



St. Mary's ቅድስት ማርያም
University ዩኒቨርሲቲ
committed to excellence

THE EFFECT OF COMPENSATION ON EMPLOYEE MOTIVATION: THE CASE OF HUAWEI TECHNOLOGIES ETHIOPIA PLC.

By

BINIAM TEKLU

**July, 2018
Addis Ababa**



St. Mary's ቅድስት ማርያም
University ዩኒቨርሲቲ
committed to excellence

THE EFFECT OF COMPENSATION ON EMPLOYEE MOTIVATION: THE CASE OF HUAWEI TECHNOLOGIES ETHIOPIA PLC.

By

BINIAM TEKLU

**A Thesis Submitted to the Graduate Studies of St. Mary's University in
Partial Fulfillment of the Requirements For the Degree of Masters of
Business Administration in General Management.**

**July, 2018
Addis Ababa**

**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

**THE EFFECT OF COMPENSATION ON EMPLOYEE
MOTIVATION: THE CASE OF HUAWEI
TECHNOLOGIES ETHIOPIA PLC.**

**BY
BINIAM TEKLU**

APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Mr. Abraraw Chane. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

St. Mary's University, Addis Ababa

Signature

July,2018

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

St. Mary's University, Addis Ababa

Signature

July, 2013

Acknowledgments

It is the grace and help of the almighty God to achieve this success and to go through all the difficult time faced. Throughout this study, I owe more than I can express to my advisor Doctor Abraraw Chane for his professional contributions and advice, guidance and constructive comments, which have made this piece of work possible.

Special thanks to Huawei Human Resource Department team, for giving me enough information, fruitful assistance and for their free willing and encouragement during this study. Next, I am very grateful to the respondents without whom this piece of work would not have been prepared. Finally, I extend my thanks to all my family members, friends and to my lost dad before he saw this day, their contribution is priceless and their role will always remain unforgettable as a great landmark in my academic and professional pursuit.

Abstract

The general objective of the study was to assess the effect of direct and indirect financial compensation on employee motivation in the case of Huawei Technologies Ethiopia PLC. To undertake this general objective, five specific objectives with their underlying research question were designed and assessed by quantitative research design. To respond the research question the theoretical, conceptual and other related literatures were reviewed and most of the literature finding implies that direct and indirect financial compensation has a significant and positive influence on employee's motivation. The required data for conducting the research was obtained through structured questionnaires. The structured questionnaire was adopted from two prior related studies. To check the reliability of the adopted instruments, the Chronbach's coefficient alpha test was carried out. HW Ethiopia has only 83 local employees and the research was conducted on the entire population by excluding those staffs who have less than one year service in the company. A total of 70 questionnaires were distributed to the targeted employees, among these 62 were returned, which means 8 responses were remained unreturned. Thus, 62 returned questionnaires (i.e. representing 88% of response rate) were analyzed using statistical package for social science (SPSS version 23). In this analysis, descriptive statistics, correlation, regression and multiple regressions analysis were performed. The descriptive finding of the study showed that HW local employees don't have a positive feelings towards the existing method used to determine employees compensation in terms of its good balance of pays between the employees within and outside the company, adequacy of compensation for use of skills in the job, incentive for gaining new skills or knowledge, compensation decision making, and on salary survey practice. The correlation analysis result also indicates that direct and indirect financial payments have direct, positive and significant relationship with employee's motivation

Moreover, the finding of multiple regression analysis indicated that both direct and indirect financial compensations have significant factor on motivation of employees at Huawei Technologies Ethiopia.

The overall analysis revealed that the positive acceptance of direct financial compensation are giving satisfactory results in improving employee motivation at HW. Therefore, it is recommended that, the company has to continue implementing direct financial compensation and give more emphasis on improving the indirect financial compensation.

Key words: *Direct compensation, Indirect compensation and Motivation.*

List of Acronyms

HRMS: Human Resource Management System

HW: Huawei

SD: Standard Deviations

SPSS: Statistical Package for Social Sciences

Table of Contents

Chapter One.....	1
Introduction	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	4
1.3 Objective of the Study	5
1.4 Research Questions.....	5
1.5 Significance of the study	6
1.6 Scope of the Study	6
1.7 Limitations of the Study	7
1.8 Operational Definitions	7
1.9 Organization of the Study	8
Chapter Two.....	9
Review of Related Literatures	9
2.1 Overview of Compensation packages in Huawei	9
2.2 Methods Used to Determine Employee’s Compensation	12
2.2.1 Categorization of Employee’s Compensation.....	13
2.2.2 Compensation Plan Determination Process	16
2.3 Direct Financial Payments and Employee’s Motivation.....	18
2.3.1 Base/Basic pay	18
2.3.2 Contingent Pay.....	19
2.3.3 Benefits Classifications.....	20
2.3.4 Motivation Theories on Financial Incentive	22
2.4 Empirical Review	28

2.5 Conceptual Framework for the Study	31
Chapter Three	32
Research Design and Methodology	32
3.1 Research Design	32
3.2 Population and Sampling Design	33
3.2.1 Population	33
3.2.2 Sample Design	34
3.3 Source of Data	35
3.4 Method of Data Collections	35
3.5 The Research Instrument	35
3.6 Reliability and Validity Test	36
3.6.1 Reliability Test	36
3.6.2 Validity Test	37
3.7 Method of Data Analysis	37
Chapter Four	41
Data Analysis, Discussion and Summary of Results	41
4.1 Demographic Characteristics of Respondents	41
4.1.1 Gender of Respondents	41
4.1.2 Age of Respondents	42
4.1.3 Marital Status	42
4.1.4 Staff Category of Respondents	43
4.1.5 Respondents Years of Service	44
4.1.6 Education Level	44
4.1.7 Reliability Test	45

4.2 Data Analysis.....	46
4.2.1 Descriptive Data Analysis.....	46
4.2.2 Inferential Statistics	47
Chapter Five	65
Findings, Conclusions and Recommendations	65
5.1 Findings	65
5.2 Conclusions	71
5.3 Recommendations	73
5.4 Suggestions for Further Research	73
References	75
Annex 1: Research Questionnaire	77
Declaration	81

List of Tables

Table 1: Population Size

Table 2: Comparison Bases of Mean Score of Five Point Likert Scale Instruments

Table 3: Interpretation of Strength of Correlation Coefficients

Table 4: Gender Distribution

Table 5: Age Distribution

Table 6: Marital Status of Respondents

Table 7: Marital Status of Respondents

Table 8: Years of employment

Table 9: Education Level

Table 10 Reliability Statistics

Table 11: Method used to determine employees compensation

Table 12: Interpretation of Strength of Correlation Coefficients

Table 13: Correlation coefficient result of direct financial compensation on employee's motivation

Table 14: Correlation coefficient result of indirect financial compensation on employee's motivation

Table 15: Regression Model Summary of direct financial compensation

Table 16: ANOVA result for extent of direct compensation on employee motivation

Table 17: Coefficients of direct financial compensations

Table 18: Regression Model Summary of indirect financial compensation

Table 19: ANOVA result for extent of indirect compensation on employee motivation

Table 20: Regression analysis result for annual bonus and employee motivation Model summary

Table 21: ANOVA result for annual bonus and employee motivation

Table 22: Regression analysis result for project bonus and employee motivation Model summary

Table 23: ANOVA result for project bonus and employee motivation

Table 24: Regression analysis result for profit sharing and employee motivation Model summary

Table 25: ANOVA result for profit sharing and employee motivation

Table 26: Regression analysis result for monthly star and employee motivation Model summary

Table 27: ANOVA result for monthly star and employee motivation

Table 28: Regression analysis result for medical insurance and employee motivation Model summary

Table 29: ANOVA result for medical insurance and employee motivation

Table 30: Regression analysis result for pension and employee motivation Model summary

Table 31: ANOVA result for pension and employee motivation

Table 32: Regression analysis result for paid leave and employee motivation Model summary

Table 33: ANOVA result for paid leave and employee motivation

Table 34: Regression analysis result for severance pay and employee motivation Model summary

Table 35: ANOVA result for severance pay and employee motivation

Table 36: Regression analysis result for accident insurance and employee motivation Model summary

Table 37: ANOVA result for accident insurance and employee motivation

Table 38: Regression analysis result for transportation allowance and employee motivation Model summary

Table 39: ANOVA result for transportation allowance and employee motivation

Table 40: ANOVA: Differences in Work Motivation Based on gender

Table 41: ANOVA: Differences in Work Motivation Based on level of education

Table 42: ANOVA: Differences in Work Motivation Based on age

Table 43: ANOVA: Differences in Work Motivation Based on employee category

Table 44: ANOVA: Differences in Work Motivation Based on employee experience

Table 45: ANOVA: Differences in Work Motivation Based on marital status

Table 46 : Method used to determine employees compensation

List of Figures

Figure 1: e-reward survey on contingent pay

Figure 2: Conceptual Frame Work

Chapter One

Introduction

1.1 Background of the Study

As per Google 2010 third quarterly report, worldwide ICT achievements are undergoing rapid change in terms of state of innovativeness, manpower and resource compositions. Hence, ICT companies to maintain their competitive position in international labor market which is becoming a must requirement to develop an attractive compensation package to attract high end talent from external market and to motivate and retain its internal key talent. Because of ICT sector is high volatile and too much dependent on the quality of human resource you have. Most companies enforced to develop a compensation package which supports their business strategy in different circumstance and working environment.

However, it isn't easy to optimize the motivation level of employees through financial compensation package because employees desire incentive scheme that complements its individual contribution with their psychological needs and with internal and external equity. So companies are required to do continuous survey and review to establish an attractive compensation package which reward service rendered to the company.

Strategic direction and interest of ICT sector which various highly based on individual customer interest on different forms of economic and political circumstances. However, companies in under developed countries like Ethiopia don't give adequate due attention to upgrade their work process and procedures to meet the requirements of globalization through information technology.

The ultimate goal of ICT companies is to achieve competitive edge by creating value for customers, and contribute to society on information technology. Compensations are rewards which help the company to effectively achieve the business strategies and goals. (Huawei Portal, 2016)

Employee compensations refer to all forms of pay or reward going to employees and arising from their employment. Rewards include direct compensation, indirect compensation and non-financial reward. Developing an effective and appropriate compensation system is an important part of the human resource process. An effective and appropriate compensation system can help,

attract and retain competent and talented individuals who can help the organization accomplish its mission and goals. (Dessler, 2002).

According to Ivencevich (1998), compensation has been recognized as a major motivator of employees. As the issue of motivation is concerned, employee compensation systems have been found to be the most commonly adopted technique among the organizations.

According to Armstrong (2008) de-motivated employees exhibit signs of low morale, this can have destructive implications in the organization. Armstrong (2008) continues to say that among the more significant warning signals of de-motivated employees are high rates of absenteeism, tardiness, high levels of employee turnover, sabotage, low pride in their work, wastage, low job satisfaction, endless grievances, indiscipline and lack of team spirit .In order to curb these and other problems that can escalate into more serious crises in the organization, de-motivation should be detected early and necessary actions taken, these may include counseling of de-motivated employees, clearly explaining their roles, responsibilities and rewards and ensuring their expectations match those of the organization.

Huawei is a leading global ICT solutions provider. Through its employee's dedication to customer-centric innovation and strong partnerships, the company established a good reputation in ICT market in the globe on end-to-end capabilities and strengths across the carrier networks, enterprise, consumer, and cloud computing fields. Huawei are committed in creating maximum value for telecom carriers, enterprises and consumers by providing competitive ICT solutions and services. The products and solutions have been deployed in over 180 countries, serving more than one third of the world's population and strive to meet the Company's vision "Enrich life through Communication".

Huawei Technologies Ethiopia official join Ethiopia ICT market since 2004 and engaged in the entire network construction of Ethio -Telecom including; GSM, CDMA and Fixed Network as well as working with different private and government companies like Information Network Security Agency (INSA), Ministry of education, Ethiopian Electric Power Corporation, Ethiopian railway infrastructure development projects, commercial and private banks and other big and small enterprises.

The organization has a comprehensive human resource policy manual which embodied core values, principle and guidelines that helps to manage employee's compensation. As this policy manual clearly shows, the human resources is the company's greatest asset and thus incentivize

excellent performance and create the required motivation atmosphere is the single most important factor in determining the success of the company. It is also stated out, Huawei must attract the best of best talent from the market and retain and encourage its high end talent into ever increasing performance levels (Huawei Portal, 2016)

The aim of the company compensation policy is to keep the proportion between long-term and short-term incentive resources at optimal level in order to make managers and regular employees remain motivated and dedicated. The policy further defines employee compensation is linked to their performance, accountabilities, and contributions, fully demonstrating contribution-based distribution. Its major goal is to improve effectiveness & efficiency by eliminating low performers and low work capacity, etc.

1.2 Statement of the Problem

Today organizations are showing a high degree of commitment towards strengthening of their compensation packages which are aligned with other HR practices and business strategy of the organization for attracting, retaining and motivating employees. Efficient compensation package helps in attracting result driven high end professionals who can flourish and succeed in contribution based environments. Hence, it is a crucial motivator and may contribute towards the enhancement of the productivity of the employees.

According to Murlis (2007), Herzberg's two factor model of motivation state that money is a so-called 'hygiene factor' which serves as a potential dissatisfier if not present in appropriate amounts, but not as a potential satisfier or positive motivator.

It is sometimes assumed that there is no positive relationship between financial compensation and employee motivation, or it is insignificant. However, in organizations where employees are content with financial packages there seem to be high performance because employees know that when they increase their contribution they will be well compensated.

The employees' satisfaction survey which has been made by external consultant in Egypt representative office shows that most of the problems in the representative office were related with structural gaps; there is a need to revisit HR policy frameworks, organization structure and different rules and regulations prevailing in the company. Among others consider; salary, benefit, and other rewards setting policy and procedure, grievance handling and conflict management mechanism, performance management police and procedure, etc. Egypt representative office satisfaction survey: (2016).

As per the finding of the assessment, the compensation package in Egypt representative office consist a small combination of rewards which cannot satisfactorily its employees and which in turn affects the representative office to face a remarkable employee's turnover. Hence, the senior management sees the need to retain its employees by designing a competitive remuneration package that motivates employees and achieve organizational goals.

Currently, most local employees of Ethiopia representative office are discussing informally about the compensation package at hand, as regards to its fairness, transparency, effectiveness and ability to boost their motivation and other related matters, but the necessary due attention was not yet given to examine their feeling toward the compensation package being implemented.

Such practically existing profound issue and the presence of dissatisfaction of employees about the existing compensation package elicited the researcher to study and recognize the effect of compensation on employee motivation.

Therefore, the specific problem of the study is to know the effect of the existing financial compensation by emphasizing on direct and indirect (fringe benefits) and linked its effect on employee's motivation.

1.3 Objective of the Study

The success of organization business strategy is highly dependent on employees work motivation. This is, therefore, the general objective of the study is to investigate how well implementation of the current financial compensation package of Huawei Technologies Ethiopia PLC generates employees' motivation. Specifically, the study was guided by the following objectives;

1. To assess the methods used to determine employee's compensation at Huawei Technologies Ethiopia.
2. To analyze the effect of direct financial compensation on employee's motivation.
3. To analyze the effect of indirect financial compensation on employee's motivation.
4. To determine the most significant direct financial compensation that affect employee motivation.
5. To determine the most significant indirect financial compensation that affect employee motivation.

1.4 Research Questions

Based on the problem statements of the research, the following research questions were developed;

1. What is the method used to determine employee compensation in Huawei Technologies Ethiopia PLC?
2. To what extent the direct financial compensations affect employee's motivation at Huawei Technologies Ethiopia PLC?
3. To what extent the indirect financial compensations affect employee's motivation at Huawei Technologies Ethiopia PLC?

4. To what extent direct financial compensations given by the company is significant on employee motivation?
5. To what extent indirect financial compensations given by the company is significant on employee motivation?

1.5 Significance of the study

The study tries to investigate the effect of direct and indirect financial compensations on employee's motivation. Hence, this study will help Huawei Ethiopia to clearly understand the major compensation factors that benefits the organization through creating motivated staffs in terms of compensation and help the organization to decide their focus area while developing a new compensation package. In addition, the study helps to create awareness about the compensation practice of Huawei Technologies Ethiopia PLC.

Therefore, the outcome of the study is believed to have the following benefits:

- Helps to know the effect of compensation on employee motivation.
- It will be a useful input to Human Resource Management (HRM) department to know the existing feeling of employees towards the current compensation package, then helps them to do further analysis and decision making.
- This study helps as a reference for a researcher who wants to study their paper in the area of compensation.
- For the researcher it is an opportunity to get a deep knowledge about different types of compensation and motivation theories.

1.6 Scope of the Study

The research was delimited by many factors. Some of them were:

Firstly, since the study is an academic research with limited time period, the researcher targeted only local employees of Huawei Technologies Ethiopia PLC which is one of the telecom products and solution vendor in the country. Secondly, the objective of the study was to examine the effect of financial compensation in employee motivation, i.e. only direct and indirect financial compensation and its effect on employee motivation were investigated. In real practices, there

are non-financial compensations which could affect the level of employee motivation like meaningful and satisfying job ,recognition for accomplishment, feeling of achievement, possibility of increased responsibility ,opportunity for growth and advancement, enjoy doing the job, sound policies, capable managers, competent employees, congenial coworkers, appropriate status symbols ,working conditions, workplace flexibility , compressed workweek , job sharing telecommuting ,and part-time work. In general, non-financial compensations that can affect employee's motivation were not addressed.

1.7 Limitations of the Study

Hence I was working in Huawei Technologies Ethiopia PLC as Human Resources Manager, employees may tending to hide their real feeling towards the existing practice of compensation, as a result, conclusion of the findings might be affected as well as lack of empirical studies conducted in ICT industry on effect of compensation on employee motivation particularly in the context of Ethiopia is limited.

1.8 Operational Definitions

According to Armstrong (2008), the following operational definitions were used for the purpose of this study.

Employee: People working for another person or business firm in lieu of salary or wage.

Compensation – the ‘foundational’ rewards that are primarily financial in nature and satisfy financial needs for income.

Direct financial compensation consists of the pay that an employee receives in the form of wages, salaries, commissions, and bonuses.

Indirect financial compensation (or benefits) consists of all financial rewards that are not included in direct financial compensation, such as *legally required benefits* and *discretionary Benefits*.

Motivation: is concerned with the factors that influence people to behave in certain ways.

Productivity: defined as the individual output; this may be in the form of units per person or revenue generated per person.

1.9 Organization of the Study

The thesis is organized in the following structures:

The first chapter is introductory part which consists of back ground of the study, statement of the problem, objectives of the study, research question, and significance of the study, scope of the study, limitation of the study, operational definitions and organization of the study. The second chapter contains literature review: in this section, empirical, conceptual, theoretical and other literatures related to the title of the study were thoroughly reviewed. The third chapter includes the research design & methodology, source of data; sampling design and method of data analysis. The fourth chapter is dealing with data analysis, discussion and summary of results. The fifth chapter is about findings, conclusions, and recommendations.

Chapter Two

Review of Related Literatures

This chapter considered as theoretical foundation of the study. In this part reviewed literatures and empirical studies related to compensation and employee motivation, then finally come up with a conceptual framework.

2.1 Overview of Compensation packages in Huawei

ICT companies may have much to gain in attracting and retaining high end IT professionals, then can help to reduce costs and improve the productivity of the business. That is even more crucial for IT companies that rely upon talented IT professionals to add value in their core business processes and not just to support them. Therefore, we need to better understand what motivates and keeps satisfied an IT workforce.

As per Google 2010 third quarterly report, “Our future success depends on our continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense, and certain of our competitors have directly targeted our employees, (Google, 2010b)”. Accordingly, Google gives considerable attention to human resource of the company and the need of proactive review of incentive in order to motivate and retain its key talent.

Attracting new Information Technology (IT) professionals and retaining the talented ones have been top management concerns in the last years (Luftman, Kempaiah, & Rigoni, 2009). Even if the recession and crisis climate nowadays is throwing concerns with business productivity and cost reduction to the top apparently lowering the concerns with human resources (Luftman & Ben-Zvi, 2010), no organization can survive for a long time without paying close attention to such an important asset. And this asset frequently requires motivation to be effective at the workplace. Many IT projects fail although “there was not a single technological issue to explain the failure”. Motivation is frequently at the root of IT project failure rates (DeMarco & Lister, 1999) cited from Belfo and Sousa, 2011. Accordingly, organizational performance is directly affected by the motivation of its human resource at work.

The prime purpose of monetary incentive towards successful accomplishment is to motivate the employees and encourage them so as to excel in their job performances. So, monetary incentives play an important role in every work environment whether it is in ICT or other sectors.

Huawei Technologies Ethiopia provides contingent pay based on individual contribution as well as most benefits are available to its staffs as long as they are employed by an organization regardless of seniority or performance. As per the company staff handbook manual the below compensation packages are incorporated;

- **Annual bonus** is a contingent pay that the company provides by considering the employee job responsibility, personal performance, attendance record, year of service and hierarchy level in the company.
- **Project Bonus** package amount calculate by using the projects final financial figures, and which follows the formulas and coefficient defined by the company. Project revenue award are calculated quarterly by multiplying project revenue times project award revenue coefficient, and yearly by multiplying annual project profit and project award profit coefficient. And according to their individual contributions employees are divided into project manager, significant contributor, ordinary contributor, and participant.
- **Monthly star** is an award in order to give recognition for outstanding individual performance on that month based department heads nomination.
- **Profit sharing (TUP);** TUP means time based unit plan to share with the company's long-term growth, to encourage focus on long-term objectives and drive consistent performance improvement, and ultimately to retain valued employees in long-term basis. It is performance and cash based, but no purchase is needed.
- **Medical insurance** subject to the agreed on contractual terms with insurance vendor, medical cover is for all staffs up to 15000ETB/year.
- **Accident Insurance (GPA)** to employee is a mandatory requirement according to the Ethiopia labor law. Hence, the company has purchased non-Work-related Injury death, work-related Injury death, non-Work-Related Injury dismemberment and work-Related injury dismemberment.
- **Paid leave;** the company only grants the minimum entitlement as per the Ethiopian labor law proclamation no 377/2003 with its amendment Proclamation No 494/2006.

- **Pension (social Security):** As per the directive from Private Organization Employees' Pension Proclamation, each month 11% of the basic salary contributed from employer and 7% of the basic salary contributed from employees for pension fund, and employer shall deduct contributions of its employees from their salaries and pay the amount, together with its own contributions to the Pension Fund monthly.
- **Severance pay** the company provides the minimum amount as per the Ethiopian labor law proclamation no 377/2003 when the employee serves 5years and more.
- **Transport allowance** amount has varied based on the employee appointed hay grade level.

A recent interview with Steve Kerr, author of the popular article “on the Folly of Rewarding A While Hoping for B,” indicated that companies often fail to properly implement positive compensation approaches. This is because active steps are not taken to make sure that rewards prompt the kinds of behaviors the company wants to see. According to Kerr, the employer has to find way to measure job performance so that productivity can be properly supported with adequate rewards and other compensation. Companies also have to articulate what levels of performance are expected in different jobs, especially given that many types of work present ambiguous definitions about what is “good” and “bad” performance. In addition, top leadership needs to determine how to break down mission statements in a manner that enables employees to understand how their behaviors can support the accomplishment of corporate objectives. Given Kerr’s insightful comments, HR professionals need to better identify the types of behaviors that reward systems are promoting. HR professionals also need to create comprehensive compensation programs that motivate the kinds of actions needed to help organizations prosper and grow. By explicitly linking fair compensation to positive employee behaviors, companies can expect to see increased individual satisfaction and job performance (L. Mathis, 2010).

According to Michael Armstrong (2008), financial incentives are designed to provide direct motivation. They tell people how much money they will get in the future if they perform well – ‘Do this and you will get that’. A shop floor payment-by-result scheme and a sales representative’s commission system are examples of financial incentives. Financial rewards act as indirect motivators because they provide a tangible means of recognizing achievements, as long as people expect that what they do in the future will produce something worthwhile, as expectancy theory suggests. Rewards can be retrospective – ‘You have achieved this, therefore

we will pay you that.’ But rewards can also be prospective: ‘We will pay you more now because we believe you have reached a level of competence that will produce high levels of performance in the future.’

According to Armstrong (2008), Motivation is defined as “inner burning passion caused by need, wants and desire which propels an individual to exert his physical and mental energy to achieve desired objectives”. Efficiency of a person depends upon performance. Performance can be expressed as $\text{Ability} \times \text{Motivation}$. If incentives for accomplishing are given, the person is more enthusiastic for its implementation. Greater the motive, greater is the tension and higher the desire to fulfill. A high degree of satisfaction is experienced by an individual once the desire is fulfilled. Therefore, it is possible to understand that without establishing an appropriate compensation package to employees, it is impossible to maintain the desired level of employee’s motivation and output. So it is necessary to formulate the proper compensation package to increase employee’s motivation based on their contribution.

2.2 Methods Used to Determine Employee’s Compensation

According L. Mathis (2010), in order to remain competitive, companies need to develop reward packages that satisfy people. These reward packages, commonly known as total rewards, include all the monetary and nonmonetary rewards provided by a company to attract, motivate, and retain employees. The success of a pay system depends on linking organizational objectives and strategies to compensation so that individuals are encouraged to work in a manner that benefits the company and its stakeholders.

According to Armstrong (2008), total compensation programs should be designed to reward results and behavior consistent with the key goals of the organization.

Flannery, Hofrichter and Platten (10) suggested that the nine principles that support a successful pay strategy are (Armstrong, 2008);

1. Align compensation with the organization’s culture, values and strategic business goals.
2. Link compensation to the other changes.
3. Time the compensation program to best support other change initiatives.
4. Integrate pay with other people processes.
5. Democratize the pay process
6. Demystify compensation.

7. Measure results.
8. Refine. Refine again. Refine some more.
9. Be selective. Don't take to heart everything you hear or read about pay.

According to Jeffery Gold (2010), an effective compensation system is designed to satisfy employee needs and reinforce job behavior consistent with organizational objectives. No single best compensation system exists. The design of compensation method is contingent on the organizational and environmental context in which they operate. The pay model should be internal equity and external competitiveness, complying with pay legislation as well as we have to examine how government intervenes both directly and indirectly in the pay determination process

2.2.1 Categorization of Employee's Compensation

According to Charles R. Greer (2003), there are two broad ways of categorizing compensation, namely; Job-based (Traditional Compensation) approach and Skill-based approach.

Millions of employees are compensated through traditional job based pay systems. Such systems typically incorporate the use of job analysis to determine the knowledge, skills, and abilities required to perform jobs. Job analysis information is then incorporated into the process of job evaluation, which determines the relative standing of each job in the salary or wage hierarchy of an organization. Essentially, the process of job evaluation involves a review of each job to determine the extent to which compensable factors are present. Typically, jobs are evaluated on only a small set of compensable factors such as knowledge, know-how, accountability, effort, and problem solving. The point system is a common job evaluation approach, which uses a job evaluation manual to assign points to each job on the basis of compensable factors. Another job evaluation system is the factor comparison system, which involves a rather complicated approach of comparing jobs directly with each other in order to determine differences in the presence of compensable factors. Hybrid systems, which often involve a combination of the point system and factor comparison system, also are widely used. An example of a hybrid system is the Hay Guide Profile Method. Traditional approaches involving job evaluation are used to determine internal equity or fairness in compensation among jobs in an organization. Salary surveys are then used

to determine external equity with market rates. Managers then set rates of compensation by balancing considerations of internal and external equity. Unfortunately, traditional compensation systems leave much to be desired from a strategic perspective. One of the strongest criticisms involves the evaluation of jobs on compensable factors such as problems solving or know-how. By assigning differential points to various jobs on the basis of these factors, the process tells job incumbents—whose jobs are evaluated low on problem solving or knowhow—that they are not being paid to solve problems or think. A further criticism is that because of the job-based focus, each employee is compensated only for the performance of a specific job. Thus, the compensation system introduces constraints on managers' flexibility in utilizing the workforce. When a person is asked to perform work outside of his or her job classification, there are problems in assignment of a pay rate to such jobs. The presence of a union complicates this further as the pay rates for the various job classifications are the result of collective bargaining. Additionally, traditional compensation systems do not work well with managers and professionals. With such employees, the job-based focus of traditional systems conflicts with the individualized nature of their work. With increasing professionalization of the workforce, the importance of this problem will be magnified. To summarize, when compensation systems limit workforce flexibility and discourage workers from using their intelligence, they cannot facilitate the implementation of today's competitive strategies

Skill-based pay or knowledge-based pay, in contrast to traditional compensation approaches, focuses on the individual, not the job. In fact, with skill-based pay, employees perform a number of jobs and receive the same pay rate, irrespective of the job. With skill-based pay, employees are able to increase their compensation as they acquire a broader range of skills. Thus, they have a strong incentive to learn. With the rapid rate of change in today's business environment and the need for flexible assignment of work, there is an obvious need for employees to develop or broaden their skill repertoires. The flexibility of skill-based pay is revealed in the following description of its application in a container plant: For example, a plant technician at the top of the skill range may work on electrical assignments when such work needs to be done or may be assigned to quality assurance or to operate a specific machine if no electrical problems require attention. Because of such characteristics, companies dealing with stiff foreign competition have a higher propensity to implement skill-based pay approaches. Likewise, in companies in which

promotional opportunities have been reduced because of the delayering of organizational structures, there also are higher propensities to implement skill-based pay. The extent of skill-based pay usage is revealed by a survey, which found that 51 percent of responding companies had implemented the approach. However, companies generally apply this pay approach to fewer than 20 percent of their employees. Because of the advantages of skill-based pay, numerous companies have adopted this approach. For example, General Mills, Northern Telecom, and Honeywell have substantial experience with skill-based pay. Skill-based pay approaches have been frequently implemented in high-involvement manufacturing settings, and they also are being implemented in service environments. Although there are variations in how skill-based pay is implemented, employees typically start out at a base rate and increase their compensation as they master a sequence of skill blocks. Typically, employees take several years to master the content of all skill blocks because they are generally fairly broad. For example, at a General Mills plant, all of the production processes are contained in four skill blocks. One of the more difficult aspects involved in the administration of skill-based pay involves the determination of the amount of pay that should be assigned to skill blocks. Nonetheless, market survey data are often used to establish the range and average values for skill blocks. Skill-based pay is often implemented in conjunction with semiautonomous work teams. In such applications, employees master the skills required for a job and then rotate into another job in the team until its skills are mastered, and then into the next, and so on. Upon completion of the rotation, the employee can then move into another team and acquire more skills by rotating through its various jobs. Certification and recertification of skill block mastery is assessed through various approaches. Testing approaches, which constitute one means of certification, often involve sample observations of work, written tests, and oral examinations. Other certification approaches include assessment by multiple evaluators, including supervisors, peers, technical experts, management committees, and human resource personnel. Skill-based pay's focus on compensation for skills also is contained in approaches used with professional employees who are paid according to maturity curves. In maturity curve approaches, with increasing experience and development following the completion of formal education, professionals receive increased compensation. Aside from the flexibility advantages already noted, skill based pay also has some other desirable effects although average wage rates tend to be higher. An important advantage is that the costs of higher wages are offset by higher productivity and increased quality. Other advantages include employees' heightened motivation

for training, greater task variety, employee-induced pressures on companies to provide training, and increases in employees' self-esteem, which accompany the acquisition of skills. With skill-based pay, it also is easy to fill in for absences because of the availability of cross-trained employees. Skill-based pay also tends to give employees a broader understanding of production processes. Further, because employees gain compensation increases by expanding their skill sets, seniority is not the determinant of progression to higher-paying jobs. Another advantage of skill based pay is that it provides greater job security for employees because they can perform a wider range of jobs. Often skill-based pay is implemented in conjunction with total quality management (TQM) programs because higher quality often requires more highly skilled employees. It also is implemented frequently in participative environments, and as noted earlier, in conjunction with semiautonomous work groups or self-managed teams. With teams, participative management, and high-involvement environments, employees can make meaningful contributions that result from their broader understanding of the production environment. Although there are numerous benefits of skill-based pay, there are also problems, as with any other compensation approach. One problem involves compensating employees who have topped out on the skill progression. For these employees, some observers have recommended incentives in the form of gain sharing, in which benefits from cost reductions or increased productivity are passed on to employees. Another problem is that training is frequently insufficient to support skill based pay approaches. Some managers have even been reluctant to release sufficient funds from their training budgets to support skill-based pay.

2.2.2 Compensation Plan Determination Process

According to Armstrong (2008), a well-balanced employee's compensation plan comprises five steps namely, job evaluation, market survey, job matching, grade and pay structures and fine-tuning pay rates.

Job evaluation schemes can be used to determine internal relativities, but, in themselves, they cannot price jobs. To a large extent, pay levels are subject to market forces which have to be taken into account in fixing the rates for particular jobs. Some specialized jobs may not be subject to the same external pressures as others, but it is still necessary to know what effect market rates are likely to have on the pay structure as a whole before deciding on internal pay differentials

which properly reflect levels of skill and responsibility. It has also to be accepted that market pressures and negotiations affect differentials within the firm (Armstrong 2008).

The concept of the market rate, even in the local labor market, is an imprecise one. There is no such thing as the market rate, unless this is represented by a universally applied national pay scale, and such cases are now rare. There is always a range of rates paid by different employers, even for identical jobs, because of different pay policies on how they want their rates to compare with the market rates. This is particularly so in managerial jobs and other occupations where duties can vary considerably, even if the job title is the same, and where actual pay is likely to be strongly influenced by the quality and value to the business of individuals. It is therefore possible to use pay surveys only to provide a broad indication of market rates. Judgement has to be used in interpreting the results of special enquiries or the data from published surveys. And there is often plenty of scope for selecting evidence which supports whatever case is being advanced (Armstrong 2008).

Grade and pay structures are an important part of reward systems. If properly designed and maintained they provide a logically designed framework within which an organization's pay policies can be implemented. They enable the organization to determine where jobs should be placed in a hierarchy, define pay levels and the scope for pay progression, and provide the basis upon which relativities can be managed, equal pay achieved and the processes of monitoring and controlling the implementation of pay practices can take place. A grade structure can also serve as a medium through which the organization communicates the career and pay opportunities available to employees. A grade structure consists of a sequence or hierarchy of grades, bands or levels into which groups of jobs that are broadly comparable in size are placed. There may be a single structure that contains grades or bands and which is defined by their number and width (width is the scope the grade or band provides for pay progression). Alternatively the structure may be divided into a number of job or career families consisting of groups of jobs where the essential nature and purpose of the work are similar but the work is carried out at different levels. A pay structure defines the different levels of pay for jobs or groups of jobs by reference to their relative internal value as determined by job evaluation, to external relativities as established by market rate surveys and, sometimes, to negotiated rates for jobs. It provides scope for pay progression in accordance with performance, competence, contribution or service.

2.3 Direct Financial Payments and Employee's Motivation

In the 21st century society, money is believed to be the solution to most problems and it can buy almost anything and everything depending on the sum of money in possession. For the average community, money is used to make ends meet such as buying a home, food and cloths etc. Which are all basic needs for survival. On the other hand, money is relentlessly sought for by the wealthy class as it is generally associated with prestige and social status. More often, attractive remuneration packages are offered to attract best talents to a position, ensuring they perform at maximum efficacy and retain talented employees within the organization which commission-based remuneration are extended to encourage employees to meet organization targets.

Today, organizations provide financial incentives in two ways, namely, direct financial compensation and indirect financial compensations.

There are two main categories of direct financial rewards namely: Base/Basic pay and Contingent pay

2.3.1 Base/Basic pay

According to Armstrong (2008), 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. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements. Base pay may be expressed as an annual, weekly or hourly rate. For manual workers this may be called a 'time rate' system of payment. Allowances for overtime, shift working, unsocial hours or increased cost of living in London or elsewhere may be added to base pay. The base rate may be adjusted to reflect increases in the cost of living or market rates by the organization, unilaterally or by agreement with a trade union.

According to Armstrong, (2008), some of the key determinant of an individual basic pay include; organization policies, labor market, the job content and finally the employees themselves.

Basic pays as the name suggests, are just base pays and though their absence de-motivates employees, their presence may not necessary motivate the employees as they expect to get it anyway for the work done, time worked or for them being there

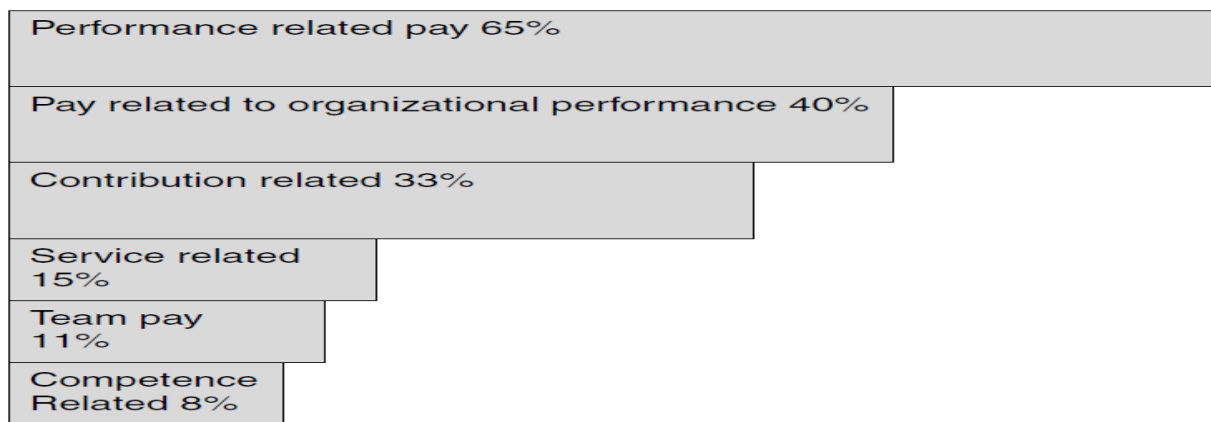
2.3.2 Contingent Pay

According to Armstrong, (2008), 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, i.e. ‘consolidated’. If such are not consolidated (i.e. paid as cash bonuses) they are described as ‘variable pay’.

According to Armstrong, (2008), Contingent pay provides an answer to the two fundamental reward management questions: what do we value, and what are we prepared to pay for? Individual contingent pay relates financial rewards to the performance, competence, contribution or skill of individual employees. However, pay related to service is also in a sense contingent pay. Contingent pay may also be provided for teams and for organizational performance.

According to Armstrong (2008), the e-reward survey of contingent pay (2004b) established that 189 schemes were used by the 100 respondents in the proportions shown in Figure 1;

Figure 1: e-reward survey on contingent pay



According to Armstrong, (2008), Performance-related pay remains the most common approach and a large proportion of organizations relate pay to organizational performance. The reward depends upon the performance of an individual in the actual work floor. These rewards are exemplified by the use of commissions, piece work pay plans, incentive systems, group bonuses or other forms of merit pay plans. Contribution-related pay (a combination of performance and competence pay) is used to a surprisingly high extent considering that as a defined concept it did

not really exist until the end of the 1990s, when it was introduced by Brown and Armstrong (1999).

According to Armstrong, (2008), Contribution based incentive scheme which gives recognition for every individual employee good performance or contribution to the company. A recent extension of the pay-for-performance concept, competency-based compensation. Competency-based compensation program pays and rewards employees on their skill, knowledge, or behaviors. These competencies may include such behaviors and skills as leadership, problem solving, decision making, or strategic planning. Pay levels reflect the degree of competencies as well as contributions to the overall organization. Accordingly, an employee's rewards directly reflect his or her ability to contribute to achievement of the organization's goals and objectives. (Stephen P. Robbins, 2004)

Service-related pay persists in the public and voluntary sectors, but neither team pay nor competence related pay is much used.

Contingent pay may be consolidated in base pay or provided in the form of cash lump sum bonuses. The latter arrangement is called 'variable pay'. This is sometimes referred to as 'pay at risk', which has to be re-earned, as distinct from consolidated pay, which is usually regarded as continuing as long as the person remains in the job and performs it satisfactorily.

Contingent pay schemes are based on processes for measuring or assessing performance, competence, contribution or skill. These may be expressed as ratings, which are converted by means of a formula to a payment. Alternatively, there may be no formal ratings and pay decisions are based on broad assessments rather than a formula.

2.3.3 Benefits Classifications

According to Armstrong, (2008), Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration, such as annual holidays

According to Armstrong, (2008), Benefits can be divided into the following categories:

- ➔ Pension schemes: An occupational pension scheme is an arrangement under which an employer provides pensions for employees when they retire, income for the families of members who die, and deferred benefits to members who leave.
- ➔ Personal security: these are benefits which enhance the individual's personal and family security with regard to illness, health, accident or life insurance.

- Financial assistance: loans, house purchase schemes, relocation assistance and discounts on company goods or services.
- Personal needs: entitlements which recognize the interface between work and domestic needs or responsibilities, eg holidays and other forms of leave, child care, career breaks, retirement counselling, financial counselling and personal counselling in times of crisis, fitness and recreational facilities.
- Company cars and petrol: still a much appreciated benefit in spite of the fact that cars are now more heavily taxed.
- Other benefits: which improve the standard of living of employees such as subsidized meals, clothing allowances, refund of telephone costs, mobile phones (as a 'perk' rather than a necessity) and credit card facilities.
- Intangible benefits: characteristics of the organization which contribute to the quality of working life and make it an attractive and worthwhile place in which to be employed.
- Flexible benefits schemes (sometimes called cafeteria schemes) allow employees to decide, within certain limits, on the make-up of their benefits package. Schemes can allow for a choice within benefits or a choice between benefits. Employees are allocated an individual allowance to spend on benefits. This allowance can be used to switch between benefits, to choose new ones or to alter the rate of cover within existing benefits. Some core benefits such as sick pay may lie outside the scheme and cannot be 'flexed'. Employees can shift the balance of their total reward package between pay and benefits, either adding to their benefits allowance by sacrificing salary or taking any unspent benefit allowance as cash. Flexible benefit schemes provide employees with a degree of choice on what benefits they want, according to their needs. A flexible benefit policy can save employers money on benefits that are neither wanted nor needed.

2.3.4 Motivation Theories on Financial Incentive

According to Murlis (2007), Motivation theory is concerned with what determines goal-directed behavior. It is about:

- How behavior is initiated by needs and by expectations on the achievement of goals which will satisfy those needs;
- How the achievement of goals and/or feedback on their achievement reinforces successful behavior;
- How belief in one's ability to carry out a specific task will actuate behavior which is expected to achieve the successful performance of that task.

The process of motivation can be initiated by someone recognizing an unsatisfied need. A goal is then established which, it is thought, will satisfy the need, and a course of action is determined which is expected to lead towards the attainment of the goal. Alternatively, someone can be presented with a goal and if it is expected that achieving this goal will meet an unsatisfied need, action is taken to reach the goal and thus satisfy the need. People can be motivated by rewards and incentives which will enable them to satisfy their needs or will provide them with goals to attain (as long as those goals are worthwhile and attainable). But the needs of individuals and the goals associated with them vary so widely that it is difficult if not impossible to predict precisely how a particular reward or incentive will affect individual behavior. The social context will also affect the level of motivation. This context will consist of the organization values and culture generally, but it also includes leadership and management style (the way in which individuals are managed) and the influence of the group or team in which the individual works. (Murlis, 2007)

According to Murlis (2007), Motivation at work can take place in two ways;

- **Intrinsic motivation** – this is derived from the content of the job. It can be described as the process of motivation by the work itself in so far as it satisfies people's needs or at least leads them to expect that their goals will be achieved. Intrinsic motivation is self-generated in that people seek the type of work that satisfies them, but management can enhance this process through its values as well as empowerment, development and job design policies and practices. The factors

affecting intrinsic motivation include responsibility (feeling the work is important and having control over one's own resources), freedom to act, scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement. The concepts of empowerment and engagement are strongly influenced by this aspect of motivation.

- **Extrinsic motivation** – this is what is done to and for people to motivate them. It arises when management provides such rewards as increased pay, praise, or promotion. When the motivating impact of pay-for-performance schemes is discussed, this is the type of motivation to which people are referring. The extrinsic motivators can have an immediate and powerful effect, but this will not necessarily last for long. The intrinsic motivators, which are concerned with the quality of working life and indeed work/life balance, are likely to have a deeper and longer-term effect because they are inherent in individuals and not imposed from outside, although they may be encouraged by the organization. The effectiveness of pay as an extrinsic motivator is a matter for continuing debate. The framework for non-financial motivators is provided by those concepts of motivation which are concerned with needs, goals, reinforcement, expectations (expectancy theory), attribution theory and self-efficacy.

According to Murlis (2007), the criteria for assessing the effectiveness of financial reward practices as means of motivation are that:

- They are, as far as possible, internally equitable as well as externally competitive (although there will always be a tension between these two criteria – paying market rates may upset internal relativities);
- Pay-for-performance or contribution systems are created in the light of an understanding that direct motivation only takes place if the rewards are worthwhile, if they are specifically related to fair, objective and appropriate performance measures, if employees understand what they have to achieve, and if their expectations on the likelihood of receiving the reward are high;

- Employees understand how the financial reward system operates, how they benefit from it, and how the organization will help them to develop the skills and competences they need to receive the maximum benefit.

According to Murlis (2007), the general theory of motivation described above has produced the following explanations of the relationship between money and motivation: the **‘economic man’ approach, Herzberg’s two factor model, instrumental theory, equity theory and expectancy theory**.

2.3.4.1 Economic man’ approach

According to Murlis (2007), economic man’ approach which is based on reinforcement theory, people are primarily motivated by economic rewards. It assumes that they will be motivated to work if rewards and penalties are tied directly to the results they achieve. Pay awards are contingent upon effective performance.

Motivation using this approach has been and still is widely adopted and can be successful in some circumstances, example where money and success are closely linked as in parts of the finance sector or in sales. But it is based exclusively on a system of external controls and fails to recognize a number of other human needs. It also fails to appreciate the fact that the formal control system can be seriously affected by the informal relationship existing between employees.

2.3.4.2 Herzberg’s two factor model

According to Murlis (2007), Herzberg’s two factor model of motivation was developed following an analysis of anecdotes of unusually satisfying or unusually dissatisfying job events provided by 200 engineers and accountants. Herzberg’s two factor model of motivation He claimed that money is a so-called ‘hygiene factor’ which serves as a potential dissatisfier if not present in appropriate amounts, but not as a potential satisfier or positive motivator. A further reason given by Herzberg for regarding salary as a ‘hygiene factor’, that is, a factor which prevents disease rather than promotes health, was because its impact on favor able feeling was largely short-term, while its impact on unfavorable feelings was long term extending over periods of several months. According to Michael Armstrong (2008), Herzberg’s two-factor model theory states that the factors giving rise to job satisfaction (and motivation) are distinct from the factors that lead to job

dissatisfaction. It is sometimes called the motivation–hygiene theory. There are two groups of factors. The first consists of the satisfiers or motivators, which are intrinsic to the job. These include achievement, recognition, the work itself, responsibility and growth. The second group comprises what Herzberg calls the ‘dissatisfaction avoidance’ or ‘hygiene’ factors, which are extrinsic to the job and include pay, company policy and administration, personal relations, status and security. These cannot create satisfaction but, unless preventive action is taken, they can cause dissatisfaction. He also noted that any feeling of satisfaction resulting from pay increases was likely to be short-lived compared with the long-lasting satisfaction from the work itself. One of the key conclusions derived from the research is therefore that pay is not a motivator, except in the short term, although unfair payment systems can lead to demotivation. Herzberg’s two-factor model draws attention to the distinction between intrinsic and extrinsic motivators, and his contention that the satisfaction resulting from pay increases does not persist has some face validity. But his research and the conclusions he reached have been attacked – first because, it is asserted, the original research is flawed and fails to support the contention that pay is not a motivator, and secondly because no attempt was made to measure the relationship between satisfaction and performance. As David Guest (4) has written: ‘Many managers’ knowledge of motivation has not advanced beyond Herzberg and his generation. This is unfortunate. Their theories are now over thirty years old. Extensive research has shown that as general theories of motivation the theories of Herzberg and Maslow are wrong. They have been replaced by more relevant approaches.’

2.3.4.3 Instrumental theory

According to Murlis (2007), this theory states that money provides the means to achieve ends. It is an instrument for gaining desired outcomes and its force will depend on two factors: first, the strength of the need and, second, the degree to which people are confident that their behavior will earn the money they want to satisfy the need. The instrumental role of money has been stressed by Gellerman, who suggested that money in itself has no intrinsic meaning and acquires significant motivating power only when it comes to symbolize intangible goals. Money acts as a symbol in different ways for different persons, and for the same person at different times – a man’s reaction to money ‘summarizes his biography to date, his early economic environment, his competence training, the various non-financial motives he has acquired, and his current financial

status'. Money is therefore a powerful force because it is linked directly or indirectly to the satisfaction of all the basic needs. But the effectiveness of money as a motivator depends on a number of circumstances, Motivation and financial and non-financial rewards including the values and needs of individuals and their preferences for different types of financial or non-financial rewards.

2.3.4.4 Equity theory

According to Murlis (2007), Equity theory as developed by Adams, argues that satisfaction with pay is related to perceptions about the ratio between what one receives from the job (outcomes in the form of pay) and what one puts into it (inputs in the form of effort and skill) compared with the ratios obtained by others. Equity theory is related to discrepancy theory which, as stated by Lawler, indicates that satisfaction with pay depends on the difference between the pay people receive and what they feel they ought to receive. Equity theory, however, emphasizes that these feelings are based on comparisons.

The significance of equity was also emphasized by Jaques. He stated that;

- There exists 'an unrecognized system of norms of fair payment for any given level of work, unconscious knowledge of these norms being shared among the population engaged in employment'; and that
- An individual 'is unconsciously aware of his own potential capacity for work, as well as the equitable pay level for that work'. Jaques called this the 'felt-fair' principle, which states that, to be equitable, pay must be felt to match the level of work and the capacity of the individual to do it.

2.3.4.5 Expectancy theory

According to Murlis (2007), Expectancy theory, states that motivation will be strong if individuals can reasonably expect that their efforts and contributions will produce worthwhile rewards. This theory was developed by Porter and Lawler into an expectancy model which suggests that there are two factors determining the effort people put into their jobs:

- The values of the rewards to individuals in so far as they satisfy their needs for security, social esteem, autonomy, and self-actualization.

- The probability that rewards depend on effort, as perceived by the individual – in other words, his or her expectations about the relationships between effort and reward.

Thus, the greater the value of a set of awards and the higher the probability that receiving each of these rewards depends upon effort, the greater the effort that will be put forth in a given situation. But mere effort is not enough. It has to be effective effort if it is to produce the desired performance. The two variables additional to effort which affect task achievement are:

- Ability – individual characteristics such as intelligence, manual skills and know-how;
- Role perceptions – what the individual wants to do or thinks he or she is required to do. These are good from the viewpoint of the organization if they correspond with what it thinks the individual ought to be doing. They are poor if the views of the individual and the organization do not coincide.

Finally Murlis (2007), concludes the role of money as a motivator, money is important to people because it is instrumental in satisfying a number of their most pressing needs. It is significant not only because of what they can buy with it but also as a highly tangible method of recognizing their worth, thus improving their self-esteem and gaining the esteem of others. Pay can often be the key to attracting people to join an organization, although job interest, career opportunities and the reputation of the organization will also be factors. Satisfaction with pay among existing employees is mainly related to feelings about equity and fairness. External and internal comparisons will form the basis of these feelings, which will influence their desire to stay with the organization. Pay can motivate. As a tangible means of recognizing achievement, pay can reinforce desirable behavior. Pay can also deliver messages on what the organization believes to be important. But to be effective, a pay-for-performance system has to meet very stringent conditions as defined by expectancy theory. To achieve lasting motivation, attention has also to be paid to the non-financial motivators.

2.4 Empirical Review

According to the journal conducted at Oman Shinas College of Technology, by F. A. Khan (2017), the purpose of the research was to investigate the impact of monetary incentives on the Shinas College of Technology employees' motivation; to critically investigate the importance and the value of monetary incentives for the employees and also to critically examine which monetary incentive best suits and motivates the employees of Shinas College of Technology. The Methodology of the study included samples of 130 employees from all the academic and non-academic staff of the college collected through a well-defined questionnaire. The data collection was done on a simple random sampling basis. The researches finding reveals that the employees of Shinas College of Technology are motivated by salary and on duty allowance rather than the other monetary incentives/benefits. Accordingly, the researchers concluded that the monetary incentive has a direct impact on employee motivation, i.e. an attractive financial incentive will boost most of the employees' motivation to work hard. Therefore, it can be predicted that the employees prefer and expect monetary incentives.

Suggests of the researchers was the management needs to recognize the right kind of monetary incentive to their staff so that the employees gets highly motivated to put their best effort towards completing their jobs. This will enhance employees' loyalty towards the organization, encouraging them to be more productive with job satisfaction. So it is recommended to introduce monetary incentive policy in the College as an active agent towards success. Further, the research confirms that the employees of the College are not always looking for financial benefits. However, Managers should consider offering monetary incentives so as to improve their performances.

According to the journal conducted at Jimma University, by Reta Megersa (2014), the purpose of the research was to investigate the effect of compensation on employees motivation in Jimma University academic staff; to critically investigate the role of compensation and its components such as payment, promotion, recognition, working condition and benefit towards academic staffs work motivation in Jimma University.

The Methodology of the study included population of 1337 academic staff of Jimma University. The researcher stratified the total population of the study based on their college. The samples were selected proportionally and conveniently from the strata. In this study, both primary and

secondary sources of data were used. The primary data were gathered through questionnaires from 230 respondents of Jimma university academic staffs. An interview was also conducted with human resource personnel and each college deans of the university. Journals, books, internet, and other references were used as secondary sources of data. Data was analyzed using descriptive statistics such as frequency tables and inferential statistics such as correlations and regression analysis

The researches finding reveals that there is a relationship between compensation and its components and employee work motivation.

Accordingly, the researchers concluded that payment, promotion, recognition, working conditions, and payment influence work motivation. There is also significant and positive relationship between compensation and work motivation, payment for the employees such as over load, extension and summers were not fair and motivate the employees. Moreover, money they earn from their job was not satisfactory, the promotion criteria and its fairness were not motivated and satisfy employees to put their effort on the job academic staffs were not motivated with the currently available recognition programs, the working materials are motivates and satisfy the academic staffs. However, the remaining items under this part were towards negative response, and de-motivate academic staffs, the benefit packages of the university were unable to motivate the staffs to higher performance, and the academic staffs were preferred recognition as the most motivating factors and benefit as the least motivating factors. In general, there is also significant and positive relationship between compensation and work motivation

According to the research conducted in Ethiopia Insurance Corporation, by Tezera Misganaw (2016), the purpose of the study was to investigate the relationships of reward management practice to employees' job satisfaction in Ethiopia Insurance Corporation. The methodology used for the research were descriptive research design, quantitative study approach, and correlation analysis in order to understand and systematically describe the reward management practice of the insurance and also to identify the most influential variables that affect employees' job satisfaction level and to select sample from the target population stratified sampling techniques was used.

The finding of the study show that 27.9 % of the job satisfaction explained by extrinsic rewards at 99% confidence level as well as 28.5.% of the job satisfaction explained by intrinsic rewards at 99% confidence level.

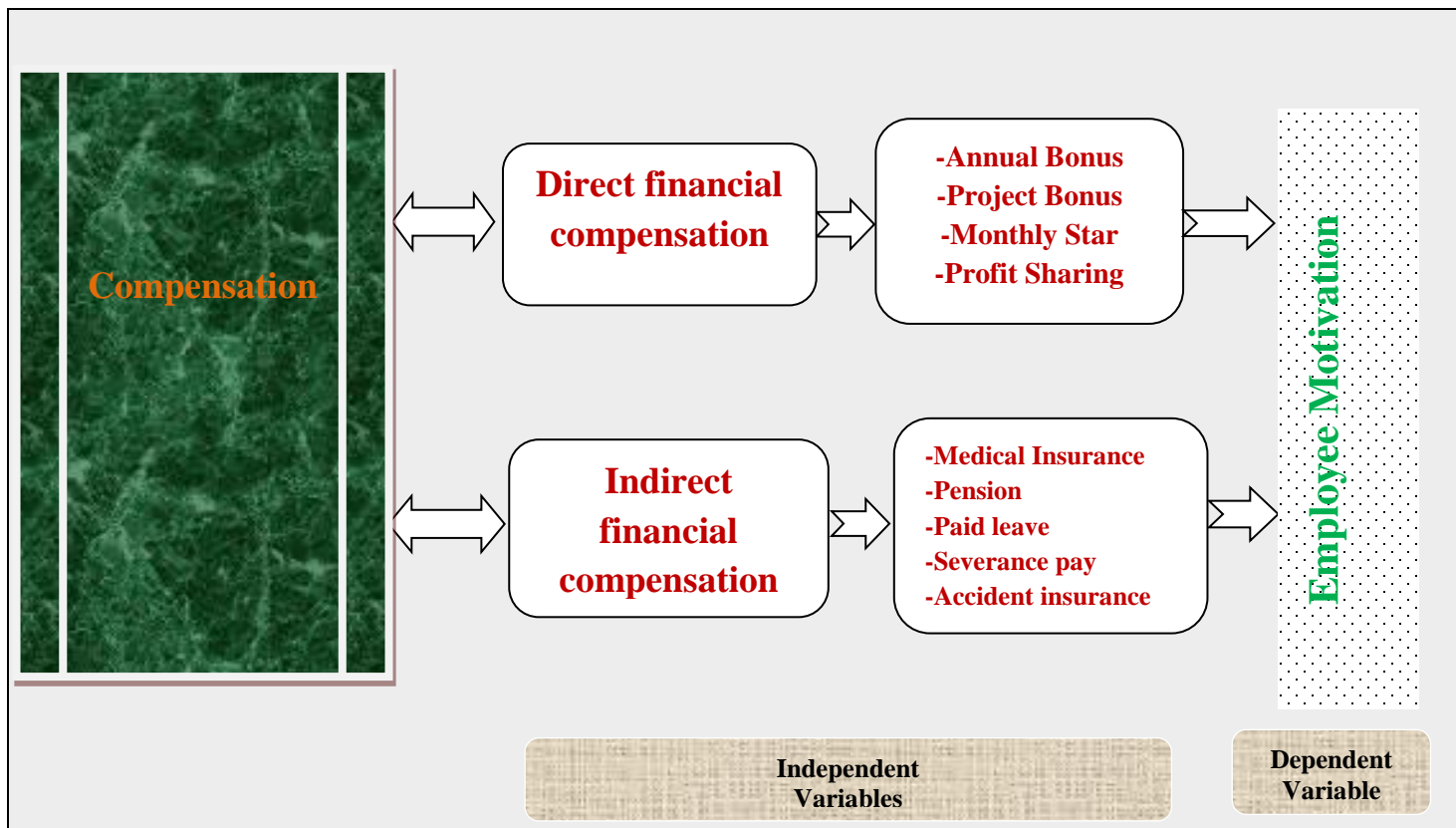
Based on the finding the researcher conclude that both intrinsic and extrinsic reward that contribute to employees job satisfaction was explored like payment, benefits, supervision, working condition promotion, recognition, empowerment, personal growth and carrier advancement. From the analysis result a relative high percentage of variation in job satisfaction as a result of intrinsic rewards than extrinsic rewards. Therefore, intrinsic reward is the most influential factor of job satisfaction.

Recommendation given by researcher was the management should be actively involved in sound decision with the concerned body and strive to accomplish that the existing reward policy of the company need continuous revision, revisiting and restructuring to ensure their fairness and competitiveness in the market.

2.5 Conceptual Framework for the Study

The conceptual model formulated to summarize the relationship between contributions based incentive schemes and motivation. The researcher tried to appraise the correlation between contributions based yearly performance bonus and multi-incentive schemes as independent variables and employee's motivation as dependent variable. Accordingly, for the study the below conceptual framework has been adopted based on the above theoretical and empirical literatures reviewed:

Figure 2: Conceptual Frame Work



Chapter Three

Research Design and Methodology

This chapter specifies the type of research, the research design and methods that intend to employ in carrying out the research. The primary focus of this chapter is to outline the research design, population of the study, sample size and sampling techniques, source and method of data collection, instrumentation, reliability and validity test, and data analysis and management.

3.1 Research Design

The study is a survey in which data were collected from the entire targeted population. According to Kothari (2004), a research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. With the view to address its objectives, the study will employ quantitative methods. Quantitative research design is the most appropriate one that will be used to analyze the numerical data were applied in rigorous, well planned and systematic processes.

The choice of this approach is determined by the fact that this study has attempted to answer questions about the relationship between employee's perception of incentive schemes and employee productivity with the purpose of explaining phenomena which may possibly describe its influence on employee productivity.

The researcher was planning to collect quantitative data and has aimed to employ a quantitative data analysis method. Similarly, the researcher has used quantitative data collection technique with the use of a 5 point Likert scale items which contains 10 question items used to assess methods used to determine employee compensation, 14 question items used to assess the effect of direct financial compensation on employee motivation and 9 question items used to assess direct financial compensation on employee motivation. In order to gather data on demography and social information, 6 other question items related to the pertinent demographic variables were also incorporated.

Statistical methods of data analysis were employed and data collected from the field were entered into a computer and analyzed with the use of statistical packages for social scientists (SPSS) Version: 23, which has helped to summarize the coded data and therefore supported quick data

analysis. Data collected from respondents were carefully analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as mean scores and standard deviation method. Reliability analysis was used to test the internal consistency of the instrument, correlation analysis was used to assess the relationship between variables of the study and multiple regression analysis was used to assess the extent of influences of independent variables on dependent variable.

3.2 Population and Sampling Design

3.2.1 Population

The population for this study was taken from Huawei Technologies Ethiopia PLC. Since the company has manageable number of employees, all who served the organization for more than a year included in the data collection process. According to March, 2018, Huawei Technologies Ethiopia HRMS report, the total number of local employees is 83 local employees who have definite and indefinite contract of employment and have three strata i.e. technical, platform and sales.

It is to be believed that employees who work in an organization for less than one year will not have a full picture to measure the compensation package of an organization. Even the company compensation policy supports that employees to fully understand and contribute on their full potential, the employee need to have more than a year experience. They also added that an employee in order to get yearly salary adjustment and annual bonus the employee need to have a one time performance appraisal result or a minimum of six month experience in the company, “performance appraisal policy of the company is twice in year”. Therefore, considering this and other related facts, the research didn’t encompass staffs who served the organization less than a year and the total number of population was 70 local employees who have definite and indefinite contract of employment.

Table 1. Shows the population size and distribution.

Table 1: Population Size

Category	Population	Percentage
Sales staff	8	11%
Technical staff	43	62%
Supporting(platform) staff	19	27%
Total	70	100%

3.2.2 Sample Design

According to Kothari (2004), sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample i.e., the size of the sample. Sample design is determined before data are collected. There are many sample designs from which a researcher can choose. Some designs are relatively more precise and easier to apply than others. Researcher must select/prepare a sample design which should be reliable and appropriate for his research study.

3.2.2.1 Sampling Frame

Sampling frame consists of a list of items from which the sample is to be drawn. If the population is finite and the time frame is in the present or past, then it is possible for the frame to be identical with the population. (Kothari 2004).

The sampling frame for this study was only those who served the organization for more than a year, a total of 70 local employees who have definite and indefinite contract of employment,

3.2.2.2 Sampling Technique

According to Kothari (2004), the selected respondents constitute what is technically called a 'sample' and the selection process is called 'sampling technique'.

According to Field (2005), whenever it is possible to access the entire population, it is possible to collect data from the entire population and use the behavior within the sample to infer things about the behavior of the population. Subsequently, the researcher has conducted the research on the entire population of the company whose experience is more than a year and then there were

no sampling bias and there exist fair representation of the population. Consequently, there was no need to use any sampling methods, hence the researcher employed census frame.

3.2.2.3 Sample Size

According to Leedy (2005), sample should be so carefully chosen that, through it, the researcher is able to see all the characteristics of the total population in the same relationship that they would be seen where the researcher, in fact, to examine the total population. Unless the sampling procedure is carefully planned, the conclusions that the researcher draws from the data are likely to be distorted or biased. For small populations (with fewer than 100 people or other units), there is little point in sampling; survey the entire population.

3.3 Source of Data

To address the research objectives, the frequently used one, that is, primary source of data collection technique were used. Hence, primary data was collected from all target employees of Huawei Ethiopia Representative office who were assumed to give firsthand information on the subject matter. To organize the primary data, the researcher has used a five point Likert scale structured questionnaire.

3.4 Method of Data Collections

In order to deal with the research objectives, the most important data collection method that was employed in the study is the primary source of data collection method. Basically, the research questionnaires were directly distributed to the target respondents and the data was collected through the self-administered survey questionnaire from all respondents. Before beginning actual data collection, the researcher has briefed the company and other concerned staffs with regard to the purpose of the research. The researcher has also assured the respondents that the information collected will be kept confidential and used for academic purpose only.

3.5 The Research Instrument

The research instrument which was used to collect data from respondents is a five point Likert scale structured questions were distributed to 70 targeted local employees of Huawei Technologies Ethiopia.

To create reliability and validity of the instruments used the researcher adopted standardized instrument from two previous studies, namely K. Mwangi (2014) and Ruby (2012) both of them got an acceptable on its reliability and validity of the instrument used.

Due to they have a basic differences on sector and aim of the research the researcher made a few amendments on wordings and contextualization of the adopted expressions of the instrument.

The questionnaire was divided into four main parts, Part I, II, III and IV. Part I of the questionnaire consisted of six questions seeking general information about the respondent, these included the age, the gender, marital status the level of education, category of employment, the number of years they have worked at Huawei Ethiopia. Part II of the questionnaire sought to establish the methods used to determine the employee's compensation. It had ten structured questions. Part III had fourteen structured questions and it sought to establish the extent to which direct financial compensations effect on employee's motivation. Finally part IV consisted of nine structured questions seeking to establish the extent to which benefits effect on employee's motivation. Thus, the respondents were requested to select their own choice of the five point Likert scale alternatives in order to specify their level of agreement or disagreement on each question items.

3.6 Reliability and Validity Test

3.6.1 Reliability Test

Reliability refers to the consistency or dependability of a measurement technique, and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error. (Marczyk Geoffrey, 2000)

From most popular models of reliability Cronbach's alpha was taken as a measure of reliability. More specifically, alpha is a lower bound for the true reliability of the survey. According to Churchill (1979), the most popular test of inter item consistency reliability is the Chronbach's coefficient alpha. Further, the author stated that reliability coefficients should be at least '.70' and the higher the better. Hence, in this study the internal consistency of the question items of the

instrument were tested using Chronbach's alpha and thus a minimum Chronbach's $\alpha = 0.70$ was considered as sound and reliable.

3.6.2 Validity Test

Validity refers to the extent to which a test measures what we actually wish to measure. It means that the test measures what it is actual wants to measure, that all questions relates directly to effect of contribution based incentive scheme on employee's motivation. In other words, the right questions are being asked to obtain meaningful responses for the study.

According to Kothari (2004), there are three types of validity namely; Content validity, Criterion-related validity and Construct validity.

Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good.

Criterion-related validity relates to our ability to predict some outcome or estimate the existence of some current condition. Criterion-related validity is a broad term that actually refers to Predictive validity and Concurrent validity. Predictive validity refers to the usefulness of a test in predicting some future performance whereas Concurrent validity refers to the usefulness of a test in closely relating to other measures of known validity.

Construct validity is the most complex and abstract. A measure is said to possess construct validity to the degree that it confirms to predicted correlations with other theoretical propositions. To assure validity the researcher give reasonable time for respondents, detail clarifications about the overall picture of the research were clarified using Amharic language, and the study which took the entire target population of the company, so it fulfilled the main requirement of Content validity.

3.7 Method of Data Analysis

The process of data analysis involves three steps: (1) preparing the data for analysis, (2) analyzing the data, and (3) interpreting the data (i.e., testing the research hypotheses and drawing valid inferences). (Marczyk Geoffrey, 2000)

Data collected from the questionnaire were carefully analyzed using of statistical packages for social scientists (SPSS) Version, 23 and the hypothesis of the study were interpreted with the help of three type statistical analyses namely descriptive statistics, correlation and multiple regression analysis.

According to Zaidaton & Bagheri (2009) cited by published Journal of ASSEFA(2014) , the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considers as high as illustrated below.

Table 2: Comparison Bases of Mean Score of Five Point Likert Scale Instruments

Mean Score	Description
< 3.39	Low
3.40 -3.79	Moderate
> 3.80	High

Source: Zaidaton & Bagheri (2009)

According to published Journal of ASSEFA (2014) cited, Correlation analysis was used to show the strength of the association between the variables involved. Inter-correlations coefficients (r) were calculated by using the Pearson’s Product Moment. According to Cohen (1998 as cited by Warokka and Gallato, 2012), the correlation coefficient (r) ranging from 0.10 to 0.29 may be regarded as indicating a low degree of correlation, (r) ranging from 0.30 to 0.49 may be regarded as a moderate degree of correlation, and (r) ranging from 0.50 to 1.00 may be regarded as a high degree of correlation. Field (2006) also stated that the output of correlation matrix can be the correlation coefficient that lies between -1 and +1. Within this framework, a correlation coefficient of +1 indicates a perfect positive relationship, and a correlation coefficient of -1 indicates a perfect negative relationship; whereas a coefficient of 0 indicates no liner relationship. According to Marczyk Geoffrey (2000), correlations are the most basic and most useful measure of association between two or more variables. Expressed in a single number called a correlation coefficient (r), correlations provide information about the direction of the relationship (either positive or negative) and the intensity of the relationship (-1.0 to +1.0). Furthermore, tests of correlations will provide information on whether the correlation is statistically significant. There is a wide variety of correlations that, for the most part, are determined by the type of variable (e.g., categorical, continuous) being analyzed. With regard to the direction of a correlation, if two

variables tend to move in the same direction (e.g., height and weight), they would be considered to have a positive or direct relationship. Alternatively, if two variables move in opposite directions (e.g., cigarette smoking and lung capacity), they are considered to have a negative or inverse relationship. Correlation coefficients range from -1.0 to $+1.0$. The sign of the coefficient represents the direction of the relationship. For example, a correlation of $.78$ would indicate a positive or direct correlation, while a correlation of $-.78$ would indicate a negative or inverse correlation.

For the research correlation purpose, the rules of thumb on effect size indicated by Muijs (2004) was used as cut-off points for the interpretation of the strength of correlation coefficient has shown in the table below:

Table 3: Interpretation of Strength of Correlation Coefficients

Value of Coefficient	Relationship Between Variables
(+ or -) 0.80 to (+ or -) 1.00	Very strong Correlation
(+ or -) 0.50 to (+ or -) 0.79	Strong Correlation
(+ or -) 0.30 to (+ or -) 0.49	Moderate Correlation
0.10- 0.29	Modest Correlation
Less than 0.1	Weak Correlation

Source: Muijs (2004)

According to N. Walliman (2011), multiple regression analysis is a technique used to measure the effects of two or more independent variables on a single dependent variable measured on interval or ratio scales, e.g. the effect on income due to age, education, ethnicity, area of living, and gender. Thanks to computer programs such as SPSS, the complicated mathematical calculations required for this analysis are done automatically. Note that it is assumed that there are interrelationships between the independent variables as well, and this is taken into account in the calculations. In the research multiple regression analysis was used to detect the effect of direct and indirect financial compensation on employee's motivation.

And the regression equation of the study is shown as below;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y = Employee Motivation,

α = Constant,

β_1 = is the coefficient of direct financial compensation,

β_2 = is the coefficient of indirect compensation,

X_1 = direct financial compensation

X_2 = indirect financial compensation

e = is the error term

Chapter Four

Data Analysis, Discussion and Summary of Results

In this chapter, the data obtained from the survey are presented and analyzed in the form of frequencies, percentages, and table. The researcher analyzed how compensation affect employee's motivation and discusses the findings especially in relation to the theories espoused in the literature review (Chapter 2). Out of the targeted seventy respondents, sixty two responded to the questionnaire, this represented 88% response rate.

4.1 Demographic Characteristics of Respondents

The first part of the questionnaire was aimed to collect general data on the social and demographics of the respondents. This included aspects of gender, age, marital status, staff category, number of years served with current organization and the level of the highest educational qualification held.

4.1.1 Gender of Respondents

The findings showed that 49 of the respondents were male and 13 were female. This shows a 79% and 21% representation of male and female respectively. This implies that the population of male is higher than female as shown in Table 4.

Table 4: Gender Distribution

Gender	Distribution	
	Frequency	Percentage
Male	49	79%
Female	13	21%
Total	62	100%

4.1.2 Age of Respondents

From the findings 42% of the respondents were aged between 25-30 years old. Fifty Five percent of the respondents were the middle aged group of between 31-40 years old. Lastly 3% were between 41-50 years. This implies that the company has over 50% of its population at a youthful age of 31-40 years old.

This represented a working class of matured adults who were in a good position to provide relevant information to the study because they had enough knowledge and experience about job related matters. Moreover, this age group are highly attracted by benchmark companies if the necessary consideration don't given. So if the company escape to provide the proper compensation package for their contribution rendered, then there is chance to lose them. The data is as presented in the Table 5.

Table 5: Age Distribution

Age Bracket	Distribution	
	Frequency	Percentage
25-30	26	42
31-40	34	55
41-50	2	3
Total	62	100%

4.1.3 Marital Status

As shown in table 6, 29 respondents or 47% were single whereas 33 respondents or 53% of respondents were married. Generally, it is believed that married employees have lesser absence, fewer turnover and more satisfied with their jobs than the unmarried workers. However, from the total respondents 47% of them were unmarried which means the company have still employee's mobility problem due to singles are more sensitive to mobility than job security ,if the right motivation tool is identified and implemented.

Table 6: Marital Status of Respondents

Marital Status	Distribution	
	Frequency	Percentage
Single	29	47
Married	33	53
Total	62	100%

4.1.4 Staff Category of Respondents

The staff categories of respondents were seen via grouping in to three main staff categories such as sales, technical and supporting (platform). The majority of respondents are categorized under technical staff which accounted for 63% of the entire respondents while 27% of respondents are supporting (platform) staffs and the remaining 10% were sales staff. The data is as presented in the Table 7.

Table 7: Marital Status of Respondents

Staff Category	Distribution	
	Frequency	Percentage
Sales Staff	6	10
Technical Staff	39	63
Supporting (Platform) Staff	17	27
Total	62	100%

In the context of Huawei, technical staff are responsible in making the network planning and optimization according to operator's requirement, in order to achieve the target of coverage and quality. According to WFP target of the company, it is planned to reach the total population of technical staffs into 70% of the total staffs because technical staff helps HW to enhancement the required efficiency needed by customer as well as they are frontline staff in generating revenue. As per the above finding, 63% of the respondents were technical staffs and it is also expected to increase their number, so that it will further help to achieve HW efficiency.

4.1.5 Respondents Years of Service

The findings showed that 6% of the respondents had been in employment from 1 -2 years. A 60 % had worked for between 2-4 years, 21% between 5-7 years, 5% were between 8-10 years. Another 8% of the respondents had over 10 years working in the company. This is illustrated in the Table 8.

Table 8: Years of employment

Huawei Experience	Distribution	
	Frequency	Percentage
1-2 years	4	6
2-4 years	37	60
5-7 years	13	21
8-10 years	3	5
Over 10 years	5	8
Total	62	100%

According to the table 8, we can conclude that majority of the employees had been with Huawei for more than 2 years. Hence, all employees were in a position to provide reliable information to the study because of enough experience they had while working at HW.

4.1.6 Education Level

Table 9 shows education level representation. The respondents who had first degree and master's degree were represented by 73% and 27%, respectively.

Table 9: Education Level

Education Level	Distribution	
	Frequency	Percentage
First Degree	45	73
Master Degree	17	27
Total	62	100%

According to talent management policy of the company a candidate who have below first degree is hired through leased (outsourcing) staff, and those who are categorized as professionals either have first degree or master degree as it was shown in the above findings only hired as local HW staff.

In general, both analysis i.e. the number of years of service and academic qualification of the respondents revealed that existence of potential staffs and can be taken as the best opportunity for HW success, if efficiently and wisely utilized its manpower asset.

4.1.7 Reliability Test

Cronbach alphas were calculated to examine the reliability of each variable of the study. The Five variables in the study were methods used to determine compensations (10 items), significance of direct financial compensations given by the company on motivation (4), the extent of direct financial compensation on employee’s motivations (10 items), significance of indirect financial compensations given by the company on motivation (6 items), and the extent of indirect financial compensation on employee’s motivations (3 items). Usually reliability coefficients should be at least ‘0.70’ and the higher the better. Reliability coefficient for items in each variable (Cronbach’s alpha) is also greater than 0.7 which showed higher reliability of the items used in measurement of the variables. According to the below Cronbach alpha result showed that the whole variables were reliable and acceptable. The data is as presented in the Table 10.

Table 10 Reliability Statistics

Variables	Cronbach’s alpha
Methods used to determine compensation	0.82
Significance of direct financial compensation components on employee’s motivation	0.75
The effect of direct financial compensation on employee’s motivation	0.811
Significance of indirect financial compensation components on employee’s motivation	0.828
The effect of indirect financial compensation on employee’s motivation	0.893

4.2 Data Analysis

4.2.1 Descriptive Data Analysis

In this part, the descriptive analysis method was performed to assess the methods used to determine employee's compensation at Huawei Technologies Ethiopia. In doing so, the items used to determine methods of employee's compensation of the company are summarized to answer the first research question of the study.

To answer this question, 10 question items of the instruments were used and analyzed with the help of descriptive statistics of SPSS version 23.0. In order to clearly scrutinize the method used to determine employees' compensation, it is desirable to analyze the responses of all respondents in terms of discrete item mean score and overall item mean score. In case of this analysis, the response for each specific statement as regards to method used to determine employee compensation are compared using the mean and standard deviation score. The degree of agreement or disagreement of the respondent for each statement are also analyzed by summarizing the five point Likert scale response in to three by consolidating to strongly agree and agree response into one positive response (Agree) and disagree and strongly disagree response in to one negative response (Disagree) and not sure response is taken as it is. Thus, the views of the respondents on the ten items were presented in Table 11 below.

Table 11: Method used to determine employees compensation

Variable	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Mean	Standard Deviation
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%		
In my opinion the company allocate a significant amount of cash for compensation	7	11.3	27	43.5	16	25.8	9	14.5	3	4.8	3.42	1.033
Employee compensation plan at Huawei Ethiopia Rep. office is well formulated	5	8.1	25	40.3	22	35.5	6	9.7	4	6.5	3.34	0.991
The pay structure at Huawei Ethiopia Rep. office meets the requirement of government of Ethiopia	8	12.9	23	37.1	26	41.9	2	3.2	3	4.8	3.5	0.937
The pay structure at Huawei Ethiopia Rep. office ensures there is a good balance of pays between the employees in the company	8	12.9	8	12.9	27	43.5	15	24.2	4	6.5	3.02	1.079

The pay structure at Huawei Ethiopia Rep. office ensures that there is a good balance in comparison with other employees of other related companies.	5	8.1	18	29	21	33.9	13	21	5	8.1	3.08	1.076
I feel that my job is very well defined	13	21	37	59.7	4	6.5	5	8.1	3	4.8	3.84	1.011
I feel I am adequately compensated for use of my skills in my job	7	11.3	17	27.4	17	27.4	15	24.2	6	9.7	3.06	1.172
My Job offers little or no incentives for gaining new skills or knowledge.	4	6.5	14	22.6	30	48.4	9	14.5	5	8.1	3.05	0.982
All the decisions affecting employee compensation are managed at one central place	5	8.1	14	22.6	31	50	12	19.4	0	0	3.19	0.846
In my opinion the company do a thorough survey of salary within the industry before making salary adjustment	11	17.7	11	17.7	16	25.8	17	27.4	7	11.3	3.03	1.28
Overall											3.28	1.01

4.2.2 Inferential Statistics

4.2.2.1 Correlation Analysis

Correlation refers to synonym for association or the relationship between variables and it measures the degree to which two sets of data are related. Higher correlation value indicates stronger relationship between both sets of data. When the correlation is 1 or -1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between the two sets of data.

Correlation analysis is useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 up to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If $r = -1$ there is perfectly negative correlation between the variable. If $r = 0$ there is no relationship between the variable and if $r = +1$ there is perfectly positive relationship between the variables. For values of r between + and 0 or between 0 and -1, different scholars have proposed different interpretation with slight difference. For the research correlation purpose ,the rules of thumb on effect size indicated by Muijs (2004) was

used as cut-off points for the interpretation of the strength of correlation coefficient has shown in the table below:

Table 12: Interpretation of Strength of Correlation Coefficients

Value of Coefficient	Relationship Between Variables
(+ or -) 0.80 to (+ or -) 1.00	Very strong Correlation
(+ or -) 0.50 to (+ or -) 0.79	Strong Correlation
(+ or -) 0.30 to (+ or -) 0.49	Moderate Correlation
0.10- 0.29	Modest Correlation
Less than 0.1	Weak Correlation

Source: Muijs (2004)

Table 13: Correlation coefficient result of direct financial compensation on employee's motivation

Variable	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Employee Motivation	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%		
My Basic pay is reviewed periodically	6	9.7	18	29	20	32.3	9	14.5	9	14.5	Pearson Correlation	.542**
											Sig. (2-tailed)	.000
My basic pay varies from others in other levels of employment.	12	19.4	26	41.9	22	35.5	2	3.2	0	0	Pearson Correlation	0.099
											Sig. (2-tailed)	0.443
My basic pay motivates me to do my work well	12	19.4	11	17.7	14	22.6	17	27.4	8	12.9	Pearson Correlation	.725**
											Sig. (2-tailed)	.000
My basic pay is well balanced compared to the work I do	11	17.7	11	17.7	13	21	21	33.9	6	9.7	Pearson Correlation	.688**
											Sig. (2-tailed)	.000
My basic pay is well balanced compared to other employees in the company	3	4.8	13	21	32	51.6	10	16.1	4	6.5	Pearson Correlation	.694**
											Sig. (2-tailed)	.000
An increase in my basic pay will motivate me improve on my performance.	26	41.9	29	46.8	2	3.2	2	3.2	3	4.8	Pearson Correlation	.491**
											Sig. (2-tailed)	.000
There exist a system in the company of compensating employees if they achieve their targets	15	24.2	27	43.5	13	21	4	6.5	3	4.8	Pearson Correlation	.709**
											Sig. (2-tailed)	.000

In my work, the team reward motivates me well	13	21	31	50	12	19.4	3	4.8	3	4.8	Pearson Correlation	.705**
											Sig. (2-tailed)	.000
My team works very closely to enable achieve the team reward	15	24.2	34	54.8	7	11.3	3	4.8	3	4.8	Pearson Correlation	.628**
											Sig. (2-tailed)	.000
I am entitled for a reward if the whole organization achieves its set target	12	19.4	31	50	13	21	3	4.8	3	4.8	Pearson Correlation	.639**
											Sig. (2-tailed)	.000

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

Table 14: Correlation coefficient result of indirect financial compensation on employee's motivation

Variable	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree			Employee Motivation
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%		
The benefits are so important to me they are one of the reasons I have not moved from Huawei Ethiopia Rep. office	6	9.7	9	14.5	16	25.8	26	41.9	5	8.1	Pearson Correlation	.898**
											Sig. (2-tailed)	.000
The fringe benefits is attractive and boosts my motivation to work	4	6.5	13	21	14	22.6	25	40.3	6	9.7	Pearson Correlation	.942**
											Sig. (2-tailed)	.000
There is a link between a well implemented fringe benefits and employee motivation	4	6.5	8	12.9	12	19.4	27	43.5	11	17.7	Pearson Correlation	.883**
											Sig. (2-tailed)	.000

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

4.2.2.2 Multiple Regression Analysis

Multiple linear regression analysis helps to realize the relationship between one 'effect' variable, called the dependent variable, and one or more predictors, also called independent variables. It is also used to understand by how much each independent variable (Direct and indirect compensations) explains the dependent variable that is motivation.

By using regression analysis, it is possible to show the significance of direct and indirect financial payments effect on employee's motivation at Huawei Technologies Ethiopia.

The result of the regression model shown in table 15 indicates the value of the regression coefficient: $R = .712$, $R\text{-square} = .507$ and adjusted $R\text{-square} = .499$ and significance level of $P = 0.000$ indicates that the model is significant at $p < 0.001$, 2-tailed. Thus, the aggregated effect

of direct financial compensation of employee motivation is explained by the value of the R square, which indicates that 51% of employee motivation in Huawei Technologies Ethiopia is accounted specifically by the existence direct financial compensation. Therefore, 51% of the total variation of employee motivation is explained by annual bonus, project bonus, monthly star and profit sharing (TUP).

As it is indicated in table 16, direct financial compensation was considered as significant effect on employee motivation and reported high level of significance $p < 0.01$. And also the R square value of 0.507 confirming that, 51% of the variation in employee motivation is explained by direct financial compensation. Direct financial compensation as used for prediction was found to be significantly related to employee motivation as the p-value is less than 0.01.

Table 16 titled as coefficients of compensations, helps us to understand which variables among the two independent variables is the most important in explaining the variance in employee motivation. As it is indicated in the table, high beta value shows that it is significant in explaining. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta is 0.883 for indirect compensation and the second highest is direct compensation with 0.712. Therefore, indirect compensations are the major determinant of employee's motivation than direct once.

Table 15: Regression Model Summary of direct financial compensation

Regression Model Summary				
Model	R	R – Square	Adjusted R Square	Std. Error of the Estimate
1	.712	.507	.499	.473

Table 16: ANOVA result for extent of direct compensation on employee motivation

Model	F	Sig.
1 Regression	61.7333	.000a
Residual		
Total		

Table 17: Coefficients of direct financial compensations

Model	B	Beta	T	Significance
Direct Compensation	.579	.0712	7.857	.000
Indirect Compensation	.720	.883	14.562	.000

The result of the regression model shown in table 18 indicates the value of the regression coefficient: $R = .883$, R -square = $.779$ and adjusted R – square= $.776$ and significance level of $P= 0.000$ indicates that the model is significant at $p < 0.001$, 2-tailed. Thus, the aggregated effect of indirect financial compensation of employee motivation is explained by the value of the R square, which indicates that 78% of employee motivation in Huawei Ethiopia is accounted specifically by the existence indirect financial compensation. Therefore, 79% of the total variation of employee motivation is explained by medical insurance, pension, paid leave, severance pay, accident insurance and transportation allowance.

As it is indicated in table 19, indirect financial compensation was considered as significant effect on employee motivation and reported high level of significance $p < 0.01$. And also the R square value of 0.779 confirming that, 78% of the variation in employee motivation is explained by indirect financial compensation. Indirect financial compensation as used for prediction was found to be significantly related to employee motivation as the p -value is less than 0.01 .

Table 18: Regression Model Summary of indirect financial compensation

Regression Model Summary				
Model	R	R – Square	Adjusted R Square	Std. Error of the Estimate
1	.883	.779	.776	.316

Table 19: ANOVA result for extent of indirect compensation on employee motivation

Model	F	Sig.
1 Regression	212.04	.000a
Residual		
Total		

4.2.2.3 Regression analysis of annual bonus and employee motivation

We can also look the regression analysis result of annual bonus and employee motivation in table 20. As it is clearly indicated in the table, annual bonus can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.833)^2$ which is 0.693 .Therefore, it is possible to state that 69% of employee motivation is significantly explained by annual bonus. Annual bonus was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 21. And also the R square value of 0.693 confirming that, 69% of the variation in employee motivation is explained by annual bonus. Annual bonus as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

It is the highest of all the independent variables under direct compensation in explaining motivation.

Table 20: Regression analysis result for annual bonus and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	.833a	.693	2.453

Table 21: ANOVA result for annual bonus and employee motivation

Model	F	Sig.
1 Regression	135.502	.000a
Residual		
Total		

4.2.2.4 Regression analysis of project Bonus and employee motivation

We can also look the regression analysis result of project bonus and employee motivation in table 22. As it is clearly indicated in the table, project bonus can explain employee motivation in

telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.749)^2$ which is 0.562 .Therefore, it is possible to state that 56% of employee motivation is significantly explained by project bonus. Project bonus was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 23. And also the R square value of 0.562 confirming that, 56% of the variation in employee motivation is explained by project bonus. Project bonus as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.It is the second highest of all the independent variables under direct compensation in explaining motivation.

Table 22: Regression analysis result for project bonus and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	0.749	0.562	1.924

Table 23: ANOVA result for project bonus and employee motivation

Model	F	Sig.
1 Regression	76.852	.000a
Residual		
Total		

4.2.2.5 Regression analysis of profit sharing and employee motivation

We can also look the regression analysis result of profit sharing and employee motivation in table 24. As it is clearly indicated in the table, profit sharing can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.740)^2$ which is 0.547. Therefore, it is possible to state that 55% of employee motivation is significantly explained by profit sharing. Profit sharing was

considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 25. And also the R square value of 0.547 confirming that, 55% of the variation in employee motivation is explained by profit sharing. Profit sharing as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

Table 24: Regression analysis result for profit sharing and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	.740a	.547	2.172

Table 25: ANOVA result for profit sharing and employee motivation

Model	F	Sig.
1 Regression	77.102	.000a
Residual		
Total		

4.2.2.6 Regression analysis of monthly star and employee motivation

We can also look the regression analysis result of monthly star and employee motivation in table 26. As it is clearly indicated in the table, monthly star can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.708)^2$ which is 0.501. Therefore, it is possible to state that 50% of employee motivation is significantly explained by monthly star. Monthly star was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 27. And also the R square value of 0.501 confirming that, 50% of the variation in employee motivation is explained by monthly star. Monthly star as used for

prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

Table 26: Regression analysis result for monthly star and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	0.708a	0.501	1.957

Table 27: ANOVA result for monthly star and employee motivation

Model	F	Sig.
1 Regression	60.206	.000a
Residual		
Total		

4.2.2.7 Regression analysis of medical insurance and employee motivation

We can also look the regression analysis result of medical insurance and employee motivation in table 28. As it is clearly indicated in the table, medical insurance can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.862)^2$ which is 0.743 .Therefore, it is possible to state that 74% of employee motivation is significantly explained by medical insurance. Medical insurance was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 29. And also the R square value of 0.743 confirming that, 74% of the variation in employee motivation is explained by medical insurance. Medical insurance as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

It is the highest of all the independent variables under indirect compensation in explaining motivation.

Table 28: Regression analysis result for medical insurance and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	.862a	.743	1.787

Table 29: ANOVA result for medical insurance and employee motivation

Model	F	Sig.
1 Regression	173.753	.000a
Residual		
Total		

4.2.2.8 Regression analysis of pension and employee motivation

We can also look the regression analysis result of pension and employee motivation in table 30. As it is clearly indicated in the table, pension can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.651)^2$ which is 0.423. Therefore, it is possible to state that 42% of employee motivation is significantly explained by pension. Pension was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 31. And also the R square value of 0.423 confirming that, 42% of the variation in employee motivation is explained by pension. Pension as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

Table 30: Regression analysis result for pension and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	.651a	.423	1.619

Table 31: ANOVA result for pension and employee motivation

Model	F	Sig.
1 Regression	44.045	.000a
Residual		
Total		

4.2.2.9 Regression analysis of paid leave and employee motivation

We can also look the regression analysis result of paid leave and employee motivation in table 32. As it is clearly indicated in the table, paid leave can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.720)^2$ which is 0.519 .Therefore, it is possible to state that 52% of employee motivation is significantly explained by paid leave. Paid leave was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 32. And also the R square value of 0.519 confirming that, 52% of the variation in employee motivation is explained by paid leave. Paid leave as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

Table 32: Regression analysis result for paid leave and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	.720a	.519	2.241

Table 33: ANOVA result for paid leave and employee motivation

Model	F	Sig.
1 Regression	64.707	.000a
Residual		
Total		

4.2.2.10 Regression analysis of Severance Pay and employee motivation

We can also look the regression analysis result of severance pay and employee motivation in table 34. As it is clearly indicated in the table, severance pay can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.799)^2$ which is 0.638. Therefore, it is possible to state that 64% of employee motivation is significantly explained by severance pay. Severance pay was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 35. And also the R square value of 0.638 confirming that, 64% of the variation in employee motivation is explained by severance pay. Severance pay as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

Table 34: Regression analysis result for severance pay and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	.799a	.638	2.705

Table 35: ANOVA result for severance pay and employee motivation

Model	F	Sig.
1 Regression	105.816	.000a
Residual		
Total		

4.2.2.11 Regression analysis of Accident Insurance and employee motivation

We can also look the regression analysis result of accident insurance and employee motivation in table 36. As it is clearly indicated in the table, accident insurance can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation

result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (.801)² which is 0.641. Therefore, it is possible to state that 64% of employee motivation is significantly explained by accident insurance. Accident insurance was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 37. And also the R square value of 0.641 confirming that, 64% of the variation in employee motivation is explained by accident insurance. Accident insurance as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

It is the second highest of all the independent variables under indirect compensation in explaining motivation.

Table 36: Regression analysis result for accident insurance and employee motivation Model summary

Model	R	R Square	Durbin Watson
1	.801a	.641	2.078

Table 37: ANOVA result for accident insurance and employee motivation

Model	F	Sig.
1 Regression	107.187	.000a
Residual		
Total		

4.2.2.12 Regression analysis of Transportation Allowance and employee motivation

We can also look the regression analysis result of transportation allowance and employee motivation in table 38. As it is clearly indicated in the table, transportation allowance can explain employee motivation in telecommunication sector, particularly in Huawei Ethiopia office. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (.616)² which is 0.380.

Therefore, it is possible to state that 38% of employee motivation is significantly explained by transportation allowance. Transportation allowance was considered as predictors of employee motivation and reported high level of significance $p < 0.01$ as it is indicated in table 39. And also the R square value of 0.380 confirming that, 38% of the variation in employee motivation is explained by transportation allowance. Transportation allowance as used for prediction was found to be significantly related to employee motivation as p-value is less than 0.01.

Table 38: Regression analysis result for transportation allowance and employee motivation
Model summary

Model	R	R Square	Durbin Watson
1	.616a	.380	1.655

Table 39: ANOVA result for transportation allowance and employee motivation

Model	F	Sig.
1 Regression	36.722	.000a
Residual		
Total		

4.2.2.13 ANOVA Analysis

It is used for testing the differences between the means of more than two independent groups. In this research, it is applied to test whether there were differences in work motivation based on employee category, age, experience, level of education and service year.

Table 40: ANOVA: Differences in Work Motivation Based on gender

Descriptives

MC Total

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Male	49	3.24	.681	.097	3.05	3.44	2	5
Female	13	3.29	.395	.109	3.05	3.53	3	4
Total	62	3.25	.629	.080	3.09	3.41	2	5

ANOVA

MC Total

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.025	1	.025	.062	.803
Within Groups	24.129	60	.402		
Total	24.154	61			

In the ANOVA table 40 , $F= 0.062$, $p > 0.01$ it is found out that there was no statistically significant differences in the level of motivation of employees based on their gender.

Table 41: ANOVA: Differences in Work Motivation Based on level of education

Descriptives

MC Total

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
First Degree	45	3.31	.628	.094	3.12	3.50	2	5
Master Degree	17	3.10	.625	.152	2.78	3.42	2	4
Total	62	3.25	.629	.080	3.09	3.41	2	5

ANOVA

MC Total

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.550	1	.550	1.398	.242
Within Groups	23.604	60	.393		
Total	24.154	61			

In the ANOVA table 41, $F= 1.398$, $p > 0.01$ it is found out that there was no statistically significant differences in the level of motivation of employees based on level of education.

Table 42: ANOVA: Differences in Work Motivation Based on age

Descriptives

MC Total

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
25-30	26	3.40	.523	.103	3.19	3.62	2	4
31-40	34	3.12	.695	.119	2.88	3.36	2	5
41-50	2	3.55	.071	.050	2.91	4.19	4	4
Total	62	3.25	.629	.080	3.09	3.41	2	5

ANOVA

MC Total

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.364	2	.682	1.766	.180
Within Groups	22.790	59	.386		
Total	24.154	61			

In the ANOVA table 41, $F= 1.766$, $p > 0.01$ it is found out that there was no statistically significant differences in the level of motivation of employees based on age.

Table 43: ANOVA: Differences in Work Motivation Based on employee category

Descriptives

MC Total

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Sales	6	3.48	.194	.079	3.28	3.69	3	4
Technical	39	3.22	.694	.111	2.99	3.44	2	5
Supporting(platform)	17	3.25	.576	.140	2.96	3.55	2	4
Total	62	3.25	.629	.080	3.09	3.41	2	5

ANOVA

MC Total

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.366	2	.183	.454	.637
Within Groups	23.788	59	.403		
Total	24.154	61			

In the ANOVA table 43, $F= 0.454$, $p > 0.01$ it is found out that there was no statistically significant differences in the level of motivation of employees based on employee category.

Table 44: ANOVA: Differences in Work Motivation Based on employee experience

Descriptives

MC Total

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1-2 years	4	3.50	.663	.332	2.44	4.56	3	4
2-4 years	37	3.38	.513	.084	3.21	3.55	2	5
5-7 years	13	3.02	.743	.206	2.57	3.46	2	4
8-10 years	3	3.67	.493	.285	2.44	4.89	3	4
over 10 years	5	2.50	.579	.259	1.78	3.22	2	3
Total	62	3.25	.629	.080	3.09	3.41	2	5

ANOVA

MC Total

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.908	4	1.227	3.634	.010
Within Groups	19.246	57	.338		
Total	24.154	61			

In the ANOVA table 44, $F= 3.634$, $p > 0.01$ it is found out that there was no statistically significant differences in the level of motivation of employees based on experience.

Table 45: ANOVA: Differences in Work Motivation Based on marital status

Descriptives

MC Total

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Single	29	3.31	.679	.126	3.05	3.57	2	5
Married	33	3.21	.588	.102	3.00	3.41	2	4
Total	62	3.25	.629	.080	3.09	3.41	2	5

ANOVA

MC Total

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.157	1	.157	.392	.533
Within Groups	23.997	60	.400		
Total	24.154	61			

In the ANOVA table 45, $F= .392$, $p > 0.01$ it is found out that there was no statistically significant differences in the level of motivation of employees based on marital status.

The demographic factors considered for this research were gender, marital status, age, educational background, position and experience and in the analysis above none of the factors were identified as statistically significant case of the means difference of motivation level

between employees. Therefore, demographic factor is not the reason for variation in motivation level of employees.

Generally, the research questions which are proposed earlier were answered by using a sample of 62 respondents. From the analysis it is clearly indicated that relationship of compensation and employee motivation are related and the measure of correlation between these variables as it is indicated in the correlation analysis is positive. And also it is noticed that the independent variables which are included in the elements of compensation have the power to explain the dependent variable employee motivation as it is indicated in the regression analysis. Therefore, all the research questions were answered based on the analysis conducted and effect of compensation in employee motivation in the case of Huawei Technologies Ethiopia PLC.

Chapter Five

Findings, Conclusions and Recommendations

5.1 Findings

Focusing on the findings obtained from the analysis of the 62 employees of Huawei Technologies Ethiopia PLC, the following summaries of findings were made:

1. The aim of the study is to assess the effect of compensation on employee motivation. From the review of related literatures of the study, it is noticed that compensation had significant relationship with employee motivation. In conducting this research study, the required data were obtained using structured data collection techniques. The Instrument (structured questionnaire) was adopted from two related studies. Basically, a total of 70 questionnaires were distributed to the targeted employees; among these, 62 were returned, which means that 8 responses were not returned. Thus, 62 returned questionnaires were analyzed using statistical package for social science (SPSS). Generally, descriptive, correlation and linear regressions analysis were performed in order to conduct the research analysis.
2. Overall, employee’s motivation on the existing method used to determine compensation is low. The overall score according to the output of SPSS version 23.0 is presented as follows:

Table 46: Method used to determine employees compensation

No	Ten Items Used for the Test	Mean Score	Standard Deviation
	Overall Score	3.28	1.01

Hence, the views of the respondents on the ten items of method used to determine employees compensation in the company were presented with due care. According to Zaidatol and Bagheri (2009) mean score specification, the respondents gave higher rating for the question, “I feel that my job is very well defined” with a mean value of 3.84, hence this meant that the company can easily measure the deliverable (output) of its employees. On the other hand, the respondents’ mean score on the item “The pay structure at Huawei Ethiopia Rep. Office ensures there is a good

balance of pays between the employees in the company” with a mean score of 3.02 and is the minimum mean score.

In general, the respondents’ reflection on the existing method used to determine employees compensation from high to moderate with a high mean score of 3.84 and low mean score of 3.02. The overall response for the ten items indicates the mean = 3.28 and SD = 1.01. The higher the mean score, the more that respondent agreed with the respective question items and vice versa. The figures for standard deviation (SD) also indicate the degree to which responses varied from each other; the higher the figure for SD, the more variation in the responses. Therefore; this result based on Zaidatol and Bagheri (2009) mean score compression basis, the mean score = 3.28 indicates that there is low level of positive feeling towards the existing method used to determine employees compensation practice of the company, which implies that, the respondents have “weak positive reaction or feeling” with the method used to determine employees compensation in Huawei Technologies Ethiopia.

An effective compensation package should balance the costs of employers with the needs and expectation of employees. The findings showed that more than half of the respondents believed that the company allocate a significant amount of cash for compensation, a quarter were not sure while less than one fifth disapproved.

Armstrong (2008) state that internal and external equity is one of the key factors that must be considered when determining a compensation plan. The study showed that on the internal equity only a small group of about 26% believed that the pay structure achieved internal equity, 43% of the respondents were not sure while another 31% felt that the structure did not achieve internal equity. The findings on external equity showed that about 37% believed that the pay structure achieved external equity, 34% of the respondents were not sure while another 29% felt that the structure did not achieve external equity.

According to Armstrong (2008) described a well-balanced employee’s compensation plan comprises five steps namely, job evaluation, market survey, job matching, grade and pay structures and fine-tuning pay rates. Although a majority of the respondents about 81% agreed that their jobs were well defined, however about 39% of respondents felt that process of compensation determination especially the salary survey was not adequately conducted before determining new salary scale.

According to Charles R. Greer (2003), there are two broad ways of categorizing compensation, namely; Job-based (Traditional Compensation) approach and Skill-based approach. A job based approach incorporate the use of job analysis to determine the knowledge, skills, and abilities required to perform jobs. Job analysis information is then incorporated into the process of job evaluation, which determines the relative standing of each job in the salary or wage hierarchy of an organization. Essentially, the process of job evaluation involves a review of each job to determine the extent to which compensable factors are present. Typically, jobs are evaluated on only a small set of compensable factors such as knowledge, know-how, accountability, effort, and problem solving. The point system is a common job evaluation approach, which uses a job evaluation manual to assign points to each job on the basis of compensable factors. From the study about 39% of the respondents felt that at Huawei Technologies Ethiopia employees were compensated for the use of their skills, 34% of the respondents were not sure while another 27% felt that they were not compensated for the use of their skills. The study also showed that about 29% of the respondents felt that employees were incentivized to gain new skills. 22% of the respondent disagreed that there were incentives for gaining new skills or knowledge while about 48% of the respondents were not sure.

Thus, from this finding it can be inferred that, the respondents don't have a positive feelings towards the existing method used to determine employees compensation in terms of its good balance of pays between the employees within and outside the company, adequacy of compensation for use of skills in the job, incentive for gaining new skills or knowledge, compensation decision making, and on salary survey practice. Therefore, such remarked areas of findings were the good indicators and the root causes for employee's unfavorable feeling towards the existing method used to determine employees compensation. This might have its own negative influence on the employee individual contribution and motivation.

3. Direct financial compensation and Employee's Motivation

The researcher found out that about 39% believed that basic pay reviewed periodically, 32% of the respondents were not sure while another 29% felt that basic pay didn't reviewed periodically. On question of pay variation for different levels a majority agreed that there was variation in the organization. This finding was in line with the expectations of Armstrong (2008), the base pay 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.

Further findings from the study showed that 37% of the respondents were motivated by their current pay and 40% were not motivated at all. This was in line with Armstrong (2008) view that Basic pays as the name suggests, are just base pays and though their absence de-motivates employees, their presence may not necessary motivate the employees as they expect to get it anyway for the work done, time worked or for them being there.

The number of respondents, who agreed to their pay matching the work they do were about 35% while those who disagreed were 44% and 21% of the respondents were not sure. This tied to the above findings on respondent view that the processes of compensation determination were not followed, in this case the job evaluation. The process of job evaluation, which determines the relative standing of each job in the salary or wage hierarchy of an organization. Essentially, the process of job evaluation involves a review of each job to determine the extent to which compensable factors are present. Typically, jobs are evaluated on only a small set of compensable factors such as knowledge, know-how, accountability, effort, and problem solving (Charles R. Greer, 2003).

The same was also evidenced with the findings on basic pay being balanced as compared to other employees where more than half of the respondents are neutral , 22% of the respondents were agree and 23% of the respondents were disapprove.

In the finding on the fact that basic pay would motivate more, an 89% response was received in favor of agreeing. This was in agreement to Herzberg's two-factor model theory states that any feeling of satisfaction resulting from pay increases was likely to be short-lived compared with the long-lasting satisfaction from the work itself. One of the key conclusions derived from the research is therefore that pay is not a motivator, except in the short term, although unfair payment systems can lead to demotivation. It was however not clear whether it was only for short term or for long term.

The researcher also found out that about 68% of the respondents were agreed by the system the company compensating employees if they achieve their targets, according to L. MATHIS and H. JACKSON (2010), recognition awards often work best when given to acknowledge specific efforts and activities that the organization has targeted as important.

The Findings on team rewards were about 71% of the respondents agreed that team reward motivates them well, about 79% of the respondents agreed that the team work enable them to achieve the team reward, and about 79% of the respondents agreed that they can be entitles for reward if the organization achieve its set target. And that they felt motivated for being rewarded for what they achieved as a team; and as a result of the whole organization achieving its set objectives, this was in line with the views of L. MATHIS and H. JACKSON (2010), team incentives can take the form of either cash bonuses for the team or items other than money to reinforce the effectiveness of working together. Finally a Pearson's correlation test on direct financial payments and employee's motivation showed a direct and positive correlation on all areas tested.

4. Indirect financial compensation and Employee's Motivation

According to Armstrong, (2008), Employee benefits are elements of remuneration given in addition to the various forms of cash pay.

The study also found out that about 34% of the respondents was disagree that benefits are so important reason for not to leave the company,26% of the respondents were not sure while another 14% agree. In order to know the existing fringe benefit attractiveness to boost motivation about 27% believed that the existing fringe benefits is attractive to boost their motivation at work, 23% of the respondents were not sure while another 32% respondents felt their disagreement. In order to know the fact whether there is a link between a well implemented fringe benefits and employee motivation ,19% believed that there is a link between a well implemented fringe benefits and employee motivation, 19% of the respondents were not sure while another 61% respondents disapproved.

As regards to the fact that the presence of benefits motivates employees, the researcher found out that a great percentage of the respondents felt demotivated. Only a small percentage felt in agreement. According to the company staff handbook, the organization only worries whether the minimum requirement as per the country labor is fulfilled or not, so this might create a dissatisfaction on employees mind, since the benefits stated in labor law considered as every right to get it. Finally a Pearson's correlation test on indirect financial payments and employee's motivation showed a high degree of positive correlation on all areas tested.

In general, there is statistically direct significant and positive relationship between indirect financial compensation and employee motivation ($r = .779$, $p < 0.01$). Hence if indirect financial compensation being offered to employees were to be altered, then there would be a corresponding change in employee motivation. The results also indicates that there is a statistically positive significant and direct existing relationship between direct financial compensation and employees motivation ($r = .507$, $p < 0.01$), but this relationship is less as compared to the indirect financial compensation. However, if the change in direct financial compensation offered to employees is altered, then there would be a corresponding change in employee's motivation.

The multiple regression analysis for this study confirmed that both direct and indirect financial compensations have significant factor on motivation of employees at Huawei Technologies Ethiopia.

The results of regression analysis shows that; 69% change in employee motivation is due to annual bonus, 56% change in employee motivation is due to project bonus, 50% change in employee motivation is due to monthly star, 55% change in employee motivation is due to profit sharing, 74% change in employee motivation is due to medical insurance, 42% change in employee motivation is due to pension, 52% change in employee motivation is due to paid leave, 64% change in employee motivation is due to severance pay, 64% change in employee motivation is due to accident insurance, 38% change in employee motivation is due to transportation allowance. ANOVA analysis which is made to check the relationship of biographic data with motivation, none of them have direct and significant relation with motivation

5.2 Conclusions

The major objective of the study was to investigate and assess the effect of direct and indirect financial compensation on employee motivation in Huawei Technologies Ethiopia, because financial compensation has been a major concern of most employees, which in turn, leads to crate motivation. The study has been successful in accomplishing its main research objectives and it can make contributions to the literature too. Therefore, emphasizing on the finding of the study, the following conclusions were drawn:

First, in the descriptive analysis finding part, the researcher has been able to present the method used to determine employee's compensation in the company wherein the employees express that they had low level of positive feeling towards the existing method used to determine employee's compensation practice of the company. However, it does not mean that the entire employees of Huawei Technologies Ethiopia are absolutely dissatisfied with the overall compensation determination method used.

From the structured question response finding, it can be indicated that employee's motivation on compensation method used can be enhanced through creating good balance of pays between the employees within and benchmark companies or assuring internal and external equity , providing adequate compensation based on skill and job , rewarding new skills or knowledge achievements ,performing adequate pay survey before adjustment , using participatory approach to design compensation package and creating transparent organizational communication systems.

Second, the researcher has attempted to investigate the effect of direct financial compensation on employee's motivation. Accordingly, as per the correlation analysis result revealed, direct financial compensation have positive and strong relationship or association with employee motivation.

Third, the researcher has attempted to investigate the effect of indirect financial compensation on employee's motivation. Accordingly, as per the correlation analysis result revealed, indirect financial compensation have positive and strong relationship or association with employee motivation.

Fourth, the researcher has been able to study and examine significance of the existing direct and indirect financial compensation and its relationship with employee motivation. So, from the multiple regression analysis, it can be concluded that between the dependent variable (employee Motivation) and independent variables (direct and indirect financial compensations) there exist a positive and strong relationship. Consequently, the existing positive reaction with the current financial compensation packages have strong and positive effect on employee's motivation.

Fifth, the researcher has also intended to examine whether the influence of direct financial compensation has larger effect on employee's motivation when compared to indirect financial compensation. In order to deal with this case, the researcher has tried to compare the regression coefficient result of direct financial compensation and regression coefficient result of indirect financial compensation. The regression coefficient of indirect financial compensation was 0.779 predicting that the level of employee motivation will increase by 78% if their indirect financial compensation is increased by one unit and regression coefficient of direct financial compensation was 0.507 predicting that the level of employee's motivation will increase by 51% if their direct financial compensation is increased by one unit. As a result, basing on this research finding, the researcher has reached a conclusion that indirect financial compensation has larger influence on employee motivation than direct financial compensation.

5.3 Recommendations

The major concern of this section is to give recommendation for Huawei Technologies Ethiopia and it is made based on the findings of the whole research work.

Therefore, the company needs to have a well and systematic method to determine employee's compensation and should change the prevailing low level of employee's motivation towards financial compensation to the desired level of very high positive satisfaction through realizing the following activities:

- Make compensation package determination method participatory whereby employees are allowed to participate plus ensure transparency among employees.
- Make the proper pay survey in order to assure compensation equity within and benchmark company employees.
- Huawei Technologies Ethiopia management team needs to take a great initiation and readiness for the continuous improvement of the current compensation package and work towards creating confidence and trust on the existing financial compensation packages.
- The company should develop systems that will ensure proper compensation plan which involves proper job evaluation, job matching and pay structures.
- Contingent payments which were paid in the form of annual bonus, project bonus, and profit-sharing has generated a high level of motivation, so it is recommend that management to take initiatives in finding out which contingent payment has long last effective on employee motivation and why.

5.4 Suggestions for Further Research

1. Further study on benefits is recommended to find out how current benefits can be improved and motivates employees more. In light of the great number of youthful population in the organization. The researcher would also recommend that further studies done on what motivates the youth to give their best and expected duration of stay
2. To make generalization, similar type of research need to be conducted in other representative office of Huawei since this study is conducted only in the context of Huawei Technologies Ethiopia PLC.

3. This research can be further explored by adding more contingent pay dimensions like timely incentive awards, efficiency awards, presidential awards, and future star awards which could influence employee's motivation.

References

- Armstrong Michael (2008): A Handbook of Employee Reward Management and Practice, Second Edition.
- PATRICK K. MWANGI (2014), the effect of compensation on employee motivation at Chloride Exide group of Companies, research of Human Resource management.
- ABRAHAM ZEWDIE BEKELE, ASSEGID DEMISSIE SHIGUTU, and ASSEFA TSEGAY TENSAY(2014) ,The Effect of Employees' Perception of Performance Appraisal on Their Work Outcomes, International Journal of Management and Commerce Innovations ISSN 2348-7585 (Online), available at: www.researchpublish.com .
- Armstrong, M and Helien M. (2007): Reward Management, A hand book of Remuneration strategy and practice, Kogan Page Limited (5th Ed.). United Kingdom: Kogan Page Limited
- Charles R. Greer (2003), Strategic Human Resource Management, a Pearson Education Company Upper Saddle River, New Jersey 07458
- Churchill, G.A. (1979). A Paradigm for Developing Better Measures of Marketing Constructs. Journal of Marketng Research, 16.
- David A. DeCenzo and Stephen P. Robbins (2004) ,Fundamental Human Resource Management, 6th Ed.
- Dessler, G. (2008). Human Resource Management. Upper Saddle River, NJ: Pearson/Prentice Hall.
- Fatma Yousuf Al-Belushi and Dr. M. Firdouse Rahman Khan (2017), impact of monetary incentives on employee's motivation: SHINAS COLLEGE OF TECHNOLOGY, OMAN, International Journal of Management, Innovation & Entrepreneurial Research, Page 01-11
- Fernando Belfo and Rui Dinis Sousa, 2011, employee incentives in IT companies: case study in google GOOGLE
- Field, A. (2005), Discovering Statistics using SPSS, (Second Edition).
- Huawei Technologies Ethiopia PLC, Staff Handbook Manual, 2016.
- Huawei Technologies portal link: <http://www.huawei.com/cn/>
- Ivncevich, John M., and Michael T. Matteson, (2002). Organizational Behavior and Management, 6th Ed. New York, McGraww-Hill Irwin.
- Jeffery Gold (2010): Human Resource Management, Mahwah, New Jersy, 07430

Kothari, C.R. (2004). *Research Methodology: Methods and Techniques*. 2nd ed. New Delhi. New Age International Ltd.

Luftman, J. and Ben-Zvi, T., 2010. Key Issues for IT Executives 2010: Judicious Progression towards Post Recession Times, *MIS Quarterly Executive*, vol. 9, no. 4.

Luftman, J., Kempaiah, R. and Rigoni, E., 2009. Key Issues for IT Executives 2008, *MIS Quarterly Executive*, vol. 8, no. 3, page 151-9.

Marczyk Geoffrey (2000), *Essentials of Research Design and Methodology*,

MENSAH RUBY (2012), the impact of indirect compensation on employee productivity: A case of central university college, research of Human Resource management

Muijs Daniel (2004), *Doing Quantitative Research in Education with SPSS*.

Nicholas Walliman (2011), *research Methods the basics*, Oxford Brookes University, UK

Quarterly Report 2010 (3Q), Google Inc., Mountain View, California

Rijalu Negash, Shimelis Zewude, and Reta Megersa (2014), the effect of compensation on employee's motivation: In Jimma University academic staff, *Basic Research Journal of Business Management and Accounts*, pp. 17-27.

Robert L.Mathis and John H.Jackson (2010): *Human Resource Management*, USA, South-Western Cengage Learning, Mason, OH 45040

Singh Y.K. (2006), *New Age Fundamental of Research Methodology and Statistics*, New International Publishers.

Tezera Misganaw (2016), *THE RELATIONSHIP OF REWARD MANAGEMENT PRACTICES TO EMPLOYEES' JOB SATISFACTION IN ETHIOPIAN INSURANCE CORPORATION*, thesis submitted for partial fulfillment of Master of Arts in Human Resource Management

Warokka A., Gallato G. & Moorthy C. (2012), *Organizational Justice in Performance Appraisal System and Work Performance: Evidence from an Emerging Market* *Journal of Human Resources Management*

Zaidatol, A. L., & Bagheri, A. (2009), *Entrepreneurship as a center choice: An analysis of entrepreneurial self- efficiency and intention of university student*, *European Journal of Social Science*,

Annex 1: Research Questionnaire

The Effect of Compensation on Employee motivation: The Case of Huawei Technologies Ethiopia PLC

Purpose: The purpose of this survey is to obtain information from Huawei Technologies Ethiopia PLC local employees regarding the Effect of Compensation on Employee motivation. Your cooperation in providing honest and prompt responses to the research questions would be very much appreciated. You are also assured of the privacy and confidentiality of your responses.

PART I: GENERAL INFORMATION

Please tick (✓) option that best describes you.

1. Gender

Male Female

2. Age

Below 25 25-30 31-40 41-50 51-60 Over 60

3. Marital Status

Single Married Divorced

4. Which staff category do you belong?

Sales Staff Technical Staff Supporting (Platform) Staff

5. How many years have you worked for your current organization?

1-2 2-4 5-7 8-10 over 10

6. What is your highest level of education?

College Diploma First Degree Mater Degree Ph.D. other

PART II: METHODS USED TO DETERMINE EMPLOYEE’S COMPENSATION

Directions: Please rate the following Statements by ticking “√” only one box on the right side with the response that you think best represent your feeling.

5 = Strongly Agree; 4 = Agree (D); 3 = Not Sure; 2 = Disagree; and 1 = Strongly Disagree

S/N	Variable	Rating Scales				
		Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
2.1	In my opinion the company allocate a significant amount of cash for compensation					
2.2	Employee compensation plan at Huawei Ethiopia Rep. office is well formulated					
2.3	The pay structure** at Huawei Ethiopia Rep. office meets the requirement of government of Ethiopia					
2.4	The pay structure** at Huawei Ethiopia Rep. office ensures there is a good balance of pays between the employees in the company					
2.5	The pay structure** at Huawei Ethiopia Rep. office ensures that there is a good balance in comparison with other employees of other related companies.					
2.6	I feel that my job is very well defined					
2.7	I feel I am adequately compensated for use of my skills in my job					
2.8	My Job offers little or no incentives for gaining new skills or knowledge.					
2.9	All the decisions affecting employee compensation are managed at one central place					
2.10	In my opinion the company do a thorough survey of salary within the industry before making salary adjustment					

NB: ***Pay structure is the thoughtful arrangement of pay levels within a hierarchy. These levels of responsibility, or grades, can be linked to the value of the position within the organization or through market pricing.*

PART III – DIRECT FINANCIAL PAYMENTS AND EMPLOYEE MOTIVATION

Directions: Please rate the following Statements by ticking “√” only one box on the right side with the response that you think best represent your feeling.

3.1. To what extent do you rate the significance of the following direct financial compensation you received from Huawei Ethiopia Rep. Office in raising your motivation?

1: To little extent; 2: To less extent; 3: Neutral; 4: To some extent 5: To a great extent

S/N	Variable	Rating Scales				
		To little extent	To less extent	Neutral	To some extent	To a great extent
3.1.1	Annual Bonus					
3.1.2	Project Bonus					
3.1.3	Monthly Star					
3.1.4	Profit Sharing(TUP)					

3.3. Please rate the following Statements by ticking “√” only one box on the right side with the response that you think best represent your feeling.

Where 5 = Strongly Agree; 4 = Agree (D); 3 = Not Sure; 2 = Disagree; and 1 = Strongly Disagree

S/N	Variable	Rating Scales				
		Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
3.3.1	My Basic pay is reviewed periodically					
3.3.2	My basic pay varies from others in other levels of employment.					
3.3.3	My basic pay motivates me to do my work well					
3.3.4	My basic pay is well balanced compared to the work I do					
3.3.5	My basic pay is well balanced compared to other employees in the company					
3.3.6	An increase in my basic pay will motivate me improve on my performance.					
3.3.7	There exist a system in the company of compensating employees if they achieve their targets					
3.3.8	In my work, the team reward motivates me well					
3.3.9	My team works very closely to enable achieve the team reward					
3.3.10	I am entitled for a reward if the whole organization achieves its set target					

PART IV – INDIRECT COMPENSATION PACKAGE AND EMPLOYEE MOTIVATION

4.1. To what extent do you rate the significance of the following indirect compensation (fringe benefits) you received from Huawei Ethiopia Rep. Office in raising your motivation?

1: To little extent; 2: To less extent; 3: Neutral; 4: To some extent 5: To a great extent

S/N	Variable	Rating Scales				
		To little extent	To less extent	Neutral	To some extent	To a great extent
4.1.1	Medical Insurance					
4.1.2	Pension(Social security Scheme)					
4.1.3	Paid Leave (annual leave, sick leave, marriage leave, Funeral leave...)					
4.1.4	Severance Pay					
4.1.5	Accident Insurance					
4.1.6	Transportation Allowance					

4.3. Please rate the following Statements by ticking “√” only one box on the right side with the response that you think best represent your feeling.

Where 5 = Strongly Agree; 4 = Agree (D); 3 = Not Sure; 2 = Disagree; and 1 = Strongly Disagree

S/N	Variable	Rating Scales				
		Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
4.3.1	The benefits are so important to me they are one of the reasons I have not moved from Huawei Ethiopia Rep. office					
4.3.2	The fringe benefits is attractive and boosts my motivation to work					
4.3.3	There is a link between a well implemented fringe benefits and employee motivation					

➔ **Thank you for sparing your precious time. Remain Blessed!**

Declaration

I, the undersigned, declare that this study entitled “Effect of compensation on employee motivation” is my own work. I have undertaken the research work independently with the guidance and support of my research advisor. This study has not been submitted for any program in this or any other institutions and that all sources of materials used for this thesis have been duly acknowledged.

Declared by:

Biniam Teklu

Signature: _____

Date: May, 2018

Place: Addis Ababa, Ethiopia

Advisor:

Abraraw Chane (Dr.)

Signature: _____

Date: _____