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**ADDIS ABABA UNIVERSITY**  
**COLLAGE OF BUSINESS AND ECONOMICS**  
**DEPARTEMENT OF MANAGEMENT**

**EFFECT OF COMPENSATION MANAGEMENT PRACTICES ON EMPLOYEES' JOB  
PERFORMANCE IN ETHIO TELECOM CONTACT CENTER**

**By: Gada Gemsisa**

**A Thesis Submitted to School of Graduate Studies of Addis Ababa  
University for the Partial Fulfillment of the Requirements for the  
Degree of Master of Arts in Management**

**Advisor: Hailemariam G. (Ph. D)**

**July, 2024**

**Addis Ababa, Ethiopia**

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**DEPARTEMENT OF MANAGEMENT**

This is to certify that the thesis presented by Gada Gemsisa entitled *“Effect of compensation management practices on employees’ job performance in Ethio Telecom contact center”* submitted in order to fulfill the requirements for the master of arts in management conforms with university regulations and satisfies established standards for originality and quality.

**EXAMINERS APPROVAL SHEET**

Hailemariam G. (Ph. D)

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Advisor



Signature

July 4, 2024

---

Date

Dr. Yergalem Tadele

---

External Examiner



Signature

July 8, 2024

---

Date

Dr. Habtamu Endris

---

Internal Examiner



Signature

July 4, 2024

---

Date

Chairperson, Graduate Program Coordination

Signature

Date

## DECLARATION

I, Gada Gemsisa, declare that this MA thesis, entitled “*Effect of compensation management practices on employees’ job performance in Ethio Telecom contact center*” is entirely original work of mine that has never been submitted to a university or other institution for awards of a degree or other award. I made it on my own time, with the careful supervision and guidance of my advisor, and I have properly acknowledged all of the sources of the study's materials.

**Declared By:** Gada Gemsisa



July 4, 2024

Name

Signature

Date

## LETTER OF CERTIFICATION

This is to certify that this MA thesis, entitled “*Effect of compensation management practices on employees’ job performance in Ethio Telecom contact center*” is accomplished by Gada Gemsisa in partial fulfillment of the requirements for Master of Management degree at Addis Ababa University is a unique work that hasn't been submitted previously for any degree at this university or any other institution.

Hailemariam G. (Ph. D)



July 4, 2024

**Thesis advisor**

**Signature**

**Date**

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## **LIST OF ABBREVIATIONS**

HRM	Human Resource Management
SPSS	Statistical Package for the Social Sciences
ET	Ethio Telecom
ANOVA	Analysis of variance
SD	Standard deviation
M	Mean

## ABSTRACT

*The purpose of this study was to investigate the effect of compensation management practices on employees' job performance in Ethio Telecom contact center. Descriptive and explanatory research design was used in the study. Primary data were used to get appropriate data. Target population of study was employees and managers of Ethio Telecom Contact Center. Samples 109 were selected through simple random sampling technique. Structured questionnaires and interview were used as methods of data collection. Descriptive and inferential statistics were used to analyze data. Tables and figures were used to present data. Statistical Package for Social Sciences (SPSS) version 25 software was used to data analyze. The finding of this study showed that attitude of employee towards compensation management practice of the ET in Contact Center was found at good level for variable payment and work condition management practice, while found at moderate level for Salary, benefit, promotion, career growth opportunities, supervisor support and recognition management practice. Even though the status of employees' performance of organization was found at high status the areas need attention. The correlation result also revealed that there is positive relationship between compensation management practices and employees job performance. Furthermore, the study found that compensation practices of the ET contact center has significant effect on employees' performance ( $F=140.995$ ,  $Sign=0.000$ ,  $P<0.01$ ). So it is concluded that the compensation practices affect the employees' job performance. Based on the above finding the researcher recommended that the ET should revise the indirect financial compensation system like medical, stock ownership accident relief, educational reimbursement, hardship allowance and profit sharing for employees to make them satisfied and productive.*

*Key Words: compensation, reward, compensation management, employee job performance*

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Background of the Study**

The ability to find and keep informed, skilled, and efficient workers in an organization is crucial in the global competition. This may be achieved by creating and implementing a pay plan that motivates people to perform at their highest level (Akter and Moazzam, 2016). The management of an organization's workforce is known as human resource management (HRM). One of HRM's important responsibilities is to provide and preserve the appropriate balance of human resources for an organization's efficient operations (Vogireddy Sridhar Reddy, 2020). Today, human resource work encompasses a wide range of innovative and noteworthy fields in addition to the conventional tasks of recruiting, selection, training, and development (Vogireddy Sridhar Reddy, 2020).

Employees are an organization's most valuable asset, and their ability to draw in, keep, and compensate highly skilled workers is a major factor in whether an organization succeeds or fails. The remuneration packages offered by the company have a significant influence on employees' motivation to stay on the job (Armstrong, 2016). Organizations must think about a range of suitable methods to reward employees in order to achieve the intended results in an effort to guarantee employees' optimal performance and retention (Falola, Ibidunni, and Olokundun 2014).

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Organizations must think about a range of suitable methods to reward employees in order to achieve the intended results in an effort to guarantee employees' optimal performance and retention (Falola, Ibidunni, and Olokundun 2014). It has been suggested that an organization's compensation

management and incentive structure have an impact on how happy workers are in their jobs and how willing they are to stick around (Fadugba, 2012). According to Adeniyi (2013), compensation management is one of the core responsibilities of human resources management. It's a difficult task that needs to be completed on time, requires accuracy, and cannot be put off. To accomplish the best organizational goals and objectives, compensation management necessitates combining employee processes and information with business processes and strategies (Adeniyi 2013). Compensation management is a crucial instrument for "integrating individual efforts with strategic business objectives by encouraging employees to do the right things with ever-improving efficiency," which explains why (Adeniyi, 2013). Put differently, compensation management is a potent tool for directing attention inside a company. They communicate expectations for attitudes and behaviors to all employees of the company in a clear and concise manner (Schell and Solomon, 2017).

It has been found that there is a significant relationship between compensation strategies and employee performance. For example, Mayson and Barret (2016) found that a firm's ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm performance and growth. On the other hand, Inés and Pedro (2015) found that the compensation system used for the salespeople has significant effects on individual salesperson performance and sales organization effectiveness. Therefore, in today's fiercely competitive business climate, numerous organizations worldwide, in Africa, in regions, and locally are trying to find creative approaches to remuneration that have a direct bearing on raising employee productivity (Denis and Michel, 2016). Businesses typically start their pay strategy with advantages that encourage and eventually enhance performance, in addition to direct and indirect financial remuneration (Long (2017). Many businesses abide by the financial compensation policies, such as wages, salaries, or performance-related bonuses, in order to keep employees and overcome competitors.

Proper compensation schemes to employees reduce or solve problems on high labor turnover, absenteeism, and low morale which disrupt the productivity of a company (Gall & Gall, 1996). Amiri, Khosravi, and Mokhtari (2010) hypothesize that it is important to examine compensation as it is alleged to have an effect on job performance of employees. Therefore, this study was try to

investigate the effect of compensation management practices on employees' job performance in Ethio Telecom Contact Center.

## **1.2. Statement of Problem**

Employees have taken several industrial actions as a result of the corporate world's lack of attention to compensation management. Employers who improperly handle compensation will have unproductive staff, which will prevent them from accomplishing their goals (Holmes, 2010). According to Armstrong and Murlis (2007), a company's workforce can provide a significant competitive advantage. Human resource managers have been concerned about compensation management, with a focus on employee performance (Baptiste, 2008). Human resource management theorists have been motivated by this to investigate the connection between managing compensation and employee performance.

There have been instances over time where companies have underpaid their employees or where their compensation management systems are inadequate. One possible explanation for this could be that employees are not rewarded for their contributions to the company appropriately with their pay scale, or that promotions do not occur on schedule (Fein, 2010). This may occasionally be a calculated move by management to irritate staff members or a sign that they lack the leadership skills necessary to manage a compensation management program well (Dyer & Schwab, 2004).

According to Griffin (2012), workers are going to search for work elsewhere if their earnings is insufficient to cover their essential expenses. However, if workers feel that their services to the company are underappreciated—that is, if they aren't compensated for their work—they could choose to leave, or if they stay because they have no other options, they may perform poorly, have low morale, or show little dedication to the company. As a result, the organization needs to create a suitable and satisfactory compensation package.

Several studies investigated the connection between employee performance and compensation management strategies. Sangwan (2015) conducted research on how employee performance in the telecommunications industry was affected by compensation management techniques. The research was done in India. The study's conclusions showed that employee performance and benefits and compensation have a positive correlation.

Premalatha (2013) looked examined the effect of remuneration schemes on service industry worker performance in another study. The research was done at Banglore. The study's findings demonstrated that employee performance is significantly affected by compensation management. The study also showed that non-monetary rewards must be provided in addition to monetary compensation in order to sustain talent over the long term.

Similarly, the study conducted by Behailu Chala (2012) in Ethio Telecom, the study's result has showed that employees of the ET are not motivated by the company reward system (salary, bonus, housing loan, medical expense, conducive work environment and career development opportunity). However, the results vary when seen in terms of magnitude by which they affect employee performance. As the needs of human beings vary significantly, the extent by which their job performance is affected by compensation management to the other varies significantly.

It is known that Ethio Telecom has experience in telecom industry but it has a problem regarding to compensation management practice. Their compensation management policy design centralized at the top and employees does not participate in policy design, their compensation package does not revise on time, Benefit package provided by ET contact center does not externally fair and experienced employees are leaving the ET contact center and join other company like banks, NGO's and Safaricom Ethiopia as pilot study shows. Therefore, this study focuses on the investigation of the effect of compensation management practices on employees' job performance in Ethio Telecom contact center. Based on the finding, recommendations were forwarded to solve problems in this area of practices. From the review of literatures, it is quite evident that very few research has been carried out in the area of compensation management practices and employee performance specially in Ethiopia. The current study seeks to fill gaps in existing literatures by investigating the effect of compensation management practices on employee performance in Ethio Telecom Contact Center.

### **1.3. Research Questions**

Based on the above stated problems, the research questions that are addressed by this research were:

- What is the employees' attitude towards the compensation management practices of ET contact center?
- What is the status of employees' job performance in ET contact center?
- What is the relationship between compensation management practices and employee's job performance in ET contact center?

### **1.4. Objectives of the Study**

#### **1.4.1. General objectives**

The general objective of the study was to investigate the effect of compensation management practices on employee's job performance in ET Contact Center.

#### **1.4.2. Specific Objectives**

To be more specific objectives, the study was undertaken in order to:

- To identify the ET contact center employees' attitude towards the compensation management practices of ET.
- To determine the status of employees' job performance in ET contact center.
- To distinguish the relationship between compensation management practices and employees' job performance in ET contact center.

### **1.5. Significance of the Study**

The study will have the following significances,

1. Makes those in the telecommunications sector aware of the impact that compensation management can have on employees' job performance.
2. Assists Ethiopian Telecom's management in recognizing the significance of proper compensation management and how it could be given to the worker in the most effective way to increase productivity.

3. This research can be used as a data source by other NGOs, banks, city government, and other institutions to assess the impact of compensation management on employee performance.
4. The research findings would also be helpful to government officials and policy makers in understanding the challenges that employees' performance and development strategies face and how they can overcome them.
5. Provide support or serve as a source for other researchers who wish to go further into this area and carry out in-depth analysis of the problems. Finally, it will serve as a secondary data source for individuals seeking to delve deeper into this field, contribute to the current body of knowledge, and maybe function as an extra point of reference.

### **1.6. Delimitation of the Study**

Due to time and other constraints, the scope of the study was delimited in three categories namely, geographically, conceptually and methodologically. The first one is geographically, only employee of the telecom located in Addis Ababa city was included (only contact center from two site). Secondly one is conceptually, the study only focused on types of compensation, its management and employees' job performance. Thirdly methodologically, the study was employed mixed research approach (qualitative and quantitative), descriptive and explanatory research design and finally the study was considering permanent employees under job categories of clerical, professional and line management, who have more than one-year work experience in the Ethio Telecom contact center.

### **1.7. Limitation of the Study**

Each study, no matter how well it is accompanied and created, there have limitation. This study is limited to study the effect of compensation management practices on employees' job performance and as such does not study other types of Human Resources Practices that could impact Employees' job performance. Moreover, the study mainly focused on limited departments of ET which is contact centre offices in this specific research. The study did not include all factors that are associated with employees. Another challenge face researcher during this study was lack of time of respondents'. The respondents were having strict rule at their workplace, all the employees were busy at work and could not find ample time to responding me, fill questionnaire in detail.

Regardless of its limitations, the current study can be beneficial to the organization in terms of reviewing and strengthening its compensation management practices and strategies.

## 1.8. Operational Definition of Key Terms

- **Compensation:** is the human resources management function that addresses all rewards that people get for carrying out tasks for the company.
- **Benefits-** indirect financial compensation or services are called benefits.
- **Direct financial compensations-** it consists of pay employees receive in the form of wages, salaries bonuses or commissions.
- **Indirect financial compensation-** rewards and services, other than wages and salaries.
- **Employee job performance -** Mathis and Jackson (2009) defines performance as quantity of output, quality of output, timeliness of output, job attendance, efficiency and effectiveness of the work completed.

## 1.9. Organization of the Study

This study is organized in five chapters. Chapter one constitutes the background of the study, statement of the problem, objectives, question, significance, scope, operational definition of key term and organization of the study. Chapter two comprises the theoretical literature review, empirical literature review and conceptual framework. Chapter three encompasses the methodology of study which presents the research design, research approach, target population, sampling design, data collection instrument, data analysis method, validity and reliability of data collection instrument and ethical considerations. Chapter four constitutes the research findings and discussion which presents the response rate, background information, descriptive statistics, inferential statistics and analysis of qualitative data. Chapter five presents the summary, conclusion of finding, recommendations and implication for further study.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Theoretical Review**

##### **2.1.1. Meaning of Compensation and Types of Compensation**

###### **2.1.1.1. Meaning of compensation**

According to Michael, Duncan, and Peter (2011), compensation is a complicated and frequently perplexing subject. To this reason, some researchers define reward as a subset of compensation, while others use the terms interchangeably. Once more, some define compensation as any form of payment that a company provides to its workers. According to Milkovich and Newman (1999), compensation encompasses all monetary gains as well as material services and advantages that employees receive as a condition of their employment. This includes wages, salaries, commissions, bonuses, and incentive payments. Amche (2012) further stated that compensation is a type of reward given for work completed or effort made to reach a goal, and as such, it acts as a motivating

As to Bernadin's (2007) definition, compensation encompasses all monetary gains and material advantages that an employee obtains during their job tenure. In a sense, compensation is split into two categories: cash compensation, which is the employer's direct payment for work completed by the employee, and fringe compensation, which is the term for benefit plans for staff members. Cash compensation consists of two components: base salary and pay contingent. While pay dependent refers to performance allowances like merit increments, incentive pay bonuses, and gain sharing, base pay deals with hourly or weekly salaries plus overtime pay, shift differential, and uniform allowance. Employee benefits programs, on the other hand, are referred to as fringe compensation. Additionally, fringe compensation consists of two components: benefit programs that are mandated by law and optional benefits.

Given that compensation is a complicated subject with a big impact on organizational success (Dessler, 2005), any successful organization must view its workforce as the primary source of improvement rather than capital expenditure, realizing that people are the organization's most important asset (Tella, Ayeni, and Popoola, 2007). According to Mondy et al. (1999), compensation is the total of all the benefits that businesses give their workers in exchange for the

labor they perform. Walker (1998) defined compensation as the pay, bonus, and other benefits that an employee receives for better performance, including monetary exchanges. According to Cole (1997), compensation is defined as an outright monetary payment made to employees. It is made up of wages, bonuses, commissions, and salaries.

All benefits and compensation received by workers in exchange for carrying out their duties are collectively referred to as employee compensation (Snell & Bohlander, 2010). Employee compensation, according to Dessler (2011), refers to all benefits or payments made to employees as a result of their employment. These can include direct financial payments, such as commissions, bonuses, wages, salaries, incentives, and commissions, as well as indirect financial payments, such as insurance benefits.

"All forms of pay or rewards going to employees and arising from their employment" is another definition of employee compensation provided by Dessler (2007). Put another way, compensation is a system of rewards that an employer offers workers in exchange for their readiness to carry out a variety of duties and responsibilities within the company (DeNisi & Griffin, 2001). The expectation hypothesis, which contends that there is a high correlation between an employee's performance and the incentive they receive, forms the foundation of a reward and compensation scheme (Guest, 2002).

Compensation is a crucial component of human resource management since it serves as a means of rewarding employees for the services they perform for a business and influences their level of satisfaction (Torres and Kline, 2006). According to Mondy (2010), compensation is the sum of all benefits given to workers in exchange for their labor, with the main goals being to draw in, keep, and inspire workers. An optimal combination of these components is perfect to effectively impact employees' performance because remuneration is made up of both fixed and variable components in addition to employee benefits and services.

#### **2.1.1.2. Types of compensation**

According to McNamara (2006), compensation generally refer to retirement plans, health, life, and disability insurance, vacation time, employee stock ownership plans, and other things. On the other hand, compensation includes issues related to wage and/or salary programs and structures accruing from job descriptions, merit-based programs, bonus-based programs, commission-based

programs, and so on. According to Gomez-Mejia, Balkin, and Cardy (2006), base salary and fringe benefits make up the compensation of workers. While fringe compensation includes mandated programs like social security, health benefits, pension plans, paid time off, tuition reimbursement, foreign service premiums, and so forth, base pay, also known as cash pay, is the direct compensation that employers provide for work completed. Examples of this type of compensation include salary, overtime pay, shift allowance, uniform allowances, and pay contingent on performance like merit awards, incentive pay, bonuses, and gain sharing. According to some, such as Mary M. et al. (2015), compensation is defined financial and non-financial compensation that are given to workers in exchange for their contributions: Payroll, health benefits, and group insurance fall under the financial category; non-financial compensation includes things like company cars, paid holidays, difficult work, recognition, growth opportunities, competent supervision, and favorable working circumstances.

The whole of an employee's direct benefits from their employer, which include pay, bonuses, commissions, and allowances, plus their indirect benefits, which include paid time off, insurance, and pension plans, makes up their compensation package. Compensation policies differ greatly between hiring companies and, to some extent, between jobs. The pay packages that employees in firms can choose from have been examined in earlier research. In general, many scholars contend that remuneration ought to be a package that includes direct and indirect, financial and non-financial rewards (Namasivayam et al., 2006; Sturman, 2001). Others specifically contend that base pay, commissions, overtime pay, bonuses, profit sharing, merit pay, stock options, housing allowance, travel and meal allowance, and benefits like dental, insurance, and medical as well as vacation, leaves, retirement, and tax freedom should all be included in a typical compensation package (Atchison et al., 2010; Noe et al., 1994; Milkovich and Newman, 1993). Additionally, Bernadin (2007) contends that although benefits are a component of total compensation, they encompass non-cash forms of remuneration such as social security, health care plans, pension or retirement plans, insurance, and family and medical leave. According to Cascio (2003), employees are legally required to take advantage of benefits including workers' compensation, vacation and sick leave, and holidays. Nonetheless, companies frequently create these compensation package in an effort to improve workers' job performance. Non-monetary, monetary/grant-date pay and

equity rights/realized pay are further ways to split compensation (Örn and Konkell, 2009). It can also be further subdivided into direct and indirect pay (Singh, 2007).

The other approach of classification of compensation more specifically monetary and non-monetary pay would be used in this research. In the following sections, direct financial, indirect financial and non-financial are discussed in more detail:

### **A. Direct Financial Compensation**

Yaseen (2013) suggests that the ideal way to characterize direct financial compensation is as a regular reward provided to employees for their performance. Wages, salaries, commissions, and bonuses are some examples of these compensations. A direct cash stipend is defined as the incomes or salaries that are provided on a regular basis by the deadline. It can be used as a reward or a punishment. According to the concept that wages or pay rates are also received by experts in the usage work as a payment in cash or in a similar manner (Baker, 2012). In contrast to non-monetary benefits like health insurance, monetary compensation is money given to an employee in exchange for using their labor in the context of employment. The most common monetary compensations are further described below:

#### **Basic salary and Wages**

Salary is the money paid to an employee in exchange for the job they have completed over a specific time period, such as a day, a week, a month, etc. It is the compensation that an employee gets from their employer for the services they provide. Employees and prospective employees most frequently utilize basic salary and wages as a point of comparison, and they typically make up the greatest portion of a remuneration package. Pay need to be based on an individual's qualifications and experience. Increases in the future must be determined by an employee's productivity, worth, and value to the company (Sigler, 2011).

#### **Minimum Wage**

The minimum wage is an employer is permitted by law to give its workers is the minimum wage. State-specific variations are permitted as long as the state sum exceeds the federal amount, which is enforced by federal law. The minimum wage typically rises in tandem with inflation, while this is debatably hotly debated and frequently not the case.

## **Allowances**

An allowance is a set sum of money that an employee receives from their employer (above and beyond base pay) to help with certain costs, either personal or related to carrying out their job. Unless there is a special exemption granted, these allowances are normally taxable and must be included in gross salary. Allowances are classified as fully taxable cash allowances, partially exempt cash allowances, and fully exempt cash allowances for tax treatment purposes (Kaur, 2012).

## **Bonuses**

Organizations create both short- and long-term objectives to enhance their current state. Several bonus schemes that are offered to staff members upon the accomplishment of specific objectives provide a clear link to achieving these objectives. Bonuses, also known as Variable payment, are paid on top of the fixed wage and might take the form of cash bonuses, profit-sharing, options, or other benefits (Smitt, 2002). Employees who participate in bonus schemes receive monetary compensation based on how well they perform individually, as a team, or as an organization. Since bonuses can change in value depending on predicted performance, they are also referred to as "Variable payment" or "pay at risk."

Bonuses are frequently employed by businesses as motivational incentives when they need to improve short-term objectives, like earnings. Bonus-related objectives don't always have to be financial in nature; they can also be tied to improved goodwill and customer happiness, for example. Usually, the board of directors establishes these objectives and chooses which metrics to use. If the objectives are not met, bonuses are not required to be given, and in addition, bonuses are a form of income that are rarely covered by pensions (Örnand Konkell, 2009).

## **Merit Pay**

According to Armstrong (2005), merit pay is determined by the results of performance reviews. Merit pay is described theoretically as a pay increase given to employees based on the performance rating they disclosed in their appraisal. Practically speaking, though, it's usually a disguised cost-of-living adjustment. Because these merit pay increases are taxable and added to the employees' basic salary, the employees typically pay significant taxes.

## **B. Indirect Financial Compensation**

According to Bateman and Snell (2009), indirect financial compensation is any form of payment that isn't included in direct compensation and is usually utilized to create the social contract between an employer and an employee. Certain academics have proposed a connection between job happiness and indirect financial compensation or benefits. Benefits for employees may be obtained lawfully or voluntarily, whether they are material or immaterial (Armstrong, 2005).

## **C. Non-Financial Compensation**

The possibilities of advancement, friendly coworkers, recognition, career development, and job autonomy are examples of non-financial compensation for employees. Lunenburg (2011). Many firms provide non-financial compensation in exchange for the talents, time, and effort of their employees in order to foster the essential level of job satisfaction in their workforce. According to Jenaibi (2010), monetary pay is insufficient to maintain consistent levels of job satisfaction among employees. This highlights how crucial it is to implement policies in the workplace that meet the needs of various employees. These include favorable working circumstances, the desire for more fulfilling employment, status, and job security, as well as positive social interactions at work.

Non-monetary compensation is a type of pay that includes benefits, more responsibility, new assignments, educations that advance one's competencies, and/or any satisfaction that employees derive from their work, such as the need for personal development, recognition, and responsibility, or from their workplace environment, which includes a comfortable workspace, capable management, kind coworkers, and other pertinent physical and social needs of employees (Kelil, 2010). In today's workplace, benefits and other non-cash incentives are starting to make more sense as means of paying employees.

## **The Job**

Some professions might be so horrible and repetitive that workers are deterred from going to work, according to Yeltan (2007). People in ideal situations are those that work in occupations that allow them to demonstrate their abilities and skills, provide variety in the workplace, independence, and receive performance reviews and feedback from management. Tasks that require mental effort are the best kind of work. Many theories consider the job as an essential component of the whole system of rewards.

## **Working Condition**

Few people can find it enjoyable to take on a demanding and hard activity in an unorganized workspace. To achieve employee job satisfaction, the workplace should be inviting and fulfilling. Employee satisfaction with everyday tasks is influenced by a variety of other elements as well. According to Sun (2002), "These include work groups or teamwork, flexible work arrangements, status symbols, positive working conditions, and sensible policies." Conversely, there are other unforeseen situations that interfere with workers' ability to focus, for simple crowding, talks, and phone ringing sounds (Bridger & Brusher, 2011).

### **2.1.2. Concept of Compensation Management**

Compensation management is a crucial part of the human resource management approach for raising organizational productivity, claims Armstrong (2005). It deals with the design, implementation, and maintenance of compensation plans that are generally associated with improving the performance of individuals, groups, and organizations. Compensation management is the development and implementation of policies and practices targeted at paying staff members consistently, equitably, and in accordance with their values for the organization (Armstrong, 2005). As the name suggests, compensation management advocates for a pay scale in which high performers receive higher compensation than ordinary performers (Hewitt, 2009).

Organizing, planning, and overseeing the direct and indirect compensation that employees receive for their labor is the responsibility of compensation administration, a part of human resource management (Ezeh, 2014).

Armstrong and Taylor (2014) defined compensation management as the strategies, policies, and practices required to guarantee that workers' value and their contribution to achieving departmental, team, and organizational goals are recognized and compensated. This is a groundbreaking finding. The aim of compensation management is to develop policies and practices that will optimize the return on investment in terms of recruiting, retaining, and potentially even motivating employees (Anyebe, 2003). Compensation procedures are developed and managed to deliver and maintain appropriate types and amounts of salary, benefits, and other forms of compensation.

Compensation management is a difficult task that needs to be done on a regular basis, accurately, and without delay. To accomplish the best organizational goals and objectives, compensation management necessitates combining employee processes and information with business processes and strategies (Adeniyi, 2013). Put differently, compensation management is a potent tool for directing attention inside a company. They communicate expectations for attitudes and behaviors to all employees of the company in a clear and concise manner (Schell and Solomon, 2007).

According to Ezech (2014), compensation management is a subset of human resource management that deals with arranging, planning, and managing the payments that employees receive directly and indirectly for their labor on behalf of the company. He goes on to say that there are direct and indirect sources of compensation. Direct kinds of remuneration, in his opinion, include incentive pay, merit pay, and basic pay. Pay for vacation time taken by employees, insurance coverage, pension schemes, and federal social security benefits are examples of indirect forms. He claims that the firm manages compensation with the intention of preserving a productive workforce, fair compensation, and compliance with government regulatory bodies.

In contrast, Hewitt (2009) defines compensation management as the endeavor undertaken by the organization to establish a compensation structure that enables it to identify and compensate employees who perform better than average, paying them accordingly. This tactic seeks to inspire and incentivize high achievers to put in extra effort and enhance their performance inside the company. Creating a competitive environment within the company is another goal of the initiative.

### **2.1.3. Purpose of Compensation and Compensation Management**

Griffin (2012) points out that compensation is a significant and intricate aspect of the connection between a company and its employees. It should be sufficient to meet an employee's fundamental needs and support him in maintaining a fair level of living. In addition, he maintained that workers will hunt for other jobs if their pay is insufficient to cover their essential living expenses. But in most communities, a person's income is also a measure of their status and power, and it's connected to their sense of value. Stated differently, compensation has an impact on an individual's economic, social, and psychological well-being (Luis and David and Robert, 2012). Pay disappointment triggers, according to Ejumudo (2014), detract from the effectiveness of the organization and the character of labor, which may lower execution, increase complaints, or stop them altogether. Poor

pay can lead to various forms of employee withdrawal as well as non-appearance. Excessive charging, on the other hand, reduces an organization's ability to be aggressive and creates stress, blame, and unease.

Compensation management is a crucial component of human resources management, according to Naukrihub (2009), and it has a significant role in employee motivation, which raises organizational effectiveness. Pay is one of the most crucial areas that need new consideration. In the very competitive corporate world of today, compensation management is one of the human resource activities that needs more focus. Employee performance in the organization is impacted by its compensation plan. Workers may exhibit a strong sense of commitment to their tasks and put in a lot of effort on behalf of the company. Employee morale will suffer and productivity will drop significantly if the company doesn't value their efforts (Werner & DeSimone, 2009).

According to Singh (2007), there are two main reasons why compensation is given: to recognize past contributions to the company and to encourage future performance improvements. In order to motivate people to do well for the company, it can also be used to establish a rewards system that benefits both the business and the employees equally.

In order to develop, build, and preserve "human capital" for competitive advantages, progressive businesses use compensation and rewards systems in the following ways (Singh, 2007): Rewarding qualified candidates can help the organization draw in new members. All other things being equal, a company that offers a greater salary can draw in more eligible candidates than its rival companies. Pay plays a role in keeping skilled workers within the company. Compensation rules aid in keeping a fair internal pay structure and in attracting talent, even though keeping competent employees depends on a variety of circumstances. As a result, turnover is decreased along with the expenses related to finding, choosing, and onboarding replacement employees. Employees are encouraged to work hard by offering incentives through compensation.

#### **2.1.4. Concept of Employees Performance**

According to Whetten, Cameron, and Woods (2000), performance is a personal phenomenon influenced by external factors. According to Laitinen (2002), an object's performance can be described as its capacity to generate outcomes in a dimension that is predetermined in reference to a target.

Any organization's primary concern is its employees' performance since it shows how productive the organization is by demonstrating how well its members can complete tasks on time. According to Pushpakumari (2008), attitudes, values, and perception all play a significant role in performance. Hossain (2012) defines employee performance as the values and total benefits that an organization receives from a worker over a given length of time. Conversely, Govender (2014) described job performance as a strategy for achieving targets and goals within a work environment. Additionally, he said that work performance refers to a collection of sophisticated and complex actions that describe how a job is completed rather than the results of the acts that are performed to complete a job. According to Carlson et al. (2006), job performance is the ability of employees to use resources in a dynamic work environment to complete tasks in accordance with management-established, measurable standards. The definition above can be summarized as follows: job performance measures how well an employee performs a certain job.

According to Mathis and Jackson (2009), performance is the sum of one's productivity, quality, punctuality, attendance on the job, and efficiency and effectiveness of the work produced. Stated differently, employee performance refers to the ability of staff members to successfully accomplish tasks in accordance with the standards established and evaluated by the organization's direct line management in order to meet previously established acceptable criteria while making effective and efficient use of the resources that are available. Employee performance, according to Rehman (2009), is also described as the extent to which staff members apply their knowledge, abilities, and attitudes to satisfy predetermined goals and produce the intended outcomes. Employee conduct at work, such as speed, politeness, manners, accuracy, time management, consistency, and effect on other employees, can be used to indirectly gauge an employee's success (Bohnstedt & Larsen, 2008).

The key component and crucial element that raises an organization's overall performance is employee performance. Employee performance is influenced by a variety of elements, including management, work satisfaction, and expertise, but training and development are the most crucial components. Anwar Khan and Fakhar Ul Afaq (2008). The typical way to evaluate employee performance is in terms of results. But Armstrong (2010) points out that it can also be viewed in terms of conduct. declared that the organization's performance criteria serve as the benchmark for evaluating an employee's work.

### **2.1.5. Relationship between compensation and Employees Performance**

Rewards and motivation were found to be positively correlated statistically, suggesting that changing the rewards provided to employees would change their job satisfaction and motivation. In contrast, regular and periodic salary increases, allowances, bonuses, fringe benefits, and other compensations keep employees' morale high and increase their motivation (Danish and Usman, 2010). Similar to this, Balochi et al. (2010) found that compensation and two other variables significantly correlated with employee performance after studying the relationship between HRM practices and the perceived performance of employees in private and public sector banks in North-West Frontier Province. A competitive salary and benefits package can inspire workers. A bank with motivated staff can turn a profit.

According to Zahra et al. (2015), there was a higher correlation between pay and work performance. Employee job performance can be raised to a satisfactory degree with a little pay rise. In Bangladesh, employees place a higher value on pay than any other consideration. Greater changes in job performance may also come from additional bonuses and awards that are linked to the pay. Financial strengthening typically has a greater effect on work performance, especially in service-oriented businesses like banks.

According to Dessler (2008), direct compensation is money given to workers that improves their financial situation. There are two types of direct compensation: base salary and contingent pay. According to Armstrong (2008), basic pay can be defined as the regular rate, which can be paid on a weekly, hourly, monthly, or yearly basis, plus allowances for things like overtime and cost of living adjustments. According to Armstrong (2008), contingent pay refers to supplementary financial benefits that employees receive based on their performance inside the company. These benefits may include commissions, incentives, or merit pay. There is evidence connecting extrinsic motivation (external variables) with financial payments. Employees are incentivized by extrinsic motivation, or financial compensation, to fulfill their jobs in order to get paid (Ryan & Deci, 2012).

## **2.2. Empirical Review**

According to a study conducted in Bangladesh, South Asia, in 2012 under the title "Impact of Rewards on Employee Performance in Telecom of Bangladesh," all independent variables have a positive impact on employee work performance, and there is a statistically significant relationship

between them and the dependent variable of employee work performance. The study's findings demonstrated that providing employees with either extrinsic or intrinsic rewards is insufficient to inspire them to work at a high level. According to the correlation matrix's findings, employee performance and intrinsic and extrinsic rewards were positively correlated. Additionally, there is a substantial correlation between intrinsic and extrinsic incentives. Employee performance was more significantly impacted by basic pay than by performance bonuses. A significantly important aspect influencing employee success was challenging job.

In a 2010 study, Shikha examined 184 workers from three Indian telecom companies and discovered a strong correlation between worker productivity and HR procedures such as hiring, staffing, perks, and remuneration. The survey also revealed that telecom, via the implementation of strategy-based HR policies and practices, may foster a workforce that is more dedicated and skilled, hence offering a source of long-term competitive advantage.

Zulfqar et al. (2011) looked into a study to evaluate the nature of the relationship and relationship between employee perceptions of performance in Pakistan's telecom industry and HRM procedures (pay, performance evaluation, and promotion policies). The study's findings indicated a favorable and significant association between HRM practices and employee perceptions of performance. Additional analysis-based results showed that while remuneration procedures are not significant, performance evaluation and promotion practices are.

In 2016, Setyadi and Subekti conducted research on how financial compensation affects performance in Indonesia. The study's conclusions show that employee performance is unaffected by monetary pay. The results of Niode's (2011) study showed that employee performance was positively impacted. Additionally, Umar (2011) discovered a favorable correlation between pay and output. In their study, Khan, Farooq, and Ullar (2010) discovered a direct and favorable correlation between employee performance and monetary pay.

Another study by Hameed et al. (2013) on the impact of incentive motivators on employee performance revealed a positive and significant influence of incentive motivators on employee performance. Karim and Reddy (2013) found that incentives were important in improving employee performance in addition to the income and other benefits given to them. Sangwan (2015) conducted research on how employee performance in the telecommunications industry was

affected by compensation management techniques. The research was done in India. The study's conclusions showed that employee performance and salary and benefits have a positive correlation.

Using a sample size of 309 respondents and a Pearson product correlation with a Z-test, Onyeizugbe (2012) investigated the impact of compensation management on the performance of the Anambra State Civil Service. The study's findings indicated that the financial compensation received by Anambra State Civil Servants has no significant effect on their performance, is not commensurate with their efforts, and is not significantly impacted by government reform programs aimed at changing the financial compensation policies and practices.

There was a significant correlation between compensation and payment and employee performance at the Nakuru county government, according to a study conducted by the Kenyan Country Government under the title "Influence of Compensation and Reward on Performance of Employees at Nakuru County Government." The association between employee performance and remuneration and rewards was marginally positive ( $r=0.290$ ). The aggregate results showed that employee performance was significantly impacted by reward and compensation. The pay approach that was implemented, which was based on knowledge, was successful in encouraging employees to pursue higher education, which in turn improved employee performance (Njoroge & Kwasira, 2015).

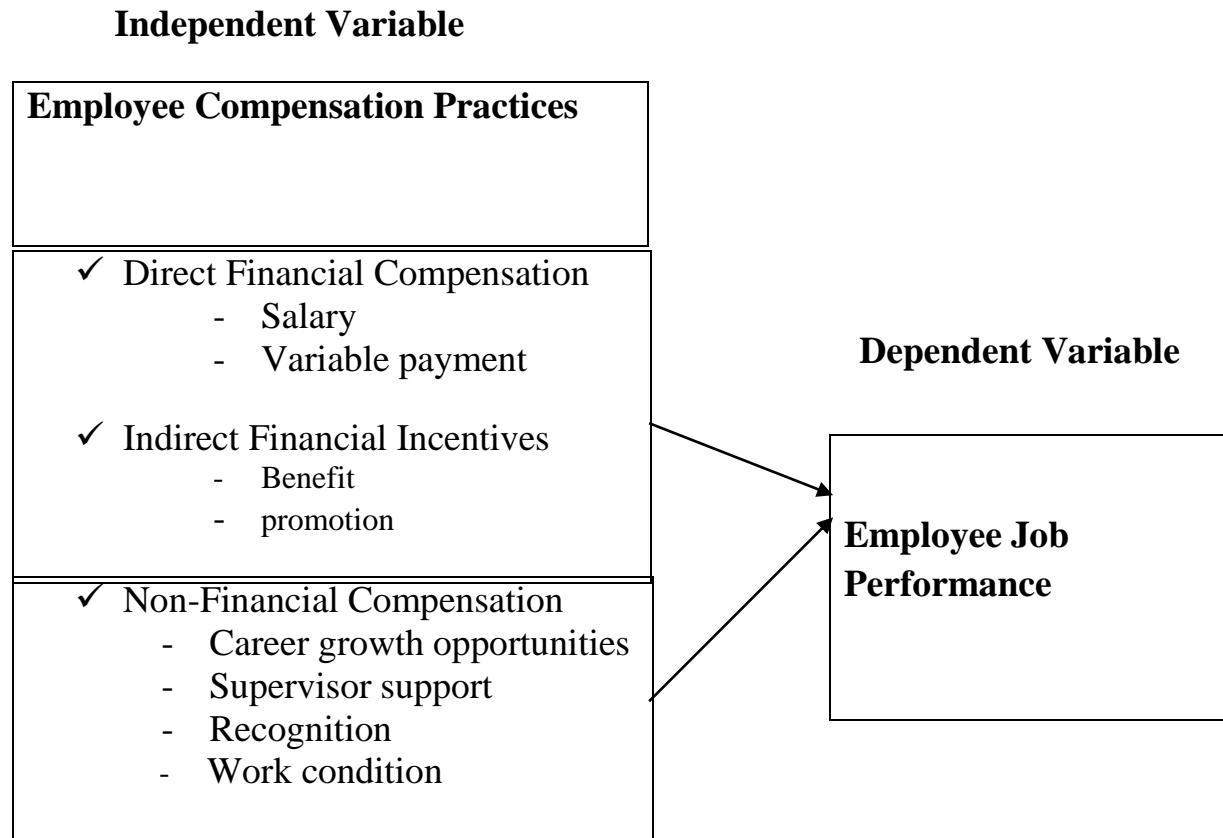
According to a survey conducted on Ethio telecom in Dessie City, many workers felt that the company's benefits and compensation were unfair and that ET should be able to cover the continuous costs of living. Benefit and compensation plans were not updated and assessed for efficacy on a regular basis. Additionally, employees are not adequately informed about the perks that are currently in place. When it comes to employee participation in the compensation process, ET must consider external elements such as rivals, the state of the market, work characteristics, government restrictions, and internal factors like job values as determined by job analysis. A few workers believed that companies gave more weight to seniority than to performance. They clarified that there was a significant disparity in pay and benefits between supervisors and clerks, which could have an impact on how most workers felt about the benefits and compensation management system (Ponduri and Soudikar, 2016).

In 2015, Binyam conducted research on the evaluation of compensation management procedures using data from Ethiopian telecom. His research showed that the telecom industry's pay management procedures have numerous ineffective elements. Due to this reason he found that the existing practice of the telecom fails to satisfy the needs of the employees and it causes the employees less motivated and unsatisfied in the telecom to work for extended period service time. In the end, he advised telecom to concentrate on paying its workers a fair wage, examine its pay structures, revamp its compensation plan, create and implement a communication channel, and conduct a need assessment of its compensation policies.

### **2.3. Conceptual Framework**

The framework below summarizes the factors that the researcher employed in the study that sought to analyze variables of compensation management practice and employee job performance. These factors are: The independent variables (Compensation) i.e. (Financial and Non-Financial) and the dependent variables employee job performance. The independent variables are conceptualized as salary and Variable payment which is direct financial compensation and benefit and promotion which are a form of indirect financial compensation and work condition, supervisor support, career growth opportunity and recognition which is a non-financial compensation. The dependent variable employees' job performance was measured by employee perception about their performance in the organization.

Figure 1: Conceptual framework



Source: Developed for this study, 2024

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

This study was used both descriptive and explanatory research design. The rationale for combining both descriptive and explanatory methods was to better understand the research problem at the same time by describing, comparing and contrasting the cause and effect and by measuring the numerical values of the causal relationship from quantitative research. The descriptive study described the characteristics of the individual or group. As such, the study was seeking to identify and describe compensation management practices and employees' job performance in ET contact center. The study also used an explanatory study to explain the study by identifying any causal link between variables (independent and dependent variables i.e. compensation management practices and employees' job performance) related to the research problem and by measuring relationship between dependent and independent variable.

#### **3.2. Research Approach**

Mixed approaches of quantitative and qualitative were used to conduct this study. In the qualitative techniques the respondents express their feeling and opinion in interview. For quantitative analysis questionnaire prepared in Likert scale was used and analyzed with numerical values like frequency, percentage, mean, standard deviation, correlation and regression to capture data. The research strategy used for the research was a survey approach in order to collect quantitative data which was analyzed using descriptive statistical tools. The use of a survey enables generalization to be conducted using findings generated from a sample size which is representative of the whole population.

#### **3.3. Sources of Data**

In order to obtain relevant data for this study; primary and secondary source of data were used in the study. The researcher was use primary source of data such as questionaries' and interview.

Secondary source a researcher was used some published materials, various books, documents, abstracts, journals and other related to this study.

### **3.4. Population, Sample and Sampling Techniques**

#### **3.4.1. Target Population of the Study**

Target population is the part of the population in which sample unit is going to be selected (Kothari, C. R., & Gaurav, G., 2014). Target Population of this study were 148 employee and five managers of ET Contact Center found at Wolosefer and Jemo office. This study focuses on those permanent staff that has certain knowledge about compensation practices in the Ethio telecom.

#### **3.4.2. Sample and Sampling Techniques**

The study was used both probability and non-probability sampling technique. From non-probability sampling technique, the study was used judgmental sampling technique to select a number of team or group of employees in Ethio Telecom Contact Center include in the study. The researcher was selected 13 groups of Contact Center out of 54 groups found in Contact Center judgmentally based on number of worker found in groups. Each group was selected from two Office site found at Welosefer and Jemo, and each team was selected from each language (Amharic, Afaan Oromo, Tigrigna and Somaligna). Probability sampling technique was used to select the sample in the study. From probability sampling technique the study was used stratified sampling technique to stratified employee in to group and researcher was used simple random sampling technique to determine sample size. The researcher was used simple random sampling technique because it gives each possible sample combination an equal probability of being picked up and each item in the entire population to have an equal chance of being included in the sample (Cohen et al., 2007). Here under the table (1) explicit the selected Ethio Telecom Contact Center team in Jemo and Wolosefer Office. For this study the formula used for determining the sample size is found from Yemane Tore (1973).

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = is the sample size

N = is the population size (148)

e= Level of precision or acceptable sampling error (0.05)

1 =is a constant value

$$n = \frac{148}{1 + 148 (0.05)^2} \quad n = \underline{109}$$

Therefore, based on the above sample size determination method, out of total population (148) the selected sample size was 109 in this particular study.

Table 1: Number of population and selected sample

<b>Roll No</b>	<b>Name of Selected Group</b>	<b>Population</b>	<b>Proportional sample size</b>	<b>Sample size for each team</b>
<b>1</b>	WO01	14	14/148*109	10
<b>2</b>	WO04	14	14/148*109	10
<b>3</b>	JO05	13	13/148*109	10
<b>4</b>	JO10	14	14/148*109	10
<b>5</b>	WA02	11	11/148*109	8
<b>6</b>	WA06	10	10/148*109	7
<b>7</b>	JA20	10	10/148*109	7
<b>8</b>	JA25	10	10/148*109	7
<b>9</b>	WT01	5	5/148*109	5
<b>10</b>	WS01	8	8/148*109	7
<b>11</b>	JT10	15	15/148*109	11
<b>12</b>	JS13	14	14/148*109	10
<b>13</b>	JA30	10	10/148*109	7
	<b>Total</b>	<b>148</b>		<b>109</b>

Source: Human resource management of ET, 2024

### **3.5. Methods of Data Collection**

Data used in the study was collected through close ended questionnaires and interviews. Structured questionnaire constructed in English language was design and disseminated to sample respondent. The questionnaire solicits information from employee's about their demographic data, practices of compensation management and status of employees' performance in their respective site (Jemo and Welosefer site). In addition to questionnaires, the researcher collected data through interview from managers to get evidences' and gather more information that may not easily held by questionnaires.

### **3.7. Methods of Data Analysis**

Quantitative and qualitative data analyses techniques was used in the study. Data collected from respondents through questionnaire was coded and ready for analysis. So that completeness, consistency and reliability of the data can be achieved. Coding of data has been involved and a symbol was assigned to the raw data to make easy and understandable for computer to analyze data. The primary data generated through the questionnaire was categorized in a way that suits to address the research questions raised in the study. The raw data was entered to the software called statistical package for the social science (SPSS) version-25. Then frequency table was produced for all response variables in the data set. Descriptive analysis like frequency, percent, mean and standard deviations was used to analyze the given data and inferential statistical analysis like correlation and multiple linear Regressions analysis were used to analyze data. Qualitative data collected through interview was analyzed thematically.

The regression equation;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \mu_i$$

Where: Y: is the dependent variable (Employees' job Performance)

X: Independent variable (Compensation management practices)

$\beta_0$ : is the regression coefficient/constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$  and  $\beta_8$ : are the slopes of the regression equation,

X1: is Salary

X2: is Variable payment

X3: is benefit

X4: is promotion

X5: is Career growth opportunities

X6: is Supervisor support

X7: is Recognition

X8: is Work condition

$\mu_i$ : is Random disturbance (Error term)

## **3.6. Reliability and Validity of instrument**

### **3.6.1 Validity**

Construct validity was insured through the review of literature and adapting instruments used in previous research. Content validity of instrument was insured by advisor opinion on content of instrument. All item in instrument were modified depend on advisor comment before distribution.

### **3.6.2 Reliability test**

Reliability is degree of internal consistency of research instrument. In this study, reliability test was carried by computing Cronbach's Alpha Coefficient for the questionnaires through SPSS version 25. The researcher found the Coefficient of Alpha result which was regarded as strong correlation Coefficient by (Daniel M, 2004, and Jackson, 2009). Supporting this, George and Mallery (2003) and Cohen, L, et al. (2007) also suggest that, the Cronbach's Alpha result >0.9 excellent, >0.8 good, >0.7 acceptable,  $\alpha < 0.6$  questionable, and < 0.5 poor.

Here under, The Cronbach's alpha coefficient was calculated for each dimension of the questionnaire. According to below Table (2) the value of Cronbach's Alpha for each dimensions of the questionnaire ranged from 0.742 to 0.924. This range is considered as acceptable as the result ensures the reliability of each dimension of the questionnaire. Cronbach's Alpha result for entire questionnaire is 0.81 which indicate excellent reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

**Table 2: Reliability test result**

<b>R.NO</b>	<b>Item name</b>	<b>Number of items</b>	<b>Cronbach's Alpha coefficient</b>	<b>Internal consistency</b>
1	Salary	4	.766	Acceptable
2	Variable payment	6	.832	Good
3	Benefit	7	.748	Acceptable
4	Promotion	5	.844	Good
5	Career growth opportunities	4	.810	Good
6	Supervisor support	4	.742	Acceptable
7	Recognition	6	.800	Good
8	Work Condition	4	.814	Good
9	Employees' job performance	13	.924	Excellent
	<b>Overall</b>	<b>53</b>	<b>.81</b>	<b>Good</b>

Source: Survey data, 2024

### **3.8. Ethical Consideration**

Participation in this study was completely voluntary. The participant was told about the purpose of the study and asks their consent. No one respondent was involved in this study against his/her will. Oral consent was obtained before the questionnaire was send to the respondents through google form. A participant was also assured that their response will remain strictly confidential and personal details will be kept anonymous.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This chapter presents the results and findings of the study of the research questions with respect to the data information collected from the respondents. The chapter begins with the analysis and reports on general information with respect to the respondents; consequently second part looks on the reports of the analysis of descriptive statistics on compensation management practice and employee job performance, the third part covers on the report of the analysis inferential statistics showing the correlation and regression coefficient analysis of the extent to which compensation practices related and influence employees' job performance.

#### **4.1. Response Rate**

To determine the number of the respondents who filled and submitted back the questionnaires through google form, an analysis of the response rate was conducted. The total number of questionnaires distributed for respondent was 109. From those distributed questionnaires 98 (89.9%) was retrieved and analyzed for the study and 11 (10.1%) was un retrieved.

#### **4.2. Demographic Characteristics of Respondent**

This section describes demographic back ground of respondent such as gender, age, education level and service year in organization.

As can be seen from table 3 below the gender composition of the respondents shows 20(20.4%) of the respondents are male while the rest of 78 (79.6%) are female. The findings of the study reveal that the participation of both male and female staff in filling the questionnaire, but female respondents dominate the mix due to the fact that most employees are female in the ET contact center.

The table 3 below also shows that 2(2%) of the respondents are found in the age range of 41 to 50 years old, 24(24.5%) are found in the age range of 31 to 40 years old, and finally respondents range of 21 to 30 years old were 72(73.5%). No one respondents more than 50 years. This implies that the age group 21-30 counts for 73.5% of the respondents and which was the most productive and

the most reward and recognition seeking age group. In order to retain and motivate this productive group the ET contact center make their compensation externally equitable.

Table 3: Demographic data of respondents

R. No	Demographic variables	Respondent	Frequency	Percentage
1	Gender	Male	78	79.6
		Female	20	20.4
		Total	98	100.0
2	Age of participants	21-30 years	72	73.5
		31 to 40 years	24	24.5
		41 to 50 years	2	2.0
		Above 51	0	0
		Total	98	100.0
3	Educational level	Diploma	0	0
		First Degree	88	89.8
		Masters	10	10.2
		Above	0	0
		Total	98	100.0
4	Service years in ET	Less than 5 years	54	55.1
		6 to 10 years	38	38.8
		11 to 15 years	6	6.1
		Total	98	100.0

Source: Survey data, 2024

According table 3 in terms of educational background, out of the total respondents 88(89.8%) first degree holders, and second degree holder counts for 10(10.2%). There are no diploma and above master holder respondents. This indicates that the majority of the organization's staff is first degree holder.

From the table 3 we can see that out of the total respondents, 54(55.1%) of respondents have worked in ET for less than five years, 38(38.8%) have worked for 6 to 10 years and 6(6.1%) have

worked for more than 11 years. The data indicates that the ET has small number of employees who have long 11 years stay in the ET. This shows the existence of high turnover which in turn indicates it may dissatisfaction on the Compensation management practice which in inverse shows employee retention and motivation.

### 4.3. Employees’ Attitude towards the Compensation Management Practice

This section of the chapter puts the results for the descriptive analysis and interprets it accordingly. Evi Susanti et al., (2015), made the categorization of such descriptive statistics for mean based on the class length. The research scale was five point Likert’s scale type. The class interval and the scale they assigned was 1 to 1.799 is not good; 1.8 to 2.599 is less good; 2.6 to 3.399 is moderate; 3.4 to 4.199 is good and 4.2 to 5.0 is very good with 0.8 class interval found as  $[(5-1)/5] = 0.8$ . The current research also used five point Likert’s type scale. Accordingly, the interpretation had based on their setting.

#### 4.3.1. Salary

Salary is the money an employee receives from his/her employer by rendering his/her services. The researcher was used four statement to analyze attitude of employee towards salary management practices of ET contact center based on level of their agreement on statements.

Table 4 : Response on Salary

R. No	Items on Salary	Mean	Std. Deviation
1	I am happy with my current salary. It is in accordance with my knowledge, skills, abilities, education and experience.	3.19	1.137
2	Compared to other people doing similar work at ET, I think my salary is equitable (fair).	3.36	1.270
3	Compared to other people doing similar work outside ET, I think my salary is equitable (fair).	3.43	1.112
4	Most of the time salary adjustment in ET of is made within a reasonable time period.	3.52	1.077
	<b>Average mean</b>	<b>3.38</b>	<b>1.149</b>

Source: Survey data, 2024

The above Table No. 4 contains individual item, which are grouped together and named as salary. As shown in the table “I am happy with my current salary, it is in accordance with my knowledge, skills, abilities, education and experience” has scored M= 3.19 with SD = 1.137. “Compared to other people doing similar work at ET, I think my salary is equitable (fair).” has scored M= 3.46 with SD = 1.270 and “Compared to other people doing similar work outside ET, I think my salary is equitable (fair)” has scored M= 3.43 with SD = 1.112 are found at moderate level and area need attention since employee are undecided on issue. Another item that is “Most of the time salary adjustment in ET is made within a reasonable time period” has scored M = 3.52 with SD =1.077 found at high level, it indicates ET made their salary adjustment at reasonable period of time. However, the average mean result is 3.38 which is falls between the ranges of 2.6 to 3.399 this means that the majority of the respondents tend to be undecided about salary management practice. Therefore, the above result entail that ET should have to work on salary management practice and make salary adjustment/increment to satisfy their employee more.

#### 4.3.2. Variable payment

This section describes employee attitude towards Variable payment management practice of ET contact center. The following table indicates level of Agreement of respondent on each item related with Variable payment.

Table 5: Response on Variable payment

R. No	Items on viable pay	Mean	Std. Deviation
1	Rewards benefit will boost my motivation to work hard	2.98	0.849
2	The ET gives employees incentives.	3.09	0.932
3	Allowances and wages given to employees are commensurate to the work done.	3.36	1.077
4	The ET ensures timely payment of due allowances	3.54	1.177
5	The ET pays extra attention especially when paying for extra work done	3.71	1.252
6	The ET gives packages/presents/gifts to outstanding performers	3.78	1.18
	<b>Over all mean</b>	<b>3.41</b>	<b>1.078</b>

Source: Survey data, 2024

Table No.5 above contains individual variables which are computed as one and named Variable payment. As we can see above table item 1 “Rewards benefit will boost my motivation to work hard” has scored  $M = 2.28$  with  $SD = 0.849$ ,” item 2 “The ET gives employees incentives” has scored  $M = 3.09$  with  $SD = 0.932$  and item 3 “Allowances and wages given to employees are commensurate to the work done” has scored  $M = 3.36$  with  $SD = 1.077$  found at moderate level. This indicate that ET will give attention on reward benefit, allowance, wages and incentives

As per above table 5 item 4 “The ET ensures timely payment of due allowances.” has scored  $M = 3.54$  with  $SD = 1.177$ ”, item 5 “The ET pays extra attention especially when paying for extra work done” has scored  $M = 3.71$  and  $SD = 1.252$  and item 6 “The ET gives packages/presents/gifts to outstanding performers” has scored the  $M = 3.78$  with  $SD = 1.18$  found at good level. This indicates that ET was ensuring timely payment, pay extra and give packages for best performer and majority of respondent agree on area. However, the average mean result falls between the range of 3.4 to 4.199 is good which is 3.41 this means that majority of the respondents tend to be good about Variable payment of ET. From the above results researcher conclude that ET should keep up with their Variable payment management practices.

#### **4.3.3. Benefit**

Under this section the researcher analyzes attitude of employee towards benefit management practice of ET contact center. The researcher used the following benefit management practice related statements for this purpose. The following table show attitude of employees towards benefit management practice of the ET based on the level of their agreement on statements.

Table 6: Response on Benefit

<b>R. No</b>	<b>Item related with Benefit</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	ET provides basic benefits to its employees.	2.7	0.899
2	Considering my duties and responsibilities, I feel the total package of my benefit is fair.	2.92	1.022
3	Compared to other people doing similar work at ET, I think my benefit is fair.	3.98	1.025
4	Compared to other people doing similar work outside ET, I think my benefit is fair.	3.99	1.079
5	The medical allowance that ET is offering me is fair.	3.71	1.149
6	The transportation allowance that ET is offering me is fair.	3.22	1.08
7	The hardship allowance that ET offers to its employees is fair.	3.06	1.259
	<b>Over all mean</b>	<b>3.37</b>	<b>1.073</b>

Source: Survey data, 2024

As the data shown in Table 6, ET contact center employee are moderate at item 1, 2, 6 and 7; item 1, “ET provides basic benefits to its employees properly” has scored (M=2.7, SD=0.899), item 2, “Considering my duties and responsibilities, I feel the total package of my benefit is fair” has scored (M=2.92, SD= 1.022), item 6 “The medical allowance that ET is offering me is fair” has scored (M=3.22, SD=1.08) and item 7 “The hardship allowance that ET offers to its employees is fair” has scored (M= 3.06, SD=1.073). On those four items, the employee agreed that moderate rate. This implies that ET was provided basic benefits, benefit packages, transportation allowance and hardship allowance to its employees at moderate rate, depending up on above result researcher conclude that ET will give attention and do more on those benefits to increase employee performance and overcome a factors.

On other hand as data shown in Table 6, ET contact center employee are good rate at item 3, 4 and 5; item 3 “Compared to other people doing similar work at ET, I think my benefit is fair” has scored (M=3.98, SD=1.025), item 4 “Compared to other people doing similar work outside ET,

I think my benefit is fair” has scored (M=3.99, SD=1.079) and item 5 “The medical allowance that ET is offering me is fair” has scored (M=3.71, SD=1.149). On those three items ET was providing good level of benefit when compared with to other people doing similar work at ET in different sections, ET also providing good rate benefit when compared ET contact center staffs with other people who do similar work outside like *Banks, Safaricom and Ethio Airline*, Et also providing good rate transport allowance to ET contact center.

However, the average mean result falls between the ranges of 2.6 to 3.399 which is 3.37 this means that majority of the respondents tend to be undecided about benefit management practice of ET. From the above results researcher concludes that ET will give attention on their benefit management practice since, employees’ are undecided towards their benefit management practice.

#### 4.3.4. Promotion

Under this section the researcher analyzes attitude of employee towards promotion management practice of ET based on level of their agreement on the following five items related with promotion.

Table 7: Response on Promotion

R. No	Items related with promotion	Mean	Std. Deviation
1	There is opportunity of Promotion in my organization.	3.13	1.100
2	Staffs has promoted in a fair and transparent manner.	3.03	1.107
3	The criteria for promotion are acceptable	2.95	1.116
4	My job allows me for rapid promotion	3.08	1.081
5	I’m satisfied with promotion system of the ET	3.28	1.147
	<b>Over all</b>	<b>3.09</b>	<b>1.11</b>

Source: Survey data, 2024

Above Table 7, item 1 “There is opportunity of Promotion in my organization”, item 2 “Staffs has promoted in a fair and transparent manner”, item 3 “The criteria for promotion are

acceptable”, item 4 “My job allows me for rapid promotion” and item 5 “I’m satisfied with promotion system of the ET” has scored (M=3.13 SD=1.1, M=3.03 SD=1.107, M=2.95 SD=1.116, M=3.08 SD=1.081 and M=3.28 SD=1.147) respectively. From above result a researcher conclude that there is no fair opportunity of promotion, employees are not promoted in fair and transparent, there is moderate criteria of promotion, job of ET contact center also not good for rapid promotion and ET contact center employee are moderate level of on ET promotion system.

Additionally, as per Table 7; the average mean result falls between the ranges of 2.6 to 3.399 which is 3.09 this means that majority of the respondents tend to be undecided/neutral about promotion management practice of ET. From the above results researcher conclude that ET will give attention and do on more on promotion since, contact center employees are not having good attitude towards their promotion management practice.

#### 4.3.5. Career growth opportunities

To analyze Attitude of employees to wards career growth opportunities in ET contact center. The researcher use the following four statements related with career growth opportunities for respondents rating indicates level of their agreement on each statement.

Table 8: Response on Career growth opportunities

R. No	Items related with career growth opportunities	Mean	Std. Deviation
1	My present job provides me with good opportunities to develop my career goals.	2.78	1.080
2	My present job encourages me to accumulate richer work experiences.	3.03	1.040
3	My present job has the same growth opportunities with other section of ET.	2.95	1.029
4	I believe I have good opportunity for personal development and growth in ET.	3.02	1.103
	<b>Average mean</b>	<b>2.94</b>	<b>1.06</b>

Source: Survey data, 2024

In above table 8, item 1, “My present job provides me with good opportunities to develop my career goals” item 2 “My present job encourages me to accumulate richer work experiences”,

item 3 “My present job has the same growth opportunities with other section of ET” and item 4 “I believe I have good opportunity for personal development and growth in ET” has scored (M=2.78 SD=1.08, M=3.03 SD=1.04, M=2.95 SD=1.029 and M=3.02 SD=1.103) respectively.

From the above result a researcher conclude that, ET contact center are neutral on their present job provides them with good opportunities to develop their career goals and ET should work on create career opportunities for employee, employees’ present job not encouraged them to accumulate richer work experiences, employees’ have undecided for fairness of promotion speed in ET, and it should give attention in area and employees believe they have no good opportunity for personal development and growth in ET. The Overall Average mean on Career growth opportunities is moderate with mean of 2.94 which is fall in range of 2.6 to 3.399. From this analyzed data the researcher conclude that ET has no good Career growth opportunity management practice. Therefore, the above result entail that ET should work more on career growth opportunities management practices.

#### 4.3.6. Supervisor support

Supervisor support is extent to which supervisor value their employee’s contribution and care about their wellbeing. The researcher analyzes attitude of employee towards their supervisor support practice based on their agreement on the following four statements.

Table 9: Response Supervisor support

R. No	Items related with supervisors support	Mea n	Std. Deviation
1	My immediate supervisor is respectful of my views and ideas.	3.06	1.034
2	My immediate supervisor helps me to improve myself.	3.10	1.050
3	My immediate supervisor knows what is going on in my work group.	3.01	1.020
4	My immediate supervisor gives feedback in a way that feels safe.	2.94	0.993
	<b>Average mean</b>	<b>3.03</b>	<b>1.02</b>

Source: Survey data, 2024

The above Table 9, item 1 “My immediate supervisor is respectful of my views and ideas”, item 2 “My immediate supervisor helps me to improve myself”, item 3 “My immediate supervisor knows what is going on in my work group” and item 4 “My immediate supervisor gives feedback in a way that feels safe” has scored (M=3.06 SD=1.034, M=3.10 SD=1.105, M=3.01 SD=1.02, M=2.94 SD=0.993) respectively. This result implies ET contact center employee has moderate rate at all items.

Similarly, the average mean result falls between the range of 2.6– 3.399 which is 3.03 this means that majority of the respondents tend to be undecided about supervisor support. From the above results researcher conclude that ET will give attention and do on supervisor support management practice and also supervisors give attention on supporting contact center staffs.

#### 4.3.7. Recognition

The information in this section describes employee attitude towards recognition management practice of ET contact center. The researcher was utilized six statement to evaluate this dimension depending on their level of agreement or dis agreement on statement by using five point Likert’ s scale. The following table indicates level of Agreement of respondent on each item related with recognition.

Table 10: Response on Recognition

<b>R. No</b>	<b>Items related with recognition</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	When I receive recognition, I am more motivated to perform better	3.53	1.186
2	I feel that my efforts are being appreciated.	3.37	1.152
3	The nature of my job helped me to get tangible recognition for my performance	3.42	1.130
4	I get credit for what I do	3.15	1.097
5	I get constructive criticism about my work	2.92	1.100
6	I receive feedback on my progresses,	3.62	1.280
	<b>Average mean</b>	<b>3.33</b>	<b>1.16</b>

Source: Survey data, 2024

The above Table 10, item 1, shows, employee level of Agreement on “When I receive recognition, I am more motivated to perform better”. Employee highly agree with (M=3.53, SD=1.186). This implies that employees are more motivated to perform better when receive recognition. So, ET will provide recognition to employee to motivate them more.

As data in Table 10, item 2 employees agree or not that “employees feel that their efforts are being appreciated”. Accordingly, the total mean value (M=3.37, SD=1.152), the majority of the employees agreed moderately as employees feel that their efforts are being appreciated. From the data analysis, result one can conclude that employees feel that their efforts are being appreciated which was moderately effective.

As per Table 10, item 3, “the nature of employees’ job helped them to get tangible recognition for their performance”. The mean confirmed that highly agreed as the nature of employees’ job helped them to get tangible recognition for their performance with (M=3.42, SD=1.130). Therefore, from the data analyzed the researcher concluded that the nature of employees’ job helped them to get tangible recognition for their performance.

In above Table 10, item 4 shows “employees get credit for what they do or not”. The mean is confirmed that low level that is (M=3.14, SD=0.097). From this, it can be concluded that employees do not get credit for what they do So, ET work in area.

As per Table 10, item 5, “employees get constructive criticism about their work”. The mean confirmed that moderately as the employees get constructive criticism about their work with (M=2.92, SD=.100). Therefore, from the data analyzed the researcher concluded that employees get constructive criticism about their work at moderately, ET contact center improve providing constructive criticism for employee about their work since employee are undecided in area.

In response to item, 6 Table 10, “employees receive feedback on their progresses”. The mean is confirmed that high rate that was (M=3.62, SD=1.280). During the interview one of ET contact center Manager said that “*We focus on motivating our employees to work with full of morale and motivation by appreciating and recognizing their KPI performance by giving feedback daily, weekly, monthly, quarterly and yearly.*” From this, it can be concluded that employees receive feedback on their progresses. The average mean of attitude of employee towards recognition

management practice of ET contact center is moderate with mean of 3.33. This indicate ET has recognized their employee and their employee have moderate level attitude towards their recognition management practices. Researchers derive from the above mentioned results that ET should give attention and do more on employee recognition.

#### 4.3.8. Work condition

This section looks at analysis of employee attitude towards working condition of ET. Researcher evaluated this dimension with respect to level of their agreement on the following statements.

Table 11: Response on Work condition

R. No	Items related with work condition	Mean	Std. Deviation
1	ET have positive working environment.	3.94	1.156
2	ET grantee autonomy at work for employees	4.19	.833
3	I get Flexibility in work	3.89	1.376
4	My company gaining respect from others motivate me to do well	4.33	.871
	<b>Average mean</b>	<b>4.08</b>	<b>.969</b>

Source: Survey data, 2024

Table 11, item 1, 2, 3 and 4, shows employee agreement on “ET have positive working environment”. “ET grantee autonomy at work for employees”. “I get Flexibility in work,” and “My company gaining respect from others motivates me to do well”. On this entire item employee agreed that high rate with (M=3.94, SD=1.156); (M=4.19, SD=1.001), (M=3.89, SD=1.376) and (M=4.33, SD= .871) respectively. And the overall mean is 4.08. From this analysis the researcher concluded employees have good attitude towards working condition of ET and it keep up it.

Based above analysis, researcher conclude that, employee have good attitude towards Variable payment and work condition while moderate attitude at Salary, Recognition, supervisor support and career growth opportunities, benefit and promotion management practice of Ethio Telecom.

#### 4.4. Status of Employees Job Performance

To analyze the perceptions of employees about their status of job performance, the researcher used the following statements for respondents rating. The findings were shown on Table 12 below.

Table 12: Response on Employees job performance

R. No	Items related with employees job performance	Mean	Std. Deviation
1	I complete my work with in the time allocated.	3.76	1.340
2	I work overtime to complete my tasks.	3.29	1.218
3	The degree to which I do my work meets our customers' requirements.	3.76	1.158
4	My performance is measured against the productivity.	3.52	1.326
5	I attend to my work with speed and accuracy.	3.98	1.103
6	My performance has continually improved.	4.18	.878
7	I take time to listen to my clients to ensure I attend to them effectively.	3.22	1.470
8	I do my work effectively without complaining.	1.96	1.013
9	I combine the available resources very well to provide quality services.	3.89	1.073
10	I usually take time to follow up with clients to ensure that they are satisfied with my services.	3.98	.746
11	Employees report on duty early and leave very late.	3.87	1.382
12	I record down a number of activities in my to do list before starting on the day's work.	2.29	1.151
13	My job is in line with my interests, skills and attitudes.	3.85	1.196
	<b>Overall mean</b>	<b>3.50</b>	<b>1.158</b>

Source: Survey data, 2024

As indicated on table 12 regarding employees job performance, employees rated the following indicators at high rate. These are: employees complete their work with in the time allocated (M=3.76, 1.340); the degree to which employees work to meet customers' requirements (M=3.76, SD=1.158); employees performance is measured against the productivity(M=3.52, SD=1.326);

employees attend to their work with speed and accuracy ( $M=3.98$ ,  $SD=1.103$ ); employees performance has continually improved ( $M=4.18$ ,  $SD=.878$ ); employees combine the available resources very well to provide quality services ( $M=3.89$ ,  $SD=1.073$ ); employees usually take time to follow up with clients to ensure that they are satisfied with my services ( $M=3.98$ ,  $SD=.746$ ); Employees report on duty early and leave very late ( $M=3.87$ ,  $SD=1.382$ ) and employees job is in line with their interests, skills and attitudes ( $M=3.85$ ,  $SD=1.196$ ).

Based on this analysis it is concluded as the employees job performance was found at high rate were employees complete their work with in the time allocated; the degree to which employees work to meet customers' requirements; employees performance is measured against the productivity; employees attend to my work with speed and accuracy; employees performance has continually improved; employees combine the available resources very well to provide quality services; employees usually take time to follow up with clients to ensure that they are satisfied with my services; Employees report on duty early and leave very late and employees job is in line with their interests, skills and attitudes. On the same table respondents replied as employees work overtime to complete my tasks ( $M=3.29$ ,  $SD=1.218$ ) and employees take time to listen to their clients to ensure I attend to them effectively ( $M=3.22$ ,  $SD=1.470$ ) were found at moderate. From this it possible to summarize that employees work overtime to complete their tasks; and employees take time to listen to their clients to ensure they attend to them effectively found at moderate level. Furthermore, employees record down a number of activities in their to do list before starting on the day's work employees work effectively without complaining was rate at low with ( $M=2.29$ ,  $SD=1.151$ ) and ( $M=1.96$ ,  $SD=1.013$ ) respectively. From this data it possible to conclude that employees record down a number of activities in their to do list before starting on the day's work and employees work effectively without complaining was found at less area. However, the overall mean of status of employee job performance of ET contact center is good with mean of 3.50. From this analysis the researcher concluded that Status of employee job performance of ET contact center is good.

## **4.5. The Relationship Between Compensation Management Practices and Employees job Performance**

To explore the link between compensation management and employee job performance the researcher conducted correlation analysis. Correlation coefficient can take a number with + or – sign (Reimann et.al, 2008). The researcher use Pearson correlation coefficient to analysis correlation. In this method a result in a number between –1 and +1 that expresses how closely the two variables are related,  $\pm 1$  shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables (Reimann et.al, 2008). In relation to the magnitude of correlation coefficient, Cohen (1988) stated that a correlation coefficient between, 0.10 to 0.29 can be considered as small or weak, from 0.30 to 0.49 medium and from 0.50 to 0.10 large or strong.

Table 13: Correlation between the compensation management practices and employee job performance.

		Salary	Variable payment	Benefit	Promotion	Career growth opportunities	Supervisor support	Recognition	Work condition	Employees Job Performance
<b>Salary</b>	Pearson Correlation	1	.683**	.556**	.613**	.380**	.682**	.719**	.562**	.791**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.000	.000
	N	98	98	98	98	98	98	98	98	98
<b>Variable Payment</b>	Pearson Correlation	.683**	1	.650**	.834**	.269**	.784**	.815**	.621**	.872**
	Sig. (2-tailed)	.000		.000	.000	.007	.000	.000	.000	.000
	N	98	98	98	98	98	98	98	98	98
<b>Benefit</b>	Pearson Correlation	.556**	.650**	1	.583**	.319**	.649**	.812**	.710**	.784**
	Sig. (2-tailed)	.000	.000		.000	.001	.000	.000	.000	.000
	N	98	98	98	98	98	98	98	98	98
<b>Promotion</b>	Pearson Correlation	.613**	.834**	.583**	1	.212*	.659**	.718**	.548**	.786**
	Sig. (2-tailed)	.000	.000	.000		.036	.000	.000	.000	.000
	N	98	98	98	98	98	98	98	98	98
<b>Career growth opportunities</b>	Pearson Correlation	.380**	.269**	.319**	.212*	1	.249*	.283**	.127	.372**
	Sig. (2-tailed)	.000	.007	.001	.036		.013	.005	.211	.000
	N	98	98	98	98	98	98	98	98	98
<b>Supervisor support</b>	Pearson Correlation	.682**	.784**	.649**	.659**	.249*	1	.839**	.575**	.849**
	Sig. (2-tailed)	.000	.000	.000	.000	.013		.000	.000	.000
	N	98	98	98	98	98	98	98	98	98
<b>Recognition</b>	Pearson Correlation	.719**	.815**	.812**	.718**	.283**	.839**	1	.756**	.911**
	Sig. (2-tailed)	.000	.000	.000	.000	.005	.000		.000	.000
	N	98	98	98	98	98	98	98	98	98
<b>Work condition</b>	Pearson Correlation	.562**	.621**	.710**	.548**	.127	.575**	.756**	1	.732**
	Sig. (2-tailed)	.000	.000	.000	.000	.211	.000	.000		.000
	N	98	98	98	98	98	98	98	98	98
<b>Employees Job Performance</b>	Pearson Correlation	.791**	.872**	.784**	.786**	.772**	.849**	.911**	.732**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	98	98	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As shown in (Table 13) item 1, the existing salary payment of the ET Contact Center have strong positive and significant relationship with employees' job performance, which is confirmed with correlation value of (n=98,  $r=.791$ ,  $p<0.01$ ).

The above correlation matrix table (13) illustrates that there is positive and significant relationship between Variable payment and employee job performance (n=98,  $r= 0.872$ ,  $p<0.01$ ). The correlation coefficient value that shows Variable payment with employee job performance level correlated in strong relationship.

As shown in (table 13) the study found that there was positive and significant relationship between the existing benefit practices of the ET Contact Center with employees' job performance. This is confirmed with correlation coefficient value (n=98,  $r= 0.784$ ,  $p<0.01$ ). The magnitude of the correlation is strong and positive and statistically significant. This means an increase in existing benefit practice activities will bring an increment in employees' job performance.

As seen in (Table 13), the relationship between promotion and employees job performance was tested, the result shows, positive and significant relationship between promotion and employees job performance of ET Contact Center (n=98,  $r= 0.786$ ,  $p<0.01$ ). From this, it can infer that there is strong positive and significant relationship between promotion and employees job performance. This means an increase in existing promotion practice within the ET will bring an increment in employees' job performance.

As shown in (table 13) the study found that there was positive and significant relationship between the existing career growth opportunities of the ET Contact Center with employees' job performance. This is confirmed with correlation coefficient value (n=98,  $r= 0.772$ ,  $p<0.01$ ). The magnitude of the correlation is strong positive and statistically significant. This means, an increase in existing career growth opportunities will bring increase in employees' job performance.

As seen in (Table 13), the relationship between supervisor support and employees job performance was tested, the result shows, strong positive and significant relationship between supervisor support and employees job performance of ET Contact Center (n=98,  $r= 0.849$ ,  $p<0.01$ ). From this, it can infer that there is strong positive and significant relationship between supervisor support and employees job performance,  $p\leq.001$ . This means an increase in existing supervisor support practice within the ET will bring an increment in employees' job performance.

The above correlation matrix table (13) illustrates that there is strong positive and significant relationship between recognition and employee job performance ( $n=98$ ,  $r= 0.911$ ,  $p<0.01$ ). This indicates that an increase in existing recognition practice within the ET will bring an increment in employees' job performance.

As shown in (table 13) the study found that there was positive and significant relationship between the work condition and employee job performance of the ET Contact Center. This is confirmed with correlation coefficient value ( $n=98$ ,  $r= 0.732$ ,  $p<0.01$ ). The magnitude of the correlation is strong positive and statistically significant. This means an increase in existing working condition practice activities will bring an increment in employees' job performance.

## **4.6. Effect of Compensation Management Practices on Employees' job Performance**

Regression is the determination of a statistical relationship between two or more variables. The process of calculating a coefficient of multiple determination (or multiple regression coefficient) and regression equation using two or more independent variables is termed multiple regression analysis. This study conducted multiple linear regression analysis to examine the influence of Compensation management on employees' job performance in ET Contact Center. The findings from the regression analysis are indicated in subsequent sections.

### **4.6.1 Tests of assumptions of Multiple Linear Regressions**

#### **4.6.1.1 Multi-collinearity Test**

Multi-collinearity is an often encountered statistical phenomenon in which two or more independent variables in a multiple regression model are highly correlated (Sekaran & Bougie, 2016). A problem occurs when the explanatory variables are very highly correlated with each other, and this problem is known as multi-collinearity (Brooks, 2014).

According to Sekaran and Bougie (2016), more common measures for identifying multicollinearity are the tolerance value and the variance inflation factor (VIF - the inverse of the tolerance value). These measures indicate the degree to which one independent variable is explained by the other independent variables. A common cutoff value is a tolerance value of greater than 0.10, which corresponds to a VIF of less than 10. Table 14 shows the analysis of

collinearity statistics that indicates the tolerance and VIF values ensuring there is no problem of multi-collinearity.

Table 14: Collinearity Statistics

R. No	Compensation Management Dimensions	Collinearity Statistics	
		Tolerance	VIF
1	Salary	0.400	2.497
2	Variable payment	0.187	5.344
3	Benefit	0.299	3.345
4	Promotion	0.296	3.383
5	Career growth opportunities	0.782	1.278
6	Supervisor support	0.248	4.028
7	Recognition	0.123	8.150
8	Work Condition	0.368	2.715

Source: Survey data, 2024

#### 4.6.1.2 Normality Test

Normality is one of the most common assumptions made in the development and use of statistical procedures. Prior to using statistical tests, it is necessary to assess the normality of data. Probability-probability (P-P) plot were selected to test the normality pattern of the data. When a P-P plot looks like straight line from left to right, it shows a normality pattern of data. The following P-P plot showed that the data are normally distributed (see figure 2).

### Normal P-P Plot of Regression Standardized Residual

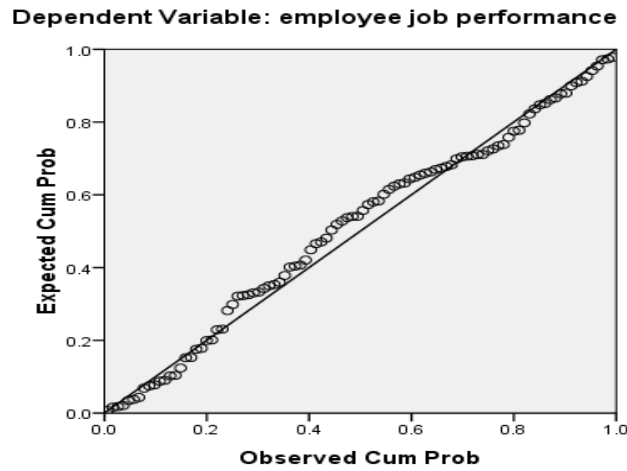


Figure 2: Normal P-P Plot of Regression Standardized Residual

#### 4.6.1.3 Homoscedasticity test

Homoscedasticity assumption refers to equal variance of residual across all level of independent variable. That is, at each point along any variable, the spread of residuals should be fairly constant. If dot points are concentrated around zero in the scatter plot, it indicates that the assumption of homoscedasticity is satisfied. As depicted in the following figure 3, spread of residual were constant at all level of independent variable, a dot point was concentrated around zero in scatter plot, so homoscedasticity assumption was satisfied.

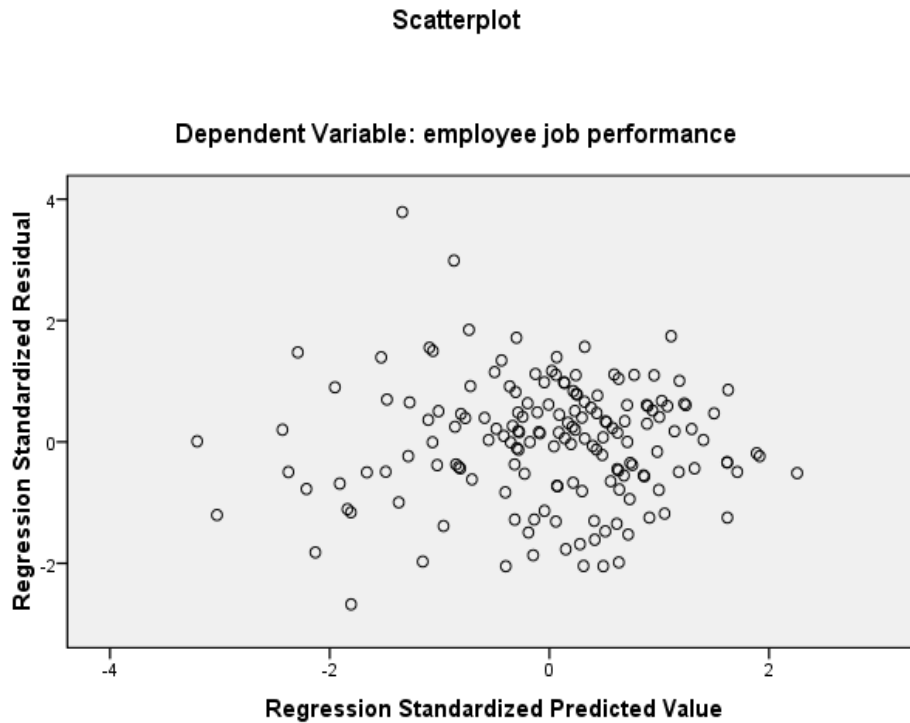


Figure 3: Scatter plot of homoscedasticity

#### 4.6.2. Results of Regression Analysis

Regression analysis was conducted to examine the effects of Compensation management practices on employees’ performance

##### 4.6. 2.1. Model Summary

Table 15: Model Summary

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963a	.927	.920	.17979
a. Predictors: (Constant), Work condition, Career growth opportunities, Promotion, Supervisor support, Salary, Benefit, Variable Payment , Recognition				
b. Dependent Variable: Employees’ Job Performance				

Source: Survey data, 2024

R- Square is statistical measures that tell the proportion of variance for dependent variable that's explained by independent variable included in regression model. The value of R square in this study was 0.927. This result implies that 92.7% variation of employees' job performance was explained in all the independent variables (work condition, salary, Variable payment, benefit, career growth opportunities, recognition, promotion and supervisor support). The remaining 7.3% variation of employees' job performance was explained by other factors not included in this study.

**4.6.2.2 Analysis of variance (ANOVA) test**

Table 16: ANOVA test result

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.461	8	4.558	140.995	.000 <sup>b</sup>
	Residual	2.877	89	.032		
	Total	39.338	97			
a. Dependent Variable: Employees Job Performance						
b. Predictors: (Constant), Work condition, Career growth opportunities, Promotion, Supervisor support, Salary, Benefit, Variable Payment, Recognition						

Source; Survey data, 2024

Analysis of variance (ANOVA) table shows the overall significance of the model from a statistical perspective. Table (16) shows ANOVA test for this study produced an F-value of 140.995 being significant at P = 0.000 which is less than 0.05 level of significance. ANOVA test indicated that the regression models statistically significant in predicting effect of independent variables such as, salary, Variable payment, benefit, promotion, career growth opportunities, supervisor support, recognition and work condition on dependent variable (employee job performance).

### 4.6.3 Regression Coefficients

Table 17: Regression coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.573	.128		4.496	.000
	Salary	.465	.047	.561	9.970	.000
	Variable payment	.323	.044	.309	7.302	.000
	Benefit	.172	.051	.132	3.387	.001
	Promotion	.455	.056	.596	8.098	.000
	Career growth opportunities	.031	.065	.034	.482	.631
	Supervisor support	.351	.067	.419	5.245	.000
	Recognition	.378	.054	.388	6.952	.000
	Work Condition	.212	.061	.264	3.500	.001
a. Dependent Variable: Employees job performance						

Source: Survey data, 2024

According to the regression Analysis on table (17): unstandardized coefficient (B) indicate, effect of one independent variable on dependent variable if another variable remains constant. Accordingly, when all independent variable (Salary, benefit, Variable payment, promotion, career growth opportunities, supervisor support, recognition and working condition) are constant, employee job performance of ET will be 5.73. Other independent variable remain constant one unit increase in salary will lead to a 46.5% increase in employee job performance, one unit increase in Variable payment will lead to 32.3 % a increase in employee job performance; one unit increase in benefit will lead to increase 17.2 % in employee job performance, one unit increase in promotion will lead to 45.5% increase in employee job performance, one unit increase in career growth opportunities will lead to 3.1% increase in employee job performance, one unit increase in supervisor support will lead to 35.1% increase in employee performance, one unit

increase in recognition will lead to 37.8% increase in employee performance and one unit increase in working condition will lead to 21.2 % increase in employee performance.

In above table (17) salary ( $\beta = 0.465$ ,  $p = 0.000$ ), Variable payment ( $\beta = 0.323$ ,  $p = 0.000$ ), benefit ( $\beta = 0.172$ ,  $p = 0.001$ ), promotion ( $\beta = 0.455$ ,  $p = 0.000$ ), supervisor support ( $\beta = 0.351$ ,  $p = 0.000$ ), recognition ( $\beta = 0.378$ ,  $p = 0.000$ ) and work condition ( $\beta = 0.212$ ,  $P = 0.001$ ) have positive and significant effect on employee performance. Whereas, career growth opportunities ( $\beta = 0.031$ ,  $P = 0.631$ ), have positive and insignificant effect on employee performance.

Based on analyzed data in above table (18) Among the eight variables, salary has the highest important effect on employee job performance, Therefore, ET should be given high attention on salary management practice to offering a better employee job performance.

*As two managers of ET contact center stated during interview, compensation management of ET contact center effect employees job performance. Clearly seen effect of ET contact center compensation practice has employee are dis-comfortable by compensation practice of organization due to this there is high employee turnover in organization, there is low employee commitment in organization as well as organization lose experienced employee and then suggest the following as a solution: The jobs have to be classified in a way that address the real requirements to perform the jobs; The job specifications need a thoughtful thinking to determine the respective academic qualifications and experiences relevant to perform the jobs; The salaries and the benefits attached to the positions have to be as competitive; The promotion and employment criteria and the whole process have to be transparent and communicated well to all employees and So that they would develop confidence in recruitment and promotion activities; Career development plan has to prepared; The specifications have to be revised; the ET contact center have to be given mandate to continually update the job classification and compensation packages and the capacity of the advisors (employee of contact center) needs to be developed so that they can easily respond to the changes.*

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the results of the study's analysis, draws conclusions from those findings, offers recommendations from the researcher, and discusses the implications for further research in the subject matter.

#### 5.1. Summary of Major Findings

The main objective of this study was to investigate the effect of compensation management practice on employee job performance in ET Contact Center. To this end, the study adopted descriptive and explanatory research designs to answer the study objectives. In order to solve the aforementioned problems, the study raised the following four basic questions:

- What is the ET employees' attitude towards the compensation practice of the ET Contact Center?
- What is the status of employees' performance of Ethio Telecom?
- What is the relationship between compensation management practices with employee job performance in ET Contact Center?

Based on the analysis of the data, the following findings are drawn.

- **Employees' attitude towards the compensation management practices' of ET in Contact Center.**

Attitude of employee towards compensation management practices of the ET in Contact Center was found at good level for Variable payment and work condition management practices with M= 3.41, M= 4.08 respectively. While found at moderate level for Salary, benefit, promotion, career growth opportunities, supervisor support and recognition management practice with M=3.38, M=3.37, M=3.09, M= 2.94, M=3.03, M=3.33 respectively.

➤ **The status of employees' job performance in ET Contact Center**

With regards to the status of employees' job performance of ET Contact Center was found at good with mean of (M=3.50, SD=1.158). However, employees work overtime to complete my tasks; and employees take time to listen to their clients to ensure I attend to them effectively were found at moderate. Furthermore, employees record down a number of activities in them to do list before starting on the day's work and employees work effectively without complaining was rate at low rate.

➤ **The relationship between compensation management practice and employee job performance in ET of Contact Center**

The relationship between compensation management with employee job performance in ET Contact Center was positive and significant. This is confirmed by the correlation coefficient result  $r = .791$ ,  $r = .874$ ,  $r = .784$ ,  $r = .786$ ,  $r = .772$ ,  $r = .849$ ,  $r = .911$  and  $r = .732$  with  $n=98$  and  $sign=0.000$  for salary, Variable payment, benefit, promotion, career growth opportunities, supervisor support, recognition and work condition respectively. There is strong positive and significant relationship between recognition and employee job performance which is followed by working condition and supervisor support, salary, benefit, career growth opportunities and Variable payment respectively.

➤ **The effect of compensation management practice on employee performance in ET Contact Center.**

Compensation management practices of ET Contact Center have positive effect on employee job performance. According to regression coefficient seven independent variable such as salary ( $\beta = 0.465$ ,  $p = 0.000$ ), Variable payment ( $\beta = 0.323$ ,  $p = 0.000$ ), benefit ( $\beta = 0.172$ ,  $p = 0.001$ ), promotion ( $\beta = 0.455$ ,  $p = 0.000$ ), supervisor support ( $\beta = 0.351$ ,  $p = 0.000$ ), recognition ( $\beta = 0.378$ ,  $p = 0.000$ ) and work condition ( $\beta = 0.212$ ,  $P = 0.001$ ) have positive and significant effect on employee job performance. Whereas, career growth opportunities ( $\beta = 0.031$ ,  $P = 0.631$ ), have positive and insignificant effect on employee performance.

## **5.2. Conclusion**

The objective of the study was to investigate the effect of compensation management practice on employee job performance in ET found in Contact Center.

According to above finding, the organization will give attention on compensation and overall management of the compensation practice as its influence to the employees' job performance. Additionally, the findings entail the organization to consider its compensation practices with regards to Salary, benefit, promotion, career growth opportunities, supervisor support and recognition as employees' interest to serve the ET contact center is also considerably influenced by these factors. Pearson correlation coefficient shows that there is a positive relationship between compensation management and the employee job performance. There is strong positive and significant relationship between recognition and employee job performance which is followed by working condition and supervisor support, career growth opportunities, salary, benefit and Variable payment. The study's findings also reveal that compensation management practice have positive effect on employees' job performance. As regression coefficient shows salary, Variable payment, benefit, promotion, supervisor support, recognition and work condition have positive and significant effect on employee job performance whereas career growth opportunity have positive and insignificant effect on employee job performance.

### **5.3. Recommendations**

Based on above finding and conclusion, the researcher forwards the following recommendations:

- The compensation package should be equitable, transparent, and impartial in relation to other companies such as bank, Safaricom, Ethio Arirlines and NGO'S. The compensation practices being applied should be merit based and key performance indicators should be stated and make clear to employees in order to ensure fairness in determining merit based compensation.
- The ET should revise indirect financial compensation system like stock ownership, accident relief, educational reimbursement, hardship allowance and profit sharing for employees to make them satisfied and productive.
- The researcher also suggests that the company has to invest very well in other variables that can empower the employee that enhance performance of the ET by arranging schedule to attend second degree.
- If the ET want to sustain in the modern competition, motivate and retain competent employees the current compensation and benefit package of ET should be restructure and improved again. Employees should participate actively in designing and redesigning of compensation and benefit policy decision process, so that the sense of responsibility entrusted into employees will enhance.
- Career development programs should be designed to help employees in meeting new demands through a range of developmental and skills upgrading activities. The company should also have a structured career development plan.

### **5.3. Implication for future study**

The study was addressed effect of compensation management practices on employee Job performance in one telecommunication sector that is Ethio Telecom Contact Center. Such finding may not represent entire sector. Other researchers who have interest in area able to conduct in other sector, such as industry, bank, public organization NGO's etc. As model summary shows 92.7% compensation management factors that affect employee job performance covered in this study. Future researcher may able to cover remaining 7.3% factors of compensation management practice effect employee job performance.

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**APPENDIX: 1**  
**QUESTIONNAIRE TO BE FILLED BY RESPONDENTS**

**ADDIS ABABA UNIVERSITY**  
**COLLAGE OF BUSINESS AND ECONOMICS**  
**DEPARTEMENT OF MANAGEMENT**

**Dear Respondents,**

My name is Gada Gemsisa and I am a masters graduate candidate at Addis Ababa University. I would like to thank you in advance for showing willingness to fill the research questionnaire. This questionnaire is designed to collect data from employees that are working in Ethio Telecom Contact Center. The data is collected for partial fulfillment of Master of Arts in Business Administration under the research entitled “*Effect of compensation management practices on employees’ job performance in Ethio Telecom Contact Center*”.

Please read this information before you start completing.

1. Purpose: The study is intended for academic purpose. Besides, the output of the study may help as an input for the organization for any improvement in the future.
2. Confidentiality: The records of this study will be kept private and stored securely. In the final reports, there will be no information included that will make it possible to identify you as a research respondent.
3. Please consider that the success of this study will highly be relied up on your honest and unbiased response. Thank you again for giving your valuable time, your genuine feedback and timely response!!!

**General Instructions**

- ✓ No need to write your name
- ✓ Put “√” mark in the box to the point which highly reflects your idea.
- ✓ If you have any question, comment or suggestions contact me on the following address.

Mobile: 0911525091



	<b>1.1.2. Variable payment (Bonus, Tips, Commission)</b>					
1	Rewards benefit will boost my motivation to work hard					
2	The ET gives employees incentives.					
3	Allowances and wages given to employees are commensurate to the work done.					
4	The ET ensures timely payment of due allowances					
5	The ET pays extra attention especially when paying for extra work done					
6	The ET gives packages/presents/gifts to outstanding performers					
	<b>1.2. Indirect Financial compensation</b>					
	<b>1.2.1. Benefit</b>					
1	ET provides basic benefits to its employees.					
2	Considering my duties and responsibilities, I feel the total package of my benefit is fair.					
3	Compared to other people doing similar work at ET, I think my benefit is fair.					
4	Compared to other people doing similar work outside ET, I think my benefit is fair.					
5	The medical allowance that ET is offering me is fair.					
6	The transportation allowance that ET is offering me is fair.					
7	The hardship allowance that ET offers to its employees is fair.					
	<b>1.2.2. Promotion</b>					

1	There is opportunity of Promotion in my organization.					
2	Staffs has promoted in a fair and transparent manner.					
3	The criteria for promotion are acceptable					
4	My job allows me for rapid promotion					
5	I'm satisfied with promotion system of the ET					

## 2. Non-Financial Compensation

Please tick in the appropriate box to indicate the extent to which you agree or disagree with each statement. With 1. Strongly Disagree (SD), 2. Disagree (D), 3. Undecided (UN), 4. Agree (A) and 5. Strongly Agree (SA)

Perceptions of respondents towards the Practices of Non-Financial Compensation Management		Level of Agreement Scale				
		SD	D	UD	A	SA
<b>2.1. Career growth opportunities</b>						
1	My present job provides me with good opportunities to develop my career goals.					
2	My present job encourages me to accumulate richer work experiences.					
3	My present job has the same growth opportunities with other section of ET.					
4	I believe I have good opportunity for personal development and growth in ET.					

	<b>2.2. Supervisor support</b>					
1	My immediate supervisor is respectful of my views and ideas.					
2	My immediate supervisor helps me to improve myself.					
3	My immediate supervisor knows what is going on in my work group.					
4	My immediate supervisor gives feedback in a way that feels safe.					
	<b>2.3. Recognition</b>					
1	When I receive recognition, I am more motivated to perform better					
2	I feel that my efforts are being appreciated.					
3	The nature of my job helped me to get tangible Recognition for my performance					
4	I get credit for what I do					
5	I get constructive criticism about my work					
6	I receive feedback on my progresses					
	<b>2.4. Work condition</b>					
1	A positive working environment is important for me to perform well on my job.					
2	If I am granted autonomy at work, I will be motivated					
3	If I get Flexibility in work, I will be motivated.					
4	Gaining respect from others motivate me to do well					

### Part III: Measures of Employee Job Performance

Here are items that help to measure employee job performance. Please give them a rank based on a five point Likert Scale. Select No. 1 if you are strongly disagree with the statement and 5 if you are strongly agree with the statement. (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

R. No	Measures of Employees Job Performance	Level of Agreement Scale				
		SD	D	UD	A	SA
1	I complete my work with in the time allocated.					
2	I work overtime to complete my tasks.					
3	The degree to which I do my work meets our customers' requirements.					
4	My performance is measured against the productivity.					
5	I attend to my work with speed and accuracy.					
6	My performance has continually improved.					
7	I take time to listen to my clients to ensure I attend to them effectively.					
8	I do my work effectively without complaining.					
9	I combine the available resources very well to provide quality services.					
10	I usually take time to follow up with clients to ensure that they are satisfied with my services.					
11	Employees report on duty early and leave very late.					
12	I record down a number of activities in my to do list before starting on the day's work.					
13	My job is in line with my interests, skills and attitudes.					

**APPENDIX: 2**  
**INTERVIEW GUIDELINES**  
**ADDIS ABABA UNIVERSITY**  
**COLLAGE OF BUSINESS AND ECONOMICS**  
**DEPARTEMENT OF MANAGEMENT**

**Interview Guidelines**

This interview guideline is intended to gather relevant information regarding “*Effect of compensation management practices on employees’ job performance in Ethio Telecom contact center*”. This help to clearly see Effect of compensation management practice on employee job performance.

**Interview Questions**

1. Is there a clear compensation management policy which formally communicated to the employees?
2. How often the company compensation and benefit policy manual reviewed?
3. What are the main challenges of compensation management practices in ET?
4. What is the clearly seen effect of compensation management practice on employee job performance in ET?
5. What would you suggest to minimize the challenges of compensation management practices in ET for better employees’ performance?