



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**THE EFFECT OF COMPENSATION ON EMPLOYEES JOB SATISFACTION: THE
CASE OF EAST AFRICAN TIGER BRANDS INDUSTRY**

BY:

AMIR GEZAHEGNE

JUNE, 2020

ADDIS ABABA ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE
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ADDIS ABABA, ETHIOPIA

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GENERAL BUSINESS ADMINISTRATION

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Mesfin Tesfaye (PhD.). 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.

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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

Signature

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LIST OF ACRONYMS

CM- Compensation Management

EATBI- East African Tiger Brands Industry

EAH- East African Holding

FMCG- Fast-Moving Consumer Goods

HRM- Human Resource Management

ERG- Existence, Relatedness, and Growth

LIST OF TABLES

Table 4.1.1. Gender of the Respondents.....	34
Table 4.1.2. Age of the Respondents.....	34
Table 4.1.3. Marital Status of the Respondents	35
Table 4.1.4. Educational Background of the Respondents.....	35
Table 4.1.5. Current Position of the respondents.....	36
Table 4.1.6. How long have you been working in the company?.....	37
Table 4.2.1. Respondents opinion on issues related to Salary.....	38
Table 4.2.2. Respondents opinion on issues related to Bonus.....	39
Table 4.2.3. Respondents opinion on issues related Benefits.....	40
Table 4.2.4. Respondents opinion on issues related to Recognition and Promotion.....	41
Table 4.2.5. Respondents opinion on Issues related to Responsibilities.....	42
Table 4.2.6. Respondents opinion on issues related to Working conditions.....	43
Table 4.2.7. Respondents opinion on issues related to Job satisfaction.....	44

ABSTRACT

The main purpose of this research is to examine the Effect of Compensation on Employee Job Satisfaction in the case of East African Tiger Brands Industry. The researcher used stratified sampling technique and 255 employees were selected from Head Office to participate in this study. Questionnaires were distributed to sample respondents and all questionnaires were returned. Data analysis was done using descriptive statistics and regression analysis in order to present the magnitude of the respondents. Findings showed that both extrinsic and intrinsic compensations had a positive effect on employee job satisfaction. It was recommended that the compensation Schemes should be revised periodically; taking into account the market conditions, the nature of the job and the employees desire and needs. Adequate compensation has to be provided and offered to employees based on their performance.

Keywords: Compensation, Salary, Bonus, Benefits, Promotion, Recognition, Responsibility, Working conditions, Job satisfaction

TABLE OF CONTENTS

Acknowledgements	I
List of Acronyms	II
List of Tables	III
Abstract	IV
Table of Contents	V
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the study	1
1.2. Background of the organization	3
1.3. Statement of the problem	4
1.4. Research Objective	6
1.4.1. General Objective	6
1.4.2. Specific Objective	6
1.5. Hypothesis	6
1.6. Scope of the Study	7
1.7. Significance of the Study	7
1.8. Limitations of the Study	8
1.9. Organization of the Study	8
CHAPTER TWO	9
REVIEW OF LITERATURE	9
2.1. Introduction	9
2.2. Theoretical Literature Review	9
2.2.1. Concept of Compensation	9
2.2.2. Theories of Compensation	10
2.2.3. Types of Compensation	10
2.2.4. Compensation Management	11
2.2.5. Objectives of Compensation	12

2.2.6.Components of Compensation	13
2.2.7.Factor Influencing Compensation	14
2.2.8.Concept of Job Satisfaction	15
2.2.9.Theories of Job-Satisfaction	17
2.2.9.1.Content Theories	18
2.2.9.2.Maslow’s Theory of Motivation/Satisfaction (1943)	18
2.2.9.3.Herzberg’s Two-Factor Theory (1959)	19
2.2.9.4.Theory X & Y (Douglas McGregor, 1960)	20
2.2.9.4.1. Theory X Assumptions	20
2.2.9.4.2. Theory Y Assumptions	20
2.2.9.5.Theory of Needs - Achievement Theory	20
2.2.9.6.Existence, Relatedness, and Growth (ERG) Theory	21
2.2.10. Process Theories	21
2.2.10.1. Equity Theory (J. Stacy Adams, 1963)	22
2.2.10.2. Vroom’s Expectancy Theory (1964)	22
2.2.10.3. Porter/Lawler Expectancy Model (1968)	23
2.3.Empirical Literature Review	23
2.4.Conceptual Framework	25
CHAPTER THREE	26
RESEARCH DESIGN AND METHODOLOGY	26
3.1. Research Design	26
3.2. The approach	26
3.3. Sources of Data	27
3.3.1. Primary Data	27
3.3.2. Secondary Data	27
3.4. Instruments of Data Collection	27
3.5. Study Population	27
3.6. Sample Size and Sampling Techniques	27
3.6.1. Sample Size	27
3.6.2. Sampling Technique	28

3.7. Validity and Reliability	29
3.7.1. Validity	29
3.7.2. Reliability.....	29
3.7.3. Reliability Test	30
3.8. Methods of Data Analysis	30
3.9. Data Analysis Technique	30
3.10. Ethical Considerations	32
CHAPTER FOUR	33
DATA PRESENTATION, ANALYSIS AND INTERPRETATION	33
4.1.General Profile of Respondent's.....	33
4.1.1. Gender of the Respondents	34
4.1.2. Age of the Respondents	34
4.1.3. Marital Status of the Respondents	35
4.1.4. Educational Background of the Respondents	35
4.1.5. Current Position of the respondents	36
4.1.6. Respondents experience in the company?.....	37
4.2.Descriptive Analysis of Data related to Compensation and Job Satisfaction.....	38
A. Extrinsic Compensation	
4.2.1. Respondents opinion on issues related to Salary	38
4.2.2. Respondents opinion on issues related to Bonus	39
4.2.3. Respondents opinion on issues related Benefits	40
B. Intrinsic Compensation	
4.2.4. Respondents opinion on issues related to Recognition and Promotion.	41
4.2.5. Respondents opinion on Issues related to Responsibilities	42
4.2.6. Respondents opinion on issues related to Working conditions	43
C. Job Satisfaction	
4.2.7. Respondents opinion on issues related to Job satisfaction	44
4.3. Regression Analysis	45
4.4. Hypothesis Testing	48

CHAPTER FIVE	51
SUMMARY, CONCLUSION AND RECOMMENDATIONS	51
5.1.Summary of the Findings	51
5.2.Conclusion	52
5.3.Recommendations	54
5.4.Indication for future research	55
References	56
Appendices	VI

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Starting from the 20th century, until now, organizations' view of people has changed intensely. People (human resources) who work in organizations today unlike in the past, are considered one of the most valuable assets an organization can acquire, maintain and develop in order to attain competitive advantage. To attain their competitive advantage organizations, need to hire skilled manpower. Practically, organizations face many challenges in acquiring and retaining high quality employees. And the most important challenge faced by organizations is related to employee's well-being since employees spend most of their time at work but they are not completely satisfied from their job that's why satisfaction is not only important for employee's wellbeing but also for organization wellbeing. (Dessler, 2013).

Researches suggests that high quality employees remain with organizations when they experience satisfaction on the job (Gupta & Shaw, 2014). This is on one hand, because satisfied employees form a bond with the company and take pride in their organization membership; they believe in the goals and values of the organization. Therefore, these employees display high levels of performance and productivity. On the other hand, dissatisfied employees display characteristics of low productivity, absenteeism, and turnover. These traits are highly costly for an organization's ability, to keep its best assets which is its employees. Therefore, depending on viable people-oriented systems like attractive compensation would encourage employees and lead to their satisfaction on the job, so as to maximize their full potential as well as the success of the organization. (Greene, 2014)

The concept of job satisfaction is a broadly studied literature in the organizational behavior. Job satisfaction originated in the early nineties, when scholars began to research on employee's job duties and workers trainings (Taylor, 1911). Employee's positive and negative relationship at workplace began to be studied when Elton Mayo did a research on called the so-called Hawthorne studies (Bruce & Walton, 1992) making job satisfaction an important area in research.

Rue and Byars (1992) define job satisfaction as a feeling that employees have about their job and how they show a positive attitude towards their job when they are highly satisfied and how employees show a negative attitude regarding their job when they are dissatisfied.

Job satisfaction is employee response to different dimensions of the work, including relationship with extrinsic rewards such as Salary, Commission, Bonus, and Insurance and intrinsic rewards such as Interesting Duties, Responsibility, Recognition, Achievement, Advancement, Sound policies, Competent supervision, Friendly co-workers and Working conditions (Schermerhorn, 1993). These factors are very significant for job satisfaction therefore; compensation is one of the important factors of job satisfaction and for the well-being of employee.

Hence, compensation management (CM), as suggested by Osibanjo, Adeniji, Falola and Heirsmac (2014) would lead to satisfaction on the job that in turn, naturally results in a happy employee who would be inspired about staying with the organization and being productive to helping his or her organization achieve its goals. Moreover, CM, as a human resource management practice, has been expressed by many (e.g., Adeoye & Fields, 2014; Gupta & Shaw, 2014; Ibojo & Asabi, 2014) as one of the ways to accomplish organizational goals due to its influence on satisfaction. For example, Greene (2014) indicated that compensation management is a useful instrument in the hand of management to contribute to the organizational effectiveness and can impact positively on the behavior and productivity of employees. Dessler (2013) also stated that CM determines the hiring and retention of employees to attain the objectives of an organization, and is the basis of involvement of individuals to reinforce the performance of employees.

According to Osibanjo et,al (2014), compensation is a primary motivator for employees. People look for jobs that not only suit their creativity and talents, but compensate them in terms of salary and other benefits accordingly. As expressed in Maslow's (1958) theory of human needs cited in Omotayo, Pavithra, and Adeniji (2014), individuals are goal-oriented whose needs can influence their behavior. As such, unsatisfied needs influence behavior but satisfied needs do not act as motivator. More so, scholars assessing this theory have suggested that most needs at the physiological level could be satisfied fully, if the worker receives adequate compensation, so as to provide for those needs. This makes the issue of compensation very important.

According to Gupta and Shaw (2014), the design and implementation of compensation systems not only can affect employee motivation, but also can be associated to improve safety, quality, creativity, innovation and countless other outcomes critical in a successful workplace. What Gupta and Shaw mean to say is that any employee who benefits from a properly designed compensation system is likely to give off their best to ensure a successful and effective performance. And it should not be overlooked that people look for jobs that not only suit their creativity and talents, but compensate them in terms of salary and other benefits accordingly (Osibanjo et,al , 2014).

Therefore, this research is designed to examine the Effect of Compensation on Employee Job Satisfaction in the case of East African Tiger Brands Industry Head Office. The aim of this study is to fill the gap of research in this context. This research paper will help to determine those rewards that can enhance the job satisfaction in East African Tiger Brands Industry.

1.2. Background of the Organization

East African Tiger Brands Industry (EATBI) is one of the leading industrial corporations in Ethiopia, playing a prominent role in industrialization of the country during the last decade. The enterprise was established as an umbrella company comprising of sister companies under the huge enterprise known as East African Holding (EAH), which operates in a variety of sectors such as manufacturing of fast-moving consumer goods (FMCG), agriculture, agro-processing, printing and packaging, transport, real estate, cement production and coal mining. EAH is also involved in the export of various types of washed Ethiopian coffee and has a coffee roasting and packing facility to supply the local market. (EAH, n.d.)

After the decision of Tiger Brands Ltd to divest from the East African Tiger Brands Industries joint venture, the East African Group in 2017 acquired full control by purchasing the shares of Tiger Brands Ltd and thus the East African Tiger Brands Industries PLC was born. The EATBI manufacturing facilities are in the Dukem (Bishoftu) Industrial Park, 70 acres of land area, about 40 Km west of Addis Ababa. (EAH, n.d.)

The EATBI has implemented the ISO 9001:2008 quality management system and continues to invest in modern technology for increased manufacturing capacity and efficiency. Comprising of structured and professional management, the East African Tiger Brands Industries PLC currently employs over 700 employees greatly contributing to reducing the country's unemployment with the vision of being the most admired Ethiopian branded consumer packaged goods company. (East African Holding, n.d)

EATBI is engaged in producing several products such as:

Food and Beverage: EATBI's food and beverage unit consists of a flour mill, supplementary food unit (Uni-mix), pasta and macaroni factory and biscuit factory. (East African Holding, n.d.)

Home Care: EATBI is among the leading soap and detergents producer in Ethiopia. This business unit strives to meet the home care needs of all segments of society, with products and brands tailored accordingly. The diversified product portfolio of EALBI includes laundry soaps, beauty soaps, powder detergents and detergent cakes. (ibid)

Personal Care: EATBI's personal care unit is involved in the manufacture of a range of personal care products. The unit has a portfolio of well over 50 brands of lotions and creams to shampoos. Products range from hair food, hair oil, nail polish, shampoo, creams, lotions and perfumes.

Flexible Packaging & Corrugated Boxes: The printing and packaging unit of EATBI exists to meet the in-house requirements of the company. The unit is engaged in the manufacture of corrugated boxes, manufacture of plastic containers (for personal care products) and flex graphic printing. (ibid)

1.3.Statement of the Problem

In a competitive environment, organizations need sustained high level of performance through their human resources to be competitive enough in the market and one of the most important challenge company's face is improving the level of employees Satisfaction (Bozeman & Gaughan, 2011). As a result, compensation and benefit scheme is designed to affect the Satisfaction of employees of a company.

Best designed compensation and benefit schemes affect the motivation of the employees to work. If the management of a company put an effort in identifying the need of employees and succeed on satisfying the needs by providing relevant compensation and benefit program then the motivational level of employee will increase towards the best achievement of job-related activities. (Greene, 2014).

Even though compensation and benefit are important in maintaining competitiveness by motivating and satisfying the need of employees to be productive and perform well, workers leave the organization due to the fact that they are not compensated enough; some are not willing to leave the organization because they are enjoying some benefit in terms of promotion. The loss of employees represents a loss of skills, knowledge and experiences which can create a significant negative economic impact and cost to the organization. Organization can compensate employees and assist the organization by improving employee retention (Chukwuma & Obiefuna, 2014).

It is well known that EATBI is forerunner in modernizing the industrial sector of the country. However, based on the preliminary investigations made, the researcher has been informed that the company does not give sufficient compensation and benefit to them. This is manifested with a growing number of complaints from staffs and employees are displeased about the Compensation Schemes.

To the best of the researcher's knowledge, the effect of compensation and benefit on employee satisfaction is not studied closely. Since EATBI is a huge company, human resource needs to investigate the implication of compensation and benefit schemes as a motivational technique to employees' perception to stay in the organization; given the fact that if employees are not motivated enough, high turnover becomes the end result. Therefore, the aim of this study is to fill this particular gap.

Bearing this in mind, the study examined the effect of both Intrinsic and Extrinsic Compensation Schemes on employee job satisfaction working at East African Tiger Brands Industry.

1.4. Objectives of the Study

1.4.1. General Objectives

The general objective of this research is to examine the Effect of Compensation on Employee Job Satisfaction in the case of East African Tiger Brands Industry.

1.4.2. Specific Objectives

1. To assess the practice of compensation at East African Tiger Brands Industry.
2. To determine the extent to which Extrinsic compensation variables contribute to employee's job satisfaction at East African Tiger Brands Industry.
3. To determine the extent to which Intrinsic compensation variables contribute to employee's job satisfaction at East African Tiger Brands Industry.

1.5. Hypothesis

After reviewing different theoretical and empirical literature, the researcher developed the following Alternative hypotheses to discover the cause and effects relationships between compensation and job satisfaction.

(H1): Salary/Wage have a significant effect on employee job satisfaction.

(H2): Bonus have a significant effect on employee job satisfaction.

(H3): Benefits have a significant effect on employee job satisfaction.

(H4): Recognition/Promotion have a significant effect on employee job satisfaction

(H5): Responsibility have a significant effect on employee job satisfaction.

(H6): Working Conditions have a significant effect on employee job satisfaction.

1.6. Scope of the Study

This study focused only on the effect of compensation on Employee job satisfaction at EATBI. Additionally, the contents of compensation and Job Satisfaction are broadly studied hence, the researcher has not covered all aspects of these issues because of time and limited finance.

Furthermore, the study was restricted to East African Tiger Brands Industry's staff employees at the factory, located around Dukem, Ethiopia. The study fully excludes branch and sales office staffs. Any other offices outside the manufacturing compound and temporary staffs will not be considered. The study would have been comprehensive if all branches (including the remotely located ones), sales and temporary staffs were included.

However, the study was limited to the head office due to time, geographical location and budget constraints. Moreover, the study will be limited to permanent employees and precludes contract and casual workers.

1.7. Significance of the Study

This study investigated the effect of Compensation on employee's job satisfaction at EATBI. The study is important because it provides an insight on the magnitude compensation has on employee job satisfaction. The findings of the research benefited the following stakeholders at different levels:

- **To the Organization:** The study is significant for the Organizations improvement of Compensation Schemes, by deeply understanding of Compensation schemes that could influence employees job satisfaction.
- **To the Management:** the findings provide answers to the fundamental question of why employees stay and what would cause them to leave and to help the company formulate appropriate compensation and benefit policies and strategies to enhance employee satisfaction and company performance.
- **To the body of Knowledge:** it enables to wide up more knowledge on the issue of compensation and Job Satisfaction.
- **To other researchers:** the result of the study serves as a literature to throw more light on the effect of Compensation on Job Satisfaction. The outcome further serves as secondary data for future research on the topic.

1.8. Limitations of the Study

- The study focused on EATBI employees located in the head office to study the effect of compensation on employee job satisfaction. This will limit the finding to just the head office and no other branch offices of EATBI.
- Sufficient records, publications regarding effect of salary on job satisfaction were not available in the organization. In order to overcome the problem, the researcher reviewed different books and articles of similar organizations.
- The respondents delayed the in filling and returning back the given questionnaires due to Covid-19 and this problem has made its impact on the research report writing process.

1.9. Organization of the Study

The research study was organized into five chapters. The first chapter that is the introduction chapter includes: background of the study, background of the Organization, Statement of the problem, Research Questions, Objectives, Scope, and Significance of the study. The second chapter contains review of related literature. Chapter three deals with research Design and Methodology of the study. Chapter four focuses on presentation, analysis and interpretation of the data collected through questionnaire and interview. Finally, Summary, Conclusion, Recommendation and Limitation of the study is given in Chapter Five.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

In this chapter, a detailed discussion of related literature works about compensation and job satisfaction will be presented. Theoretical review, empirical review and conceptual framework of the study will be discussed in detail to support this study.

2.2. Theoretical Literature Review

2.2.1. Concept of Compensation

Compensation is one of the Human Resources Management functions that deals with every type of reward individual receive in an exchange for performing organizational tasks. It is the major cost of doing the business for many organizations. It is the main reason why some individuals seek employment. (Mahapatro, 2010). According to Ardana (2012), compensation is everything received by employees as a reward for its contribution to company or organization. Compensation is everything that employees receive as a reward for their work.

Compensation According to (Aswathappa, 2014) is the remuneration an employee receives for his or her contribution to the organization. It occupies an important place in the life of employee, his or her standard of living, status in the society, motivation, loyalty and productivity depend upon the remuneration employees receives. For the employer too, employee compensation is significant because of its contribution to the cost of production.

According to Gaol (2014) compensation is accepted by the employee either in the form of money or not as remuneration given to the employee's efforts to the organization. According Wibowo (2016) compensation is a counter-achievement of the use of labor or services that have been provided by the workforce. Compensation is the number of packages the organization offers to workers in return for its labor usage. According to Mondy (2014) the total compensation of all rewards is provided to employees in return for the services.

2.2.2. Theories of Compensation:

There are three main theories that are used by human resources professionals when developing compensation plans:

1. Reinforcement Theory: is similar to that of effective conditioning. If a person is rewarded for a particular behavior, he or she is more likely to perform those actions again. The positive reaction motivates employees to do the same actions again because employees would anticipate getting the same or a similar reward.

2. Equity Theory: suggests that employees' actions will be changed based on their perception of how they are paid in comparison to their coworkers. For example, if an employee and a colleague work the same number of hours and have the same type of job and a similar level of work experience, one would expect to be paid fairly and about the same salary. However, if he/she discovered that the colleague was paid more, then your productivity will probably decrease so that employee is only working up to the level that is fair based on his/her new perception of compensation.

3. Agency Theory: focuses on the divergent interests and goals of the organization's stakeholders, and the ways that employee compensation can be used to align these interests and goals (Eisenhardt, 1989; Fama& Jensen, 1983).

2.2.3. Types of Compensation

According to Sinambela, (2016) there are of two types of compensation, namely (1) Financial Compensation and (2) Nonfinancial Compensation. **Financial compensation** can be further divided into **Direct compensation**, as (a) base pay, b) merit pay, incentive pay, bonuses, commissions, profit sharing and share distribution and (c) differed pay, i.e. savings and stock purchase annuity programs and **Indirect compensation** consists of (a) the benefit program, i.e. health insurance, life insurance, pensions and labor insurance, (b) payments outside working hours as holiday programs, annual leave and maternity leave, (c) vehicles, office space and parking lots. **Non-financial Compensation** can be divided into (a) occupations with interesting tasks, challenges, responsibilities, recognition and sense of accomplishment and (b) the working environment, as sound policies, competent supervisors, happy working atmosphere and a comfortable working environment.

According to Ghosh, 2012 there are two types of compensation, and they are classified as Extrinsic compensation and Intrinsic compensation. **Extrinsic compensation** refers to the monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic salary, house rent allowance, conveyance, leave travel allowance, medical repayments, special allowances, bonus, provident fund/gratuity, etc. which are given at a regular interval at a definite time. Whereas the **Intrinsic compensation** refers to non-monetary benefits offered and provided to employees in the place of the services provided by them to the organization. They include Leave Policy, Overtime Policy, Hospitalization, Insurance, Leave Travel Assistance Limits, Retirement Benefits, Holiday Homes and flexible timings.

2.2.4. Compensation Management

Compensation management is an organized practice, which is important for balancing the work and employee relationship by providing monetary and non-monetary compensation to employees. (Bhattacharyya ,2009).

Compensation management is considered to be a complex process, which requires accuracy and precision and if not carried out properly may lead to employees' dissatisfaction. An ideal compensation policy motivates the employees to work harder and with more determination. It also helps the organizations to set the standards for job that it is related, realistic and measurable. Compensation policies should have a sound integration with practices of HRM. One of the key functions of compensation management of any company is to create a hearty competition among the employees in order to attain more efficiently and provide growth opportunities to its employees (Khan, Aslam, Lodhi, 2011).

Adeniyi (2013) suggests that the fundamental tasks in human resources management are compensation management. It is a complex task that occurs periodically, demand accuracy and must not be delayed. Compensation management requires integrating employees' processes and information with business process and strategies to achieve optimal organizational goals and objectives (Adeniyi, 2013). This can be attributed to the fact that compensation management is an essential tool to "integrate individual efforts with strategic business objectives by encouraging employees to do the right things with ever improving efficiency. (Adeniyi, 2013).

In other words, compensation management is a powerful means of focusing attention within an organization. They send clear messages to all employees of the, organization informing them about expected attitudes and behaviors (Schell and Solomon, 2007).

2.2.5. Objectives of Compensation

Bhattacharay (2009) provided the following Eight objectives of compensation as given below:

1. **Equity:** The first category is equity, which may take several forms. It includes income distribution through narrowing of inequalities, increasing the income of lowest paid employees, protecting real wages (purchasing power), and the concept of equal pay for work of equal values.

Compensation management strives for internal and external equity. Internal equity requires pay related to the worth of similar job so that similar job gets similar pay. External equity means paying worker what other firms in the labor market pay comparable workers. Compensation differentials, based on differences in skills or contribution, are all to the concept of equity.

2. **Efficiency:** The objective of efficiency is reflected in attempts to link a part of wages to productivity or profit, group or individual performance, acquisition and application of skills, and so on. Arrangement to achieve efficiency may also be seen as being equitable (if they fairly reward performance) or inequitable (if the reward is viewed as unfair).
3. **Macro-economic Satiability:** It can be achieved through high employments level and low inflation. For instance, an inordinately high minimum wages would have an adverse impact on levels employment, though at what level these consequences would occur is a matter of debate. Although compensation policies influence macro-economic stability and contribute to the balanced and sustainable economic development.
4. **Efficient Allocation of Labor:** The efficient allocation of labor in the labor market implies that employees will move to wherever they receive a net gain. Such movement may be from one geographical location to another or from one job to another (within or outside an enterprise). The provision or availability of financial incentive causes such movement.

5. **Motivating the Employees:** Employees may have talent but they will not be motivated to use their talent unless they know that they will be rewarded duly for their contribution towards organizational objectives or be punished for not contributing as per the demands of the job.
6. **Acquired Qualified Employees:** Compensation needs to be high enough to attract applicants. Pay levels must respond to supply and demand of workers in the labor market since employers compete for workers.
7. **Retain Current Employees:** Employees may quit when compensation levels are not competitive resulting in higher turnover. Therefore, one of the important objectives of Compensation Management is retaining the human capital or talent of the organization.
8. **Comply with Legal Regulations:** A sound wage and salary system considers the legal challenges imposed by the government and ensures the employers compliance.

2.2.6. Components of Compensation

According to the (Bhattacharyya, 2009) components of a compensation system include:

- **Job Descriptions:** The job description is the written responsibilities, functions, duties, requirements, conditions, environment, location and other facets of jobs.
- **Job Analysis:** The process of analyzing the job is job analysis and job descriptions are also developed from it. Job analysis techniques include the use of interviews, questionnaires, and observation.
- **Job Evaluation:** It is a process of comparing jobs for the determining adequate compensation for individual jobs or job elements.
- **Pay Structures:** the pay structure includes the several grades and each grade containing a minimum salary, increments and grade range.
- **Salary Surveys:** It is a collection of survey of salary and market data and also includes inflation indicators, average salaries, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys.
- **Policies and Regulations:** Compensation is supposed to be as fair if it is contained the system of components to develop and maintain internal and external equity in organization.

2.2.7. Factor Influencing Compensation

According to the (Jain,2014) there are a number of factors influencing compensation. They can be categorized into: (A) external and (B) internal factors.

A. External Factors: External Factors are those factors that are beyond our control. And they can be further classified into:

i. Labor Market: Demand and supply of labor influences the fixation of wage and salary. A lower wage fixed when the labor demands were less than the labor supply. A higher wage will have to be paid when the labor demand more than labor supply it happened as in the case of skilled labor.

ii. Cost of Living: This matter is criterion during periods of rising prices but it is forgotten when prices are stable or falling. When the cost of living is rise and it required to be remunerated by payment of dearness allowance, basic pay to continue uninterrupted.

iii. Labor Unions: The presence or absence of labor organizations often determine the substantial wages paid to the employees. Employers of non-unionized organization enjoy the liberty to fix wages and salaries as they want. Because of larger-scale unemployment, these employers hire workers at little or even less than legal minimum wages. An individual non-unionized company may pay more to its employees if they want to discourage them from forming one. The employees of strongly unionized companies too have no freedom in fixation of wage and salary. They are forced to vintage the pressure of labor representatives in revision and determination of pay scales.

iv. Union Influences on Compensation Decisions: Unions and labor relations laws also influence compensation design. The various labor legislations and court decisions legitimized the labor movement.

v. Labor Laws: We have a various labor laws at the central and as well as at the state levels. These legislations are for protection of employee's interests.

vi. Society: Compensation paid to employees is imitated the prices fixed by an organization for their goods and services. The Supreme Court, from its very inception, has had to adjudicate industrial disputes, particularly disputes relating to wages and allied problems of financial concern to the worker- an ethical and social outlook liberally interpreting the spirit of the Constitution.

vii. The Economy: the economy has its impact on wage and salary fixation. While it is possible for some organizations to thrive in a recession, there is no question that the economy does not affect remuneration decisions.

B. Internal Factors: Following are the internal factors which influence compensation:

i. Business Strategy: The overall strategy of a company which pursue the determination of employee's compensation. The strategy is to sustain and protect current profit because of the declining fortunes of the company the compensation level needs to be average or even below average.

ii. Performance Appraisal: The Performance appraisal helps to reward, compensation hike for the employees who show better performance.

iii. The Employee: Several employee-related factors interact to determine his or her remuneration. These include performance, seniority, experience, potential, and even sheer luck.

2.2.8. Concept of Job Satisfaction

Various scholars have defined Job satisfaction in many different ways. Oshagbemi (2003) stated that job satisfaction is an affective reaction to a job that results from the comparison or actual outcomes with those that are desired. Locke (1976) Defined job satisfaction as a 'pleasurable or positive emotional state resulting from the appraisal of one's job or job experience'.

The concept generally refers to variety of aspects of the job that influence a person's level of satisfaction with it. These usually include attitudes towards pay, working conditions, colleagues and boss, career prospects and the intrinsic aspects of the job itself.

According Colquitt, et al, (2013), Job satisfaction as a pleasurable emotional state resulting from the appraisal of one's job or job experiences. Robbins and Judge (2015) explain that job satisfaction is a positive feeling about a job, resulting from an evaluation of its characteristics. Luthans (2011) explain job satisfaction as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. Job satisfaction is a result of employee's perception of how well their job provides those things that are viewed as important.

Judge and Hulin (1993), among others, have suggested that in the field of job satisfaction there are three different approaches. The first is the work attitudes such as job satisfaction are dispositional in nature; that is, they are 'stable positive or negative dispositions learned through experience' (Griffin and Bateman, 1986) or based on a person's genetic inheritance.

If this was the case, job satisfaction attempts to improve satisfaction by changing jobs would be destined to failure. The second approach is the 'social information-processing model', which suggests that job satisfaction and other workplace attitudes are developed or constructed out of experiences and information provided by others at work (Salancik and Pfeffer, 1978; O'Reilly and Caldwell, 1985). In other words, at least in part, job satisfaction is a function of how other people in the workplace interpret and evaluate what goes on. The third approach is the information-processing model, which is based on the accumulation of cognitive information about the workplace and one's job. In a sense, this is the most obvious approach, it argues that a person's job satisfaction is influenced directly by the characteristics of their job (Hackman and Oldham, 1976).

Job satisfaction is defined and measured with reference to various factors of the job. Regardless of the theoretical approach used to study job satisfaction, most studies have identified at least two general categories of predecessor variables. Environmental factors and personal characteristics both focus on job satisfaction and individual attributes and characteristics (Ellickson & Logsdon, 2001). This is a general attitude, which is the result of many specific attitude in three areas such as job factors, individual or personal characteristics and other social and groups' relationship outside the job (Shajahan&Shajahan, 2004).

Another researcher notes that the literature on employee motivation, commitment, and job satisfaction proposes that organizational attitudes are driven by both personal as well as work context (Moynihan & Pandey, 2007).

2.2.9. Theories of Job-Satisfaction

Though most of the discussions about the theories of job-satisfaction start with Maslow's theory of "Hierarchy of Needs" (1943) however, the story actually begins from early decades of the 20th century with the theory of "Scientific Management" commonly referred to as "Taylorism" by Frederick W. Taylor (1911) wherein humans are treated as "Economic-men" therefore "Money" is considered the biggest motivator for job satisfaction. This view was then split apart by Elton Mayo & Associates (1924-33) during "Hawthorne Studies" about the nature of human being.

They found that multiple factors contribute to the motivation and satisfaction of workers including, personal morale, positive interrelationships, management founded on the understanding of individual and group behavior through interpersonal skills like "motivating, counseling, leading and communicating (Wehrich& Koontz, 1999)."

Across many literatures, theories about the job-satisfaction have consistently been grouped either on the "nature of theories" or "chronological appearance" of these theories. For example, Shajahan & Shajahan (2004) give nature-based grouping as Content theories (Maslow's Needs Hierarchy, Herzberg's Two Factor theory, Theory X and Theory Y, Alderfer's ERG theory, and McClelland's theory of Needs) and chronological/Process theories (Behavior Modification, Cognitive Evaluation Theory, Goal Setting theory, Reinforcement theory, Expectancy theory, and Equity theory).

Fred Luthans (2005) have been using a mix of nature-based and historically founded classifications since his first writings on the topic organized the theories into Content (Needs Hierarchy, Two-Factors, and ERG theories) and Process (Expectancy theory and Porter & Lawler model); and Contemporary (Equity, Control and Agency theories). However, Stephen P. Robbins (2005) applies single base of chronology and categorizes the job satisfaction theories into Early theories (Hierarchy of needs, Theory X & Y, Two-Factor theory) and Contemporary theories (McClelland's theory of needs, Goal Setting theory, Reinforcement theory, Job Design Theory (job-characteristics model, Equity theory and Expectancy theory). At present the content and process theories have become established explanations for work motivation.

2.2.9.1. Content Theories

The content theories base on what motivates people at work that is, identifying the needs, drives and incentives/goals and their prioritization by the individual to get satisfaction and thus perform effectively (Luthans, 2005). Researchers have prepared different lists of biological, psychological, social and higher order needs or requirements of human beings.

Almost all the researchers have categorized these needs into primary, secondary and high-level requirements of employees, which need to be fulfilled whenever worker is required to be motivated and satisfied. There are several content theories, which guide the managers in understanding “what motivates the workforce?”.

2.2.9.2. Maslow’s Theory of Motivation/Satisfaction (1943)

Maslow’s hierarchy of needs is “the most widely mentioned theory of motivation and satisfaction (Wehrich& Koontz, 1999).” Capitalizing mainly on humanistic psychology and the clinical experiences, Abraham Maslow assumed that an individual’s motivational needs could be arranged in a hierarchy. Once a given level of needs is satisfied, it no longer helps to motivate. Thus, next higher level of need has to be activated in order to motivate and thereby satisfy the individual (Luthans, 2005).

Maslow (1943) identified five levels in his need hierarchy:

1. Physical needs: (food, clothing, shelter, sex),
2. Safety needs: (physical protection),
3. Social: (opportunities to develop close associations with other persons),
4. Esteem/Achievement needs: (prestige received from others), and
5. Self-Actualization: (opportunities for self-fulfillment and accomplishment through personal growth).

Furthermore, individual need satisfaction is influenced both by the importance attached to various needs and the degree to which each individual perceives that different aspects of his or her life should, and actually do, fulfill these needs (Karimi, 2007).

Some argue that Maslow's hierarchy of needs theory is the first motivation theory actually laid the foundation for "job satisfaction theory". And it served as a good basis from which early researchers could develop job satisfaction theories.

2.2.9.3. Herzberg's Two-Factor Theory (1959)

Herzberg developed a specific work motivation theory. He did a motivational study on about 200 accountants and engineers employed by firms in Pittsburgh, Pennsylvania. He used the critical incident method of data collection with two questions:

- a. when did you feel particularly good about your job, what turned you on? And
- b. when did you feel exceptionally bad about your job, what turned you off? (Luthans, 2005).

Tabulating these reported good and bad feelings, Herzberg concluded that job satisfiers (motivators) are related to job content and that job dissatisfiers (Hygiene factors) are allied to job context. Motivators relate to the job contents like Achievement, Recognition, Work itself, Responsibility and Advancement. They hygiene factors do not "motivate/satisfy" rather "prevent dissatisfaction." These factors relate to the context of the job such as, Company policy, Administration, Supervision, Salary, Interpersonal relations, Supervisor, and Working conditions (Herzberg et al., 1959).

The theory has been admired as the most useful model to study job satisfaction (Kim, 2004), for example, the theory has been found supported in educational settings (Karimi, 2007) and it has been used as a theoretical framework for scientifically assessing police officers' job satisfaction (Getahun et al., 2007) however, a review of literature revealed criticisms of the motivator-hygiene theory (Karimi, 2007). For example, researchers have not been able to empirically prove the model. Likewise, the theory ignores the individual differences and assumes that all employees react in a similar manner to the changes in motivators and hygiene factors. The model is also criticized for suggesting no specific method to measure the factors of job satisfaction and dissatisfaction.

2.2.9.4. Theory X & Y (Douglas McGregor, 1960)

After viewing the way in which managers dealt with employees, McGregor concluded that a manager's view of the nature of human being is based on a certain grouping of assumptions and that he or she tends to decline his or her behavior toward subordinates according to these "assumptions" (Robbins, 1998).

2.2.9.4.1 Theory X Assumptions

- Average human beings have an inherent dislike of work and will avoid it if they can.
- Because of disliking work, most people must be forced; controlled, directed, and threatened with punishment to get them work for organization.
- Average human beings prefer to be directed, wish to avoid responsibility, have relatively little ambition, and want security (Wehrich& Koontz, 1999).

2.2.9.4.2. Theory Y Assumptions

- Physical and mental efforts in work are as natural as play and rest.
- External control and threat are not the only means for producing effort toward organizational objectives. People will exercise self-direction and self-control in achieving committed objectives.
- Degree of commitment to objectives is in proportion to the size of the rewards associated with achievement.
- Average human beings learn, under proper conditions, not only to accept responsibility but also to seek it (Wehrich& Koontz, 1999).

2.2.9.5. Theory of Needs - Achievement Theory (David McClelland, 1961)

McClelland and Associates argued that some people have a compelling drive to succeed. They are striving for personal achievement rather than the rewards. They have desire to do something better or more efficiently than it has been done before so they prefer challenging work - these are high achievers (Shajahan & Shajahan, 2004).

The theory emphasizes on the achievement motives thus, it is also known as “achievement theory” however the model includes three interrelated needs or motives:

1. Achievement: The drive to excel, to achieve in relation to asset of standards, to strive to succeed.
2. Power: The need to make others behave in a way that they would not have behaved otherwise (Shajahan & Shajahan, 2004). It refers to the desire to have an impact, to be influential, and to control others (Robbins, 2005).
3. Affiliation: The desire for friendly and close interpersonal relationships (Shajahan&Shajahan,2004). People with high affiliation prefer cooperative situations rather than competitive ones (Robbins, 2005).

2.2.9.6. Existence, Relatedness, and Growth (ERG) Theory (Clayton P. Alderfer. 1969)

Clayton Alderfer (1969) has reworked Maslow’s need hierarchy to align it more closely with the empirical research. He did a grouping of the Maslow’s hierarchy of needs into three groups of needs into: Existence (physiological and security needs), Relatedness (social and esteem needs) and Growth (self-actualization) (Shajahan&Shajahan, 2004).

Alderfer suggested more of a variety of needs than hierarchical levels or two factors of prepotency needs. Unlike Maslow and Herzberg, he does not content that a lower-level need must be fulfilled before a higher-level need becomes motivating or that deprivation is the only way to activate a need (Luthans, 2005).

2.2.10. Process Theories

Unlike content theories, process theories are more concerned with “how the motivation takes place?”. The concept of “expectancy” from “cognitive theory” plays dominant role in the process theories of job-satisfaction (Luthans, 2005). Thus, process theories try to explain how the needs and goals are fulfilled and accepted cognitively (Perry et al., 2006). A number of process-oriented theories have been suggested. Some of these theories have caught the attention of researchers who tested these hypotheses in different environments and found them thought-provoking. The leading theoretical formats in process domain are the following:

2.2.10.1. Equity Theory (J. Stacy Adams, 1963)

Equity theory says that employees weigh what they put into a job situation (input) against what they get from it (outcome) and then compare their input-outcome ratio with the input-outcome ratio of relevant others. If they perceive their ratio to be equal to that of the relevant others with whom they compare themselves, a state of equity is said to exist (Robbins, 2005).

The first of these fairness perceptions or distributive justice which has been extensively studied over the past few decades under the more readily recognizable name of equity theory (Yusof & Shamsuri, 2006). Continuing through the motivation cycle suggests that high performance leads to the receipt of rewards, both intrinsic and extrinsic, which leads to increased employee satisfaction when such rewards are valued by the employee and perceived as equitable (Perry et al., 2006).

2.2.10.2. Vroom's Expectancy Theory (1964)

Victor H. Vroom holds that people will be motivated to do things to reach a goal if they believe in the worth of that goal and if they can see (probability) that what they do will help them in achieving them (Wehrich & Koontz, 1999).

Vroom's theory is characterized with three major variables: valance, expectancy and instrumentality. Valance is the strength of an individual's preference (or value, incentive, attitude, and expected utility) for a particular output. Expectancy refers to the probability that a particular effort will lead to a particular first-level outcome. While instrumentality is the degree to which a first-level outcome will lead to a desired second-level outcome. For example, a person would be motivated (motivational force or effort) toward superior performance (first-level output) to realize promotion (second-level output) (Luthans, 2005).

Vroom recognizes the importance of various individual needs and motivations (Wehrich & Koontz, 1999). For example, expectancy theory suggests that rewards used to influence employee behavior must be valued by individuals (Perry et al., 2006). Thus, theory is considered as the "most comprehensive theory of motivation and job satisfaction (Robbins, 2005)." This theory explains that motivation is a product of three factors: how much one wants a reward (valance), one's estimate of the probability that effort will result in the successful performance (expectancy), and

one's estimate that performance will result in receiving the reward (instrumentality), which is explained as "Valence \times Expectancy \times Instrumentality = Motivation" (Newstrom, 2007).

2.2.10.3. Porter/Lawler Expectancy Model (1968)

Porter and Lawler point out that "effort" (force or strength of motivation) does not lead directly to "performance." It is moderated by "abilities and traits" and by "role perceptions." Similarly, the "satisfaction" does not depend on performance rather it is determined by the "probability of receiving fair rewards". (Wehrich& Koontz, 1999).

The Porter-Lawler motivation model suggests that motivation depends on several interrelated cognitive factors, for example, effort stems from the "perceived effort-reward probability" before it is initiated.

However, before this effort is converted into performance, the "abilities and traits" plus "role-perceptions" cast moderating effect on the real efforts invested for performance. Finally, it is the "perceived equitable rewards", which determines "job-satisfaction". (Luthans, 2005).

2.3. Empirical Literature Review

Most studies show positive and considerable relationship between compensation and employee job satisfaction. For instance (Yaseen,2013), did a research on the Effect of Compensation Factors on Employee Satisfaction: A Study of Doctor's Dissatisfaction in Punjab. The aim of the research was to find out various issues of compensation for the doctors in civil hospitals and to explore that compensation has direct effect on doctor's satisfaction level. Data was collected through questionnaires. And the findings show that pay, recognition, promotion opportunities, and meaningful work are factors of compensation management, which have direct effect on job satisfaction on doctors. But the main reason of doctor's dissatisfaction is, because they are not getting proper service structure and not finding their work meaningful. Government should increase satisfaction of doctors by providing this type of non-financial compensation.

Another work by (Ayalew, 2018), entitled *The Effect of Compensation Practices on Employees' Job Satisfaction: A Case Study of MOHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola Plant*, used closed ended questionnaires as a primary means of gathering information and secondarily used literatures and published materials. And the findings proved that pay, recognition, promotion opportunities and meaningful work have strong relationship with employee job satisfaction.

Birhane, 2017, in his work *Impact of Reward System on Employee Job Satisfaction: The Case of Hidase Telecom Share Company Addis Ababa, Ethiopia* distributed questionnaire in order to gather primary data for the research and secondary sources to support the primary data. Using Statistical Package for Social Science (SPSS). The results showed that Financial Compensation was a major factor for employee's job satisfaction at the company whereas Non-Financial Compensations played little role in satisfying the employees of the company.

A work entitled *Impact of Compensation and Benefits on Job Satisfaction* by (Mabaso and Dlamini, 2017) aimed to investigate the impact of compensation, benefits on job satisfaction among academic staff in higher education institutions in a South African context. The study employed the quantitative research method to investigate the influence of rewards on talent attraction and retention. An explanatory hypothesis generating approach was employed and a survey design was used to collect data through a semi-structured questionnaire. The results showed that a positive and significant effect of compensation on job satisfaction. Moreover, there were no significant effect between benefits and job satisfaction. Therefore, only compensation significantly predicted job satisfaction among academic staff.

2.4. Conceptual Framework

The conceptual framework of the study shows the dependent variable and independent variable. The dependent variable which known as outcome variable is the employees job satisfaction. On the other hand, the independent variables of the study will be classified under Extrinsic and Intrinsic compensation. For the purpose of this study both the Extrinsic and Intrinsic compensations will be further classified into salary, bonus, benefit, recognition, promotion responsibility and working condition.

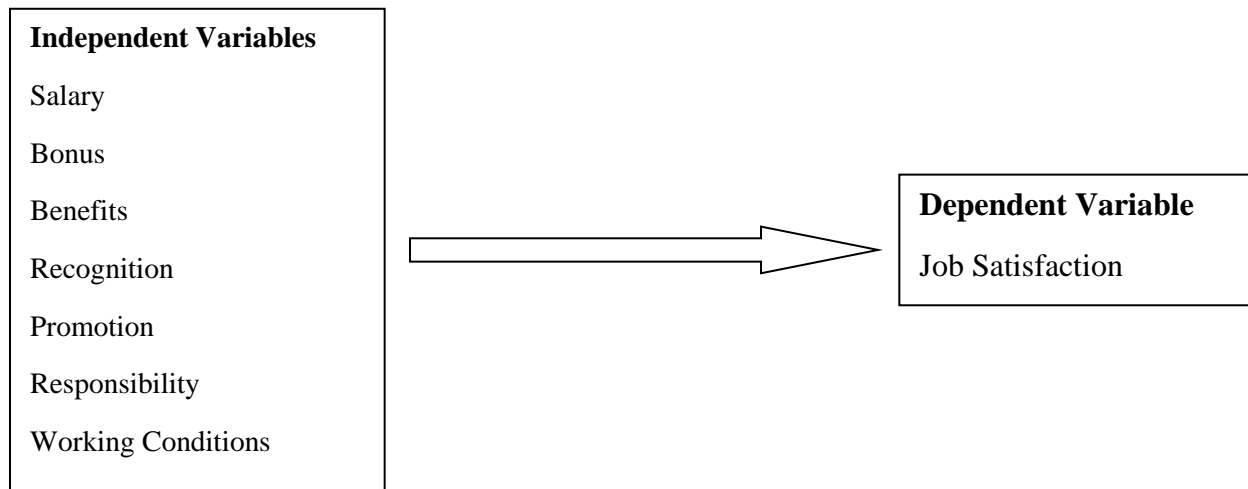


Figure 1. The relationship between Compensation with employee's Job satisfaction.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the research design and methodology. It includes the research design, the approach, and source of data, instrument of data collection, population and sampling procedures, validity and reliability, methods of data analysis and ethical considerations.

3.1. Research Design

A research design according to Saunders, Lewis and Thornhill (2007) is the general plan about how the researcher will go about answering his or her research questions. Burns and Bush (2010) further describes it as a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information.

The type of research employed for the purpose of this study was causal research, to realize the cause and effect of the independent over the dependent variables. This will help to investigate the cause and effect relationship. To determine causality, the researcher will be observing variations in the independent variable and measure the changes in the dependent variable.

3.2. The approach

There are three basic approaches to research: Quantitative, qualitative and the combination of the two. Quantitative approach involves the generation of data in quantitative form, which can be subjected to rigorous quantitative analysis in a formal and rigid fashion and qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions (Kothari 2004). Finally, Mixed approach is the combination of the two. Hence, in order to achieve the intended objective, quantitative method was used.

3.3 Sources of Data

The data for the study was collected from both primary and secondary sources.

3.3.1 Primary Data

Primary data was obtained through Structured Questionnaires, which includes closed questions in retrieving data and current status of Compensations affecting employee job satisfaction at East African Tiger Brands Industry, in the Head Quarters, in Dukem/Bishoftu. This instrument was preferred because it enables to secure information at a time.

3.3.2 Secondary Data

Secondary sources of data were obtained from Published Journals, Books, Related Articles, Internal Records, The Internet, previously done researches on the topic and Relevant Documents (documents related the study) were extensively reviewed as references. Secondary data was used because it increases understandings of Compensation on employee's job satisfaction.

3.4 Instruments of Data Collection

Instrument of data collection depends on standard questionnaires prepared by the Researcher, prepared in the form of Likert five scales to measure the effect of employee compensation on job satisfaction.

3.5 Study Population

The target populations for the study were all 700 employees of EATBI, Located in the Headquarters of the company.

3.6 Sample Size and Sampling Techniques

3.6.1. Sample Size

Sample size determination is a process of selecting a sufficient portion of the population for the purposes of generalizing the findings. The aim of using sampling method is to adequately manipulate the large number and reduce the cost of producing the questionnaire to the entire population. The researcher used the formula for estimating the sample size provided by Taro Yamane (1973).

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

Where n = Sample size

N= Population

N= 700

1 = Constant

e = Error estimate

e =5%

Z= Reliability

Z=95%

$$n = \frac{700}{1 + 700(5\%)^2} = \frac{700}{2.75} = \underline{254.5}$$

Therefore, by applying the above formula, the calculated sample size was almost 255. Thus, out of the 700 employees' questionnaires were distributed to 255 selected respondents. Questionnaires were distributed personally to the respondents.

3.6.2. Sampling Technique

Probability sampling methods was adopted in selecting the study organizations. Probability sampling ensures that each element of the population of interest has an equal chance of selection as they are drawn from the sampling frame (Haer and Becher, 2012).

Probability sampling techniques include random, cluster, stratified sampling etc. In order to ensure that all the population of interest (employees) have a chance of being selected for the study, stratified sampling technique was employed to get varied views from the respondents. The strata were composed from different departments in the organization. Specifically, Finance, Operations, Marketing and Quality Assurance, Human resources, and Supply Chain. Furthermore, proportionate stratified sampling technique was implemented to further pick the sample.

Department	No of Employees	Proportionate Sample
Finance	20	$(20/700) 255 = 7$
Operations	543	$(543/700) 255 = 197$
Marketing and Quality Assurance	52	$(52/700) 255 = 19$
Human Resource	25	$(25/700) 255 = 10$
Supply Chain	60	$(60/700) 255 = 22$
Total	700	255

Then the researcher used simple random method to select the actual respondents from each stratum.

3.7. Validity and Reliability

3.7.1 Validity

Validity is concerned with the degree to which the designed questionnaire and interview items fairly and accurately represented the main variables (dependent and independent) discussed in literature review.

The researcher considers three type of validity. “Construct Validity” is the extent to which a measuring instrument provides adequate coverage of the topic under the study. Its determination is primarily critical and instinctive. Second, criterion related validity is the ability to predict some outcome or estimate the existence of some current condition. Third, Construct validity is the degree to which scores on the test can be accounted for by the explanatory construct of sound theory. (Kothari ,2004)

3.7.2 Reliability

Reliability refers to the consistency, stability, and repeatability of a data collection instrument. A reliable instrument does not respond to chance factors or environmental conditions; it will have consistent results if repeated overtime or if used by two different investigators. Reliability demonstrates that the operations of a study such as the data collection procedures can be repeated, with the same results, (Yin,2014).

To assess reliability and internal consistency of the variables, Cronbach's alpha was calculated. The Cronbach coefficient indicates the consistency of responses to item in a measure. (Cronbach, 2001).

3.7.3. Reliability Test

Reliability Test Statistics

Variables	Cronbach's Alpha	N of Items
Salary	.913	5
Bonus	.931	2
Benefits	.927	5
Promotion/Recognition	.922	7
Responsibility	.932	3
Working Condition	.944	5
Job Satisfaction	.911	9
Total		36

Generally speaking, scales with a coefficient alpha between 0.80 and 0.95 are considered to have very good reliability, and an alpha value between 0.60 and 0.70 indicates fair reliability. when the coefficient alpha is below 0.6, the scale has poor reliability. Most statistical software packages, such as SPSS, will easily compute coefficient alpha. This coefficient measures the extent to which an instrument yields consistent result. So, by using this reliability test the researcher checked how fit items in a set are linked to one another. In the above study, the researcher showed the results of the reliability test for each variable under study.

3.8. Methods of Data Analysis

Every response was assigned some score based on this overall satisfaction level was determined. Respondents were asked to rate their satisfaction with various aspects of their work along a 5-point Likert-type scale, ranging from 1 = Strongly Disagree to 5 = Strongly Agree. All the questionnaires from the respondents were properly and carefully examined so as to check on the errors, completeness and inconsistencies.

Data, which was gathered entered the Statistical Package for the Social Sciences (SPSS) for analysis purpose. This was carried out to ensure that the data from the respondents is accurate, reliable and consistent.

3.9. Data Analysis Technique

To make this attainable Descriptive and Regression Analysis were conducted. Descriptive analysis is an important first step for conducting statistical analyses. It gives you an idea of the distribution of your data, helps you detect outliers and types, and enable you identify associations among variables, thus making one to conduct further statistical analyses.

Regression Analysis is a statistical technique that attempts to explain movements in one variable, the dependent variable, as a function of movements in a set of other variables, called the independent (or explanatory) variables, through the quantification of a single equation.

The model of multiple linear regression was used hence, the model used is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + e$$

Where: Y= the dependent variable (Job Satisfaction)

α = Constant

β = Coefficient of the factors

X= the independent variables Extrinsic and Intrinsic Compensations

e= error estimates

Extrinsic Compensation = X_1 = Salary/Wage X_2 = Bonus

X_3 =Benefits

Intrinsic Compensation = X_5 = Recognition X_6 =Responsibility

X_7 = Promotion

X_8 = Working Conditions

3.10 Ethical Considerations

Before starting the actual data collection, the purpose of the study, the right to participate and refuse were told to the study subjects. Verbal consent from the study subjects were obtained. Confidentiality of the information were guaranteed by not writing a name or anything that enable to identify study participants. In addition to that a respondent answer were kept in a confidential place.

The researcher acted responsibly according to ethical standards to ensure that the information gathered was not brought to disregard. All respondents have the right to privacy, to safety, to know the true purpose of the research, to obtain research results and to abstain from answering questions (Kumar, Aaker and Day, 2002).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with the presentation, analysis and interpretation of data gathered from employees of EATBI using questionnaires. Data was collected and analyzed in order to assess the Effect of Compensation on Employee Job Satisfaction. As stated under the methodology part, to collect the data from employees, questionnaires were prepared and distributed to selected Head office employees. In this study, 255 questionnaires were distributed to the respondents and all questionnaires were returned with the help of the organizations management in distributing and collecting the distributed questionnaires.

The questionnaire was structured in a 5-point Likert Scale format. A highly structured question format that allows for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points. This involves the use of special rating scale that asks respondents to indicate the extent to which they agree or disagree with a series of mental belief of the statements about a given subject (Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree=4 and Strongly Agree = 5).

The first section in this chapter deals with general profile (Demography) of respondents and the second section deal with the analyses of data related to Compensation and Employee Job Satisfaction. The results are presented in the form of tables. This study used both quantitative and qualitative method.

4.1. General Profile of Respondent's

Under this section, the researcher collected information about the general background of the respondents. The researcher collected personal information of respondents like Gender, Age, Marital Status, Educational Background, Position and year of service (experience) in the organization and used SPSS to analyze them.

4.1.1 Gender of the Respondents

		Frequency (F)	Percent (%)	Valid Percent	Cumulative Percent
Items	Male	165	65	65	65
	Female	90	35	35	100.0
	Total	255	100.0	100.0	

Source: Survey 2020

As indicate in the table above, 165(65%) of the respondents were male and 90(35%) of the respondents were Female. which indicates that there are more male employees than their female counterparts.

4.1.2. Age of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Items	Under 25	40	16	16	16
	25-34	82	32	32	48
	35-44	66	26	26	74
	Above 45	67	26	26	100.0
	Total	255	100.0	100.0	

Source: Survey 2020

As indicate in the table above, 40(16%) of the respondents were under the age of 25, 82(32%) of the respondents were in between 25-34 years of age, 66(26%) of the respondents were in between 35-44 years of age and 67(26 %) of the respondents were above 45. This shows that the company has employees of different groups and the majority can be classified as young adults.

4.1.3. Marital Status of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Items	Single	165	65	65	65
	Married	90	35	35	100.0
	Total	255	100.0	100.0	

Source: Survey 2020

As indicated above, 165(65%) were Single and 90(35%) were Married. Researches conducted on this area consistently indicates that married employees are more satisfied with their jobs than are their unmarried coworkers (Botha and Booyens, 2013). Hence, married employees of EATBI tend to show better satisfaction than their unmarried counterparts.

4.1.4. Educational Background of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Items	Secondary Education	55	22	22	22
	Diploma	60	23	23	45
	Undergraduates	110	43	43	88
	Postgraduates	30	12	12	100.0
	Total	255	100.0	100.0	

Source: Survey 2020

As indicated in the above table, 55(22%), 60(23%) and 110(43%) of the respondents have completed high school, diploma holders and first-degree holders respectively. While the remaining 30 (12%) of the respondent are post graduate (2nd degree) holders. This implies that EATBI depends on at least high school completed so as to undertake its main activities this helps the organization beyond the value that educated employees add to client relationship, well informed, knowledgeable workers enhanced company leadership and also well-educated employees are more goal oriented, better work performance, accept more responsibility and accountable for what they are doing. Moreover, this allows the organization to implement advanced technology and works to depend on skillful arrangements. Organization can benefit from the dynamic perspective and innovative thinking of high performers.

4.1.5. Current Position of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Items	Top-Level Management	65	26	26	26
	Middle-Level Management	100	39	39	65
	Operational-Level Management	90	35	35	100.0
	Total	255	100.0	100.0	

Source: Survey 2020

From the above table we can see that Top-Level Managers constitute 65(26%) of the total respondents in the sample. The majority of the respondents are Middle-level Managers which accounts for 100(39%) of the sample drawn. The rest of the respondent were classified under operational level managers and they account 90(35%) of the total sample size. The percentage of professional employees like experts and officers are larger than other categories. This happened due to the nature of the total population which accumulates large number of employees in this job category.

4.1.6. Respondents experience in the company?

		Frequency	Percent	Valid Percent	Cumulative Percent
Items	Less than 2 Years	60	24	24	24
	2-5 Years	95	37	37	61
	6-10 Years	80	31	31	92
	Above 10 Years	20	8	8	100.0
	Total	255	100.0	100.0	

Source: Survey 2020

As indicated in the above table, 60(24%) of the respondent worked in the organization for less than 2 years, 95(37%) of the respondents worked in the company for 2-5 years, 80(31%) of the respondents have been serving the company for 6-10 years. And 20(8%) of the respondents have been serving for the company for more than 10 years. From this data it is possible to say most of EATBI employees are experienced.

This helps the organization to dedicate workers produce higher quality work which result in a significant cost savings for the organization, efficiency and confidence to share their recommendation and idea by adding organizational skill and it allow the company accomplish its tasks quickly and effectively.

Therefore, From the above facts, the researcher infers that there is huge difference between the number of male and female in EATBI, young adults aged from 25-34 compromise the majority which implied that there is a feasible difference among the other groups, there is a huge difference between the number of married employees and the unmarried ones, with regards to educational level majority of the respondents were First degree holders which constituted of a greater number of employees in that category, Majority of the employees classified themselves as middle-level managers and most of the employees have been working in the organization for 2-5 years which contributed to the performance of the organization as most of the employees are experienced in general.

4.2. Descriptive Analysis of Data related to Compensation and Job Satisfaction

This section of the chapter puts the results for the descriptive analysis and interprets it accordingly. Descriptive statistics, in the form of mean and standard deviation, were presented to illustrate the level of agreement of the respondents with their implications. The responses of the respondents for the variables indicated below were measured on five-point Likert's scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But while making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1-1.8= Strongly Disagree, 1.81–2.6 = Disagree, 2.6 –3.4= Neutral, 3.4 –4.20= Agree and 4.2 –5 = Strongly Agree (Best, 1977, as cited by Birhanu, 2017).

A. Extrinsic Compensation

4.2.1. Respondents opinion on issues related to Salary

	N	Mean	Std. Deviation
1. I feel I am being paid a fair salary amount for the work I do.	255	2.24	1.287
2. The periodic salary increment amount is good.	255	2.46	1.206
3. The pay I earn is compatible to other people in other industries with the same level and experience.	255	2.25	1.258
4. My salary is compatible with my job and I am satisfied with my current pay.	255	2.17	1.343
5. My basic pay is well balanced compared to other employees in the company	255	1.83	1.589
Valid N (listwise)	255		
Grand mean		2.19	1.336

Source: Survey 2020

From the above table, we can see that, I feel I am being paid a fair salary amount for the work I do has scored a mean and standard deviation of (2.24 and 1.287), The periodic salary increment amount is good has scored a mean and standard deviation of (2.46 and 1.206), The pay I earn is compatible to other people in other industries with the same level and experience has scored a mean and standard deviation of (2.25 and 1.258), My salary is compatible with my job and I am satisfied with my current pay has scored a mean and standard deviation of (2.17 and 1.343), My basic pay is well balanced compared to other employees in the company has scored a mean and standard deviation of (1.83 and 1.589).

The above Grand mean show that, the respondents fall under the disagree scale with respects to the Salary schemes of EATBI. This implies that the majority of the employees were not satisfied by the salary schemes of the company.

4.2.2. Respondents opinion on issues related to Bonus

	N	Mean	Std. Deviation
1. The Company provides Bonus to motivate employees	255	2.01	1.065
2. I feel satisfied with the bonus schemes of the company.	255	2.50	1.037
Valid N (listwise)	255		
Grand mean		2.25	1.051

Source: Survey 2020

From the above table, we can see that, The Company provides Bonus to motivate employees has scored a mean and standard deviation of (2.01 and 1.056), I feel satisfied with the bonus schemes of the company. has scored a mean and standard deviation of (2.50 and 1.037). The above Grand mean show that, the respondents fall under disagree scale with the bonus schemes of EATBI. This implies that the majority of the employees were dissatisfied by the bonus schemes of the company.

4.2.3. Respondents opinion on issues related Benefits

	N	Mean	Std. Deviation
1. I am satisfied with the benefits I receive	255	2.51	1.389
2. The benefits we receive are as good as most other organizations offer	255	2.56	1.218
3. The benefit package we have is equitable	255	2.57	1.224
4. I am satisfied with the fringe benefits like medical expense, education fee coverage etc.	255	2.46	1.093
5. I am satisfied with the overall benefits I receive from the company	255	2.55	1.092
Valid N (listwise)	255		
Grand mean		2.53	1.203

Source: Survey 2020

From the above table, we can see that, I am satisfied with the benefits I receive has scored a mean and standard deviation of (2.51 and 1.389), The benefits we receive are as good as most other organizations offer has scored a mean and standard deviation of (2.56 and 1.281), The benefit package we have is equitable has scored a mean and standard deviation of (2.57 and 1.224), I am satisfied with the fringe benefits like medical expense, education fee coverage etc. has scored a mean and standard deviation of (2.46 and 1.093), I am satisfied with the overall benefits I receive from the company has scored a mean and standard deviation of (2.55 and 1.092). The above Grand mean show that, the respondents fall under the disagree scale with respects to the Benefit schemes of EATBI. This implies that the majority of the employees were not satisfied by the benefit schemes of the company.

B. Intrinsic Compensation

4.2.4. Respondents opinion on issues related to Recognition and Promotion

	N	Mean	Std. Deviation
1. When I do a good job, I receive recognition for that	255	1.83	1.331
2. I feel that my job receives enough attention from my company	255	2.07	1.240
3. The company gives me enough authority for my job assignment	255	2.23	1.275
4. There is really high chance for promotion on my job	255	2.09	1.307
5. Those who do well on the job have a fair chance of being promoted	255	2.42	1.126
6. People get promoted as fast in the company as they do in other places	255	2.16	1.322
7. I am satisfied with the overall promotional schemes of my job	255	1.93	1.286
Valid N (listwise)	255		
Grand mean		2.104	1.269

Source: Survey 2020

From the above table, we can see that, When I do a good job, I receive recognition for that has scored a mean and standard deviation of (1.83 and 1.331), I feel that my job receives enough attention from my company has scored a mean and standard deviation of (2.07 and 1.240), The company gives me enough authority for my job assignment has scored a mean and standard deviation of (2.23 and 1.275).). The above grand mean show that, the respondents fall under disagree scale with respects to the Recognition effects of EATBI. This implies that the majority of the employees were not satisfied by the recognition schemes of the company.

With regards promotional schemes of the company the respondents were Neutral as the results show that, There is really high chance for promotion on my job has scored a mean and standard deviation of (2.09 and 1.307), Those who do well on the job have a fair chance of being promoted has scored a mean and standard deviation of (2.42 and 1.126). People get promoted as fast in the company as they do in other places has scored a mean and standard deviation of (2.16 and 1.322). I am satisfied with the overall promotional schemes of my job has scored a mean and standard deviation of (1.93 and 1.286). The above grand mean show that, the respondents fall under the disagree scale with respects to Promotion. This implies that the majority of the employees were not satisfied by the promotional schemes of the company.

4.2.5. Respondents opinion on Issues related to Responsibilities

	N	Mean	Std. Deviation
1. I am satisfied with my role and responsibilities at this company	255	2.67	1.357
2. Responsibilities are delegated to coworkers while top-level manager are not available in the company	255	2.60	1.223
3. I am supervised too much while at work	255	2.66	1.359
Valid N (listwise)	255		
Grand mean		2.64	1.313

Source: Survey 2020

From the above table, we can see the stats on how the respondents feel about responsibilities. Hence, I am satisfied with my role and responsibilities at this company has scored a mean and standard deviation of (2.67 and 1.357), Responsibilities are delegated to coworkers while top-level manager are not available in the company has scored a mean and standard deviation of (3.00 and 1.223), I am supervised too much while at work has scored a mean and standard deviation of (2.66 and 1.359). The above Grand mean show that, the respondents fall under the disagree scale. This implies that the majority of the employees were dissatisfied by the responsibility schemes of the company.

4.2.6. Respondents opinion on issues related to Working conditions

	N	Mean	Std. Deviation
1. My job is enjoyable	255	1.64	1.356
2. Company rules and procedures are conducive for work	255	2.00	1.218
3. There is no work under load in my current job	255	2.46	1.078
4. There is no work overload in my current job	255	2.58	1.126
5. I am generally satisfied with the overall working conditions of the company	255	2.06	1.223
Valid N (listwise)	255		
Grand Mean		2.14	1.200

Source: Survey 2020

From the above table, we can see that, My job is enjoyable has scored a mean and standard deviation of (1.64 and 1.356), Company rules and procedures are conducive for work has scored (2.00 and 1.218) There is no work under load in my current job has scored a mean and standard deviation of (2.46 and 1.078), There is no work overload in my current job has scored a mean and standard deviation of (2.58 and 1.126). I am generally satisfied with the overall working conditions of the company has scored a mean and standard deviation of (2.06 and 1.223). The above grand mean show that, the respondents have fallen under disagree scale with respects to the working conditions effects in EATBI. This implies that the majority of the employees were not satisfied by the working conditions of the company.

C. Job Satisfaction

4.2.7. Respondents opinion on issues related to Job satisfaction

	N	Mean	Std. Deviation
1. I am satisfied with the actual job itself	255	2.94	1.300
2. I am satisfied with how challenging my job is.	255	2.88	1.294
3. I feel stressed whenever I come to work in the organization	255	3.21	1.278
4. Tasks assigned by supervisors help me to grow professionally.	255	2.78	1.369
5. I have all the resources I need to do my job successfully	255	3.11	1.369
6. I am involved in decision making that affects my work	255	3.22	1.353
7. Management always encourages other to a commitment to quality	255	2.91	1.328
8. My goals are clearly defined, and I am satisfied with them	255	3.16	1.389
9. In general, I like working here	255	3.05	1.318
Valid N (listwise)	255		
Grand mean		3.02	1.333

Source: Survey 2020

From the above table, we can see that, I am satisfied with the actual job itself has scored a mean and standard deviation of (2.94 and 1.300), I am satisfied with how challenging my job is has scored a mean and standard deviation of (2.88 and 1.294), I feel stressed whenever I come to work in the organization has scored a mean and standard deviation of (3.21 and 1.278). Tasks assigned by supervisors help me to grow professionally has scored a mean and standard deviation of (3.21 and 1.278), I have all the resources I need to do my job successfully has scored a mean and standard deviation of (3.11 and 1.369), I am involved in decision making that affects my work has scored a

mean and standard deviation of (3.22 and 1.353), Management always encourages other to a commitment to quality has scored a mean and standard deviation of (2.91 and 1.328). My goals are clearly defined, and I am satisfied with them has scored a mean and standard deviation of (3.16,1.389), and in general, I like working here has scored a mean and standard deviation of (3.05, 1.318). The above grand mean show that, the respondents have fallen under neutral scale. This implies that the majority of the employees were neither satisfied nor dissatisfied by the job they have.

4.3. Regression Analysis

This sub section presents the result for the effect of compensation on employee’s job satisfaction based on the data collected from East African Tiger Brands Industry by using the regression model and the beta result of the model.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.995 ^a	.980	.989	1.20900	.185

a. Predictors: (Constant), Working Condition, Bonus, Benefit, Salary, Responsibility, Promotion, Recognition

b. Dependent Variable: Job Satisfaction

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	34740.430	6	5790.072	3961.256	.000 ^b
	Residual	362.496	248	1.462		
	Total	35102.925	254			

a. Dependent Variable: Job Satisfaction

b. Predictors: (Constant), Working Condition, Bonus, Benefit, Salary, Responsibility, Promotion, Recognition

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.493	.549		-2.717	.007
	Salary	.272	.123	.151	2.206	.128
	Bonus	.179	.123	.118	.672	.001
	Benefit	.076	.085	.038	.898	.370
	Promotion and Recognition	.913	.095	.675	9.586	.000
	Responsibility	.159	.097	.121	.333	.001
	Working Condition	.349	.188	.173	1.851	.000

a. Dependent Variable: Job Satisfaction

As indicated in the summary of regression in the above table, for the regression between compensation and employee job satisfaction, the value of R and R² for the model has been derived.

For this simple linear regression, the R has a value of 0.995. The predictor variables were Salary, Bonus, Benefit, Promotion, Recognition, Responsibility and Working Condition. Hence, this value represented the Magnitude between all of the independent (Salary, Bonus, Benefit, Promotion, Recognition, Responsibility and Working Condition) and the dependent variable (employee job satisfaction) and the value indicated the existence of strong and positive relation between the variables except for bonus and responsibility.

The R square of 0.980 on the other hand, indicated that Salary, Bonus, Benefit, Promotion, Recognition, Responsibility and Working Condition well explained the variance in employee job satisfaction as an R² value summarizes the proportion of variance in the dependent variable explainable by the collective set of the predictors; in this case the independent variables were Salary, Bonus, Benefit, Promotion, Recognition, Responsibility and Working Condition which tells that these independent variables can account for 98% of the variation in employee job

satisfaction. In other words, if the researcher tries to explain why some employee job satisfaction was more than others in the study company, it can be looked at the variation in employee job satisfaction from different sources.

There might be many factors that could explain this variation, but as per the model indicated which included Salary, Bonus, Benefit, Promotion, Recognition, Responsibility and Working Condition; it could explain 98% of the variation. This means that only 2% of the variation in employee job satisfaction is explained by variables other than variables explained here. Therefore, there must also be other variables that had an influence on the job satisfaction of employee.

The most important part of the ANOVA table is the F-ratio and the associated significance value of that F-ratio. For this data, F-ratio was 3961.256, which was significant as $p < 0.05$ ($P = 0.000$). This result tells that there was less than a 5% chance that an F-ratio this large would happen if the null hypothesis were true. Therefore, it can be said that the regression model results in significantly better predictor of job satisfaction of employee than if it was used the mean value of job satisfaction of employee. In short, the regression model overall predicts job satisfaction significantly well as the ANOVA tells that whether the model, overall, results in a significantly good degree of prediction of the outcome variable. In this simple case there were seven variables in the model- Salary, Bonus, Benefit, Promotion, Recognition, Responsibility and Working Condition, so it can be inferred that these variables were a good predictors of job satisfaction of employee.

The beta coefficient (β_1) for un-standardized regression weight were .272, .179, .076, .913, .159, .349 with significant P-value at 0.05 significance level showing that Bonus, promotion, recognition, responsibilities and working condition were significantly affecting employee job satisfaction of the company, whereas the remaining variables Salary and Benefit were insignificant. It also shows the slope of the regression line representing the change in the outcome associated with a unit change in the predictor. Therefore, if Bonus, Promotion, Recognition, and Working Condition were increased by one measurable unit, then the model predicted that extra employee job satisfaction in the company happens thus, the outcome variable will increase by the beta coefficient value.

It indicated that when nothing was considered for Salary, Bonus, Benefit, Promotion, Recognition, Responsibility and Working Condition (that is, when x_1 , x_2 , x_3 , x_4 , x_5 , and $x_6= 0$), the model predicted the level of employee job satisfaction. Where the prediction model was: -

$$Y = -1.493 + .272x_1 + .179x_2 + .076x_3 + .913 x_4 + .159 x_5 + .349x_6 + e$$

4.4. Hypothesis Testing

Based on the above regression multiple regression model the hypothesis of the study is tested and presented as follows:

H1: Salary/Wage have a significant effect on employee job satisfaction.

As depicted in the first variable of the above table, the P value .128 is greater than 0.05 and the Beta value of .272. Thus, even though salary has a positive coefficient, it is insignificant and thus, the first hypothesis, H1 which says “salary has a positive and significant effect on Job Satisfaction”, is **Rejected**. This shows that salary do not significantly affect employee’s satisfaction. This finding is consistent with the Herzberg’s Motivation-Hygiene Theory. According to Herzberg, salary is hygiene factors and the presences of these factors do not make employees satisfied but their absence makes them dissatisfied. Therefore, salary is not a satisfier but it is a dissatisfier i.e. by increasing salary, organization cannot make employees satisfied but it only enables their employees “**not to be dissatisfied**”

H2: Bonus have a significant effect on employee job satisfaction.

As shown in second variable of the above table, the P value .001 is less than 0.05 and the Value of Beta value .179. Thus, bonus has a positive coefficient, it is significant. Therefore, the second hypothesis, H2 which says “bonus has a significant effect on Job Satisfaction”, is **Accepted**. Thus, bonus significantly affects employee satisfaction. This finding is consistent with the findings of (Anik, et al, 2013), which indicated that bonuses lead to happier and more satisfied employees and lead to better performance. Therefore, bonus is a satisfier. Hence, by increasing bonus, organization can make employees more satisfied.

H3: Benefits have a significant effect on employee job satisfaction.

As depicted in third variable of the above table, the P value .370 is greater than 0.05 and the Value of Beta value .076. Thus, even though benefit has a positive coefficient, it is insignificant and thus, the third hypothesis, H3 which says “benefit have a significant effect on Job Satisfaction”, is **Rejected**. This finding is consistent with the findings of Artz (2008) in his work “Benefits and job satisfaction”, which he claimed that benefits do not provide a convincing factor for all package under study and hence benefit cannot be considered to have an effect on employee job satisfaction. Since benefits differs in type and amount from company to company its effect on job satisfaction needs further study.

H4: Recognition and Promotion have a significant effect on employee job satisfaction

As shown in the fourth variable of the above table, the P value .000 is less than 0.05 and the Value of Beta value .913. Thus, recognition and promotion have a positive coefficient, it is significant. Therefore, the fourth hypothesis, H4 which says “responsibility has a significant effect on Job Satisfaction”, is **Accepted**. Thus, recognition and promotion significantly affect employee satisfaction. This finding is consistent with the findings of Dugguh and Dennis (2014), which suggested that employees should be acknowledged for doing something well immediately after their good work. Publicly appreciating them for finding solutions to a problem, writing a note of praise, establishing a formal recognition program like ‘employee of the month or year’, making periodic reports directly available to the employees themselves and promoting within the organizational hierarchy, are some of the ways of satisfying employees. Hence, recognition and promotion are satisfiers, increasing them will satisfy the employees.

H5: Responsibility have a significant effect on employee job satisfaction.

As shown in the fifth variable of the above table, the P value .001 is less than 0.05 and the Value of Beta value .159. Thus, responsibility have a positive coefficient, it is significant. Therefore, the Fifth hypothesis, H5 which says “responsibility has a significant effect on Job Satisfaction”, is **Accepted**. Thus, responsibility significantly affects employee satisfaction. This finding is consistent with the findings of Weir (1966) and Syptak, Marsland & Ulmer (1999). According to these scholars, granting additional authority to employees in their activity, giving them enough job freedom and power can provide opportunities and overall satisfaction.

Therefore, responsibility is a satisfier. Hence, by increasing employee authority, organization can make their employees satisfied.

H6: Working Conditions have a significant effect on employee job satisfaction.

As shown in sixth variable of the above table, the P value .000 is less than 0.05 and the Value of Beta value .349. Thus, working condition have a positive coefficient and it is significant. Therefore, the sixth hypothesis, H6 which says “working conditions has a significant effect on Job Satisfaction”, is **Accepted**. Thus, working conditions significantly affects employee satisfaction. This finding is consistent with the findings of Dugguh and Dennis (2014). They indicated that the environment under which employees work has a tremendous effect on their level of satisfaction. The provision of modern equipment and facilities, quality furniture, well ventilated offices, well-spaced offices, secured, well-spaced staff quarters, and so on are some of the conditions that are required to prevent job dissatisfaction in the organization. Hence, working conditions are consider as satisfiers, and if they are increased employee satisfaction would also increase.

Therefore, from these results it is possible to reject Salary and Benefit and accept the alternative hypothesis of the remaining variables under study and hence conclude that Bonus, recognition, promotion, responsibility and working conditions have positively affected the overall level of employees job satisfaction at EATBI.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1. Summary of the Findings

- The number of female employees in the organization is only 35% which is far less than male employees.
- In terms of age majority of the employees were between 25-34years of age constituting of 82(32%).
- The number of married employees in the organization is only 35% which is far less than unmarried employees.
- The number of undergraduates (First degree-holders) in the organization is 43% which is far more than the other categories.
- The number of Middle-level managers in the organization is 39% which is far greater than the top-level and operational level management.
- With regards to experience within the company, 37% of the respondents were classified under 2-5 years of working in the company, which is far more than the other categories.
- The grand mean for salary 2.19 showed that, the respondents fall under the disagree scale, indicating that employees were not satisfied with the salary schemes of the company.
- The grand mean for bonus 2.25 showed that, the respondents fall under the disagree scale indicating that employees were not satisfied with bonus schemes of the company.
- The grand mean for benefits 2.53 showed that, the respondents fall under the disagree scale indicating that employees were not satisfied with the Benefit schemes of the company.
- The grand mean for recognition and promotion 2.10 showed that, the respondents fall under the disagree scale, indicating that employees were dissatisfied with the Recognition and Promotional schemes of the company.
- The grand mean for responsibility 2.64 showed that, the respondents fall under the disagree scale indicating that employees were dissatisfied with responsibilities given to them in the organization.

- With regards to working conditions, the grand mean 2.14 showed that the respondents fall under the disagree scale indicating that employees were not satisfied with the working conditions in the company.
- The grand mean for job satisfaction 3.02 showed that, the respondents fall under neutral scale indicating that employees were neither satisfied nor dissatisfied with their job.
- The significance level of salary with a B-value of .272 is greater than .05 and hence salary do not significantly affect employee's satisfaction.
- The significance level of bonus with a B-value of .179 is less than .05 and hence bonus significantly affects employee satisfaction.
- The significance level of benefit with a B-value of .076 is greater than .05 and hence benefit does not significantly affect employee satisfaction.
- The significance level of promotion and recognition with a B-value of .913 is less than .05 and hence it does significantly affect employee satisfaction.
- The significance level of responsibility with a B-value of .159 is less than .05 therefore it significantly affects employee satisfaction.
- The significance level of working conditions with a B-value of .349 is less than .05 hence it significantly affects employee satisfaction.

5.2. Conclusion

Based on the major findings of the study, the researcher is able to conclude the following main points.

In EATBI, the number of female employees compared to male employees is insignificant. And with regards to age of the employee's young adults comprise of the majority, with regards to the marital status of the employees, married employees compared to unmarried employees were insignificant. With regards to educational level, undergraduate degree holders constitute the majority in EATBI. Middle-level managers provide a huge gap with respects to Top-level and operational-level manager making them less in number. Employee that have been working in the company for 2-5 years comprise the majority within the company.

As it was stated in the previous chapters, the objective of this study was to examine the Effect of Compensation on Employee Job Satisfaction with the specific predictors Extrinsic and Intrinsic variables. Specifically, salary, bonus, benefit, promotion, recognition, responsibility and working conditions respectively.

Hence, Extrinsic Compensation variables like Salary, Bonus and Benefits has been assessed and it was found out that Bonus is the major factors affecting employee's job satisfaction at EATBI. Based on the findings of this study employee satisfaction with Bonus is not satisfactory. Therefore, it is a major area of concern for the company. On the other hand, Salary and Benefit had an insignificant effect on employee job satisfaction in EATBI. This can be seen form the regression analysis table which proved the two variables became insignificant determinants of job satisfaction at EATBI.

And with regards to the Intrinsic Compensation variables; promotion, recognition responsibility, and working conditions had a positive effect on the overall level of employee's job satisfaction. This indicates that improving the practices of promotion, recognition, responsibility and working conditions needs attention from the company side.

The results of this study were similar to the results of other studies mentioned in the empirical literature review in terms of the effect level and explanation ability of the predictor variable on the dependent variable which is employee job satisfaction. It shows that there is a direct positive influence of compensation on job satisfaction to employee satisfaction. There is a direct positive influence of bonus, promotion, recognition, recognition and working conditions on job satisfaction.

Satisfaction with job is important element for performance of employees. Most of the predictor variables were the main issue of employee's job dissatisfaction in the company. Because the findings showed that bonus, promotion, recognition, responsibility and working conditions have strong relationship with employee job satisfaction.

With regards to the practices of compensation in EATBI, the majority of the employees were not satisfied with the compensation schemes, this might lead to a problem of employee turnover and employees not giving it all to the company. Plus, they would not consider that the company as the best of all possible organizations for which to work in. This has a negative impact on the overall

performance of the company and even achieving its intended goals. The researcher therefore concludes from the findings that both extrinsic and intrinsic compensations has a significant effect on employee job satisfaction in EATBI.

5.3. Recommendations

Based on the findings of this study, there are recommendations forwarded for better improvement of compensation for employees' job satisfaction.

- So as to improve satisfaction level of employees, the company should redesign its compensation structures based on the inflation rate and market condition and hence the highest influential factor for job satisfaction will be controlled.
- Furthermore, compensations should be distributed based on the contribution of employees in order to increase employees job satisfaction since employees who are satisfied have a positive effect on organizations performance and productivity.
- Salaries should be according to the duties performed by the employees and compensated according to their services and to keep employees not to be dissatisfied.
- The management should carefully plan, implement and maintain the bonus schemes of the organization, so as to increase employee's satisfaction. Since, bonuses are considered to motivate employees and create more satisfaction within employee's state of mind and make them perform well.
- So as to increase the satisfaction level of employees with regards to promotion and recognition, the Management of EATBI should take measures like acknowledging employees for doing something good and promoting them or even using techniques like job enlargement, job enrichment and job rotation within the hierarchy as per their experience and effective work done, to motivate and boost the satisfaction level of employees.
- So as to increase employee's satisfaction with regards to responsibility, the management of EATBI should grant its employees additional authority and with their activities, make the in charge of their respective duties and give them job freedom in order to perform and fulfill their duty.

- So as to increase the satisfaction level of employees with regards to working conditions, the Management of EATBI should create a conducive working environment and provide the resources needed for employees to perform their jobs.

5.4. Indication for future research

The study also recommends that future research be directed towards investigating how variables like work life balance, organizational commitment, supervisors support and work itself can influence job satisfaction and to expand the scope to cover. The researcher did not cover the above-mentioned variables since it is not possible to incorporate all factors of compensation in one study, only specific factors are included in this study.

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APPENDICIES

Appendix I

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

The purpose of this questionnaire will be to collect primary data for the study on “The Effect of Compensation on Employee Job Satisfaction in the case of East African Tiger Brands Industry” for the partial fulfillment of the requirements for the degree in Master of Business administration. The study is required for academic purpose only. Your cooperation in filling the Questionnaire is crucial and makes the paper very much valuable. So, kindly take few minutes to fill the questionnaire and be objective while completing your answers. I would like to assure that the information you give would strictly be kept confidential.

Instructions

- Do not write your name
- Put “√” mark in the box provided for choice questions
- Your response will be utilized only for the purpose of this survey.

Part I: Demographic Information

Please complete the items by placing the answers in the spaces provided or by applying (√) when required.

1. Gender

Male Female

2. Age

Under 25 25-34 35-44 Above 45

3. Marital Status

Single Married Divorced

4. Education Background

Primary school Undergraduate (1st degree)
High school completed Post graduate (2nd degree)
Diploma Other (please specify) _____

5. Please specify your current position in the company

Top level management Operational staff
Middle level management other (please specify) _____

6. How long have you been working in the company?

Less than two years 6-10 years
2-5 years above 10 years

PART TWO: Compensation and Employee Job Satisfaction

The following questions are prepared on a 5 five-point Likert Scale. If the item indicated strongly matches with your response choose strongly disagree (1) and if you completely disagree with the item choose Strongly agree (5). This is to know how you feel about the compensation system of East African Tiger Brands Industry. Be honest and give a true picture of your feelings.

Please check (√) or Circle that applies and answer open ended question under each heading.

Instruction: Please indicate the extent to which you either agree or disagree with the following statements

1= Strongly Disagree 2= Disagree 3=Neutral 4=Agree 5=Strongly Agree

A. Extrinsic Compensation

No.	Item	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
A1. Salary/Wage						
1.	I feel I am being paid a fair salary amount for the work I do.	1	2	3	4	5
2.	The periodic salary increment amount is good.	1	2	3	4	5
3.	The pay I earn is compatible to other people in other industries with the same level and experience.	1	2	3	4	5
4.	My salary is compatible with my job and I am satisfied with my current pay.	1	2	3	4	5
5.	My basic pay is well balanced compared to other employees in the company	1	2	3	4	5

A2. Bonus						
6.	The Company provides Bonus to motivate employees	1	2	3	4	5
7.	I feel satisfied with the bonus schemes of the company.	1	2	3	4	5
A3. Benefits						
8.	I am satisfied with the benefits I receive	1	2	3	4	5
9.	The benefits we receive are as good as most other organizations offer.	1	2	3	4	5
10.	The benefit package we have is equitable.	1	2	3	4	5
11.	I am satisfied with the fringe benefits like medical expense, education fee coverage etc.	1	2	3	4	5
12.	I am satisfied with the overall benefits I receive from the company	1	2	3	4	5

B. INTRINSIC COMPENSATIONS

B1. Recognition/Promotion						
13.	When I do a good job, I receive recognition for that	1	2	3	4	5
14.	I feel that my job receives enough attention from my company	1	2	3	4	5
15.	The company gives me enough authority for my job assignment	1	2	3	4	5
16.	There is really high chance for promotion on my job.	1	2	3	4	5
17.	Those who do well on the job have a fair chance of being promoted	1	2	3	4	5
18.	People get promoted as fast in the company as they do in other places	1	2	3	4	5

19.	I am satisfied with the overall promotional schemes of my job	1	2	3	4	5
B2. Responsibility						
20.	I am satisfied with my role and responsibilities at this company	1	2	3	4	5
21.	Responsibilities are delegated to co-workers while top-level manager are not available in the company	1	2	3	4	5
22.	I am supervised too much while at work	1	2	3	4	5
B3. Working Conditions						
23.	My job is enjoyable	1	2	3	4	5
24.	Company rules and procedures are conducive for work	1	2	3	4	5
25.	There is no work under load in my current job	1	2	3	4	5
26.	There is no work overload in my current job	1	2	3	4	5
27.	I am generally satisfied with the overall working conditions of the company	1	2	3	4	5

C. Job Satisfaction

28.	I am satisfied with the actual job itself	1	2	3	4	5
29.	I am satisfied with how challenging my job is.	1	2	3	4	5
30.	I feel stressed whenever I come to work in the organization	1	2	3	4	5
31.	Tasks assigned by supervisors help me to grow professionally.	1	2	3	4	5
32.	I have all the resources I need to do my job successfully	1	2	3	4	5

33.	I am involved in decision making that affects my work	1	2	3	4	5
34.	Management always encourages other to a commitment to quality	1	2	3	4	5
35.	My goals are clearly defined, and I am satisfied with them	1	2	3	4	5
36.	In general, I like working here	1	2	3	4	5

Part III. Comments and Suggestions

1. In your opinion, do you think that compensation practices influence employees’ job satisfaction in your organization? Yes No

2. What is your reason for your answer No to the question above?

3. In your opinion, what are the real problems that you observe regarding rewarding practices of the company? _____

4. Would you please suggest if there is anything to be changed with regard to the current reward practices of the company? _____

5. Any suggestions you would like to share, please write it down.

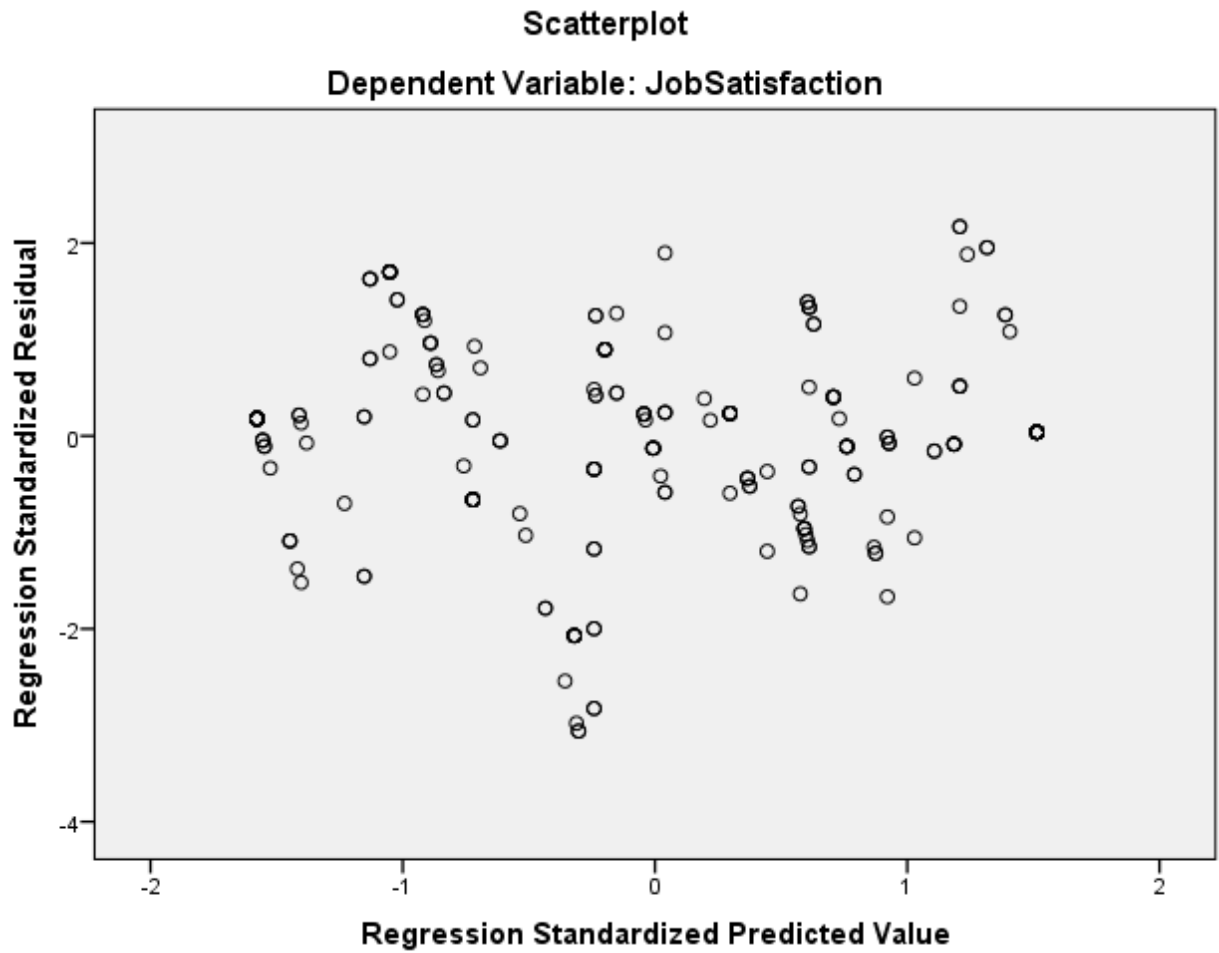
Thank you for your support in completing this Questionnaire!!!

Adopted from: Birhane Demeke (2017)

Appendix II

Assumptions of Regression Analysis

1. Linearity Diagnostics



2. Multi-Collinearity Test

A. Model Summary ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.995 ^a	.980	.989	1.20900	.185

a. Predictors: (Constant), Working Condition, Bonus, Benefit, Salary, Responsibility, Promotion, Recognition

b. Dependent Variable: Job Satisfaction

B. ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	34740.430	6	5790.072	3961.256	.000 ^b
	Residual	362.496	248	1.462		
	Total	35102.925	254			

a. Dependent Variable: Job Satisfaction

b. Predictors: (Constant), Working Condition, Bonus, Benefit, Salary, Responsibility, Promotion, Recognition

C. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.493	.549		-2.717	.007
	Salary	.272	.123	.151	2.206	.128
	Bonus	.179	.123	.118	.672	.001
	Benefit	.076	.085	.038	.898	.370
	Promotion and Recognition	.913	.095	.675	9.586	.000
	Responsibility	.159	.097	.121	.333	.001
	Working Condition	.349	.188	.173	1.851	.000

a. Dependent Variable: Job Satisfaction

D. Correlations								
		Benefit	Promotion/ Recognition	Salary	Responsibility	Job Satisfaction	Bonus	Working Condition
Benefit	Pearson Correlation	1	.973**	.985**	.966**	.975**	.946**	.980**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	255	255	255	255	255	255	255
Promotion /Recognition	Pearson Correlation	.973**	1	.990**	.983**	.994**	.954**	.992** ^a
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	255	255	255	255	255	255	255
Salary	Pearson Correlation	.985**	.990**	1	.972**	.989**	.953**	.988**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	255	255	255	255	255	255	255
Responsibility	Pearson Correlation	.966**	.983**	.972**	1	.980**	.921**	.992**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	255	255	255	255	255	255	255
Job Satisfaction	Pearson Correlation	.975**	.994**	.989**	.980**	1	.949**	.990**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	255	255	255	255	255	255	255
Bonus	Pearson Correlation	.946**	.954**	.953**	.921**	.949**	1	.948**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	255	255	255	255	255	255	255
Working Condition	Pearson Correlation	.980**	.992**	.988**	.992**	.990**	.948**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	255	255	255	255	255	255	255

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

E. Collinearity Diagnostics ^a

Model	Dimension	Eigen value	Condition Index	Variance Proportions						
				(Constant)	Salary	Bonus	Benefit	Promotion/Recognition	Responsibility	Working Condition
1	1	6.859	1.000	.00	.00	.00	.00	.00	.00	.00
	2	.126	7.380	.11	.00	.00	.00	.00	.00	.00
	3	.007	30.607	.28	.01	.24	.01	.00	.09	.00
	4	.004	42.300	.00	.04	.30	.29	.02	.03	.00
	5	.002	53.774	.29	.13	.24	.20	.15	.08	.00
	6	.001	99.444	.01	.45	.05	.48	.79	.01	.13
	7	.000	127.759	.31	.37	.18	.03	.04	.79	.87

a. Dependent Variable: Job Satisfaction

Ref.No: *EALBM/HR/6020*

Date: *June 04, 2020*

**St. Mary's University
School of Graduate Studies
Addis Ababa**

Subject :- For information

According to a letter dated February 27, 2020 from your University, Mr Amir Gezahagn , ID No SGS/0130 /2011A is asking us to cooperate with his study. Therefore, we have provided the information based on his request.

Regards



Mogese Fikre

Chief HCM & Facility Officer

