

The Impact of Income on Performance within a Company Empirical Validation of the Case of SAIDAL Pharmaceutical Group- Algeria

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Abstract

The design and implementation of a fair and equitable compensation policy within the company is a complex issue. For the employee, remuneration is a means that allows him to earn a salary *for the work done*, but for the head of the company, it represents a management tool that allows him to get the employee involved in the success of the company. Hence, the objective of the present research is to examine the implications of this policy on skills development and also on the performance of employees. To understand the conditions for setting up an effective compensation system, which motivates and makes employees more competent, a case study was conducted in SAIDAL Group (Algeria). The results obtained show that an effective remuneration policy allows any organization to achieve its yield and performance, and therefore to be in a competitive position.

Keywords: Compensation; Competency; Performance; Salary; Employee; Human resources.

Introduction

Due mainly to the globalization of markets, and consequently to the increasingly aggressive competition, companies have been led to completely rethink the relationships between men, their work and the company employing them (Bouchet & Jarry - Lacombe 2015). Today, a company that aims to achieve its economic objectives is forced to have its employees adhere to its vision; it must develop in them a true sense of belonging to the company (Tung & al; 2011). Beside other factors, such as the intangible or psychological recognition, remuneration constitutes a fundamental lever for success in *human resources motivation* (Roland-Levy, 2013). Indeed, a study carried out by Alary (2006) revealed that the monetary compensation factor contributes up to 70% to motivation, while all the other forms of recognition share the remaining 30%. This leads us to say that compensation management is a very important issue because it allows motivating employees, and this should lead to an increase in productivity (Fremaux & Christine, 2011; Hackman & Oldham, 1976). Thus, our research problem is articulated around the following question: ***How to build a compensation system that helps strengthen the employees' performance within the company?***

The objective of the present research is to check the link existing between compensation and performance within the company. Therefore, to carry out this investigation, we favored a qualitative approach which is based on a series of interviews administered to a sample of employees belonging to SAIDAL Company.

The theoretical framework

The role of human resource management (HRM) is becoming increasingly strategic in the competitive positioning of companies. Among the practices of human resource management, remuneration is currently the subject of much debate, given its essential role within the company (Thomas & Bretz; 1994). Long considered only as a cost, remuneration gradually begins to appear as a strategic element in the organizational, financial or social performance of companies (Roberts, 2003).

Compensation strategy

The issue of remuneration is at the very foundation of human resource management activities (Pichault & Nizet; 2013). Being already subject to the law of the market, the remuneration policy must also ensure cost constraints and generate performance. Remuneration has different components that vary according to the company, the position the employee occupies, but also the kind of work he does (Lewis & Heckman; 2006). It can be based on an individual effort, or can also be indexed on a collective performance (Gabris & Ihrke; 2001). It is therefore up to any remuneration policy to guarantee the fairness of treatment between employees, to motivate and recognize the true value of the work accomplished in the scope of a constructive competitiveness between the employees of the company (Segal & Duron 2015).

Three distinct objectives are sought when developing a remuneration system. First of all, the costs related to the wage bill must be financed in order to maintain the financial balance of the company. Second, paying *fair*

wages for different jobs must contribute to the development of motivation, and thus provide an internal balance to the system. Finally, the proposed remunerations must be comparable to those of competitors in order to attract talents (Pink, 2016). The external balance of the company is necessary in order to attract the best elements during the recruitment process (Hartzell & Starks; 2003). By setting up an adequate remuneration system, the company must be able to answer three basic questions simultaneously:

Can we pay? (Financial balance)

Is what we pay for coherent? (Internal balance)

Is what we pay for sufficient? (External balance)

Remuneration is structured in different complementary parts which are selected according to the company's remuneration policy. Numerous models of representation seek to emphasize the coherence that may exist between different wage levels. However, remuneration management forces the company to simultaneously take into account all the salary dimensions and to consider the effects of the measures adopted, not only in terms of overall economic performance but also in terms of the *employee involvement*.

Performance management

Performance is a multifaceted concept that is difficult to understand in a simple way (Haines, & St-Onge; 2012). It refers, in particular, to the concept of effectiveness and efficiency. But in business speeches, achievement is a complex word, a sponge-word or suitcase word, which collects opportunities. Performance is a catch-all concept that has many meanings. For the manager, it refers to the idea of the realization of a task or a goal. It is also a value judgment on the quality of the results obtained. Moreover, managing performance means getting people to achieve the goals that are required for the expected performance (Harper & Vilkinas; 2005). Achievement management is synonymous to linking the individual or collective realization with the company's performance. On the other hand, the measurement of performance becomes more and more complex, because there are problems of interest between the different partners within the company. Performance measurement is an important indicator in the management of companies (Jaaskelainen & Roitto; 2014). It allows controlling the satisfaction of various partners within the institution (customers, employees, shareholders ...), to define policies of incentives, rewards or sanctions.

The pay system in Algeria

After independence, Algeria found itself rich, with many management systems that it did not have the means to maintain. Socialism, subsequently affirmed, had checked the reluctance of rationalization / optimization which accompanied the imported systems with the equipment in the aftermath of the wave of industrialization of the 1970s. The financial ease generated by the rising hydrocarbon prices allowed the welfare state to seek to promote egalitarianism through a more equitable redistribution of income in the form of wages. The return to the economic reality, as a result of the financial difficulties encountered during the 1980s, called upon managers who, being docile executors of a center that was particularly concerned about the social aspect of the activities, found themselves faced with the challenge to return to rationality in times of multiform crisis (Bellal, 2006). The legislative and regulatory measures taken to facilitate this transition were hampered by the lack of visibility, even in the short term, and by the lack of resources which came to confirm the inadequacy of the economic fabric, the production techniques and the forms of management to the imperatives of competition which is no longer limited by borders. Globalization, which penetrated an economy already in crisis, has complicated the prospect by reducing the reaction and learning times and by pushing the different entities to adapt to the strongest social price or to disappear. The uncertainties that shape the future of a still dominant public sector in the face of a private sector, which is still very reserved, preclude the changes that are likely to jeopardize the current management systems. To conclude, it can be said that the remuneration system is politicized in Algeria (wage is a political variable); its level is fixed by the financial constraints of the State and not by labor productivity. Overall, private employers offer better salaries than their public sector counterparts. They have succeeded in attracting the best executives and technicians. The wage policy in the Algerian private sector offers more opportunities for promotion, on the basis of merit, to employees recognized as more performing (El Akremi & al ; 2006).

Empirical investigation

History of the SAIDAL pharmaceutical group and method of empirical study

SAIDAL is a joint-stock company with a capital of 2,500,000,000 Algerian dinars. A total of 80% of the SAIDAL's capital is state-owned, and the remaining 20% were sold in 1999 through the stock exchange to institutional investors and individuals. Structured in the form of an industrial group, SAIDAL aims to manufacture and market pharmaceutical products for human and veterinary use.

The SAIDAL Company has strategic objectives that should allow it to assert its leading position in the production of generic medicines. This company has four subsidiaries which are:

Antibiotic which specializes in the production of antibiotics, Penicillin and non-penicillin antibiotics

Pharmal which makes syrups and insulin

Biotic which produces syrups, tablets, pills and ointments

Somedia which resulted from a partnership between SAIDAL Group, the European Pharmaceutical Group (GPE) and FINALEP. It produces syrups, capsules and tablets.

This empirical part is devoted to the study of SAIDAL Group in order to examine the link between salary and performance. In order to do so, it was considered more interesting to use a questionnaire that included the following five questions:

Q1: Do you have an effective compensation system?

Q2: Do you have an employee performance monitoring system?

Q3: In your opinion, what motivates employees most in their work?

Q4: How do you assess performance in the SAIDAL Group?

Q5: What impact does the remuneration system have on the performance of the Group?

A total of 15 employees from the Human Resources Department (HRD) and the Personnel Department were interviewed, but only 10 of them responded. The Director of Human Resources, the Assistant Directors and the rest of the employees interviewed all belong to SAIDAL Group. The average duration of each interview was 30 minutes.

Presentation of results

The results of these interviews are presented as follows:

The answer to the first question (**Do you have an effective remuneration system?**) was rather satisfactory, with a 60% positive rate. This means that most employees were satisfied with their salary and generally agreed with the new 2014 collective agreements, the new salary grid, bonuses and allowances. Hence, one can say that the SAIDAL Group achieved its objectives (see table1).

Table 1: Provision of opinions on an effective remuneration system

	Number of respondents	Percentage %
Yes	06	60
No	00	00
Not really	04	40
Total	10	100

Source: Result of the survey carried out within SAIDAL Group

Regarding the second question (**Is there an employee performance monitoring system?**), and according to the answers to this question, managers of the Human Resources department confirm that the performance of their employees is well monitored using the job fact sheet or a classification form which allows these workers to benefit from the various promotions every three years, while respecting the basic criteria, such as attendance and discipline during the last 3 years. In addition, it should be pointed out that the Provisional Management of Jobs and Skills indicates that even if an executive's position is free within the SAIDAL Group, then the sub-executive is not automatically entitled to take that job. It is given to the person who deserves it. Therefore, tracking individual performance within the company is very important for the sake of increasing productivity and turnover. When the number of positions is reduced, they become easier to manage, and the quality of work and production of each employee can be effectively assessed. This approach may be used in the future for an efficient revaluation of the salary grid.

Table 2: Existence of a performance monitoring system within the company

	Number of respondents	Percentage
Yes	06	60 %
No	02	20%
Not really	02	20%
TOTAL	10	100

Source: Result of the survey carried out within SAIDAL Group

To find out if the company motivates its employees (**In your opinion, what motivates the employees most in their work?**), six factors, namely *work climate*, *career*, *advancement*, *employee training*, *autonomy*, and *good pay*, seemed to motivate the employees most within the company. They were then classified.

From the responses in Table 3, it is easily found that employees attach great importance to financial factors, such as *good pay* and *promotion*, and then to other factors, such as the *atmosphere at work*, *autonomy*, *training* and *career development*, because it is human nature to always seek to have more money and to become rich. After the *work climate*, come *career* and *advancement* in positions 3 and 4, respectively. *Training* and *autonomy* occupy the fifth and sixth places, respectively. This explains the reason why the main motivation for the headquarters staff of SAIDAL Group is remuneration first, and then bonuses and allowances. The salary increases in 2012 were good incentives for employees to develop more effort in their work. Moreover, remuneration is not the only motivation for employees; environment and climate at work are also important because if the employee has a good salary but

is not comfortable in the workplace, there is a risk for him to lose his motivation for the job.

Table 3: Motivating factors for SAIDAL employees

	Ranking						Percentage %					
	1	2	3	4	5	6	1	2	3	4	5	6
Work atmosphere	02	01	01	02	02	01	20	10	10	20	20	10
Career	01	02	03	01	01	01	10	20	30	10	10	10
Advancement	01	02	03	02	01	02	10	20	30	20	10	20
Training of employees	01	01	01	02	02	02	10	10	10	20	20	20
Autonomy	01	01	01	01	03	04	10	10	10	10	30	40
Good remuneration	04	03	01	02	01	00	40	30	10	20	10	00
TOTAL	10	10	10	10	10	10	100	100	100	100	100	100

Source: Result of the survey carried out within SAIDAL Group

For the next question (*On what basis do you measure performance in SAIDAL Group?*), four criteria were selected to help measure performance, i.e. *quality of work*, *employee skills*, *productivity*, and *profitability of the company*. From the answers given by the employees questioned, it could be confirmed that at the micro economic level (within the company), SAIDAL Group measures performance through the productivity (large-scale production) achieved by all employees (collective work). The medicine Paralgan (Paracetamol) is a typical example of this success. In this case, the company was successful in managing the costs, and the strategy adopted was also a big success (the price of that drug dropped from 52 DA to 49 DA). Today, the productive performance within the company of SAIDAL is no longer sufficient, and therefore the company seeks to achieve a certain level of financial performance in order to ensure its sustainability.

Table 4: Performance evaluation grid within the Group SAIDAL

	Ranking				Percentage %			
	1	2	3	4	1	2	3	4
Quality of work	02	01	04	04	20	10	40	40
Employee skills	00	01	06	02	00	10	60	20
Productivity of the company	08	00	00	02	80	00	00	20
Profitability of the company	0	08	00	02	00	80	00	20
TOTAL	10	10	10	10	100	100	100	100

Source: Result of the survey carried out within SAIDAL Group

The SAIDAL Group's consolidated income statement, for the years 2013 and 2014, is as follows:

Designations	12/31/2013	12/31/2014
Turnover	13 504 270 700.95	13 895 054 472.57
Change in inventories of finished products in progress	-814 751 265.22	229 626 444.54
Capitalized production		379 032.26
Production of the year	12 689 519 435.74	14 125 059 949.36

It is noted that the production increased from 2013 to 2014 by + 20%, which means that the 2014 salary rise motivated the employees to give the best of themselves. This also contributed to the 10% increase in turnover. Greater production means greater availability of the product on the market. From the financial point of view, it can be said that the SAIDAL Group has achieved its performance objectives.

Finally, for the fifth and last question (*What is the impact of the remuneration system on SAIDAL's performance?*), the answers obtained from the workers interviewed revealed that it is very difficult to analyze the results related to this question because the marks given to the employees are so close to each other. For example, half of the participants in the survey placed the item related to "Skills" in the second position and the other half put it in the fifth place. This means that the first half prefer to "Motivate the employees" and then "Develop skills". However, the other half suggests "Motivating employees" first, next "Improving the quality of work", after "Achieving performance", then "Creating internal / external competitiveness", and finally "Developing skills". A motivated employee prefers to work hard and give the best of himself so he can improve the quality of his work. He progresses with the experience of his seniors. He tries to improve to become competent (knowledge, know-how and well-being). When an employee is competent, he can achieve a high-performance work; this is called individual efficiency. A good return creates internal competitiveness (within the company in order to develop collective performance and teamwork) and external competitiveness (in the financial market). In conclusion, there is no unanimity of opinion on the precise classification of the factors generated by the remuneration a system adopted by the company SAIDAL. One may say that remuneration has a positive impact on all the factors cited in Table 5. Remuneration is beneficial for employee motivation, skill development, and profit making within the company. It also has a beneficial effect on improving the quality of work.

Table 5: The impact of the compensation system on group's performance

	Ranking					Percentage %				
	1	2	3	4	5	1	2	3	4	5
Motivating employees	07	00	01	03	00	70	00	10	30	00
Developing staff skills	00	05	01	00	05	00	50	10	00	50
Improving the quality of work	00	03	04	02	00	00	30	40	20	00
Reaching the financial return of the company	03	00	02	02	03	30	00	20	20	30
Developing internal / external competitiveness	00	02	02	03	02	00	20	20	30	20
TOTAL	10	10	10	10	10	100	100	100	100	100

The balance sheet and the consolidated income statement of SAIDAL Group, for the years 2013 and 2014, allowed noting the impact of the new compensation system on the Group's performance, as follows:

Designations	12/31/2013	12/31/2014
Production of the year	12 689 519 435.74	14 125 059 949.36
Consumption of the year	-5 604 780 753.76	-6 161 220 892.79
Value added from operations	7 084 738 681.98	7 963 839 056.57
Staff expenditures	-3 342 926 582.67	-3 809 104 894.13
Net profit of the year	2 060 480 315.80	1 965 160 951.44

Through this table, it is easy to note the impact of the new remuneration system on performance. It can be seen that the increase in wages has automatically led to an increase in staff expenditures but had no effect on productivity or value added. On the contrary, there has been a 10% increase in productivity and the value added has also increased by + 10%.

Conclusion

The present study allowed carrying out an empirical analysis of the impact of the remuneration system developed by SAIDAL Group on the skills and performance of its employees. SAIDAL is a large company, with a large workforce of almost 3,700 employees. This company produces more than 450,000 generic pharmaceutical products, which proves that it has succeeded in establishing an effective remuneration system. It regularly develops new wage grids to retain its employees and to motivate them to develop their skills. It has developed a policy of *Predictive Jobs and Skills Management* in order to classify and measure the potential of each worker, using a job evaluation form, while respecting the collective agreement previously developed. Despite this heavy responsibility, it is important to maintain a balanced and fair remuneration system, because this must have a positive impact on performance. SAIDAL Company could increase the level of employee satisfaction, gain the confidence of its employees, reduce the staff turnover and improve the image of the company as a whole. Nevertheless, this research work still shows some limits. Indeed, one can say that the results achieved are dependent on other factors (the remuneration system has a significant impact on performance but the practical side indicates a lack of permanent evaluation of employee performance). In addition, the size of the working sample seems insufficient, and this prevents any generalization of the results obtained. The SAIDAL Group is a public company. Comparative studies should be conducted on public and private enterprises, between small and medium-sized enterprises and large enterprises, in order to shed light on other aspects of the remuneration system that this study did not address.

Despite these limitations, our contribution allowed us to find ways to get workers do what is expected from them at a given moment. The company can change the wage system, particularly on the collective variable compensation. This should corroborate the spirit of solidarity and of belonging to the group. It is therefore important that companies know their employees and their cultures, since the salary must reflect the needs and desires of employees. In general, good control of the compensation system creates a system that satisfies both the managers and employees within the company in order to find an internal and external balance and to reach the previously set objectives with the aim of developing the workers' performance and ensuring the company's growth.

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