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EFFECT OF EXECUTIVE COMPENSATION AND INNOVATION ON THE ORGANISATIONAL PERFORMANCE OF SELECTED QUOTED COMPANIES IN NIGERIA

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ABSTRACT

This study examined the influence of compensation practices and innovation on organisational performance of selected quoted companies in Nigeria. Specifically, it sought to determine the influence of staff compensation, CEO compensation, director compensation, organisational innovation, product innovation and technology innovation on organisational performance. The study sourced data from quoted firms in Nigeria that had consistently published their audited annual financial reports for the period 2011 to 2016. A sample of sixty-two (62) quoted firms was used for statistical analysis. The study adopted a multiple regression analysis using panel data to test the formulated hypotheses. The results from the fixed effect unbalanced panel regression models showed that staff compensation had a positive and an insignificant influence on organisational performance, CEO compensation had a negative and an insignificant influence on organisational performance measured by profit margin, director compensation had a positive and an insignificant influence on organisational performance, organisational innovation had a positive and a significant influence on organisational performance measured by profit margin, product innovation had a positive and a significant influence on organisational performance measured by profit margin and technology innovation had a positive and an insignificant influence on organisational performance. The study concluded that organisational innovation and product innovation were the drivers of organisational performance measured by profit margin. Hence the study recommended that management of quoted firms should consider organisation innovation in decision making because it significantly enhanced organisational performance. We also recommended that managements of quoted firms should give more attention to product innovation in decision making because it significantly enhanced organisational performance.

Keywords: *CEO Compensation, Director□s Compensation, Organisational Innovation, Organisation Performance, Product Innovation and Technological Innovation.*

INTRODUCTION

Executive compensation is one of the promising researches in the field of management sciences (Njogu, Gekara, Waititu, & Omido, 2017). The executive pay- performance relationship has attracted the attention of scholars and practitioners alike in recent years (Felton, 2004).The

compensation of top executives has escalated in recent times, while lower staff pay has stagnated (Balsam, 2002; Njogu et al., 2017). The amount of compensation received is usually believed to have direct effect on the decisions affecting the eventual performance of the organisation. The level and structure of executive pay has a great impact on corporate strategic decisions (Sanders, 2001), the value of the firm (McConnell & Servaes, 1990).The structure of executive pay have been linked to corporate failures in the US (Felton, 2004). Guthrie, Sokolowsky and Wan (2012) opined that the amount of compensation awarded to directors depended on the performance of the organisation and other related factors. Thus, Kanagaretnam, Lobo and Mathiew (2012) agreed that extant and empirical literatures on organisational performance and CEO compensation were inconclusive.

Innovation has become an important issue to Nigerian firms as successive governments in Nigeria have continued to open the economy to global competition. Innovation is the bedrock of competition in advanced nations and the global marketplace. Firms that will succeed in today's global marketplace must continuously come up with new products and better processes that will reduce cost and sufficiently differentiate their product to charge premium prices. However, despite the importance of innovation, we do not know much about how firms in developing countries like Nigeria build capacities, develop resources and conduct innovation programmes so as to deliver superior performance .It is also not clear how and what innovation activities lead to firm performance. Nigerian organizations have continued to deploy huge resources in the various facets of innovations and training of manpower to handle the new ways of doing things. Companies invest in technological, organizational and product innovations with the aim of gaining competitive advantages in the market place (Oluseye, Ayodotun & Adetowubo-King, 2014). However, we observed that most known studies in Nigeria and advanced countries despite their not focusing on executive compensation, innovation and firm performance relied on the use of survey rather than the quantitative approach in measuring and analysing innovation (Njeri, 2017; Oluseye, et al., 2014). The incomplete or inconclusive and/or inconsistent nature of much of the existing literature revealed the need for further studies on the relationship among executive compensation, innovation and performance.

Objectives of the Study

The broad objective of the study was to empirically examine the effect of executive compensation and innovation on the organisational performance of selected quoted companies in Nigeria. The specific objectives were to:

(i) examine the influence of staff compensation on organisational performance of quoted firms in Nigeria ;

(ii) determine the influence of CEO compensation on organisational performance of quoted firms in Nigeria ;

(iii) investigate the influence of director compensation on organisational performance of quoted firms in Nigeria ;

(iv) ascertain the influence of organisational innovation on organisational performance of quoted firms in Nigeria ;

(v) assess the influence of product innovation on organisational performance of quoted firms in Nigeria; and

(vi) evaluate the influence of technological innovation on organisational performance of quoted firms in Nigeria .

REVIEW OF RELEVANT LITERATURES

Organisational Performance

Organisational performance is described as the scale of the extent an organisation effectively allocates the available assets to generate maximum return for itself **(**Adegoroye, et al., 2017). Performance refers to the manner in which the resources of the organisation utilised to achieve predetermined goals and objectives within a defined structure. According to Ehikioya (2009), organizational performance influences corporate governance significantly. All these help to increase the level of performance of the firm in the long-run. This imply that effective organisational monitoring prevents issues of financial fraud, enhances rapid organisational growth and helps to increase the level of organisational performance (Ehikioya, 2009). Atrill, McLaney, Harvey and Jenner, (2009) saw organisational performance as the measure of the level which firms utilise their assets to realise revenues. Therefore, the term, performance, is the measure of achievement of the assigned responsibilities that is an embodiment of the employee□s role in the organisation (Atrill, McLLancy, Harvey & Jenner, 2009). Thus, performance is used as a performance appraisal technique to evaluate employees□ contribution to the corporate objectives of the organisation.

Organisational performance evaluation assesses the efficiency and effectiveness of the company using its earnings financial positions at the end of its accounting period (Neely, Gregory & Platts, 1995). Koufopoulos, Zoumbos and Argyropoulou (2008) asserted that organisational performance was the firm□s ability to designate its evaluation to relate with the firm and functional objectives and vision. It has been measured through non-financial and financial indicators in modern research (Bagorogoza & Waal, 2010; Bakar & Ahmad, 2010). Waiganjo, Mukulu & Kahiri (2012), opined that firm performance was not easy to measure as business organizations had multi faced objectives of profitability and social responsibility among others. They further stated that performance could be measured by financial and non-financial parameters (Waiganjo, et al., (2012). The financial aspect of the performance provides detailed information which is relevant to the accounting information such as productivity, quality and overall organisational performance (Kafetzopoulos & Psomas, 2014). More importantly, according to Tavitiyaman, Zhang and Qu, (2012:142) net profit margin, Return on Assets (ROA) and Return on Investment (ROI) are the mostly used means of measuring organisation performance. However, other researchers have employed other indicators as non-financial measurements to meet the changes of external and internal environments. Therefore, this study employed Net Profit Margin (PATM) for the measurement of organisational performance.

EXECUTIVE COMPENSATION PRACTICES

Staff Compensation

Employees receive compensation packages in the form of wages, salaries and pay (Aslam, Ghaffar, Talha & Mushtaq, 2015). However, good compensation motivates the employee to

perform better. Azeez (2017) believed that staff compensation is a reward system that encourages long stay in the firm. Staff compensation means the actual money employees receive from their employers for jobs done or services rendered (Naukrihub, 2009). Ojo (2008) said there are three components of staffs compensation in an organization : the basic pays; the fringe benefits; and performance incentives or bonus. The basic pay is the basic wage in the form of salary; fringe benefits are supplementary compensation awarded to employers over and above the basic wage or salary. A compensation structure that is good will benefit the performance and effectiveness of a firm (Aslam, Ghaffar, Talha & Mushtaq, 2015). Staff compensation systems based on employee performance are seen as a way to correct some of the imperfections in labour, product and capital markets that affect the employment relationship (Pendleton, Whitfield & Bryson, 2009). They emphasize that money as a compensation criterium tends to create money motivation rather than good-work motivation in the sense that when people struggle for monetary compensation, they may sacrifice quality to take the shortest and fastest way to maximize their monetary gain (Pendleton, et al., 2009).

Director Compensation

Many researchers such as Javad and Xia (2015), Welker and Gribbin (2010) and Clinch and Magliolo (1993) argued that management is motivated to manipulate earnings when their performance linked with either cash or equity compensation. According to Mulford and Comiskey (2011), management compensation was one of the major motivations of creative accounting in many firms to show their positive state. Matsunaga and Park (2001) observed that managers compensation are made to enable them to beat analysts' forecast. Xie, Davidson and DaDalt (2003) added that managers were compensated directly in forms of bonus, salary, future promotions, job security as well as other benefits. They further identified a combination of management's discretion over reported earnings and explained that the effect those earnings had on their compensation and benefits may be incentives for creative accounting.

CEO Compensation

The existence of long-term incentives for chief executive officers in the Western world based on stock options had make it difficult for corporate organizations to separate rewards given to executive members from motivation (Buck, Liu & Skovoroda, 2008). Therefore, the executive directors of quoted companies in developing countries are normally given cash payment not long-term incentives in terms of equity-based pay. This gives ample opportunity to examine CEO pay as an incentive to perform rather than as a reward for performance (Buck, Liu & Skovoroda, 2008). CEO is committed to value rendering in a company for promoting the activities of the organization (Sajjad, Mubashar& Ahmad, 2015). It is important for the CEOs that want to effectively perform on the job to update their skill and knowledge of the executive position, external business environment and issues in labour relations. They must gather sufficient information about the degree of dynamism in both the external and internal environment (Hambrick & Fukutomi, 1991). Piketty (2014) argued in his work that an increase in executive pay simultaneously led to an increase in income inequality. This implies that the higher the pay the CEO receives the wider the inequality gap. The CEO will often have a position on the board, and in some cases, he is even the chairman. CEO change can be anticipated or unanticipated. Sun, Xianging and Huamg (2013) viewed executive compensation

as the incentive packages given to senior employees in organizations such as board chairman and CEO compensation.

INNOVATION ATTRIBUTES

Organisational Innovation

The term, organisational innovation, is the new way of classifying internal relationships, focusing and empowering workforces and compensating work with adequate pay and benefits in corporate entrepreneurship (Ottenbacher & Gnoth, 2005). Organisational innovation builds on the creation of sound knowledge through the education and training of human resources. Therefore, Zemplinerova (2010) opined that organisational innovation is based on creative research and human capital as the most important determinant of innovation. It is recognised that those who have a stake in their organisations usually determine any activity and effortion (Audu & Gungul, 2014). For any organisation to develop and be sustainable, efforts must be made by the human factor (human resources). Thus, management is the process of achieving the goals of the organisation through people and other available resources at the disposal of the organisation at a point in time (Audu & Gungul, 2014).

Product Innovation

The concept of product innovation is the intended change that increases the manner in which firms produce, process, develop and find new products, services, processes and technology (Olughor, 2015). Kiraka (2013:16) define product innovation as an idea of exploitation that is the main source of gaining competitive advantage for business organizations. Hafeez (2013) added that innovation brings about enhancement of product quality for better organisational performance. Product innovation is characterized by the introduction of new and improved products in driving a competitive business environment. Product innovation is when company introduces new products or services which provide their need or improve their intended use and leads to improvements in materials, specifications, components parts, user friendliness and other related features (OECD, 2005). Barkar and Ahmad (2010) were of the opinion that product innovation and business innovation ability was very keen in achieving business opportunities in terms of growth and expansion into new opportunities and allowing businesses to gain a good competitive advantage. Aaker (2007) stated that trademarks played three roles in innovation: creating or improving an offering (by making it more different and thus more attractive); managing the perception of a new sub-category (when the firm changes what customers are used to buying); and signaling the firms' perceived innovativeness (making it respected , adding credibility and legitimacy and injecting new energy). Companies which spend more on research and development have the tendency to acquire new ideas, hence, they become more innovative and this is reflected in its productivity growth and improved performance.

Technological Innovation

The concept of technological innovation is about outputs that is the introduction of newly adopted products or certain degree of generated level of sales from newly improved products

(Cassiman & Veugelers, 2006). The result of technological innovation is fundamental to informing the decisions of the firms to create enhanced values in products and services and to gain sustainable a competitive advantage in the market (Cassiman & Veugelers, 2006). The concept refers to the replacement of the important technologies that one used to develop products that may satisfy a particular need, production or distribution system. Technological innovation is to either focus on new products (product innovation) and new machines/equipment (process innovation) or improve on existing products and processes (Chinonye, 2009). Cerulli (2014) affirmed that technology capacity is the process of acquiring, harmonizing and improving information and capabilities through sustainable innovative capacity and market success. In the opinion of Sobanke, Ilori and Adegbite (2012), technological capacity was defined in terms of the company s total efforts in specific terms and frameworks relating to establishing, choosing and orientating technology. Burgelman and Rosenbloom (1997) observed that technological innovation was an improvement on how technology performed with some dimensions that were relevant to the technology even before or after it had been included in products and processes. It has shown that technological innovation is purely technical and not strategic or commercial in nature as indicated in most organisational profile which showed that most technologies could not be profit oriented.

EMPIRICAL REVIEWS

Xue (2007) carried out a study on performance choice measures for directors compensation contracts that affected managers level of choice between R & D that is in-house and external acquisition framework for acquiring new level of technology. High technology firms in the United States were sampled. The study revealed that compensation based on cash motivated and encouraged managers to accept strategies rather than reject them. The study further revealed stock based pay encouraged managers to accept strategy. Buck, Liu, and Skovoroda (2008) concluded a study on executive cash remuneration and firm performance. The study was carried out in China, and it sampled Chinese companies for the period under review which was 2000 2003. The organisation performance indicators were shareholder value, return pre-tax profit and return on assets. The study indicated that there was a negative but significant relationship between organisational and executive compensation. Doucouliagos, Askary and Haman (2008) did a research on the Australian financial system using panel data for the period 1992-2005. The study revealed that there was no significant relationship between compensation paid to directors and organisational performance. Jaafar, Wahab and James (2012) did an empirical study on directors compensation and firm performance among Malaysia family businesses. The indicators used for measuring the directors compensation were salaries, fees, bonuses and other related benefits. The indicators were measured as dummy variables under the assumption that the firm was a family business with zero. The indicators for measuring organisational performance and non-family businesses were ROA (return on assets) and ROE (return on equity). The study adopted panel data analysis with findings showing that there was a positive and significant relationship between executive compensation and performance. Nybakk and Jenssen (2012) did a study on the Norwegian wood industry by establishing the impact of innovation strategy and innovative business environment on the financial performance of firms. The study sampled 241 chief executive officers in the Norwegian wood industry and adopted connectional model and structural modelling to do its investigation. It revealed that innovative strategies and innovative environment had a relationship with financial performance. Polder, Van Leeuwan, Mohnen and Raymond (2010) opined that product innovation and organisational performance had a significant relationship. The study was conducted in Netherlands. Anafarta and Servant (2013)

did a study on the relationship between innovation and firm performance in Turkish automotive industry. A survey research design was adopted for distributing structured questionnaires to top management staff of 113 organisations in the Turkey automotive industry. They found out from the regression results that a significant relationship existed between product innovation and organisation performance. Atandi and Bwisa (2013) examined the relationship between technology driven innovation and organisational performance. Their results showed that a significant relationship existed between new technology and organisational performance. Kalay and Lyan (2015) did an empirical study on Turkey manufacturing companies to establish whether there was a relationship between strategic innovation management practices and organisational performance. The study sampled 132 managers from selected 66 publicly quoted companies in Turkey using survey research design. The method of data analysis was least squares structural models to the extent to which the stated hypotheses justified the intended research objectives. The findings indicated that organisational structure and innovative culture and strategy had a significant relationship with innovative performance of the sampled companies. The study of Idemobi, Onyeizugbe and Akpunonu (2011) on compensation management and organisational performance in Anambra State Civil Service revealed that compensation had no significant effect on performance in the Civil Service. Akinloye (2012) carried out a research work on whether there was a relationship between directors compensation and earning indicators. The study established that a high profile of stock options to directors increased future earnings. Gathua, Ngumi and Kiragu (2013) did a study on the relationship between executive compensation and risk among commercial banks in Kenya. They found out that executive compensation had an insignificant relationship with bank risk portfolios. Kurawa and Saidu (2014) conducted an empirical investigation on CEOs' compensation and how organisations performed. The study was sampled among publicly quoted Nigerian banks and it revealed a positive relationship between CEOs' remuneration and performance of the financial institutions. An empirical investigation carried out by Olalekan and Bodunde (2015) on the impact of CEO pay on bank performance in Nigeria for the period 2005 to 2012 employed a dynamic Generalized Method of Moments (GMM) for the data analysis and the results showed that the CEO compensation had a significant negative influence on bank performance in Nigeria.

THEORETICAL REVIEW/FRAMEWORK

Based on theoretical reviews, the study was anchored on the stakeholder theory and Chesbrough theory of innovation which focused on the executive compensation attributes and innovation parameters of any given quoted companies.

Stakeholder Theory

The managerial aspect of the organizations' close ties with the potential stakeholder is significantly related to the success of the organization (Deegan, Rankin, & Tobin, 2002). Deegan et al., (2002) argued the ethical aspect of the stakeholder theory that the organisation needed to be fair to the all the stakeholders. This implied that powers given to the stakeholders are not relevant. Stakeholder theory contends that the pressure exercised on organizations by different stakeholders conditions firms behaviour. Chenhall (2003) indicated that organisations that faced intense pressure needed to develop a structure for effective control mechanism and hence adopt organic system. To solve the intense pressure stakeholders' firms are face, there is the need to employee environmental management. James (1992) asserted that the impact of the stakeholders pressures was more proactive to environmental strategies. Moneva and Liena

(2012) asserted that there was an improvement in the behavioural pattern by stakeholders on social and environmental information as an acknowledgement of the pressure by stakeholders.

Agency Theory

The concept of agency theory was based on the idea that profit maximisation was one of the preferences of the principal (Jensen & Meckling, 1976). Utility maximisation is the key preference of the agent. Note that utility maximization includes discretionary profits and emolument (Jensen & Meckling, 1976). It is observed that utility and profit maximization always go hand in hand because emoluments bring about better organisational practices. Sometimes, the utility of management conflicts with the profit maximization ideology of the principal. The maxim, principal agent relationship, is a contractual relationship where the principal ensures their platforms for appropriate compensation for the agent (Furubotn & Richter, 2005). The relationship between the principal and the agent brings external disturbances because of the degree of information available. Due to this assertion, the principal does not in any way monitor the activities of the agent. The agent is responsible for his or her actions at any time (Furubotn & Richter, 2005). The agency theory believes that the principal has the responsibility to develop an appropriate compensation structure for the agent. This helps the agent to guide him or herself against unforeseen circumstances or opportunistic behaviour.

Schumpeter Innovation Theory

Schumpeter defined innovation as the commercial or industrial application of something new, such as a new product or process or a new type of organization, a new source of supply in the product market (Schumpeter, 1934: 66). The opening up of new markets, and the organizational development as an illustration of industrial mutation or creative destruction revolutionize economic structure by continuously destroying the old and creating a new one (Burgleman & Rosenbloom, 1997). Organisations with a large size have the capacity to monopolize power due to their market power and develop innovation and better resources. Schumpeter (1934) agreed that the model of innovation was closed systems that reflected vertical integration which showed that research and development R& D activities brought about internal developed products that were evenly distributed by the company. The Science and technological base of the company is the basis upon which research projects are formed in a closed innovation model structure. The theory defines how the process progresses, how such projects are stopped while other ones are carefully selected.

Chesbrough Theory of Innovation

Chesbrough (2006) agreed that the old model of innovation had given room to the new model (OI open model innovation). The assumption of the new model of innovation is based on the idea that the major source or process of technology transfer and knowledge may become independent to the organisation. The new open model of innovation is a pattern that assumes that organisations should rely heavily on ideas that flow from both inside and outside the organisation as this serve as an external and internal pathway to the market **(**Chesbrough, 2006). The other side of traditional producers model is assumed open innovation system which utilised both the persistent outflows and inflows of knowledge to increase internal innovation (Chesbrough, 2006**)**. Open innovation model guarantees that ideas and knowledge generated internally can be taken to the open market to develop new ideas and knowledge. Johnson, et al., (2005) observed that innovation reflected in research and development (R & D) science and interactive learning

alongside activities involved in procurement, sales and distribution. Johnson, et al., (2005) argued that both innovation and technology process played an important part to give an opportunity to stakeholders such as banks, venture capitalists and business angels that are either formal or informal).

METHODOLOGY

Research Design

Panel survey was adopted for the study with the intended population under investigation over time. The population measured changes over a period for the unit of analyses within the defined population. The unit of analysis refers to firms or any other unit of measurement usually needed for the research design. The panel survey assumes cross sectional heterogeneity and time heterogeneity among the sampled companies. This enabled the researcher to examine innovation and organizational performance of selected quoted companies in Nigeria. The population for the study consisted of all quoted companies in the Nigerian Stock Exchange (NSE). The firms used for the population had the responsibility to publish their financial statements for six consecutive years for the period 2011- 2016. Sauders, Lewis & Thornhill (2003) suggested that a minimum number of thirty (30) for statistical analysis provided a useful rule of the thumb. The sample size was based on the one-hundred and eighty-six (186) quoted companies as at 31 December, 2016 in the Nigerian Stock Exchange (NSE, 2016 Fact Sheet). The sample size of the study was based on Ewododhe (2011) sample size computation formulae. The sample size of 62 was computed by taking One-third (1/3) of the total population of 186 quoted companies. Then, it was mathematically expressed as n=1/3N 1/3 x 186 = 62. In order to avoid bias, simple random sampling techniques were used to select the 62 quoted firms that formed the sample.

Statement of Research Hypotheses

The hypotheses tested in this study were stated in null form as follows:

$H_{O1:}$ staff compensation has no significant influence on organisational performance of quoted firms in Nigeria.

$H_{O2:}$ CEO compensation has no significant influence on organisational performance of quoted firms in Nigeria.

$Ho_{3:}$ director□s compensation has no significant influence on organisational performance of quoted firms in Nigeria.

$H_{O4:}$ organisational innovation has no significant influence on organisational performance of quoted firms in Nigeria.

$H_{O5:}$ product innovation has no significant influence on organisational performance of quoted firms in Nigeria.

$H_{O6:}$ technology innovation has no significant influence on organisational performance of quoted firms in Nigeria.

Model Specification

Panel data multiple regression models were required for the study. The specification of the models was based on different methodological gap obtained from both conceptual and empirical literature discussed in the previous section. The panel data multiple regression model defined a dependent variable as a linear function of the independent variables with consideration for the cross section of the sampled companies. This implied that the shared regression model asserted that there was nonconformity in the pooled companies while panel regression model believed cross sectional heterogeneity (Cross section fixed effect) and period heterogeneity (Time fixed effect). In specifying our panel regression model, we included cross sections (companies) and year dummies (2011 - 2016). The panel multiple regression model with an error term (ε_t) was specified in econometric form in model as shown below:

Model: Performance, Executive Compensation and Innovation Model

$PATM_{it} = \beta_0 + \beta 1SCOMPit + \beta_2 CEOC_{it} + \beta_3 DIRC_{it} + \beta_4 ORGIN_{it} + \beta 5PRDIN_{it} + \beta_6 TECHIN_{it} + z_{it} + \varepsilon_{it}$ ..... (1)

Where; PATM = Profit after tax margin for organisational performance, STCOMP =Staff Compensation, CEOC = CEO Compensation, DIRC = Director Compensation, ORGIN = Organisational Innovation, PRDIN = Product Innovation, TECHIN = Technology Innovation, β_0 = constant, β = variables that vary across companies but do not vary over time, ε_{it} = error terms over the cross section and time. The presumptive signs of the parameters in the specifications are: $\beta_1, \beta 2, \beta_3, \beta_4, \beta_5, \beta_6 > 0$

Measurement and Operationalization of Variables

Variable	Measurement	Sources
ROA = Return on asset (Dependent variable)	Return on asset (ROA) as a measure of organisational performance. It is measured by dividing profit after tax by total assets.	Moscu (2013); Karaca & Ekşi (2012).
ROE = Return on equity (Dependent variable)	Return on equity (ROE) as a measure of organisational performance. It is measured by dividing profit after tax by total equity.	Adeyemi (2016); Jaafar, Wahab & James (2012); Uadiale (2010)
PATM = Net Profit margin (Dependent variable)	Net Profit margin as a measure of organisational performance. It is measured by dividing profit after tax by total gross revenue.	Claudia, Theresa & Cristina (2010); Obiyo & Lenee (2011).
STCOMP= Staff Compensation (Independent	Staff compensation will be measured by the amount of	Olaniyi& Obembe (2015); Ali,Amin&Cobanoglu(201

variable)	money paid to the staff.	5).
CEOC = CEO Compensation (Independent variable).	This is measured by the annual pay of the chief executive officer / managing director of the company.	Olaniyi & Obembe (2015), Nulla (2014).
DIRC = Director Compensation (Independent variable).	This is measured by the annual pay of the directors of the company.	Hassan & Ahmed (2012), Jaafar, Wahab & James (2012),
ORGIN = Organizational Innovation (Independent variable).	Organisational innovation is measured by the ratio of staff cost to gross revenue.	Tafamel & Akrawah (2015); Ali, Akhta & Ahmed (2011).
PRDIN = Product Innovation (Independent variable).	Product innovation represents the ratio of intangible assets to gross revenue.	Tafamel & Akrawah (2015); Bakar & Ahmed (2010).
TECHIN = Technology Innovation (Independent variable).	Technology innovation is measured by a dummy variable: □1□ for ICT investment OTHERWISE □0□.	Abdi & Ali, (2013), Alon & Yoram (2010)

Method of Data Analysis

The individual statistical significance test (t-test) and overall statistical significance test (F-test) served as the basis for determining the estimation results from the panel data. The coefficient of determination (R-squared) served as the basis for the goodness of fit of the model. The nature of data under investigation was properly described using descriptive statistics and correlation analysis. A Microsoft Excel and EViews 8.0 software package were adopted for all data analyses carried out in the study.

PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

Compensation practice and innovation unbalanced panel data regression results examined how the three types of compensation practices and innovation impacted on firms□ ability to generate statistically significant positive net profit margins (PATM) as indicators of organisational performance. The results obtained were presented in table 1 below.

Table 1: PATM Unbalanced panel regression results of compensation and innovation

	Expected Sign	**PATM (Fixed Effect)**	**PATM (Random Effect)**

C		-1.03	-0.007
		(-1.02)	(-0.05)
		[0.30]	[0.95]
SCOMP	+	1.24	7.06
		(0.15)	(1.94)
		[0.87]	[0.05]**
CEOC	+	-3.19	-3.81
		(-0.26)	(-0.53)
		[0.79]	[0.59]
DIRC	+	9.63	-2.40
		(0.10)	(-0.33)
		[0.91]	[0.74]
ORGIN	+	0.59	0.68
		(3.80)	(5.34)
		[0.00]*	[0.00]*
PRDIN	+	2.25	0.13
		(4.43)	(0.35)
		[0.00]*	[0.72]
TECHIN	+	0.0005	-0.25
		(0.38)	(-2.96)
		[0.97]	[0.00]*
R-Squared		0.458967	0.162695
F-Statistic		3.03(0.00)	7.91 (0.00)
Durbin Watson		2.588724	2.009358
Hausman Test		-	100.98 (0.00)
N(n)		62 (6)	62 (6)

Note: (1) Parentheses ( ) are t-statistic while bracket [ ] are p-value (1%)*, (5%)**, (10%)***

To test if there was a relationship between dependent and independent variables, fixed effect and panel estimation techniques, which were the most universally used unbalanced panel data regression models were approximated. To enable the researcher to pick from one of the unbalanced panel data regression models, the need to conduct Hausman test became important. The result from Hausman test indicated the probability values of 0.00 implied that we needed to accept the fixed effect and reject the random effect model. From the table above, it was clear that fixed effect model indicated that the R-squared value was estimated at 0.458967. The R □square values explained that all the independent variables jointly provided an explanation for about 46% of the changes in (PATM) across the six years period (2011 -2016) of the sampled quoted companies. The table also provided an explanation for the F statistics which was valued at (3.03) with p value of (0.00). It implied that the return on asset unbalanced panel fixed regression model was significant with a very high predictive power. The value obtained from Durbin-Watson statistics (DW) was 2.58 confirming the extent of validity of the model specification and thus the absence of problems of autocorrelation.

From the above, it should be noted that fixed effect unbalanced panel regression models provided the following results: staff compensation (SCOMP) had a positive and an insignificant influence on organisational performance measured by net profit margin (PATM). It implied that an increase in staff compensation led to an increase in organisational performance and it was statistically insignificant. CEO compensation (CEOC) had a negative influence on organisational performance measured by net profit margin (PATM) but it was statistically insignificant. It therefore, meant that an increase in CEO compensation led to a decrease in organisational performance and it was statistically insignificant. Director compensation (DIRC) had a positive and an insignificant influence on organisational performance measured by net profit margin (PATM). The positive coefficient value of 9.63 therefore meant that an increase in director compensation led to an increase in organisational performance and it was statistically insignificant. Organisational innovation (ORGIN) had a positive influence on organisational performance measured by net profit margin (PATM) at 1 percent. Product innovation (PRDIN) had a positive influence on organisational performance measured by net profit margin (PATM) at 1 percent. It therefore, meant that an increase in product innovation led to an increase in organisational performance and it was statistically significant. Technology innovation (TECHIN) had a positive influence on organisational performance measured by net profit margin (PATM) and it was statistically insignificant. It therefore, meant that an increase in technological innovation led to an increase in organisational performance and it was statistically insignificant.

DISCUSSION OF FINDINGS

Following empirical findings from the fixed effect unbalanced panel regression model, it was observed that staff compensation had a positive and an insignificant influence on organisational performance measured by net profit margin even at 10 percent. The findings were consistent with those of Idemobi, Onyeizugbe and Akpunonu (2011) and inconsistent with those of Omoayo (2014) cited in Aslam, Ghaffar, Talha and Mushtaq (2015). CEO compensation had a negative influence on organisational performance measured by net profit margin (PATM) but it was statistically insignificant even at 10 percent. The findings were inconsistent with those of Ismail, Yabai and Hahn (2014) and Ramadan (2013). Director compensation had a positive and an insignificant influence on organisational performance measured by net profit margin (PATM). The findings were consistent with those of Doucouliagos, Askary and Haman (2008), Erick, Kefah and Nyaoga (2014), Gathua, Ngumi and Kiragu (2013) and inconsistent with those of

Adegoroye, Sunday, Soyinka and Ogunmola (2017) and Ogbeide and Akanji (2016). Organisational innovation had a positive influence on organisational performance measured by net profit margin (PATM) at 1 percent. The findings were consistent with those of Jiménez-Jiménez and Sanz-Valle (2011) and Saunila, Pekkola and Ukko (2014). Product innovation had a positive influence on organisational performance measured by net profit margin (PATM) at 1 percent. The findings were consistent with those of Soi (2016), Atalaya, Anafarta and Sarvan (2013), Njeri (2017) and Artz, Norman, Hatfield and Cardinal (2010), and inconsistent with those of Polder, Van Leeuwan, Mohnen and Raymond (2010). Technological innovation had a positive influence on organisational performance measured by net profit margin (PATM) but it was statistically insignificant even at 10 percent. The findings were inconsistent with those of Prajogo and Ahmed (2006), Altindag, Zehir and Acar (2010) and Njoroge, Muathe and Bula (2016). CEO compensation had a negative relationship with organisational performance as measured by net profit margin (PATM) which was not significant when measured by 10 percent.

CONCLUSION AND RECOMMENDATIONS

The study examined compensation practices and innovation influenced organisational performance among publicly quoted companies in Nigeria. The term, organisational performance, embraces the efficient combination of productive assets such as human, material, physical and capital to fulfil the reason for the existence of the organisation. Compensation is an important instrument that helps to regulate compensation for both investors and directors to reduce agency issues that may likely arise from the problem of separation of control and ownership. Developed structures to adequately compensate directors help to attract, motivate, and retain qualified hands to manage the affairs of the organisation in terms of keeping the business more competitive and helping to achieve reasonable return on the investment of the shareholders. This has been an issue among scholars and practitioners. The ultimate objectives of innovation are organisational performance and the efficient utilisation of subjective performance variable such as sale level. An organisation that intends to build a sustainable business empire must develop a competitive advantage that will focus on building organisational capacities that have certain features which are rare, valuable and not easily imitable.

Recommendations

Based on the findings, the following recommendations were suggested:

(1) The study recommends that compensation practices and innovation in explaining organisational performance and net profit margin best capture performance.

(2) The study recommends that management of quoted firms should be less concern about compensation practices due to the insignificant influence on organisational performance.

(3) The study recommends that management of quoted firms should consider organisation innovation in decision making because it significantly enhances organisational performance.

(4) The study also recommends that managements of quoted firms should give more attention to product innovation in decision making because it significantly enhances organisational performance.

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