St. Mary's University

SCHOOL OF GRADUATE STUDIES

Master OF PROJECT MANAGEMENT

The influence of Variable Payment Structures on Employee Motivation, Job Satisfaction, and Performance at Ethio telecom

A Thesis paper submitted to the Department of Project Management School of Postgraduate Studies, ST. Mary's university school in partial fulfillment of the requirement for the Degree of Master of Art in Project Management

By: Fikerte Kebebe

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ADDIS ABEBA, ETHIOPIA

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BY

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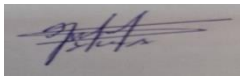
Yilkal Wassie (Asset prof)		11/02/2025
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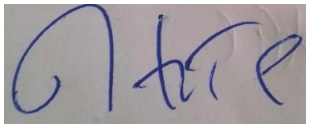
Hailemelekot Taye (Asst. Prof.)		10/02/2025
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Abstract

This study investigates the role of variable payment structures in influencing employee motivation, job satisfaction, and performance at Ethio Telecom, focusing on departments where these schemes are applied. The research adopted a quantitative approach, collecting data from 110 employees in the Digital Customer Care and IT Operations divisions at the Addis Ababa headquarters using structured questionnaires. Data analysis was conducted using descriptive and inferential statistics to evaluate the relationships between variable payment structures and the three dependent variables. The findings revealed that variable payment schemes significantly enhance employee motivation, with respondents attributing increased effort and focus to the availability of performance-based incentives. Similarly, variable payments were found to improve job performance, with employees reporting higher achievement rates and sustained productivity. However, the influence on job satisfaction was less pronounced, as concerns around the fairness and transparency of payment processes affected overall satisfaction levels. The study concludes that while variable payment structures are effective in driving positive employee outcomes, their impact can be maximized through improved communication, equitable implementation, and alignment with employee expectations. Recommendations include simplifying and clarifying the criteria for variable payment schemes, incorporating non-monetary rewards such as professional development opportunities, and establishing regular feedback mechanisms to monitor and improve the effectiveness of compensation strategies. Future research could explore the long-term effects of variable payment schemes and examine their interaction with organizational culture and leadership styles to further optimize employee engagement and organizational performance.

Key word: variable payment, employee motivation, job satisfaction and performance

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Chapter One

Introduction

This chapter provides an overview of the study, outlining the background, objectives, and statement of the problem. It also details the scope, significance, limitations, and organization of the research.

1.1. Background of study

In today's corporate climate, organizations are constantly looking for new methods to improve employee engagement, job satisfaction, and overall performance. Employee remuneration is an important factor in affecting organizational success and employee behavior. (Dwi Sanjaya, et al., 2023). Compensation systems, particularly variable payment structures, have long been seen as a key driver of motivation, job satisfaction, and overall workplace performance (Aguinis, Joo, & Gottfredson, 2016; Gerhart & Fang, 2015).

Variable payment systems, which include bonuses, commissions, and performance-based incentives, have attracted a lot of attention for their ability to match employee efforts with organizational goals. Variable payment systems are especially useful in industries where performance results can be clearly connected to individual or team contributions, making them an effective tool for increasing productivity and engagement (Burke, L. A., & Hsieh, C. 2006).

Variable payment systems might contain a combination of fixed salary, performance-based bonuses, commissions, and other incentives that fluctuate according to individual or group performance (Mohseni et al. 2018). These frameworks seek to match employee efforts with organizational goals by rewarding good performance and incentivizing production.

Variable payment systems are meant to relate employees' financial incentives directly to their performance. Pay for performance is a system in which salaries are decided by both individual and collective performance. Chalk, K.(2022).

Several motivational theories have served as the foundation for variable payment arrangements, notably pay-for-performance (PFP). According to Expectancy Theory (Vroom, 1964), employees are driven when they feel that their efforts will result in desired performance, which will be

rewarded. In the case of Ethio Telecom, a firm operating in a competitive industry, connecting pay to performance fosters an atmosphere in which workers see a clear link between their efforts and the financial benefits they might get.

Similarly, Equity Theory (Adams, 1963) emphasizes that employees desire fair remuneration when compared to their counterparts. Variable payment schemes, when equitably distributed, diminish perceptions of unfairness, which can increase work satisfaction. When employees believe they are appropriately compensated for their efforts in comparison to others, they are more likely to be motivated and happy with their work.

Another important theoretical foundation is Herzberg's Two-Factor Theory (1959), which separates between hygienic factors (such as income) and motivators (such as recognition). While salary is frequently a hygiene concern, flexible payment plans may serve as motivators, particularly when employees see incentives or profit-sharing as acknowledgement for great performance. By using PFP structures, Ethio Telecom may use them to motivate employees and improve work performance.

Several empirical research show that varied payment schemes influence employee motivation, job satisfaction, and performance. Miller (2018) showed that performance-based remuneration enhanced employee productivity by 10-15% across industries. For Ethio Telecom, establishing a well-designed PFP system might produce comparable advantages by encouraging staff to match their efforts with organizational goals.

However, actual data reveals certain problems. According to Factorial HR (2023), variable compensation schemes can occasionally cause stress and poor collaboration. Employees may prioritize individual aims above collaboration, which is critical in industries such as telecommunications, where coordination is required to tackle complicated technological challenges. Balancing individual and team-based incentives might help Ethio Telecom overcome this disadvantage.

According to another study conducted by IZA World of Labor (2023), variable compensation systems can have a considerable impact on work satisfaction when properly implemented. Employees are more satisfied with their jobs when they believe the PFP system is transparent and based on merit. However, if the system is regarded as biassed or confusing, it might cause

unhappiness and poor performance. Ethio Telecom believes that building a transparent and equitable system that workers can trust is critical to its success.

According to Armstrong and Taylor (2020), a variety of factors impact employee motivation and job satisfaction, including the work environment, career development possibilities, organizational culture, and, most importantly, remuneration systems. However, research has shown that remuneration, particularly variable pay systems, can have a considerable impact on employee motivation and performance (Gerhart and Fang, 2015).

Compensation has a substantial influence on employee motivation, impacting engagement, effort, and dedication to organizational goals. Bucklin et al. (2022). A well-designed payment system has the ability to boost work satisfaction, lower turnover, and improve overall performance. In contrast, poorly organized payment schemes may demotivate employees, resulting in discontent and lower productivity (Manuscripts & Ofosu-Yeboah, 2023).

Payment arrangements can have an even bigger influence in the telecommunications business, notably in Ethiopia, due to its competitive character and fast changing technical landscape. Ethio Telecom, Ethiopia's main telecommunications operator, is critical to the country's economic growth and development. As a government-owned monopoly, Ethio Telecom confronts unique problems in motivating and keeping employees, especially as it seeks to fulfil rising demand for high-quality services. Employee motivation and performance are critical to the company's capacity to innovate and provide effective services. At a press conference, CEO Frehiwot Tamaru said that Ethio Telecom has implemented a new variable payment system in which employees are paid more based on performance. If they accomplish their assignment ahead of schedule, they will be paid more. However, this remuneration mechanism is only used for notable areas such as sales, information systems, and customer service.

1.2 Statement of the Problem

In today’s competitive business environment, organizations are under constant pressure to enhance employee motivation, job satisfaction, and overall performance. Compensation systems, especially variable payment structures, are recognized as crucial factors influencing these outcomes (Dwi Sanjaya et al., 2023; Aguinis, Joo, & Gottfredson, 2016). The link between compensation and performance is particularly relevant in industries like telecommunications, where individual and

team performance directly impacts organizational success. Ethio Telecom, the largest telecommunications provider in Ethiopia, has introduced variable payment structures to boost employee performance by aligning financial rewards with individual and group contributions (Frehiwot Tamaru, 2023).

Despite the theoretical importance of such systems, empirical research on how variable payment structures impact employee motivation, job satisfaction, and performance at Ethio Telecom remains limited. Studies such as those by Gerhart & Fang (2015) and Mohseni et al. (2018) show that variable pay systems can foster accountability, drive, and productivity, yet there is evidence to suggest that such systems may also cause stress and reduce teamwork, especially if perceived as unfair (Miller, 2018; Factorial HR, 2023). These challenges are particularly critical for Ethio Telecom, where collaboration is key in resolving complex technical issues.

Despite the significance of remuneration in determining employee behavior, there has been little research into how variable payment systems affect employee motivation, job satisfaction, and performance in the Ethiopian environment, notably at Ethio Telecom. This study focusses on Ethio Telecom's usage of variable payment structures and how they affect employee motivation, job satisfaction, and performance. Understanding these dynamics is critical for developing successful human resource strategies that improve both organizational performance and employee well-being.

This study aims to bridge the research gap by examining how Ethio Telecom’s variable payment structures affect employee motivation, job satisfaction, and overall performance. By exploring this, the research will contribute to the development of HR strategies that align with both individual motivation and organizational objectives in Ethiopia’s telecommunications sector. Understanding these dynamics is essential for creating compensation systems that enhance both employee well-being and organizational efficiency.

1.3. Objectives of the Study

This study aims to achieve the following general and specific objectives:

1.3.1. General Objective

The general objective of this study is to analyze the influence of variable payment structures on employee motivation, job satisfaction, and performance at Ethio Telecom.

1.3.2. Specific Objectives

Considering the general objective, this study addresses the following specific objectives:

1. To examine the effect of variable payment structures on employee motivation at Ethio Telecom.
2. To evaluate the impact of variable payment structures on job satisfaction at Ethio Telecom.
3. To assess the influence of variable payment structures on employee performance at Ethio Telecom.

1.4. Research Questions

Based on the above problem statement, this research aims to answer the following questions:

1. What is the effect of variable payment structures on employee motivation at Ethio Telecom?
2. What is the impact of variable payment structures on job satisfaction at Ethio Telecom?
3. How do variable payment structures influence employee performance at Ethio Telecom?

1.6. Significance of the Study

The primary aim of any organization is to enhance productivity. The findings of this study will provide significant insights for organizational leaders and managers. It will offer an understanding of how variable payment structures are associated with employee motivation, job satisfaction, and performance. With this knowledge, the management team can develop strategies to boost overall productivity effectively.

1.7. Scope of the Study

This study focuses on employees of Ethio Telecom across variable payment applied departments and levels. It will examine the current variable payment structures in place and their impact on motivation, job satisfaction, and performance.

1.8. Limitation of the Study

The primary limitation of this study is the potential reluctance of some respondents to provide genuine data due to confidentiality concerns. Additionally, there may be a shortage of relevant and comprehensive information necessary for the study.

1.9 Organization of the Study.

The study is organized into five main chapters. Chapter One introduces the research, including the study's background, problem statement, objectives, and scope. It also covers the significance, limitations, and key terms. Chapter Two reviews relevant literature, discussing theoretical concepts, empirical literature, and presents the conceptual framework. Chapter Three outlines the research methodology, detailing the research design, sampling techniques, data collection methods, and analysis procedures. The fourth chapter focuses on the data presentation, analysis and presentation of the findings and the last chapter forwards the summary, conclusion, recommendation, research limitations and directions for future research.

Chapter Two

Literature Review

2.1. Introduction

Compensation systems remain one of the critical ways through which employee behavior and organizational outcomes are shaped. Amongst compensation strategies, variable pay structures that include performance-based bonuses, commissions, and incentives have attracted most interest because it is expected to improve employee motivation, job satisfaction, and overall performance. These structures link employee rewards to performance outcomes directly, with assumptions on how this linking would assure higher productivity and job satisfaction. The telecom industry, with its myriads of job roles that range from purely technical to a whole gamut of customer contact jobs, presents an interesting domain in which to study the variable pay system. This chapter summarizes the theoretical underpinning and empirical evidence on the effects of variable pay structures on employee outcomes, identifies the research gaps, and then outlines the conceptual framework guiding the current study.

2.2. Theoretical literature

2.2.1 The Concept of compensation

According to Dessler (2020), compensation is the total of an employee's pay and benefits, encompassing anything the company is able and willing to provide in return for a valued employee. As stated by (Noe et al., 2021; Armstrong & Taylor, 2020) Compensation is generally divided into three categories: direct compensation, indirect compensation, and incentives. Direct compensation refers to regular payments such as wages or salaries, which are provided at fixed intervals in cash or other forms. Indirect compensation includes benefits beyond regular pay, such as health insurance, holiday allowances, and vacation time. Incentives are rewards offered to employees for exceptional performance, aiming to enhance productivity and are often given based on achieving specific targets rather than on a regular schedule. Similarly, modern frameworks for compensation also divide financial payments into direct and indirect forms. Direct financial payments, such as

salaries, bonuses, and incentives, can be based on time or performance, whereas indirect payments include benefits like insurance and recreational allowances. Among the different types of compensation strategies, variable payment structures which include performance-based bonuses, commissions, and incentives have gained significant attention for their potential to enhance employee motivation, job satisfaction, and performance (Lloyd & Mertens, 2022). Variable payment structures, also known as performance-based pay or incentive compensation, are increasingly prevalent in modern organizations as a mechanism to align employee behavior with organizational goals (Milkovich, Newman, & Gerhart, 2019).

2.2.2. Theories on Motivation, satisfaction and Compensation

Several motivation theories offer frameworks for understanding how variable payment structures can influence employee motivation and job satisfaction

- **Herzberg's Two-Factor Theory** distinguishes between hygiene factors (e.g., pay) and motivators (e.g., recognition). Herzberg argued that while monetary rewards prevent dissatisfaction, they are not sufficient to create job satisfaction. Instead, variable payment systems that incorporate both financial incentives and non-financial rewards (e.g., recognition) have the potential to enhance both motivation and job satisfaction (Herzberg, 1966; Chiu et al., 2002).
- **Vroom's Expectancy Theory** (1964) one of the most useful theories for understanding how variable remuneration motivates employees. Vroom defines motivation as a combination of three factors: expectation (the belief that effort will result in performance), instrumentality (the notion that performance will be rewarded), and valence. Employees are more likely to be motivated by variable remuneration when they feel their efforts will result in concrete rewards (Lloyd & Mertens, 2022).
- **Equity Theory** (Adams, 1963) focuses on employees' perceptions of fairness. According to the theory, employees compare their input-to-outcome ratio (effort vs. rewards) with others. In variable pay systems, if employees perceive that they are being fairly compensated for their performance compared to their peers, job satisfaction increases.

However, perceptions of unfairness in pay distribution can lead to demotivation and dissatisfaction (Greenberg, 1990; Colquitt et al., 2001).

- **Agency Theory**: This theory suggests that variable pay helps align the interests of employees (agents) with those of employers (principals). Tying pay to performance can reduce the risk of employees acting in their own interests rather than those of the company (Eisenhardt, 1989).
- **Maslow's Hierarchy of Needs (1943)** can also be applied to compensation structures. According to Maslow, individuals are motivated to fulfill needs in a hierarchical order, starting with basic physiological needs and progressing to higher psychological needs. Variable pay can satisfy lower-level needs by providing financial security, but it can also contribute to higher-level needs such as esteem and self-actualization when it is perceived as recognition of achievement (Maslow, 1943).

Figure 1.Maslow's Hierarchy of Needs

- **Discrepancy Theory:** According to the discrepancy theory, the difference between what workers expect and what they really get determines how satisfied they are with their jobs. The goal of variable payment systems is to improve work satisfaction by bringing employees' expectations and actual incentives into line.

These theories offer insights into how variable pay influences employee motivation and behavior. However, success depends on the design, communication, and implementation of the pay system.

2.2.3 Performance and Organizational outcomes

Variable payment schemes influence both individual performance and overall organizational success. Employees that work in well-structured systems are more likely to achieve their objectives and increase productivity (Lazear, 2000). This is especially important for organizations like Ethio Telecom, where excellent performance is critical to preserving a competitive advantage.

However, there are obstacles. Employees may prioritize short-term objectives above long-term aims or teamwork. Poorly planned plans can also promote unhealthy competitiveness and undermine workplace collaboration.

Introducing variable compensation at Ethio telecom might boost motivation and performance while also fostering innovation. However, fairness and openness must be ensured to avoid injustice and excessive competitiveness. To promote a pleasant work environment, the system should balance individual and team rewards.

2.3. Empirical literature

Motivation

Variable payment structures can be effectively implemented to enhance employee motivation, especially when metrics on performance can be secured clearly. In the case of Nguyen and Tran (2021), performance-based pay enhanced the motivational level of sales employees in the Vietnamese telecommunication industry. The role of perceived performance-reward linkages was seen to be very important in the development of extra effort to achieve targets. Similarly, Jenkins et al. (2020) indicated that, in high-skill industries, motivational gain due to variable pay was significantly higher among employees when the latter had work autonomy.

However, not all research views variable pays as a panacea. Deci et al. (2019) reported that variable pay can crowd out intrinsic motivation, especially in creative or team production jobs. When rewards become salient, employees may become less interested in activities for which rewards are not provided, which in turn may lead to lower overall activity in non-incentivized tasks. Thus, the

efficiency of variable pay presumably depends on a type of activity and correspondence of remunerations with expectations of employees.

Job Satisfaction

The relationship between variable pays and job satisfaction is complex. Variable pay enhanced positive attitudes toward one's job when, according to Kuvaas et al. (2019), employees perceived that the pay system was fair and transparent. The use of performance appraisals gave a boost to employee satisfaction when the employees felt that their performance was being evaluated positively and, in turn, rewarded equitably. As Pfeffer and Sutton maintained, variable pay at times may have a negative impact on job satisfaction in those environments where pay is regarded as arbitrary or unfair. In such an environment, the employees may be stressed and dissatisfied, especially when they feel their effort is not rightly appraised.

Tremblay et al. (2021) examined variable pay structures in the telecommunications sector, concluding that it raised job satisfaction among customer-facing employees who had clearly defined and measurable performance targets. On the contrary, variable pay in more technical jobs had little or no impact on satisfaction since their specific output was less well-measured. This leads to an indication of how the design of compensation systems should correspond with roles.

In fact, one of the most researched areas in compensation is the relationship between variable pay and performance. For instance, a recent study by Cadsby et al. (2020) found that performance-based pay raised employee productivity by an average of 15% in sales and service industries. Another study published in Gerhart and Fang, 2021 supported the idea that, really, variable pay works in competitive settings where employees are driven to outcompete each other.

However, more recent studies conducted by Miller et al. (2019) in a technology firm-based study proved that excessive variable pay in teams could be counterproductive; for example, variable pay was seen to decrease collaboration and teamwork because individuals started to focus more on their own personal performance goals. This is particularly problematic in industries like Ethio

telecom, where technical teams must collaborate to achieve the company's larger and longer-term objectives.

Employee Performance

A meta-analysis conducted by Perry et al. (2016) concluded that pay-for-performance systems lead to an increase in organizational performance, particularly when the reward system is closely aligned with the company's strategic goals. This indicates that Ethio Telecom could enhance overall performance by adopting performance-based pay systems that reflect its operational goals.

In the case of Ethio Telecom, variable payment structures can also enhance individual accountability. A study by Gerhart and Fang (2017) found that organizations that link compensation directly to individual and team performance see higher levels of productivity. This is because employees are more likely to take ownership of their tasks when they understand that their rewards are tied to their output.

However, empirical evidence also points out potential risks. For example, Gerhart and Fang (2017) argue that in some cases, performance-based pay can lead to a focus on short-term results over long-term strategic goals, which could be detrimental to Ethio Telecom's overall performance. Additionally, performance-based pay can lead to stress and burnout, as employees may feel constant pressure to meet performance targets.

2.4. Research Gap Analysis

Although there is a vast deal of research into the impacts of variable pay structures, especially within contexts such as developing countries and giant state-owned enterprises like Ethio Telecom, not many empirical investigations can be proven. Most have been based on private sector organizations in the developed economies of the world, where, according to Nguyen & Tran (2021), the level of performance metrics and employee autonomy may be sharper. It also misses the research on variable pay and motivation in public sector organizations; job security and the feeling of non-monetary rewards are likely to be far more significant contributors to employee satisfaction.

Moreover, variable pay has been little investigated in respect to its long-term implications for employee motivational and job satisfaction experiences. Indeed, most studies tend to focus on the short-run consequences of the performance type, leaving open how sustained use of variable pay

affects intrinsic motivation and job satisfaction over time. However, few studies have interrogated how variable pay interacts with other organizational variables, such as leadership style, organizational culture, and employee perceptions of fairness.

2.5 Conceptual Framework

This conceptual framework guides this study based on the assumptions that variable payment structures directly affect employee motivational factors that affect job satisfaction and performance. Influenced by Vroom's Expectancy Theory, as argued by Lloyd & Mertens (2022), the model postulates that when employees perceive a linkage between efforts and performance leading to desirable rewards, they surely get motivated. Also, it points out that the relationship between variable pay and employee's outcome is moderated by organizational culture, leadership, and perceived fairness of the compensation system. The relationship is illustrated in fig 2

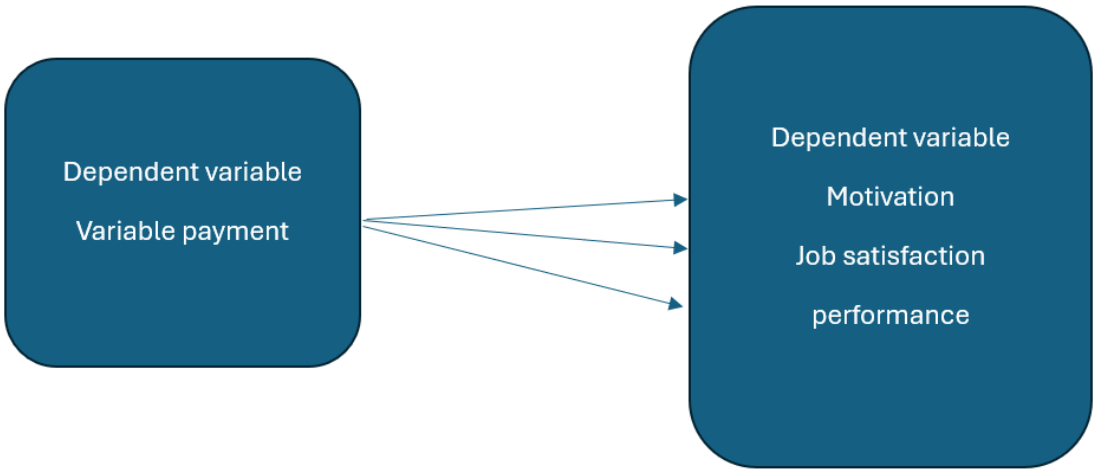

Figure 2.Conceptual models of how variable payment affect motivation and job satisfaction

Chapter Three

Research Methodology

The methodology section of the research describes how data collection, evaluation, and interpretation for the study were carried out. It discusses research design and strategy, population and sample sizes, techniques of data collection, data analysis procedures

3.1. Research Design

The research design used in this study has a Descriptive and explanatory aspect, it attempted to explore the relationships among variable pay structures and employee motivation, job satisfaction, and performance at Ethio Telecom. A descriptive study is necessary in giving an overview of the prevailing condition of remuneration systems and employee attitudes within an organization. The explanatory study shall be conducted to establish the cause-and-effect relationships between the independent factors, which are the varying payment structures, and the dependent variables, which are employee motivation, job satisfaction, and performance.

3.2. Approaches of Research

This study adopted a quantitative research approach to investigate the influence of variable payment on employee motivation, job satisfaction and performance at Ethio telecom. The quantitative approach was chosen for its ability to provide measurable and objective data that can be analyzed statistically to identify patterns, relationships, and trends. This approach was particularly suitable for examining employee attitudes and perceptions relating to the variables of pay, motivation, job satisfaction, and performance.

3.3. Data source and Type

The study was conducted by collecting data from primary data sources to get relevant information for investigation. The primary data was generated through structured questionnaires that was distributed to employees who are eligible for variable payment specifically for digital customer care and IT operation center. Data gathered through questionnaires analyzed quantitatively.

3.4. Population, Sample Size and Sampling Techniques

3.4.1 Target population

The population being studied consists of Ethio Telecom employees who are qualified for variable payment structures, a total of 4,146 across the firm. These variables pay schemes are most used in sales, customer service, and information system division entities that are crucial to organizational performance. To ensure that this research is relevant to variable compensation systems, departments that use fixed pay models are excluded. The study focuses on 151 individuals from the Addis Abeba region who work in the Digital Customer Care and IT Operation Center of the Customer Service and Information Division. These two sectors, representing the organization's technical and operational divisions, provide a representative sample to evaluate the effect of variable payment schemes on employee motivation, job satisfaction and performance

3.4.2. Sample size and Sampling Techniques

The sampling method used in this research work was stratified Sampling method and simple random sampling (probability sampling technique). This implies that the population was chosen at random and has a known non-zero chance of selection. Thus, homogenous groups/class of staff were classified together to form strata, and the elements in each stratum sample at random. Hence, giving the entire element equal chances of being selected

To make representative of the total population of the Ethio telecom variable paid employee list that work in corporate level would be taken from HR department based on their departments. To determine the size of the sample, this study has used Taro Yamane's simplified formula. According to Yamane's formula for any sample given the estimated population proportion of 0.05 and 95%

$n=N/1+N(e^2)$

Where:

- **n** = Sample size
- **N** = Population size (151)
- **e** = Margin of error (e.g., 5% = 0.05)

Using Taro Yamane's simplified formula, the sample size for your research, with a 5% margin of error, would be approximately 110 participants.

The sample size shall be determined through a sampling calculator, considering the total population of employees in these departments. It shall be done at a 95% confidence level with a margin of error of 5%. This will yield a sufficiently large sample to yield valid and reliable

Table 1: Sample of population

No	Division	Total population(N)	%	Sample size(n)
1	Digital customer care	122	80.79	89
2	IT operation	29	19.20	21
	Total	151	100	110

Source: Own survey, 2024

3.5. Data Collection Methods

The questionnaires forwarded to the employees in the selected departments, The questions in the questionnaire were structured and closed-ended to ensure that consistency is attained, and quantifiable data can be collected. The questionnaire segmented into the following parts: Demographic data: This section includes questions on gender, age, job role, and length of service. Perceived Variable Pay Structures A series of Likert scale questions that establish the perceived fairness and efficiency, and openness of the variable pay system in one's department. Employee Motivation Questions on the impact of variable pay structure on motivation. These are based on Vroom's Expectancy Theory and will be aimed at establishing measures for employee effort expectancy and reward expectancy. Job Satisfaction Statements were designed in a Likert scale format that proves employees' overall job satisfaction, especially as it relates to the compensation package they receive from the organization. Performance by Employees: Self-reporting questions on perceptions of their performance in relation to the prevailing compensation structures. Likert scale responses will range from 1, Strongly Disagree, to 5, Strongly Agree, in response to

statements. The distribution was done based on the preferred channel of communication for each department; that is, through self-administered questionnaires distributed through Google Forms. To follow up and to attract a good proportion of participants, after the initial distribution, a reminder was sent.

3.6 Data Analysis Methods

The data collected was analyzed using a statistical software package such as SPSS and Microsoft Excel. The researcher analyzed the data using descriptive statistics tools like frequency, mean, standard deviation and inferential statistics. The researcher used descriptive analysis for each variable under investigation and demographic factors for gender, age, educational background and work experience. The researcher conducted Correlation analysis to check the relationship between the dependent and independent variables whether they are positive or negative. The result was tabulated in tables, charts and graphs to pictorially summarize the perceptions of employees within variable pay structure

3.7 Reliability and Validity

To check the validity of the instrument, the study referred to different researchers' questionnaires that was appropriate with the purpose of this paper, proposed research objectives and literature review and questionnaire reliability has been checked by Cronbach's Alpha test. the questionnaire is reliable on a small sample size of employees before full-scale data collection. The pilot test point out unclear or ambiguous questions and ensures that the questionnaire measures the intended variables consistently. The reliability test is an essential tool to live the degree of consistency of an attribute which is meant to live. The less variation of the instruments produces in repeated measurements of an attribute the greater its reliability, one of the most accepted measures of reliability is Cronbach's alpha (Krawitz, A., & others. (2022). Cronbach's alpha measures the internal reliability of the things during a scale. It demonstrates the extent to which the things during a questionnaire were associated with each other. The accepted standard range for Cronbach's coefficient value of alpha range is between 0-1 and the higher value it shows the higher degree of internal consistency. Several writers accept different range of values, of this test so as to internal reliability, but most of the commonly accepted value is 0.7 because it should be adequate to or above to internal reliability (Hair et al., 2003).

As a result, rather than calculating alpha for the entire test or scale, (Mohajan, 2017) alpha should be determined for each of the concepts. Scales with coefficient alpha between 0.6 and 0.7 suggest medium reliability, acceptable reliability, and above 0.7 suggest good reliability, according to (Morgan, 2017) all of the variable's design will consider to be a good measure of internal consistency based on the above range.

Table 2 Cronbach's Alpha for each field of the questionnaire

Dimensions	Number of	Cronbach's	Result
Perceived variable payment	4	0.704	Good
Employee Motivation	4	0.859	Good
Employee job satisfaction	5	0.915	Good
Employee performance	4	0.873	Good
Overall Variables	17	0.938	Good

Source: survey result, (2024)

For this research to check the internal consistency of the research variables, Cronbach's alpha has been used. Cronbach's alpha (α) is mostly used to test and determine the internal consistency of an instrument (Heale & Twycross, 2015). The result of Cronbach's alpha is in between a number of range 0 and 1.

An acceptable reliability result is one which is 0.7 and above. Therefore, to meet consistency reliability of the instrument, questionnaire was distributed to ethio telecom employees who are qualified for variable payment and reliability test has been done. Further for the entire questionnaire the average result of Cronbach's Alpha is .938 which indicates good reliability of the entire questionnaire. Therefore, based on the above test, the results for the items can be taken as acceptable and reliable.

3.8 Ethical Consideration

Respondents who were involved in the study had a right to privacy and dignity of treatment. Information obtained from respondents will be treated confidentially. For the questionnaire, there was no requirement to write their name and identification number of the respondents. This situation helps them to express their idea and opinion freely. The willingness of the participants in the data gathering process is a prerequisite for the study. The data that was obtained from the participants will not be used for another purpose. The source of the data will be properly cited.

Chapter Four

Analysis, Discussion, and Interpretation

4.1. Research Objectives

This chapter analyzes, interprets and presents the data which were gathered for the completion of this study. During the study, questionnaires were conducted to collect the necessary data. The data collected from employees using the questionnaire distributed is presented with the help of tables and figures. In order to conduct this research, totally twenty-one questionnaires were distributed to selected employees The researcher has made extensive follow-up procedures to produce largest possible rate of return. Based on the computation of response rate twenty-one questionnaires sent to the respondent 100% return the questionnaires. The quantitative data is analyzed with the help of descriptive statistical technique using SPSS Version 25 statistical software tool. Data is interpreted and discussed below.

4.2. Demography data

This section summarizes the demographic characteristics of the sample, which includes the age of the respondent, gender, work experience, and respondent department. The purpose of the demographic analysis in this research is to describe the characteristics of the sample, such as the proportion of males and females in the sample, the range of age, education level, respondent department, and service year, so that the analysis could be more meaningful for readers.

Table 3 Demography analysis interpretation Source:

Category of respondent	Descriptions	Frequency	Percent
Gender	Male	66	60%
	Female	44	40%
Total		110	
Age	26-35 year	91	83%
	36-45 year	15	14%
	46-55 year	4	4%
Total		110	
Service at Ethio Telecom	1-3 years	2	2%
	4-7 years	16	15%
	More than 7 years	92	84%
Total		110	

survey result, (2024)

As presented in table 3, the gender composition shows that both male and female working in customer service and Information system division employees were participated in the study. Majority of the respondents 44 (60%) were male, and female respondents also participated which counted for44 (40%). This indicates the majority of respondents of the study were male.

The Age composition of respondents encompasses 91(83%) between the age group of 26-35 years followed by 15 (14%) that fall in between the age group of 36-45 years and the next age group followed by 5 (9.4%) that fall in between the age group of 46-55. This indicates the majority of respondents of the study were Young and who belong to the productive age group.

As shown above table, in table 3, the respondents were indicated majority 92(84 %) of them have more than 7 years of work experience. 16(15%) of the respondents have 4-7 years of work experience and 2 (2%) of the respondents have 1–3-year work experience. This indicates the majority of the respondents have more than 7 years of working experience this might adeep understand of the industry best practice, refined, skills, and the ability to handle complex challenge effectively.

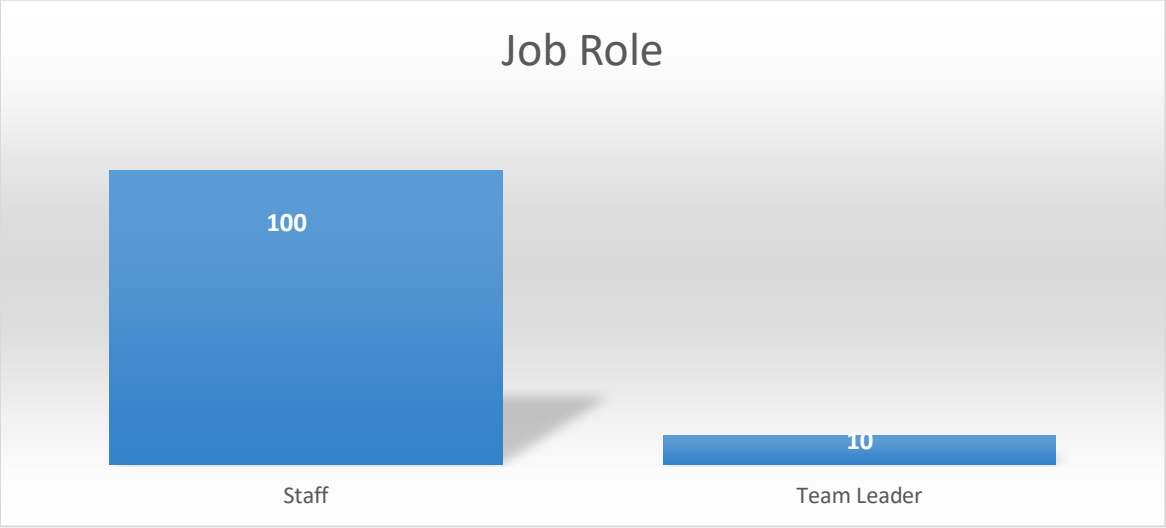

Figure 3.job role categories of respondent

Respondents were also requested to show their job role in the organization and as depicted in fig 3 above, the Majority of the respondents of the questionnaire 100 (91%) are staff and the remaining 10 (9%) are middle-level Management.

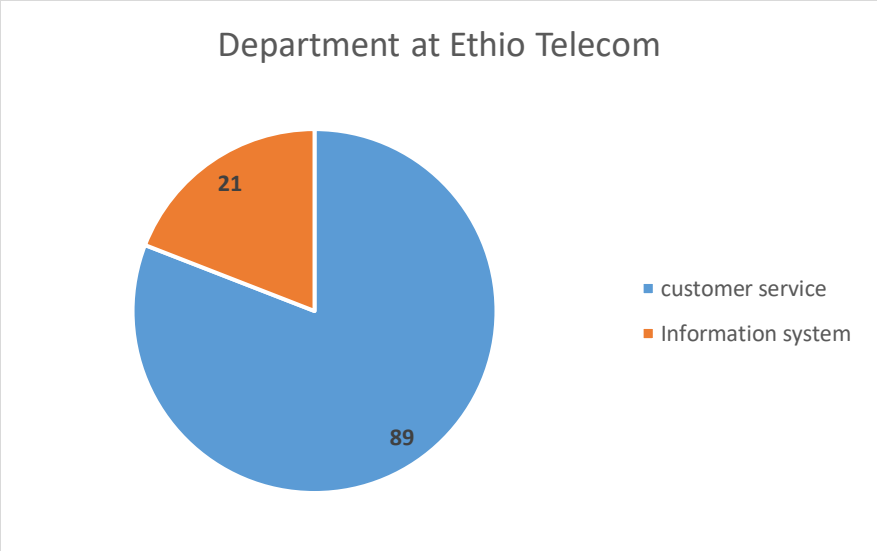

Figure 4.Departmental category of Respondent

Among 110 respondents the customer service Division has the highest represent (81%) and Information System Division (19%). This indicates that majority of respondents were customer service division.

4.3 Results and Interpretation

4.3.1. Descriptive Statistics of Scale Typed Questionnaires

In this part descriptive statistics regarding the four variables in the form of percentage mean and standard deviation are presented. It indicates the level of agreement of variable payment with job motivation, job satisfaction and performance. Descriptive analysis was performed to check out the information collected and to describe that information collected. It is very important to form somehow overall observation about the information gathered under demographic.

The mean value measures the average value of all the respondents responded towards of each statement. It calculates the sum of the values divided by the number of values. The implication is that the item with the highest mean is the one that most respondents rated highly. While the item with the lowest mean is the one that slightest rate by respondents.

4.3.2. Perception of Respondents towards variable payment structure

In order to measure the role of variable payment on employee motivation satisfaction and performance were forwarded to respondents four questions on this dimension. The below table holds the summarized result.

Table 4 Perception of Respondents towards variable payment structure

	Ratings (Likert-scale)								
	N	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	total	Mean	Std. Deviation
The variable payment structure in my department plays a crucial role in my motivation at work.	110	0.9%	3.6%	2.7%	62.7%	30%	100%	4.17	0.728
Understanding the variable compensation system in my department helps me stay engaged.	110	0.0%	7.3%	9.1%	60.9%	22.7%	100%	3.99	0.784
Variable payment structures serve as a key component of my department's overall compensation strategy.	110	0.0%	10.00%	11.82%	55.45%	22.73%	100%	3.91	0.863
The clarity and transparency of variable pay schemes influence my perception of fairness at work.	110	0.0%	20.91%	27.27%	43.64%	8.18%	100%	3.39	0.910

Source own survey result (2024)

The question the variable payment structure in my department plays a crucial role in my motivation at work. is acceptable, the majority (62.7%) of respondents agreed (62.7%) or strongly agreed (30%) that variable payment structures play a crucial role in motivating them at work.

Understanding the variable compensation system in my department helps me stay engaged. Most employees (83.6%) agree or strongly agree that understanding the variable compensation system enhances their engagement. With a mean score of 3.99, this perception is positive but slightly lower than the motivational aspect. The standard deviation (0.784) indicates moderate variability in responses. Regarding strategic relevance The mean score is 3.91, with a standard deviation of 0.863, indicating slightly greater variability in perceptions compared to motivation and engagement. Perceptions of clarity and transparency influencing fairness received the lowest agreement, with only 43.64% agreeing and 8.18% strongly agreeing. A significant proportion (48.18%) either disagreed (20.91%) or remained neutral (27.27%). According to the results, in table 4.2 employees generally see variable payment plans as interesting and encouraging. These frameworks have a favorable impact on employee attitudes, as seen by the high levels of agreement in motivation (4.17) and engagement (3.99). Additionally, the fact that variable pay is acknowledged as a strategic component (3.91) shows how relevant it is to the organization's pay structure.

4.3.3. The influence of variable pay structure in employee Motivation

Table 5 Respondents towards variable pay in employee motivation

	Ratings (Likert-scale)								
	N	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	total	Mean	Std. Deviation
Variable payment structures at Ethio Telecom encourage me to put in extra effort at work. .	110	0.9%	11.8%	7.3%	40.9%	39%	100%	4.05	1.012
The possibility of earning variable pay motivates me to remain focused on my work objectives.	110	0.9%	12.7%	10.9%	50.0%	25.5%	100%	3.86	0.972
Variable payments serve as an incentive for continuous professional growth and learning.	110	0.0%	14.55%	16.36%	58.18%	10.91%	100%	3.65	0.861
I believe that variable payments motivate employees to exceed their performance targets.	110	4.5%	2.73%	3.64%	65.45%	23.64%	100%	4.01	0.893

Source: Survey output (2024)

A little over 79.9% of respondents (agree + strongly agree) think that changeable payment plans motivate them to work more. This indicates that a sizable majority are aware of how variable rewards encourage them to put in more effort. Nonetheless, 0.9% strongly disagreed and 11.8% disagreed, indicating that a tiny percentage of the workforce might not see this effect positively.

A total of 75.5% (agree + strongly agree) of respondents indicated that the possibility of earning variable pay helps them remain focused on work objectives. This reflects a strong motivational factor associated with variable pay. However, a notable 12.7% disagreed, and 10.9% remained neutral, indicating there may be other factors influencing motivation for some employees.

The question Variable payments serve as an incentive for professional growth and learning. Most of the respondents, 50.18%, agree, and 10.91% strongly agree that variable payments create an incentive to grow and learn continuously in their profession. However, 14.55% disagreed, while a remarkable 16.36% were neutral. This suggests that though variable payments are recognized as a growth motivator, a significant proportion of employees may not strongly associate them with professional development.

an overwhelming 89.09% of respondents agreed or strongly agreed that variable payments motivate them to perform more than their performance targets, hence justifying how variable payment remain one of the major driver toward performing and exceeding target Conversely, only 7.23% disagreed and strongly disagreed to show limited resistance to this perspective.

4.3.4. The influence of variable pay structure in employee job satisfaction

As shown above below table 6 Variable payment structures enhance overall job satisfaction A majority (63.63%, agree + strongly agree) believe that variable payment structures enhance their job satisfaction. However, about 16.36% disagreed, and 17.27% were neutral, indicating a notable portion of employees may not strongly link job satisfaction to variable payment structures.

For the question Availably of variable pay influences the decision to remain with Ethio Telecom Only 39.09% felt that this factor influenced their decision to stay with the company, while a sizeable 25.45% disagreed and 31.82% remained neutral, indicating that for most employees, variable pay is not a dominant factor in retention

The question feels valued by Ethio Telecom because of the variable payment system. A combined 49.09% (agree + strongly agree) feel valued by the company because of the variable payment system. However, 31.82% disagreed, which indicates that a significant proportion of employees do not perceive the variable pay system as a primary factor in feeling valued.

Regarding the My job satisfaction is influenced by how well the variable payment structure aligns with my expectations. Nearly half of the respondents (45.46%, agree + strongly agree) feel that their job satisfaction is influenced by how well variable payments align with their expectations.

Source: Survey output (2024)

However, 27.27% disagreed, and another 27.27% were neutral, indicating varied perceptions of the relationship between alignment and satisfaction

Table 6 Respondents towards variable pay in employee job satisfaction

	Ratings (Likert-scale)								
	N	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	total	Mean	Std. Deviation
Variable payment structures at Ethio Telecom enhance my overall job satisfaction	110	2.7%	16.36%	17.27%	55.45%	8.18%	100%	3.50	0.955
The availability of variable pay serves an important role in my decision to remain with Ethio Telecom.	110	3.6%	25.45%	31.82%	31.82%	7.27%	100%	3.14	1.000
My job satisfaction is influenced by how well the variable payment structure aligns with my expectations	110	0.0%	27.27%	27.27%	34.55%	10.91%	100%	3.29	0.989
The variable pay system plays a role in enhancing my sense of recognition and appreciation at work.	110	0.0%	11.82%	33.64%	47.27%	7.27%	100%	3.50	0.799
I feel valued by Ethio Telecom because of the variable payment system.	110	0.0%	31.82%	19.09%	38.18%	10.91%	100%	3.28	1.033

4.3.5. The influence of variable pay structure in employee job performance

Table 7 Respondents towards variable pay in employee job performance

Ratings (Likert-scale)									
	N	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	total	Mean	Std. Deviation
Variable payment structures at Ethio Telecom play a critical role in improving my job performance	110	0.00%	11.82%	17.27%	59.09%	11.82%	100%	3.71	0.828
The current variable pay structure helps me meet or exceed performance expectations.	110	0.91%	13.64%	8.18%	62.73%	14.55%	100%	3.76	0.898
Variable payments ensure that employees maintain consistent high performance.	110	1.82%	9.09%	7.27%	64.55%	17.27%	100%	3.86	0.872
The availability of variable pay motivates me to take on additional responsibilities.	110	0.00%	20.91%	7.27%	55.45%	16.36%	100%	3.67	0.987

Source: Survey output (2024)

The question Variable payment structures at Ethio Telecom play a critical role in improving my job performance, 59.09% of the respondents agree, 11.82%, ,17.27% neutral and also , 11.82 of the respondents have Disagree this suggesting a small but notable group does not see a direct connection.,

The current variable pay structure helps me meet or exceed performance expectations. A large proportion 62.73% of the respondents agree and 14.55% strongly agree that the current variable pay structure helps them meet or exceed performance expectations, indicating that it is an effective motivator. A small portion (13.64%) disagreed, which might highlight the need for further customization of the payment structure.

An overwhelming majority (81.82%, agree + strongly agree) feel that variable payments ensure consistent high performance. This indicates that employees recognize the value of variable pay in driving sustained effort and productivity.

Regarding the question of Variable pay motivates taking additional responsibilities A majority (71.81%, agree + strongly agree) are motivated by variable pay to take on additional responsibilities, although 20.91% disagreed. This suggests that while most employees find variable pay encouraging, some may require other forms of motivation for expanded roles.

4.4 correlation

Pearson's correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationship between variable payment, Motivation, job satisfaction and performance Pearson's correlation coefficient falls between -1.0 and +1.0, shows the strength and direction of association between the two variables. Result r between 0.1-0.29 shows low correlation coefficient: suggests that the relationship between two items is weak or almost non-existent. If r is between 0.3 and 0.49 this indicates that the relationship is moderate. A high correlation coefficient which is., >0.5 indicates that there is a strong relationship between variables. The bivariate correlation of a two-tailed test confirms the presence of statistically significant difference at probability level $p<0.01$ that is assuming 99% confidence interval on statistical analysis. The table below presents the correlation analysis between the independent variable and dependent variables.

Table 8 Correlation between the independent Variables and dependent variables.

Correlations					
		Motivation	Job satisfaction	performance	perceived variable payment
Motivation	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	110			
Job satisfaction	Pearson Correlation	.806**	1		
	Sig. (2-tailed)	0.000			
	N	110	110		
performance	Pearson Correlation	.856**	.845**	1	
	Sig. (2-tailed)	0.000	0.000		
	N	110	110	110	
perceived variable payment	Pearson Correlation	.789**	.791**	.852**	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	110	110	110	110
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Field Survey SPSS output (2024)

Table 8 shows that the variables were positively and significantly correlated with the dependent variable. The table revealed that the highest correlation occurred between variable payment and employee performance with the value of 0.852. This was followed by value with correlation of 0.791 with employee job satisfaction. Finally, the correlation was recorded by employee motivation with the value of 0.789. When we look the inter correlation between the dependent variables, we can see that there is a positive and significant (P=000) relationship which implies that a change made in one variable will positively.

Perceived variable payment on employee motivation has correlation coefficient which is **0.789** at 0.01 level of significant. There is a strong positive correlation between perceived variable payment and motivation. This suggests that when employees perceive their variable payment as fair and motivating, their overall motivation increases.

Perceived variable payment on employee job satisfaction has correlation coefficient which is 0.791 at 0.01 level of significant. Similarly, perceived variable payment is strongly correlated with job satisfaction. Employees who see their variable pay as adequate tend to report higher job satisfaction.

Perceived variable payment on employee performance has correlation coefficient which is 0.852 at 0.01 level of significant. Thise lead to that There is a very strong positive correlation between perceived variable payment and performance. This indicates that employees who perceive their variable payment positively tend to exhibit better performance.

The findings suggest that enhancing perceived variable payment structures could have a positive impact on employee motivation, job satisfaction, and overall performance at Ethio Telecom. Organizations may benefit from focusing on fair and transparent variable payment systems to drive employee outcomes effectively.

4.5. Regression Assumption

Before going to regression, the researcher must examine rather there is an existence of Multi-co linearity, Linearity, Homoscedasticity and Normality of data

4.5.1 Homoscedasticity

The homoscedasticity test findings show that the Breusch-Pagan statistic for the motivation variable is 0.1786 with a p-value of 0.6726, indicating that homoscedasticity holds since there is no evidence of heteroscedasticity Similarly, the results for job satisfaction and performance reveal homoscedasticity, with Breusch-Pagan tests yielding p-values that suggest the residuals are homoscedastic. This consistency across all three variables implies that the variance of the residuals remains constant, hence validating the validity of the linear regression models applied to these variables.

The Shapiro-Wilk test is a statistical test used to assess the normality of a dataset. The Shapiro-Wilk test results (p-values = 0.0000) indicate that the data for all variables deviate significantly from a normal distribution. This suggests that parametric tests relying on normality assumptions may not be fully valid unless transformations are applied, or non-parametric methods are used. The Shapiro-Wilk test results indicate that none of the variables are normally distributed

4.5.2 Multicollinearity

Multicollinearity occurs when there are two independent variables that are highly correlated, leading to instability in the regression coefficients. Since this research has only one independent variable (Variable Payment) affecting multiple dependent variables (Motivation, Job Satisfaction, and Performance), multicollinearity is not a concern.

4.5.1 Linearity test

Linearity is the degree to which the change in the independent variable is related to the change in the dependent variables. The examination of residuals shows that for motivation, the residuals are randomly distributed about the zero line, indicating that a linear model is adequate. Job satisfaction, on the other hand, has a more regular pattern with less unpredictability, indicating that a linear model may not be the best match and pointing to a possible nonlinear link. Similarly, the residuals for performance show a discernible pattern rather than randomness, suggesting that a linear model may not represent the connection for this variable.

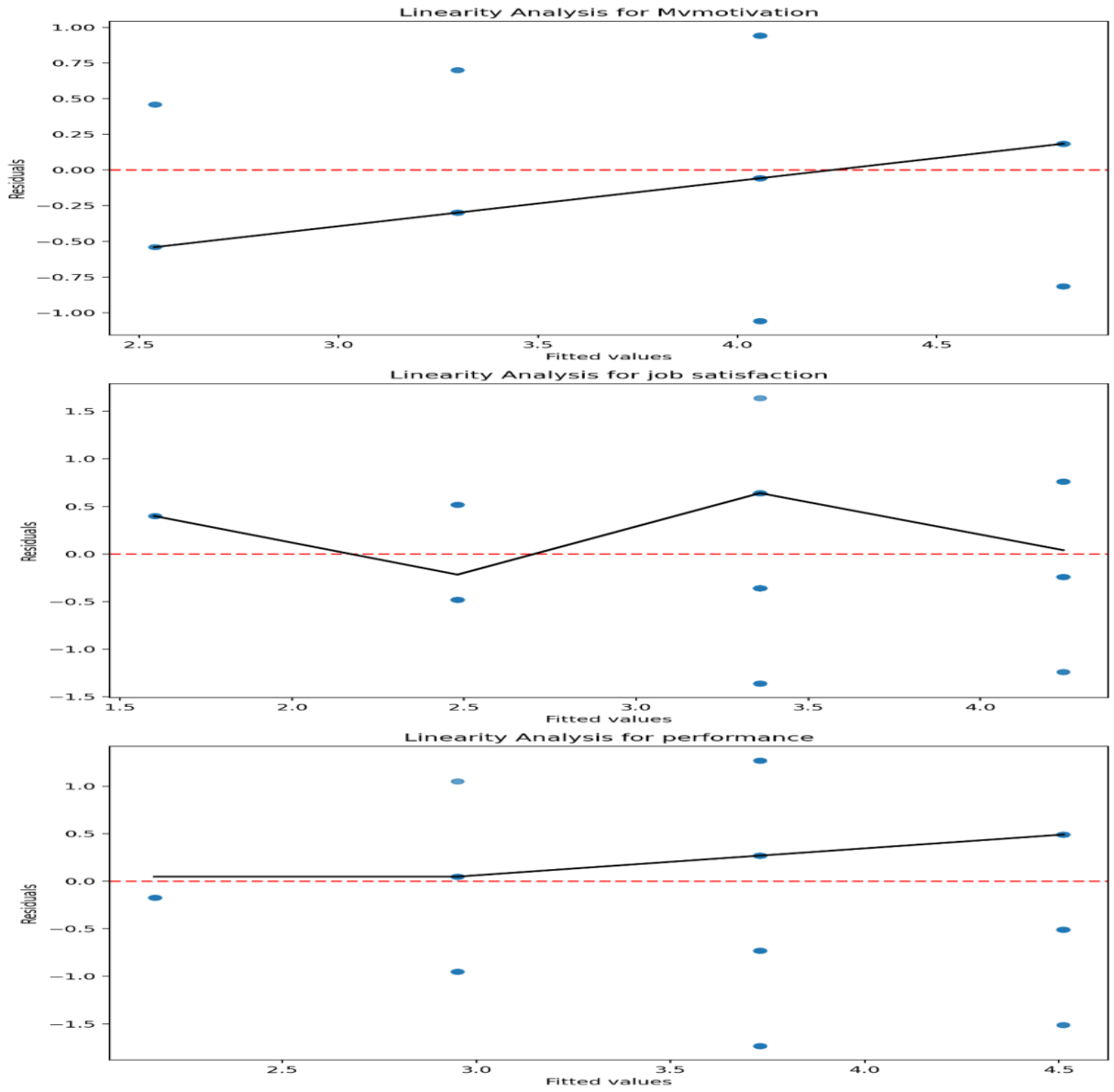

Fig 5 Linearity analysis

4.6. Multiple Linear Regression Analysis

Multiple-linear regression analysis was conducted to explore the influence of independent variable on the dependent variables and identify the relative significant effects. The key benefits of using regression analysis are that it can

1. To examine the effect of variable payment structures on employee motivation at Ethio Telecom.
2. To evaluate the impact of variable payment structures on job satisfaction at Ethio Telecom.
3. To assess the influence of variable payment structures on employee performance at Ethio Telecom.

4.6.1Motivation as Dependent Variable:

Table 9 Multiple-Linear Regression analysis of employee motivation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.710[a]	0.504	0.499	0.506

Source own servey2024

R (Correlation Coefficient): 0.710 Indicates a strong positive correlation between perceived variable payment and motivation, showing that as perceived variable payment increases, motivation tends to rise. R^2 (Coefficient of Determination) 0.504 About 50.4% of the variation in motivation is explained by perceived variable payment, suggesting a moderate level of explanatory power with other factors also influencing motivation. Adjusted R^2 0.499 After accounting for the number of predictors, 49.9% of the variance in motivation is explained, slightly lower than R^2 due to model adjustment Standard Error of the Estimate: 0.506 The model's predictions deviate by an average of 0.506 units from the actual values, indicating a reasonable fit.

Table 10 Anova analysis of employee motivation

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.151	1	28.151	109.743	.000[b]
	Residual	27.704	108	0.257		
	Total	55.855	109			

Source own survey (2024)

The model explains a statistically significant amount of variance in the dependent variable, as indicated by the high F value and a p-value of 0.000. the p-value is much less than the common alpha level of 0.05.This suggests that variable payment has significant effect on employee motivation. The high F value further supports the conclusion that the regression model is effective in explaining the variability in the data.

Table 11 coefficient analysis of employee motivation

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.023	0.292		3.506	0.001	0.444	1.601
	perceived variable payment	0.759	0.072	0.710	10.476	0.000	0.615	0.902
a. Dependent Variable: employee motivation								

Source: source own survey (2024)

The regression analysis shows that the constant term is 1.023, indicating the baseline level of employee motivation when the perceived variable payment is zero. The coefficient for the perceived variable payment is 0.759, meaning that for each unit increase in perceived payment, employee motivation increases by approximately 0.759 units. This relationship is statistically

significant, with a t-value of 10.476 and a p-value of 0.000, indicating strong evidence against the null hypothesis. The standardized coefficient (Beta) of 0.710 suggests a strong positive effect of perceived payment on employee motivation. The 95% confidence interval for the payment coefficient ranges from 0.615 to 0.902, further confirming the reliability of this finding. Overall, perceived payment is a significant predictor of employee motivation in this model.

4.6.2. Employee Job satisfaction as Dependent Variable:

Table 12.Multiple linear regression Model on Employee Job satisfaction

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685[a]	0.469	0.465	0.629
a. Predictors: (Constant), perceived variable payment				

Source: own survey (2024)

The model summary indicates a strong relationship between the perceived payment and the employee motivation, with an R value of 0.685. This suggests that the model accounts for approximately 46.9% of the variance in employee motivation, as indicated by the R Square value of 0.469. The Adjusted R Square of 0.465, which adjusts for the number of predictors, further confirms this finding, suggesting that the perceived payment variable is a meaningful predictor. The standard error of the estimate is 0.629, indicating the average distance that the observed values fall from the regression line. Overall, the model demonstrates a solid fit for predicting employee motivation based on perceived payment.

Table 13.ANOVA on Employee Job satisfaction

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.814	1	37.814	95.550	.000[b]
	Residual	42.741	108	0.396		
	Total	80.555	109			

Source: own survey result (2024)

The ANOVA results demonstrate that the regression model is statistically significant, with an F value of 95.550 and a p-value of 0.000, indicating that the predictor variable meaningfully influences the dependent variable. The regression accounts for a substantial portion of the variance, with a sum of squares of 37.814, while the residual variance is 42.741.

Table 14.coefficient analysis of employee job satisfaction

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-0.156	0.362		-0.432	0.667	-0.875	0.562
	variable payment	0.879	0.090	0.685	9.775	0.000	0.701	1.057

Source: own survey result (2024)

The regression coefficients indicate that the constant term is -0.156, suggesting a baseline level of the dependent variable when perceived payment is zero, although this result is not statistically significant (p = 0.667). The coefficient for the perceived variable payment is 0.879, indicating that for each unit increase in perceived payment, the dependent variable increases by approximately 0.879 units. This relationship is statistically significant, as evidenced by a t-value of 9.775 and a p-value of 0.000, allowing us to reject the null hypothesis. The standardized coefficient (Beta) of 0.685 reflects a strong positive effect of perceived payment on the dependent variable. The 95% confidence interval for this coefficient ranges from 0.701 to 1.057, reinforcing the reliability of this finding. Overall, perceived payment is a significant predictor of the dependent variable in this model.

4.6.3. Employee performance as Dependent Variable:

Table 15. Multiple linear regression Model on Employee performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.631[a]	0.398	0.392	0.645
a. Predictors: (Constant), perceived variable payment				

Source own survey (2024)

The model summary indicates a moderate correlation between the independent variable perceived payment and the dependent variable, with an R value of 0.631. This results in an R Square value of 0.398, meaning that approximately 39.8% of the variance in the dependent variable is explained

by the model. The Adjusted R Square of 0.392 accounts for the number of predictors and suggests a slightly lower, yet still meaningful, explanatory power. The standard error of the estimate is 0.645, indicating the average distance that the observed values fall from the regression line. Overall, the model demonstrates a reasonable fit for predicting the dependent variable based on perceived payment.

Table 16 Anova analysis of employee performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.717	1	29.717	71.361	.000[b]
	Residual	44.974	108	0.416		
	Total	74.691	109			

Source own survey (2024)

The regression model accounts for a sum of squares of 29.717, which suggests that variable payment explains a substantial portion of the variance in performance, as reflected in the F-statistic of 71.361 and a highly significant p-value of .000. The residual sum of squares (44.974) indicates the variability in performance not explained by variable payment. Overall, these findings suggest that variable payment has a strong and statistically significant impact on performance.

Table 17 coefficient analysis of employee performance

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
Model		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1	(Constant)	0.613	0.372		1.649	0.102	-0.124	1.349
	variable payment	0.779	0.092	0.631	8.448	0.000	0.597	0.962

Source own survey (2024)

The regression coefficients reveal that the constant term is 0.613, indicating a baseline value for the dependent variable when perceived payment is zero, although this result is not statistically significant (p = 0.102). The coefficient for perceived variable payment is 0.779, suggesting that for each unit increase in perceived payment, the dependent variable increases by approximately 0.779 units. This relationship is statistically significant, as evidenced by a t-value of 8.448 and a

p-value of 0.000, allowing us to confidently reject the null hypothesis. The standardized coefficient (Beta) of 0.631 reflects a strong positive effect of perceived payment on the dependent variable. The 95% confidence interval for this coefficient ranges from 0.597 to 0.962, indicating that the effect is both significant and reliable. Overall, perceived payment is a significant predictor of the dependent variable in this model.

4.7. Discussion of the finding

1.Influence of Variable Payment Structures on Employee Motivation

The study found a strong positive correlation between variable payment systems and employee motivation ($R^2 = 0.504$, $p < 0.001$). The majority (92.7%) of respondents felt that flexible remuneration systems play an important role in motivating employees. This conclusion is consistent with the ideas of Vroom's Expectancy Theory (1964), which holds that employees are motivated when they see a clear connection between effort, performance, and reward. The empirical literature backs up this result. For example, Nguyen and Tran (2021) found that performance-based remuneration increased the motivation of salespeople in the Vietnamese telecoms business. Similarly, Jenkins et al. (2020) found that motivational advantages from variable compensation are most noticeable in high-skill industries where individuals have autonomy. However, another research provides a more complex picture. Deci et al. (2019) claimed that fluctuating remuneration might diminish intrinsic motivation, especially in creative occupations. This contrasts with the current study's findings, which indicate that Ethio Telecom staff, who are primarily engaged in technical and operational responsibilities, respond well to financial incentives.

2. Impact on Job Satisfaction

Variable payment structures have a positive and substantial link with job satisfaction ($R^2 = 0.469$, $p < 0.001$). 63.63% of respondents agree that variable payment improves job satisfaction. This confirms Tremblay et al.s (2021) conclusion that variable compensation increases work satisfaction among customer-facing staff who have well stated performance criteria. Nonetheless, the current study indicated that variable remuneration had a lesser effect on work satisfaction than motivation. This conclusion is consistent with Herzberg's Two-Factor Theory (1959), which holds that while income can reduce unhappiness, it does not always contribute to long-term work satisfaction. Despite the encouraging findings, Pfeffer and Sutton (2018) cautioned that arbitrary

or opaque compensation structures might lead to discontent. The study's relatively low satisfaction scores (mean = 3.50) may represent concerns about transparency and justice, which is consistent with the literature's emphasis on perceived fairness as a significant component (Greenberg, 1990).

3. Influence on Employee Performance

The study found a strong positive correlation between variable payment systems and employee performance ($R^2 = 0.398$, $p < 0.001$), with 81.82% of respondents reporting that varied payments lead to constant good performance. This conclusion is congruent with that of Cadsby et al. (2020), who discovered that performance-based compensation enhanced productivity by an average of 15% in the sales and service industries. However, the declining gains reported in certain replies are consistent with Miller et al. (2019), who warned that overreliance on variable remuneration might impede teamwork and collaboration. Given Ethio Telecom's highly collaborative technological environment, balancing individual and team-based incentives may be critical.

All relationships are statistically significant ($p < 0.001$) and positive, indicating that variable payment has a meaningful impact on all three dependent variables, with the strongest effect on motivation, followed by job satisfaction, and then performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

The fifth and the last chapter of this study revolved around the major findings and conclusions, standing from the findings and give recommendation based on those findings. Under this chapter the limitations of this study and indication for future research areas is highlighted for anyone interested in the role of variable payment structure on employee motivation, job satisfaction and performance

5.1. Summary of major findings

The study found a significant positive relationship between varied payment systems and employee motivation ($R^2 = 0.504$, $p < 0.001$). Approximately 92.7% of respondents believed that variable payment systems are important motivators. Employees saw variable compensation as an incentive to put out greater effort and focus on fulfilling job objectives.

According to the research, 63.63% of respondents said varied payment schemes improved job satisfaction. A regression study revealed a significant relationship between variable income and job satisfaction. However, satisfaction was lower than motivation, due in part to worries about the payment system's openness and fairness.

The majority of respondents (81.82%) said variable compensation improves work performance. Regression analysis found a statistically significant relationship ($R^2 = 0.398$, $p < 0.001$). Employees connected variable compensation with surpassing performance goals and engaged in ongoing professional development.

The study found strong positive correlations between variable payment structures and the three dependent variables:

Clarity and transparency in the variable payment system had the lowest agreement levels, with a mean score of 3.39. A significant number of employees voiced concerns about fairness, emphasizing the importance of improved communication and expectation alignment.

5.2. Conclusion of the Study

This study examined the influence of various payment systems on staff motivation, job satisfaction, and performance at Ethio Telecom. The findings demonstrated that variable payment systems have a considerable impact on employee outcomes, but their efficacy is impacted by perceptions of fairness and openness.

A noteworthy conclusion was that variable payment arrangements considerably increase employee motivation, with the majority of respondents believing that such schemes inspire people to work more.

While a large number of employees recognized the favorable impact of variable pays on job satisfaction, the effect was less strong than on motivation. The perceived fairness and transparency of the payment procedure were identified as key elements in determining satisfaction, stressing the need of open communication about compensation criteria.

The study also found that variable compensation improves work performance, as seen by employees regularly reaching or surpassing performance goals.

The study demonstrated that variable compensation systems had a considerable influence on staff motivation, job satisfaction, and performance at Ethio Telecom. While the payment systems are typically effective, there is always potential for improvement in terms of transparency and justice in order to increase work satisfaction and retention. The findings highlight that a well-structured variable payment system may improve motivation and performance, but it requires strategic management to handle fairness problems.

5.3. Recommendations

The researcher forwarded the recommendations below to Ethio telecom management based on the findings of the study.

- Enhance transparency by Simplify and clarify the criteria for variable payment schemes to improve perceptions of fairness and satisfaction.
- Conduct periodic employee feedback surveys to ensure that variable payment systems align with workforce expectations.
- Complement variable payment systems with non-monetary rewards such as recognition programs, career advancement opportunities, and skill development initiatives.

5.4. Recommendation for future researchers:

- Expanding the Scope: Future research at Ethio Telecom should involve personnel from additional divisions, regions, and hierarchical levels to provide a more thorough knowledge of the impact of various payment arrangements.
- Longitudinal Studies: Conduct longitudinal study to determine how the consequences of variable compensation change over time, particularly in terms of employee retention and performance.
- Exploring Non-Monetary Factors: Examine the impact of non-monetary benefits, including as recognition, skill development opportunities, and career advancement, in combination with variable payment arrangements.
- Comparative analysis: Compare Ethio Telecom's variable payment systems to those of comparable firms to discover the best practices and areas for improvement.
- Incorporating mixed methods: To acquire a better understanding of employee perspectives and experiences, use a mixed-methods strategy that includes quantitative surveys, qualitative interviews, and focus groups.

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Appendix

St. Mary's University

Questionnaire to be filled by: Ethio telecom staff & management

Dear respondent,

This survey is part of an MA research thesis, which will be submitted in partial fulfilment of the MA degree in Project Management. This survey aims to understand the role of variable payment structures at Ethio Telecom in shaping employee motivation, job satisfaction, and performance.

I kindly invite you to participate in this survey by completing the questionnaire. The questionnaire is designed to be simple and easy to complete, and it takes no more than 15 minutes of your time. Your responses are confidential and will be used solely for research purposes. Please answer honestly. Your participation is highly valued, and I would appreciate it if you could answer all the questions and return the completed questionnaire.

Thank you in advance for your time and support in participating in this survey.

Part 1: Demographic Data

1. **Gender:**
    - Male
    - Female
2. **Age:**
    - 18-25 years
    - 26-35 years
    - 36-45 years
    - 46-55 years
    - Above 55 years
3. **Job Role:**
    - Manager
    - Team Leader
    - Staff
    - Other (Please specify): _____
4. **Length of Service at Ethio Telecom:**
    - Less than 1 year
    - 1-3 years
    - 4-6 years
    - More than 6 years
5. What is your department at Ethio Telecom?
    - Sales
    - Technical Support
    - Customer Service
    - Administration
    - Other (Please specify): _____

Part 2: Perceived Variable Pay Structures

Please indicate your level of agreement with the following statements using the scale:
1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

6. The variable payment structure in my department plays a crucial role in my motivation at work.
   1 [ ] 2 [ ] 3 [ ] 4 [ ] 5
7. Understanding how the variable pay system works in my department helps me stay engaged.
   1 [ ] 2 [ ] 3 [ ] 4 [ ] 5
8. Variable payment structures serve as a key component of my department's overall compensation strategy.
   1 [ ] 2 [ ] 3 [ ] 4 [ ] 5
9. The clarity and transparency of variable pay schemes influence my perception of fairness at work.

   1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

Part 3: Role of Variable Pay Structures in Employee Motivation

Please rate your agreement with the statements below:

10. The role of the variable pay system is to encourage higher levels of effort from employees.

    1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

11. The variable pay system plays a significant role in keeping me focused on my performance targets.

    1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

12. Variable payments play a motivating role by recognizing employees' contributions.

    1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

13. I believe variable pay serves a motivational role by rewarding exceptional performance.

    - 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

Part 4: Role of Variable Pay Structures in Job Satisfaction

Please indicate your level of agreement with the following statements:

14. Variable pay structures play a role in shaping my overall job satisfaction.
    - 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

15. The availability of variable pay serves an important role in my decision to remain with Ethio Telecom.
    - 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

16. My job satisfaction is influenced by how well the variable payment structure aligns with my expectations.
    a. 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

17. The variable pay system plays a role in enhancing my sense of recognition and appreciation at work.
    a. 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

Part 5: Role of Variable Pay Structures in Employee Performance

Please rate your agreement with the statements below:

18. Variable pay structures serve as a tool to guide and enhance employee performance.
    a. 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

19. I believe the variable pay system plays a key role in motivating employees to achieve performance goals.
    a. 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

20. Variable pay serves an essential role in encouraging employees to exceed their performance expectations.
    a. 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

21. I perceive the role of variable payments as a means of ensuring sustained high performance.
    a. 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5