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Goal Congruence and Performance Measurement: An Agency Theory Perspective

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Abstract: Performance measurement can be induced by incentive systems in an agency model. This study examines the effect of agency goal congruence on performance measurement in the banking industry of Sub-Saharan Africa, focusing on Employee Remuneration and Directors' Remuneration as proxies for goal congruence and market value per share as the proxy for performance measurement. Utilizing a robust regression model, the study reveals a significant negative association between higher employee remuneration and lower market prices per share. However, no clear link is found between Directors' Remuneration and market valuation. The research underscores the importance of aligning employee incentives with organizational goals and adopting context-specific governance practices in Sub-Saharan Africa. The study recommends among others the alignment of employee incentives, implying that banks in Sub-Saharan Africa should carefully evaluate their employee incentive structures to ensure alignment with overarching organizational goals. This may involve designing compensation packages that motivate employees to contribute directly to the achievement of strategic objectives, fostering a sense of goal congruence.

Keywords: Goal congruence, performance measurement, directors' remuneration, employees remuneration.

JEL Classification: M4, M42, M48.

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1. INTRODUCTION

Performance measurement is an important and consequential part of the incentive structure of a firm. The incentive structure is put by a principal to an agent in an agency relationship. The basic premise of agency relationship is a descriptive model in which organisation is managed by someone other than the owner, with the result that such managers will tend to pursue their self-aggrandizement goals rather than acting strictly in the owners' interests (Smith, 1989). This may bring about sub-optimality between the principal and agents. The management control systems through the performance measurement systems of a firm are expected to correct such sub-optimality and bring about goal congruence in terms of optimal incentive and performance measurement.

Goal congruence is seen as the optimal meeting of agents' various interests that enhance the achievement of the overall organisational objective. Empirical research often assumes the existence of goal congruence instead of attempts to establish relationship between management control of goal congruence and second-order outcomes such as firm performance (e.g. profitability or share price) or employee behaviour (stress or job satisfaction) in an organisation (Kennedy & Widener, 2013).

Several studies, primarily exploratory in nature (Neely & Wilson, 1992; Yamoah, 2014), have delved into the conceptualization of goal congruence as a concept within management control systems. In the realm of theoretical development, Wu (2013) crafted a hierarchical agency model. However, these studies have generally not empirically investigated the direct impact of goal congruence and its potential second-order outcomes, such as profitability or share price. Mathematical models on goal congruence and related outcomes were proposed in studies by Gibbs (1991), Banker and Thevaranjan (2000), Lambert (2001), Namazi (2012), Wielhouwer and Waegenaere (2013), and Grottke and Schosser (2014). Yet, these models did not undergo empirical testing to establish causation between goal congruence and second-order outcomes. Similarly, the study by Bouillon, Ferrier, Stuebs, and West (2006) utilized survey research and correlation analysis but did not delve into cause-effect relationships.

Furthermore, Tafkov *et al.* (2022) explored knowledge transfer's impact on goal congruence for enhanced knowledge creation, while Madhavan *et al.* (2023) investigated the role of goal congruence in addressing agency problems in employee training. Additionally, Afrifa and Adesina (2018) scrutinized the relationship between directors' remuneration and firm performance. However, none of these studies employed

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cause-effect econometric tests to conclusively establish the relationship between goal congruence and firm performance measurement, particularly within the context of Sub-Saharan Africa. This study aims to address this gap by empirically examining the effect of agency goal congruence on performance measurement within the Banking industry of Sub-Saharan Africa.

This study is important due to the scanty empirical literature on agency goal congruence and performance measurement. The impact of goal congruence within agents on firms' performance measurement as the principal's objective will be tested to ensure the strengthening of management control systems in organisations. To this end, this study has the following objectives:

1. To find whether goal congruence results in optimal firms performance measurement.
2. To examine the impact of remuneration of managers on optimal firms performance measurement.
3. To determine the effect of remuneration of employees on optimal firms performance measurement.

The remaining part of this paper comprises of literature review, methodology, results and discussions, and conclusion and recommendations. Some of these sections have subsections for clearer perspective of this study.

2. LITERATURE REVIEW

2.1. Conceptual Framework

The conceptual framework centers on the importance of goal congruence in the establishment of effective performance measurement systems within organizations. Goal congruence, as defined by Nadler and Tushman (1992), refers to the alignment between the needs, goals, and structures of various components within an organization. However, this definition is expanded by Anthony and Govindarajan (2007) to emphasize the importance of aligning individual actions driven by self-interest with the organization's overall goals. Borys and Jemison (2008) further argue that goal congruence is achieved when individuals, such as employees and managers, are motivated or induced to work toward the organization's objectives.

Rooted in agency theory, goal congruence minimizes suboptimal behaviors among agents (employees and managers) and aligns them with the principal's (shareholders') goals through appropriate remuneration (Eisenhardt, 1989; Namazi, 2012). The framework suggests that in the context of management accounting, goal congruence assumes that managers and employees are aware of company goals and the related performance criteria. These goals are typically communicated through budgets, standards, and other formal performance measures.

Despite the inherent challenges in achieving perfect goal congruence, management control systems are designed to encourage actions that are in the organization's best interest, leading to improved performance. Performance management systems aim to develop mechanisms that motivate all levels of the organization to achieve high performance levels aligned with the company's objectives. These systems use financial and non-financial measures, such as profits, costs, quality, and customer satisfaction, to communicate desired directions and assess effectiveness and efficiency.

The conceptual framework integrates the agency theory model with goal congruence and performance measurement at three levels: the strategy level involving shareholders, the people level involving managers and employees, and the overall performance level of the company. This hierarchical structure emphasizes the alignment of individual and organizational goals through strategic, tactical, and operational decision-making processes.

2.2. Empirical Review and Hypotheses Development

Agency theory addresses the challenges arising from the principal-agent relationship, particularly the misalignment of goals between principals (e.g., shareholders) and agents (e.g., managers). This misalignment can lead to agency problems, such as moral hazard and shirking (Jap & Anderson, 2003). From the perspective of agency theory, achieving goal alignment is crucial. It is positively associated with behavior-based management and negatively related to outcome-based management, emphasizing the need for goal congruence to mitigate agency problems (Zsidisin & Ellram, 2003). Additionally, value congruence has been identified as an intrinsic motivator for employee effort and a potential solution to agency problems within organizations (Ren, 2010). The theory also emphasizes the importance of ex ante alignment of incentives between principals and agents, highlighting the role of goal congruence in addressing incomplete-contracting problems (Bergen *et al.*, 1992). Agency theory has been applied to various contexts, such as understanding traveler preference heterogeneity in mode choice (Anwar, 2016), underscoring its relevance in addressing goal congruence and mitigating agency problems in organizational settings.

The alignment of individual and organizational goals, known as goal congruence, has a significant impact on firm performance. Research shows that effective communication of the linkages between firm- and unit-level goals increases goal congruence, positively affecting knowledge creation and firm performance (Tafkov *et al.*, 2022). This underscores the importance of goal alignment within organizations. Furthermore, goal congruence is essential for achieving synergies and superior performance in supply chain collaboration, which directly influences firm performance (Cao & Zhang, 2010). In family firms, management team congruence has been shown to significantly enhance the attainment of financial, social, and family-welfare performance goals (Kelly *et al.*, 2008). Additionally, the congruence between a firm's outsourcing decision drivers and its competitive priorities significantly impacts supply chain and firm performance (Kroes & Ghosh, 2009). Collectively, these studies highlight the broad impact of goal congruence on firm performance across various organizational contexts, including supply chain collaboration, knowledge creation, and strategic decision-making.

Despite these findings, previous studies have not empirically tested the effect of goal congruence on performance measurement through reward systems. Several studies on goal congruence, such as those by Madhavan *et al.* (2023), Yamoah (2014), and Neely and Wilson (1992), have focused on conceptualizing goal congruence, but they lack empirical evidence. Madhavan *et al.* (2023) investigated the relationship between organizational, individual, and training efficacy using agency theory and bounded rationality. They found that learning obstacles hinder the evaluation and achievement of organizational goals, highlighting the importance of understanding agency theory for ongoing learning and improvement initiatives. Yamoah (2014) emphasized the significance of goal congruence for achieving strategic objectives and coordinating and motivating employees. Similarly, Neely and Wilson (1992) proposed a methodology for measuring goal congruence using an analytical hierarchy process, which introduces the agency model into the concept of goal congruence. However, these studies do not provide conclusive empirical evidence.

Grottke and Schosser (2014) utilized mathematical modeling to analyze how goal congruence can be achieved when principal and agent preferences are risk-sensitive, considering intertemporal dependencies in risky cash flows. They introduced a new risk allocation scheme that allows for both goal congruence and preference similarity. Other studies, such as those by Gibbs (1991), Banker and Thevaranjan (2000), Lambert (2001), Namazi (2012), and Wielhouwer and Waegenaere (2013), have also used mathematical models to explore goal congruence and performance evaluation. However, these studies have not advanced to econometric regression models for empirical testing.

Bouillon *et al.* (2006) found that greater management consensus is associated with more resource accumulation and higher service levels in hospitals, using survey research and correlation analysis. However, this study did not examine the cause-effect impact on the overall objectives of firms. Kunz (2008) explored the interplay between goal congruence and the complexity of performance measures using simulation experiments. While simulation experiments provide valuable insights, they do not allow for hypothesis testing similar to empirical research, and their results cannot directly predict real-world phenomena.

Other studies on goal congruence have focused on psychological factors, such as value congruence, personal congruence, perceived team congruence, and knowledge-skills-abilities, affecting individual outcomes in organizations (Supeli & Creed, n.d.; Kristof-Brown & Stevens, 2001). Kennedy and Widener (2013) examined how socialization mechanisms, such as beliefs systems, mentoring, and peer pressure, influence employees' perceptions of secure and stable work conditions and goal congruence. Myers and Collins (2011) addressed goal congruence within organizations based on historical transfer pricing theories. However, none of these studies linked goal congruence to overall organizational performance measurement under the agency model.

In the context of the banking industry in Sub-Saharan Africa, there is a gap in research concerning the remuneration of managers and employees as agents, and the market share price of banks as a measure of wealth creation for shareholders (principals) within a goal congruence and performance measurement model. This area of research falls under management control systems, specifically performance measurement systems designed to motivate managers to ensure that organizational goals are accomplished. These systems reward and promote employees and managers based on specific criteria to achieve the highest level of goal congruence. The pursuit of goal congruence among managers and employees as agents is anticipated to result in optimal firm performance, aligning with shareholders' objectives of wealth maximization. Based on the literature review, the following hypotheses are formulated:

H1A: Goal congruence significantly results in optimal firm performance measurement.

The effect of employee remuneration on optimal firm performance measurement has been extensively studied. Research suggests that remuneration plays a critical role in influencing employee performance and overall firm outcomes. For instance, Afrifa and Adesina (2018) found that the relationship between directors' remuneration and firm performance is particularly significant during financial crises, indicating that the impact of remuneration on performance may vary depending on the context. Agustiningsih (2016) highlighted a positive association between remuneration and job satisfaction, suggesting that higher remuneration leads to increased satisfaction among employees. Additionally, Amalia and Gunarto (2022) found a positive effect of remuneration on job satisfaction, which, in turn, influences employee performance in public institutions. Hindrayani and Muhtar (2019) observed changes in employee performance behavior following the implementation of a single salary reward system in higher education, highlighting the impact of remuneration on performance. Carnahan *et al.* (2012) explored the effect of compensation dispersion on employee mobility and entrepreneurship, indicating that remuneration dispersion within firms can influence turnover and entrepreneurial activities. Zyl (2021) examined the impact of remuneration inequalities on employee productivity, revealing the potential negative effects of such inequalities on productivity levels. Given the importance of remuneration in influencing employee performance and firm outcomes, the following hypotheses are proposed:

H1B: Remuneration of directors has a significant impact on optimal firm performance measurement.

H1C: Remuneration of employees has a significant impact on optimal firm performance measurement.

These hypotheses aim to empirically test the relationships between goal congruence, employee and director remuneration, and firm performance measurement, addressing gaps identified in the existing literature.

2.3. Agency Theory and Model Development

Agency theory examines the relationship where principals delegate responsibilities to agents, often leading to self-serving behavior by the agents (Baiman, 1990; Balago, 2014). This theory serves as a foundation for organizational control, delineating the roles and obligations of principals and agents within their employment agreements (Welbourne & Cyr, 1996). The theory attributes uncertainties in performance outcomes to moral hazards, which are beneficial for understanding economic rationalization (Nilakant, 1994; Holmstrom, 1980).

Three primary agency models identified by Baiman (1990) and Balago (2014) include the principal-agent model, the transaction cost economics model, and the Rochester model. These models address agency asymmetry problems like moral hazard and adverse selection, focusing on the interaction between owners, managers, and employment contracts. The theory suggests that managers, driven by self-interest, act to maximize their expected utility, with their behavior influenced by the design of their contracts. Both owners and managers bear the costs of agency problems, thus encouraging the efficient design of contracts to mitigate these issues (Baiman, 1990).

Goal conflicts often arise when decision-making authority is delegated to agents, leading to misalignment between the organization's overall goals and those of the agents (Itami, 1975). Achieving goal congruence, or alignment between the goals of the organization and its agents, becomes crucial in designing effective management control systems.

The model developed in the current study follows the principal-agent model of agency theory. Here, the principal hires an agent to manage multiple tasks. Building on the work of Banker and Thevaranjan (2000), the model posits that the agent's effort across tasks influences outcomes, with the principal being risk-neutral and evaluating these outcomes in monetary terms. The aggregate outcome, which interests the principal, is a function of the agent's effort weighted by the importance of each task to the principal.

The model introduces a "congruent effort component," which allocates effort according to the importance of each task to the principal. The expected outcome is then a function of this congruent effort and random variability. When applied over time, this model allows for the prediction of outcomes based on the effort of agents, with the outcome of interest (performance measurement) being represented by market price per share (P). The model is formalized in the equation:

$E(P)_{jt}=\lambda_0+\lambda_1 M_{jt}+\lambda_2 E_{jt}+e_{jt}$ (1)

where M and E represent the remuneration of managers and employees, respectively, and P represents the market price per share.

3. METHODOLOGY

In this study, we delve into the intricate dynamics of goal congruence and performance measurement within the banking sector of Sub-Saharan Africa. The empirical foundation is built upon secondary data sourced from the financial statements of various banks operating in the region from the MachameRatios Database, 2023. With a meticulous focus on a diverse set of financial institutions, the study encompasses multiple years to capture temporal nuances. The chosen analytical framework, Pooled Ordinary Least Squares (OLS) Regression, is adept at handling large datasets and provides a robust means of exploring the factors influencing Market Price Per Share (MPS). This methodology allows for a comprehensive examination of within-bank and between-bank variations, enhancing the study's overall robustness.

The core variables under investigation include the dependent variable, Log of Market Price Per Share (LMPS) as utilised by Kunz (2008), and Kennedy and Widener (2013), and the independent variables: Employee Remuneration (EMREMRA) and Directors Remuneration (DIRREMRA) as used by Gibbs (1991) and Kennedy and Widener (2013). EMREMRA is defined as the ratio of total employees' remuneration to total revenue, while DIRREMRA represents the ratio of total directors' remuneration to total revenue. These variables capture the influence of employee and director compensation on market valuation, thereby reflecting the alignment or misalignment of organizational and managerial interests with shareholder wealth. Additionally, control variables such as Board Remuneration Committee Size (REMCOMSIZE), Non-Executive Remuneration Committee Size (NEXREMCOMSIZE), and the Number of Remuneration Committee Meetings (REMCOMMEET) are included to account for potential confounding factors.

The dataset comprises a total of 929 bank-year observations across Sub-Saharan Africa (See Table **1** in Appendix). Following a meticulous screening and data-cleaning process, a pooled sample size of 705 was derived for the subsequent analysis. This rigorous sampling approach ensures the reliability and validity of the findings, allowing for meaningful insights into the nuanced relationship between goal congruence and performance measurement in the banking sector of the region.

3.1. Regression Model Specification

The pooled regression model for the study is developed from equation 6 and articulated as follows:

$LMPS_{it}=\beta_0+\beta_1 EMREMRA_{it}+\beta_2 DIRREMRA_{it}+\beta_3 REMCOMSIZE_{it}+\beta_4 NEXREMCOMSIZE_{it}+\beta_5 REMCOMMEET_{it}+\epsilon_{it}$

Where:

- LMPSit: represents the natural logarithm of Market Price Per Share for bank-year observation.
- EMREMRAit: is the ratio of total employees' remuneration to total revenue for bank-year observation.
- DIRREMRAit: is the ratio of total directors' remuneration to total revenue for bank-year observation.
- REMCOMSIZEit: denotes the Board Remuneration Committee Size for bank-year observation.

Table 1. Bank-Year Sample Size before Pool Analysis.

Country	Commercial Banks	Community Banks	Islamic Banks	Microfinance Banks	Mortgage Banks	Savings and Loans	Total
Botswana	38	0	0	11	0	0	49
Eswatini	11	0	0	0	0	0	11
Gambia	67	0	0	0	0	0	67
Ghana	73	0	0	0	0	0	73
Kenya	120	0	0	0	0	0	120
Malawi	58	0	0	0	0	0	58
Mauritius	40	0	0	0	0	0	40
Namibia	27	0	0	0	0	0	27
Nigeria	132	0	7	11	21	15	186
Rwanda	18	0	0	0	0	0	18
South Africa	66	0	0	11	0	0	77
Tanzania	24	23	0	17	0	0	64
Togo	15	0	0	0	0	0	15
Uganda	33	0	0	0	0	0	33
Zambia	31	0	0	0	0	0	31
Zimbabwe	55	0	0	5	0	0	60
Total	808	23	7	55	21	15	929

Source: Compiled from MachameRatios Database (2023).

- NEXREMCOMSIZEit signifies the Non-Executive Remuneration Committee Size for bank-year observation.
- REMCOMMEETit represents the Number of Remuneration Committee Meetings for bank-year observation.
- β0 is the intercept term.
- β1, β2, β3, β4, and β5 are the coefficients of the respective variables.
- ϵit is the error term associated with bank-year observation.

This regression model is tailored to uncover the intricate interplay between the identified variables, shedding light on the relationship between goal congruence, performance measurement, and various organizational and committee characteristics within the banking sector of Sub-Saharan Africa.

4. RESULT AND DISCUSSIONS

4.1. Descriptive Analysis of Variables

Table **2** presents descriptive statistics for the key variables in the study, shedding light on the central tendencies and variabilities within the dataset. The dependent variable, Log of Market Price Per Share (LMPS), exhibits a mean of 2.57, with a minimum value of -3.69 and a maximum of 8.34. The wide range signifies substantial variability in market valuation across the sampled banks in Sub-Saharan Africa. The standard deviation (sd) of 2.45 indicates considerable dispersion around the mean, emphasizing the need for a comprehensive regression analysis to understand the factors influencing market price per share.

In summary, the descriptive statistics highlight the diversity and variability in key variables within the dataset. These findings set the stage for a regression analysis, allowing for a nuanced exploration of the relationship between goal congruence, performance measurement, and organizational characteristics within the banking sector of Sub-Saharan Africa.

4.2. Correlation Analysis

The correlation analysis, as reflected in Table 3, offers valuable insights into the relationships between key variables in the study. Notably, the weak negative correlations between Log of Market Price Per Share (LMPS) and both Employee Remuneration (EMREMRA) and Directors' Remuneration (DIRREMRA) suggest a nuanced interplay between employee and director compensation and market valuation.

Table 2. Descriptive Statistics.

stats	LMPS	EMREMRA	DIRREMRA	REMCOMSIZE	NEXREMCOMSIZE	REMCOMMEET
N	850	870	814	797	791	795
mean	2.566737	32.94256	1.943317	3.081556	2.541087	2.813836
min	-3.68888	1.122811	0.0090929	0	0	0
max	8.340456	934.588	268.9513	11	14	9
sd	2.447586	46.15913	10.04959	2.384439	2.287117	2.249111
variance	5.990679	2130.666	100.9942	5.685551	5.230905	5.058498

Source: Author's Computation using STATA 14.0.

Table 3. Correlation Results.

-	LMPS	EMREMRA	DIRREMRA	REM-COMSIZE	NEXREM-COMSIZE	REM-COMMEET
LMPS	1	-	-	-	-	-
EMREMRA	-0.0411	1	-	-	-	-
DIRREMRA	-0.0215	0.0814	1	-	-	-
REMCOMSIZE	0.1318	0.0074	-0.0175	1	-	-
NEXREMCOMSIZE	0.1617	0.0126	-0.0171	0.957	1	-
REMCOMMEET	0.159	-0.0036	-0.0144	0.718	0.7123	1

Source: Author's Computation using STATA 14.0.

The positive associations between market prices per share and larger committee sizes, as well as more frequent committee meetings, align with expectations of positive governance contributions to market valuation. However, these correlations merely provide a preliminary understanding and highlight the need for a more rigorous statistical examination. The ensuing regression analysis will serve as a robust methodological tool to determine the strength and significance of these relationships, enabling a deeper exploration of how goal congruence, performance measurement, and organizational characteristics interact within the banking sector of Sub-Saharan Africa.

4.3. Regression Analysis

The regression model presented in Table **4** provides a comprehensive examination of the relationships between the dependent variable, Log of Market Price Per Share (LMPS), and its associated independent and control variables. The overall model, with a significant F-statistic (F(5, 699) = 6.38, Prob > F = 0), suggests that at least one of the independent variables is relevant in explaining the variation in LMPS. However, the modest R-squared value of 0.0436 indicates that the model accounts for only a limited proportion of the variability in market prices per share. This underscores the complexity of the factors influencing market valuation, encouraging further exploration.

The regression results indicate that the model has been tested on 705 observations. The F-statistic, calculated as 6.38, evaluates the overall significance of the regression model. In this case, the probability associated with the F-statistic (Prob > F) is reported as 0.0000, suggesting that the model's overall explanatory power is statistically significant. This implies that hypothesis H_{1A} "Goal congruence significantly results in optimal firm performance measurement" is accepted and the null hypothesis rejected. However, the low R-squared value of 4.36% indicates that the model, as it stands, explains only a small proportion of the variation in firm performance. Therefore, based on these results alone, it may be challenging to assert a significant and strong relationship between goal congruence and optimal firm performance measurement.

Among the independent variables, Employee Remuneration (EMREMRA) exhibits a statistically significant negative coefficient (-0.0084, t = -4.03, P < 0.001), suggesting that higher employee remuneration ratios are associated with lower market prices per share. This implies that HA3 is accepted at the 0.05 level of significance, implying that remuneration of employees has a significant impact on optimal firm performance measurement. This finding aligns with the weak negative correlation observed in the correlation analysis. In contrast, Directors' Remuneration (DIRREMRA) does not emerge as a statistically significant predictor (t = 0.96, P = 0.336), indicating a lack of association between directors'

Table 4. Regression Model.

Source	SS	df	MS	Number of Obs	=	705
-	-	-	-	F(5, 699)	=	6.38
Model	171.621917	5	34.3244	Prob > F	=	0.0000
Residual	3761.79185	699	5.38168	R-squared	=	0.0436
Total	3933.41377	704	5.58724	Adj R-squared	=	0.0368
-	-	-	-	Root MSE	=	2.3198
LMPS	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
EMREMRA	-0.0084125	0.0020864	-4.03	0.000	-0.0125088	-0.0043161
DIRREMRA	0.0097725	0.0101555	0.96	0.336	-0.0101665	0.0297116
REMCOMSIZE	-0.4206851	0.1283525	-3.28	0.001	-0.6726877	-0.1686825
NEXREMCOMSIZE	0.301693	0.1346712	2.24	0.025	0.0372845	0.5661015
REMCOMMEET	0.1343859	0.0539174	2.49	0.013	0.0285264	0.2402454
_cons	2.657135	0.1575338	16.87	0.000	2.347838	2.966431

Source: Author's Computation using STATA 14.0

Table 5. Robustness Check.

Variable	Sub-Saharan Africa	Southern Africa	West Africa	East Africa
EMREMRA	-.00841246***	-.00861362***	-0.0081818***	0.00282896
DIRREMRA	0.00977255	0.01706652	-.19672265***	-0.00864865
REMCOMSIZE	-.42068511**	-2.4217468***	-.47887082**	-.37398663**
NEXREMCOMSIZE	.30169302*	2.6828119***	.38125482*	.38750364**
REMCOMMEET	.1343859*	0.09069593	0.11138666	-0.03360667
_cons	2.6571346***	1.789778***	1.6445453***	4.2522877***
N	705	247	249	209
aic	3193.1926	1145.8811	818.37025	784.36283
bic	3220.5418	1166.9374	839.47496	804.41684
legend:	* p<.05;	** p<.01;	*** p<.001	-

Source: Author's Computation using STATA 14.0.

compensation and market valuation of firms. This implies rejecting the hypothesis HA2, translating that remuneration of directors has no significant impact on optimal firm performance measurement.

The control variables in the model reveal that larger Board Remuneration Committee sizes are linked to lower market prices per share, while larger Non-Executive Remuneration Committees and more frequent committee meetings correlate with higher market prices. These findings highlight the complex influence of governance structures on market valuation in Sub-Saharan Africa's banking sector.

4.4. Robustness Check

The robustness check results presented in Table **5** provide additional insights into the stability and generalizability of the regression model across different regions within Sub-Saharan Africa. The variable of primary interest, Employee Remuneration (EMREMRA), maintains its statistically significant negative association with Log of Market Price Per Share (LMPS) in Sub-Saharan Africa as a whole Southern Africa, and West Africa, indicated by the *** symbol. This consistency underscores the robustness of the finding that higher employee remuneration ratios are consistently associated with lower market prices per share across these regions.

In contrast, the association between Directors' Remuneration (DIRREMRA) and LMPS appears to vary across regions. While not statistically significant in Sub-Saharan Africa as a whole and Southern Africa, a statistically significant negative association is observed in West Africa, suggesting that higher directors' remuneration ratios are associated with lower market prices per share in this region. Conversely, in East Africa, the association is not statistically significant. This regional variation highlights the importance of considering contextual factors that may influence the relationship between directors' compensation and market valuation.

The control variables exhibit mixed results across regions. Board Remuneration Committee Size (REMCOMSIZE) maintains its statistically significant negative association with LMPS in Sub-Saharan Africa and Southern Africa, indicating that larger committee sizes are consistently associated with lower market prices per share. However, in West Africa, the association is not statistically significant, suggesting potential regional differences in the impact of committee size on market valuation. Non-Executive Remuneration Committee Size (NEXREMCOMSIZE) and the Number of Remuneration Committee Meetings (REMCOMMEET) show varying patterns across regions, underscoring the need for a nuanced understanding of the governance dynamics influencing market perception.

In summary, the robustness check results provide valuable insights into the consistency and variation of the regression model across different regions within Sub-Saharan Africa. While certain relationships remain robust, regional nuances underscore the importance of considering contextual factors in understanding the intricate dynamics between goal congruence, performance measurement, and organizational characteristics in the banking sector across the continent.

5. DISCUSSION

The comprehensive analysis undertaken in this study sheds light on the intricate relationships between goal congruence, performance measurement, and organizational characteristics within the banking sector of Sub-Saharan Africa. The correlation analysis revealed weak but noteworthy associations among key variables, setting the stage for a more nuanced exploration through regression analysis. The regression model, encompassing Employee Remuneration (EMREMRA), Directors' Remuneration (DIRREMRA), and various control variables, provided valuable insights into the factors influencing market prices per share.

The most notable finding is the consistent and statistically significant negative association between Employee Remuneration (EMREMRA) and Log of Market Price Per Share (LMPS) across Sub-Saharan Africa, Southern Africa, and West Africa. This implies that higher employee remuneration ratios are consistently linked to lower market prices per share, suggesting potential concerns about the alignment of employee incentives with overall organizational goals. This finding underscores the importance of carefully managing the relationship between employee compensation and market valuation within the banking sector. This finding is in line with the findings of Bouillon, Ferrier, Stuebs, and West (2006).

The results for Directors' Remuneration (DIRREMRA) exhibited regional variation, with a statistically significant negative association observed in West Africa. This indicates that higher directors' remuneration ratios are associated with lower market prices per share in this region. However, the lack of significance in other regions emphasizes the need to consider regional contextual factors when evaluating the impact of directors' compensation on market valuation. This finding is not consistent with the findings of Afrifa and Adesina (2018).

Furthermore, the control variables played a significant role in shaping market perceptions. Board Remuneration Committee Size (REMCOMSIZE) consistently demonstrated a negative association with market prices per share in Sub-Saharan Africa and Southern Africa, suggesting that larger committee sizes are associated with lower market valuations. The positive associations of Non-Executive Remuneration Committee Size (NEXREMCOMSIZE) and the Number of Remuneration Committee Meetings (REMCOMMEET) with market prices per share highlight the potential positive impact of larger non-executive committee sizes and more frequent committee meetings on market valuation.

In the robustness check, the findings were generally consistent across regions, but variations in the associations between variables underscore the importance of considering regional nuances. The mixed results for Directors' Remuneration (DIRREMRA) and certain control variables across regions highlight the need for a more granular understanding of governance dynamics within specific geographical contexts.

In conclusion, the findings of this study provide valuable insights for both researchers and practitioners in the banking sector. The negative association between employee remuneration and market valuation suggests the need for careful consideration of incentive structures to ensure alignment with organizational goals to promote goal congruence. The regional variations in the impact of directors' remuneration and certain governance variables emphasize the importance of context-specific approaches to governance practices. Overall, this study contributes to the ongoing discourse on goal congruence, corporate governance, performance measurement, and market valuation in the unique and diverse landscape of Sub-Saharan African banks.

CONCLUSION AND RECOMMENDATIONS

In conclusion, the comprehensive analysis of goal congruence, performance measurement, and organizational characteristics within the Sub-Saharan African banking sector has yielded insightful findings. The negative and statistically significant association between Employee Remuneration (EMREMRA) and Log of Market Price Per Share (LMPS) across multiple regions suggests a potential concern regarding the impact of employee compensation on market valuation.

This highlights the importance of aligning employee incentives with overall organizational goals to enhance market perception. The regional variations observed in the relationship between Directors' Remuneration (DIRREMRA) and market prices per share underscore the need for context-specific evaluations of directors' compensation practices.

Moreover, the control variables, particularly Board Remuneration Committee Size (REMCOMSIZE), Non-Executive Remuneration Committee Size (NEXREMCOMSIZE), and the Number of Remuneration Committee Meetings (REMCOMMEET), have demonstrated their influence on market perception. The negative association of larger committee sizes with market prices per share suggests a potential impact of governance structures on valuation, emphasizing the need for careful consideration of committee dynamics.

RECOMMENDATIONS

1. Align Employee Incentives: Organizations in the Sub-Saharan African banking sector should carefully evaluate their employee incentive structures to ensure alignment with overarching organizational goals. This may involve designing compensation packages that motivate employees to contribute directly to the achievement of strategic objectives, fostering a sense of goal congruence.
2. Context-Specific Governance Practices: Given the regional variations observed in the impact of directors' remuneration and certain governance variables, banks should adopt context-specific governance practices. Tailoring governance structures to the unique characteristics of each region may enhance the effectiveness of these structures in influencing market perceptions.
3. Optimize Remuneration Committees: The negative association between larger Board Remuneration Committee Size (REMCOMSIZE) and market prices per share suggests a potential need for optimization of committee structures. Organizations should carefully assess the composition and functions of remuneration committees, ensuring they are balanced and effective in contributing to positive market valuations.
4. Enhance Non-Executive Involvement: The positive associations of Non-Executive Remuneration Committee Size (NEXREMCOMSIZE) and the Number of Remuneration Committee Meetings (REMCOMMEET) with market prices per share indicate the potential positive impact of larger non-executive committee sizes and more frequent meetings. Organizations should consider strategies to enhance non-executive involvement and ensure robust committee engagement.

By incorporating these recommendations, banks in Sub-Saharan Africa can strengthen their governance practices, align employee incentives, and enhance market perception, contributing to sustained organizational success, goal congruence, and shareholder value.

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