



Project Paper on

The Role of Compensation System on Employees' Job Satisfaction in East Africa Bottling Share Company – Coca-Cola SABCO

In Partial Fulfillment of the Requirements for the Degree of Master of Arts in Human Resource Management

By

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**“The Role of Compensation Systems on Employees Job Satisfaction in East Africa
Bottling Share Company”**

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DECLARATION

I Desalegn Mekonnen, declare that this work entitled “**The Role of Compensation Systems on Employees’ Job Satisfaction in East Africa Bottling Share Company**” is an outcome of my own effort and that all source of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

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

Desalegn Mekonnen

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Date _____

STATEMENT OF CERTIFICATE

This is to certify that Desalegn Mekonnen has carried out his research work on the topic entitled, **“The Role of Compensation Systems on Employees’ Job Satisfaction in East Africa Bottling Share Company”** for the partial fulfillment of Masters of Art in Human Resources Management at Addis Ababa University-School of Commerce. This study is an original work and not submitted earlier for any degree either at this university or any other University and is suitable for submission of Masters Degree in Human Resource Management.

Advisor: Ato Abraraw Chane

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ACRONYMS

EABSC	East Africa Bottling Share Company
CCS	Coca-Cola Sabco
HR	Human Resource Competency
LR	Logistic Regression
SABCO	South Africa Bottling Company
S.C	Share Company
SHEQ	Safety Health and Environment Competency

ABSTRACT

This project was designed to study the role of compensation system on employees' job satisfaction on critical employees of East Africa Bottling Share Company. Data were collected through questionnaire prepared based on various scholars work. The validity of the instrument was checked using Cronbach Alpha and the result was 85.8%. 191 questionnaires were distributed to the sample respondents who are located in AddisAbaba in six competencies (departments). Of the total distributed questionnaires all were usable questionnaires at 100% response rate. Descriptive statistics and frequencies were utilized to analyze the data. Interpretation is made on frequency and percentage of the data. The relationship between demographic factors and job satisfaction was tested using Mann-Whitney test and Kruskal Wallis test. Hypothesis was tested using Logistic Regression. The study's result has implied that compensation system has a positive role on employees' job satisfaction in East Africa Bottling S.C. The company's compensation system consists of financial and non-financial rewards. Three hypotheses were supported and only one of them was rejected. To boost the job satisfaction of its employees, the company can work on its overall compensation system specifically on financial rewards with intensive work on procedural and distributive justices.

CHAPTER-I

INTRODUCTION

1. Background of the Study

In today's global market economy and age of competition, organizations are turning to their human capital as an important source of competitive advantage (Barney, 2001). According to resource-based view (Barney, 2001); competitive advantage of an organization lies primarily in the application of the bundle of valuable resources at the organizations disposal. Sources such as technology, capital, natural resources and economics of scale could create competitive advantage for organizations but these traditional sources have lost their competitive edge as they could be easily imitated by the competitors. Thus, employees have replaced them as a main source of competitive advantage (Ibid). Hence, human capital is the main means of competitiveness in the contemporary environment serving the same purpose.

In order to gain employees emotional and rational commitment, companies are expected to make sure that all employee satisfaction drivers are properly in place. There are several factors that determine employees' commitment. These factors are leadership, conducive working environment, compensation, and growth and development opportunities.

As part of the employment relationship, financial and non-financial rewards are provided to employees as compensation to their services. Compensation assists in recruitment, job performance, and job satisfaction. As a component of compensation, financially, the salaries must be fair according to employees' contribution to get a great sense of ownership and an interesting financial advantage for the employees. Non-financial reward should also be provided to employees for their contributions, (SHRM, 2012).

Employee job satisfaction is a reflection of how well an employee's expectations of a job are aligned with the reality of their work (Lund, 2003). Furthermore job satisfaction has been defined as "an employee's affective reactions to a job based on comparing desired outcomes with actual outcomes (Egan et al., 2004, Pg. 5)." Employees assess job satisfaction based on intrinsic job elements, such as feelings of purpose at work, and extrinsic job elements, such as compensation. The level of employee job satisfaction reflects the cumulative level of fulfilled job expectations. That is, employees expect

their job to provide a mix of these elements, for which each employee has distinct preferential values (Egan et al., 2004). While the range and importance of these preferences vary across employees, when the accumulation of unsatisfied expectations reaches a critical threshold there is less job satisfaction and greater possibility of dissatisfied employees, which results in greater employee turnover and poor performance.

East Africa Bottling Share Company (EABSC) has the mission to continually increase profitability, sustainable unit case sales of Coca Cola products by satisfying new and existing consumers through excellent market execution at an increasing return on investment. The company is striving to meet its vision to be one of the best bottler in the world in producing quality product and packaging standard.

Now-a-days, stiff competition, the arrival of mineral and distilled water bottling, juice factories, entrant of multi – national companies to the market, other beverage factories coupled with the economic growth of the country has brought major challenges in compensation structure and effort of increasing employees job satisfaction became very expensive than ever been before. Furthermore, employees' expectation on compensation for their contribution is becoming higher and diversified to their personal needs.

Thus, this happens to demand for highly diversified, comprehensive and competitive compensation structure which intern will bring huge cost implication to the business.

However, achieving high level of employees' job satisfaction is becoming a challenge in East Africa Bottling S.C.

Many researchers claimed that compensation contributes significantly for employees' job satisfaction. In the survey report, compensation and benefits are regularly among the top three factors affecting employee job satisfaction. According to HayGroup study (2011), compensation is at the second rank from seven factors which drive employees out of the company. While lack of career development opportunities is the first, the study showed work climate at third rank in order. We can see from the study that employees give more value for compensation than work climate and compensation and benefits have a positive relationship with the employees' job satisfaction. Therefore, it would be best to offer them a competitive salary and benefits, or reduce the gap between employees' salary expectations and employers' offers (IME, 2009).

According to several researchers, compensation and job satisfaction have positive relationship with each other. From Souza (2000) observation, compensation is a predictor of job satisfaction in that employees who are paid highly show a greater job satisfaction. Joanne (1980) also shares this view.

According to the survey report conducted by Society for Human Resource Management (SHRM), benefits have remained among the top two most important factors of job satisfaction to employees. Jumping from the number three position in 2012, compensation took the lead among job satisfaction contributors in 2013. Three-fifths (60%) of employees indicated that it was very important to their job satisfaction.

It is with this background, this research study will be undertaken to gain a more comprehensive understanding of the role of compensation system on employees' job satisfaction.

Thus, the purpose of this study is to research the role of compensation structure in driving employees' job satisfaction and assist by putting forward recommendations appropriate for East Africa Bottling Share Company.

2. Statement of the Problem

In order to identify the existing challenge in the company, review of annual Employee Engagement survey report (2015), annual performance appraisal document (2013 and 2014), turnover report (2013, 2014, and 2015), and exit interview record (2015) was made and result is presented in the upcoming paragraphs.

The 2015 Employee Engagement Survey Report of the company indicates that there is an overall retention risk of 346 employees out of 1091 survey participants. This means 32% of the employees do not want to stay with the company.

The 2013 and 2014 employee performance appraisal document review reveals that 50% of the 818 employees, and 30% of the 861 employees in the year 2013 and 2014 respectively, have scored below the target of three score. Meaning, the employees are not achieving the expected level of performance, which is three and above as per the performance management guideline of the organization. The implication of this is that there is a gap between the expectation of the organization and employee performance.

The document review with regard to preventable critical workforce indicates that out of the 361 professional workforces (i.e. Job grade 12 and above), 61 employees (17%), 50 employees (14%) and 60 employees (17%) have resigned in 2013, 2014 and 2015 respectively. This indicates that retention of professional workforce is another challenge for the company. In addition, according to the 2015 Exit Interview Summary report an exit interview was made on 37 employees out of 60 professionals who have resigned from the company. From these resigned employees, 62% have indicated that remuneration in the market is one of the pull factors whereas 17% reasoned that lack of job satisfaction is a push factor.

Therefore, as can be witnessed from the above reviews, there is an existing challenge in maintaining employee job satisfaction, expected performance and employee retention which can be combated by putting in place competitive and rewarding remuneration system.

As outlined above, there are indications that employees are leaving the organization due to remuneration and job satisfaction and also performance deficiencies are witnessed which can emanate from lack of job satisfaction.

Since the company is currently on aggressive expansions to maximize its market share in the country, retention of its professional workforce by maintaining their job satisfaction is one of the timely issues that the business needs to address.

Thus, this research intends mainly to study the role of compensation system on employees' job satisfaction in EBSC. The study specifically focuses on the existing compensation practice, compensation communication, and constructive discrimination of compensation and overall compensation system as factors affecting employees' job satisfaction.

3. Basic Research Questions

To realize its objective this study addresses the following basic research questions:

1. What is the existing compensation practice of the EABSC?

2. Which of the compensation components drive employee job satisfaction most, financial or non-financial reward?
3. Is there a relationship between compensation communication and job satisfaction?
4. Do distributive and procedural justices impact job satisfaction?
5. Does the company's practice of a constructive discrimination as a compensation system drive job satisfaction and retain critical staffs?

4. Objectives of the study

4.1. General Objective

The main objective of this study is to examine the role of compensation system on employee's job satisfaction in East Africa Bottling Share Company.

4.1.1. Specific Objectives

The specific objectives of this study are:

1. To examine the existing compensation practice of the EABSC.
2. Assess the practice of compensation system communication in EABSC
3. To review how distributive and procedural justices is realized in the company.
4. Examine how effective constructive discrimination is as part of compensation system.
5. To investigate the impact that the compensation system has on employees' job satisfaction of EABSC.

5. Conceptual Model

In Figure 1 conceptual framework, five independent variables and one dependent variable will be used to model the study. Financial and Non-financial rewards, Compensation Communication, Distributive and Procedural Justices and Constructive Discrimination are independent variables whereas Job Satisfaction is a dependent variable.

The model is developed from the tested model of Tahira Nazir, Saif-Ur-Rehman Khan, and et al (2013) in their study on "The Impact of Reward and Compensation on Job Satisfaction: Public and Private Universities of UK" published by Middle East Journal of Scientific Research (14 (3): 394-403, 2013).

Their model shows the relationship between Reward and Job Satisfaction and the impact on organizational commitment.



Source: Middle-East Journal of Scientific Research 14 (3): 394-403, 2013

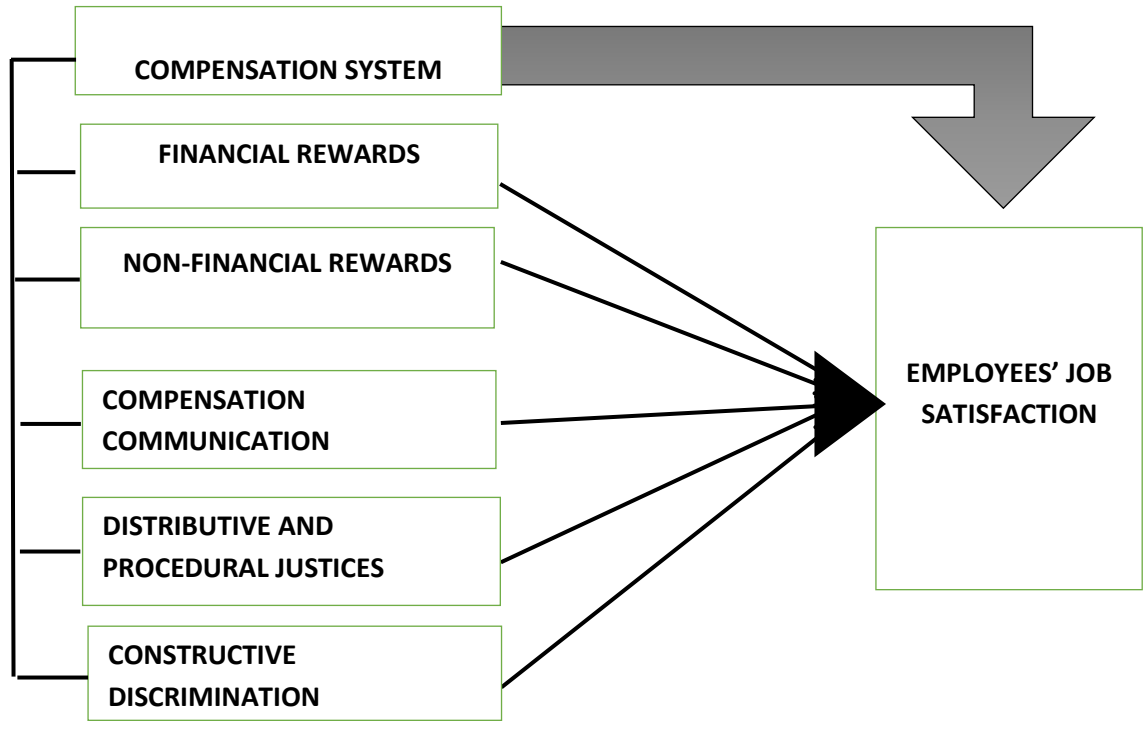


Figure 1-Proposed Conceptual Model

The researcher will prove through statistical tests and accept or modify the model as per the significance level of the relationship between the independent and dependent variables.

Derived from the model in Figure 1, the following hypotheses are developed for further testing either to accept or reject in conjunction with the research objectives.

6. Hypothesis

The research problem is designed to examine the relationship between Compensation System (the independent variable) and employee job satisfaction (the dependent variable). A cause and effect relationship will be assumed, since a variation in the dependent variables are expected when the independent variable changes. The direction of the relationship is assumed to be positive, since a well-designed, communicated and properly implemented compensation system is believed to increase employee's job satisfaction. Accordingly, the following researcher hypotheses are set emanated from the Figure 1.

H 1: There is a significant relationship between financial reward and job satisfaction

Different scholars opined that there is direct relationship between financial reward and job satisfaction. Bozeman and Gaughan (2011) have also concluded that the perception of being paid what one is worth predicts job satisfaction. The Faculty who agree that they are paid "what they are worth" in the market place tend to have higher levels of job satisfaction than those who do not.

Thus, the researcher is going to test this hypothesis and if it is in line with the conclusion of the researchers in the field.

H 2: There is positive relationship between distributive and procedural justices and job satisfaction

Employee morale and satisfaction are the two most profound variables which affect the performance of an organization. Concerns about distribution of resources have to do with distributive justice, concerns about fairness of decision-making procedures have to do with procedural justice (Colquitt, J., Greenberg, J., & Zapata-Phelan, C. P, 2005).

There are two sides to the justice coin. On the negative side, the absence of justice is likely to provide problems for organizations. There is strong evidence that justice can provoke retaliation, lower performance and harm morale (Cohen-Charash & Spector, 2001; Colquitt et al; 2001; Viswesvaran & Ones, 2002). On the positive side justice can do more than forestall these unfortunate outcomes. Justice act as a sort of buffer, allowing employees to maintain respect and trust for an organization even when things do not go as they have like

(Brockner&wiesenfeld; 1996). It is inevitable in life that things will not always go our way. However, the negative effects of an unfortunate event are less severe if the organization is able to maintain procedural and distributive justice (Goldman, 2003; skarlicki&folger, 1997). Moreover, perceived unfairness leads to negative reactions such as withdrawal, absenteeism, theft, tardiness and resistance to change.

In order to keep employees satisfied, committed, and loyal to the organization, it needs to be fair in its system of distributive and procedural justices,(Kumar, Bakhshi, and Rani, 2009).

Job satisfaction was found to be positively associated with overall perceptions of organizational justice such that greater perceived injustice results in lower levels of job satisfaction and greater perceptions of justice result in higher levels of job satisfaction (Al-Zu'bi, 2010).

Therefore, this hypothesis is hypothesized to test the relationship between procedural and distributive justices and job satisfaction.

H 3: There is a significant relationship between constructive discrimination and job satisfaction.

The Remuneration Policy of the company states that the company can constructively discriminate its employees on pay. This means, though employees are on the same job or the same grade, they can be paid different amount of money based on their potential to grow, scarcity of skill possessed and criticality to the business.

Since the researcher didn't come across on any literature which supports this practice, this study will test if there is a relationship between constructive discrimination in compensation and job satisfaction.

H 4: There is significant effect of compensation system on employee job satisfaction.

Compensation plays a number of key roles in organizations including signaling employee worth, attracting potential job incumbents, and retaining existing employees. A major and perhaps the most notable among organizational retention initiatives is compensation, Moncarz E., Zhao, J. Kay C (2009).

From the study on "The Impact of Reward and Compensation on Job Satisfaction," published by Middle East Journal of Scientific Research (14 (3): 394-403, 2013), it has been concluded that compensation has high positive correlation with job satisfaction.

Therefore, in this hypothesis, the researcher will prove if the case applies to East Africa Bottling Share Company.

7. Definitions of terms

7.1. Conceptual Definitions

Compensation is the area of human resources management which involves making decisions about pay that are fair, equitable and competitive with current market rates; providing employees with incentives to improve performance; ensuring that benefits packages are cost effective and serve to motivate employees, and making certain that all compensation-related policies and programs comply with government requirements (Cassandro Hamel, 2008).

Job satisfaction is an affective reaction to a job that results from the comparison or actual outcomes with those that are desired (Oshagbemi, 2003)

Competency- refers to the organizational units in EABSC which is department in another context

Confidence level: This tells you how often the percentage of the population actually lies within the boundaries of the margin of error.

Communication: is defined as the process of transmitting information and common understanding from one person to another (Keyton, 2011). The word communication is derived from the Latin word, *communis*, which means common. The definition underscores the fact that unless a common understanding results from the exchange of information, there is no communication.

Distributive justice: According to Adams (1965) it is in the fairness related to the distribution of resources and decision outcomes. The resources or outcomes can be tangible (pay) or intangible (praise).

Procedural justice: is the fairness perceived from the systems such as procedures used for the results and the allocation of resources (Leventhal, 1980; Lind & Tyler, 1988; Moorman, 1991 in Gumusluoglu, Karakitapoğlu, Hirst, 2012).

Financial rewards: comprise all rewards that have a monetary value and add up to total remuneration— base pay, pay contingent on performance, contribution, competency or skill, pay

related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance (Armstrong, 2010).

Non-financial rewards: Rewards that do not involve any direct payments and often arise from the work itself, for example achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high-quality leadership (Armstrong, 2007).

Constructive Discrimination: According to EABSC pay policy, this is a pay system used to retain critical staffs by paying beyond mid of the market scale.

Critical Staff: A staff possessing special skill and talent or holding a position which directly impacts the business operation (Talent retention policy of EABSC, 2012).

8. Significance of the study

The study is expected to come up the following three benefits.

- ✚ The results of this study will have greater input to the human resource practitioners that will design and administer their compensation system. In particular, this study will have greater importance to EABSC to redesign its compensation system which drives employees' job satisfaction.
- ✚ Since this project is carried out to partially fulfill the requirements for the award of Masters of Arts in Human Resource Management, the researcher has benefited from the challenges of research work.
- ✚ The study will add value to the scholarly research and literature in the field by becoming reference to those who wish to replicate. Therefore, this study will provide empirical evidence on how compensation system impacts employee job satisfaction.

9. Scope of the study

The research primarily intends to investigate the role of compensation system on employees' job satisfaction with Job Grade 12 and above. From the exit interview report of the company, position holders below Job grade 12 there is no challenge of retaining them and the study shall focus on the employees where turnover is a concern for the company. Furthermore, the study is delimited to employees who are permanent and stationed in Addis Ababa office.

10. Limitation of the Study

Lack of prior experience in conducting systematized research was one of the limitations in this study. Respondents were not willing to fill the open questions and the questionnaires were not filled on time because of meager awareness on research importance by the respondents. Some of the data which would have enhanced the research couldn't be accessed in detail because of confidentiality to the case company. These are the main limitations faced by the researcher. Furthermore, this study is conducted on a single company. Therefore, the results will be hard to make generalizations.

11. Organization of the Paper

The study paper comprises of five chapters. The first chapter is an introductory part of the study. Chapter is all about review of related literature. In this chapter, other scholars work is reviewed and presented with proper acknowledgment. Chapter three is concerned about research design and methods. In this chapter, the design of the study, the sample size, instrument used, sample, data quality assurance will be discussed. Chapter four covers about establishment and historical background of East Africa Bottling Share Company. Besides, this chapter also discuss about data presentation, analysis, and interpretation. The last chapter of the paper deals with summary of findings, conclusions, and recommendations.

12. Ethical Consideration

When human beings are the focus of investigation, it is necessary to look at the ethical implications of what we are proposing to do. Most ethical issues fall in to one of four categories: protection from harm, informed consent, right to privacy, and honesty with professional colleagues (Paul D. Leedy & Jeanne Ellis Ormrod, 2005.)

Therefore taking the nature of this study under consideration, participants have been told the nature of the study to be conducted and given the choice of either participating or not participating because any participation should be strictly voluntary.

More specifically, for *ethical clearance* the study confirmed containing the following information:

- A brief description of the nature of the study
- A description of what participation will involve in terms of activities
- The guarantee that all response remains strictly confidential
- The researcher reports the findings in a complete and honest fashion and give appropriate credit where credit is due and acknowledge any indebtedness to others

CHAPTER –II

LITERATURE REVIEW

2.1. Introduction

How do different scholars see the relationship between compensation and job satisfaction? The aim of this chapter is to give bird's eye view on: how scholars define compensation, two types of compensation, should we communicate compensation, how demographic factors, distributive justices and procedural justices, and constructive discrimination relate to job satisfaction. Furthermore, the chapter gives the opinion of scholars on the role of leadership and working condition on job satisfaction.

2.2. The Concept and Definition of Compensation

Many scholars give different definitions of compensation according to their understanding of the system. Dunn and Rachel (1971), defined compensation is “a reward for Services rendered by people at the work place.”

According to Stahl (1995:265), “compensation is the monetary payment such as wages, salaries, emoluments and bonuses (current and deferred) used to reward employees.” This definition attaches only importance to monetary aspect of compensation. It does not take into consideration the intrinsic reward system, which is a long-term measure of rewarding and compensating good employees.

Hale and Goodale (1986) opined that compensation is the money and benefits that organizations give employees in exchange for work. Compensation is more explicitly defined as any form of payment or reward in exchange for work provided for their employers.

Even if the above definitions are still valid with the subject, in this research compensation is all tangible and intangible rewards an employee receives from his/her employer as part of the employment relationship.

Therefore, “Compensation is the reward employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar non-monetary exchange for employee’s performance” (Holt, 1993). Well-designed compensation system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement.

2.3. Components of Compensation

Armstrong (2009) proposed that compensation typically contain the following components:

Table 1: Components of Compensation- Financial and Non-Financial Reward

Financial		Non-Financial
Direct	Indirect	
Salary	Provident Fund/Pension	Career development
Wage	Various types of loans	Training
Bonus	Medical Provision	Recognition
Contingeny Pay	Leaves	Achievement
Overtime Payments and others	Eucational Support	Quality of work life
		Work autonomy and others

Source: Armstrong (2009, p.745)

2.3.1. Financial Reward

2.3.1.1. Direct Financial Benefits:

Armstrong (2003: 687) accepted that “financial rewards provide financial recognition to people for their achievements in the shape of attaining or exceeding their performance targets or reaching certain levels of competence or skill while financial incentives aim at motivating people in achieving their objectives, improve their performance or enhance their competence or skills by focusing on specific targets and priorities”.

Base or basic pay

According to Armstrong (2006) the base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for manual workers, the level of skill required. Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities are assessed by tracking market rates.

According Armstrong (2007) , differentials between pay ranges – the percentage by which the mid-point of a range is higher than the mid-point of the range below – are typically between 15 per cent and 20 per cent but they can be as high as 25 per cent. This should be considered in determining basic pay in salary structure.

Contingent (Variable) pay

Additional financial rewards may be provided that are related to performance, competence, contribution, skill or experience. These are referred to as ‘contingent pay’. Contingent payments may be added to base pay, - ‘consolidated’. If such payments are not consolidated (paid as cash bonuses) they are described as ‘variable pay’. Contingent pay schemes are based on processes for measuring or assessing performance, competence, contribution or skill (Armstrong, 2006). Bonus is part of contingent pay which refers to cash payment provided to employees based on their performance.

2.3.1.2. Indirect Financial Benefits

According to Armstrong (2006), employee benefits include pensions, sick pay, insurance cover, company cars and a number of other ‘perks’. Perks are used to recognize exceptional contribution, performance, commitment to culture and values. Perks include additional time off, tickets to events, trips, dinners, public recognition. They comprise elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remunerated, such as annual holidays.

2.3.2. Non-financial Rewards (Compensation)

These are rewards that do not involve any direct payments and often arise from the work itself, for example, achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities, high quality leadership, workplace learning and development, performance management, work environment, job design and development, quality of working life, Work/life balance and talent management (Armstrong, 2006).

Aside the pay given to the employees, employers should also concentrate on the nonmonetary aspect. Employees should be given the room to express their views. Employers should also involve employees in decision making. The organization should ensure that employees can develop their careers by taking them through training and development. The working environment should be conducive for employees where they will feel a sense of belongingness (Yamoah, 2013). Work-life balance refers to effectively managing the juggling act between paid work and the other activities that are important to people. Besides, work-life balance can be define as having enough time for work and enough time to have a life thus the work life balance.

According to Milkovich& Newman (2008), work-life balance is a programs that help employees better integrate their work and life responsibilities include time away from work (vacation, jury duty), access to services to meet specific needs (drug counseling, financial planning, referrals for child and elder care), and flexible work arrangements (telecommuting, non-paid time off). Besides, Melissa (2007) also stated that work-life balance is about creating and maintaining supportive and healthy work environments, which will enable employees to have balance between work and personal responsibilities and thus strengthen employee loyalty and productivity.

2.4. Compensation Communication

Dwyer (2005) defined communication as “the process whereby people within an organization give and receive messages”. Many researchers assert that communication in organization has significant effect on employees’ job satisfaction (Yammarino and Naughton, 1988). In organization people communicate with each other in different ways. Messages may move downward and upward between hierarchical levels or horizontally among employees at equivalent level (Odden and Sias, 1997; Dwyer, 2005; Goldhaber, 1993). Communication can occur through informal channels such as grapevines or formal

channels such as procedures and official meetings (Johnson et al., 1994; Goldhaber, 1993; Vroom, 1964; Rauschenberg, 1988).

Effective communications is seen as an essential element of the organization environment that ought to inform employees of industry challenges, what is happening in the workplace and the company's strategic intent. Beyerlein et al. (2003) states it is management responsibility to align support systems in the strategic design so that employees can communicate their needs and frustrations, as this will keep an organization functioning effectively and make the most of people who are an organizations greatest resource. Furthermore, other studies have investigated openness of communication have direct relationship with job satisfaction (Klauss and Bass, 1982; Trombetta and Rogers, 1988). In addition, supportive communication from fellows has received some attention as a source of job satisfaction (Ducharme and Martin, 2000; Leiter, 1988).

Communication is the foundation of reward management and organizational success. Zingheim and Schuster (2000) notify employers to communicate and educate employees on the reasons for implementing pay for performance and to communicate the measures and goals used.

According to Armstrong (2000), individual employees should understand how their grades, present rate of pay, and pay increase have been determined and the pay opportunities available. Furthermore, employees and their representatives should be informed about the guiding principles and policies that underpin the reward system and the reward strategies that drive it. The grade, pay structure and how their pay can progress within the structure, provisions of benefits are what employees are expected to know from the employer.

Communication would help employees understand that the rewards that they receive are worth having. When employees understand the rewards design and policies, commitment and motivation is enhanced. According to Armstrong and Murlis (1994), to increase commitment levels, employers should implement a staff handbook that includes general information on the salary policy, structure, grades and performance goals.

2.4.1. Significance of Communication

Brown and Armstrong (1999) state that traditional performance-related pay systems failed because the system was imposed in a top-down manner without developing employee understanding and

buy-in. Two-way communication regarding variable-pay, skills and competency-pay and performance-pay practices and design, is essential for employee understanding and support.

Open communication and involvement helps to build a committed and high contributing workforce. A motivated workforce improves business profitability because employees are more willing to contribute and increase productivity. The success of variable pay such as gain-sharing and performance pay hinges on the quality and openness of communication.

2.4.2. Transparency

Transparency exists when people understand how reward processes function and how they are affected by them. The reasons for pay decisions are explained at the time they are made. The need for a transparent system, according to Gibbons (1998), involves the preferences towards having a clear communication of how the reward are distributed and offered and also the concerns on the understanding of the methodologies, measures and targets used while introducing any rewards. The employees need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. Perceived uncertainty decreases the effectiveness of incentive compensation. Employees also have a voice in the development of reward policies and practices.

2.5. Job Satisfaction

Job satisfaction is a key to improving both organizational and individual performance. Employees with high levels of job satisfaction are more motivated to achieve the firm's objectives (Feinstein and Vondrasek 2000; Ahmed et al. 2010; elik et al. 2011). Job satisfaction refers to employees' attitude towards their jobs which are the result of their perceptions of the job or task that they do. It is an emotional or evaluative response that can be positive, neutral or negative (Ivancevich and Matteson 1990; Greenberg and Baron 2000; Aydogdu and Asikgil 2011).

Similarly, Eren (1993) and elik et al. (2011) emphasis that job satisfaction is a worker's attitude towards his/her job, based on the different characteristics of the job in question. The level of job satisfaction is determined by the social status attained through their job and their experience in the working environment (elik et al. 2011). Rashid et al. (2013) argued that job satisfaction and motivation

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

2.5.1. Theories of Motivation and Job Satisfaction

The three main theories on motivation and job satisfaction are the content theory, the process theory and the integrative theory. These theories help managers to understand why employees behave the way they do in the organization.

i. The content theories

These theories were developed by Abraham Maslow, McClelland and Herzberg but for the purpose of this study, only Maslow and Herzberg theories are to be discussed briefly here.

ii. Maslow's need Hierarchy theory

Bovee, Thill and Wood (1993:53) pointed out that Abraham Maslow (a clinical psychologist) propounded the needs hierarchy theory of motivation in organizations. Maslow's theory viewed motivation as a dynamic force, which activates the individual. Maslow hypothesized that in every human being there is hierarchy of needs. Donnelly (1984) saw motivation as a deficiency of something within the individual and it provides the spark that begins the chain of events leading to behavior.

Maslow argued that human beings are not only complex animals but also have a number of needs affecting their behaviors in life. These are classified into hierarchy of importance and arranged into five ascending order as follows:

a. Physiological needs

These needs are basic physiological needs of hunger, thirst, shelter, sex, clothing, temperature etc. Management can positively influence these needs by providing fair and adequate compensation such as salaries and wages, good working conditions and other incentives that will enable the employees to put in their best.

b. Safety and security needs

These needs include physical security, protection against physical harm, danger, accident, threat, pain and illness, economic disaster or deprivation, psychological security and the unexpected. These needs are taken care of by the management by providing safe working conditions, security, fringe benefits, retirement benefits/pension, medical, insurance etc.

c. Social needs

These needs involve needs for satisfying social relationship with others, needs to feel needed, need for affection and love, need for interaction and acceptance in relation with other people. Management can fulfill these needs by permitting employees to partake in social interactions, membership groups and encouraging participation among employees.

d. Esteem or Ego needs:

These are the needs for self-respect, recognition, importance, self-worth within and outside the work place. Management can fulfill these needs by providing greater responsibilities, high job titles and by recognizing and publishing good performance.

iii. Herzberg's dual factor theory:

Herzberg propounded the dual factor theory of motivation and job satisfaction. He argued based on his research works that there are two separate categories of factors in the work place (those that are related to job satisfaction and those that are related to job dissatisfaction.) Those that relate to job satisfaction are called the motivators or the satisfiers. He pointed out that when motivators are present in the work situation, they lead to strong motivation, satisfaction and good performance but do not cause dissatisfaction when they are absent. At work, the absence of no satisfiers can cause no satisfaction.

The motivational factors include achievement, recognition, promotion, the work itself, the possibility of professional growth and responsibility.

The second category of the factors is referred to as the hygiene factors, the dissatisfiers, the maintenance factors or the extrinsic factors. These factors are related to job context. Herzberg

maintained that if these extrinsic factors are present at work place, employees would not be necessarily motivated or satisfied. They will simply not be dissatisfied either, when the maintenance factors are not forthcoming, dissatisfaction occurs and the opposite of satisfaction is no satisfaction.

The hygiene factors identified by Herzberg are company policy and administration, supervision, relations with supervisor and peers, salary, job security, personal life, working conditions and status.

Herzberg dual factor theory has important application in human resource management. It shows that to motivate employees, managers should focus on the motivators and at the same time try to maintain the hygiene factors at appropriate level so as to prevent dissatisfaction.

2.5.2. Equity Theory and Job Satisfaction

The relationship between compensation and job satisfaction includes how fair the worker perceives the compensation as well as the actual amount of compensation received. Milkovich & Newman (1990) described two theories that illustrate how the equity theory operates. J.S. Adams (as cited in Milkovich & Newman, 1990) proposed that individuals compare their inputs and outcomes to those of some relevant other person in determining whether or not they are treated fairly. While salary is only one aspect of reward, it is the most visible and the most easily modified.

The second equity theory that Milkovich & Newman (1990) believed warranted discussion was developed by Elliot Jaques. Jaques suggested that feelings of inequity are not dependent on comparisons made between a worker and other workers within the same organization, but rather by comparisons the worker makes to people in other organizations considered relevant or similar to the one in which the worker is employed. According to this theory, individuals make equity comparisons based on other organizations they consider relevant to their own. Workers consider their salaries fair if the salaries are viewed as equal to those of workers in other organizations the workers perceive as similar to their own (as cited in Milkovich & Newman, 1990).

With both of these theories, the feelings that a worker has concerning the fairness of compensation are relative not only to a comparison of task input and reward outcomes, but also to a comparison of the outcomes received by either a relevant individual within the organization or workers doing a

similar job in a relevant organization. If less is received than a worker believes has been earned when compared to another worker doing similar work, the compensation is viewed as unfair.

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

Bruce and Blackburn (1992) supported the theory that pay equity is more important than the actual dollar amount. They explained that relative pay is a better predictor of job satisfaction than absolute pay: "People at work have a clear idea of what they ought to be paid in comparison with others and in relation with their skill, experience, and so forth". If workers perceive that they are being paid fairly compared to others they consider similar to themselves, then they are more likely to be satisfied with their jobs than those who perceive that they do not receive fair compensation.

2.5.3. Compensation and Job Satisfaction

Compensation is all employers provided tangible and intangible rewards an employee receives as part of the employment relationship. Compensation may achieve several purposes, assisting in recruitment, job performance, and job satisfaction. According to a research report by the Society of Human Resource Management (2013), 6 out of 10 employees indicated that compensation was very important to their overall job satisfaction.

Low job satisfaction, a high rate of absenteeism and staff turnover, and moonlighting are some of the consequences of insufficient and inadequate compensation (DeCenzo and Robbins 2006; Khan et al. 2011; Majumder 2012; Alam 2012). Among the 5 Ms, that is, Men, Money, Machines, Material and Market, men are an organisation's most valuable asset. Employees are the architects of a firm. To maintain job satisfaction and retain their services, compensation in the form of wages

should be fair and adequate. Effective managers compare their firm's compensation strategies with similar firms in the sector or with the established benchmark.

2.5.4. Demographic Factors and Job Satisfaction

According to Robbins (2005) the relationship between demographic factors and job satisfaction is summarized as below:

Age and Job Satisfaction

Satisfaction tends to continually increase among professionals as they age, whereas it falls among non-professionals during middle age and then rises again in the later years.

Gender

There is no significant difference in job productivity between men and women. Similarly, there is no evidence indicating that an employee's gender affects job satisfaction. However, women have higher rates of absenteeism than men do and this is because many cultures place home and family responsibilities on the woman.

Marital status

Married employees have fewer absences, undergo fewer turnovers, and are more satisfied with their jobs than are their unmarried coworkers.

Tenure

The most recent evidence demonstrates a positive relationship between seniority and job productivity. Seniority is negatively related to absenteeism. Tenure has consistently been found to be negatively related to turnover and has been suggested as one of the single best predictors of turnover and tenure and satisfaction are positively related.

2.6. Distributive and Procedural Justices

Distributive Justice:

Distributive justice has its theoretical foundation stemmed from the equilibrium theories of the 1950s and 1960s. Distributive justice in theory is characterized as the fairness related to the distribution of resources and decision outcomes. The resources or outcomes can be tangible or intangible (pay or praise) (Adams, 1965).

Much of the research on distributive justice was derived from the works of Adams (1965). Adams suggested that equity theory can determine the fairness of an outcome. Equity theory can be used to explain such employee behaviors caused by perceptions of unfairness (Adams, 1963, 1965). Equity theory asserts that employees compare their inputs and outcomes with the inputs and outcomes of relevant others. Inputs are what they invest into their job and outcomes are what they receive in return (McFarlin, & Sweeney, 1992).

The research on equity theory has been re-examined quite a lot of times. Most of this research has explored the employee attitudes to pay. For e.g., employees who feel that they are underpaid decrease the quality or quantity of their work, while those who feel that they are overpaid improve their work in terms of quality or quantity (Mowday, 1987). The "underpaid" hypothesis has received more research support than the "overpaid" hypothesis. Research on the latter hypothesis has been confined entirely to laboratory experiments (McFarlin, & Sweeney, 1992).

Adams (1965) curvilinear hypothesis was researched by Vecchio (1984). But Vecchio observed the effect of overpayment inequity on real employees. Few effects were revealed based on the trend analysis applied on various job and pay satisfaction measures. Although suggestive trends were found but Vecchio (1984) did not discover a significant curvilinear affect of equity on job satisfaction.

Procedural Justice

After ten years of Adams' (1965) study, Thibaut and Walker (1975) discovered a new dimension of organizational justice, namely procedural justice. Procedural justice focuses on the processes which are used to determine the outcomes.

Procedural justice perceptions are universally recognized today, but Thibaut and Walker (1975) were the pioneers of these procedural influences. According to them if employees were given a chance to participate into the process used to reach outcomes then they might perceive the outcomes as fair. These findings gave way to a new dimension of organizational justice perceptions. Organizational

justice found its way from a distributive view to a comprehensive, procedural view (Bernerth, Feild, Giles, Cole, 2006).

Folger and Konovsky identified a major difference regarding justice in work organizations, stating that "distributive justice refers to the perceived fairness of the amounts of compensation employees receive; procedural justice refers to the perceived fairness of the means used to determine those amounts" (1989: 115).

Leventhal (1980) substantiated that procedural justice prevails only when employees feel that the process includes aspects of ethicality, consistency, precision and indiscrimination. Skarlicki&Folger (1997) identified one form of procedural justice which is known as the fairness of a company's formal procedures.

Personal outcomes, such as satisfaction with pay can be predicted by distributive justice while procedural justice is related to evaluating trust and commitment in the supervisor therefore procedures are important predictor of outcomes than distributive justice (McFarlin, & Sweeney 1992).

Tyler (2003) conducted a study to show the use of procedural justice in law and order regulating bodies and its impact on the trust and confidence of public. Tyler (2003) researched that procedural justice responds to public concerns about fairness in the exercise of legal authority. Such approach helps in the improvement of police performance and court which will lead to higher levels public trust and confidence in those institutions Kim and Mauborgne (1998) studied procedural justice and its impact on the feelings of people when strategic decisions are taken. According to them when decision-making processes are perceived to be fair, employees show high level of voluntary cooperation based on commitment and trust. On the other hand, employees show resistance in executing strategic decisions and refuse to cooperate when they feel that the processes are unfair.

Only few studies have been conducted in the past which show the interactive effects of both types of justice but they have used laboratory experiments. Research by Greenberg (1987) was carried out in which distributive (pay level) and procedural dimensions of justice (determination of pay level) were manipulated while subjects worked on a task. Subjects perceived high pay levels as fair irrespective of the procedures but accepted low pay levels as fair only when procedures were used fairly (McFarlin, & Sweeney 1992).

2.7. Leadership

The critical survival of an organization is largely anchored on the leadership that exists within the sphere of the firm. It is the wire link between the vision, strategic direction and change of the organization. Leadership has been in existence for as long as people on earth have co-existed and it is present in all the cultures (Rukmani et al., 2010; Fibuch, 2011).

In trying to give a working definition of leadership, it means providing a solution to the problem of collective or team effort, that is, problem of getting people together and combining their efforts to achieve, stimulate accomplishment and survival of the organization (Hogan & Kaiser, 2005; Kaiser et al., 2008).

The job satisfaction of employee and leadership style are the main elements that impact the organization effectiveness (Kennerly 1989). Leadership is known as one of the important aspects of job satisfaction from employees. It can fully impact the dedication and motivation of employees.

2.8. Working Conditions

The worker would rather desire working conditions that will result in greater physical comfort and convenience. The absence of such working conditions, amongst other things, can impact poorly on the worker's mental and physical well-being (Baron and Greenberg, 2003).

Robbins (2001) advocates that working conditions will influence job satisfaction, as employees are concerned with a comfortable physical work environment. In turn this will render a more positive level of job satisfaction. Arnold and Feldman (1996) shows that factors such as temperature, lighting, ventilation, hygiene, noise, working hours, and resources are all part of working conditions. Employees may feel that poor working conditions will only provoke negative performance, since their jobs are mentally and physically demanding.

Working conditions are defined by the following criteria physical effort, working environment, and physical risks associated with the work.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This study will be conducted to measure the role of compensation on employees' job satisfaction. To realize the objectives and answer the basic research questions, the following research design and methodology will be used.

3.1. Research Design

In this study, the researcher used mixed research method-quantitative and qualitative- and explanatory approach to measure the role of compensation on employee job satisfaction.

Questionnaires to collect primary data from sampled population have been used and secondary data source from the company had been reviewed.

Explanatory research approach was used with the objective of establishing the cause and effect relationship between variables i.e. between compensation and employees' job satisfaction. Explanatory research looks for causes and reasons. It aims to understand phenomena by discovering and measuring causal relations among them. The researcher went beyond merely describing the characteristics, to analyze and explain why or how something is happening (Mitchell and Jolley, 2004).

3.2. Sample Size and Sampling Technique

The total population of the study is 375, which is classified in to six competencies: HR(31), Finance(41), Sales and Marketing(137), Manufacturing(63), Logistics(77) and SHEQ(26).

The procedure used for selecting the samples was proportionate stratified sampling with simple random sampling. Stratified sampling was used because the researcher began with the identification of some variables, which are directly related to the research question and could act as a confounder (such as competency). The variables were used to divide the sampling frame into mutually exclusive strata.

Using a sample size calculator i.e. survey software and based on a margin of error of 5% and a confidence level of 95%, 191 respondents were chosen among 375 critical workforces (www.raosoft.com/samplesize.html).

To maintain representativeness of the sample, the researcher used stratified random sampling technique using the formula(Dodge, Yadolah -2003): $Y = \frac{X}{N} \times n$, where

Y= No of items included from each group in the sample

X= No of items in the population

N= Total Population

n= sample size

For instance, sample size from HR competency was chosen using the above formula:

Y= ?

X= 31

N= 373

n= 191, then:

$Y = (31/373) \times 191 = 16$ respondents of HR

Accordingly, 16 respondents from HR, 21 from finance, 70 from sales and marketing, 39 from logistics, 32 from manufacturing and 13 from SHEQ were chosen. Then respondents from each group

were selected using simple random sampling technique and equal chance was given to the members in the category.

3.3. Sources of Data

Primary and secondary data were employed to obtain the data for the study. The primary data were collected through standard and tested questionnaire which were a mixture of closed (fixed response options) and open questions. It enabled a mix of qualitative and quantitative data to be collected. The secondary data were gathered from reference books library, journals, internet and company document analysis.

3.4. Instruments of Data Collection

For the purpose of this research, the primary data collection technique was utilized through a questionnaire which consists of seven main sections. Part One contained information regarding the respondent's demographic features which included age, gender, marital status, and years of experience in organization, role and competency.

Part Two of the questionnaire consisted of structured five point Likert scale questions with predetermined responses related to company's compensation system; Part Three-influence of financial rewards; Part four-the influence of non-financial rewards; Part five-questions related with Communication, Procedural and Distributive Justice in the Compensation System; Part six-Influence of Constructive Discrimination; Part seven-Job satisfaction level. And part Eight consisted of few open-ended questions.

Questionnaires from Part Two up to Part Five were adopted from the studies of Behailu C. B. (2012), Assessment of Reward System on Clerical Employees' Performance and Tsegaye B. (2015), The Effect of Reward Practices on Employees Perceived Performance. These researchers had proved that the questionnaires are statistically reliable, accurate and consistent to measure what were intended to be measured as the Cronbach's alpha score was greater than 0.78.

The researcher tested the reliability of the questions under Part Six and for questions under Part Seven; Standard Job Satisfaction Survey Questionnaire developed by University of South Florida, Department of Psychology were used.

Both quantitative and qualitative approaches were utilized in the research process. Essentially, quantitative data were gathered with questionnaires.

As data were collected using different instruments such as reviews of company's documents, review of literature and questionnaires, the precision of research outcomes will increase as a result of the offsetting effect of the weakness of one tool by the strength of the other.

3.5. Procedures of Data Collection

The data collection procedure began with document and literature review. The documents related to compensation and job satisfaction were reviewed. After document review had been made, related literatures were reviewed. Standardized and tested questionnaire were adopted. Then, finally questionnaires were distributed to respondents and all distributed questionnaires were collected, coded and entered in SPSS for analysis.

Finally, secondary data analysis was made to assess the compensation system practice of the company and the research result was enriched and developed.

3.6. Methods of Data Analysis

Data analyzed using Statistical Package for Social Science (SPSS) and the analysis of data began with reliability test for the scales using Cronbach's alpha. The test resulted in a value of Cronbach's alpha 0.858. Cronbach's Alpha is commonly used as a measure of the internal consistency or reliability of the instrument. According to statistical interpretation, the closer the reading of Cronbach's Alpha to digit 1, the higher the reliability and internal consistency. In general, Cronbach's alpha result less than 0.60, is

considered to be poor, the other in the 0.70, range is acceptable and over 0.80 is good result. <http://www.ats.ucla.edu/stat/spss/faq/alpha.html>).

Therefore, the Cronbach's alpha 0.858 made the instrument internally consistent and reliable.

Descriptive analysis (Frequency distribution, tables and graphs) was conducted to describe the demographic variables of respondents.

To generalize the findings of the sample for the general population by inferring to statistical results, the researcher had used Logistics regression. Logistics regression is a multiple regression but with an outcome variable that is categorical variable and predictor variables that are continuous or categorical.

Logistic regression was proposed as an alternative in the late 1960s and early 1970s (Cabrera, 1994), and it became routinely available in statistical packages in the early 1980s. Since that time, the use of logistic regression has increased in the social sciences (e.g., Chuang, 1997; Janik&Kravitz, 1994; Tolman&Weisz, 1995) and in educational research—especially in higher education (Austin, Yaffee, & Hinkle, 1992; Cabrera, 1994; Peng& So, 2002a; Peng, So, Stage, & St. John, 2002. With the wide availability of sophisticated statistical software for high-speed computers, the use of logistic regression is increasing.

Generally, logistic regression is well suited for describing and testing hypotheses about relationships between a categorical outcome variable and one or more categorical or continuous predictor variables.

Cruscall Wallis and mann-whitney tests were used to test the association of three or more categorical independent variables with dependent variable. For instance, work experience and education level& job satisfaction

Mann-Whitney test were used to test the hypothesis of independence and reject a null hypothesis about the relationship between two categorical variables related the dependent variable. For example, the relationship between marital status and job satisfaction was tested using this tool.

ODDS, which is one of the statistical tool (Andy, 2010) to determine the effect of independent variable on the dependent variable was also used.

3.7. Ethical Considerations

The researcher used proper citation, follow truthful collection & analysis of data, maintained data confidentiality, obtained the consent of the case organization and staffs and keep the identity of interviewees unanimous based on their consent to meet the ethical obligations of the research.

CHAPTER FOUR

ORGANIZATION ABACKGROUND, ASSESSMENT OF COMPENSATION SYSTEM PRACTICES, DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.6. Organizational Background

One of the players in the highly growing manufacturing sector is East Africa Bottling Share Company (EABSC) which is a sole bottler of coca cola products in Ethiopia, operating under the South African giant Coca-Cola South Africa Bottling Company.

East Africa Bottling Share Company was established in 1959 by five Ethiopians with the first plant around Abinet, Addis Ababa, with an initial capital of birr 750,000. The second plant located in Dire Dawa was inaugurated in the year 1965. This time the five Ethiopians were joined by one foreign national. In May 1999, the company made a leap forward by signing a joint venture agreement with South Africa Bottling Company named Coca-Cola Sabco (CCS). In 2001, Coca-Cola Sabco increased its share to 61% and took the lion's share in leading and managing the business.

After the privatization and merger with the South African company, EABSC has shown continuous growth by benefiting from the strategic leadership and long years business experience of the Mother Company which led to advancement in professionalism, knowledge and experience from which both parties have been benefiting for the past 15 years and is expected to continue for the years to come.

As a member company of CCS, EABSC has a vision of becoming the best coca cola bottler in the world-the bestin terms of sales volume and return on capital employed against all Coca-Cola bottlers in the world. EABSC has a purpose of creating value for everyone involved in the business by providing right refreshment, at the right price and place. The value statement of EABSC emphasizes that the company will create an environment where employees are passionate about performance by

maintaining integrity, individual initiative, customer value, team work, people development, mutual trust and respect, and commitment.

EABSC is managed by board of directors which is composed of Ethiopians & foreign nationals. Reporting to the board, is the executive management team headed by the Chief Executive Officer with seven competency managers (Country Finance Manager, Country HR Manager, Country Manufacturing Manager, Country Sales & Marketing Manager, Country Logistics Manager, and Country Planning & Procurement Manager).

Under the umbrella of Coca-Cola SABCO, East Africa Bottling Share Company has 1300 employees in its both plants-Addis Ababa and Dire Dawa.

The top level organogram is given below:

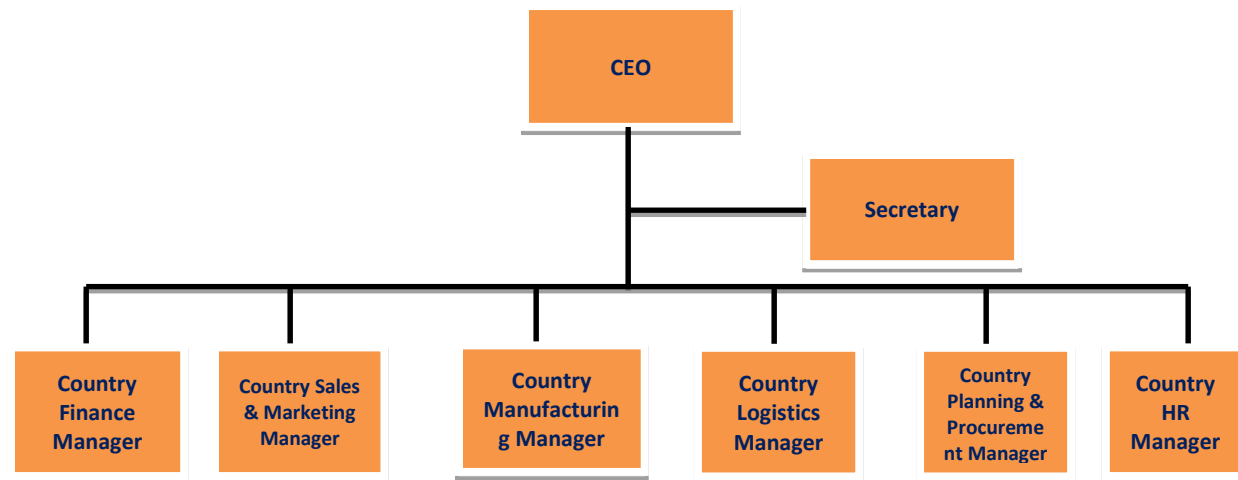


Figure 2: Organizational Structure of East Africa Bottling

4.1.1 The Future of East Africa Bottling Share Company

On November 27, 2014, it has been declared that Coca-Cola SABCO is under merger a with THE COCA-COLA COMPANY and SABMILLER TO FORM COCA-COLA BEVERAGES AFRICA and on full completion of the proposed merger, shareholdings in Coca-Cola Beverages Africa will be SABMiller: 57.0%, Coca-Cola SABCO (Gutsche Family Investments): 31.7% and The Coca-Cola Company: 11.3%.

The new bottler, Coca-Cola Beverages Africa, will serve 12 high-growth countries accounting for approximately 40 per cent of all Coca-Cola beverage volumes in Africa.

The effect of the merger, particularly in Ethiopia will bring Coca-Cola Products and Ambo Mineral Water under one company and the merger is expected to be concluded in July 2016.

4.7. Assessment of Compensation Systems Practices in East Africa Bottling Share Company

4.2.1. Company Compensation Policy

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

i. The Five Pillars of Remuneration Policy

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

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

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

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

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

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

Administration – uniform and consistent standards for remuneration administration are applied.

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

ii. Benefits Policy

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

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

4.2.2. Compensation in practice

4.2.2.1. Financial Rewards

a. Basic Pay and annual bonus

The company determines the basic pay of the employee based on the market and the remuneration policy. The basic pay ranges from 20% below and 20% above the market mid. This means, a new joiner will get a basic salary of 20% below the market mid and a competent and experienced employee gets mid of the market or 20% above mid of the market.

Based on the annual salary survey result, the company narrows its gap on basic salary by making salary adjustment and annual salary increase so as to remain competitive and retain its workforce. The practice for salary increase is every year on the 1st of January and April for its Management and non-management employees respectively.

In addition, the company pays an annual bonus of three months’ salary for non- management employees and six months’ salary for management employees on grade 16, 17 and 18 based on

successful business performance. However, managers at grade 13, 14 &15 are paid three months' salary.

The researcher had reviewed the pay structure of the company with scope limited to population of this study which is employees with grade 12 and above.

From the review, the researcher summarized the pay differential of the company for grade 12 and above as below as given in Table 1.

The researcher didn't get permission to use data directly. Thus, instead, changed the real data into percentage maintaining the grade as it is.

Table2:Actual and Existing Salary Scale Differentials

Grade	12	13	14	15	16	17	19
Actual Salary Differential	46%	49%	31%	12%	46%	15%	189%
Salary Scale Differential	13%	11%	25%	26%	24%	25%	Not given in the scale

Source: 2016 EABSC Salary Scale

From Table 2, we can see that the salary scale differential ranges from 11% to 25%. According to Armstrong (2007), salary scale differential is recommended to be within 10 to 15% but can be as high as 25%. So, the differential of the scale is within the acceptable range.

When we see the actual differential in Table 2, it is out of the Armstrong's (2009) recommended range on most of the grades and it fluctuated along grades.

In the same table, the differential between grade 17 and 19 is 189% which is theoretically odd. The grade 17 positions holders are subordinates of grade 19 positions holders. So, observing such a difference seems either the grade 19 position holders are expensive people in the market or there is a fairness issue.

b. Benefit Packages

i. Canteen Service

The company provides one free lunch/dinner per day for 26 days per month every year for all its employees. The company outsourced this service to well-known hotel service providers and pays 1.5 million Birr per month for this service at both plants. The canteen service is provided at factory sites and employees at up country are not benefited from this service.

ii. Insurance

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

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

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

iii. Transportation Service

There is a transportation service for all employees of the company. There are company owned buses and out sourced mini buses to deliver this service. For management employees, the company provides car as tool of trade or gives 10% of basic salary as a transport allowance.

iv. Staff Clothing

Every permanent employees are entitled to company branded staff clothing and the company provides the clothes every year and the total cost of the clothes per person is Birr 6000.

v. Interest Free Loan

All permanent employees of the company can get two months' salary in loan which will be settled within one year. The loan is free from interest.

vi. Holiday, Birth Day and Marriage Gifts

The company grants every permanent employee Birr 500 on each of The Ethiopia New year, Ethiopian Easter and The Eid Al-Futir Holiday.

Upon his/her birth day, an employee will be given a 'Happy Birth Day' wish card accompanied by one pack soft drink.

Twelve packs of soft drinks are presented as gift to an employee for his/her legal marriage.

vii. Funeral Expenses:

When a permanent employee of the company dies, Birr 3,000 will be paid to the deceased family for funeral expenses.

When an employee of the company dies, transport service shall be provided by the Company to deliver the corpse to his/her family or parents or relatives anywhere in the country.

When a dependent (Legal Spouse, Children, Father, Mother) of a permanent employee dies, Birr 1,000.00 shall be paid to the employee funeral expenses.

viii. Medical Benefits

As a preventive measure, every permanent employee of the company should take medical checkup as part of his/her pre-employment requirement. An employee, who is medically fit for employment, will be hired. It is one of the company's health and safety requirements to conduct

annual medical checkup for all employees of the company to ensure that everyone is healthy to bottle the soft drink.

An employee, who gets sick or has been identified as sick during the annual medical checkup, should go to hospital for treatment. The company covers 100% of the medical costs incurred in the country and does not sponsor any cost incurred in foreign treatment.

In addition, the company provides basic health education training and counseling services for HIV/AIDS positive employees. Employees with HIV/AIDS get life time treatment sponsored by the company even after they resigned.

ix. Leave

a. Annual leave

Every permanent employee shall be entitled to fourteen (14) paid working days for the first one year of service subject to that such leave will not be taken before the first year of services complete. And after one year service, every permanent employee shall be entitled to one more working day leave for each years of service in addition to the 14 days.

b. Sick Leave

Employees shall be entitled to sick leave upon presentation of appropriate medical certificate from authorized medical centers by the Company.

Maximum Sick leave days to be granted for an employee in a year shall be six months and an employee on sick leave shall be paid as follows:

- a) For the first one month, full monthly salary;
- b) For the next three months, 75% of monthly salary;
- c) For the next two months, no payment

c. Maternity Leave

Pre- Delivery /Pre-Natal Leave

1. Any pregnant employee of the Company shall be entitled to:
 - A. paid leave for pregnancy exams and checkups as ordered by a doctor where such leave is approved by the immediate supervisor before 48 hours.
 - B. Paid leave if the doctor advises her to get rest before she gives birth.
2. The pregnant employee will be given 30 Calendar days of leave before her expected day of delivery. However, if she does not deliver within the 30 days of her prenatal leave, she will be entitled to additional leave until her confinement upon the recommendation of a Company medical doctor. If delivery takes place before the 30 days has elapsed, the post-natal leave of 60 days shall commence.

Post –Delivery/ Post-Natal Leave

A female employee of the Company shall be entitled to 60 calendar day’s post-delivery leave with pay effective from the date of her delivery.

d. Paternity Leave

A male employee shall be entitled to leave with pay for 4 (Four) working days to take care of his legal spouse upon delivery. However, he must submit evidence attesting that his legal wife has delivered on these days of leave.

e. Mourning Leave

An employee shall be entitled to leave with pay for Six days when his/her spouse, children, father, mother, sister or brother and 3 days for any other relative, whether by affinity or consanguinity up to the second level dies.

f. Marital Leave

An employee shall be granted marital leave with pay for a period of 4 (four) working days.

The employee shall be entitled 12 (Twelve) cases (only the drink) of company's product his/her marriage date.

g. Special Leave

An employee who presents himself/herself for a labor dispute before court or other competent bodies to hear labor disputes or to enforce labor laws shall be granted a special leave with pay only for the time utilized for that purpose.

An employee shall be granted leave with pay in order to protect his/her civil rights/ carry out his/her obligations.

h. Unpaid Leave

An employee may be entitled to leave without pay for up to 30 consecutive days in the case of exceptional and serious events.

4.2.2.2. Non-Financial Rewards

i. Promotion

Depending upon the available vacancy, any employee who has the desired skill, qualification and behavior has equal chance to compete and the best candidate will be promoted.

ii. Recognition

There is a formal monthly staff recognition program by which each department nominates best individual and team. The nominated individual and team get recognized by awarding 'Character First Certificate' and a token of pocket money.

iii. Working Condition

Since the company has franchised bottler of Coca-Cola products, the mother company regularly audits the Health, Safety and Environment of the operation against its preset requirements and standards. Failing this audit will result in partial or total closure of the business to the extent of revoking the franchise license.

Therefore, as maintaining safe working condition is part of this audit, the company strongly works on it.

iv. Leadership

The top management of the company has a proven track record in leading the business in the right direction and they believe that people empowerment is the key for the success of the company. The company has won the highest award given by the board of Coca-Cola Sabco. This award is named 'The best Country of The Year 2015'. The competition is made within six countries where the Coca-Cola Sabco operates. One of the criteria for this award is leadership at all managerial level.

Therefore, the company has got a leadership which is leading the company in a right direction as it has been observed from the business performance.

4.2.2.3. Communication of Compensation, Procedural and Distributive Justices in practice

i. Communication of Compensation Systems

The company has the practice of openly communicating its benefit packages to all its permanent employees. For instance, all the benefits provided by the company are clearly described in the Collective Bargaining Agreement Book which is given to each permanent employee.

However, the company treats with special care when it comes to basic salary of individual employee. There is no document to be evidenced for communicating employees about their pay structure which pay grade, how the grade is determined and what are the criteria for setting the pay structure. The employees are strictly forbidden to share their basic salary amount among each other and salary data are one of the highly confidential data of the company.

ii. Procedural and Distributive Justices

There is a clear Remuneration Policy by which the company ensures its procedural justices and an employee who has any grievance on his pay can lodge his/her grievance as per the company Grievance Lodging Form. The employee has the right to submit his/her grievance step by step until the Chief Executive Officer of the company where the ultimate decision passed.

The company tries to ensure the distributive justices of its compensation system by grading system. This means, jobs having the same worth to the company will be on the same grade and employees on different jobs but with the same grade will be paid the same amount fixed to the job's grade. However, there are instances by which employees on the same grade will be paid different amount. This will be discussed under constructive discrimination practice section.

4.2.2.4. Constructive Discrimination in Compensation

The Remuneration Policy of the company states that the company can constructively discriminate its employees on pay. This means, though employees are on the same job or the same job grade, they can be paid different amount of money based on their potential to grow, scarcity of skill possessed and criticality to the business. These employees are formally shortlisted and treated with confidentiality.

4.8. Data Presentation, Analysis And Interpretation

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

Descriptive analysis was conducted to describe the profile of respondents which includes gender, age, educational qualification, work experience, competency, position and marital status. For analysis of data, Cruscals Wallis and Mann-Whitney tests were used to test the hypothesis of independence; Logistics regression is used to determine the existence of any

relationships between compensation system and job satisfaction. Lastly, summary of major findings was discussed.

4.9. Demographic Characteristics of Sample Population

This section discusses the profile of 191 respondents as follows.

4.4.1 Sample Population by Gender

As can be seen from Figure 3, males and females constituted 74% and 26% of the sample population respectively. This shows that there was a noticeable disparity in representation between the two sexes in the sample population. This visible gap in gender representation was not due to sampling and or non-sampling errors; rather, it was due to the un-proportional representation of males and females in the organization, which is 75% males and 25% females. Generally, it is the reflection of the total population structure. This would impact the comparability of variables in relation to gender.

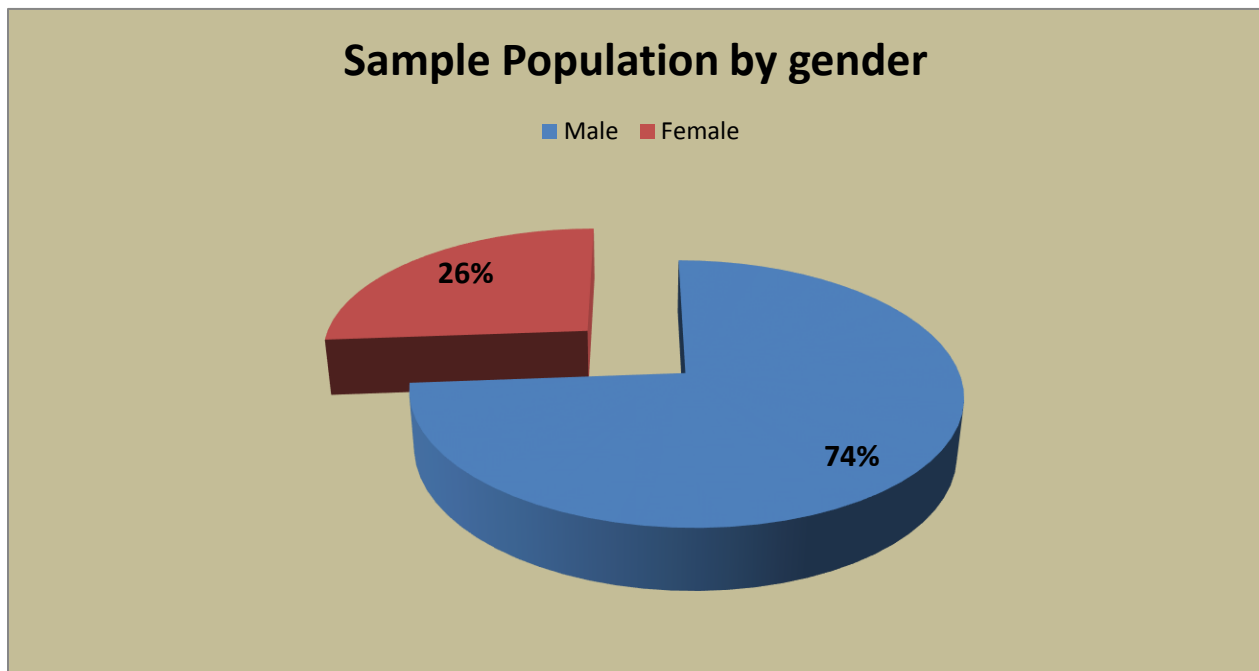


Figure 3: Sample Population by gender

4.4.2 Sample Population by Age structure

To maintain representativeness of the study's sample population, sample elements were taken from diverse age structures of the company's employees, which is for the purpose of this research, they were classified in to four age groups as depicted in Figure 4. Thus, 54.5% of the respondents are within the age group of 18-29 years, 32.5% represents the age group 30-39, 8.9% are within the age group of 40-49 and remaining 4.2% respondents represents the age group 50-59. Of the four age classes, the first class is termed as the youth group and all the others are groups of the adult population. From the adult population, the first age group 30-39 years of age is considered early adulthood, the 40-50 years represent middle adulthood and above 50 years of age represents late adulthood. Demographically, 29 years of age is considered to be the upper bound for the youth age group and 30 years of age is the beginning for early adulthood. This implies that the company has a youth dominated population structure. This is again a reflection of the total population.

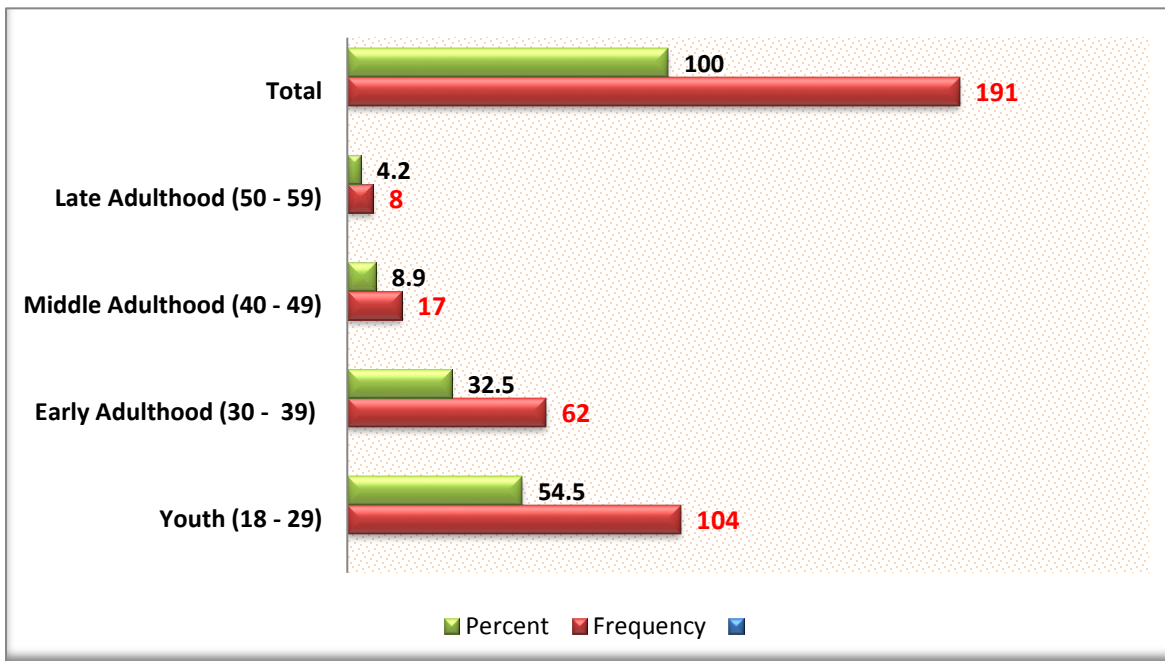


Figure 4: Sample Population by Age Category

4.4.3 Sample Population by Educational Qualification

In terms of educational qualification, the sample population was classified into three categories, ranging from Diploma to highest academic qualification. Figure 5 displays the different levels of educational qualification for the sample population along with their corresponding percentage. The highest share of the sample was taken by those holding first degree (70%) followed by diploma holders (24%) and staff with master's degree (6%). This implies that the majority of the sample respondents are first degree holders. This has happened due to substantial number of positions above job grade 9 requires first degree holders as job specification.

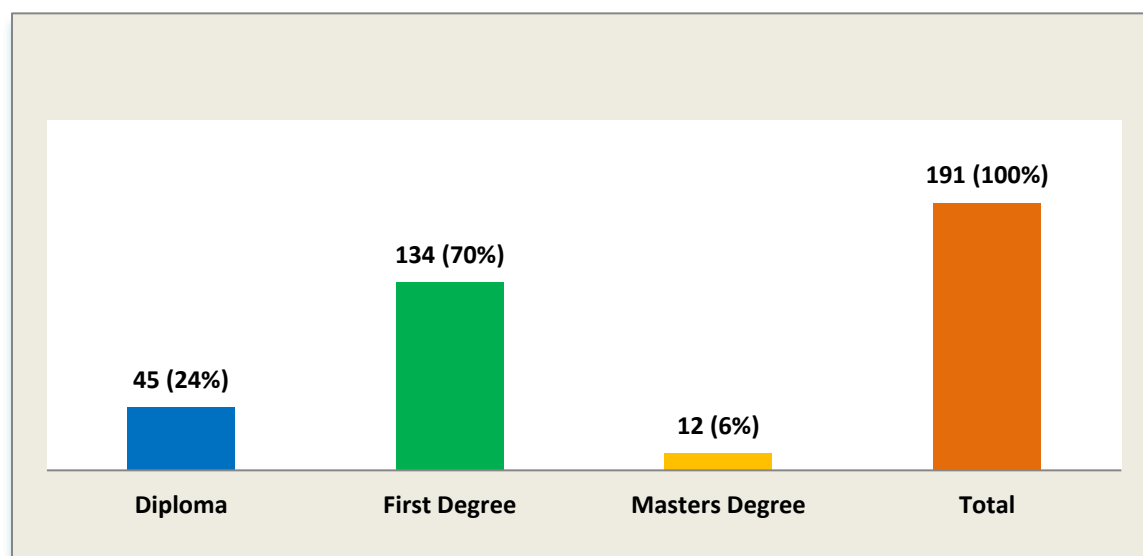


Figure 5: Sample Population by Level of Education

4.4.4 Sample Population by Work Experience

Figure 6 reveals the work experiences of EABSC's staff which was taken for the purpose of normally distributing sample population. Thus, 17 (9%) of the sample population has worked for less than 1 year, 130 (68%)% worked for 2-5 years, 16 (8%) worked for 6-10 years, again 16 (8%) worked for 10-20 years, 6 (3%) worked for more than 21 years and the remaining 6 (3%) didn't give their work experience. This implies that the majority (68%) of the respondents has short tenure i.e. 2-5 years. Such unbalanced distribution of the sample population in terms of work experience has happened due to the rapidly growing of manufacturing sector in our country and talent scarcity in the labor market. Besides, as the organization is youth dominated, the experience of most of the respondents is between 2 and 5.

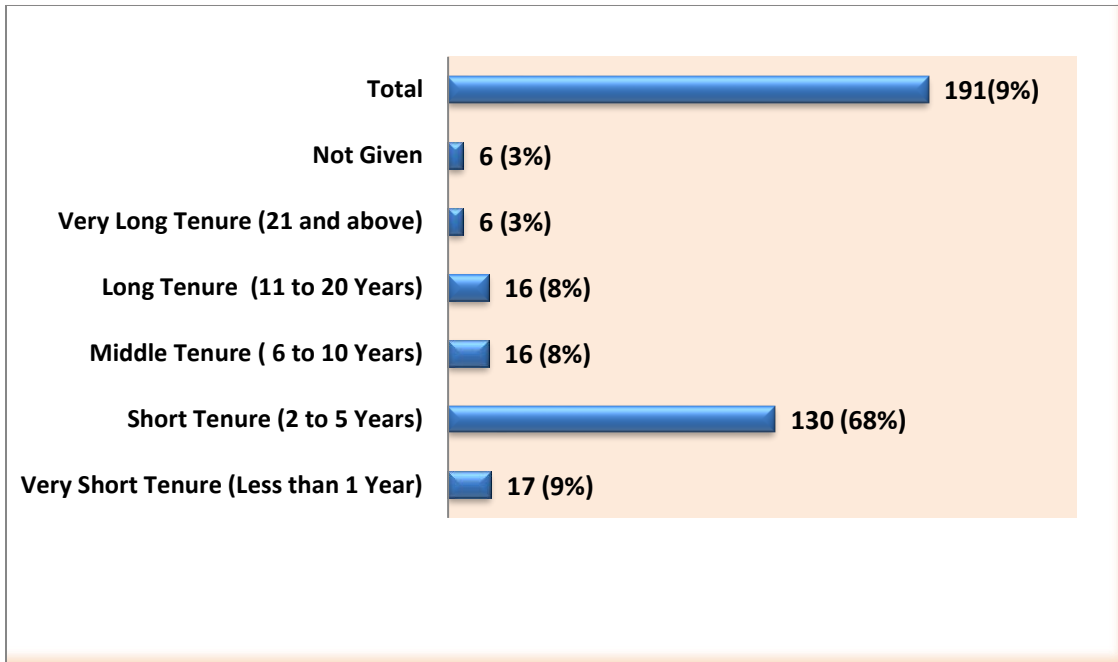


Figure 6: Sample population by work experience

4.4.5 Sample Population by Competency

As it can be seen from Figure 7, 16 (8%) of the respondents belong to HR competency, 20(10%) belong to Finance, 71 (37%) belong to sales and marketing, 39 (20%) belong to logistics, 32 (17%) belong to manufacturing and the remaining 13 (7%) belong to SHEQ. Accordingly, the majority 71(37%) of the respondents belongs to sales and marketing competency. This happened so because most of the employees with Job Grade 12 and above holders which are considered as critical and professionals are found in Sales and Marketing. The reason why the researcher wanted to see the sample population by competency was he assumed that job satisfaction may vary by competency.

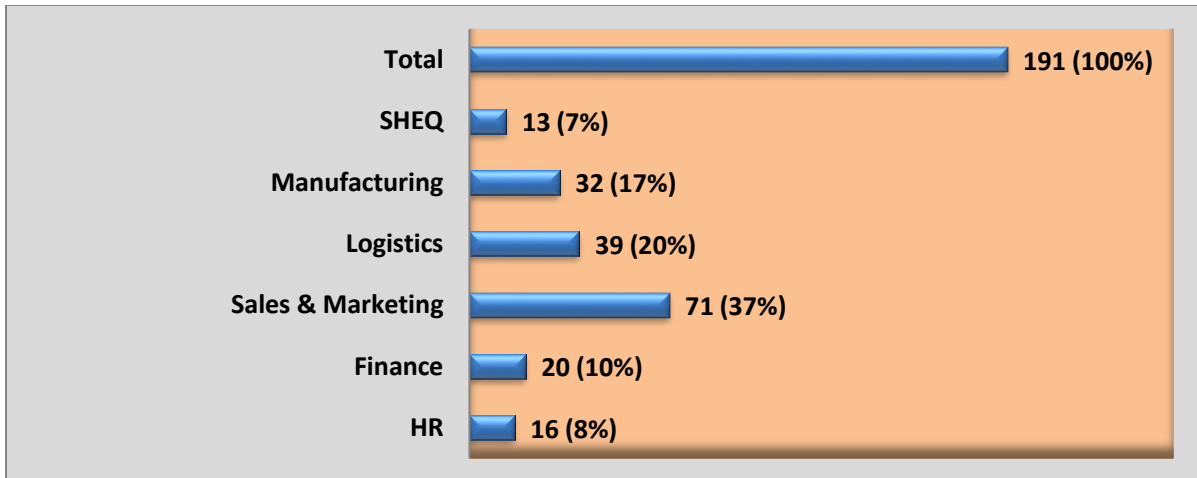


Figure 7: Competency of Sample Population

4.4.6 Sample Population by Position Status

This classification was made to draw a representative sample from managerial and non-managerial positions so that composition of the sample would practically stand any challenge that might bias research findings. With this in mind, 32% of the sample is managerial staff and 68% is non-managerial staff as shown in Figure 8.

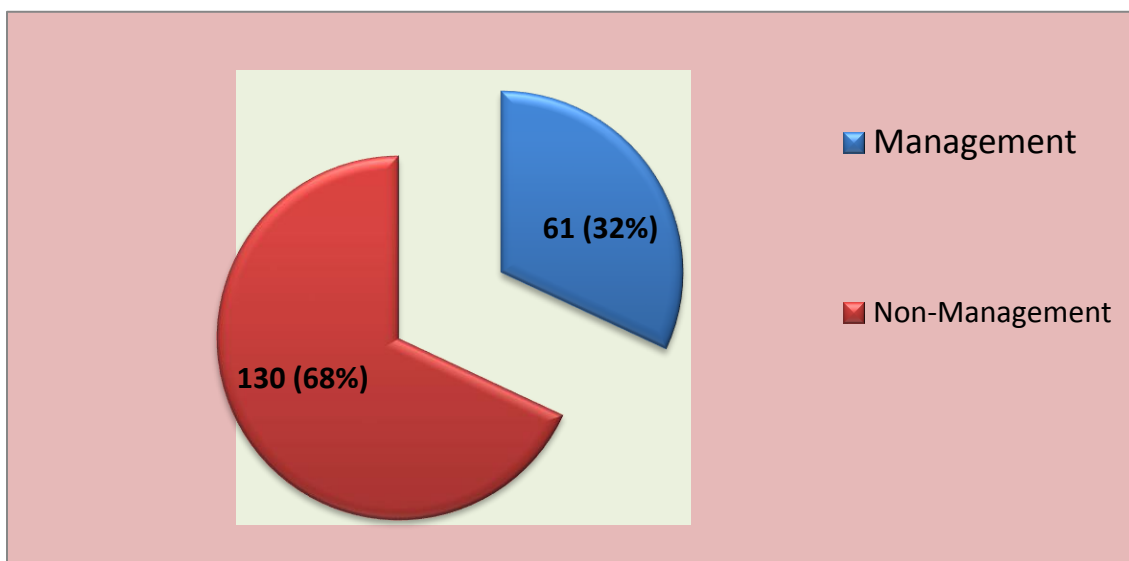


Figure 8: Position Status of Sample Population

4.4.7 Sample Population by Marital status

Figure 9 depicts that 118(62%) respondents are single whereas 73(38%) are married. This implies that most of the respondents are single.

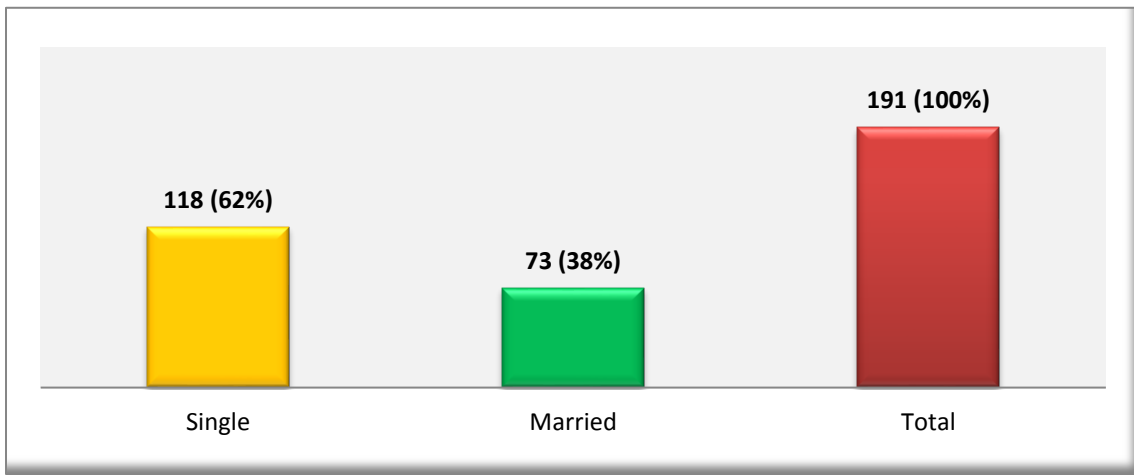


Figure 9: Marital Status Sample Population

4.10. Analysis of Data

4.5.1 Descriptive Analysis

4.5.1.1. Influence of Financial and Non-Financial Rewards

The results from Table 3, Part -2 will be discussed below.

From item -1, we can see that 53% of the respondents agreed that both financial and non-financial rewards are incorporated in the company's compensation system; whereas 23% of the respondents didn't agree.

In item-2, 43.4% of the respondents agreed that financial rewards are greater than the non-financial rewards. On the contrary, 27.8% of the respondents said the financial reward is not greater than the non-financial reward.

When we look at item-3, 45.6% of the respondents agreed that the company's compensation package is not competitive with other companies in the same industry. However, 28.8% of the respondents accepted that it is competitive.

Under item-4, 43% of the respondents agreed that the existing compensation package can retain best performers whereas 24.6% didn't agree. Item-5, shows 47.6% of the respondents believed that the company's compensation package is linked to performance and 28.3% of the respondents didn't accept it.

As reflected in Item-6, 43.5% of the respondents agreed that individuals with best performance score will not get any additional pay. On the other hand, 26.1% of the respondents disagreed and said that there is additional pay for high performance.

Finally, item 7 reveals that 53.4% of the respondents as compared against 25.2%, agreed that the existing compensation package drives company performance.

Table 3: Frequency of Responses on Influence of Financial and Non-Financial Rewards on Job Satisfaction

Item	Question	Percent					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
	PART-2: Financial & Non-Financial Rewards						
1	Both financial and non-financial reward types are incorporated in the compensation system of the company	12.0	11.5	22.5	44.0	9.9	100.0
2	In the company's compensation system, financial rewards are greater than nonfinancial rewards	12.6	15.2	28.8	34.0	9.4	100.0
3	The company's compensation package is competitive with companies in the same industry	12.6	16.2	25.7	32.5	13.1	100.0
4	The company's compensation package is capable to retain best performers	9.9	14.7	31.9	31.4	12.0	100.0
5	The company's compensation package is linked to performance	13.6	14.7	24.1	38.2	9.4	100.0
6	Someone with highest performance evaluation score, may not be entitled for additional pay	7.3	18.8	30.4	35.1	8.4	100.0

7	The existing compensation package drives company performance	10.5	14.7	21.5	45.0	8.4	100.0
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4.5.1.2. Influence of Financial Rewards

Under Part 3, Table 4, few items with higher frequency percentage in both directions will be discussed.

In item-8, 55% of the respondents believe that their salary doesn't commensurate with what they do and on the other hand 30.9% of the respondents agree that it is satisfactory with what they do.

Item-9 shows 49.2% of the respondents feel that their basic pay is not fair relative to the industry average whereas 32.5% of the respondents believe that it is fair.

From item-14, we can see that 58.1% of the respondents are satisfied with medical benefits and 23.6% of the respondents have still a concern.

Item-15 indicates that 68.6% of the respondents are discontented with the canteen services while 19.4% of the respondents still like the services.

Table 4: Frequency of Responses on Influence Financial Rewards

No	Question	Percent						Total	Mean
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree			
	PART-3: The Influence of Non-Financial Rewards								
8	My salary is satisfactory in relation to what i do	29.8	25.1	14.1	28.8	2.1	100.0	2.48	
9	The amount of basic pay i receive is fair relative to the industry's average	26.7	22.5	18.3	29.3	3.1	100.0	2.60	
10	My base pay is determined based on the knowledge, accountability and decision making required from my role	18.3	25.7	24.6	24.1	7.3	100.0	2.76	
11	Salary adjustment/increment is made within a reasonable/logical time period	13.6	23.0	18.3	36.1	8.9	100.0	3.04	
12	Salary increments are made based on the performance results of workers	18.8	27.7	18.3	29.3	5.8	100.0	2.75	

13	Salary increment made for high performers will encourage others to perform more	15.2	17.8	22.0	32.5	12.6	100.0	3.09
14	I value the medical benefits more than other benefit schemes	9.9	13.6	18.3	41.4	16.8	100.0	3.41
15	I enjoy my annual leave as part of my benefit	11.5	23.6	18.8	36.1	9.9	100.0	3.09
16	I am happy with the canteen service by now	43.5	25.1	12.0	13.1	6.3	100.0	2.14
17	The transportation service (allowance) of the company is motivating	22.5	18.3	20.4	28.8	9.9	100.0	2.85
18	Benefit packages are modified as necessary to ensure organization's competitiveness	14.1	19.4	25.7	29.8	11.0	100.0	3.04
19	I am happy with overall benefit packages of the company	15.2	22.5	21.5	33.5	7.3	100.0	2.95

4.5.1.3. Influence of Non-Financial Rewards

Under Part 4, Table 5, few items with higher frequency percentage will be discussed.

Item-20 of in Table 5 shows that 39.3% of the respondents believe that there is no equal chance for promotion whereas 36.1% believe there is equal chance.

Shown under item-21, 44.5% of the respondents agreed that they have got clear information on the promotion policy of the company. However, 31.4% of the respondents were not communicated the promotion policy of the company. From item-22, we can see that 39.8% of the respondents are not satisfied with the promotion system of the company even though 29.8 are saying satisfied.

Under item-25, 56% of the respondents believe that recognition for good work will further encourage them to work beyond the requirements of the job whereas 20.9% of the respondents didn't agree.

Depicted in item-26, 65.4% of the respondents believe that proper recognition of high performers will encourage low performers to work hard whereas 16.2% are on the contrary position. Item-27 indicates that 64.4% of the respondents agreed that their working hour is reasonably acceptable although 21.5% of the respondents objected it.

Item-28 reflects that 52.9% of the respondents had the feeling that they overwork whereas 28.3% didn't overwork. From item-31, we can see that 58.1% of the respondents received fair treatment from their managers and 27.7% of the respondents were not treated fairly.

Shown under item-32, 53.9% of the respondents said that their supervisor understands their problem and needs whereas 22% of the respondents felt that their supervisor is not soft hearted with them.

Table5 Frequency of Responses on the influence of Non-Financial Rewards

Item	Question	Percent					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
	PART-4: The Influence of Non-Financial Rewards						
20	Everyone has an equal chance to be promoted	26.7	12.6	24.6	29.3	6.8	100.0
21	The organization's promotion policy is clearly communicated to me	18.3	26.2	24.1	24.6	6.8	100.0
22	I am satisfied with the promotion system of the company	21.5	18.3	30.4	22.5	7.3	100.0
23	I get credit for what i do	14.1	21.5	21.5	35.1	7.3	99.5
24	I receive constructive criticism (positive feedback) about my work	7.9	22.0	19.4	41.9	8.9	100.0
25	The recognition for good work encourages me to work beyond the requirements of my job	5.8	15.2	23.0	41.9	14.1	100.0
26	Proper recognition of high performers will encourage low performers to work hard	5.8	10.5	18.3	38.7	26.7	100.0
27	My working hours are reasonable	9.4	12.0	14.1	45.0	19.4	100.0
28	I have never overworked	26.2	26.7	18.8	22.5	5.8	100.0
29	The company has big concern of creating safe working conditions	14.1	12.6	27.7	35.6	9.9	100.0
30	The existence of safe working conditions has increased my performance	12.6	14.7	19.9	38.7	14.1	100.0
31	My manager treats all his/her employees fairly	11.0	16.8	14.1	41.9	16.2	100.0
32	My supervisor understands my problems and needs	9.4	12.6	24.1	40.8	13.1	100.0
33	My manager has clarified for me the company's vision, goal and objectives	11.0	11.0	26.2	38.2	13.6	100.0

34	My manager shows concern for work group members' well being	11.0	13.1	23.0	42.4	10.5	100.0
35	I am very satisfied with my manager	12.0	15.2	20.4	38.7	13.6	100.0

4.5.1.4. Communication, Procedural & Distributive Justices in Compensation System of the company

Under Part 5, Table 6, item-36, respondents didn't clearly indicate whether they are clear with the company's compensation system or not.

From item-37, we can see that 37.7% of the respondents said that they know their pay structure and how their pay scale is defined whereas 33.5% didn't agree on this.

Under question related to procedural justices, 38.7% of the respondents believe that the company has a clear procedure on how to implement the reward policy. In the same topic, 33% of the respondents said that they know where to apply in case there is a violation of compensation policy and procedure. However, 30.4% of the respondents didn't agree that they know where they lodge their grievance.

With questions related to distributive justice in Table-6, 36.6% of the respondents believe that the company's compensation system is just and fair to them whereas 30.9% of the respondents didn't see the justice and fairness.

Under the same topic, 36.6 % of the respondents agreed that the compensation system of the company equally rewards for the works of equal value. However, 30.3% of the respondents stood on the opposite side to this response.

In another question to related distributive justice, 34.6% of the respondents said that there is no favoritism whereas 29.3% felt there is favoritism in rewarding employees.

From item-45 of the same table, 39.3% of the respondents believe that they are rewarded fairly as compared to other fellow worker. However, 29.3% of the respondents didn't agree on this.

Item-46 shows 40.8% of the respondents believe that they are rewarded based on their performance whereas 30.4% didn't agree.

Table 6: Frequency of Responses on Communication, Procedural & Distributive Justices in Compensation System of the company

No.	Question	Percent					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
	PART-5: Communication, Procedural & Distributive Justices in Compensation System of the company						
	Communication of Compensation System						
36	I am clear with the compensation system of the company	10.5	24.1	30.9	30.4	4.2	100.0
37	The compensation system of the company is transparently communicated to employees	9.9	24.6	30.4	29.8	5.2	100.0
38	I know my pay structure and how my pay scale is defined	11.0	22.5	28.8	30.9	6.8	100.0
	Procedural Justices						
39	The company has clear procedure on how to implement the reward policy	8.4	15.7	37.2	34.6	4.2	100.0
40	I know where to appeal when the compensation policy and procedures are violated	12.6	17.8	36.6	28.8	4.2	100.0
	Distributive Justices						
41	The company's compensation system is just/fair	11.0	19.9	32.5	33.0	3.7	100.0
42	The company's compensation system equally rewards for works with equal values	11.5	18.8	33.0	33.0	3.7	100.0
43	The compensation policies and procedures of the company equally and consistently apply to all employees	13.6	19.9	30.9	29.8	5.8	100.0
44	In the company there is favoritism in	15.2	19.4	36.1	24.1	5.2	100.0

	rewarding employees						
45	I am rewarded fairly enough compared with my fellow employees	9.4	19.9	31.4	35.1	4.2	100.0
46	I am rewarded based on my performance	12.6	17.8	28.8	33.0	7.9	100.0

4.5.1.5. The Influence of Constructive Discrimination

Under Part 6, Table 7, the results of the questions will be discussed below.

Item-47 shows 37.7% of the respondents accepted that there should be discrimination on the pay based on skill and performance whereas 36.7% opposed it.

Item-48 states that 45.5% of the respondents believe that there are employees with scarce skill who should be paid higher than others. On the opposite side of there are 27.2% respondents.

Item-49 depicts 44.5% of the respondents agreed that discrimination on compensation system helps to retain scarce and talented employees. However, 27.7% of the respondents insisted that there should no discrimination on compensation system.

Table 7: Frequency of responses on the influence of constructive discrimination

Item	Question	Percent					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
	PART-6: The Influence of Constructive Discrimination						
47	I accept the discrimination on pay system based on skill and performance	19.9	16.8	25.7	31.4	6.3	100.0
48	I believe there are employees with scarce skill who should be paid higher than others	12.0	15.2	27.2	37.2	8.4	100.0
49	Discrimination on compensation system helps to retain scarce and talented employees	11.0	16.8	27.7	34.6	9.9	100.0
50	I know employees who are paid higher than others on the same job and i agree on the difference of their pay	20.9	24.1	27.2	22.0	5.8	100.0

4.5.1.6. Type of Compensation Respondents on which respondents more satisfied

From Table 8, 64.9 % of the respondents are satisfied with both financial and non-financial compensation of the company. In the same table, 12.6% of the respondents chosen that they are satisfied with the financial compensation whereas 22.5% of the respondents are satisfied with the non-financial compensation.

Table 8: Frequency of responses on which type of the compensation the respondents are satisfied most

Compensation Type	Frequency	Percent	Valid Percent	Cumulative Percent
Financial Compensation like base pay, bonus, allowance & benefits	24	12.6	12.6	12.6
Non-financial compensation	43	22.5	22.5	35.1
Both financial and non-financial compensation	124	64.9	64.9	100.0
Total	191	100.0	100.0	

4.5.2. Inferential Analysis of Demographic Characteristics versus Job Satisfaction

In this section, basic demographic characteristics such as gender, educational qualification, competency, position status and marital status, age and work experience are tested against job satisfaction using the non-parametric test- Mann-Whitney test and the Kruskal Wallis test to see if there is a relationship.

4.5.2.1 Gender versus Job Satisfaction

As the Mann-Whitney table (Table 9) displays, the p value is 0.742, which is above the significance level of $\alpha=.05$, implying that job satisfaction is independent of gender. This

confirms that job satisfaction and gender have no relationship. This is in compliance Robbins (2005) that there is no evidence indicating that an employee's gender affects job satisfaction.

Table 9:
Whitney Test-
Gender

Mann-

Ranks

	Gender	N	Mean Rank	Sum of Ranks
Job Satisfaction Level	m	141	96.78	13646.50
	f	50	93.79	4689.50
	Total	191		

Test Statistics^a

	Job Satisfaction Level
Mann-Whitney U	3414.500
Wilcoxon W	4689.500
Z	-.329
Asymp. Sig. (2-tailed)	.742

a. Grouping Variable: Gender

Source: SPSS Statistical Data Analysis Result

4.5.2.2 Educational Qualification versus Job Satisfaction

Table 10 displays the Kruskal Wallis Test result of p value 0.096, which is above the significance level of $\alpha=.05$, implying that job satisfaction is independent of educational qualification. This confirms that job satisfaction and education level have no relationship.

Ranks

	Education Qualification	N	Mean Rank
Job Satisfaction Level	Diploma	45	81.97
	First Degree	134	101.61
	Master's Degree	12	85.96
	Total	191	

Table 10: Kruskal Wallis Test Education Qualification

Test Statistics^{a,b}

	Job Satisfaction Level
Chi-Square	4.688
df	2
Asymp. Sig.	.096

a. Kruskal Wallis Test

b. Grouping Variable: Education Qualification

Source: SPSS Statistical Data Analysis Result

4.5.2.3 Competency versus Job Satisfaction

In Table 11 of the Kruskal Wallis Test, the result of p value is 0.504, which is above the significance level of $\alpha=.05$, implying that job satisfaction is independent of Competency. This confirms that job satisfaction and employee's competency (department) has no relationship.

Table 11: The Krukall Wallis Test- Competency versus Job Satisfaction

Ranks

Competency	N	Mean Rank
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Job Satisfaction Level	HR	16	100.50
	Finance	20	74.85
	Sales & Marketing	71	94.92
	Logistics	39	102.64
	Manufacturing	32	96.11
	SHEQ	13	108.69
	Total	191	

Test Statistics ^{a,b}	
	Job Satisfaction Level
Chi-Square	4.319
df	5
Asymp. Sig.	.504

a. Kruskal Wallis Test

b. Grouping Variable: Competency

Source: SPSS Statistical Data Analysis Result

4.5.2.4 Position Status versus Job Satisfaction

In Table 12 of the Mann Whitney Test, the result of p value is 0.985 which is above the significance level of $\alpha=.05$, implying that job satisfaction is independent of Position Status. This confirms that job satisfaction and employee's position status has no relationship.

Table 12: Mann Whitney Test of Position Status versus job satisfaction

Ranks

	Position Status	N	Mean Rank	Sum of Ranks
Job Satisfaction Level	Management	61	96.11	5862.50
	Non-Management	130	95.95	12473.50
	Total	191		

Test Statistics^a

	Job Satisfaction Level
Mann-Whitney U	3958.500
Wilcoxon W	12473.500
Z	-.018
Asymp. Sig. (2-tailed)	.985

a. Grouping Variable: Position Status

Source: SPSS Statistical Data Analysis Result

4.5.2.5 Marital Status versus Job Satisfaction

In Table 13 of the Mann Whitney Test, the result of p value is 0.174 which is above the significance level of $\alpha=.05$, implying that job satisfaction is independent of marital Status. This confirms that job satisfaction and marital status has no relationship and this is in contradiction with Robbins (2005) that married employees are more satisfied with their jobs than are their unmarried coworkers.

Table 13: Mann-Whitney Test of Marital Status versus job satisfaction

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Ranks

	Marital Status	N	Mean Rank	Sum of Ranks
Job Satisfaction Level	Single	118	91.73	10824.00
	Married	73	102.90	7512.00
	Total	191		

Test Statistics^a

	Job Satisfaction Level
Mann-Whitney U	3803.000
Wilcoxon W	10824.000
Z	-1.359
Asymp. Sig. (2-tailed)	.174

a. Grouping Variable: Marital Status

Source: SPSS Statistical Data Analysis Result

4.5.2.6 Age versus Job Satisfaction

In Table 14 of the Mann Whitney Test, the result of p value is 0.126 which is above the significance level of $\alpha=.05$, implying that job satisfaction is independent of this age category. This confirms that job satisfaction and age has no relationship and this is in contradiction with Robbins (2005) that employees' satisfaction tends to continually increase among professionals as they age

Table 14: Kruskal Wallis Test of Age Category and job satisfaction

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Test Statistics^{a,b}

		Job Satisfaction Level	Mean Rank
Source:	Chi-Square	5.715	
	df	3	90.32
	Asymp. Sig.	.126	99.26
	a. Kruskal Wallis Test		99.79
b. Grouping Variable: Age Category		136.56	
Total		191	

SPSS

Statistical Data Analysis Result

4.5.2.7 Work Experience versus Job Satisfaction

In Table 15 of the Kruskal Wallis Test, the result of p value is 0.020 which is below the significance level of $\alpha=.05$, implying that job satisfaction is not independent of work experience and the result indicates) that tenure (work experience) and jobsatisfaction have positive relationship, Robbins (2005).

Table 15: The KruskalWallis Test of Work Experience and job satisfaction

Ranks

	Work Experience Category	N	Mean Rank
Job Satisfaction Level Dummy	Fresh	17	90.62
	Short Tenure	130	95.81
	Middle Tenure	16	89.94
	Long Tenure	16	72.59
	Very Long Tenure	6	101.50
	Total	185	

Test Statistics^{a,b}

	Job Satisfaction Level Dummy
Chi-Square	11.656
df	4
Asymp. Sig.	.020

a. Kruskal Wallis Test

b. Grouping Variable: Work Experience Category

Source: SPSS Statistical Data Analysis Result

4.5.3. Inferential Analysis of Components of Compensation System versus Job Satisfaction- Logistics Regression

This section tests and describes the logistics regression effects of five independent variables on employees' job satisfaction.

Table 16: LR Analysis Result of Independent Variables versus Job Satisfaction

		Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1 ^a	Financial and Non-Financial Rewards	-.508	.459	1.225	1	.268	.602	.245	1.479
	Financial Rewards	2.492	.763	10.658	1	.001	12.090	2.708	53.985
	Non-Financial Rewards	1.164	.718	2.632	1	.105	3.203	.785	13.076
	Comm. Of Compensation System	-1.372	.562	5.959	1	.015	.254	.084	.763
	Procedural and Distr. Justice	1.741	.566	9.451	1	.002	5.702	1.879	17.299
	Constructive Discrimination	.235	.358	.432	1	.511	1.265	.627	2.550
	Constant	-7.109	1.909	13.874	1	.000	.001		
a. Variable(s) entered on step 1: Financial and Non-Financial, Financial Rewards, Non-Financial Rewards, Communication of Compensation System, Procedural and Distributive Justice, Constructive Discrimination.									

Source: SPSS Logistics Regression Analysis Result

4.5.3.1. Influence of Independent Variables on Job Satisfaction

i. Influence of Financial Rewards

The logistic regression in Table 16 shows that, the Financial Reward has a p value of 0.001 which is far below $\alpha=0.05$. This means Financial Reward significantly influence job satisfaction.

Hypothesis was formulated to test the relationship between financial reward and Job Satisfaction as:

H 1: There is a significant relationship between financial reward and job satisfaction.

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

Bozeman and Gaughan (2011) have also concluded that the perception of being paid what one is worth predicts job satisfaction. The Faculty who agree that they are paid “what they are worth” in the market place tend to have higher levels of job satisfaction than those who do not.

Having statistically rejected the null hypothesis and degree of relationship between financial reward and job satisfaction will be given by the equation of ODDS in Table 17. Odds ratios are used in logistic regression because they show the effect of a variable that is independent of the Value of other covariates.

From this table, we can infer that for those employees who strongly agreed (response scale 5); a one unit increase in financial reward will increase the job satisfaction by 210.1 units or by 100%. For those employees who agreed (response scale 4), a one unit increase in financial reward will increase their job satisfaction by 17.44 units or by 95%. For those who stayed neutral (response scale 3), increase in one unit of financial reward will increase their job satisfaction by 1.44 or 59%. The job satisfaction will increase by 0.11 units or by 11% as financial reward increases by one unit for the employees who disagreed (response scale 2). For strongly disagreed choice (response scale 1), a one unit increase in financial reward will increase the job satisfaction of employee only by 0.0099 or 1%.

Therefore, as employees scale of response to financial reward increases, the job satisfaction also increases positively.

Table 17: Equation of ODDS for Financial Rewards

Independent Variable	a=constant	B=Coefficient	X= Response Scale	ODDS= $e^{a+BX+CX_1+DX_2}$	ODDS	%
Financial Rewards	-7.109	2.492	5	5.351	210.82	100%
	-7.109	2.492	4	2.859	17.44	95%
	-7.109	2.492	3	0.367	1.44	59%
	-7.109	2.492	2	-2.125	0.11	11%
	-7.109	2.492	1	-4.617	0.0099	1%

Source: Data Input from SPSS LR and Analyzed and Summarized by the Researcher

ii. The Influence of Procedural and Distributive Justices on job Satisfaction

The logistic regression in Table 16 shows that, the Procedural and Distributive Justices has a p value of 0.002 which is far below significant value of $\alpha=0.05$. This means Procedural and Distributive Justices are significantly influence job satisfaction.

Hypothesis was formulated to test the relationship between Procedural and Distributive justices and Job Satisfaction as:

H 2: There is a positive relationship between distributive and procedural justices and job satisfaction

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

From Table 15, we can infer that the positive coefficient $\beta=1.741$ show that there is a positive relationship between the independent variable Procedural and Distributive Justices and job satisfaction. The relationship is further discussed using ODDS in Table 18.

Given in Table 18, we can infer that for those employees who strongly agreed (response scale 5); a one unit increase in procedural and distributive justices will increase the job satisfaction by 4.93 units or 83%. For those employees who agreed (response scale 4), a one unit increase in procedural and distributive justices will increase their job satisfaction by 0.87 units or by 46%. For those who stayed neutral (response scale 3), increase in one unit of procedural and distributive justices will increase their job satisfaction by 0.15 or by 13%. The job satisfaction will increase by 0.027 units or by 3% as procedural and distributive justices are increased by one unit for the employees who disagreed (response scale 2). For strongly disagreed choice (response scale 1), a one unit increase in procedural and distributive justices will increase the job satisfaction of employee only by 0.005 which is negligible.

Table 18: Equation of ODDS for Procedural and Distributive Justices

Independent Variable	a=constant	B=Coefficient	X= Response Scale	ODDS= $e^{a+BX+CX_1+DX_2}$	ODDS	%
Procedural and Distr. Justice	-7.109	1.741	5	1.596	4.93	83%
	-7.109	1.741	4	-0.145	0.87	46%
	-7.109	1.741	3	-1.886	0.15	13%
	-7.109	1.741	2	-3.627	0.027	3%
	-7.109	1.741	1	-5.368	0.005	0%

Source: Data Input from SPSS LR and Analyzed and Summarized by the Researcher

iii. Influence of Non-Financial Rewards and Constructive Discrimination on Job Satisfaction

From Table 16, the logistics regression test result shows that non-financial reward and constructive discrimination have p values of 0.105 and 0.511 respectively. Since the respective p value is above the standard significant level $\alpha=0.05$, the two independent variables are independent on job satisfaction. This implies that there is no relationship between non-financial rewards and job satisfaction as well as constructive discrimination and job satisfaction for East Africa Bottling Share Company.

Having proved the independence of these independent variables on job satisfaction, the alternate hypothesis that there is a significant relationship between constructive discrimination and job satisfaction cannot be accepted and thus the null hypothesis is accepted.

iv. The Influence of Communication of Compensation Systems on Job Satisfaction

According to Armstrong (2000), individual employees should understand how their grades, present rate of pay, and pay increase have been determined and the pay opportunities available. Furthermore, employees and their representatives should be informed about the guiding principles and policies that underpin the reward system and the reward strategies that drive it. The grade, pay structure and how their pay can progress within the structure, provisions of benefits are what employees are expected to know from the employer. Accordingly, the statistical test in Table 16 shows that communication of compensation system has significant effect comparing the p-value of 0.015 with the standard significance value of $\alpha=.05$.

v. The Influence of Compensation Systems on Job Satisfaction

The logistic regression in Table 19 shows that, the compensation system has a p value of 0.000 which is absolutely below $\alpha=0.05$. This means compensation system has significantly influence on job satisfaction.

Hypothesis was formulated to test if there is a significant effect by compensation system on job satisfaction.



Figure 10: Relationship between Compensation System and Job Satisfaction

Since the statistical result showed that there is a significant relationship, the null hypothesis is rejected and the alternative hypothesis H-1 in Figure 10 is accepted.

Table 19: LR Analysis Result of Compensation System versus Job Satisfaction

		Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp (B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1 ^a	Compensation System	2.017	.449	20.221	1	.000	7.518	3.121	18.111
	Constant	-3.256	1.139	8.165	1	.004	.039		

a. Variable(s) entered on step 1: Compensation System.

Source : SPSS
Logistics Regression Analysis

is Result

Having seen that there is a significant relationship between compensation system and job satisfaction, the impact will be analyzed using the ODDS equation as summarized in Table 19.

Depicted in Table 19, we can infer that for those employees who strongly agreed (response scale 5); a one unit improvement in compensation system will increase the job satisfaction by 19.6 units or 95%. For those employees who agreed (response scale 4), a one unit improvement in compensation system will increase their job satisfaction by 2.61 units or by 72%. For those who stayed neutral (response scale 3), improvement in one unit of compensation system will increase their job satisfaction by 0.35 or by 26%. The job satisfaction will increase by 0.046 units or by 4% as compensation system improved by one unit for the employees who disagreed (response scale 2). For strongly disagreed choice (response scale 1), a one unit improvement in compensation system will increase the job satisfaction of employee only by 0.006 or by 1%.

Therefore, as the company improves its compensation system, the job satisfaction of its employees steps up accordingly.

Table 20: Equation of ODDS for Compensation System

Independent Variable	a=constant	B=Coefficient	X= Response Scale	ODDS= $e^{a+Bx+Cx_1+Dx_2}$	ODDS	%
Compensation System	-7.109	2.017	5	2.976	19.61	95%
	-7.109	2.017	4	0.959	2.61	72%
	-7.109	2.017	3	-1.058	0.35	26%
	-7.109	2.017	2	-3.075	0.046	4%
	-7.109	2.017	1	-5.092	0.006	1%

Source:
Data
Input
from
SPSS
Logistics

Regression

4.5.4. Conceptual Model after Statistical Test

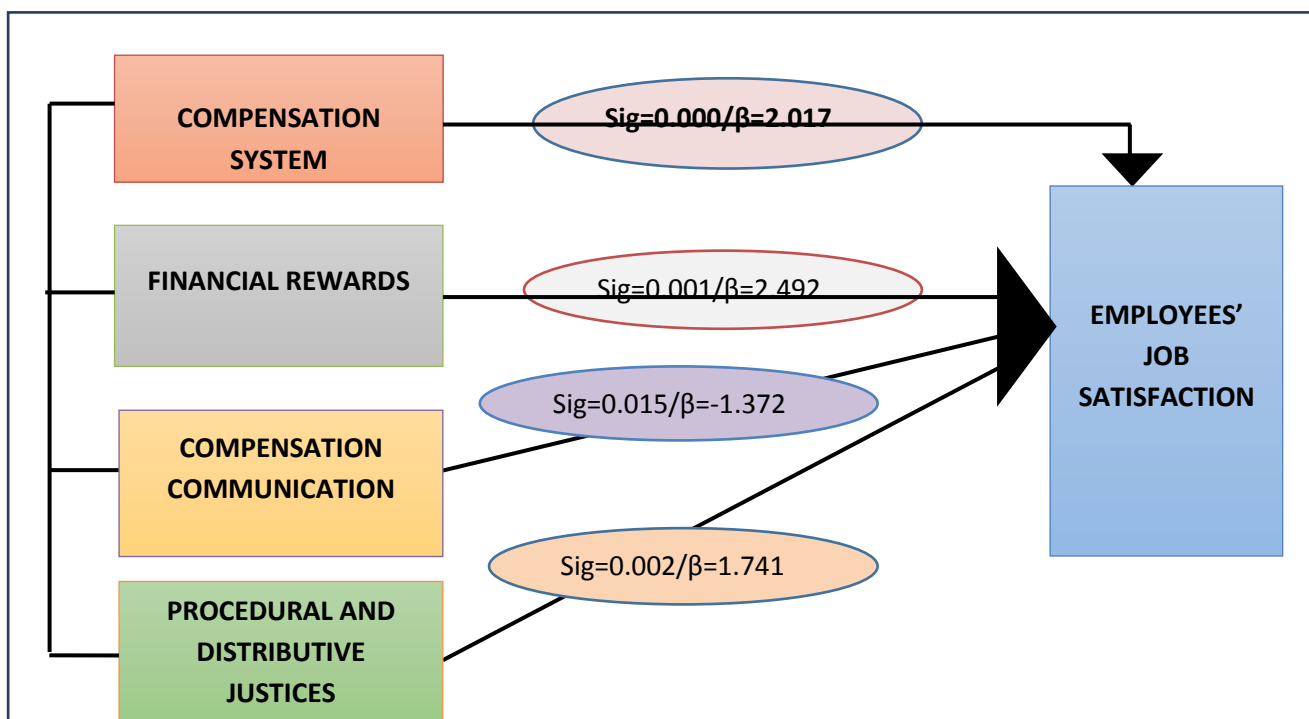


Figure 11: Modified Conceptual Model

Figure 11 is a modified model of figure 1 which was a proposed conceptual model of the researcher. From figure 1, non-financial rewards and constructive discrimination in compensation were part of the independent variables. However, after statistical test using the Logistic Regression, these two variables found to be independent to the outcome variable as their respective significance value $p= 0.105$ and $p=0.511$ is proved to be above the standard significance level $\alpha=.05$.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1. SUMMARY OF FINDINGS

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

- From the assessment made on compensation system, the company has a remuneration policy which is based on five pillars- internal equity, external equity, performance based, administration and retention. It also participates in annual salary survey to get an input from market and adjust its scale to be competitive. The pay policy is pay mid of the market.
- There are managers who get an annual bonus amount of three months' salary the same as non-manager employees reporting to them, while the next level managers are getting six months' salary.
- The salary scale differential observed from 2016 salary scale of the company showed that the differential is within the recommended percentage which is between 10 to 25% even though it lacks consistency across the grades. However, the actual salary differential percentage is out of the recommended range in most of the grades.
- Between grade 17 and 18 which are managerial positions and there is a subordinate and boss relationship, the actual salary differential is 189%.
- Demographically the sampled population are 26% female and 74% male; 64% are youth (between age 18 and 29); 70% have got first degree in education qualification, 68% are with short tenure (2 to 5 years); 68% are on non-management positions; and 62% are not married.
- Majority of the respondents which are represented by 43% have the feeling that the compensation package of the company is not competitive as compared to other companies in the same industry.

- 68% of the respondents are discontented with the canteen services of the company although the company is providing free meal services costing Birr 1.5 million per month for all of its employees.
- 68% of the respondents are satisfied with both financial and non-financial compensation of the company.
- The statistical test on the demographic factors of the respondents has shown that employees' job satisfaction does not depend on their gender, education qualification, competency (department), position status, marital status, and age. However, the test showed a positive relationship between work experience and job satisfaction.
- Financial rewards, procedural and distributive justices have significant effect on employees' job satisfaction.
- For the respondents in this study, there is no effect of non-financial and constructive discrimination in compensation on employees' job satisfaction.
- The surprising result found from the respondents of this study is that there is a negative relationship between communication of compensation system and employees' job satisfaction.
- In general, as major objective of the research, the statistical result has shown that there is a significant effect of compensation system on employees' job satisfaction.

5.2. CONCLUSIONS

Based on the data findings presented, the following main conclusions are drawn.

- Being a multinational company, East Africa Bottling has got proven systems by which it governs its business operation in general. As part of its operation, the company has a human resource department where its key resources, humans are managed. The department has a remuneration policy by which it administers its people compensation. Much of this policy is appreciable and the clear limitations are on its practice as observed on pay differentials which are not in line with the scholastic recommendations of Armstrong (2007) where the pay differentials should be within 10 to 15% and at max 25%.

- Bruce and Blackburn (1992) explained that the relative pay is better predictor of job satisfaction than absolute pay when it comes to the perception of employees. From this point of view, the company's pay differential and distribution of bonus amount has a reverse influence on employees' job satisfaction.
- The demographic study of Robins (2005) is supported by the findings of this research only for age – where there is no relationship with job satisfaction and work experience where there is a positive relationship with job satisfaction.
- When it comes to perception of fairness, Milkovich and Newman (1992) concluded that employees consider their salaries fair if their salaries are viewed equal to those of employees in other organizations the employees perceive as similar to their own. The respondents of this study have also felt that their pay is not fair as compared to the pay of employees in other companies in similar industry. This indicates that the company's pay for this respondent group affects their job satisfaction.
- As one of the indirect financial reward, the provision of canteen services is appreciated as this is not observed in most of companies. However, most of the respondents of this study are discontented with the services which indicate that there is lack of quality.
- Non-financial reward and constructive discriminations have no impact on job satisfaction for the respondents in this study. On the other hand, the communication of compensation system does not drive job satisfaction in a positive way.
- Compensation system in general has a significant role on employees' job satisfaction and in particular financial reward, procedural and distributive justices are the key drivers of job satisfaction.

5.3. RECOMMENDATION

The study's findings are concluded from the practical assessment of the compensation system of the company and analysis of data obtained from the employees. Much of the results findings call the attention of the company to make corrective action so as to enhance employees' job satisfaction.

The following points are forwarded by the researcher as major areas that the company should focus to correct the existing problems.

- To ensure the fairness of the remuneration policy, the company should make sure that the practices are in line with the policy and the gap on bonus distribution and pay differential should be addressed.
- The company should evaluate and take corrective action on the canteen services because the money invested on this service wouldn't positively impact the satisfaction of the critical employees of the company.

- Since we are the era where information technology is growing fast, each minutes change in one corner revealed within short instant on the other corner. Therefore, we can't avoid employees getting information from other companies. Thus, to minimize the perception of unfairness in pay as compared to other companies, especially in similar industry, the company is advised to study the pay scale of the competitors and at least catch up with what these competitors are paying even though the pay policy is to pay at mid of the market.
- In line with its aggressive expansion work, the company is advised to work on its compensation system in general focusing on the financial rewards, procedural and distributive justices.

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ANNEX

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE **Department of Business Administration and Information System**

This questionnaire is intended to collect primary data to be used for a thesis entitled “The Role of Compensation System on Employees’ Job Satisfaction in East Africa Bottling S.C” in partial fulfillment of requirement for Masters of Arts Degree in Human Resource Management.

So, I respectfully request your kind cooperation in answering the questions as clearly as possible. I would like to assure you that the information you provide will be used for academic purpose only and all responses will be treated in strict confidentiality.

Please put “√” mark in the box to the point which highly reflects your idea and no need of writing your name. Your honest and unbiased response will greatly contribute for the research to achieve its objective.

Thank you very much, in advance, for your sincere cooperation.

If you have any comment and questions you can contact me through the following address;

Desalegn Mekonnen (+251921565097)

Part One: Demographic and Other Information

Please put tick mark (✓) in the circle which most closely represents your personal situation. Please mark one item only per question.

1. Gender Male Female

2. Age _____

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

4. Work Experience in EABSC in years _____

5. Competency HR Finance Sales & Marketing Logistics Manufacturing SHEQ

6. Position Status Management Non-Management

7. Marital Status Single Married

The following questions are presented on a five point Likert scale.

If you completely disagree with the item choose **1(strongly disagree)**

If you moderately disagree with the item choose **2(Disagree)**

If you do not have any information about the item choose **3(neutral)**

If you moderately agree with item choose **4(Agree) and**

If the item strongly matches with your response choose **5(Strongly agree)**

Part Two: General Questions on the Company’s Compensation System

N o.	Financial & Non-Financial Rewards	1	2	3	4	5
1	Both financial and non-financial reward types are incorporated in the compensation system of the company					
2	In the company’s compensation system, financial rewards are greater than nonfinancial rewards					
3	The company’s compensation package is competitive with companies in the same industry					
4	The company’s compensation package is capable to retain best performers					
5	The company’s compensation package is linked to performance					
6	Someone with highest performance evaluation score, maynot be entitled for additional pay					
7	The existing compensation package drives company performance					

Part Three: The influence of Financial Rewards

	Salary/pay	1	2	3	4	5
8	My salary is satisfactory in relation to what I do					
9	The amount of basic pay I receive is fair relative to the industry’s average					
10	My base pay is determined based on the knowledge, accountability and decision making required from my role					
11	Salary adjustment/increment is made within a reasonable / logical time period					
12	Salary increments are made based on the performance results of workers					
13	Salary increment made for high performers will encourage others to perform more					
	Benefit packages	1	2	3	4	5
14	I value the medical benefits more than other benefit schemes					
15	I enjoy my annual leave as part of my benefit					
16	I am happy with the canteen service by now					
17	The transportation service (allowance) of the company is motivating					
18	Benefit packages are modified as necessary to ensure organization’s competitiveness					
19	I am happy with overall benefit packages of the company					

Part Four: The influence of Non- Financial Rewards

	Promotion	1	2	3	4	5
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20	Everyone has an equal chance to be promoted					
21	The organization's promotion policy is clearly communicated to me.					
22	I am satisfied with the promotion system of the company					
	Recognition	1	2	3	4	5
23	I get credit for what I do					
24	I receive constructive criticism (positive feedback) about my work					
25	The recognition for good work encourages me to work beyond the requirements of my job.					
26	Proper recognition of high performers will encourage low performers to work hard					
	Working conditions	1	2	3	4	5
27	My working hours are reasonable					
28	I have never overworked					
29	The company has big concern of creating safe working conditions					
30	The existence of safe working conditions has increased my performance.					
	Leadership	1	2	3	4	5
31	My manager treats all his/her employees fairly					
32	My supervisor understands my problems and needs					
33	My manager has clarified for me the company's vision, goal and objectives					
34	My manager shows concern for work group members' well being					
35	I am very satisfied with my manager					

Part Five: Communication, Procedural and Distributive Justice in the Compensation System Of the company

No.	Communication of Compensation System	1	2	3	4	5
36	I am clear with the compensation system of the company					
37	The compensation system of the company is transparently communicated to employees					
38	I know my pay structure and how my pay scale is defined					
	Procedural and Distributive Justices	1	2	3	4	5
39	The company has clear procedure on how to implement the reward policy					
40	I know where to appeal when the compensation policy and procedures are violated					
41	The company's compensation system is just/fair					
42	The company's compensation system equally rewards for works with equal values					
43	The compensation policies and procedures of the company equally and consistently apply to all employees					
44	In the company there is favoritism in rewarding employees					
45	I am rewarded fairly enough compared with my fellow employees					
46	I am rewarded based on my performance					

Part Six: Influence of Constructive Discrimination

No.	Constructive Discrimination	1	2	3	4	5
47	I accept the discrimination on pay system based on skill and performance					
48	I believe there are employees with scarce skill who should be paid higher than others					
49	Discrimination on compensation system helps to retain scarce and talented employees					

50	I know employees who are paid higher than others on the same job and I agree on the difference of their pay					
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Part Seven: Job satisfaction Level

No.	Survey Question	1	2	3	4	5
1	I feel I am being paid a fair amount for the work I do.					
2	There is really too little chance for promotion on my job.					
3	My supervisor is quite competent in doing his/her job.					
4	I am not satisfied with the benefits I receive.					
5	When I do a good job, I receive the recognition for it that I should receive.					
6	Many of our rules and procedures make doing a good job difficult.					
7	I like the people I work with.					
8	I sometimes feel my job is meaningless.					
9	Communications seem good within this organization.					
10	Raises are too few and far between.					
No.	Survey Question	1	2	3	4	5
11	Those who do well on the job stand a fair chance of being promoted.					
12	My supervisor is unfair to me.					
13	The benefits we receive are as good as most other organizations offer.					
14	I do not feel that the work I do is appreciated.					
15	My efforts to do a good job are seldom blocked by red tape.					
16	I find I have to work harder at my job because of the incompetence of people I work with.					
17	I like doing the things I do at work.					
18	The goals of this organization are not clear to me.					
19	I feel unappreciated by the organization when I think about what they pay me.					
20	People get ahead as fast here as they do in other places.					
21	My supervisor shows too little interest in the feelings of subordinates.					
22	The benefit package we have is equitable.					
23	There are few rewards for those who work here.					
24	I have too much to do at work.					
25	I enjoy my coworkers.					
26	I often feel that I do not know what is going on with the organization.					
27	I feel a sense of pride in doing my job.					
28	I feel satisfied with my chances for salary increases.					
29	There are benefits we do not have which we should have.					
30	I like my supervisor.					
31	I have too much paperwork.					
32	I don't feel my efforts are rewarded the way they should be.					
33	I am satisfied with my chances for promotion.					
34	There is too much bickering and fighting at work.					
35	My job is enjoyable.					
36	Work assignments are not fully explained.					

Part Eight: Open Ended Questions

Generally, in which section of the following the following section company's compensation you are highly satisfied?

- Financial Compensation like base pay, bonus, allowances & benefits
- Non-financial compensation likes insurance, medical service ...etc.
- Both financial and non-financial compensation

Please state some of the benefits the company needs to introduce.

Thank you for your participation!