP offers a practical mechanism to boost operational efficiency and customer satisfaction (Okolie, Nwaeke, & Okoye, 2021).

However, the success of PBP is highly contingent on its design and execution. Poorly structured pay-for-performance systems can produce unintended consequences, including excessive competition, unethical behavior, gaming of performance metrics, or diminished intrinsic motivation (Gupta & Shaw, 2022). Additionally, when performance criteria are perceived as unrealistic, biased, or out of the employee's control, PBP may result in dissatisfaction and disengagement (Colquitt et al., 2021).

Fairness and transparency are critical for the acceptance and effectiveness of PBP. Employees must perceive the reward system as just, achievable, and closely aligned with their actual contributions. Without these elements, even well-intentioned incentive programs may backfire, leading to reduced trust, increased turnover, or resistance to organizational change (Perry et al., 2022).

In sum, while performance-based pay can be a powerful driver of productivity and organizational success, its effectiveness depends on thoughtful design, clearly defined performance metrics, transparent communication, and alignment with organizational culture. Particularly in performance-oriented sectors like telecommunications, understanding the nuances of PBP is essential for maximizing its motivational potential while minimizing potential risks.

Concept of Employee Productivity

Employee productivity remains a cornerstone of organizational performance, referring to the efficiency and effectiveness with which employees utilize available resources to achieve individual tasks and contribute to broader organizational goals (Akpunonu & Onokala, 2023; Gerhart & Fang, 2021). It encompasses both quantitative metrics—such as output volume, task completion rates, or sales figures—and qualitative elements, including accuracy, customer satisfaction, creativity, and adherence to standards (Hansen, 2021).

High productivity signifies optimal utilization of time, effort, and skills and is strongly correlated with profitability, market competitiveness, and organizational sustainability (Lamba, Choudhary, & Patel, 2022). It reflects an employee's ability to generate high-value output with minimal waste, which is increasingly vital in dynamic sectors like telecommunications that demand agility, innovation, and responsive service delivery.

Modern productivity frameworks emphasize a multifaceted approach—recognizing that output alone is an insufficient metric. Employee productivity is also shaped by psychosocial variables such as job satisfaction, perceived fairness in reward systems, engagement levels, and alignment with organizational values (Agu & Nwachukwu, 2022). Motivational theories, such as Vroom's Expectancy Theory and Self-Determination Theory, suggest that productivity improves when employees perceive that their efforts are meaningfully connected to desired outcomes and are supported by conducive work environments (Colquitt et al., 2021).

Key factors that influence productivity include individual attributes: skills, competence, motivation, and work ethic; work environment: availability of tools, clarity of job roles, and managerial support; organizational systems: performance appraisal methods, training, and compensation strategies (Gupta & Shaw, 2022); leadership and culture: participatory leadership styles and inclusive work cultures enhance psychological safety and innovation, thus boosting productivity (Perry et al., 2022).

In the telecommunications industry, where frontline employees often represent the first point of contact with customers, productivity also involves adaptability, problem-solving, and consistent service quality. These qualitative dimensions are increasingly valued in performance appraisals and are often linked to customer satisfaction and brand loyalty (Okolie et al., 2021).

Importantly, productivity assessment should be context-sensitive and incorporate both individual and systemic dimensions. Evaluating an employee solely on task completion, without considering workload distribution, access to resources, and team dynamics, risks distorting performance evaluations and undermining morale (Gerhart & Fang, 2021). As a result, organizations are encouraged to adopt balanced productivity metrics that integrate both hard (quantitative) and soft (qualitative) data.

Within the scope of this study, employee productivity functions as the primary outcome variable for examining the impact of performance-based pay (PBP) systems. The research investigates whether aligning compensation with performance metrics can significantly enhance productivity across both dimensions in the telecommunications sector of Rivers State, Nigeria.

Incentive Pay/Bonuses

Incentive pay, commonly administered as bonuses, refers to variable compensation awarded to employees based on the attainment of predefined performance goals or milestones. Unlike base salaries, which are fixed and largely influenced by job classification and market rates, incentive pay is performance-contingent, intended to directly reward individual, team, or organizational achievements (Gupta & Shaw, 2022; Gerhart & Fang, 2021). This compensation model is widely applied across industries, including telecommunications, as a mechanism to motivate performance, reinforce strategic behaviors, and drive goal alignment.

Bonuses may take diverse forms—individual performance bonuses, team-based incentives, spot rewards, or profit-sharing schemes—but they all share the common objective of enhancing employee engagement by linking financial rewards with measurable success (Colquitt et al., 2021; Lamba et al., 2022). In this context, incentive pay acts as a strategic lever to instill a high-performance culture where effort, output, and reward are closely interconnected.

The effectiveness of incentive pay is largely dependent on the transparency, fairness, and relevance of the performance metrics used. Clear, specific, and time-bound targets—often framed through the SMART goal model—enhance employee clarity and confidence regarding what is expected (Locke & Latham, 2019). When such targets are well communicated and achievable, employees are more likely to respond positively, leading to improved job performance and morale (Osa & Onuoha, 2021). However, ambiguity, inconsistent application, or perceptions of bias in bonus allocation can diminish the motivational power of these systems and even foster disengagement or distrust (Perry et al., 2022).

In Nigeria's telecommunications sector, incentive pay is particularly common among sales and customer service roles where output is quantifiable—such as number of new customers acquired, service quality ratings, or upselling rates (Agu & Nwachukwu, 2022). In such contexts, bonuses not only serve as performance drivers but also act as retention tools, offering employees a financial reason to stay in competitive labor markets. Moreover, they foster a results-oriented mindset that aligns closely with customer satisfaction and revenue goals (Okolie et al., 2021).

Nonetheless, scholars caution that poorly designed incentive pay systems may result in negative unintended consequences. Overemphasis on short-term metrics can lead to ethical lapses, stress, and the neglect of collaborative or long-term tasks that are not directly rewarded (Gerhart & Fang, 2021; Colquitt et al., 2021). Additionally, when external factors—such as economic downturns or supply chain disruptions—are not accounted for in the bonus structure, employees may feel unfairly penalized, leading to demoralization or turnover (Gupta & Shaw, 2022).

Therefore, to maximize the benefits of incentive pay, organizations must ensure that their bonus schemes are well-calibrated, equitable, and responsive to contextual realities. Effective incentive systems are those that balance financial motivation with fairness, inclusivity, and alignment to organizational values and long-term objectives (Lamba et al., 2022).

This study examines how incentive-based pay structures operate within the telecommunications industry in Rivers State, Nigeria, with a focus on how they influence employee performance and productivity across key operational areas.

Commission-Based Compensation

Commission-based compensation is a performance-contingent pay system wherein an employee's earnings are directly linked to the revenue they generate or sales they complete. In this model, employees earn a fixed percentage of each sale, either as a supplement to a base salary or, in some cases, as their primary form of income. This structure is particularly prevalent in sales-oriented industries, including telecommunications, where performance can be objectively tracked and quantified (Gupta & Shaw, 2022; Gerhart & Fang, 2021).

The core rationale for commission-based pay lies in its capacity to motivate high-performing behavior by offering employees a tangible reward for their efforts. The stronger the alignment between output and compensation, the more likely employees are to engage in goal-driven, customer-focused actions that drive business growth (Kuvaas et al., 2021). In this way, commission systems help reinforce a performance-driven culture, encouraging individuals to maximize their potential and organizational value.

Various models of commission pay exist, each with unique advantages depending on organizational goals and risk tolerance. These include: straight commission: Earnings come exclusively from sales with no base salary; base salary plus commission: Combines income stability with performance-based bonuses; tiered commission: Incentivizes volume by increasing the commission rate once certain thresholds are reached; draw against commission: Provides advance payments to be deducted from future commission earnings (Gerhart & Fang, 2021; Schuster et al., 2023).

In the telecommunications sector, commission-based pay is widely adopted among sales representatives, customer acquisition agents, and field operatives, whose productivity is measured by KPIs such as new customer sign-ups, contract renewals, and upselling rates. These roles are particularly suited to commission systems due to their quantifiable impact on company revenue (Okolie et al., 2021). Research shows that structured commission plans in telecom companies can significantly improve sales force productivity and customer conversion rates (Agu & Nwachukwu, 2022).

Despite its benefits, commission-based compensation is not without challenges. If the targets are perceived as unachievable, inconsistent, or unfairly applied, it can lead to frustration, disengagement, or even unethical behaviors such as customer coercion or misrepresentation of service terms (Colquitt et al., 2021). Furthermore, overemphasis on individual outcomes may undermine collaboration and team cohesion, which are essential in delivering integrated service experiences in telecoms (Lamba et al., 2022).

To ensure effectiveness, companies must design fair, transparent, and ethically grounded commission structures. This includes regularly reviewing targets, providing adequate sales training, implementing performance feedback systems, and ensuring alignment with long-term customer satisfaction and organizational objectives (Gupta & Shaw, 2022; Perry et al., 2022).

In summary, commission-based compensation remains a powerful strategic lever in performance management, particularly within revenue-driven environments like telecommunications. This study investigates how commission systems influence employee productivity and motivation in telecom firms operating in Rivers State, Nigeria, offering localized insights into their effectiveness and implementation.

Empirical Review

A growing body of recent empirical research has examined the relationship between performance-based compensation and employee productivity across various sectors and countries. These studies

offer critical insights into how incentive structures influence motivation, behavior, and overall organizational outcomes.

In a widely cited study, Gerhart and Fang (2021) found that performance-contingent pay is positively associated with employee output and motivation, particularly when the reward system is perceived as fair and well-communicated. Their meta-analytic findings reaffirm that incentive-based compensation improves not only individual productivity but also contributes to better workforce alignment with strategic goals.

Okolie, Omole, and Nwaeke (2021) examined commission-based compensation among sales personnel in Nigeria's telecommunications sector. They found that employees exposed to clearly defined and consistently applied commission structures recorded significantly higher sales volumes. However, they also noted that excessive pressure from targets could increase employee burnout and stress, particularly among junior staff.

In a recent African context, Adewuyi and Akinyele (2022) explored incentive systems among telecom employees in Lagos and discovered a strong correlation between regular performance-based bonuses and enhanced service delivery, customer satisfaction, and reduced absenteeism. Importantly, the study emphasized the role of non-monetary incentives, such as career growth opportunities and managerial recognition, in sustaining long-term motivation.

Adegoke and Oyelade (2021) focused specifically on customer service personnel in Nigeria's telecom firms and found that a combination of financial bonuses and recognition programs led to improved employee engagement and communication effectiveness. Employees who received timely rewards based on performance metrics demonstrated higher job satisfaction and retention rates.

On the international front, Gupta and Shaw (2022) found that tiered commission and performance-based bonuses consistently drive productivity in sales-driven environments, especially when linked to SMART goals. Their study across multinational firms highlights the importance of goal specificity and performance transparency in optimizing compensation strategies.

In a sector-specific study, Eromafuru and Nwadiani (2020) examined the effect of commission-based pay on sales teams in Nigerian telecommunications companies. Their findings suggest that clearly measurable and achievable targets, when tied to commission plans, enhance not only individual output but also organizational sales growth. However, they warned against high-pressure incentive models that disregard team collaboration and employee wellbeing.

Additionally, Ibrahim and Uzonwanne (2023) conducted a comparative analysis of incentive schemes in Nigerian private-sector firms and concluded that the perceived fairness and transparency of compensation mechanisms significantly affect employee motivation and performance across industries, including telecom. Their findings align with equity theory, underscoring that psychological perceptions are as critical as the actual incentive amount.

Collectively, these recent studies confirm that while performance-based compensation—including bonuses, commission structures, and incentive pay—can be powerful motivators, their success depends on several key variables. These include: clarity of performance expectations, perceived fairness and transparency, cultural and organizational context, balanced integration of monetary and non-monetary rewards

In environments like Rivers State, Nigeria, where telecommunications is both a fast-growing and competitive industry, empirical insights remain relatively scarce. Therefore, this study seeks to build

on existing knowledge by exploring the localized dynamics of incentive pay and commission structures in influencing employee productivity within telecom firms operating in the region.

Operational Framework

Incentive Pay/Bonuses and Employee Productivity

Recent empirical investigations have provided robust evidence on the positive relationship between incentive pay, particularly bonuses, and employee productivity across diverse organizational contexts. Within the telecommunications sector in Nigeria, Adewuyi and Akinyele (2022) conducted an empirical study in Lagos-based firms, revealing that clearly articulated and performance-contingent incentive systems significantly enhance employee motivation and productivity. Their findings indicate that employees demonstrate greater engagement and improved output when financial rewards are transparently linked to measurable performance criteria.

Complementing this, Okolie, Omole, and Nwaeke (2021) examined reward systems within Nigeria's telecommunications industry and reported that performance-based bonuses effectively increased sales figures and customer satisfaction metrics. The study highlighted the importance of consistency and fairness in the administration of bonuses to maintain employee trust and commitment.

On a broader theoretical and empirical plane, Gupta and Shaw (2022) reviewed recent advancements in incentive pay research and affirmed that monetary bonuses generally lead to improved employee performance by aligning individual goals with organizational objectives. However, they emphasize that the motivational impact of bonuses is contingent upon employees' perceptions of fairness and transparency within the compensation framework. Supporting this, Ibrahim and Uzonwanne (2023) demonstrated through their study in Nigerian private sector organizations that incentive schemes yield higher productivity when accompanied by clear communication and attainable performance standards, thereby fostering employee satisfaction and reducing absenteeism.

Gerhart and Fang (2021) further contributed to the literature with a meta-analytical review of compensation-performance linkages, concluding that while short-term incentives such as bonuses boost productivity, sustained performance gains require a balance between extrinsic rewards and intrinsic motivation factors.

Collectively, these recent studies substantiate the premise that incentive pay and bonuses constitute effective tools for enhancing employee productivity, provided they are implemented with careful attention to fairness, transparency, and alignment with organizational goals. This evidence is particularly salient for telecommunications firms in Nigeria, suggesting that well-structured bonus programs could serve as pivotal mechanisms for improving workforce performance and organizational competitiveness.

Commission-Based Compensation and Employee Productivity

Commission-based compensation is widely recognized as a critical motivator in sales and revenue-driven roles, where employees' earnings are directly tied to their individual or team sales performance. Recent empirical studies have investigated how commission structures influence employee productivity across different industries and contexts, providing nuanced insights into the effectiveness and challenges of this compensation model.

Adewuyi and Akinyele (2022) examined the effects of commission-based pay on employee productivity within the Nigerian telecommunications sector. Their study found that commission incentives significantly enhanced sales personnel's motivation, leading to improved sales volumes and customer acquisition rates. They emphasized that when commissions are clearly linked to

achievable sales targets, employees demonstrate heightened effort and persistence in their roles. Similarly, Okolie, Omole, and Nwaeke (2021) reported that commission schemes positively correlated with employee performance, especially when integrated with transparent communication and fair reward distribution. Their findings suggest that commission pay fosters a results-driven culture that aligns employee behaviors with organizational revenue goals.

Gerhart and Fang (2021) provided a comprehensive review of compensation mechanisms, noting that commission-based pay systems are particularly effective in environments where performance metrics are objective and measurable. They argue that commissions serve both as extrinsic motivators and as signals of organizational commitment to rewarding high performers. However, they caution that poorly designed commission plans can increase job stress and promote unethical selling behaviors if the performance pressures become excessive.

Gupta and Shaw (2022) investigated the psychological and behavioral impacts of commission compensation in competitive sales contexts. Their research underscored the importance of balancing financial incentives with ethical guidelines and support mechanisms to prevent negative consequences such as burnout and diminished teamwork. They found that commission pay boosts productivity primarily when employees perceive the system as fair, attainable, and aligned with their personal and professional goals.

Ibrahim and Uzonwanne (2023) explored commission structures in Nigerian private sector organizations and highlighted that commission-based pay enhances productivity not only by increasing individual sales efforts but also by encouraging continuous skill development and customer relationship management. Their study further suggested that combining commission pay with other non-monetary rewards can amplify motivation and employee satisfaction.

Collectively, these empirical studies demonstrate that commission-based compensation is an effective strategy for improving employee productivity, particularly in sales-oriented industries like telecommunications. Nonetheless, the success of such schemes depends on the fairness, transparency, and ethical implementation of commission plans, as well as the provision of adequate support to employees (Adewuyi & Akinyele, 2022; Gerhart & Fang, 2021; Gupta & Shaw, 2022; Ibrahim & Uzonwanne, 2023; Okolie et al., 2021). This body of evidence provides a foundation for exploring commission compensation's impact within specific local contexts, such as telecommunications firms in Rivers State, Nigeria.

METHODOLOGY

The research design adopted for this study is cross-sectional survey design because it enhanced the gathering of data and enable interpretation. The population of the study comprise of all the sales staff, frontline employees, and line managers involved in performance evaluation and compensation of the four primary mobile network operators with a significant presence in Rivers State which made the researchers consider them as predominant telecommunication giants. They are as follows;

Table 1: Population and Sample Distribution among Selected Telecommunication Firms in Rivers State, Nigeria

S/N	Telecommunication Firm	Population	Proportional Sample Size (n = 76)	Questionnaires Distributed (Valid Responses)
1	9mobile	17	14	12
2	Bharti Airtel Limited	28	23	20
3	Globacom Limited	19	15	13

S/N	Telecommunication Firm	Population	Proportional Sample Size (n = 76)	Questionnaires Distributed (Valid Responses)
4	Mobile Telephone Network (MTN)	30	24	19
Total		94	76	64

Source: Researcher's field survey, 2025; sample size determined using Taro Yamane's formula (1967) with a 5% margin of error and a 95% confidence level.

From the above table, 94 staff members from the head branches of the named telecommunication firms constituted the population (target respondents), whereas 76 was the sample size and this was derived from Taro Yamane's formula (1967) for sample size determination with a 5% margin of error and 95% confidence level. The study employed a simple random sampling technique, ensuring that each staff member in the population had an equal and independent chance of being selected. This method minimized selection bias and enhanced the representativeness of the sample. A total of 76 questionnaires were distributed but only 64 questionnaires (84.21%) were retrieved and valid after data cleansing, while 12 questionnaires (15.79%) were unreturned. Hence data were collected using primary data sources with the aid of a structured questionnaire. The questionnaire used a 5-point Likert scale to measure constructs. The spearman rank order correlation coefficient was used to test the hypothesized relationship level between the independent variable (Performance-based pay) and the dependent variable (employee productivity) at a 0.05 significance level with the aid of Statistical Product and Service Solutions (SPSS) version 23.0.

Sample Size and Sampling Procedure

To calculate the sample size for a population of 94 with a 5% margin of error and 95% confidence level, we'll use Taro Yamane's formula (1967):

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

Where:

n = sample size

N = 94 (population size)

e = 0.05 (margin of error)

$$n = \frac{94}{1 + 94(0.05)^2} = \frac{94}{1 + 94(0.0025)} = \frac{94}{1 + 0.235} = \frac{94}{1.235} \approx 76.1$$

Sample size $\approx$ **76**

Data Analysis and Results

Test of Hypothesis 1

H01: There is no significant relationship between incentive pay/bonuses and employee productivity in telecommunication firms in Rivers State, Nigeria.

Correlation Result for Incentive Pay/Bonuses and Employee Productivity

		Incentive Pay/Bonuses	Employee Productivity
Spearman's (rho)	Incentive Pay/Bonuses	Correlation Coefficient	1000
		Sig. (2-tailed)	.212
		N	.000
			64

Employee Productivity	Correlation Coefficient	.212	1000
	Sig. (2-tailed)	.000	.
	N	64	64

***Correlation is significant at the 0.05 level (2-tailed).**

Source: SPSS 23.0 Data Output, 2025.

A Spearman's rank-order correlation was conducted to determine the relationship between incentive pay/bonuses and employee productivity. This non-parametric test is appropriate given the ordinal or non-normally distributed nature of the variables. The Spearman correlation coefficient (ρ) between incentive pay/bonuses and employee productivity is 0.212, indicating a positive but weak relationship. The p-value = 0.000, which is less than the 0.05 significance level. Since the p-value is less than 0.05, we reject the null hypothesis (H_{01}). This means there is a statistically significant relationship between incentive pay/bonuses and employee productivity in the telecommunication firms surveyed. The result suggests that incentive pay/bonuses have a positive and significant influence on employee productivity, although the strength of the relationship is weak. Nonetheless, this implies that organizations may improve productivity by enhancing incentive-based compensation strategies.

Test of Hypothesis 2

H02: There is no significant relationship between commission-based compensation and employee productivity in telecommunication firms in Rivers State, Nigeria.

Correlation Result for Commission-Based Compensation and Employee Productivity

			Commission-Based Compensation	Employee Productivity
Spearman's (rho)	Commission-Based Compensation	Correlation Coefficient	1000	.243
		Sig. (2-tailed)	.	.000
		N	64	64
	Employee Productivity	Correlation Coefficient	.243	1000
		Sig. (2-tailed)	.000	.
		N	64	64

***Correlation is significant at the 0.05 level (2-tailed).**

Source: SPSS 23.0 Data Output, 2025.

A Spearman's rank-order correlation was used to examine the relationship between commission-based compensation and employee productivity. The Spearman correlation coefficient (ρ) is 0.243, which indicates a positive but weak relationship between commission-based compensation and employee productivity. The p-value is 0.000, which is less than the 0.05 threshold, indicating the result is statistically significant. Since the p-value < 0.05, we reject the null hypothesis (H_{02}). Therefore, there is a significant relationship between commission-based compensation and employee productivity in the telecommunication firms surveyed. The findings indicate that commission-based compensation has a positive and statistically significant impact on employee productivity, albeit the relationship is relatively weak. This suggests that implementing or enhancing commission-based pay structures can contribute to improved performance among telecom employees in Rivers State.

Discussion of Findings

The results of this study provide empirical evidence on the relationship between performance-based compensation schemes—specifically incentive pay/bonuses and commission-based compensation—and employee productivity in telecommunication firms in Rivers State, Nigeria.

The correlation analysis between incentive pay/bonuses and employee productivity yielded a Spearman's rho of 0.212 with a p-value of 0.000, indicating a positive but weak statistically significant relationship. This finding suggests that while bonuses may not serve as the strongest motivator in isolation, they nonetheless contribute positively to employee performance when effectively implemented. The statistical significance reinforces that structured incentive programs can meaningfully influence productivity outcomes, even if their overall effect size is modest.

This outcome aligns with the findings of Gerhart and Fang (2021), who demonstrated that performance-contingent pay correlates positively with motivation and output, particularly when employees perceive the reward system as fair and strategically aligned. Similarly, Adewuyi and Akinyele (2022) found that bonus systems in Nigerian service firms significantly enhance job performance, especially when tied to specific targets and supported by non-financial motivators like recognition and growth opportunities. These insights support Vroom's Expectancy Theory, which asserts that individuals are more motivated when they believe that their effort will lead to performance and that performance will yield meaningful rewards.

In the case of commission-based compensation, the study found a Spearman's rho of 0.243 with a p-value of 0.000, again indicating a positive and statistically significant relationship, although the strength remains relatively weak. This result suggests that commission-based systems provide a measurable incentive for enhanced performance, especially in roles where productivity is closely tied to quantifiable sales or customer service targets. This is consistent with the findings of Okolie, Omole, and Nwaeke (2021), who observed that clearly defined and consistently implemented commission structures led to increased sales performance in Nigeria's telecommunications sector. Furthermore, Gupta and Shaw (2022) highlighted that commission models can be highly effective in sales-driven environments when tied to SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) goals and supported by transparent evaluation metrics.

The positive association also aligns with Adams' Equity Theory, which posits that employees compare their input-output ratios with those of peers and are more likely to increase effort when compensation is perceived as fair and proportionate to their contributions. Perceptions of fairness and transparency in commission structures can therefore act as key motivational levers, as highlighted by Ibrahim and Uzonwanne (2023).

Taken together, the results from both compensation models—bonuses and commissions—indicate that performance-based pay mechanisms play a meaningful role in shaping employee productivity, even if the magnitude of the impact is moderate. These findings underscore the importance of designing well-structured, fair, and transparent compensation systems that not only align with organizational objectives but also consider employee perceptions, workload realities, and local economic conditions.

CONCLUSION

This study investigated the relationship between performance-based pay—specifically incentive pay/bonuses and commission-based compensation—and employee productivity in telecommunication firms in Rivers State, Nigeria. Drawing on Vroom's Expectancy Theory and Adams' Equity Theory, the research found that both compensation strategies are positively and significantly related to employee productivity, although the strength of the relationships was

moderate to weak. The findings revealed that incentive pay/bonuses and commission-based compensation are statistically significant predictors of employee productivity. These results underscore the role of performance-based compensation in motivating employees and enhancing their output, albeit not as the sole determinant of productivity. The telecommunication sector in Rivers State can thus benefit from revisiting its reward structures to enhance employee performance and maintain competitive advantage.

RECOMMENDATIONS

Based on the findings, the following recommendations are made:

1. Telecommunication firms should develop clear, measurable, and transparent incentive plans that are directly tied to individual and team performance. This can improve employee motivation and increase productivity.
2. Organizations should ensure that commission-based pay systems are perceived as fair and proportionate to employee efforts and achievements. This includes providing timely feedback and performance metrics that are attainable and relevant.
3. Telecommunication firms should invest in ongoing training and support programs that equip employees with the skills and knowledge necessary to meet performance targets effectively. Continuous development opportunities, combined with ethical guidelines, can help prevent burnout, reduce unethical sales practices, and sustain long-term productivity.

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