

# Employee Perceptions of Executive Compensation Transparency in South African SOEs



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**Orientation:** Executives in state-owned enterprises (SOEs) are responsible for maximising shareholder value, yet concerns persist regarding the fairness of executive compensation. This study explores how transparency and communication around executive pay influence employee motivation and engagement within an SOE.

**Research purpose:** This study aims to explore employee perceptions and lived experiences regarding the transparency and communication of executive compensation and how these perceptions influence their motivation and engagement in an SOE in Gauteng.

**Motivation for the study:** Transparency in executive pay remains debated in the public sector. This study examines employees' lived experiences and perceptions of compensation practices.

**Research approach/design and method:** An interpretivist qualitative research approach used in-depth interviews to explore employees' perspectives. Thematic analysis was conducted to identify recurring patterns and insights.

**Main findings:** Thematic analysis revealed that perceived opacity in executive compensation created feelings of exclusion, mistrust and disengagement. Participants viewed unexplained pay disparities as symbolic of organisational injustice, damaging their psychological contract and motivation. In contrast, transparency and inclusive communication about pay criteria (e.g. performance metrics) were linked to enhanced trust, fairness perceptions and engagement.

**Practical/managerial implications:** Improved communication and equitable pay structures could enhance trust, morale and organisational commitment.

**Contribution/value-add:** This study deepens the understanding of executive pay transparency and offers practical recommendations for improving compensation practices in SOEs.

**Keywords:** communication; executive compensation; employee motivation; employee engagement; perceived equity; fairness; state-owned enterprise; transparency.

## Introduction

Executive compensation has become a prominent topic of debate worldwide, often criticised for being exorbitant and inequitable compared to the average worker's earnings (Bussin, 2016). In advanced economies, the disparity between high-earning executives and lower-level employees has reached unprecedented levels, fuelling concerns about fairness and social equity (Zhu & Peng, 2022). While emerging markets display more varied income inequality patterns, the rapid growth of executive pay relative to ordinary workers has attracted sharp criticism (Faulkender et al., 2010; Welsh et al., 2012). Studies from Europe and the United States have questioned Chief Executive Officer (CEO) pay structures, highlighting a disconnect between remuneration, organisational performance and employee morale (Sánchez- Marín et al., 2022; Ulrich, 2010). The 2008 financial crisis further intensified scrutiny, exposing instances where executives received substantial salaries despite widespread corporate struggles (Sánchez-Marín et al., 2022).

In South Africa, this debate is especially contentious because of entrenched socioeconomic inequality and the unique governance challenges faced by state-owned enterprises (SOEs) (Ngwenya, 2016; Wray, 2008). State-owned enterprises such as Eskom (energy), Transnet (transport and logistics) and SABC (telecommunications) hold strategic roles in the economy and are tasked with balancing commercial viability and public service delivery. However, many SOEs face operational inefficiencies, leadership instability and growing financial burdens, with total sector debt reported at R692.9 billion (Deloitte, 2014). Transnet, for instance, is responsible for

nearly 80% of rail freight tonne-kilometres but underperforms significantly when export lines are excluded (Havenga et al., 2023). This underperformance, governance failures and fiscal pressures have intensified scrutiny of executive remuneration within SOEs (Havenga et al., 2023).

Despite several South African studies investigating executive pay determinants and their links to organisational performance (Bussin & Modau, 2015; Scholtz & Smit, 2012), research exploring employee perceptions of executive pay transparency and communication within SOEs remains limited. There is a notable gap in understanding how employees experience and interpret executive compensation practices and how these perceptions influence motivation and engagement.

Globally, the escalation of executive compensation has exacerbated perceptions of inequity, creating tensions between executives and the broader workforce (Ocallaghan & Anakwe, 2025). In South Africa, where stark socioeconomic divides persist, executive pay remains an especially sensitive topic, impacting workers' morale amid wage stagnation, retrenchments and economic uncertainty (Alfawareh et al., 2023; Ngwenya, 2016; Wray, 2008).

The coronavirus disease 2019 (COVID-19) pandemic has served as a catalyst for renewed scrutiny of executive remuneration, particularly within SOEs. Economic disruptions and declining service delivery have heightened demands for greater accountability, fairness and transparency in executive pay structures (Del Guercio et al., 2008; Faulkender et al., 2020). Stakeholders increasingly question the alignment of performance-based incentives with actual value delivered to the public and enterprise. This shift underscores expectations for ethical stewardship and alignment of executive rewards with organisational and societal outcomes.

While extensive research has examined the relationship between CEO pay and financial performance in South African companies (Bradley, 2013; Bussin & Blair, 2015; Scholtz & Smit, 2012), studies focusing on SOEs remain limited. Most existing literature centres on executive pay structures, governance and shareholder interests (Meng, 2020; Verster, 2022), leaving a gap in understanding the employee perspective, specifically how transparency and communication of executive compensation affect employee motivation, engagement and organisational trust.

Given South Africa's socioeconomic context and the governance complexities within SOEs (Deloitte, 2014; Ngwenya, 2016), this study seeks to explore employees' perceptions and lived experiences regarding executive compensation transparency and communication within a South African SOE. Employing a qualitative, interpretive approach, the research aims to uncover how these perceptions influence employee morale, trust and engagement. The findings will offer practical insights to provide more inclusive and transparent communication strategies around executive pay, ultimately enhancing organisational trust and governance effectiveness.

## Literature review

The Agency Theory underpins the current study.

### Agency theory

The theoretical construct known as Agency Theory was initially developed by Jensen and Meckling (1976) to address conflicts arising when one party (the principal) delegates decision-making authority to another (the agent). Agency Theory suggests that these conflicts occur because agents may pursue personal interests rather than acting solely in the principal's best interest, leading to agency problems (Jensen & Meckling, 1976). In corporate settings, the principal represents the shareholders, while the agent refers to the executives entrusted with managing the company (Bussin, 2016). However, as executives do not bear direct ownership risks, their goals may not always align with those of shareholders, potentially leading to decisions prioritising executive benefits over long-term company performance (Attaway, 2000; Bosse & Phillips, 2016; O'Reilly & Main, 2010).

To mitigate conflicts between executive and shareholder interests, corporate governance mechanisms such as performance-linked executive compensation, incentive structures and regulatory oversight are implemented to ensure alignment between executive actions and organisational objectives (Bussin, 2016; Deysel & Kruger, 2015; Luo, 2015). In South Africa, regulatory frameworks such as the *Companies Act (Act No. 71 of 2008)* and the King IV Report on Corporate Governance (2016) explicitly mandate that executive remuneration must be linked to company performance, emphasising ethical leadership and stakeholder inclusivity (Republic of South Africa, 2008; Institute of Directors Southern Africa, 2016). These frameworks promote transparency, accountability and fairness in remuneration practices, reinforcing that pay should reflect value creation and sustainable organisational success. Beyond aligning shareholder and executive interests, employee perceptions of executive compensation transparency are equally critical. Employees interpret pay structures through the lenses of fairness, equity and corporate accountability factors that profoundly affect their motivation and engagement (Lilien, 2022; Nazir et al., 2019). Specifically, transparent communication about executive pay fosters perceptions of fairness by allowing employees to understand how remuneration relates to organisational performance and their own compensation. This transparency enhances trust in leadership, boosts morale and cultivates a sense of equity within the workplace. As a result, employees are more likely to be motivated, exhibit higher engagement and contribute discretionary effort, all of which are essential for organisational effectiveness and retention.

### Agency theory and employee motivation and the role of transparency

In large organisations, agency conflicts extend beyond shareholders and executives to include a third key stakeholder: employees. The shareholders own the company,

the board of directors oversees governance, and executives manage daily operations (Jensen & Meckling, 1976). However, when executives exploit control, such as inflating salaries, awarding excessive bonuses or maintaining opaque compensation structures, employees may perceive these practices as unfair, leading to trust erosion and reduced engagement (Kim et al., 2020). Transparency in executive compensation plays a critical role in addressing these concerns. Organisations can foster trust, fairness and alignment between executives and employees by openly communicating pay structures, performance metrics and governance mechanisms. Transparency ensures that employees understand how executive pay is determined, reducing perceptions of inequity and reinforcing engagement (Bushman et al., 2017). Conversely, a lack of transparency can result in scepticism, reduced employee morale and disengagement, particularly in South Africa's SOEs, where public scrutiny and governance failures have heightened concerns over executive compensation practices (Faulkender et al., 2020). Integrating the Agency Theory in the current study provides a theoretical foundation for examining how transparency in executive compensation influences employee motivation and engagement within a South African SOE. While traditional agency discussions focus on shareholder-executive conflicts, this study extends the theory by investigating how compensation communication affects employees as internal stakeholders. By bridging corporate governance with employee perceptions, this study fills a critical research gap in understanding the role of transparency in fostering organisational trust, motivation and, ultimately, company success.

### Executive compensation and employee perceptions

The widening gap between executive and employee pay has intensified concerns regarding fairness, equity and social justice within organisations, often exacerbating feelings of income inequality and workplace dissatisfaction (Clarke et al., 2019; Haynes et al., 2015; Mueller et al., 2017). While executive remuneration is primarily structured to attract and retain high-calibre leadership, the way it is communicated, particularly the transparency and perceived fairness of pay practices, has important implications for how employees perceive organisational justice and trust in leadership (Magnan & Martin, 2019). Although extensive research has examined executive pay from governance and shareholder perspectives, there remains limited focus on how employees interpret these compensation practices and how such perceptions affect their motivation, engagement and commitment to the organisation. This study focuses explicitly on exploring employees' perceptions of transparency and fairness in executive compensation within a South African SOE, aiming to understand how these perceptions influence their motivation and organisational engagement. Rather than assuming a causal or mediational relationship, the study adopts an exploratory qualitative approach to capture employees' lived experiences and subjective meanings related to executive pay communication.

### The role of transparency and fairness in executive pay

Transparency in executive compensation is a key determinant of employee trust and motivation. When compensation structures are communicated, employees are more likely to perceive them as fair, fostering a sense of alignment with organisational goals (Javed et al., 2020; Kral & Kubiová, 2021; Robinson, 2020). Conversely, opaque pay structures can lead to scepticism, disengagement and reduced job satisfaction (Erdoan, 2019; Nazir et al., 2019; Suttipun, 2021). Research highlights that remuneration fairness affects employee morale and contributes to overall workplace harmony (Bamberger, 2021; Men, 2021; Norman et al., 2021). From an Agency Theory perspective (Jensen & Meckling, 1976), transparency in executive pay mitigates principal-agent conflicts by aligning managerial incentives with shareholder and employee expectations. In South Africa, regulatory frameworks such as the *Companies Act (No. 71 of 2008)* and the King IV Report on Corporate Governance (2016) emphasise that executive compensation should be performance-based and publicly disclosed (Arries, 2014; Price Waterhouse Coopers, 2012). However, while these regulations aim to align shareholder and executive interests, they often overlook employee perceptions of fairness. Employees assess executive pay based on its link to company performance, internal pay equity and perceived justification of rewards (Edmans et al., 2021).

### Key factors influencing employee perceptions of executive pay

Employees evaluate executive compensation based on several critical factors influencing their perceptions of fairness and equity. Performance-based rewards are a key consideration, as employees expect executive pay to be merit-driven and linked to organisational success (Agbenyegah, 2019). Responsibility alignment also plays a role, with employees believing that executive compensation should reflect the level of strategic decision-making authority and accountability leaders hold (Gupta et al., 2022). Additionally, value creation is essential, as employees are more likely to perceive executive pay as fair when it aligns with executives' tangible contributions to the organisation (Martin et al., 2020). Transparency and communication in remuneration policies help foster trust and reduce perceptions of unfairness, reinforcing employee confidence in the organisation's compensation structure (Robinson, 2020). Furthermore, internal equity is crucial, as significant disparities between executive and employee pay can lead to dissatisfaction and disengagement (Kwon & Jang, 2022). Employees also assess executive compensation through market benchmarking, comparing it with industry standards to determine if it is justified relative to competitors (Edmans et al., 2021). Regular performance reviews and feedback loops that involve employee input further enhance perceptions of fairness and accountability (Sinambela et al., 2022). Lastly, diversity and inclusivity in compensation structures are significant, as equitable pay practices across gender and demographic groups contribute to a more just

and inclusive work environment (Chakraborty & Ganguly, 2019). By addressing these factors, organisations can design executive remuneration systems that foster employee trust, motivation and long-term commitment.

### **The impact of executive compensation on employee engagement**

A well-structured and transparent executive compensation system can enhance employee engagement and commitment by fostering a sense of fairness and alignment with corporate goals (Agarwal et al., 2023; Bongalonta & Bongalonta, 2022; Einwiller et al., 2021). Performance-based bonuses and stock options can serve as motivational tools, but if poorly designed, they may encourage short-termism or unethical behaviour (Fatemi & Fooladi, 2020; Schoenmaker, 2020). A balance between short-term incentives and long-term organisational objectives is essential for sustainable engagement (Eckerd et al., 2021). While executive compensation plays a role in employee motivation, it is only one component of a broader engagement strategy. Meaningful work, supportive leadership and career development opportunities are equally critical in fostering a productive and committed workforce (Agbenyegah, 2019; Kaur & Mehta, 2023; Melaku, 2022). Organisations integrating fair executive remuneration with comprehensive employee engagement strategies are likelier to cultivate a positive workplace culture and improve overall performance (Govender & Bussin, 2020). Executive remuneration is a powerful tool that attracts and retains top leadership and shapes employee perceptions of fairness and trust. Transparency, performance alignment and internal equity are key determinants of employees' evaluation of executive pay. By addressing these factors and incorporating employee feedback, organisations can design remuneration systems that foster motivation, trust and engagement, ultimately driving long-term organisational success.

### **Research design**

This study adopts an exploratory research design appropriate for investigating a complex and underexplored phenomenon such as executive compensation transparency in South African SOEs. According to Sekaran and Bougie (2016), a research design is a structured plan or framework that guides how data will be collected, measured and analysed. Exploratory research is particularly suitable in contexts with limited prior research, enabling the researcher to develop a deeper understanding of the phenomenon through flexible and open-ended inquiry (Greenfield & Greener, 2016). This design provides rich contextual insights that inform further research and strategic decision-making.

### **Research approach**

The study is grounded in an interpretivist qualitative research approach, which aims to understand the subjective meanings and social realities constructed by individuals within specific organisational contexts (Denzin & Lincoln, 2011; Saunders et al., 2009). This approach is particularly

appropriate for exploring how employees perceive and interpret the transparency of executive compensation, how these perceptions shape their motivation and work engagement, and what organisational factors shape these perceptions. These research questions concern understanding lived experiences and sense-making processes rather than establishing statistical relationships or testing hypotheses. An interpretivist lens acknowledges that reality is socially constructed and context-dependent. Thus, the research focuses on capturing employees' perceptions, cognitive interpretations of fairness and meaning-making processes rather than making generalisable or causal claims. The study does not aim to identify statistical relationships but instead seeks to understand diverse experiences and organisational dynamics from an emic (insider) perspective (Wahyuni, 2012). This approach is aligned with the study's exploratory nature, supporting the inductive identification of themes emerging from the data.

### **Research strategy**

This study adopted a qualitative, interpretivist approach to explore employees' perceptions and experiences within SOEs regarding executive compensation and its perceived impact on organisational performance. Interpretivism is grounded in the belief that reality is socially constructed and best understood through the meanings individuals assign to their experiences (Denzin & Lincoln, 2011). This approach aligns with the study's objective of understanding how employees interpret and make sense of executive compensation practices, enabling the researcher to generate rich, context-specific insights into how these perceptions influence motivation, engagement and organisational outcomes within the SOE context.

### **Research method**

This study was conducted in a South African state-owned Gauteng enterprise with 5500 employees. Consideration was maintained that the King IV codes require companies listed on the Johannesburg Stock Exchange (JSE) and SOEs to disclose remuneration policies and reports, including executive and director remuneration. Only permanent employees were included in this study.

### **Target population and sampling**

A target population refers to the entire set of individuals relevant to the research, while a sample is a selected subset representing key characteristics of that population (Shukla, 2020). The target population comprised executives and employees from a selected SOE in Gauteng. Convenience sampling was utilised to align with the study's objectives and practical constraints, thereby minimising the financial and logistical demands associated with extensive data collection. The sample consisted of 16 participants: 10 executives, two unionised employees, and three Human Resourcing (HR) specialists. Executives were included to provide critical insights into compensation policies and their organisational

impact, ensuring a well-rounded understanding. Their perspectives enrich the analysis of how executive compensation is perceived and its influence on organisational dynamics. Inclusion criteria for participants required them to be current employees of the selected SOE with at least 2 years of tenure to ensure sufficient organisational knowledge. Executives had to be directly involved in compensation or strategic decision-making. Unionised employees and HR specialists were included to present diverse views across organisational levels and functions. Table 1 lists the participants' demographics.

## Data collection method

A data collection instrument is used to gather research data (Saunders et al., 2016). This study employed semi-structured interviews, which provided a structured framework while allowing for exploratory discussions. This approach was effective in addressing the research questions and uncovering additional insights. The interviews were online using the MS Teams platform because the method was convenient for the participants. Semi-structured interviews were ideal for examining employees' perceptions of executive compensation in an SOE, offering flexibility, depth and context. Interviews were scheduled based on participant availability, lasted between 45 min and 1 h, and were recorded for later transcription.

## Data recording

Data recording included taking notes and recording the interviews. The recording and transcription feature of Microsoft Teams were used to capture and document interviews. For accuracy, interviews were transcribed, corrected and stored on a secure, password-protected computer.

## Data analysis

Data analysis is a technique that typically involves multiple activities, such as gathering, cleaning and organising the data (Saunders et al., 2016). Thematic analysis was used to analyse the data in this study. This method was selected for

its flexibility in identifying, analysing and reporting patterns across qualitative data. The approach enabled the researcher to explore how employees perceive executive compensation transparency and how these perceptions relate to motivation and engagement within a SOE. Following Braun and Clarke's (2006) six-phase framework, the data were systematically coded and categorised to develop meaningful themes that captured both shared and divergent perspectives. This analytical strategy aligns with the study's interpretivist orientation and exploratory aim of understanding context-specific employee perceptions without relying on prescriptive analytical procedures. Data were analysed electronically using ATLAS.ti. Thematic analysis is a type of qualitative analysis used to analyse classifications and present themes (patterns) that relate to the data. It details the data and deals with diverse subjects via interpretations (Boyatzis, 2018). Braun and Clarke (2023) proposed the six-phase thematic analysis methods for data analysis. Familiarisation involves converting audio or handwritten data into written text, carefully reviewing it and creating preliminary labels to categorise important elements. Generating initial codes requires systematically labelling interesting patterns within the data and grouping all related information under each label. In the searching for themes phase, recurring ideas are identified, and relevant data are collected under each emerging theme. Reviewing themes ensures that they align with the coded extracts and the overall dataset, leading to the development of a thematic map. Defining and naming themes involves refining each theme's specifics and assigning clear, descriptive names. Finally, producing the report entails selecting appropriate excerpts, discussing findings, linking them to the research question or literature, and compiling a comprehensive report. ATLAS.ti version 23 software was used to analyse data and classifying codes and themes into clusters based on their significance and relationship to the study.

## Strategies to ensure data quality and integrity

Qualitative researchers must ensure data analysis is precise, consistent and transparent to establish credibility (Cooper & Schindler, 2016). Various quality standards enhance qualitative research reliability. Credibility refers to the trustworthiness of the study's findings (Polit & Beck, 2017). To enhance credibility, interviews were recorded and transcribed verbatim. Transferability allows readers to assess how findings apply to their contexts (Polit & Beck, 2017). This study referenced similar research on SOE executive compensation to support its conclusions. Dependability ensures data consistency over time and across study conditions (Polit & Beck, 2017). To achieve this, all participants answered a standardised set of questions, and their responses were recorded and transcribed, with field notes securely stored for audit purposes. Conformability reflects the reproducibility of findings (Leedy & Ormrod, 2010). Dependability minimised researcher bias, acknowledged methodological limitations and assessed potential impacts. An audit trail, including diagrams, was maintained to document

**TABLE 1:** Demographic characteristics of participants.

Participant	Pseudonym code	Division	Tenure (years)	Gender
1	P1	Human Capital	23	Female
2	P2	Finance	4	Male
3	P3	Corporate Centre	15	Female
4	P4	Information Management (IT)	8	Female
5	P5	Procurement	15	Female
6	P6	Corporate Centre (PR)	12	Male
7	P7	Technical	4	Male
8	P8	Engineering	13	Male
9	P9	Information Management (IT)	5	Male
10	P10	Human Capital	15	Female
11	P11	Legal	6	Male
12	P12	Supply Chain	7	Female
13	P13	Property	5	Female
14	P14	Pipelines	7	Male
15	P15	Freight	10	Male
16	P16	Terminals	12	Female

the research process systematically. These measures collectively enhance the study's trustworthiness and ensure its findings are both rigorous and reliable.

## Ethical considerations

Ethical clearance to conduct this study was obtained from the University of Johannesburg Department of Industrial Psychology and People Management Research Ethics Committee (No. IPPM-2023-823[M]). Informed consent was obtained by providing participants with detailed information about the study's nature, objectives and voluntary participation. Confidentiality was assured to protect their identities. Avoiding harm was prioritised by framing questions to prevent physical or psychological distress (Lacobucci & Churchill, 2018). Participants freely shared their experiences without influence, maintaining academic integrity. Confidentiality and anonymity were upheld by assigning pseudonyms (e.g. Participant 1) and securing data with password protection to be stored for 5 years before deletion (Malhotra, 2019). Permission to conduct the study was obtained from the selected SOE, and ethical clearance was granted by the University of Johannesburg (Kumar, 2018). These measures ensured adherence to ethical standards, safeguarding participants' rights while maintaining research integrity.

## Results

The coding phase identified three main themes. These themes, shown in Figure 1, were based on recurring patterns found in the research. This section aims to provide a detailed overview of the research methodology, setting the foundation for an in-depth analysis and discussion of the findings, mainly focusing on executive compensation. The findings reveal four key themes that address the study's purpose of exploring employee perceptions and experiences regarding executive compensation transparency and communication, and their influence on motivation and engagement within a Gauteng SOE. Firstly, participants highlighted varying levels of transparency of executive compensation, with many expressing concerns over unclear

or insufficient information about pay structures for executives. This lack of transparency often fostered mistrust and scepticism. Secondly, the theme of communication effectiveness emerged, where employees share mixed experiences about how executive pay information was communicated. While some appreciated periodic updates, others reported inconsistent or overly technical communication, limiting their understanding and trust. Thirdly, perceptions of transparency and communication significantly influenced employee motivation. Participants who perceived greater openness felt more motivated and valued, whereas those perceiving opacity reported feelings of demotivation and disengagement. Finally, these factors also impacted employee engagement, with transparent and effective communication linked to stronger organisational commitment and willingness to contribute beyond basic job requirements. This is presented in Table 2.

Together, these themes highlight the importance of clear and honest communication about executive compensation to enhance employee motivation and engagement within the SOE context.

## Linking the themes into codes

Findings from the thematic analysis are presented in Figure 1. The first theme, *Transparency and Communication*, explores how executive compensation is communicated within the SOE and whether the process is transparent. The second theme, *Executive Compensation and Employee Motivation*, examines whether executive compensation influences employee motivation and enhances performance. Lastly, the third theme, *Perceived Fairness and Equity in Pay*, understands employees' perceptions of fairness in executive compensation and its alignment with equity principles in the SOE.

### Theme 1: Transparency and communication in executive pay

Transparency and communication in executive pay explore the role of openness and clear communication in shaping

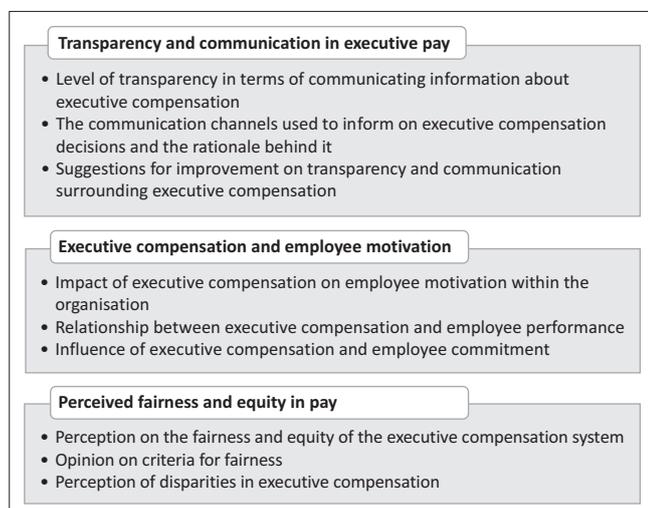


FIGURE 1: The coding processes.

TABLE 2: Themes emerging from participant perceptions on executive compensation transparency and communication.

Theme	Description	Participants (Codes)	Related study purpose aspect
Transparency of Executive Compensation	Participants' perceptions regarding the clarity and openness of executive pay practices within the organisation	P1, P3, P5, P10	Exploring employee perceptions of transparency
Communication Effectiveness	Experiences with how executive compensation information is communicated, including clarity, frequency and trust	P2, P4, P6, P9	Exploring lived experiences of communication about compensation
Impact on Motivation	How perceptions of transparency and communication affect employees' motivation, drive and willingness to perform	P7, P8, P11, P12	Exploring influence on employee motivation
Impact on Engagement	Influence of transparency and communication on employee engagement, commitment and organisational loyalty	P13, P14, P15, P16	Exploring influence on employee engagement

employees' understanding and perceptions of executive compensation. Effective communication of executive pay structures, decision-making processes and justifications is essential in fostering employee trust and engagement. However, employees expressed concerns about the lack of transparency and insufficient communication channels regarding determining executive compensation. This lack of openness has contributed to the organisation's mistrust, uncertainty and disengagement. Employees believe that greater clarity in how executive pay decisions are made, along with accessible communication channels, would improve their confidence in the fairness and legitimacy of the compensation system. Enhancing transparency in executive pay policies can strengthen employee trust, reduce speculation and dissatisfaction, and ultimately contribute to a more motivated and engaged workforce within the SOE. The following codes explain the key aspects of this theme:

- The level of transparency in communicating information about executive compensation
- The communication channels are used to inform employees about executive compensation decisions and their rationale
- Suggestions for improving transparency and communication in executive compensation

A significant concern raised by employees regarding executive compensation was the lack of transparency in how pay structures are determined and communicated. Many participants expressed frustration about the secrecy surrounding executive compensation and the organisation's limited communication on financial matters. Participant 3 strongly criticised the absence of internal communication on executive pay, stating:

'No communication internally. Information is private to the people who are working with the information.' (P3, Female, 15 years)

This perception of secrecy fosters employee confusion and mistrust, making it difficult for employees to understand how executive salaries are determined.

Participant 3 further emphasised that financial communication within the organisation is highly restricted, explaining that discussions about company finances are mostly focused on revenue spent and budget commitments. They noticed:

'No, it is not at all. Communication about finances from the budget of the company focuses on the revenue spent and budget commitment. Only when it is time for an increase or discussions with the unions about the percentage that they have reached an agreement with.' (P3, Female, 15 years)

This highlights that employees are only informed about financial matters when salary increases or union negotiations occur rather than having ongoing access to information about executive compensation. Similarly, Participant 8 reinforced this concern, stating:

'The company communicates when there are changes in the budget or when negotiations happen with unions, but not about executive compensation itself.' (P8, Male, 13 years)

This suggests that financial communication focuses primarily on general budgetary matters rather than addressing concerns around executive pay disparities. To address the issue of transparency, several participants proposed practical solutions to improve access to information about executive compensation. Participant 3 suggested:

'Salary bands be shared with employees.' (P3, Female, 15 years)

This indicates that providing clear and structured salary information could improve understanding and trust. Likewise, Participant 5 proposed a more structured approach, stating:

'There should be an established platform where employees can access information about executive compensation policies and salary bands. This will make everyone feel included and aware of what is happening.' (P5, Female, 15 years)

This recommendation highlights the importance of open access to compensation-related information, which could help alleviate concerns and create a more inclusive work environment. The lack of transparency in executive compensation communication has led to dissatisfaction among employees, who feel excluded from key financial decisions affecting their workplace. By implementing clear communication strategies such as sharing salary bands, providing regular updates and creating accessible platforms for compensation-related information, organisations can foster a greater sense of fairness and trust. Improved transparency in executive pay enhances employee morale and strengthens organisational commitment and engagement.

## **Theme 2: Executive compensation and employee motivation**

This theme explores how executive compensation affects employee motivation and engagement, particularly in light of the disparities between executive and employee remuneration. The following codes illustrate the focus of this theme:

- The impact of executive compensation on employee motivation within the organisation
- The relationship between executive compensation and employee performance
- The influence of executive compensation on employee commitment and engagement

Participants found that financial rewards, particularly bonuses and structured salary systems, are critical in shaping employee commitment, performance and job satisfaction. Fair and transparent compensation practices were perceived as integral to career growth and professional advancement. However, concerns regarding the widening compensation gap between executives and lower-level employees were frequently raised.

A significant concern was the lack of transparency around how executive pay is determined and communicated. Participant 3 remarked:

'No communication internally. Information is private to the people who are working with the information.' (P3, Female, 15 years)

This sentiment was echoed in further elaboration by the same participant, stating:

'Communication about finances from the company budget focuses on the revenue spent and budget commitment. Only when it is time for an increase or discussions with the unions about the percentage they have agreed with.' (P3, Female, 15 years)

Similarly, Participant 8 observed:

'The company communicates when there are changes in the budget or when negotiations happen with unions, but not about executive compensation itself.' (P8, Male, 13 years)

These responses suggest that the current approach to financial communication excludes regular updates on executive compensation, creating mistrust and disengagement among employees.

To address this issue, participants proposed greater transparency through practical mechanisms. For example, Participant 3 suggested:

'Salary bands be shared with employees.' (P3, Female, 15 years)

Participant 5 added:

'There should be an established platform where employees can access information about executive compensation policies and salary bands. This will make everyone feel included and aware of what is happening.' (P5, Female, 15 years)

These recommendations emphasise the desire for inclusive and transparent compensation systems to build trust and motivation.

While some employees viewed executive pay as motivational, encouraging internal promotion and professional growth, others felt it highlighted inequality. Participant 9 commented:

'Everyone can see there is growth in the company, and through the ranking of promotion of internal employees, it encourages them to work harder.' (P9, Male, 5 years)

This highlights how the visibility of upward mobility and structured pay systems can inspire ambition. However, Participant 7 presented a contrasting view:

'There is a disconnect between how executive bonuses are structured and the effort that ordinary employees put in. We work hard, but it feels like the recognition is only for the executives.' (P7, Male, 4 years)

This perception of inequity negatively affects employee morale and performance. The growing compensation gap emerged as a key concern. Participant 4 stated:

'The gap is getting bigger yearly, and it is discouraging. We do the same amount of work, yet they get bonuses, and we get little. It makes it hard to stay committed to the company.' (P4, Female, 8 years)

Participant 9 added:

'The salary disappearances are huge, and this demotivates employees accordingly ... Gaps will always forever grow, and executive remuneration discourages the people who are at the centre of making and generating profit and are the ones who do not earn enough to survive.' (P9, Male, 5 years)

These reflections reveal that disproportionate executive pay not only demotivates employees but also threatens retention and workplace cohesion. While executive compensation can be a source of aspiration and motivation, its effectiveness depends heavily on perceptions of fairness and transparency. Organisations that fail to communicate compensation structures clearly or equitably risk alienating their workforce. To cultivate commitment and engagement, organisations must implement fair pay systems, openly communicate compensation policies, and provide clear avenues for career progression.

### Theme 3: Perceived fairness and equity in pay

This theme explores employees' perceptions of fairness and equity regarding executive compensation within the SOE. It focuses on how employees evaluate the balance between their pay and that of executives and whether they believe executive compensation is aligned with contributions made at various organisational levels.

Several codes emerged under this theme:

- Employees' assessments of whether executive compensation is equitable across hierarchical levels
- Perceptions of unjustified pay disparities between executives and non-executive staff
- Suggestions for improving fairness through performance-based alignment and transparent compensation structures

Employees expressed strong sentiments about the apparent inequities in job roles and pay structures, often perceiving executive compensation as misaligned with actual job contributions. One participant stated:

'In my own opinion, there is no fairness looking at how jobs are defined and how they are unpacked and how the job roles are put together. It is unfair as some roles are made for individuals, and some pay parties are done, and there is no fairness in all this.' (P5, Female, 15 years)

Others noticed that disparities in executive pay negatively affected morale and productivity among lower-level staff:

'Yes, I have observed this in many ways. It needs to be addressed as it impacts employees' morale and their performance. Management needs to align and refocus on this as this creates a culture of uneasiness.' (P10, Female, 15 years)

A recurring concern was the lack of systematic job evaluation and alignment with employee experience and qualifications:

'Proper job evaluation is required, and alignment has to be done. When employees gain experience and more qualifications, this has to be aligned with the grading system so that it then gives accurate information together with the performance of the employee.' (P5, Female, 15 years)

Many participants advocated for a transparent and inclusive compensation system, recognising both executive and employee contributions:

'The compensation system should take into account individual contributions, not just the level of position. There should be clear and fair criteria for rewarding executives, but also recognition for the contributions of all employees.' (P7, Male, 4 years)

These insights suggest that employees interpret fairness not solely through monetary value but in terms of transparency, meritocracy and career development opportunities. The perceived lack of fairness and equity contributes to resentment, diminished engagement and reduced organisational commitment. Addressing these issues may require restructuring pay practices, including clearer performance criteria, more inclusive recognition systems and regular evaluation of the alignment between job roles, qualifications and compensation.

## Discussion

This study explored employees' perceptions and interpretations of transparency and communication regarding executive compensation and how these appeared to shape their motivation and engagement within Gauteng's SOE context. These findings are best understood within SOEs' unique characteristics and governance frameworks, where public accountability, socioeconomic mandates and regulatory oversight may influence compensation practices differently than private sector organisations. Transparency in executive compensation emerged as a key factor associated with trust in leadership and perceptions of fairness. Rather than absolute figures, participants emphasised the importance of how compensation decisions were communicated and justified. Consistent with Robinson (2020) and Cragun et al. (2024), participants perceived the system as more equitable when organisations communicated the rationale for executive pay such as performance metrics, bonus structures and remuneration principles. This suggests that process transparency, not just outcomes, is a critical determinant of perceived fairness. This observation also aligns with the principles outlined in the King IV Report (IoDSA, 2016), which frames transparent remuneration as essential to sound governance, particularly within public sector entities.

In contrast, participants reported that unclear or inconsistent communication around executive pay contributed to feelings of uncertainty, disengagement and suspicion. This echoes findings by Van Wyk and Wesson (2021), who argue that perceived opacity in compensation decisions can erode organisational trust and heighten concerns about equity. However, unlike Van Wyk and Wesson's more general findings, participants in this study situated their concerns specifically within the broader organisational purpose of SOEs, suggesting a compounded effect where fairness is measured against individual outcomes and collective socioeconomic mandates. Participants expressed a strong desire for open dialogue

and easily accessible information on how executive pay structures aligned with organisational performance and employee contributions. Such communication was viewed as critical for fostering a culture of inclusion and fairness (Avdul et al., 2024). These fairness perceptions were directly linked to motivation; frustration and disengagement were common when clarity was lacking. This supports Arfian et al.'s (2024) claim that transparent, merit-based pay systems can enhance employee commitment.

Notably, participants drew attention to perceived wage gaps between executives and lower-level staff, especially in the absence of explanatory context, which they associated with demotivation. This aligns with Stone et al. (2020), who argue that understanding the rationale behind pay differentials can mitigate negative perceptions. While Carlson and Bussin (2020) note that the empirical relationship between executive pay and performance remains mixed, this study contributes a different emphasis: participants prioritised fairness and transparency over absolute pay levels, highlighting the psychological contract as a more relevant determinant of engagement.

Furthermore, both financial and non-financial drivers of motivation were emphasised. Participants consistently mentioned career development, recognition and organisational support as crucial factors, aligning with Velte's (2022) and Agbenyegah's (2019) findings. When participants perceived a misalignment between their contributions and executive pay outcomes, frustration intensified. This observation echoes Riyanto et al.'s (2021) view that perceptions of undervaluation diminish motivation and loyalty.

Employee engagement in this study was strongly linked to procedural and distributive justice perceptions in executive pay. Greater job satisfaction and organisational commitment were reported when participants felt compensation systems were fair and performance-based, consistent with Alhadab and Al-Own (2019) and the International Labour Organization (2022). Conversely, significant unexplained disparities weakened engagement and organisational identification.

Theoretically, these findings offer a valuable extension to Agency Theory. Traditionally, the theory focuses on the conflict between principals (shareholders) and agents (executives). However, participants' perspectives in this study position employees as key internal stakeholders or 'secondary principals' whose trust and motivation are shaped by their perception of executive compensation fairness. This stakeholder-inclusive interpretation reveals the limitations of narrow, economic agency models and suggests that employee perceptions can influence the psychological legitimacy of executive pay.

Participants viewed transparency as a mechanism to reduce information asymmetry, which is one of the central concerns

in Agency Theory. When executives were perceived to act in the collective interest of stakeholders, including employees, trust and engagement were higher. Conversely, ambiguous or absent communication triggered demotivation and disengagement, echoing Van Wyk and Wesson (2021). In agency terms, these may be seen as symptoms of a breakdown in principle-agent alignment or, more expansively, the erosion of informal governance norms.

Additionally, the data pointed to what could be described as a psychological agency gap where employees feel alienated from executive decision-making structures that affect them materially and symbolically. Although executive pay is frequently assessed in terms of performance linkage (Carlson & Bussin, 2020), participants in this study attributed greater importance to perceptions of transparency, equity and organisational integrity. Ultimately, the findings suggest that transparent and inclusive communication about executive compensation alongside career development pathways and recognition in SOEs may meaningfully shape employee motivation and engagement. These factors, increasingly central to organisational sustainability, warrant further research and practical attention (Mokrzycki, 2023; Van Wyk & Wesson, 2021). In SOEs, fostering transparent, fair and communicative executive compensation practices is critical for enhancing employee motivation and organisational commitment. Organisations should consider embedding transparency into formal remuneration policies and broader communication and engagement strategies. This includes regular updates on executive pay structures, opportunities for dialogue, and visible alignment between executive rewards and organisational performance. Equally important is integrating non-financial incentives, such as development pathways and recognition mechanisms, which participants identified as powerful motivators. Addressing perceptions of fairness holistically may contribute to greater employee retention, improved morale and stronger organisational culture.

### Practical implications

As discussed in this section, the study suggests several practical steps for improving executive compensation practices, focusing on transparency, fairness, and their impact on employee motivation and engagement. Organisations should ensure clear and open communication about executive compensation policies, including the criteria and processes for determining pay. This increased transparency can build trust, reduce misunderstandings and mitigate negative perceptions of unfairness. Providing accessible information about compensation structures will also foster a sense of inclusion and accountability within the organisation. Concerning fairness and equity in compensation, efforts should be made to address significant disparities in compensation between executives and ordinary employees to avoid demotivation and disengagement. Implementing more equitable bonus and incentive structures aligned with individual contributions and performance can

help balance perceptions of fairness and improve employee morale. Allowing employees to participate in the compensation decision-making process, as suggested by Sinambela et al. (2022), can also enhance perceptions of equity. Furthermore, in terms of employee motivation and engagement, executive compensation should reflect the organisation's broader values and goals, ensuring that executives are rewarded for financial performance and their contributions to the organisation's mission and culture. Aligning compensation structures with these values can enhance employee commitment and engagement, promoting a healthier and more motivated workforce. By adopting these practices, SOEs can foster a more equitable and transparent compensation system that boosts employee satisfaction and overall organisational cohesion.

### Limitations

This study acknowledges several limitations that must be considered when interpreting the findings. Firstly, the research was conducted within a single SOE in Gauteng, and as such, the insights derived are context-specific. While they provide valuable depth and understanding, these findings may not be generalisable to other SOEs, private sector organisations or institutional contexts. The distinct governance structures, cultural dynamics and sociopolitical mandates characterising individual SOEs necessitate caution when extending these results to other settings. Secondly, the study employed a qualitative research design, relying primarily on semi-structured interviews. While this approach facilitated rich, in-depth exploration of employees' perceptions and experiences, it also inherently limits the breadth of perspectives captured. The findings represent the views of a purposively selected sample and may not reflect the full diversity of opinions within the organisation or among employees in other SOEs. Future research could benefit from triangulating qualitative insights with quantitative data to enhance the robustness and generalisability of the results.

### Conclusion

The findings highlight employees' perceptions of transparency and communication practices related to executive compensation, revealing how these aspects shape their understanding and attitudes. Rather than determining causal influences, the study provides rich insights into employees' subjective experiences and meanings attached to executive pay disclosures. Addressing these areas within SOEs is essential for fostering employee motivation and engagement. Improved compensation practices that reflect fairness and equity can enhance trust and organisational culture, ultimately driving performance. Future research could explore how specific communication strategies and transparent policies may mitigate the adverse effects of perceived inequities, enabling the development of more refined interventions to enhance executive compensation practices and promote overall organisational effectiveness.

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The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

## Authors' contributions

C.M. and P.M. contributed equally to the conceptualisation, writing and editing of the manuscript and share first authorship. All authors contributed to the article, discussed the results and approved the final version for submission and publication.

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## Data availability

The data that support the findings of this study are available from the corresponding author, C.M., upon reasonable request.

## Disclaimer

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