



**The Effect of Sales Force Compensation Factors on Job Satisfaction:
A Case Study of MoHA Soft Drinks Industry Plants in Addis Ababa**

By

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**“The Effect of Sales Force Compensation Factors on Job Satisfaction in Moha
Soft Drinks Industry”**

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STATEMENT OF DECLARATION

I Shimeles Zegeye, declare that this work entitled “**The Effect of Sales Compensation Factors on Job Satisfaction in Moha Soft Drinks Industry**” is an outcome of my own effort and that all source of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Human Resource Management.

Shimeles Zegeye

Signature _____

Date _____

STATEMENT OF CERTIFICATE

This is to certify that Shimeles Zegeye has carried out his research work on the topic entitled, “**The Effect of Sales Compensation Factors on Job Satisfaction in Moha Soft Drinks Industry**” for the partial fulfillment of Masters of Art in Human Resources Management at Addis Ababa University-School of Commerce. This study is an original work and not submitted earlier for any degree either at this university or any other University and is suitable for submission of Maters Degree in Human Resource Management.

Advisor: Abraraw Chane (PhD)

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Table Contents

STATEMENT OF DECLARATION	i
STATEMENT OF CERTIFICATE	ii
ACKNOWLEDGEMENT	iii
Table Contents	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
Acronyms	x
<i>Abstract</i>	xi
CHAPTER – 1	1
INTRODUCTION	1
1.1 Background of the Study	1
1.2. Problem Statement	7
1.3. Research Questions	10
1.4. Objectives of the Study	10
1.4.1. General Objective	10
1.4.2. Specific Objectives	10
1.5. Scope of the Study	10
1.6. Significance of the Study	11
1.7. Limitations of the Study	12
1.8. Definitions of Terms	12
1.9. Organization of the Study	13
CHAPTER -2	14
REVIEW OF RELATED LITERATURE	14
2.1. Theoretical Review	14
2.2 The Concept and Definition of Sales Reward	14
2.2.1 Sales Force Compensation	15
2.3 Sales Compensation Factors	16
2.3.1. Sales Quota	16
2.3.2. Sales Territory Design	18
2.3.3. Sales Force Size	18

2.4. Relationship of the Sales Force Compensation Factors.....	19
2.5. Job Satisfaction	21
2.6 Leadership.....	25
2.6.1. Management Control Systems.....	26
2.6.2. Climate and Morale	27
2.6.3. Sales Managers and Fairness.....	28
2.7 Conceptual Framework.....	29
2.7.1 Research Hypotheses.....	29
2.8 Summary	31
2.9 Empirical Review.....	33
CHAPTER-3	35
RESEARCH METHODOLOGY.....	35
3.1. Research Design.....	35
3.2 Research Approach	36
3.3 Data Source and Types	36
3.4 Population and Sampling Technique	37
3.5. Data Collection Instrument	38
3.6. Procedures of Data Collection	38
3.7. Data Presentation and Analysis.....	39
3.8 Reliability and Validity	39
3.9. Ethical Considerations	40
CHAPTER-4	42
DATA PRESENTATION, ANALYSIS AND FINDINGS.....	42
4.1 Introduction.....	42
4.2 Assessment of Compensation Systems Practices in Moha Soft Drinks Industry	43
4.2.1. Company Compensation Policy	43
4.2.2. Compensation in practice	44
4.3 Data Presentation, Analysis and Interpretation	45
4.3.1. Demographic Characteristics of Sample Population.....	45
4.4 Descriptive Analysis	46
4.5 Correlation Analysis	50
4.6 Inferential Analysis	51
4.6.1 Diagnostic Analysis.....	52

4.6.2 Multicollinearity	52
4.6.3 Normality	53
4.6.4 Paired sample t-test.....	55
4.6.5 Regression Results.....	55
4.7 Hypothesis testing.....	58
4.7.1 Developed regression model:	58
4.7.2 Influence of Independent Variables on Job Satisfaction	58
4.8 Discussions on Findings	60
CHAPTER-5	61
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	61
5.1 Summary of Major Finding	61
5.2 Conclusion	62
5.3. Recommendations.....	63
5.4 Limitations and Direction of the Study.....	64
REFERENCES:	66
APPENDIX-I: SURVEY QUESTIONNAIRE.....	74
APPENDIX-II: DESCRIPTIVE ANALYSIS	79
APPENDIX-III: Frequency of response on Quota setting in NIFAS SILK PLANT	81
APPENDIX-IV: Frequency of response on Quota setting in TEKLEHAIMANOT PLANT	81
APPENDIX-V: Frequency of response on Quota Setting in SUMMIT PLANT	81
APPENDIX-VI: Frequency of response on Territory Alignment in NIFAS SILK PLANT	82
APPENDIX-VII: Frequency of response on Territory Alignment in TEKLEHAIMANOT PLANT.....	82
APPENDIX-VIII: Frequency of response on Territory Alignment from SUMMIT PLANT	83
APPENDIX-IX: Frequency of response on Sales force Size from NIFAS SILK PLANT	83
APPENDIX-X: Frequency of response on Sales force Size from TEKLEHAIMANOT PLANT.....	84
APPENDIX-XI: Frequency of response on Sales force Size from SUMMIT PLANT.....	84
Annex-1.....	85

LIST OF TABLES

Table 3.1: Reliability analysis of Variables.....	40
Table 4.1: Descriptive Analysis Summary	48
Table 4.2: Summary of responses on the type of the variable the respondents are satisfied.....	50
Table 4.3: Correlation between independent and dependent variables.....	51
Table 4.4: Multicollinearity table	53
Table 4.5: Normality table	54
Table 4.6 Paired sample T-test.....	55
Table 4.7: Model summary ^b	56
Table 4.8: ANOVA	57
Table 4.9: Regression table.....	57

LIST OF FIGURES

Figure 2.1: Selling Effort Decisions Complex (source Models for Sales Management Decisions Sönke Albers and Murali Mantrala 2008)	21
Figure 2.2: Proposed conceptual framework (Source: Developed by the researcher).....	30
Figure 4.1 Histogram for normal distribution of job satisfaction (SPSS result of normality).....	53
Figure 4.2 Q-Q plots for normality distribution.....	54

Acronyms

ANOVA	Analyses for Variance
CSA	Central Statistics Agency
CSD	Cold Soft Drinks
EFY	Ethiopian Fiscal Year
HRM	Human Resource Management
MoHA	Mohammed Hussen Ali Alamoudin
PET	Poly Ethylene Terephthalate
RB	Returnable Bottle
S.C.	Share Company
SCU	Sales Coverage Units
TCA	Transactional Cost Analysis

Abstract

This thesis is designed to study the effects of sales compensation factors on sales employees' job satisfaction in the Case Study of MoHA Soft Drinks Industry in the three plants of Addis Ababa.

The study employed Explanatory research design having a sample size of 93 employees drawn from the target population of 122 with a valid response rate of 87.10%. The sample size were selected based on a table for determining sample size by Krejcie and Morgan, (1970). The study used simple random probability sampling method since the exact size of the population was known for the moment.

The collected data were checked with Cronbach's alpha to measure the internal consistency and the result was 85.10%. SPSS 20.0 software was used for quantitative data analysis on both descriptive and inferential statistics Descriptive statistics were used to summarize and present the data while correlation analysis, to investigate the strength of relationships of the studied variables. With regard to inferential statistics; regression analysis is used to test the significance contribution of each independent variable to the dependent variable of job satisfaction.

The research findings have shown that sales territory alignment and sales force sizing were found to be factors of sales force compensation having significant effect on job satisfaction of sales employees due to variability of income disregarding effort allocation. Therefore the HRM must ensure that strategic and policy objectives are in place to maintain equality in opportunity and improve employees' job satisfaction focusing on these important factors.

Key words: Sales Compensation factors, Quota Setting, Territory Design, Sales Force Size, Job Satisfaction, MoHa Soft Drinks.

CHAPTER – 1

INTRODUCTION

This chapter introduces the background, Statement of the Problem, Objectives, Research questions, Significance, Scope, limitation, and Definition of terms of the Study.

1.1 Background of the Study

Human Resource (HR) management deals with the design of formal systems in an organization to ensure the effective and efficient use of human talent to accomplish organizational goals. In an organization, the management of human resources means that they must be recruited, compensated, trained, and developed.

In today's world, competition is the basic element to define firms' strategies as a result industrial economy has been experienced to pass toward to knowledge economy. As being a competitive market development day by day, it's very difficult to enhance sustainable growth for the firms' side. Researchers and practitioners are aware of the advantages and disadvantages of a competitive work environment and try to find ways for adapting to competitive conditions.

These efforts have mostly focused on human resource management practices in the last two decades especially with the emergence of strategic human resource management approach (Rawashdeh & AlAdwan, 2012).

Distinctive nature of the sales job require special attention and support to provide equal opportunities by making the workplace convenient under certain circumstances in order to enable salespeople fulfill the selling tasks.

Sales employees play a key role in organizations (Milkovich, 1988). They are the main public face of the organization, with primary responsibility for generating sales hence profits and for initial customer service. As a frontline representative of the company's philosophy and business principles, the building and maintenance of sales force is possible through proper compensation plan to keep their morale high and to enable them contribute to maximum.

Since the largest proportion of sales force compensation rely on variable component, and this income is determined by factors including quota target setting, territory alignment and sales force

size. Human resource effort must address the non selling activities due to those associated factors beyond the control of the salespeople. As a strategic business partner in principle, HR department has responsibility to jointly design or redesign the work process with sales department to ensure equality among sales workers by creating safe and productive work environment.

Identifying the components of a given job is an integral part of job design as it can influence performance in certain jobs, can affect job satisfaction because people are more satisfied with certain job configurations than with others and it can affect both physical and mental health

These sales force compensation factors could severely affect sales employees' commitment and job satisfaction because these determinants are reflected on individual earnings, workload balance and outcomes of performance evaluation.

In its most basic sense, job satisfaction is a positive emotional state resulting from evaluating one's job experiences. Job dissatisfaction occurs when these expectations are not met.

Job design is organizing tasks, duties, and responsibilities into a productive unit of work.

The job-characteristics model suggests that five characteristics of jobs (skill variety, task identity, task significance, autonomy, and feedback from the organization) affect motivation, performance, and satisfaction

Another key capability that HR professionals need is to be able to influence others and guide changes in organizations.

Companies design sales performance target/quota, sales territories and sales force size to prepare sales and market forecasts; determine the level of sales-budget; determine the sales-quotas for each salesman; determine, review and select distribution channels; organise an efficient sales force; establish a system of sales-reporting etc.

The primary reason for establishing sales quota, territories and size is to facilitate the planning and controlling of the selling function. Well-designed sales quota system, territories and size however, may result in increased motivation, morale, and interest of the sales force, improving the total sales performance.

In such situations where there might be territories with unequal sales potentials, some adjustment in sales quotas and commission levels may be necessary; depending on the relative sales

potential of a specific area and the types of selling or non-selling tasks assigned to the sales representatives. Often, it is unaware of the problems inherent in covering a certain territory, and sometimes territories might be overlapping or there may be overestimates or under-estimates of the territory's sales potential and required workload.

Besides, a well- designed quota system, territory and sales force structure may become outdated because of changing market conditions or other factors beyond the control of management and reasonable periodic review is required. Moreover in the case of performance evaluation the same standards cannot be applied to all sales personnel-there are differences in individual territories, their sales potentials, the impact of competition and the personalities of sales people.

Although there's a good sales compensation plan, sales force compensation determinant factors such as design of sales quota, territory and size (factors are limited to this research) influences the sales force income potential and job satisfaction. Besides these factors are interrelated and have a significant relationship with sales force compensation to influence job satisfaction.

Commission plans can also be linked to performance targets but their structure is different from the structure of bonus plans. In a commission plan a commission rate is specified for performance above a specific target and this rate is multiplied by the number achieved in the performance measures evaluated, e.g. sales or profit (Zoltners et al. 2006).

Another important factor to influence salespersons' rewards and job satisfaction is style of leadership. In the frame of an organization or institution, the role of leadership is crucial for its proper function and welfare. Leadership is broadly defined as an influence process affecting the actions of employees, the choice of objectives for the group or organization and the dynamic interaction between superiors and employees (Yukl & Van Fleet, 1992).

Transactional leadership is characterized by focus on specific goals and agreed-upon rewards, which are considered to be quite effective, while transformational leadership aims to promote subordinates' feeling of pride to be working with a specific supervisor, which has been shown to exert an augmentation effect that is to add to the levels of productivity, satisfaction and effectiveness (Bass, 1985).

Therefore, in this case salespeople job satisfaction can only be maximized with transformational type of leaders who give due attention on stages of process as behavioural based approach by maintaining optimization of determinants while transactional leaders remain on generating revenue from sales by shifting the whole accountabilities towards sales people on a shortcut focus

Ethiopia is Africa's second most populated country with nearly 100m people and is one of East Africa's fastest growing economies. The beverages industry in Ethiopia is “growing insanely”. Predominantly child population (54%) CSD consumption is estimated to reach year end 2015/16 an industry volume of 60 million raw cases. Economic indicators shows the demand for Soft drinks is yet untapped and consumption per head is estimated not exceeding 0.6 cases. (CSA, Report on Large and Medium Scale Manufacturing and Electricity Industries Survey and own calculation, 2007 EFY) From 2009-2013 all consumer goods categories expanded significantly. In this era of competition in beverages (Cold Drinks) there are two major companies who deal in beverages, these are PepsiCo of MOHA and Coke of East Africa bottling, and both the companies are trying to do their best to get a high market share in the cutting edge competition into the market.

MOHA Soft Drinks Industry S.C, a sole franchisee and bottler of Pepsi range products bottled in returned bottle (RB) and Poly ethylene terephthalate (PET) and manufacturer of Kool water products. The overall attainable production volume at the time of acquisition was not exceeding 5.5 million raw cases. From assets -in- place and capabilities over the years the company production capacity has attained above 30 million raw cases. The company has eight production sites & distribution centers (Branches) in different region and become more available company in Ethiopia. (Company's Annual Operating plan, 2016/17 and CSA report, 2007)

However the company has quite successful as evidenced by increase in product line, sales growth, profitability, and increased market coverage, it faces challenges associated with designing quota, territory & sizing of its sales resources on providing the sales people adequate compensation to their level of effort and expectations which in turn affects job satisfaction as sales targets are linked to compensation disregarding to outcome variations due to those factors.

The challenge is then limitations in integrating sales compensation with its determinant factors and their implications to influence job satisfaction. Integrating compensation with these factors help to an optimal allocation of sales resources decision in consistent manner and avoid regular variations (annual sales plan variation analysis 2008, 2009 & 2010).

As HRM approaches that a major source of competitive advantage to a firm is finding the right employees, that is, HR recruitment, selection and placement for jobs in roles that provide opportunities for challenge, growth, engagement and satisfaction.

To attract and retain high caliber, high achieving, productive, committed and ‘ engaged ’employees, organizations need to provide working contexts that provides a good ‘fit’ between the role expectations of prospective employees and their subsequent working environment ”(Morgeson and Dierdorff, 2011). As noted by Sikora et al. (2016), organizations should employ qualified employees to achieve competitive advantage by using their skills and ability to perform their tasks in a proper way.

Nevertheless, it is important to note that employees who are engaged are satisfied employees, and this is a consequence of workers interaction with their situational context.

As noted earlier, recruitment, selection and placement comprise the decision-making process used to determine and select the right candidate for a specific job. These practices aim to ensure job-person fit and person-organization fit. The point here is to diagnose compatibility between employees and their jobs, and compatibility between employees and their organizations; this eventually creates a better work **environment** (Tzafrir, 2006; Wright et al., 2005; Beh and Loo, 2013). A study by Katou and Budhwar (2006) found that HR compensation and reward, employee satisfaction and competitive advantage

According to Sparrow et al. (1994), “ the act of linking goal setting and rewards, coaching for performance, aspects of career development and performance evaluation and appraisal into an integrated process.”

Most organizations try to get and tap the best out of their staff members, getting the best out of employees equals to individual performance, which is subsequently translated into organizational performance therefore creating competitive advantage. This is because the nature of global

competition makes it compulsory for firms to measure and motivate services, quality, innovation and risk-taking behavior (Peters, 1992).

According to Dessler (2008, p. 390), reward and compensation are a form of pay given to workers as a result of their employment status. Such type of pay is very important for employees, for instance Aswathappa (2013) noted that compensation can influence employees living standard, status in the society, productivity and lastly employee work and organizational satisfaction.

A similar research found that less remunerated and compensated employees are less satisfied than those who are highly compensated (Frye, 2004). In addition, empirical evidence asserted that a professionally designed compensation and reward system can enhance satisfaction, and it can also attract and retain talented employees, which leads to competitive advantage. Okpara (2004) stated that employee satisfaction is contingent on various factors, which subsume compensation, supervisor and co-workers support, appraisal and promotion. In this view, HR compensation and reward practices in a firm can enhance employee job satisfaction, which, in turn, enhance organizational performance. The greater the performance of an organization, the more likely that organization will achieve the competitive advantage.

Porter (1980) argued that for firms to gain competitive advantage, they should initiate strategic and managerial activities that rivals cannot easily imitate.

HR practices can be used to gain competitive advantage, as these practices are not easy for competitors to imitate. More specifically, capital and technology can be acquired easily at any time. However, it is “rather difficult to acquire a ready pool of highly qualified and highly motivated employees” (Sparrow et al., 1994).

Enterprises can gain a competitive advantage by using superior HR practices in numerous ways, including culture management; staffing and organizational structure; performance management, training and development and resourcing (Taamneh et al., 2018).

According to Beer et al. (1985), these issues are related to HR and human capital flow policy, which have an intimate relationship with employee satisfaction, as they tend to be more competent and comfortable with their assigned task and the work atmosphere itself.

The objective of this paper is to provide recommendations that sales force compensation factors i.e. quota or performance targets, territory design and sizing of sales force have to be set within a wider framework of sales people motivational initiatives towards job satisfaction that could yield better results consequently increased organizational performance of the MOHA Soft Drinks Industry in changing market environment in Ethiopia. Moreover rewarding and measuring performance of sales people require to consider that performance measurement system and the incentive system should not only relying on results/outcome based, but also behavior/activity based system is important. The aim is to examine the effect of sales force compensation factors on the level of job satisfaction.

Sales force compensation shall for this research refer to basic salary and a commission based pay on achievement of standard performance targets level pay scheme which serve as motivational tool to enhance sales force job satisfaction. The dimension of measuring performance is both a comparison of performance with quantitative standards and an appraisal against qualitative performance criteria.

The paper thus enhancing our understanding from the human resources management aspect point of view that how the sales force compensation is determined by those factors to influences job satisfaction in the case of MOHA soft drinks industry.

1.2. Problem Statement

The reciprocal nature of rights and responsibilities suggests that each party to an employment relationship should regard the other as having equal rights and should treat the other with respect. As managers, before considering any human resource policy, it is important to pose a number of questions which have to be answered by the managers themselves because developing human resource policy to address specific areas of human resource management is an investment which, in principle should have positive returns in terms of facilitating decision making and creating a motivating environment for the employee.

Basically appropriate an employee has the right to a safe and productive working environment and the employer has an obligation to provide a safe and productive workplace.

A key capability that HR professionals need is to be able to influence others and guide changes in organizations. Given the myriad HR-related changes affecting today's organizations, HR

professionals must be able to influence others through relationship building, leadership, and effective communications are important HR competencies.

Moreover establishing HR policies help managers to ensure that people management is in line with corporate values, ensuring that HRM decisions are made consistently, minimize inequality in the treatment of employees and finally it facilitate decentralization and through which HR managers can intervene towards joint solutions.

The special nature of selling and the type of person they need to attract to their sales force require some form of additional bonus or commission to be paid. The nature of the work of sales representatives means that it is usually easy to specify targets and measure performance against them, and sales incentive schemes are therefore more likely to meet the line-of-sight requirement (i.e. that there should be a clear link between effort

The fundamental elements of the income reward are basic salary, commission, bonus and non money incentives – rewards in kind in the form of gifts, travel vouchers and opposition prizes. Getting the proper aggregate relies upon generally on the major objectives. Zingheim and Schuster (2004) advice putting practical goals, warning that too regularly a company will set selling ambitions primarily based on what it desires or hopes for as a substitute than what is possible.

The company to be researched here exhibits frequent changes in quota setting (annual report variation analysis forecasted data with actual 2008, 2009, and 2010 EFY)

According to E.A. Locke (1976), Job satisfaction is as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. The same standards cannot be applied to all sales personnel and there are differences in individual territories, their sales potentials, and the impact of competition and the personalities of sales people. Therefore only comparing actual performances with standards evaluation is difficult and requires judgment.

Companies usually have many diverse sales goals, and these goals may even conflict with each other. One goal may be to correct an imbalanced inventory and another may be to have the sales force to missionary selling to strengthen long-term customer relations. These two goals conflict

somewhat and require different motivating forces. With diverse goals such as these, developing an effective combination of motivators is difficult.

Interestingly, management's view of performance measures clarity is abstract in the existence of disrupted performance target or quota system, poorly designed territories & sales force size. According to goal-setting theory, do your best goals are too abstract and vague. They do not provide a clear external reference for evaluation and, thus, they allow for a wide range of performance levels that are acceptable to different people (**Latham, 2004**).

Generally, objectives of sales-management have to cover various sales-functions, in an integrated manner. These objectives are to be expressed, as far as possible, in measurable and quantitative terms, and should also be realistic and achievable. Since, there is more than one objective; these should be put, on a hierarchical manner (most important, down to the least important). To ensure their flawless realization, they must be congruent, i.e., they must fit together, and no be in conflict with each other.

Therefore performance target or quota may affect sales force compensation, workload and satisfaction based on territory size and sales potential and size of the sales force. While appropriateness of sales territory designs can also affect income, workload and satisfaction due to quota achievability and optimality of resources allocation. Similarly size of sales force can have an implication on income, workload, being challenged, conflict towards job satisfaction. Identifying their relationships and integrating these factors to a reasonable and an optimal circumstance is crucial.

The center of this discussion is to delve out the study of sales context examining the most critical determinant factors of sales force compensation (limited to this research) are performance target or quota setting, aligning (designing) territory and sizing the sales force towards job satisfaction. The relationships among sales force compensation & its determinant factors and their influence on job satisfaction to be investigated.

Therefore this research tries to identify relationships among sales force compensation determinant factors of salespeople job satisfaction and how they influences the sales force motivational initiatives, income potential and job satisfaction which in turn impact the overall performance of the company in the long run. It is what makes the researcher interested to

conduct this study on the effect of sales force compensation factors on job satisfaction in the case of MOHA Soft Drinks Industry.

1.3. Research Questions

Based on the constructs stated above (sales force compensation factors and job satisfaction) in the problem statement, this research will answer the following research questions

- Does the sales quota assignment affect sales force job satisfaction in MOHA Soft Drinks Industry?
- Does the sales territory assignment affect sales force job satisfaction in MOHA Soft Drinks Industry?
- Does the sales force size have effect on sales force job satisfaction in MOHA Soft Drinks Industry?

1.4. Objectives of the Study

1.4.1. General Objective

The aim of the study is to give recommendations based on the HR practices and the research findings on sales force compensation determinant factors and their effect towards job satisfaction of MOHA Soft Drinks Industry and to fill the gap and overcome problems related to the these issues.

The focus of general research question is: "The Effect of the sales force compensation factors on job satisfaction?"

1.4.2. Specific Objectives

- To assess the effect of quota based compensation structure on job satisfaction
- To examine the extent of imbalanced sales territory design that impacts job satisfaction
- To assess how the sales force size influence job satisfaction

1.5. Scope of the Study

The scope of this research focuses on the sales force compensation system and its determinant factors that have an impact on job satisfaction. In addition, since it is not possible to incorporate

all determinants of compensation in one study, only three specific factors are considered, Performance target/Quota, Territory alignment and Sizing of sales force are included in this study. And also the paper tried to highlight required managerial judgment in decision making on variations which enhance sales force motivations, productivity and perceptions of the job, the company's values to uncertainties and acceptance of performance evaluations positively. And the research area focuses on the performance target setting, (performance target measured in terms of the dimension of measuring performance in both a comparison of performance with quantitative standards and an appraisal against qualitative performance criteria).

The company has 8 - bottling units in different territory like Hawassa, Gondar, Bure, Dessie and Mekelle. But due to difficulty to maintain large number of population area and geographical location remoteness the scope of the research delimited only the plants in Addis Ababa.

For this study the researcher use Explanatory research design together with the quantitative research approaches. Primary and secondary source of data were used and to collect the data probability sample survey with only questionnaire method of data collection were used. The analysis was carried on using descriptive and inferential statistics.

1.6. Significance of the Study

The findings of the research can be used by MOHA gain an insight into sales force compensation strategy in the current market environment of the beverage industry and present compensation system and its effectiveness. The result of the research, recommendations for the sales force compensation strategy, can be used by the company as a well-thought out suggestions of sales organization of the others bottling unit that will lead to strengthening of its market position and company performance. Moreover the study findings are great significance to the other firms that might be faced with decisions relating to managing controlling and motivating the sales force in the sales operations. And I acquire more knowledge and experience on the study research.

There was little study has been carried out on the effects of sales force compensation towards job satisfaction on specific beverage industry in Ethiopia, so the study adds up and provide a rational elaboration and detail understanding of measuring sales force compensation system based on the determinant factors. Moreover, the study highlights potential areas such as leadership and

management's control system for future research and fills the gap that are identified on the literature review.

1.7. Limitations of the Study

The study was conducted and limited on the bottling units of MOHA Soft drinks Industry that sited in Addis and selected company sales managers and representatives in Addis Ababa by taking sample. Even if the sampling techniques have its own limitations the researcher made use of scientific method of sample size determination to become more accurate on the conclusion. The research design that researcher uses explanatory has it is own limitations of inferred casualty and proved with a high level of certainty. Besides to overcome the limited number of studies on the sector of Soft drinks beverage in Ethiopia, I use different research work on previous literature.

1.8. Definitions of Terms

An operational definition defines a concept solely in terms of the operations (or methods) used to produce and measure it. The operational definitions adopted from different references the researcher used under this study.

- **Commission:** a rate specified for performance above a specific target and this rate is multiplied by the number achieved in the performance measures evaluation,
- **Distributive justice:** According to Adams (1965) it is in the fairness related to the distribution of resources and decision outcomes. The resources or outcomes can be tangible (pay) or intangible (praise).
- **Job satisfaction;** is as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience.
- **Motivation:** It is goal directed behaviour of sales force in any organisation. It stimulates the movement and work of an individual.
- **Performance evaluation:** It consists of comparing actual performance with planned performance or standard in a systematic manner.
- **Procedural justice:** is the fairness perceived from the systems such as procedures used for the results and the allocation of resources

- **Qualitative criteria** are used for appraising performance characteristics that affect sales results
- **Quantitative criteria** are used for appraising performance characteristics based on quantifiable results
- **Sales compensation:** It is sum total of financial and non-financial benefits provided to sales force in lieu of their services provided to organisation.
- **Sales force size (sizing);** right number of salespeople in the right roles engaged in the right allocation of sales effort across customers, products, and selling activities
- **Sales Force:** Common nomenclature for sales personnel, sales executive, salesman etc.
- **Sales Quota/ Performance targets:** It is quantitative goal assigned to a sales person.
- **Sales Territory:** It comprises a group of customers or a geographical area assigned to a sales person or teams.
- **Sales Volume:** It is the total number of products sold. It may be expressed in monetary terms as well.

1.9. Organization of the Study

The research paper was organized to include five chapters. The first chapter includes background of the study, statement of the problem, basic research questions, objectives of the study, scope of the study, significance of the study, limitations of the study and operational definitions. The second chapter presented review of related literature, theoretical and conceptual framework which discussed some concepts from literatures as references for this study. The third chapter covered the research design & methodology; which answered the question “how?” the research will be done. Therefore, it contains research approach, research design, data types and sources of data, population, sample size and sampling procedures, method of data collection instrument, data presentation and analysis and ethical considerations.

In the fourth chapter the data analysis and interpretation will be presented, followed by the fifth chapter that comprises summary of the findings the conclusion and recommendation part of the research.

CHAPTER -2

REVIEW OF RELATED LITERATURE

This Chapter presents a review of related literature that has been critically studied and selectively adopted for the purpose of this study. Relatively rich scholarly works including journal articles, book chapters, management reports, and periodicals as well professional complements were considered relevant sources of the reviewed literature. This chapter provides an insight to readers under the theoretical view in line with objective of the study covers topics of understanding of sales force compensation and its determinant factors, different models and management control systems on optimization and application related to sales force management System. Under Empirical review topics the study covers examining the interdependencies of each compensation factors with dimensions of Quota structure, Territory Alignment and Sales Forces' Size and how they considerably complicate the development of models for optimizing sales force decisions with job satisfaction and the conceptual framework drawn from a theoretical and empirical ground taking determinant factors that are believed to affect the sales people's motivations and job satisfaction. At the end the summary of the review included.

2.1. Theoretical Review

This section is to review the theories associated with the research questions in order to provide readers with an understanding of the theoretical domain and relate these theories to the research questions and develop a theoretical framework for analysis. The reason for discussing the theories is not to produce a comprehensive survey rather to provide a framework within which to facilitate the evidence, conduct the analysis and achieve solutions to the research question

2.2 The Concept and Definition of Sales Reward

Reward management deals with the strategies, policies and techniques required to make sure that the contribution of humans to the company is diagnosed by using each monetary and non-financial means. It is about the design, implementation and renovation of reward structures (reward processes, practices and procedures), which aim to meet the wishes of each the corporation and its stakeholders. The standard objective is to reward humans fairly, equitably

and consistently in accordance with their cost to the agency in order to in addition the achievement of the groups' strategic goals

2.2.1 Sales Force Compensation

Sales representatives are more likely to be eligible for commission payments or bonuses than other staff on the grounds that their sales performance will depend on or at least be improved by financial incentives. Many companies believe that the special nature of selling and the type of person they need to attract to their sales force require some form of additional bonus or commission to be paid. The nature of the work of sales representatives means that it is usually easy to specify targets and measure performance against them, and sales incentive schemes are therefore more likely to meet the line-of-sight requirement (i.e. that there should be a clear link between effort and performance) than schemes for other staff such as managers and administrators. Sales staffs, including those in retail establishments, are often paid spot rates with a commission on sales.

The standard objective is to reward humans fairly, equitably and consistently in accordance with their cost to the agency in order to in addition the achievement of the groups' strategic goals

The fundamental elements of the income reward are basic salary, commission, bonus and non-money incentives – rewards in kind in the form of gifts, travel vouchers and opposition prizes. Getting the proper aggregate relies upon generally on the major objectives. Zingheim and Schuster (2004) advice putting practical goals, warning that too regularly a company will set selling ambitions primarily based on what it desires or hopes for as a substitute than what is possible.

As Armstrong (1999) factors out, the nature of sales potential that rewards have historically been greater results-driven than for other employees. As a result, reward packages for sales staff are regularly designed and operated quite one at a time from the rest of the workforce. Variable pay or pay at risk, such as bonuses and incentives, has usually been a function of the compensation bundle for sales staff. Equally, fee paying a proportion of what the contract/sale is worth, is a frequent factor of income force compensation.

A company's sales compensation diagram is designed to attract, retain, and reward gifted salespeople who can win and maintain customers. Under positive circumstances, both quota bonuses and sales bonuses may also be top of the line compensation plans (Bakó & Kálec-Simon, 2017).

Companies make several common mistakes with sales compensation, as key researcher **Zoltners (2015)** notes in the Harvard Business Review: 'Over- or under incentivizing key products, setting quotas too high or too low, and underpaying top performers or overpaying people with good territories. Companies often get the proportion of incentive pay wrong, too, because they fail to account for free sales' residual sales they get nearly automatically!.'

An equitable distribution of rewards affects important job outcomes such as satisfaction, voice (constructive suggestions for improvement of the firm), and exit (quitting the firm) (Arnold, Landry, Scheer, & Stan, 2009).

The above definitions emphasize the tangible extrinsic rewards packages of the sales people although compensation is explicitly defined as all tangible and intangible rewards an employee receives from his/her employer as part of the employment relationship. Moreover it assumes that larger proportion of compensation is consists of variable pay that is output dependent which indicates that management uses indirect control system.

2.3 Sales Compensation Factors

2.3.1. Sales Quota

Sales quotas are recognized to significantly affect salespeople's allocation choices (e.g., Ross 1991). Accordingly, sales quota-bonus plans in conjunction with constant salaries are broadly observed in exercise (Joseph and Kalwani 1995b) and are mainly high-quality when the income pressure is deployed throughout sales territories that are heterogeneous with appreciate to potentials or journey requirements. In such settings, equitable rewards that keep income pressure morale can be ensured by using tying incentive pay to true performance relative to a sales quota as an alternative than to absolute income volume as in a straight commission plan. This of course presumes that character consultant income quotas accurately mirror territorial variations beyond the manipulate of character salespeople (Rao 1990).

Recognizing this differentiated commission rates, Zhang and Mahajan (1995) recommend a model for deriving most beneficial differentiated fee fees for products in a salesperson's portfolio that are complementary or substitutive.

Vroom's (1964) expectancy-value concept suggests that the desirability of a reward and the individual's estimate of how in all likelihood s/he will be to tightly closed the reward constitute equally important motivators of moves (Walker, Churchill and Ford, 1977). According to these suggestions, expectancy theory then predicts that if ambitions are set at a very high degree they will shrink motivation and performance, as people will become aware of a low likelihood of reaching them.

The above records afford how sales methods are now not homogeneous and the dynamic nature of quota setting and distribution has an effect on income human beings earnings potential. This alternate in quota is not only with quota itself but also due to the market response, territory market achievable and the measurement of the income force determines. In order to overcome such a hassle it used to be recommended to paying in a different way due to imbalances in sales responses and potentials. Moreover income quotas are used regularly in conjunction with sales contest. Salespeople not often have equal possibilities in a contest unless administration makes some adjustments to compensate for variant in territorial potentials and workloads. Using the common denominator of a quota, administration can make certain every participate a fairly equal danger of winning, furnished the quota has been set accurately.

According to Dugbe and Ikomin (2004), for a income quota to achieve its objectives, it have to meet the following characteristics:-

Realistically Attainable: If a quota is to spur the sales pressure to maximum effort, the goal has to be realistically attainable. If it is too some distance out of reach, the salespeople will lose their incentive.

Objective: Regardless of what kind of quota management uses, it has to be related to potentials. Executive judgment is also required, however it now not be the sole factor in the decision.

Ease of Understanding and Administration: A quota have to be easy for each administration and the income force to understand. Also, the machine is cost effective to administer.

Flexibility: All quota machines need sufficient flexibility. Particularly if the quota length is as long as a year; administration may additionally have to make adjustments due to the fact of changes in market conditions.

Fairness: A true quota layout is perceived as fair to the humans involved. The workload imposed by quotas be the equal for all salespeople. However, this does not suggest that quotas should be equal. Differences in potential, competition and salespersons competencies do exist.

Establishing most beneficial sales quota is challenging due to the fact of the several variables and trade-off which have an effect on the decision. Stanton and Spiro (1999) opined that sales quotas need to be set high adequate to inspire performance, but not set too high to lose meaning. They similarly highlighted the following bases of organizing income quota: territorial income potentials; historical sales records; jury of govt opinion; compensation plan; sales pressure judgment.

2.3.2. Sales Territory Design

Sales Territory Design offers with the problem of assigning units of clients to salespersons. Being assigned his/her own sales territory makes a salesperson sense extra responsible and may additionally result in higher sales force morale and overall performance as the salesperson is held to blame for income in that territory (Zoltners and Sinha 2005).

Zoltners and Sinha (2005) claim that equal workable will increase the utilization of the salesperson's promoting time. Alignment of best territory form permit to structure superior sales force size and to set practical and potential goal of quota for long time period of sustainability.

2.3.3. Sales Force Size

Joseph and Kalwani (1995) use survey records and find that the dimension of the sales pressure is associated with higher leverage in the pay plan, regular with Misra et al., (2005); Joseph and Kalwani (1995) also show that pay graph leverage is positively associated with the percentage of salesperson time spent on direct promoting activities, constant with the want to supply robust incentives for well-allocated promoting time.

Most commonly, sales pressure sizes are based totally on a top-down breakdown strategy underneath which the whole sales pressure price range (or costs) is set as a cost-of-sales share of a sales forecast. Effectively, therefore, this amounts to a value containment approach. Alternatively, a greater data-intensive method to sales pressure sizing used by using some sales managers is the bottom-up workload build up or activity-based method (Zoltners, Sinha and Lorimer 2004).

The morale of sales pressure can be linked to its size. When there are too many (conflict of activity among sales crew and good sized value to firms) or too few (workload to income humans and loss of income possibility for firm) salespeople, morale suffers. Moreover the long-term have an effect on of modifications in income pressure sizing is clearer when income leaders take into account carryover sales that are attributable to this year's effort and will continue in the future without further sales pressure effort.

2.4. Relationship of the Sales Force Compensation Factors

The mannequin assumes that the firm's market approach is in place and it employs a direct (company-owned) income force.

Figure 2.1 shows the 'complex' of promoting effort allocation choice areas that may be supportive for this research. It suggests the extra strategic direct manipulate choice areas with admire to income pressure dimension and structure or enterprise at the pinnacle and on the upper right-hand side, and the oblique control decision place of income pressure compensation strategy, e.g., the stage and form of the compensation plan, on the upper left-hand side.

These are strategic decisions in that they are generally primarily based on competitive and business boom approach considerations and set through pinnacle management for various years. They guide lower-level, shorter-term, e.g., annual, operational planning by way of senior and middle management with recognize to sales territory design, i.e., the assignment of groups of customers or income coverage units (SCUs) to salespeople, and specification of the selected shape of compensation plan, e.g., sales fee fees and gates (ranges of sales output to which one of a kind commission prices apply). These operational decisions will influence tactical promoting effort allocation plans and selections made by way of center and front-line management (e.g.,

district managers) as nicely as character sales representatives. Consequently, response functions are proven as the root of Figure 1 because forming assessments of these relationships is a prerequisite for optimizing any of the higher-level decisions.

It also suggests that all the selection areas are, in principle, interdependent, thereby forming a selections complex. For example, a fixed income pressure size would prevent how the income pressure is partitioned (structured), restore the quantity of income territories, and determine the complete predicted compensation payout according to some compensation plan. Conversely, making strategically applicable ameliorations in the sales force structure and/or compensation layout will have an impact on salespeople's workloads and allocations of efforts, and in turn force the required average sales force size. Similarly, the chosen income force structure has implications for the ultimate form/s of the compensation plan and income territory plan to be utilized. Further, sales territory design influences momentary sales goal-setting which in turn would have an effect on income call ambitions and the genuine allocation of promoting effort through an character representative. Thus, optimization of decisions at each of these stages relies upon on the assumptions made with respect to lower-level name allocation choice policies and/or call capacity constraints, as well as higher-level coverage constraints, (e.g., with respect to whole sales force measurement and the shape of compensation plan).

These interdependencies substantially complicate the development of fashions for optimizing income pressure decision

Figure 2.1: Selling Effort Decisions Complex

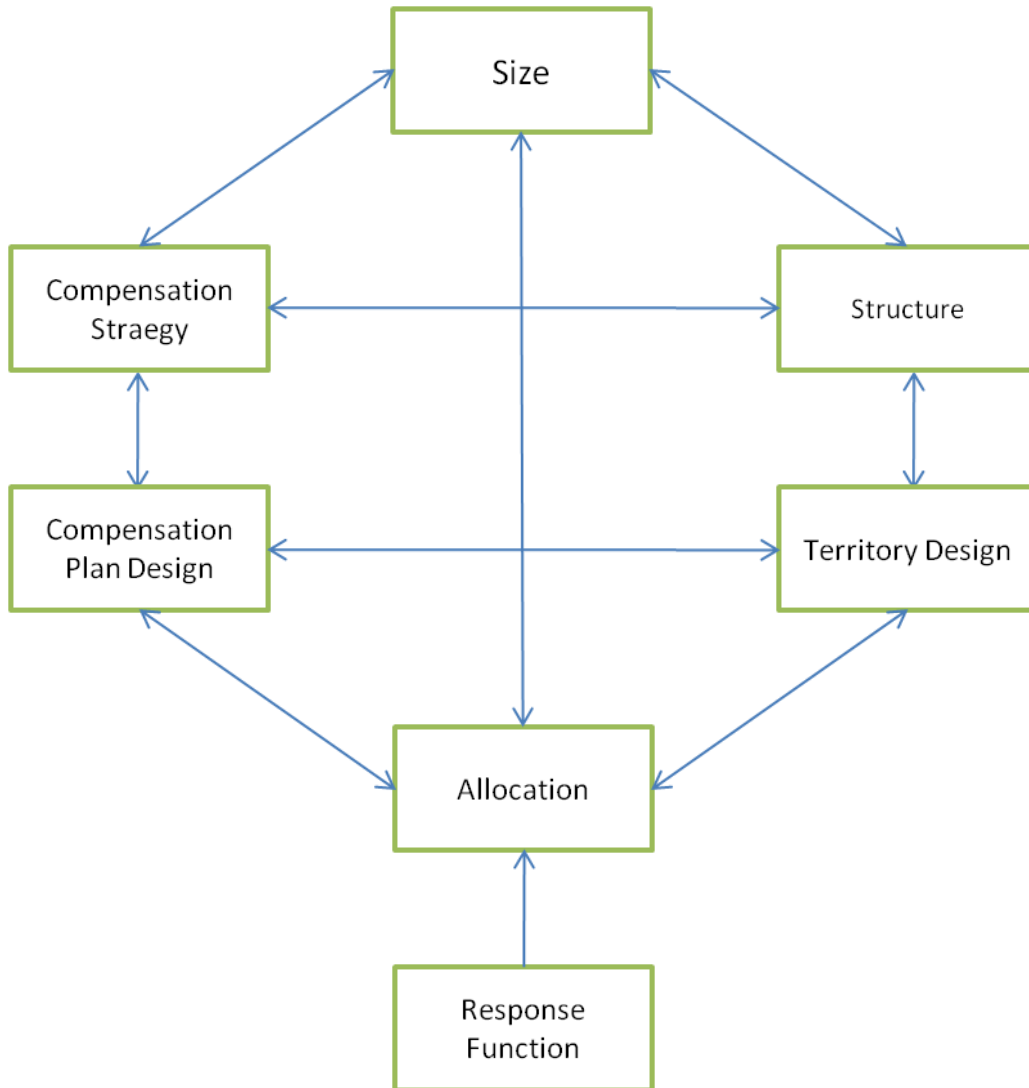


Figure 2.1: Selling Effort Decisions Complex (source Models for Sales Management Decisions Sönke Albers and Murali Mantrala 2008)

2.5. Job Satisfaction

The developing wants of humans with high residing fees pressure employees looking for greater income that can guarantee their future and existence satisfaction. Moreover, if humans trust they are no longer compensated properly therefore a country of emotional dissatisfaction will be developed. These emotional discrepancies will develop and accumulate over time hence make personnel unhappy and unhappy working for the organization. Greenberg and Baron indicated

that a perceived low earnings leads to job dissatisfaction and a foremost contributor to worker turnover.

Sales administration features are necessary to the successful implementation of business strategies (Slater and Olson, 2000). In their meta-analysis, Churchill et al. (1985) found that factors that most have an effect on promoting overall performance are now not personal qualities, but as an alternative those that are under managerial control. Sales management practices have an effect on the salespeople's motivation, delight and performance (Churchill et al., 2000). Effective sales administration includes the motivation equipment such as: fixed earnings degree and income compensation stage and income training. Lower salespersons pleasure and overall performance may also end result from a number of management problems. Role ambiguity and function fighting have shown as addressing the worse salespersons overall performance in theoretical views. Although these two ideas are reasonable, very few empirical research are handy that directly take a look at these necessary troubles (Avlonitis and Panagopoulos, 2007). Hence, in the present day literature, lookup findings regarding the outcomes of effect manipulate that targeted on the fulfillment of quit effects such as sales volume and sale quotas, on job related results have been inconsistent. For example, result manipulate has been discovered to decorate job overall performance (Jaworski et al., 1993), harm job performance (Oliver and Anderson, 1994) and have no direct effect on job performance (Challagalla and Shervani, 1996).

As defined by means of Benson et al(2006): High-involvement work practices are a precise set of human aid practices that center of attention on employee decision making, power, get right of entry to information, education and incentives. The time period high involvement was used with the aid of Lawler (1986) to describe management systems primarily based on dedication and involvement, as adversarial to the historic bureaucratic model based totally on control. The underlying hypothesis is that employees will make bigger their involvement with the enterprise if they are given the probability to manipulate and recognize their work. He claimed that high-involvement practices worked properly due to the fact they acted as a synergy and had a multiplicative effect. This approach includes treating personnel as companions in the business enterprise whose interests are revered and who have a voice on things that issue them. It is worried with communication and involvement. The purpose is to create a local weather in which

a persevering with dialogue between managers and the individuals of their teams takes region in order to define expectations and share records on the agencies mission, values and objectives. This establishes mutual grasp of what is to be accomplished and a framework for managing and developing people to ensure that it will be achieved

Job pleasure is a key to improving both organizational and character performance. Employees with high degrees of job satisfaction are extra inspired to reap the firm's goals (Feinstein and Vondrasek 2000; Ahmed et al. 2010; elik et al. 2011). Job pride refers to employees' mind-set towards their jobs which are the result of their perceptions of the job or undertaking that they do. It is an emotional or evaluative response that can be positive, neutral or terrible (Ivancevich and Matteson 1990; Greenberg and Baron 2000; Aydogdu and Asikgil 2011). Similarly, Eren (1993) and elik et al. (2011) emphasis that job satisfaction is a people mind-set closer to his/her job, based on the one of a kind characteristics of the job in question. The stage of job delight is decided via the social reputation attained thru their job and their ride in the working environment (elik et al. 2011). Rashid et al. (2013) argued that job satisfaction

and motivation are inseparable tangible principles when it comes to the success of any firm and its workers. Thus, if workers are encouraged in their job, they experience higher levels of job satisfaction and are inclined to use their skills to put more effort into their work.

In the early 20th century as well, the sociologist Max Weber defined a leader's "charisma" as his/her devotion, exemplary character and normative patterns or order. Based on this definition, Bass (1985) suggested a distinction between transformational and transactional leadership styles. In particular, transformational leaders motivate their subordinates to perform at a higher level by inspiring their followers, offering intellectual challenges, paying attention to individual developmental needs and therefore leading followers to transcend their own self-interest for a higher collective purpose, mission or vision. Transactional leaders, on the other hand, engage in a process of negotiation, offering subordinates rewards in exchange for the attainment of specific goals and completion of agreed-upon tasks.

Transactional leadership is characterized by focus on specific goals and agreed-upon rewards, which are considered to be quite effective, while transformational leadership aims to promote subordinates' feeling of pride to be working with a specific supervisor, which has been shown to

exert an augmentation effect that is to add to the levels of productivity, satisfaction and effectiveness (Bass, 1985).

In the frame of an organization or institution, the role of leadership is crucial for its proper function and welfare. Leadership is broadly defined as an influence process affecting the actions of employees, the choice of objectives for the group or organization and the dynamic interaction between superiors and employees (Yukl & Van Fleet, 1992). It has also been defined as simply something a leader does (Fleishman, 1973), as a form of influence (Hersey, 1984) and as the ability to guide followers toward shared goals (Bryman, 1992). Leadership is a key construct in the organizational sciences and has triggered a large number of empirical studies over the past decades.

In addition, leadership training ranks among the most frequently conducted types of training in organizations and the development of global leaders is considered to be one of the central tasks of management development programs.

The feelings that a worker has concerning the fairness of compensation are relative not only to a comparison of task input and reward outcomes, but also to a comparison of the outcomes received by either a relevant individual within the organization or workers doing a similar job in a relevant organization. If less is received than a worker believes has been earned when compared to another worker doing similar work, the compensation is viewed as unfair.

Vroom (1982) considered compensation to be an important variable in job satisfaction and included high pay in his description of the key elements of most satisfying work roles. He also stated that the worker's perception of the fairness of compensation is more important than the actual amount received. Vroom contended that individuals are guided by a moral system which has as a basic tenet the fair distribution of rewards. If a worker receives less than is perceived fair, the worker considers that an injustice has been done. If the worker perceives that more is received than has been earned, the worker feels guilt. To Vroom, job satisfaction is a function of the difference between the amount of reward a person believes should be received and the amount the person actually receives.

Bruce and Blackburn (1992) supported the theory that pay equity is more important than the actual dollar amount. They explained that relative pay is a better predictor of job satisfaction than

absolute pay: "People at work have a clear idea of what they ought to be paid in comparison with others and in relation with their skill, experience, and so forth. If workers perceive that they are being paid fairly compared to others they consider similar to themselves, then they are more likely to be satisfied with their jobs than those who perceive that they do not receive fair compensation

2.6 Leadership

Sales managers today face rapidly changing and increasingly complex selling environments and the need for updated conceptual frameworks, models and tools to address their decision problems is pressing. With increasing customer expectations, the personal selling activities and sales cycles in many industries have become more complex, customer relationship-oriented, and team-based, compared to the traditional "lone wolf" model involving single agents engaged in repetitive transactional selling to single buyers

Developing a target-based reward plan is a complex and challenging management task. For instance, Darmon (1997) suggests that in order to set proper quotas and rewards, management needs to secure, collect and process critical information (e.g. sales people's territories sales response functions, sales people's risk-taking preferences) that involves substantial costs (see Table 1). Because of the costs involved, it is important that the benefits obtained from using target-based reward systems exceed the costs of developing them. The development of a target-based reward system comprises three key elements: an incentive plan structure, a set of measures used to assess performance and a set of targets that establish the level of the performance measure that is considered successful.

Ryans and Weinberg (1979) and Albers (1988) As a consequence, it is by no means made clear why territories with equal potential should necessarily yield comparable income opportunities. Placing the focus on equal workload causes similar problems. Companies would first need to be thoroughly familiar with all of their accounts (defined here as current or potential customers) as well as the calling policies to be followed for each. This, however, is not the case in every Company. Second, if calling-time is defined as the time a salesperson is in actual contact with the account, travel time as the time it takes the salesperson to get to the account, and selling time as the sum of both, fair treatment would mean that selling times are made equal among all

salespersons. Due to the differing sizes and traffic infrastructures of the territories, the required travel time for the same amount of calling-time often varies substantially. Therefore, as work-load is commonly measured only by the number of sales calls, i.e. calling-time, it is unrealistic to assume that a measure of this sort for work-load would lead to comparable selling times. Hence, the goal of a fair treatment of all salespersons is not achieved. Third, the specification of a calling policy represents an optimization problem in which the optimal number of calls for each account depends on the profitability of alternative uses of that calling-time, and on the corresponding travel time for other accounts (Lodish 1975). This, however, is dependent upon territory alignment and the required travel times. It is thus impossible to determine the optimal number of sales calls without first having settled the territories' boundaries (Lodish 1975).

The aim of the leader is to motivate the employee to engage in actions that help the firm achieve its objectives since there is a positive link between sales managers, effectiveness and sales performance.

One of the duties of managers is to coach their employees. Professional sales coaching is considered an important sales force developmental program by both sales practitioners and researchers (Badrinarayanan, Dixon, West, & Zank, 2015). Increasing the amount of coaching can engender positive attitudes and behaviors in salespeople. More coaching time should be devoted to younger salespeople, salespeople with lower confidence in the superiority of the company's products over competitor brands, salespeople with fewer years of formal education, and salespeople whose values fit the least with that of the organization (Onyemah, 2009). The amount of coaching that an employee receives each month predicts objective performance improvements over time (Liu & Batt, 2010).

2.6.1. Management Control Systems

Rousseau (1989) says TCA (Transactional Cost Analysis) gives rise to two types of contracts in the workplace: transactional contracts and relational contracts. The former tend to be short-term and focus on monetary exchanges, while the latter is long-term and involve investment in Human Resource activities, such as career development. In terms of reward strategies, transactional contracts focus on short-term results, so commission is the commonest method of payment. By contrast, relational contracts are related to a larger salary component. Tremblay et al. (2003)

found that rather than the presence of a formal career path, compensation for sales staff was most strongly influenced by actual prospects for promotion. So, where there are several reporting levels in the sales function, there are more opportunities for promotion and better future salary

Organizations have essentially two ways of ensuring sales staff perform adequately. They can opt for an outcome control system, which means sales personnel are held accountable for their results but not behavior (Eisenhardt, 1985). Alternatively, an organization can use a behavioral control system that makes sales staff accountable for their behavior with results eventually expected to follow.

So, outcome systems monitor the final results of the selling process, while behavior systems monitor the individual stages of the process (Anderson and Oliver, 1987). In the former, there is very little monitoring of the salespeople by managers and very little direction of their activities or effort. Sales staffs are simply covered by straightforward objective measures, which are used to evaluate and compensate, rather than measures of how they achieve results.

2.6.2. Climate and Morale

An ethical work climate can directly affect salespersons' job attitudes and outcomes (DeConinck, 2011). Despite the extensive literature on organizational climate and culture and their impact on an organization's sales activities, the diversity of theoretical perspectives makes it difficult for sales professionals and scholars to understand the effect of specific climate- and culture-related factors on the performance of salespeople and sales units in an organization (Gustafson et al., 2018). Top-performing salespeople are attracted to organizations that provide opportunities to make full use of their abilities. Meaningfulness is critical to sales because it impacts salespersons' performance, turnover intentions and felt stress. Further, an ethical climate and customer demandingness influence experienced meaningfulness perceptions (Jaramillo et al., 2013). In today's competitive environment, salespeople are challenged to create customer value in an ethical manner while meeting performance goals. Sales supervisors play a critical role in ensuring that this challenge is met (Schwepker, 2017).

2.6.3. Sales Managers and Fairness

Perhaps in no other field is the employee manager relationship as important as it is in sales. Ethical leadership directly influences salespersons' perception of the degree to which their values fit with the organization's values, their willingness to engage in extra-role behavior, organizational identification, and turnover intentions. Ethical leaders positively influence employees' job attitudes and behaviors (DeConinck, 2015). Perceptions of management fairness are key to salespeople's proportion of total pay generated by pay-for-performance formulas (Rouziès et al., 2017). Abusive supervision is one factor that negatively impacts salesperson outcomes. Perceived justice negatively impacts the life satisfaction of not only the salespeople experiencing the abuse but also the managers administering it. Furthermore, an unjust workplace established by an abusive manager can actually have detrimental effects on selling performance. If salespeople believe that the job is a necessity or either party feels some sense of moral or ethical obligation to their firm, then they are able to overlook the abuse and possibly avoid the 'double whammy' of negative outcomes associated with it (Gabler & Hill, 2015).

Sales performance is highest when salespeople are highly coachable, highly competitive, and under transformational leadership. Salesperson coachability fully mediates the relationship between transformational leadership and sales performance and partially mediates the relationship between salesperson trait competitiveness and sales performance (Shannahan et al., 2013).

The importance of fairness cannot be underestimated for salespeople. In practical terms, designing for fairness boils down to addressing two challenges: knowing which territory characteristics to test for bias; and then, if bias is observed, understanding how to adjust the plan to eliminate or reduce it. Several standard characteristics are used to test for bias, including territory size, territory sales growth, territory potential, and size of goal. Field sales managers can provide input about what fairness tests to run, increasing the odds of diagnosing fairness issues before faith in the plan is diminished.

A fairness test that looks at the relationship between territory market potential (something that salespeople have no control over) and quota attainment. The analysis suggests that salespeople in territories with larger market potential have a moderate advantage over those in territories with

less potential. Consequently, salespeople in high potential territories are likely to have better quota performance regardless of their abilities and activities. Quotas would be fairer if market potential were incorporated into the quota-setting process, thus eliminating the bias and giving all salespeople a more equal chance of achieving quota (sales analytics ch#7 p133).

2.7 Conceptual Framework

The conceptual framework developed following review of related literature on the study variables and summarized as research proposition. Setting sales quota too low does not motivate the salesperson to put in as much effort as possible while setting it too high discourages the salesperson from devoting sufficient effort to selling (Chowdhury 1993). Sales managers frequently do not place enough emphasis on differences in territory potential when they evaluate, compensate, and reward salespeople (Zoltners, Sinha and Lorimer 2004). The best territory optimizers take into account a number of important factors including territory workload and potential balance, minimal disruption, minimal drive time, and trade area integrity (Zoltners and Lorimer 2000). Company profitability can be flat for a wide range of sales-force sizes around the optimal size. Other authors have observed this result as well [Chintagunta 1993; Mantrala, Sinha, and Zoltners 1992; Tull et al. 1986]. It support that the more profitable the company from sales, the more income generated by the sales person.

The researcher chose these variables to show their relationships and how these variables are affecting company's sales force compensation which in turn influence more their job satisfaction. Because of this the researcher believes that these variables are the ones that suit the study. The researcher also proposes hypotheses about how these factors affect the sales forces' job satisfaction summarized as follows and represented as a model in Fig. 2.2

2.7.1 Research Hypotheses

Based on the literature review and the hypothesized connections presented in the conceptual framework the following three hypotheses have been tested:

H1: There is a significant and direct relationship between quota and financial incentives in terms of salary, commission, bonus and higher sales (sales growth) towards job satisfaction.

H2: The greater the extent of behavior-based sales management control system, the higher the level of satisfaction with the sales territory alignment (design).

H3: Optimization of sales force size is positively associated with job satisfaction on the basis of equivalence in workload and income while minimizing conflict in customers coverage.

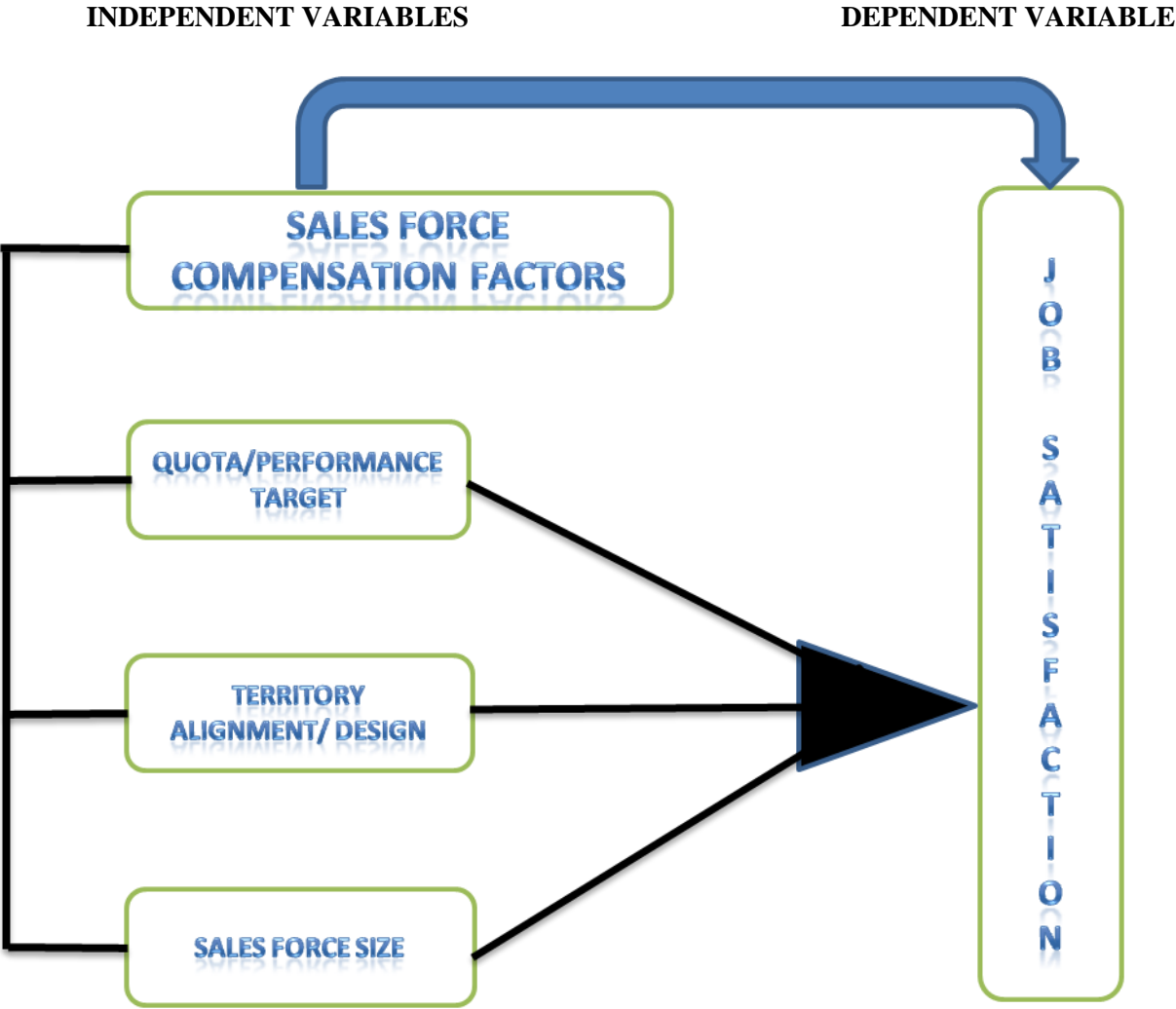


Figure 2.2: Proposed conceptual framework (Source: Developed by the researcher)

2.8 Summary

The role of the HR function is to take initiatives and provide guidance, support and services on all matters relating to the organization's employees. Essentially, the HR function is in the delivery business – providing the advice and services that enable organizations to get things done through people.

The function ensures that HR strategies, policies and practices are introduced and maintained that cater for everything concerning the employment, development and well-being of people and the relationships that exist between management and the workforce. It plays a major part in the creation of an environment that enables people to make the best use of their capacities, to realize their potential to the benefit of both the organization and themselves and, by improving the quality of working life, to achieve satisfaction through their work

Increasingly the role of the HR function is seen to be business-oriented – contributing to the achievement of sustained competitive advantage. But one of the issues explored by Francis and Keegan (2006) is the tendency for a focus on business performance outcomes to obscure the importance of employee well-being in its own right. They quote the view of Ulrich and Brockbank (2005b) that 'caring, listening to, and responding to employees' remains a centerpiece of HR work'

It is likely that sales managers employing behavior-based control of sales people will pay closer attention to sales territory design, because the territory determines the scope and potential for the sales person to undertake the behaviors desired. Also, sales people paid mainly by fixed salary represent substantial investments, and their productivity is directly affected by the appropriateness and efficiency of sales territory design.

On the other hand, the use of outcome-based control means that a high proportion of total sales person payment is variable commission/ bonus, so fixed costs are relatively low. In this situation, it is suggested that managers are less likely to emphasize territory design issues like territory boundaries and sales force size/allocation. This is because the primary focus is on generating sales volume (or an equivalent commission earning outcome measure). For example, in a commission-based sales organization, there may be barriers to modifying sales force size or

territory allocations in ways attractive to overall company sales and profitability, because these factors impact on the individual's commission potential. This is a consequence of using the reward system as the primary management tool for sales force control. This is not to suggest that territory design issues will ever be unimportant to a sales manager. As long as there are not large design imbalances (e.g.in sales potentials), sales managers in outcome-based control approaches will be primarily interested in maximizing sales.

Operating with a behavior - based control system, the sales manager is likely to be more concerned with having the right structure, the optimal number of sales people, effective territory designs, and the productive allocation of sales effort, because these factors affect the performance of sales people and the effectiveness of the sales organization (Babakusetal,1996). The construct in this study-satisfaction with sales territory design-indicates sales managers' assessment of the appropriateness of the structure. This is an important measurement because managers' assessment of sales territory designs helps to guide them in improving designs and results in greater satisfaction with designs. The more behavior-based the control system, the more emphasis there will be on improving all aspects of sales territory design.

Having HR strategies and policies, the HR manager should influence the sales manager to design and offer a productive and optimal workplace to the people. It should also intervene to jointly review outdated, over/under estimated structures of the selling practices.

HRM as a strategic business partner, it should actively participate in supporting and providing guidance for long term perspective to all employee matters such as adjustment of rewards, designing and redesigning of jobs and resources allocations where needed. While the choice of management control system, whether output based or behavioral based can be determined by the primary strategic objectives of the organization not on wish of managers.

In this case the HR function should focus largely on transformational or strategic issues with alignment and implementation of HR and business strategies rather than only on transactional one as service delivery activities.

2.9 Empirical Review

Personal selling is the most effective way of marketing instrument as it involve in two way of communication and social interaction and the actors are the sales people. Effective management of sales force is important as it can affect organizational performance. Due to the unique nature of the selling activities, sales representatives are eligible for fixed salary plus commission on the achievements of certain levels of standard target different from other group of workers.

Companies set targets for sales people in the selling operation for planning, communication, coordination and controlling purposes however the diverse nature of sales makes quota setting complicated. Different scholars empirically conduct research on optimization based on good compensation plan. In most cases managers set sales target based on past performance disregarding heterogeneity in the market characteristics Weitzman (1980), Good and Stone (1991), Leone and Rock.

Although companies have good compensation plans, some territories are large in size having disproportionately low sales potential, target quota in that territory will be difficult to attain. Due to the territory size management assign more people for the purpose of sales coverage. Since the largest proportion of the salespeople's reward structure is linked to sales volume, they can't make good money and may not be challenged. Moreover the commission rates for these heterogeneous territories are similar which creates imbalance on individual income distribution and performance evaluation outcome.

The hypothesis proposed in this research is then supported by Weitzman (1980) that the relative assignment of sales target is having direct relationships to influence salespersons' income, performance evaluation and morale as market characteristics reflect in the management of quota.

Good sales territory design can ensure to provide equal opportunity to sales people in terms of sales potential, equitable workload and income across all sales territories.

The territory alignment and salespeople's' morale have strong relationships especially when a large proportion of salespeople's salary and rewards is tied to their volume of sales.

Empirical evidences (Andris A. Zoltners, Prabhakant Sinha, Sally E. Lorimer, 2009) revealed that the major cause of variation in peers' income was poor territory design. The sales force incentive plan could be effective only if territories are redesigned so that sales potential are distributed more equitably across the sales force. Territories with high market potential have high

sales regardless of sales force effort and they are making more money and getting more recognition with less effort because they have superior territories while their colleagues are not.

According to ZS Associates (2009) data show from sample of 18 sales territories, most of the territories were having either workload accounted for 25 % or too little work to be challenged accounted for 31% of territories from misalignment. Because of these mismatches it was confirmed that companies loses 2% 7% of revenues every year.

Frequently, sales leaders do not place enough emphasis on differences in territory potential when they evaluate, compensate, reward, and acknowledge salespeople. When leaders underestimate the importance of these differences and treat salespeople as if their territories were identical, sales force morale suffers.

The size of the sales force affects customers, salespeople, and the overall company. If the sales force is too small, it cannot serve the needs of customers effectively; salespeople are likely to be overworked, and the company will miss key sales opportunities. If the sales force is too large, salespeople can become an annoyance to customers; salespeople probably are not challenged, the costs of maintaining the sales force will be too high, and productivity will be low.

A sample of data-driven, analytical sales force sizing studies that ZS Associates conducted for 50 companies, discovered that, smarter allocation of sales time across customers, products, and selling activities has an almost 2.5 times greater profit impact than an increase in the size of the sales force.

Therefore the driver in this case is found to a focus of the salespeople and the focus should be enhanced through HRM practices such as training and development, welfare and equity for maximum results to the company and job satisfaction to the employees.

The proposed hypotheses were supported by practical evidences mentioning sales force compensation factors and all of which have closely linked with leadership. since salespeople are human resources although they serve as marketing instruments, the HR department should intervene to work together closely with sales manager so as to design or redesign the job as a strategic business partner and a concerned body for every aspect of human activities in the organization.

CHAPTER-3

RESEARCH METHODOLOGY

This chapter briefly discusses the methodology used in this research. It cover explanations of the research approach and design, Data Sources and types, Population and sampling techniques, Data collection instruments Method, procedures of data collection and Data presentation and analysis. At the end an ethical consideration will be covered.

3.1. Research Design

A research design is a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information (**Burns & Bush, 2003**). **Saunders, Lewis and Thornhill (2007)** indicate that research design is the general planning about how the researcher will go about answering his or her research questions.

According to Burns & Bush (2003) research designs are classified into three categories: exploratory, descriptive, and causal. The choice of the most appropriate design depends largely on the objectives of the research. Exploratory research is most commonly unstructured, informal research that is undertaken to gain background information about the general nature of the research problem. Accordingly, exploratory research does not have a formalized set of objectives, sample plan, or questionnaire. In contrast to exploratory designs, descriptive research is undertaken to describe answers to questions of who, what, where, when, and how. The third one is explanatory, studying a problem with the purpose to explain the relationships or dependencies between variables. However, sometimes a research can be both descriptive and explanatory (Saunders et al., 2009).

A sales compensation is a motivational tool that management uses to improve the level of job satisfaction of the sales team with different pay structure from other employees to reach existing and prospective customers in the market segments. The researcher used explanatory research design in order to determine the relationship between the dependent and the independent variables and to establish any association among these variables. Case study and cross sectional approach was also used to support the study.

3.2 Research Approach

Research approach was selected based on the research purpose, the nature of the research, the problem area, and research questions (Alhamadni et al., 2006). According to Creswell (2003), there are three basic types of research approaches including quantitative, qualitative, and mixed approach.

Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data (Creswell, 2003).

Quantitative research is an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures (Creswell, 2003).

Mixed methods research is an approach to inquiry involving collecting both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical frameworks. The core assumption of this form of inquiry is that the combination of qualitative and quantitative provides a more complete understanding of a research problem than either approach alone (Creswell, 2003).

Thus, in order to achieve the objective of this study and answer the research questions mixed research approach is used.

3.3 Data Source and Types

Both primary and secondary data types are used in the study. Primary data are information that has not been published. In other words, it is the first-hand-data this data were obtained from Company Sales and Marketing staff. Secondary data is information that has been collected earlier by somebody else and for some other purposes. This type of data includes both raw data (with a little or no processing) and compiled data (processed and/or summarized information). Secondary data can be gathered in magazine articles and newspapers, management reports, and

on websites with statistical information, etc., then this data can be described and interpreted from the researcher's own perspective and of his/her own research interest. Though the researcher used secondary data by manipulating from Company internal Sources and previous research works.

3.4 Population and Sampling Technique

The researcher used only one universes of population for the study, Employee of MoHA in Addis Ababa plants and Intermediaries are left as they are not on company's payroll. Sales and Marketing employees of the three plants will be the target population respondents. These respondents were chosen because they are well positioned to provide the needed data for the research. They are selected by virtue of their qualification, experience and their expertise in the area of distribution.

The population of the study was 122 respondents, consisting of sales employees of the three plants in Addis Ababa.

The sample size were 93 respondents to be selected based on a table for determining sample size by Krejcie & Morgan, (1970) which states that for a population of 120 employee respondents a sample of 92 respondents and for a population of 122 respondents would be 93 to get proportional distribution of the parameters for its appropriateness (see table on annex -1)

Sampling techniques can be divided into two types, probability or representative sampling and non-probability or judgmental sampling (Saunders, Lewis & Thornhill, 2007). Probability Sampling is a selection of sampling techniques in which the chance or probability of each case being selected from the population is known. While, non-probability sampling is a selection of sampling techniques in which the chance or probability of each case being selected is not known.

The researcher used simple random Probability sampling methods due to the exact size of the population are known for the moment in time that sampling take place. The researcher assures by the sample method that the chances of any one population member being selected into the sample can be computed. This is an important theoretical notion underlying probability sampling (**Burns & Bush, 2003**). The researcher had seen some relatively similar researches conducted in the area of sales compensation decision arena and much of the studies used similar sampling techniques that the researcher used.

3.5. Data Collection Instrument

Data collection plays an important role in research as it is the most essential information for a study. Besides, the accuracy of a result is based on the precision of the data and this study used the data to be collected for analyzing purpose. Similar to other researchers (Rosli et al., 2012; Mukhamad & Kiminami, 2011; Eitan *et al.*, 2006; Roper & Love, 2001), in order to collect data from the primary sources, this research adopting structured questionnaire as data collection instrument, which may help to draw the appropriate information.

Questionnaires are particularly suitable tool for gaining quantitative data but can also be used for qualitative data (Walliman, 2011). The developments of the questionnaires are done through these stages: a review of literature where various statements pertaining to tasks and criteria for sales compensation determinants and constructs are identified. All the constructs to be used in the study has received psychometric attention in the domain of sales compensation factors research.

The measurement scales came from existing scales used by Pieteron (2009), to measure the three factors (Quota, Territory alignment and Size of sales force) on a five-point Likert rating scale anchored between strongly disagree and strongly agree that were administrated by selected respondents staff.

3.6. Procedures of Data Collection

The research data collection procedure followed the subsequent patterns: respondents were communicated and asked for their consent to participate in the research; having obtained their consent, respondents were then notified how anonymity, confidentiality and ethical principles would be preserved during the research process; next, questionnaires were distributed to all selected respondents, finally, questionnaires were collected by checking the completeness of the data and put in to for analysis.

3.7. Data Presentation and Analysis

If a study has been conducted in a scientifically rigorous manner, the data will hold the clues necessary to answer the researchers' questions. To unlock these clues, researchers typically rely on a variety of statistical procedures (Geoffrey et al, 2003).

Numeric data collected in a research project can be analyzed quantitatively using statistical tools in two different ways

Descriptive analysis refers to statistically describing, aggregating, and presenting the constructs of interest or associations between these constructs. Descriptive statistics such as frequencies, means and standard deviations were used to summarize and present the data. The study also employed correlation analysis to investigate the strength of relationships between the study variables. Pearson correlation analysis was used to provide evidence of convergent validity.

Inferential analysis refers to the statistical testing of hypotheses (theory testing). Regression analysis was used to test the significance contribution of each independent variable to the dependent variable.

Proposed Research Model

The aim of this research is to investigate the relationship among quota structure (QS), territory alignment (TA), and sales force size (SFS) with job satisfaction (JS). The variables are taken from different papers discussed in the literatures taking into consideration the availability of data. The regression model of this study is estimated in the following form:

$$JS = \beta_0 + \beta_1 QS + \beta_2 TA + \beta_3 SS + \varepsilon$$

Source: Developed for the research

3.8 Reliability and Validity

A reliability test is used to assess consistency in measurement items (Cerri, 2012). Cronbach's alpha is used to measure the internal consistency of the measurement items. Higher Alpha coefficients indicate higher scale reliability. Specifically, Nunnally as cited in Eze et al., (2008) suggests that scales with 0.60 Alpha coefficients and above are considered acceptable

As shown in the table below, Scale Reliability Cronbach Alphas coefficients for determinants of sales compensation items range from 0.765 to 0.849. The scale of all variables developed in this study demonstrates high internal consistency, with a Cronbach coefficient of quota 0.849, sales force size 0.811 job satisfaction 0.808, territory 0.765 and respectively. And the overall standardized item of Cronbach alpha coefficient for expected-scale items is 0.856. Therefore, the expected scales used in this study demonstrate high reliability.

Table 3.1: Reliability analysis of Variables

Variables	Cronbach's alpha coefficient	Number of Items
Quota Setting	0.849	4
Territory Alignment	0.765	5
Sales force Size	0.811	5
Job Satisfaction	0.808	6
Reliability of Total Scale	0.856	20

Source: SPSS Statistical Data Analysis Result (2020)

Validity refers to the extent of which a test measures what we actually wish to measure (Blumberg et al., 2005).

3.9. Ethical Considerations

In this research study, issues relating to the ethical conduct of research such as informed consent, confidentiality and privacy will be upheld. According Blumberg, et al, (2005) ethics is the norms or standards of behavior that guide moral choices about our behavior and our relationships with others. In addition, the goal of ethics in research is to insure that no one is harmed or suffers adverse consequence from research activity. Participants and respondents will be given full

information on the purpose and objectives of the study in order for them to make informed decisions. They will be promised that all data to be collected will be used solely for the academic study purpose and will be kept confidential. Finding and results obtained from the study will be presented without any biases. The works of scholar cited in the study are also properly acknowledged.

CHAPTER-4

DATA PRESENTATION, ANALYSIS AND FINDINGS

4.1 Introduction

The previous chapter presented the methodology adopted for the present investigation, while this chapter presents the statistical analysis of the data and the interpretation of the results. After the data has been collected, it is processed using SPSS. The statistical techniques adopted are means and standard deviation, analysis of variation, Pearson's Correlation, and Regression. SPSS 20.0, statistical software, has been used to conduct various statistical analyses. The reliability and validity test, descriptive statistics of all the variables used in this study and the results of hypothesis testing i.e. the estimated parameters of the regression equation, their significance, the connection between the independent variables and dependent variable according to the sign and the value of the parameters for the regression model are presented and discussed in detail. The results obtained thereby have been presented and interpreted with the aim of investigation to inquire into influence of the sales compensation factors on the sales employee's job satisfaction towards their organization's success with the contribution they made. The collected data has been subjected to statistical treatments to arrive at the relevant conclusions. It begins with the, descriptive statistics of the variables.

An aggregate of 93 questionnaires were distributed personally by hand by the researcher, out of which 85 completed questionnaires were returned, comprising a response rate of 91.40%. Four responses were eliminated due to excessive missing data. Valid sample size for testing the hypotheses was 81 (87.10%).

All the respondents were full-time employees who had completed at least two years in service with their present organization.

4.2 Assessment of Compensation Systems Practices in Moha Soft Drinks

Industry

4.2.1. Company Compensation Policy

The company has a compensation policy called Remuneration Policy by which it administers all its compensation.

I. The Five Pillars of Remuneration Policy

Internal Equity – ensuring that jobs are fairly remunerated relative to one another within the organization - comparable remuneration for comparable worth. The company uses an approved Job grade and salary structure studied by reputable companies that bases up-to-dated labor market scale.

External Equity – ensuring that remuneration levels and practices are competitive with the external job market.

In order to achieve external equity, market surveys are to be conducted. The following principles must be applied regarding market surveys:

Where possible, at least one survey (preferably two surveys) must be conducted annually by reputable companies who should collect data from organizations considered to be competitors in Ethiopia. Where there is no survey available, the local HR department is to conduct a survey in collaboration with local companies.

Survey data must be used to determine current pay practices relative to market levels that will inform business decisions regarding pay positioning in the market.

Performance based – performance aligned to business objectives is recognized and rewarded through variable pay schemes and performance-based increases.

Administration - uniform and consistent standards for remuneration administration are applied

Retention - within the above principles, acknowledge that certain jobs are more critical to the business and are more difficult to replace. This will necessitate the adoption of a differential pay policy for different skills in certain operations using critical workforce segmentation and manager's recommendation.

II. Benefits Policy

Cash and non-cash benefit entitlements must be stipulated for each grade. These benefit entitlements must apply to every permanent employee that falls into that specific grade.

The exception to this would be benefits that are considered ‘tool of trade’ benefits e.g. cell phones, company cars etc. The positions that qualify for these benefits must be specified and authorized by the Country Manager.

a. Insurance

Every permanent employee of the company has been entitled to Group Personal Accident and Life Insurance packages.

The Group Personal Accident Insurance is for compensation of any partial or permanent disability sustained by the employee as a result of an accident faced anywhere and the compensation amount is based on percentage of the disability multiplied by five years’ salary.

There is twenty four hours coverage for Life Insurance. The package benefits the legally defined heirs of an employee upon his/her death for any reason other than self-committed suicide and this compensation is five years’ salary of the employee.

4.2.2. Compensation in practice

4.2.2.1. Financial rewards

a. Basic Pay and annual bonus

The company determines the basic pay of the employee based on the market and the remuneration policy. The basic pay ranges within 20% of the market labor price.

Based on the annual salary survey result, the company narrows its gap on basic salary by making salary adjustment and annual salary increase so as to remain competitive and retain its workforce. The practice for salary increase is every year for both management and non-management employees respectively.

b. Commission

Sales employees are eligible for basic salary and a commission on the achievement of 80% of the quota assignment at a rate of birr 0.20 per case

4.3 Data Presentation, Analysis and Interpretation

This section outlines the results of data analysis obtained from data collected from respondents. It is divided into two parts which includes demographic characteristics of sample population and analysis of data.

Descriptive analysis was conducted to describe the profile of respondents which includes gender, age group, educational qualification, work experience and position.

4.3.1. Demographic Characteristics of Sample Population

This section discusses the profile of 93 respondents as follows.

4.3.1.1 Sample Population by Gender

The visible gender representation was not due to sampling and or non-sampling errors; rather, unfortunately all the sales taskforces are consisting of males.

4.3.1.2 Sample Population by Age structure

To maintain representativeness of the study's sample population, sample elements were taken from diverse age structures of the company's sales employees. The respondents represent the age group of 29-49 and consist mainly of matured age class. Demographically, 49 years of age is considered to be the upper bound that is the adult and the lower bound of age 29 which is considered to be for the youth age group. This implies that the company has responsible population structure. This is again a reflection of the total population.

4.3.1.3 Sample Population by Educational Qualification

In terms of educational qualification, the sample population was classified into three categories, ranging from Diploma to higher academic qualification. As per the levels of educational qualification for the sample population along with their corresponding percentage are with the highest share of the sample was taken by those holding first degree (70%) followed by diploma holders (30%). This implies that the majority of the sample respondents are having minimum of diploma holders.

4.3.1.4 Sample Population by Work Experience

The work experiences of staff which was taken from the distributing sample population is minimum of two years of experience have been observed. However 32% of the sample population has worked for 2-5 years. This implies that the majority (68%) of the respondents has short tenure i.e. 2-5 years. Such unbalanced distribution of the sample population in terms of work experience has happened due to the rapidly growing of manufacturing sector in our country and talent scarcity in the labor market. Besides, as the organization is youth dominated, the experience of most of the respondents is between 2 and 5.

4.3.1.5 Sample Population by Position Status

This classification was made to draw a representative sample population are all non-managerial positions so that composition of the sample would practically stand for homogeneous group.

4.4 Descriptive Analysis

The summary of descriptive statistics that was intended to give general descriptions about the data (both dependent and independent variables) is presented below. The total number of observation for each variable was 81. Accordingly, frequency, mean and standard deviation values of each variable were used so as to show the overall trend of the data.

Table 4.1 shows the opinion of respondents from three plants on the effect of determinant factors on sales peoples' job satisfaction. The data of quota setting, territory alignment and sizing of sales force shows that majority of the respondents have "agreed" and "strongly agreed" with 66% on quota setting, 68% on territory alignment, and 58% on sales force size respectively as also summarized on table 4.2. These imply that most of the respondents have an opinion to agree these compensation factors that have an influence on sales force job satisfaction. There is also unfavorable response of "disagreed" and "strongly disagreed" with 18% on quota setting, 15% on territory alignment and 23% on sales force size. There is also an indifferent or 'Neutral' response and we will see it later. Here sales force size shows a high opinion with an average of 23 % from the three plants which reflects an unfavorable response and the problem seems to be sales potential in the territory or sizing or both. Moreover an average of 16% on quota, 17% on territory and 18% on sales force size response were received from the three plants on these

variables respectively. This trend may indicate that poorly designed territories or unreasonable and disproportionate allocation of resources may favor some individuals and due to this, they may not be willing to support a change.

One statistical approach for determining equivalence between groups is to use simple analyses of means and standard deviations for the variables of interest for each group in the study (Marczyk, Dematteo & Festinger, 2005). The mean indicates to what extent the sample group on average agrees or does not agree with the different statement. The lower the mean, the more the respondents disagree with the statement. The higher the mean, the more the respondents agree with the statement. Regarding this aspect of the study respondents were required to rate the items in the instrument on the basis of a five point scale and for the purposes of interpreting the findings. Means that are close to 1 or 2 reflect disagreement, while Means close 4 or 5 reflect agreement. Means close to 3 reflect uncertainty with the statement and therefore a need to address the issue represented. For a negative statement an agreement reflects an unfavorable response. Accordingly a “strongly agree” response to a favorable statement and a “strongly disagree” response to unfavorable statement would both receive score of five.

Based on the descriptive analysis in Table 2, the mean score of both dependent and independent variables are close to each other and the mean score for territory alignment is relatively high (3.68) this describe that most of the respondents agree that territory alignment has an effect on job satisfaction on the basis of the extent to which behavior-based sales management control system i.e. a relative close attention and direct involvement of managers in sales operation to solve problems related to optimizing target setting, designing territory, sizing and resource allocation towards increasing market coverage and sales improvement than rely only on an output based control. The same is relatively true for quota structure and sales force size that has a mean score of 3.56 and 3.31 respectively. This indicates that these variables need to be integrated in support of behavior-based sales management control system.

The results indicate in general that, effort to optimize sales force compensation factors promotes the sales peoples’ job satisfaction (Mean=3.65) and that there will be better market coverage, sales growth and profitability. The results also indicate that the more management involvement in directing, coaching evaluating and rewarding their sales crew closely, the company can

achieve better results consistently in the long run derived from both behavioral based and output based control system rather than only on performance target/output while retaining good salespeople who are important to overcome these intense sales environment. The standard deviation on the table shows all the independent variables are moderately close to its mean.

Table 4.1: Descriptive Analysis Summary

Variab les	Respo ndent	Strongl y Disagre e	Disagree	Neutral	Agree	Strongl y Agree	Total %	Plant's Mean	Varia ble Mean	Standar d Deviati on
Quota Struct ure	Plant 1	0%	7%	16%	53%	24%	100%	3.67	3.55	0.887
	Plant 2	1%	12%	19%	43%	26%	100%	3.44		
	Plant 3	1%	8%	9%	49%	44%	100%	4.00		
Territo ry Align ment	Plant 1	0%	3%	14%	44%	36%	100%	3.91	3.68	0.711
	Plant 2	4%	13%	21%	39%	22%	99%	3.55		
	Plant 3	0%	9%	12%	43%	47%	101%	4.13		
Sales Force Size	Plant 1	0%	7%	21%	38%	35%	100%	3.70	3.31	0.805
	Plant 2	0%	9%	19%	44%	13%	100%	3.17		
	Plant 3	0%	7%	10%	33%	47%	99%	3.93		
Job Satisfa ction	Plant 1	0%	10%	13%	38%	43%	100%	3.95	3.65	0.785
	Plant 2	2%	12%	13%	43%	15%	100%	3.38		
	Plant 3	0%	8%	8%	38%	52%	100%	4.14		

Table 4.1: Descriptive Analysis Summary

Source: SPSS Statistical Data Analysis Result (2020)

Although majority the agreements of respondents were explained on aggregate based on summary of table 2, below we will see the proportion of responses on favorable, unfavorable and neutral response based on plants which may help to determine if there is favored people from differences in territory sales potentials.

Note

Plant 1- NIFAS SILK PLANT

Plant 2- TEKLEHAIMANOT PLANT

Plant 3- SUMMIT PLANT

Based on the Appendix III, IV and V favorable response were obtained for the quota variable based on plants were high to low as plant III, plant I and plant II respectively. On the other hand unfavorable response were high in plant I, II and III respectively while neutral response were very high in plant 2.

From the Appendix III, IV and V result there are some salespeople who are benefited from sales potential since either the territory or their size or both enable them to attain the quota where as majority are not and the territory is also expected as territory with trade integrity (e.g. Merkato).

Based on Appendix VI, VII and VIII favorable response were obtained high for the territory variable were in plant 3, then plant 1 and plant 2 respectively. On the other hand unfavorable response was received high in the order of plant II, plant I and plant III. Here is also similar to the quota variable response since very high response of neutrality was recorded in plant 2.

With reference to the Appendix VI, VII and VIII table result there are some salespeople who are benefited from sales potential since either the quota or their size or both enable them to achieve their performance targets with relatively lower efforts and they are not willingful for change, while majority are not and the territory is also expected as territory having trade integrity.

Appendix IX, X and XI reveal the favorable response of sizing of the sales force variable as in the order of plant 3, plant 1 and plant 2 with values of high to low while unfavorable response were received in sequence of high to low as plant 2, plant 1 and plant 3. Neutrality response is also the highest in plant 2 which is similar to the response of the above two variables.

From the trend of the response it is possible to understand that the existence of variability in income, sales territory potentials and resource allocation. In this case plant 2 has better sales potential relative to the other two plants.

Table 4.2: Summary of responses on the type of the variable the respondents are satisfied (Summary most)

Variables	Operational Plants	Strongly Disagree And Disagree	Neutral	Strongly Agree And Agree	Total
Quota Setting	Plant 1	18%	16%	66%	100%
	Plant 2				
	Plant 3				
Territory Alignment	Plant 1	15%	17%	68%	100%
	Plant 2				
	Plant 3				
Sales force Size	Plant 1	24%	18%	58%	100%
	Plant 2				
	Plant 3				

Source: SPSS Statistical Data Analysis Result (2020)

4.5 Correlation Analysis

This study employs the correlation analysis, which investigates the strength of relationships between the studied variables. Pearson correlation analysis was used to provide evidence of convergent validity. Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005). General guidelines correlations of .10 to .30 are small/weak, correlations of .30 to .70 are moderate, correlations of .70 to .90 are large/strong, and correlations of .90 to 1.00 are very large. In order to determine the most influencing factor for predicting sales force job satisfaction and the relationship between all variables was determined through correlation analysis before proceeding to regression analysis.

As per Table 4.3, the coefficients show that determinant factors of sales force compensation affecting sales force job satisfaction were all the three (quota setting, territory alignment and sales force size) positively related with sales force job satisfaction within the range of 0.652 to 0.835, they are significant at $p < 0.01$ level. A further look into each factor indicates that the two independent variables i.e. quota setting ($r=0.652$), territory alignment ($r=0.834$), and sales force

size ($r=0.835$), are important determinants of sales force job satisfaction towards increasing market coverage, higher sales volume and profitability of company performance.

Regarding the relationship between the independent variables, the table below clearly shows that quota setting is significantly correlated with territory alignment and the territory alignment is also correlated with sales force size at a significance level of $p<0.01$. The correlation between territory alignment and sales force size is the highest ($r=0.651$) followed by the correlation between quota setting and territory alignment ($r=0.660$) while quota setting and sales force size having a moderate correlation ($r=0.488$).

Table 4.3: Correlation between independent and dependent variables

Variables	Quota Setting	Territory Alignment	Sales force Size	Job Satisfaction
Quota Setting	1	0.660	0.457	0.469
Territory Alignment		1	0.651	0.703
Sales force Size			1	0.642
Job Satisfaction				1

Source: SPSS Statistical Data Analysis Result (2020)

4.6 Inferential Analysis

The aim of this research is to examine effect of sales force compensation factors on sales employees' job satisfaction while investigating the relationship among the determinant factors of sales force compensation i.e. Quota Setting (QS), Territory Alignment (TA) and Sales force Size (SS) with Job Satisfaction (JS). The variables are taken from different papers discussed in the literatures taking into consideration the availability of data. A multiple linear regression model is used to determine the relative impact of each independent variable in explaining the influence on

job satisfaction. The models of multiple regressions and the coefficient of variables include β_0 , β_1 , β_2 , and β_3 which are developed and conducted in the following form:

$$JS = \beta_0 + \beta_1 QS + \beta_2 TA + \beta_3 SS$$

Source: Developed for the research (own)

4.6.1 Diagnostic Analysis

Before running a multiple regression analysis, diagnostic checking is made to ensure whether there is a multi-collinearity problem or not. If not normality test will be done.

4.6.2 Multicollinearity

According to Brooks (2008), Multicollinearity will occur when some or all of the independent variables are highly correlated with one another. If the multicollinearity occurs, the regression model is unable to tell which independent variables are influencing the dependent variable. The consequences of multicollinearity are large variances, wider confidence interval, insignificant t ratio, and high R^2 but few significant t ratio. There is no one unique method to detect the multicollinearity problem, it only have some rules of thumb, which are high R^2 but few significant t ratio, high pair wise correlation coefficient and Variance Inflation Factor (VIF) or Tolerance. This study used VIF and Tolerance method to test the presence of multicollinearity problem based on the under mentioned multicollinearity diagnostics assumptions

- Tolerance should be more than 0.2 (Menard, 1995)
- VIF should be less than 10 (Myers, 1990) in a regression model.

According (Menard, 1995) and (Myers, 1990) Tolerance should be more than 0.2 and the VIF should be single number which is less than 10 as a rule of thumb. In this situation multicollinearity is not a concern. With a VIF of greater than 10 associated with any independent variable in the multiple regression equation, it is prudent to remove that variable from consideration or to otherwise reconstitute the set of independent variables. The multi collinearity Table-4 below indicates that tolerances are above 0.20 and the value of VIF are less than 10 of all independent variables, so multicollinearity is not a concern and therefore multiple regression findings holds true.

Table 4.4: Multicollinearity table

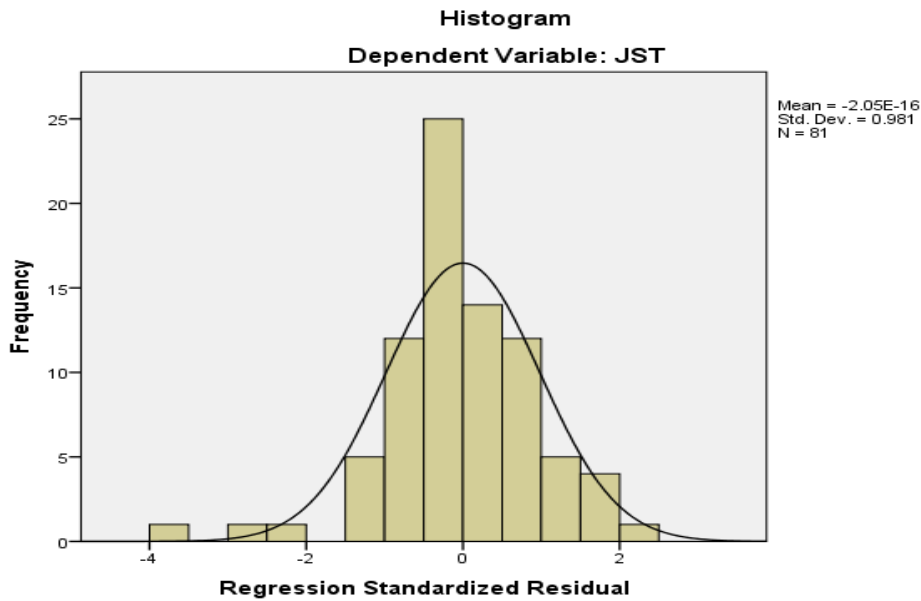
Variable	t	Sig	Collinearity Statistics	
			Tolerance	VIF
Quota Setting	-.066	.947	.564	1.774
Territory Alignment	4.206	.000	.411	2.436
Sales force Size	3.186	.002	.575	1.740

Source: SPSS Statistical Data Analysis Result (2020)

4.6.3 Normality

Normality tests are used to determine if a data set is well-modeled by a normal distribution. Here two tests for normality are run. For dataset small than 2000 elements, we use the Shapiro-Wilk tests; otherwise, the Kolmogorov-Smirnov test is used. Since this research has only 81 elements, the Shapiro-Wilk test is used.

Figure 4.1 Histogram for normal distribution of job satisfaction (SPSS result of normality)



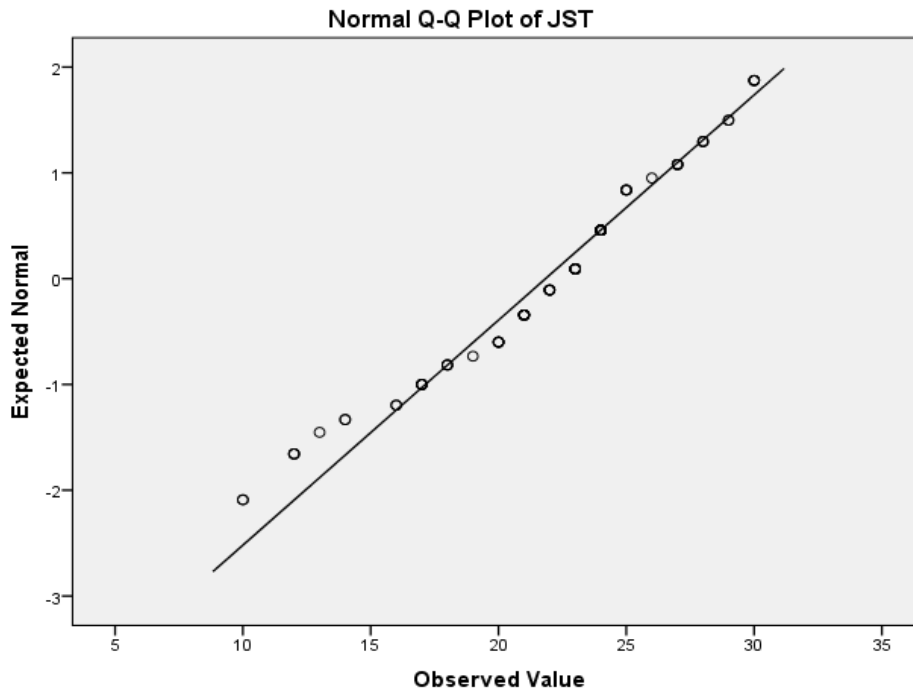
The normality table 4.5 indicates that distribution of the sample observation is symmetric about its mean. The Shapiro-Wilk statistic has a p-value of 0.001 implies that the p-value for the Shapiro-Wilk test is less than 0.05 which indicates that the data is normally distributed.

Table 4.5: Normality table

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Job Satisfaction	.118	81	0.008	0.955	81	0.006

Moreover as shown it is also shown in figure 4.2 that the sample observation on the Q-Q plot normality is demonstrated since the points of each Q-Q Plot lie close to their respective diagonal lines, we conclude that each of the data groups is from an approximately normally distributed population.

Figure 4.2 Q-Q plots for normality distribution



4.6.4 Paired sample t-test

The paired (dependent) samples t-test showed (table 4.6) average variations in job satisfactions by mean values scores in sample of 81 respondents. The paired sample t-test was used to account for individual differences in the job satisfactions of the respondents.

The observed differences was highly significant ($p = 0.000$).

Table 4.6 Paired sample T-test

Pair	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
JS - QS	7.654	4.371	.486	6.688	8.621	15.761	80	.000
JS - TA	3.457	3.358	.373	2.714	4.199	9.265	80	.000
JS - SFS	5.333	3.748	.416	4.505	6.162	12.806	80	.000

Source: SPSS Statistical Data Analysis Result (2020)

Therefore, we can reject the null hypothesis that there is no difference in means and can assume with 99.9 % confidence that the observed variations in salespeople job satisfaction due to the determinant factors can also be found in the general population.

4.6.5 Regression Results

The regression model table 4.6 presents how much of the variance in the measure of salespeople's job satisfaction is explained by the underlying factors of sales force compensation factors (the model). The R-squared of this model is 0.554, which means that 55.40% of the total variations of sales force job satisfaction in the sales operation of MOHA Soft Drinks Industry S.C. is explained by the total variations of sales force compensation determinants i.e. quota setting, territory alignment and sales force size. Whereas, the adjusted R-squared is 0.536, which means that 53.60% of the total variation of sales force job satisfaction is explained by the total variation of, territory alignment and sales force size, by taking into account the number of independent variables and sample size. Although, the remaining 44.60% and 46.40% of the

change is explained by other factors which are not included in this study model, both the R-squared and the Adjusted R-squared values in this study are found to be large enough to infer that the fitted regression line is very close to all of the data points taken together (has more explanatory power). R-Squared greater than 20% is still large enough for reliable conclusions for such data (Cameron Trivedi, 2009; Hsiao, 2007, and Nyamsogoro, 2010).

Table 4.7: Model summary ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.744 ^a	.554	.536	3.209

- a. Predictors: (Constant), Quota Setting, Territory Alignment, Sales force Size
- b. Dependent variable Job Satisfaction

Source: SPSS Statistical Data Analysis Result (2020)

Compared to coefficient of determination or R, the Adjusted R-square is more reliable in measuring a regression model's goodness of fit. The main disadvantage of using coefficient of determination or R-square is more to do with bias of number of independent variables included into the model, which implies that the more independent variable added into the model, the more R-square increasing. Worst of all, this condition does not take into consideration whether independent variable included is significant or insignificant influencing dependent variable. Meanwhile, that situation was not applied in the case of using adjusted R-square.

The ANOVA table 4.7 shows the overall significance/acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value of 31.851 and p-value (.000), which is less than $p < 0.05$, the model is significant. This indicates that the variation explained by the model is not due to chance. As it was stated earlier in this chapter, this study aims to identify the most influencing independent variables in the prediction of the dependent variable. Thus, the strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated via standardized Beta coefficient. The regression coefficient explains the average amount of change in dependent variable that is caused by a unit

of change in the independent variable. The larger value of beta coefficient that an independent variable has more influence and more important in predicting the dependent variable.

Table 4.8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	983.897	3	327.966	31.851	.000 ^b
	Residual	792.869	77	10.297		
	Total	1776.765	80			

a. Dependent variable: Job Satisfaction

b. Predictors: (Constant), Quota Setting, Territory Alignment and Sales force Size

Source: SPSS Statistical Data Analysis Result (2020)

According to Table 4.9, the regression standardized coefficients for the three independent variables, i.e. quota setting, territory alignment and sales force size are - 0.007, 0.500, and 0.320 respectively. Their significance levels are 0.947, 0.000 and 0.000 respectively. The significant values of territory alignment and sales force size are less than 0.05; which indicates that there is significant relationship between them and the sales forces' job satisfaction. And these determinant factors are perceived to be important in predicting the sales force job satisfaction. While the significance values of the other variable of quota setting is 0.947 which is greater than 0.05 and there is no significant influence in predicting job satisfaction.

Table 4.9: Regression table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	3.611	1.942		1.859	.067		
	QT	-.009	.135	-.007	-.066	.947	.564	1.774
	TAT	.662	.157	.500	4.206	.000	.411	2.436
	SST	.375	.118	.320	3.186	.002	.575	1.740

Source: SPSS Statistical Data Analysis Result (2020)

4.7 Hypothesis testing

4.7.1 Developed regression model:

$$JS = 3.611 - 0.007 QS + 0.50TA + 0.32SS$$

The following section demonstrates the impact of each explanatory variable on job satisfaction

4.7.2 Influence of Independent Variables on Job Satisfaction

i. Influence of Quota Structure

The regression result in Table 4.8 shows that, the Quota Structure has a p value of 0.947 which is far above $\alpha=0.05$. This means Quota Structure has no significant effect to influence job satisfaction.

Hypothesis was formulated to test the relationship between Quota Structure and Job Satisfaction as:

H1: There is a significant and direct relationship between quota and financial incentives in terms of salary, commission, bonus and higher sales (sales growth) towards job satisfaction.

Conclusion:

Having proved the independence of quota structure (independent variables) on job satisfaction, the alternate hypothesis that there is a significant relationship between quota structure and job satisfaction cannot be accepted and thus the null hypothesis is accepted.

ii. Influence of Territory Alignment

The regression result in Table 4.8 shows that, the Territory Alignment has a p value of (0.000) which is far below significant value of $\alpha=0.05$. This means Territory Alignment has positive and significant effect to influence job satisfaction.

Hypothesis was formulated to test the relationship between Territory Alignment and Job Satisfaction as:

H2: The greater the extent of behavior-based sales management control system, the higher the level of satisfaction with the sales territory alignment (design).

Conclusion:

Since the statistical result showed that there is positive and significant relationship, the null hypothesis is rejected and the alternative hypothesis H-1 above is accepted.

According to the regression table we can infer that beta is 0.50 and is significant (0.000) at 95%. There is a positive significant effect of territory alignment on job satisfaction. This means that an increase by unit of 1% of territory alignment will result in 0.50% increase on the level of job satisfaction, holding other variables constant.

iii. Influence of Sales force Size

The regression result in Table 4.8 shows that, the Sales force Size has a p value of (0.000) which is far below significant value of $\alpha=0.05$. This means Sales force Size has positive and significant effect to influence job satisfaction.

Hypothesis was formulated to test the relationship between Sales force Size and Job Satisfaction as:

H3: Optimization of sales force size is positively associated with job satisfaction on the basis of equivalence in workload and income while minimizing conflict in customers coverage

Conclusion:

According to the regression table result we can infer that beta is 0.320 and is significant (0.000) at 95%. There is a positive significant effect of sales force size on job satisfaction. This means that an increase by unit of 1% of sizing the sales force will result in 0.32% increase on the level of job satisfaction, holding other variables constant.

4.8 Discussions on Findings

The study was designed and carried out to examine the influence of the three determinant factors of sales force compensation and their perceptions towards their level of job satisfaction.

The regression model was significant and thus highly reliable for making conclusions and recommendations ($F=31.851$; $\text{Sig.} = 0.000$). The most significant predictor of the job satisfaction was territory alignment ($\text{Beta}= 0.50$, $t= 4.206$, $\text{Sig.} = 0.000$) followed by sales force size ($\text{Beta}= 0.320$, $t= 3.186$, $\text{Sig.} = 0.000$). Quota setting in this case is found to be an insignificant predictor of job satisfaction. The findings revealed that territory alignment and sizing of the sales force were strong predictors of the job satisfaction whereas quota / performance target setting is found to be an insignificant predictor of the job satisfaction.

The regression analysis of the current study also showed that there are other factors other than the ones found to be significant by this study. This is because the adjusted R-square comes out to be 53.60% implying that the rest 46.40% of the job satisfaction is to be determined by other factors (i.e. other than the ones that come significant in the current study). This is true in that other researches on the area may come up with many other factors that could cause or influence to have effect on sales effort motivational initiatives and job satisfactions.

The hypotheses raised at the beginning of the study were also addressed in the analysis. One of the hypotheses were Rejected (i.e. ones related with quota / performance target setting) and the other two are accepted (i.e. those related with territory alignment and the sales force size).

Based on the normality distribution test (Fig. 4.1 and 4.2) both the histogram and the Q-Q plot show that there was an approximately normal distribution. As per the paired table there were mean differences among groups of respondents were also demonstrated.

CHAPTER-5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter aims to review the findings of the research and conclude the findings with regard to the objectives of the study to examine the effects of the determinant factors of sales force compensation on job satisfaction. Recommendations are also included to indicate about the nature of the problems which are identified and addressed and suggested for further research work in the future. Limitations during study were also included at the end of this chapter.

5.1 Summary of Major Finding

Based on the assessment of practical sales compensation factors and data analysis made in chapter four of the study, the following are summarized and presented here under:

- All employees are composed non managerial sales workers of males with an age group that belongs to a matured age group who are considered to be responsible and committed for the duty they are assigned to work in
- The company has well established and competitive compensation system consists of both financial and non financial benefits package to motivate employees
- As a common practice the largest proportion of the sales compensation rely on variable pay or commission based on the achievement of a certain standard level of sales volume or quota
- Majority of the respondents which are represented with the highest mean score of 3.68 in the territory alignment have the feeling that they prefer (behavior-based control system than outcome) involvement of sales managers and devote more time in the sales operation to solve problems related to territory design and resources allocation as it largely determine sales compensation
- 68% of respondents provide their agreements to territory which is the highest while 66% and 58% to quota setting and sales force size respectively

- Majority of the neutrality response is obtained from Teklehaimanot plant (plant 2) for all the three variables. Indicating that its territories are having better sales potentials as there is a trade integrity of territories
- 24% of the respondents are discontented with the sales force size which is the highest
- Relatively similar responses were obtained as neutrality from the three plants ranges 16%, to 18%
- The statistical test has shown that determinant factors of sales force compensation affecting sales force job satisfaction were all the three (quota setting, territory alignment and sales force size) positively related with sales force job satisfaction
- Territory alignment and size of the sales force have significant effect on sales employees' job satisfaction.
- For the respondents in this study, there is no effect of quota structure on sales employees' job satisfaction.
- In general, as major objective of the research, the statistical result has shown that there is a significant effect of sales compensation factors on sales employees' job satisfaction in Moha soft Drinks Industry. .

5.2 Conclusion

The main objective of this study is to examine the effect of sales compensation factors on job satisfaction by investigating the relationship among the determinants factors of sales compensation Quota Setting, Territory Alignment and Sales force Size with Job Satisfaction in MOHA Soft drinks industry.

- Establishment and maintenance of sales territories involve substantial expenditure, time and effort and managers are less likely to be engaged in the design and maintenance of optimal territory even when there is a need for some revision
- To avoid these problem managers don't usually given due attention and they prefer to rely on a short term focus of outcome control system rather than behavioral based control system where respondents emphasize more on managers involvement with the highest mean score of $M=3.68$

- In other situation a well designed territory design or structure may become outdated because of changing market conditions or beyond the control of managers or there may be over or under estimation of the sales potential
- The existing compensation and commission rate may not have a problem instead the problem may be related to the territory or resource allocation or both and the issue need to be investigated.
- Many territory alignment models and algorithms have been developed, including those developed by Hess and Samuels (1971), Easingwood (1973), Lodish (1975), Heschel (1977), Segal and Weinberger (1977), Richardson (1979), Zoltners and Sinha (1983), and Skiera and Albers (1996). Many models have been adapted for use on personal computers today and good alignment optimization software is commercially available.

It also examined the variance in job satisfaction that is explained by the independent variables of territory alignment and sales force size. Territory alignment and sales force size were found to be significant predictors of sales forces level of job satisfaction. Territory alignment was the most significant predictor. The independent variables combined together accounted for 53.60% variance on the level of sales peoples' job satisfaction in the MOHA soft drinks industry.

5.3. Recommendations

Based on the results of this study, recommendations are made that can help to improve performance of sales department of MOHA through better sales compensation strategy, resource allocation, designing of territory and sizing of the sales force on different sales territories potential. These recommendations do not solely apply to the company but to all organizations that are committed to improving performance and competitiveness through sales compensation factors of Quota Setting, Territory Alignment and sizing of the sales force in maximizing market share while minimizing costs and retaining good salespeople. In light of the research findings, the following possible recommendations are forwarded:

- Based on the Annex tables it was observed that poorly designed territory and or resources allocation that made benefited some groups

- Involvement of HR department is crucial in all aspects of human activities and therefore the Hr manager need to develop its competency to exercise influencing others through building strong communication channel and the use of the HR policy
- Design, implement and periodically review sales territories since alignment is not a one-time event. Well-managed sales organizations audit their alignment annually and proactively manage territory vacancies.
- The control approach relies on a 'market' mechanism, whereby the involvement of sales managers is limited to adjusting the reward system so their salespeople will meet organizational goals by achieving the performance levels needed to earn the compensation they desire. On the other hand, in a more behavior-based control system, sales managers are more directly and actively involved with salespeople, and work with them in various ways as needed to improve their performance.
- It is beneficial for the company to employ a behavior based control system to solve any problem related to sales activities to improve uniformity in income distribution, performance evaluation, maintaining justice in the perception of the sales people and sustainability of organizational success. Otherwise design the compensation plan with different range of commission rates to apply to different territory potentials
- Optimize size of the sales force proportional to the sales potential in a respective territory can enable retain important sales opportunity and prospects
- Setting realistic, flexible and achievable performance targets and avoid the typical effect of 'hitting the target and missing the point' as sales employees primary objective will be generating and neglect the fundamental issue of customers

5.4 Limitations and Direction of the Study

The study was conducted and limited on the bottling units of MOHA Soft drinks Industry sited in Addis Ababa NIFAS SILK PLANT, TEKLEHAIMANOT PLANT and SUMMIT PLANT (Mentioned as plant 1, plant 2 and plant 3 respectively) branches by taking sample. Even if the sampling techniques have its own limitations the researcher made use of scientific method of sample size determination to become more accurate on the conclusion. The research design that researcher uses explanatory has it is own limitations of inferred casualty and proved with a high

level of certainty. Besides to overcome the limited number of studies on the sector of Soft drinks beverage in Ethiopia,

The following limitations were encountered during the study are indicated below:

1. The outbreak of the Covid-19 pandemic restricts the researcher to collect the questionnaire on time since companies made employees to remain at home and until recently it was difficult to find any information to start the analysis.
2. Respondents were unwilling to fill the questionnaires because of those shocking news of corona virus and one of its means of transmission was found to be paper as per the disseminated information.
3. The researcher remained in constant contact with the respondents convincing them to fill the questionnaires in that difficult situation

Despite the increasing importance of the sales and distribution strategies in supporting and boosting firm performance in manufacturing and distribution sectors, the researcher propose further empirical research to be carried out to determine:

- A. Territory alignment (Design) and Sales force size as predicted accounted 53.60% of the variance in job satisfaction. Further studies should establish what other factors explain the variance in sales people job satisfaction of MOHA.
- B. Degree of Human resources department's interventation on the effect of optimization on sales operation together with financial accountability of HRM on outcome towards job satisfaction and organizational performance
- C. One of the key area of leadership style and ratings of leaders with regard to HRM practices and HR policies
- D. The role of HR policies and relationships with other managers and how HR managers can influence other managers and the required competencies of HR
- E. Other HR practices of food processing industries

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APPENDIX-I: SURVEY QUESTIONNAIRE
ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
DEPARTMENT OF HRM

Greetings,

Dear Respondents my name is Shimeles Zegeye and I am a graduate student at Addis Ababa University college of Business and economics, School of Commerce. Currently, I'm undertaking my thesis under the title **“Effect of Sales Compensation Determinant factors on Job Satisfaction”**, by taking a survey on MoHA Soft Drinks Industry S.C. for partial fulfillment of Master of Art Degree in HRM. The study is intended to find out how the factors of the sales compensation are affecting motivational initiatives and job satisfaction of sales representatives of MoHA Soft drinks industry.

The purpose of this questionnaire is to assess your thoughts and feelings about the quota setting system, territory alignment and determination of sales force size in respective sales territories with regard to sales potential, workload and income distribution to influence job satisfaction. The result of this study is believed to benefit the company to improve the reward and performance evaluation system based not only on outcome based, but also on behavioral/ activity based in its compensation strategy in favor of long term focus. It also helps the company management to focus their attention that the incentive design takes into account internal equity levels while reducing or avoiding imbalances in the management of resources allocation and income distribution system so as to take corrective actions where necessary, retaining sales people, benefitting it's customer to enjoy a better and efficient distribution system. The completion of the research substantially depends on your cooperation and of the information you give in this questionnaire. Furthermore, the information you provide will be solely used for academic purpose. Therefore you are requested to give a genuine response to the questions. There is no need of writing your name and be assured that any information you provide will be kept in a strict confidential manner.

Thank you for taking your treasured time to fill out the questionnaire. I appreciate your collaboration in advance. For any inquiry please feel free to contact me through;

My email: stmarry6279@gmail.com or Mob. +251 912-18 16 18

How do you rate the effect of sales compensation on job satisfaction with respect to determinants factors (Quota setting, Territory Alignment and Sales force size) on basis of Sales effort, income, workload and market coverage?

Please Mark (✓) in the right appropriate box after closely seeing the Note below

Note: - SD(1)= Strongly Disagree, D(2)= Disagree, N(3)=Neutral, A(4)= Agree, SA(5)= Strongly Agree,

Respondent of this questionnaire **A. Personal selling employees of MoHA**

Part One: Demographic and Other Information

Please put tick mark (✓) in the circle which most closely represents your personal situation.

Please mark one item only per question.

1. Gender Male Female

2. Age _____

3. Educational Qualification Diploma First Degree Master’s Degree Other

4. Work Experience in MOHA in year _____

5. Position Status Management Non-Management

Part two work related questions

	Determinant factors	SD (1)	D (2)	N(3)	A(4)	SA (5)
<i>Quota Structure (QS)</i> <input type="checkbox"/>						
QS1	Performance targets are perceived as fair and equitable that improve motivation and satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
QS2	Appropriate review intervals in fair quota setting and evaluation enhance trust and satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

QS3	Internal and external data used to set targets to ensure reliability and achievability which maximize the level of trust and satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
QS4	Targets which are agreed between sales people and managers ensure satisfaction with targets and increase motivation and commitment to attain them.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Territory Alignment (TA)

TA 1	Good territory alignment allow better customers coverage through which it help to enable earn significantly higher income and satisfaction derived from higher sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TA 2	A relative amount of effort devoted by sales managers to monitoring, directing, evaluating and rewarding of sales force promote satisfaction derived from close attention to behavioural control than outcome control system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TA 3	Workload across territories lies reasonable to expect balanced that fall within an acceptable range can improve satisfaction based on perception of equity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TA4	Good Sales territory alignment enhance job satisfaction as it imply on performance evaluation and rewards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TA5	Good territory alignment allow better customer coverage through which it help to enable earn significantly higher income and satisfaction derived from					

	higher sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Sales Force Size(SFS)</i>						
SFS1	Right sizing of sales force increase proper utilization of working time, reduce conflicts and stress while balancing of workload and income that can brings about better satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SFS2	Setting targets properly & reasonably (not too high or too low) regarding of sales force size can have a positive effect on moral and satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SFS3	Right sizing of sales effort promote autonomy and increase willingness to devotion and feelings of ownership which lead to higher level of satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SFS4	Good territory design improve customer satisfaction as it enable sales people to efficiently use their time while making good money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SFS5	Territories designed with equal workload and sales potentials enhance satisfaction and reduce turnover intentions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Job Satisfaction (JS)</i>						
JS1	The incentive design takes into account internal equity levels with peers operating in different territories increase satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JS2	It is motivational when the company shares risks during variations in the sales context (potential, competition etc) and resource allocations where	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	situations are beyond the control of salespeople					
JS3	Designing an optimal territory enable the company to make balanced allocation of effort and consequently maintain equality in the distribution of income which can boost morale and improve satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JS4	Close communication and feedback established to support sales efforts help motivation and commitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JS5	Variable allocations of resources, reward plan and performance evaluation standards for different territory potentials enhance motivations and satisfaction in consideration of differences to contextual factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JS6	Managerial judgment and fairness enhance feelings of ownership and job satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPENDIX-II: DESCRIPTIVE ANALYSIS

Descriptive Analysis of Dependent and independent Variables

Item	Quota Setting (QS)- Independent variable	Mean	SD	Level of Impact
QS1	Performance targets are perceived as fair and equitable that improve motivation and satisfaction	3.91	0.840	High
QS2	Appropriate review intervals in fair quota setting and evaluation enhance trust and satisfaction	3.70	0.928	High
QS3	Internal and external data used to set targets to ensure reliability and achievability which maximize the level of trust and satisfaction	4.11	0.908	High
QS4	Targets which are agreed between sales people and managers ensure satisfaction with targets and increase motivation and commitment to attain them	4.02	0.908	High
Average Effect of Quota Setting		3.55	0.887	High
Territory Alignment (TA)- Independent variable				
TA1	Good territory alignment allow better customers coverage through which it help to enable earn significantly higher income and satisfaction derived from higher sales	4.06	0.842	High
TA2	A relative amount of effort devoted by sales managers to monitoring, directing, evaluating and rewarding of sales force promote satisfaction derived from close attention to behavioural control than outcome control system	3.94	1.111	High
TA3	Workload across territories lies reasonable to expect balanced that fall within an acceptable range can improve satisfaction based on perception of equity	4.07	0.787	High
TA4	Good Sales territory alignment enhance job satisfaction as it imply on performance evaluation and rewards	4.01	0.901	High
TA5	Good territory alignment allow better customer coverage through which it help to enable earn significantly higher income and satisfaction	3.99	0.942	High
Average Effect of Territory Alignment		3.68	0.711	High
Sales force Size (SS)- Independent variable				
	Right sizing of sales force increase proper utilization of working time, reduce conflicts and stress while balancing of workload			High

SS1	and income that can brings about better satisfaction	4.05	0.947	
SS2	Setting targets properly & reasonably (not too high or too low) regarding of sales force size can have a positive effect on moral and satisfaction	4.00	0.851	High
SS3	Right sizing of sales effort promote autonomy and increase willingness to devotion and feelings of ownership which lead to higher level of satisfaction	4.05	0.879	High
SS4	Good territory design improve customer satisfaction as it enable sales people to efficiently use their time while making good money	4.00	0.975	High
SS5	Territories designed with equal workload and sales potentials enhance satisfaction and reduce turnover intentions	4.15	0.950	High
Average effect of Sales force Size		3.31	0.805	High
Job Satisfaction (JS)- Dependent variable				
JS1	The incentive design takes into account internal equity levels with peers operating in different territories increase satisfaction	4.19	0.950	High
JS2	It is motivational when the company shares risks during variations in the sales context (potential, competition etc) and resource allocations where situations are beyond the control of salespeople	3.99	0.929	High
JS3	Designing an optimal territory enable the company to make balanced allocation of effort and consequently maintain equality in the distribution of income which can boost morale and improve satisfaction	4.01	0.887	High
JS4	Close communication and feedback established to support sales efforts help motivation and commitment	4.05	1.083	High
JS5	Variable allocations of resources, reward plan and performance evaluation standards for different territory potentials enhance motivations and satisfaction in consideration of differences to contextual factors	3.85	0.835	High
JS6	Managerial judgment and fairness enhance feelings of ownership and job satisfaction	4.05	1.036	High
Average effect of Job Satisfaction		3.65	0.785	High

APPENDIX-III: Frequency of response on Quota setting in NIFAS SILK PLANT

Variable	NIFAS SILK PLANT PLANT-1	SD	D	N	A	SA	Total
QS1	Performance targets are perceived as fair and equitable that improve motivation and satisfaction	0%	7%	15%	56%	22%	100%
QS2	Appropriate review intervals in fair quota setting and evaluation enhance trust and satisfaction	11%	7%	22%	52%	19%	100%
QS3	Internal and external data used to set targets to ensure reliability and achievability which maximize the level of trust and satisfaction	3%	7%	11%	46%	33%	100%
QS4	Targets which are agreed between sales people and managers ensure satisfaction with targets and increase motivation and commitment to attain them.	0%	7%	15%	56%	22%	100%

APPENDIX-IV: Frequency of response on Quota setting in TEKLEHAIMANOT PLANT

Variable	TEKLEHAIMANOT PLANT PLANT-2	SD	D	N	A	SA	Total
QS1	Performance targets are perceived as fair and equitable that improve motivation and satisfaction	0%	11%	15%	52%	22%	100%
QS2	Appropriate review intervals in fair quota setting and evaluation enhance trust and satisfaction	4%	19%	19%	52%	7%	100%
QS3	Internal and external data used to set targets to ensure reliability and achievability which maximize the level of trust and satisfaction	0%	7%	22%	33%	37%	100%
QS4	Targets which are agreed between sales people and managers ensure satisfaction with targets and increase motivation and commitment to attain them.	0%	11%	19%	33%	37%	100%

APPENDIX-V: Frequency of response on Quota Setting in SUMMIT PLANT

Variable	SUMMIT PLANT PLANT-3	SD	D	N	A	SA	Total
QS1	Performance targets are perceived as fair and equitable that improve motivation and satisfaction	0%	7%	11%	59%	22%	100%
QS2	Appropriate review intervals in fair quota setting and evaluation enhance trust and satisfaction	0%	11%	11%	56%	22%	100%
QS3	Internal and external data used to set targets to ensure reliability and achievability which maximize the level of trust and satisfaction	0%	7%	7%	37%	48%	100%
QS4	Targets which are agreed between sales people and managers ensure satisfaction with targets and increase motivation and commitment to attain them.	0%	7%	7%	44%	41%	100%

APPENDIX-VI: Frequency of response on Territory Alignment in NIFAS SILK PLANT

Variable	NIFAS SILK PLANT PLANT-1	SD	D	N	A	SA	Total
TA1	Good territory alignment allow better customers coverage through which it help to enable earn significantly higher income and satisfaction derived from higher sales	0%	0%	19%	44%	37%	100%
TA2	A relative amount of effort devoted by sales managers to monitoring, directing, evaluating and rewarding of sales force promote satisfaction derived from close attention to behavioral control than outcome control system	7%	7%	11%	44%	33%	100%
TA3	Workload across territories lies reasonable to expect balanced that fall within an acceptable range can improve satisfaction based on perception of equity	0%	4%	11%	48%	37%	100%
TA4	Good Sales territory alignment enhance job satisfaction as it imply on performance evaluation and rewards	0%	0%	18%	41%	41%	100%
TA5	Properly designed territory alignments can positively affect job satisfaction as it involve determining equal and fair opportunity	0%	7%	11%	41%	41%	100%

APPENDIX-VII: Frequency of response on Territory Alignment in TEKLEHAIMANOT PLANT

Variable	TEKLEHAIMANOT PLANT PLANT-2	SD	D	N	A	SA	Total
TA1	Good territory alignment allow better customers coverage through which it help to enable earn significantly higher income and satisfaction derived from higher sales	0%	7%	22%	41%	30%	100%
TA2	A relative amount of effort devoted by sales managers to monitoring, directing, evaluating and rewarding of sales force promote satisfaction derived from close attention to behavioral control than outcome control system	0%	26%	11%	30%	33%	100%
TA3	Workload across territories lies reasonable to expect balanced that fall within an acceptable range can improve satisfaction based on perception of equity	2%	4%	34%	30%	30%	100%
TA4	Good Sales territory alignment enhance job satisfaction as it imply on performance evaluation and rewards	0%	19%	11%	48%	22%	100%
TA5	Properly designed territory alignments can positively affect job satisfaction as it involve determining equal and fair opportunity	0%	7%	22%	44%	26%	100%

APPENDIX-VIII: Frequency of response on Territory Alignment from SUMMIT PLANT

Variable	SUMMIT PLANT PLANT-3	SD	D	N	A	SA	Total
TA1	Good territory alignment allow better customers coverage through which it help to enable earn significantly higher income and satisfaction derived from higher sales	0%	4%	22%	37%	37%	100%
TA2	A relative amount of effort devoted by sales managers to monitoring, directing, evaluating and rewarding of sales force promote satisfaction derived from close attention to behavioral control than outcome control system	0%	11%	4%	41%	44%	100%
TA3	Workload across territories lies reasonable to expect balanced that fall within an acceptable range can improve satisfaction based on perception of equity	0%	11%	0%	59%	30%	100%
TA4	Good Sales territory alignment enhance job satisfaction as it imply on performance evaluation and rewards	0%	4%	22%	37%	37%	100%
TA5	Properly designed territory alignments can positively affect job satisfaction as it involve determining equal and fair opportunity	0%	15%	11%	41%	33%	100%

APPENDIX-IX: Frequency of response on Sales force Size from NIFAS SILK PLANT

Variable	NIFAS SILK PLANT PLANT-1	SD	D	N	A	SA	Total
SS1	Right sizing of sales force increase proper utilization of working time, reduce conflicts and stress while balancing of workload and income that can brings about better satisfaction	0%	7%	30%	33%	30%	100%
SS2	Right sizing of sales effort promote autonomy and increase willingness to devotion and feelings of ownership which lead to higher level of satisfaction	0%	0%	26%	44%	30%	100%
SS3	Territories designed with equal workload and sales potentials enhance satisfaction and reduce turnover intentions	0%	7%	22%	41%	30%	100%
SS4	Setting targets properly & reasonably (not too high or too low) regarding of sales force size can have a positive effect on moral and satisfaction	0%	7%	11%	41%	41%	100%
SS5	Good territory design improve customer satisfaction as it enable sales people to efficiently use their time while making good money	0%	11%	15%	30%	44%	100%

APPENDIX-X: Frequency of response on Sales force Size from TEKLEHAIMANOT PLANT

Variable	TEKLEHAIMANOT PLANT PLANT-2	SD	D	N	A	SA	Total
SS1	Right sizing of sales force increase proper utilization of working time, reduce conflicts and stress while balancing of workload and income that can brings about better satisfaction	0%	11%	19%	37%	33%	100%
SS2	Right sizing of sales effort promote autonomy and increase willingness to devotion and feelings of ownership which lead to higher level of satisfaction	0%	7%	15%	59%	19%	100%
SS3	Territories designed with equal workload and sales potentials enhance satisfaction and reduce turnover intentions	0%	7%	22%	44%	26%	100%
SS4	Setting targets properly & reasonably (not too high or too low) regarding of sales force size can have a positive effect on moral and satisfaction	0%	15%	19%	44%	224%	100%
SS5	Good territory design improve customer satisfaction as it enable sales people to efficiently use their time while making good money	0%	4%	22%	37%	37%	100%

APPENDIX-XI: Frequency of response on Sales force Size from SUMMIT PLANT

Variable	SUMMIT PLANT PLANT-3	SD	D	N	A	SA	Total
SS1	Right sizing of sales force increase proper utilization of working time, reduce conflicts and stress while balancing of workload and income that can brings about better satisfaction	0%	4%	11%	30%	56%	100%
SS2	Right sizing of sales effort promote autonomy and increase willingness to devotion and feelings of ownership which lead to higher level of satisfaction	0%	11%	11%	37%	41%	100%
SS3	Territories designed with equal workload and sales potentials enhance satisfaction and reduce turnover intentions	0%	4%	7%	41%	48%	100%
SS4	Setting targets properly & reasonably (not too high or too low) regarding of sales force size can have a positive effect on moral and satisfaction	0%	11%	11%	33%	44%	100%
SS5	Good territory design improve customer satisfaction as it enable sales people to efficiently use their time while making good money	0%	7%	11%	26%	56%	100%

Annex-1

Sample Size Determination Using Krejcie and Morgan Table

KENPRO August 25, 2012

The ever increasing need for a representative statistical sample in empirical research has created the demand for an effective method of determining sample size. To address the existing gap, Krejcie & Morgan (1970) came up with a table for determining sample size for a given population for easy reference.

Table 1: Table for Determining Sample Size for a Finite Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

The Table is constructed using the following formula for determining sample size:

Formula for determining sample size

$$s = X^2 NP(1 - P) + d^2(N - 1) + X^2 P(1 - P)$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Source: Krejcie & Morgan, 1970

NOTE:

There is no need of using the formula since the table of determining sample size has all the provisions you require to arrive at your sample size.