

**IMPACT OF COMPENSATION ON EMPLOYEE'S
PRODUCTIVITY AND COMMITMENT: THE CASE
STUDY ON MOHA SOFT DRINK COMPANY OF
ETHIOPIA NIFAS SILK BRANCH, ADDIS ABEBA,
ETHIOPIA.**

Senior Research Paper.

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**ANALYSIS OF THE IMPACT OF COMPENSATION;
THE CASE OF MOHA SOFT DRINK COMPANY OF ETHIOPIA,
NIAS SILK BRANCH, ADDIS ABEBA, ETHIOPIA.**

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**By
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ABSTRACT.

This research paper was conducted on the impact of compensation on employee's productivity and commitment in MOHA Soft Drink Company. It explains about the compensation and the problems associated with the payment system.

To prepare this research both primary and secondary data sources was used and it was analyzed by tables and percentage.

The researcher used simple random sampling technique to gather the required data through questionnaire and interview.

To accomplish the study 52 employees were selected from 1187 population.

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Chapter one

1.1 BACKGROUND OF THE STUDY

Compensation is a payment to an employee return for their contribution to organization that is for doing their job. In recent year human resource has become realized as the most important asset of an organization.

Nothing is crucial as the human resource, because no matter how to up-to-date in the excellent of machineries and equipment are; the presence of human beings behind those machineries is mandatory for the achievement of organizational goal.

Compensation is a subject that is include to employees and employers. To employers, both potentially power full influence on employees' behavior and attitude. To employees it is a reward that is a source of both economic and psychological income. The task facing the employer is to allocate this reward in away that optimize the returns on dollar spent in employee motivation to join the organization, to perform effectively, stay and work regularly in employees' satisfaction.

Compensation is basic to all forms of payment or reward going to employee in exchange for work performed. Compensation plays a grate role in the workers performance and productivity. There should be enough compensation for workers become good relationship between workers and management and initiate employees to work together on the job. Usual compensation can be performed in the form of wage, salary and Fringe benefit. Wage usually hourly rate paid to such groups as production and maintenance employees. Salary are paid to the weekly or monthly paid to clerical, administrative and professional employees. Fringe benefit can give the employees in additional their wage and salaries such as vacation time, health life insurance and pension program. Compensation will be perceived by employees as fair if based on systematic component improve the performance of employees and the overall effectiveness of the firm service and products. Productivity is the amount of out put per unit of input (labors, equipment, and capital). There are May different ways of measuring productivity. For example; in a factory productivity might be measured based on the number

of hour it takes to produce a good, while in a service sector productivity might be measured based on the revenue generated by employee divided by his/her salary.

Commitment to organization involves three attitudes; the first one is sense of identification with the organization goals. The second one is feeling of involvement in organizational duties. The last one is king of loyalty for the organization.

Research evidence indicates that the absence of commitment can reduce organizational effectiveness. People who are committed are less likely to quit and accept other jobs. Thus the costs of turn over are not incurred. In addition, committed and highly skilled employees require less supervision and rigid monitoring control process are time consuming and costly. Further more a committed employees perceives the values and importance of integrating individual and organizational goal.

1.2 Background of the organization

Mohammed Hussein Al-Amuodi (MOHA) soft drinks industry share company was formed and registered under the commercial code of Ethiopia on May 15, 1996 E.C. This company was formed after the acquisition of four Pepsi Cola plants located at Addis Abeba (Nifasilk and tekleymanot). Currently MOHA has many permanent and contractual employees.

1.3 Statement of the problem

Compensation payments have many effects on the companies' performance. The research would investigate employee's dissatisfaction in MOHA Soft Drinks Company. Due to unfair payment employee became demoralize to do their activities as expected from them. This in turn, causes decrease of the company performance and productivity. When compensation system is inadequate, educated person and experienced employees are likely to leave and replaced by none-trained workers. The new comers may not have more knowledge to properly handle the organization performance and this lead to decrease in the company profitability and productivity.

This study was designed to investigate employees' productivity and commitment regarding to compensation system of MOHA soft drink.

The study was answering this question.

- Does compensation affect the worker productivity and commitment at work and how?

1.4 Objective of the study

1.4.1 General objective

The general objectives of the study were investigating the impact of compensation on employee's productivity and commitment.

1.4.2 Specific objective

The specific objectives are:-

- ❖ To see that compensation affect workers speed.
- ❖ To examine the impact of compensation on workers willingness of discharging the responsibility.
- ❖ To see the major factors that influence wage and salaries or company compensation system.
- ❖ To see whether compensation increase workers productivity and commitment.
- ❖ To asses the impact of compensation on employees moral and motivation.
- ❖ To give suggestion on the possible solution to human resource manager of MOHA Soft Drink Company based on findings of the study.

1.5 Significance of the study

The outcome of this study will be useful to employees, employee, and researcher and MOHA soft drinks of Share Company at Large.

These are:-

- ✓ It helps the manager of the company to now his weakness and strength on side of compensation and performance.
- ✓ It gives information to the manager to identify and analyze what kind of problems faced with compensation system.
- ✓ To create awareness of the company compensation policy.
- ✓ It will be used as abase line information for other researchers.
- ✓ It adds to the existing body of knowledge.

1.6 Scope of the study

The scope of this study covers the compensation type direct financial payment (wage, incentives, and bonuses) and indirect payment (financial benefit like; employer paid insurance and vacations).

1.7 Limitation of the study

During this study the following factors were constraints of the study.

1. Lack of relevant information regarding to this study. 2. Shortage of time to complete the study. 3. Lack of full documented data in the organization. 4. Peoples who were concerned with this study did not willing to share their ideas.

1.8 Methodology of the study

1.8.1 Sources of data

To accomplish this study both primary and secondary data source has been used.

➤ Primary data

In this study primary data were obtained from employees and employers through questionnaire and interview.

➤ Secondary data

Secondary sours were obtained from different type of books, internet, current reports, company manuals, profile and magazine.

1.8.2 Sample techniques

The researcher used simple random sample to gather the necessary data.

1.8.3 Sample size

It was impossible to distribute and collect the data from the entire population of employees. So the researcher selected sample and distributed questionnaire to those 52 selected employees from the total 1387 employees.

1.8.4 Method of data analysis

Data which were obtained from primary and secondary data were analyzed by using tables and percentage in order to give condensed picture of the data.

1.9 Organization of the study

This study covers four chapters. The first chapter deals with the introduction part of the study, statement of the problem, objectives of the study, significance of the study, scope and limitation of the study methodology. The second chapter discussed the details of related literature of the study. The third chapter focused on the data analysis and finally in chapter four conclusion and drawn based on analysis and possible recommendation are forwarded by the researcher based on investigation.

Chapter two

LITERATURE REVIEW

2.1 Definition of compensation

Employee compensation refers to all forms of payment or rewards going to employees arising from their employment. Employee compensation has two main components. 1. Direct financial payment (in the form wage, salaries, incentive, commissions and bonuses) 2. Indirect payments (in the form of financial benefits like employer paid insurance and paid vacations). In turn, there are basically two ways to make direct financial payment to employees. This are: - 1.Increment on time 2. Performance basis. Time based pay is still popular. Blue collar workers get hourly or daily wage, and others like managers or web designers, tend to be paid salaries by week, month or year. Performance pay ties compensation to the amount of production (or number of “pieces”) the worker produces, and is popular as an incentive plan.

(Gary Dessler, 2003 -p-302)

Compensation system in organization must be linked to organizational objectives and strategies. But compensation also requires balancing the interest and costs of the employer with expectation of employees.

A compensation program in organization has four objectives.

- Legal compliance with all appropriate laws and regulation.
- Cost effectiveness for the organization.
- Internal, external and individual equity for employees.
- Performance enhancement for the organization.

(Mathis and Jackson, 2004 -p-103)

Total compensation has three components.

1. Base compensation. (The fixed pay received on a regular basis.)
2. Pay incentive. (Programs designed to reward good performance.)
3. Benefit or indirect compensation. (Including health insurance, vacations and perquisite.)

2.2 Designing a compensation system

An effective compensation plan enables the firm to achieve its strategic objectives and suited to the firm's unique characteristics as well as to its environment.

The pay operations manager need to consider in designing a compensation system are -

- 1) Internal versus external equity.
- 2) Fixed versus variable pay.
- 3) Performance versus membership.
- 4) Job versus individual pay.
- 5) Egalitarianism versus elitism.
- 6) Below market versus non monetary rewards.
- 7) Monetary versus non monetary rewards.
- 8) Open versus secret pay.
- 9) Centralization versus decentralization of pay decisions.

2.3 Compensation tools.

There are two broad categories of compensation tools. 1. Job based approaches.
2. Skill based approaches.

The typical job-based compensation plan has three components:

- 1) To achieve internal equity. Firms use job evaluation to assess the relative value of jobs through the firms.
- 2) To achieve external equity. They use salary data on benchmark or jobs obtained from market surveys to set pay policy.
- 3) To achieve individual equity. They use a combination of experience, seniority and performance to establish an individual equity, they use a combination of experience, seniority and performance to establish an individual position within the pay range for the job.

Skill-based compensation systems are more costly and more limited in use.

(Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy, 2001, p-351)

2.4 Compensation responsibilities.

Compensation costs represent significant expenditures in most organizations. Although actual compensation costs can be easily calculated the value derived by employers and employees prove more difficult to identify. To administer these expenditure wisely, human resource specialists and other managers must work together. Typically division of human resource responsibilities compensation can be implemented through human resource unit are develop and administers the compensation system, conduct job evaluation and wage survey, develops wage salary structures and policies. Managers attempt to match performance and rewards recommended pay rates and increase based on guidelines from human resource unit evaluate employee performance for compensation purposes.

(Mathis and John H. Jackson, 2004, p-373)

2.5 The impact of compensation.

When one gets hide for job, compensation and benefit are already in place. At certain organization pay increase depending on the employer and performance depending on his/her job and can command certain pay and benefit packages, those as very creative for job.

(<http://emptsn/emptsn.htm>)

2.6 Components of compensation system.

Compensation will be perceived by employees as fair it based on systematic components. Various compensation systems have developed. These systems utilize many similar components including job description, salary range, structure and written procedure.

- A. Job description:** is a critical component of both compensation and selection systems. Job descriptions define in written the responsibilities, requirements, functions, duties, locations, environment, conditions and other aspects. Description may be developed jobs individually or for the entire job families.
- B. Job analysis:** is a technique including the use of interview, questionnaires and observations.
- C. Job evaluating:** a system for compensation for comparing jobs for the purpose of determining appropriate compensation level for individual job or job element.

D. Pay structure: useful for standardizing compensation practice. Most pay structure includes several grades with each grade containing a minimum salary wage.

E. Salary surveys: collection of salary and market data. It may include average salaries, inflation indicator, cost of living indicators and salary budget.

(<http://www.gov/nes>)

Compensation can be used

- ✓ Recruit and retain qualified employees.
- ✓ Increase or maintain morale satisfaction.
- ✓ Reward and encourage peak performance.
- ✓ Achieve internal and external equity.
- ✓ Reduce turnover and encourage company loyalty.
- ✓ Modify (through negotiation) practices of unions.

2.7 The nature of compensation.

Compensation is an important factor that affects why people choose to work at one organization over others. Employers must be reasonably competitive with several types of compensation in order to hire, keep, and reward performance of individuals in the organization.

Tangible components of compensation programs are of two general types.

1. Direct.
2. Indirect.

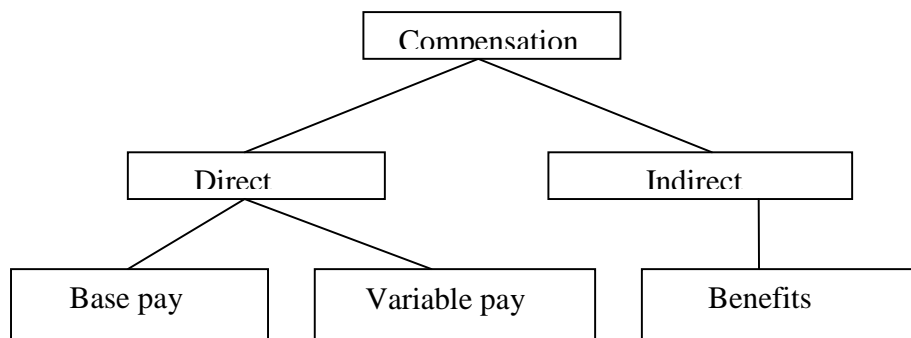
1. Direct type of compensation is monetary rewards provided by the employer.

Base pay and variable pay are the most common forms of direct compensation.

2. Indirect compensation commonly consists of employee benefits.

(Mathis and Jackson, 2004, p -103)

2.8 Compensation components



2.9 Base pay

The basic compensation that an employee receives, usually as wage or salary, is called base pay. Many organizations use two base pay categories i.e. hourly and salaried, according to the way pay is distributed and the nature of the job. Hourly pay is the most common means of payment based on time. Employees who are paid hourly are said to receive wage, which are payments directly calculated on the amount of time worked. In contrast, people who are paid salaries received payments that are consistent from period despite the number of hours worked. Being salaried typically carries higher status.

(Mathis and Jackson 2004, p.104)

2.10 Variable pay

Variable pay is another type of direct pay which the compensation linked directly to Performance accomplishment. The most common type of variable pay for the most employees is bonuses incentive program payments. For executive, it is common to have longer-term reward such as stock options.

(Mathis and Jackson, 2004, p-121).

Most employees adapt variable pay incentive in order to:

1. Link individual performance to business goals.
2. Reward superior performance and improving productivity or increasing employee retention.

Variable pay plans can be considered successful if they meet the goals that the Organization had for them when they were initiated.

The following question has to be answered well when providing variable pay plan.

1. Does the plan fit the organization?
2. Are the behaviors encouraged by the plan ones' designed?
3. Is the plan being administered properly?

The philosophical foundation of variable pay rests on several basic assumptions. Thus

- Some jobs contribute more to organizational success than other.
- Some people perform better than others.
- Employees who perform better should receive more compensation.
- A portion of some employee's total compensation should be given to reward performance above expectation.

Variable pay plans can be established that focus on individual performance, team or group performance, and organization wide performance. An important feature of variables pay plans is that incentive may increase the degree of cooperation items.

(Mathis and Jackson, 2004, p-122)

2.11 Types of variable pay plans.

<u>Individual</u>	<u>Group (team)</u>	<u>Organization</u>
-Sales commission	- Gain sharing	-Profit sharing
-Bonuses	-Rewards	-Employee stock options
-Special recognition	-Quality improvement	-Executive stock options
-Piece rate	-Rewards	-Deferred compensation
-Attendance and bonuses	-Labor cost	
-Safety awards	-Reduction pay outs	

2.12 Special incentives.

Numerous special incentive programs that provide awards to individual have been used. Special incentive ranging from one time contests for meeting performance targets to reward for performance over time.

Some types of incentives: -

- Awards: - Awards like cash, merchandise, gift certificates and travel payment.
- A recognition awards: - It recognizes individual employee for their performance or service. It often works best when proven to recognize specific efforts and activities targeted by the organization as important.
- Service awards-: Is a reward portrayed as rewarding performance over a number of years.

2.13 Sales compensation and incentives.

Compensation paid to employees involved with sale and marketing as partly or entirely tied to individual sales performance. It is one of the most widely used individual incentives. Better performing sales people receives more total compensation than those selling less.

(Mathis and Jackson, 2004, p-123)

➤ Team based incentive.

Team based reward systems use various ways of compensating individuals. The components often include individual wages and salaries in addition to team based rewards. Most team based organization continues to pay individuals based either on the job performed or individual competencies and capabilities.

(Mathis and Jackson 2004, page.123)

➤ Individual incentives.

Individual incentive system tries to relate individual efforts as to pay conditions necessary for the use of individual effort to pay. There should be identification of individual performance. The reason is why the performance of each individual must be measured and identified is that each employee has job responsibilities and tasks that can be separated from those of other employees.

➤ **Independent work**

Individual contribution results from independent work and efforts given by individual employees. Individual competitiveness desired, because individuals generally pursue the Individual's incentives for themselves. Therefore, independent competition in which some individuals "win" and other do not must be desired. Individualism stressed in organization culture. The culture of the organization must be one that emphasizes individual growth achievements and rewards. If an organization emphasizes team work and cooperation, then individual incentive will be counter productive.

➤ **Bonuses**

Individual employees may receive additional compensation on payments in the form of bonus which is a one time payments that does not become part of the employee's base pay. Generally, bonuses are less costly to the employer than other pay increases because they do not become part of employee's base wages.

(Mathis and Jackson 2004, page-123)

➤ **Gain sharing**

Gain sharing is sharing with employees of treated than expected gains on profits and productivity. Gain sharing attempts to increase "discretionary efforts" that is the difference between the maximum amount of efforts necessary to keep from being forced.

The rewards can be distributed in several ways:-

- ✓ A flat amount for all employees.
- ✓ Same percentage of base salary for all employees.
- ✓ Percentage of the gains by category of employees.
- ✓ A percentage based on individual performance against measures.

➤ **Profit sharing**

It is a system to distribute apportions of the profits to the origination employees. The primary objective of profit sharing include improve productivity, recent or retain employees, improve product and improve employees morale. Typically, the percentage of the profits distributed to employees by the end of the year. In some profit sharing plans, employees receive

portions of the profits at the end of the year. In others, the profit are deferred, placed in a fund and made available to employees on retirement or on their leaving the organization.

(Mathis and Jackson 2004 page.126)

2.14 Nature and type of benefit.

A benefits is a form of indirect compensation which often include retirement plans, vacations with pay, health insurance, educational assistance and many more programs. Employees offer some benefits to aid retention, because they are required to do so, and some simply because doing so reinforces the company philosophy. Benefits influence employee's decision about which particular employer to work for, whether to stay or level employment, and when they might retire.

➤ Security benefits.

A number of benefits provide employee security. These benefits include some mandate by laws and others offered by employers voluntarily. The primary benefits found in most organization include workers compensation and unemployment compensation pay.

➤ Workers compensation.

It provides benefits to persons injured on the job. State laws required by most players to provide workers compensation coverage by purchasing insurance found or by providing self insurance. The workers compensation system requires employers to give cash benefits, medical care and rehabilitation services to employees for injuries or illness occurring within the scope of their employment.

(Mathis and Jackson 2004, p-127)

➤ UN employment compensation.

It is another benefit require by law. The percentage paid by an individual employer is based on experience rate which reflects the number of claims filed by workers who leave.

➤ Retirement security benefits.

Few people set aside sufficient financial reserve to use when they retire, so retirement benefits attempt to provide income for employees who have retired. Except for smaller

Employees, most firms offer some kind of retirement plan. Generally, private pensions are a critical part of providing income for people after retirement.

➤ **Pension plans.**

Pension plans are retirement benefits established and funded by employers and employees.

➤ **Health care benefits.**

Employers provide a variety of health care and medical benefits usually through insurance coverage. The most common plans cover medical, dental, prescription drugs and vision care expenses for employees and their dependents. Beside health care insurance to cover both normal and major medical expenses also desired and expected by most employees some dental plans include orthodontic coverage, which is a major expense for some families.

(Mathis and Jackson 2004, p-128-129)

➤ **Financial and other benefits.**

Employees may offer workers a wide range of special benefits. Such as financial benefits, insurance benefits (in addition to health and related insurance), education benefit etc. from the point of view of the employer, such benefit can be useful in attractive and retaining employees.

➤ **Insurance benefits.**

In addition to health related insurance, some employers provide other type of insurance. These benefits offer major advantages for employees because many employers pay some or all the costs. Employees benefited from the lower rates available through group programs. It includes life insurance, disability insurance, legal insurance etc.

➤ **Educational benefits.**

Another benefits used by employees come in the form of educational assistance to pay for some or all costs associated with formal educational courses and degree programs. It may include the costs of books and laboratory materials. Some employers pay for selected fields or a proportional schedule depending on the grades received, others simply require a passing grade.

2.15 The legal environment and pay system governance.

The major federal laws governing compensation practices are the fair labor standards act and

The equal pay acts. The fair labor standards act which governs minimum wage and overtime payments and provide guide lines for classifying employees an exempt or non exempt. The equal pay acts which prohibits pay discrimination based on gender. Some countries and municipalities have comparable worth legislation, which calls for comparable pay for jobs that require comparable skill, effort, and responsibility and have comparable working conditions, even if the job content is different.

(Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy 2001, p-353)

➤ **Productivity**

Productivity is the amounts of output per unit of input (labor, equipment and capital). There are many different ways of measuring productivity. For example, in a factory productivity might be measured based on the number of hours it takes to produce a good, while in service sector productivity might be measured based on the revenue generated by employee divided his/ her salary.

(<http://www.investorworlds.com>)

2.16 Process (steps) for productivity improvement.

There are eight steps or processes for improving employee productivity that every employer can and should follow.

1. Create a sense of mission in the organization employee commitment to .organizational goals. It can only be attained when employees understand the organization overall performance.

(<http://www.personel system.com>)

2. See department goal and individual performance standard. Once the company mission and strategic objectives are determined, they need to be translated in to division and then department performance objectives and standards.

(<http://www.personnel system.com>)

3. Get commitment - Employee commitment comes through a demonstration of management commitment not only to organizational success, but also to the employees.

4. Employers need to offer a competitive pay and benefits package, a progressive disciplinary process formal or informal on the job training and visible advancement opportunities based on clear criteria.

(<http://www.personnel system.com>)

5. Asses work team strength and weakness – Ask questions like- Does the company been hiring the right people? How do employees fit the company’s organization culture i.e. the department head managerial style and the type of job assigned? And Business approaches to dealing with force diversity.

(<http://www.personnel system.com>)

5. Training and development - Training and development is an area that we have mentioned throughout this article. Program of productivity oriented training can translate directly in to bottom line results.

Productivity oriented training should asses the following areas -

- Setting performance standard and objectives.
- Leader facilitation of standards and objectives.
- Supervisory training in performance review and feedback.
- Job knowledge and skill development.

(<http://www.personnel system.com>)

6. Track performance - If one cannot measure an activity then he/she cannot manage it. Therefore, it is important that any activity in the organization should be measured. Managers some times resist measurement of results of out come rather than an appearance of “working hard.” A good performance measurement system should ideally meet the following criteria.

- Providing frequent and timely repotting.
- Simple to maintain and utilize.
- Focus on results achieved more than on activity required to achieve results.
- Provide and publicized to employees whose performance is being measured.

(<http://www.personnel system.com>)

7. The rewards to performance and give rewards that make different the challenge for every organization and every manager in the organization are to tie the organization goal to each employee’s personal.

➤ **Does employees required training.**

Employee happiness- is the employees happy with their wages, rewards and hours of given?

2.18 Productivity and technological changes.

Because of a firm may use different technologies, a different methods of organization production, the amount of inputs may differ from that produced by another firm. Moreover, after technical or managerial innovation, a firm can produce more to day from a given amount of inputs than it could in the past a firm must produce efficiently if it is to may its profit. Even if each firm in a market produces as efficiently as possible, however, firms may not be equally productive, incense that one firm can produce more than another firm a given amount of inputs. A firm may be more productive than others if its manager knows a better way to organize production or if it is the only firm with access to new invention.

2.19 What is commitment?

A great business leader once said ” the basic philosophy sprit and drive of an organization have far more to do with its relative achievement than do technological or economical resources, organization structure, innovation and timing all these things weight heavily in success. But they are I think, transcended by how strongly the people in the organization believes in its basic percepts and how strongly the people in the organization believe in its percepts and how faithfully they carry them out.”

Commitment to organization involves three attitudes.

- 1) Sense of identification with organization goals.
- 2) Felling of involvement in organization duties.
- 3) Felling of loyalty for the organization.

Research evidence indicates that the absence of commitment can reduce organization effectiveness. People who are committed are less likely to quit and accept other jobs. Thus the costs of high turnover are not incurred. In addition, committed and highly skilled employees

Require less supervision. Close supervision and rigid monitoring control process are time consuming and costly. Furthermore a committed employee perceives the value and importance of integrating individual and organizational goal.

(<http://en.wikipedia.org/wiki/commitment>)

Chapter Three

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

3.1 Personal information.

Table 1

Gender	Description of respondent	Respondents	
		Number	%
Gender	Male	33	63 %
	Female	19	37 %
	Total	52	100 %
Age	18-24	9	17 %
	25-29	12	23 %
	30-34	13	25 %
	35-39	9	17 %
	40-44	3	6 %
	45-49	2	4 %
	50-54	3	6 %
	>55	1	2 %
	Total	52	100 %
Marital status	Married	29	56 %
	Unmarried	23	44 %
	Windowed	-	-
	Divorced	-	-
	Total	52	100%

Educational status	PHD	2	4 %
	Second degree	2	4 %
	First degree	30	57 %
	College diploma	16	31 %
	College certificate	1	2%
	12 grade completed	1	2%
	Total	52	100%
Basic salary	< 900	7	13 %
	900-1200	11	21 %
	1201-1500	15	29 %
	1,501 -1,800	5	10%
	1801-2000	4	8 %
	> 2100	10	19 %
	Total	52	100 %
Service year in MOHA	Description of respondents	Respondents	
		Numbers	%
	< 1	8	15 %
	1-5	19	37 %
	6-9	9	17 %
	> 10	16	31 %
	Total	52	100 %
Job level status	Laborer	13	25 %
	Managerial	23	44 %
	Professional	16	31 %
	Total	52	100 %

The above table indicated that, 63% of the respondents are male and the rest 37 % are female.

This implies that, the majority of company's workers are male. In addition that most of the respondent's age 25 % are between 30-34 years, this is indicated their long period experience in work environment. When we see the level of martial status, 56 % of the respondents are married and the rest 44% respondents are unmarried, this shows that most of the respondents are married. When we see the level of education, 57 % of the respondents are first degree holders and 31 % of the respondents are college diploma holders, 4 % of the respondents are master and above, 4% of the respondents are second degree, 2% of the respondent's college certificate and the rest 2 % of the respondent's 12th grade completed. From the above table, 10 % of the respondents reported that their basic salary is above 2100, 21 % of them reported that their basic lies between 900-1200, 19% of respondents replied that their salary lies between 1801-2100, 29 % of the respondents also reported that their salary lies between the scale of 1200-1500, 13 % of them said their salary lies between 1501-1800, the above figure implies that most of the employees get salary between 1200-1500. When we see the service year in MOHA Company 37 % of the respondents reported that they served more that 10 years, 17 % of them reported that they served about 6 years and the rest reported that served less those 8 years.

Table 2

Views of respondents on employee compensation towards their work in MOHA Soft drink Company.

no	Items	Respondents response	
		No	%
1	Does the company give adequate compensation?		
	A. Yes	25	48 %
	B. No	27	52 %
	Total	52	100 %

As the above table shows that, 48 % of respondents replied that, MOHA soft drink companies

provide adequate compensation in order to improve the quality of products

And services in the company, and 52 % of respondents said that, company's does not provide adequate compensation for employees to improve the quality of the products and services. This implies that, MOHA soft drink company compensation is does not satisfy the majority of employees of the company.

Table 3

Respondents view on type of compensation system.

no	Item	Respondents response	
		No	%
1	Which type of compensation system adopt by the company?		
	A. Monetary	45	86 %
	B. Non monetary	7	14 %
	Total	52	100 %

The above table shows that, 86 % of the total respondents said that companies adopt monetary type of compensation system, and the remaining 14 % the total respondents said that, companies are adopted non monetary type of compensation system. This implies that, company's believed that monetary types of compensation system are useful for the company's policies of compensation strategy.

Table 4 Respondents view on the criteria to pay compensation.

no	Item	Respondents response	
		No	%
1	Which type of criteria are the company follow to pay compensation?		
	A. Based on educational status.	12	23 %
	B. Based on experience.	14	27 %
	C. Based on his/her service	13	25 %
	D. All	13	25%
	Total	52	100 %

From the above table the respondents about the criteria for company compensation system 23% of the total respondents said that, the company's compensation system based on educational status, 27 % respondents said that it is based on experience, 25 % of the total respondents replied that it is based on his/her service, and the remaining 25 % respondents said that, the company's compensation based on the above all reasons.

This implies that, most of the company's criteria on compensation strategies are based on employee's experience.

Table 5 Respondents view on the company's revenue generating capacity. .

No	Item	Respondents response	
		No	%
1	Do you think that MOHA soft drink company's have a good revenue generating capacity?		
	A. Yes	27	52 %
	B. No	25	48 %
	Total	52	100 %

The above table shows 52 % of the total respondents said that, MOHA soft drink companies have good performance of revenue generating capacity, and the remaining 48% of respondents responded that, company's have no revenue generating capacity. This implies that MOHA Soft Drink Company has a minimum revenue generating capacity.

Table 6

Respondents view on the company's compensation system.

No	Item	Respondents response	
		No	%
1	Are you satisfied by the company's compensation system?		
	A. Yes	24	46 %
	B. No	28	54 %
	Total	52	100 %

As show in the above table 46 % of respondents said that, they are satisfied by the company's compensation system and 54 % of respondents said that they are not satisfied by the company's compensation system. This implies that, the company compensation system is not properly satisfies the company employees.

Table 7

Respondents view on the company's techniques of compensation.

no	Item	Respondents response	
		No	%
1	If you stay in MOHA soft drink what kind of technique did the company uses to motivate employees with related to issue of compensation?		
	A. Bonus.	10	19 %
	B. Incentive program.	9	17 %
	C. Both.	33	64 %
	Total	52	100 %

As shown in the above table, 19 % respondents said that the company provides bonus to motivate employees and also 17 % of the total respondents agrees that the company provide different types incentives programs to motivate employees, and from the total number 64 % of respondents replied that, the company uses both, bonus and incentive program to motivate employees. This implies that company provides both techniques of employee motivation system.

Table 8

Respondents view on the relation between compensation system and employee willingness.

N o	Item	Respondents response	
		No	%
1	Do you believe the compensation system increase the employee's willingness to fulfill their duties and responsibility?		
	A. Yes.	40	77%
	B. No.	12	23%
	Total	52	100 %

2	If your answer is yes, how?		
	A. By increasing the salary of employees.	14	35 %
	B. By giving reward for extra output.	20	50 %
	C. By create conducive work climate.	2	5 %
	D. All.	4	10 %
	Total	40	100 %

From the above table shows that, 77 % of respondents believed that, the compensation system increase the employee's willingness to fulfill their duties and responsibilities.

The remaining 23% of respondents believed that compensation does not increase willingness and responsibilities of employee's. On the same table item no (2), 35% of respondents believed that, compensation system can increases employee's willingness and responsibilities by increasing the salary of employee's, 50 % of respondents believed that compensation are increases the employee's willingness and responsibilities by giving rewards for extra out put and, 5 % of the respondents believed that, compensation systems are increases responsibilities and willingness by creating conducive work environment, and the rest 10 % of respondents said that, compensation system can increase employee's willingness and responsibilities due to by all choices that indicated under item (2).

This implies that, the employee's willingness and responsibilities are increases due to by increases employees' salary.

Table 9.

Respondents view about salary increments in MOHA Soft Drink Company.

No	Item	Respondents response	
		No	%
1	In your stay in MOHA soft drink company have you ever get salary increment?		
	A. Yes.	40	77 %
	B. No.	12	23 %
	Total	52	100 %

2	If your answer is yes, why?		
	A. Because of high contribution for organization Productivity.	14	35%
	B. Because of seniority.	20	50 %
	C. Because of position.	2	5 %
	D. All.	4	10 %
	Total	40	100 %

As shown in the above table, 77 % of the respondents replied that, the company provide salary increment, and the remaining, 23 % of the respondents said that the company does not provide salary increment. And also item number (2) of the above table shows 35 % of the respondents said that, the company provides salary increment because of high contribution of employee's for the organization, 50 % of respondents said that, the company provide salary increments because of seniority, 5 % of respondents said that, the company provide salary increment because of position, and 10 % of respondents said that, the company provide salary increments because of combined factors. This implies that, salary increments in MOHA soft drink primly based on seniority.

Table 10

Respondents view about productivity of MOHA Soft Drink Company.

no	Item	Respondents response	
		No	%
1	Does the organization have a problem of productivity?		
	A. Yes.	30	56 %
	B. No.	22	44 %
	Total	52	100 %
2	If your answer is yes, why?		
	A. Due to lack of good compensation.	9	30 %
	B. Due to lack of modern producing Machineries.	8	27%
	C. Due to lack of finance.	6	20 %
	D. All.	7	23 %
	Total	30	100 %

The above table shows that, 56% of respondents replied that organizations have a problem of productivity and 44 % of the respondents replied that there are no problems regarding on the company productivities. In the same table item number (2), 30 % of the respondents said that problems of company productivities are due to lack of good compensation system, 27 % respondents said that, the problems for productivities is due to lack of modern producing machinery, and 20 % of the respondents said that, due to lack of finance and the remaining 23 % the respondents said that problems of company productiveness are due to all choice which including in the item number (2). The above table implies that majority of the respondents said the problem for productivity is due to lack of good compensation.

Table 11.

Respondents view about productiveness and commitment in MOHA Soft Drink Company

no	Item	Respondents response	
		No	%
1	What are the reasons for the organization productiveness and commitment?		
	A. Good compensation system.	20	38 %
	B. Good administration.	17	33 %
	C. Availability of human resource management.	4	8 %
	D. All.	11	21 %
	Total	52	100 %

As shown in the above table 38 % of the respondents said good compensation system, 33 % of the respondents replied good administration system, and 8 % respondents said that availability of human resource management and the remaining 21% of respondents replied that, due to all choice which include in the above table are the reasons for the organization productiveness and commitment. This implies that, the main cause of organization productiveness and commitment are based on good compensation system.

Table 12.

Respondents view about plans to increase productivity in MOHA Soft Drink Company

No	Item	Respondents response	
		No	%
1	Do you have any future plan to increase your productivity?		
	A. Yes.	27	52 %
	B. No.	25	48 %
	Total	52	100 %

2	If your answer is yes, how?		
	A. By discharging our responsibility.	10	37 %
	B. By using time efficiently.	8	30 %
	C. Both	9	33 %
	Total	27	100 %

As shown in the above table, 52 % of the total respondents have a plan to increase productivity, and the remaining 48 % of the total respondents replied that, they do not have a plan to increase productivity. And also item number (2) of the above table shows that, 37% of employees said increase their productivity by discharging responsibilities, 30 % of respondents said that, by using time efficiently and the remaining 33 % the total respondents said that, employees increase productivity by all choice which indicated in the above table.

Table 13.

Respondents view on competitive advantage of MOHA Soft Drink Company.

no	Item	Respondents response	
		No	%
1	Is there any competitive advantage that possess by the company?		
	A. Yes.	17	33 %
	B. No.	35	67 %
	Total	52	100 %
2	If your answer is no, why?		
	A. Due to uncommitted employer.	4	11 %
	B. Due to lack of company strategy.	19	55 %
	C. Due to lack of good management input.	4	11 %
	D. All.	8	23 %
	Total	35	100 %

The above table shows that, 67 % of respondents replied that, there is no competitive advantage that possess by the company, and the remaining 33 % of respondents said that, there is competitive advantage that possess by the company. In the same table item number (2) show that 11 % of the respondents said that the company has no competitive advantage due to uncommitted employer, 55 % of the respondents said that, due to company strategy, 11 % of the respondents said that, due to lack of good management input and the remaining 23 % of respondents replied, due to by all alternatives. This implies that majority of the respondents said, MOHA soft drink company has no competitive advantage due to lack of strategy. This means that individual employees not receive additional compensation on payments in the form of bonus and profit sharing.

Table 14.

Respondents view on wage and salary in MOHA Soft Drink Company.

no	Item	Respondents response	
		No	%
1	Is there any factor that affecting company's salary and wage administration system?		
	A. Yes.	31	60 %
	B. No.	21	40 %
	Total	52	100 %
2	If your answer is yes, what factors does affect the company's wage and salary administration system?		
	A. Administrative problem towards wage and salary.	14	45 %
	B. Educational back ground of employees.	5	16 %
	C. Un committed employers.	12	39 %
	Total	31	100 %

The above table show 60% of respondents replied, there is a factor that affecting company

salary and wage administrations, and 40 % of respondents are said that, there is no factor that affects the company salary and wage administration system. On the same table item number(2) indicated factors that affect the company's wage and administration systems are of 45 % of the respondents replied that the administration problem towards wage and salary, 16 % respondents said that, due to educational back ground of employees, and the remaining 39 % respondents said that due to un committed employees.

This implies that, there is basic problem in the company's wage and salaries administration system.

Views of human resources (HR) manager.

Interview made with the human resource manager of MOHA Soft Drink Company.

Q.1. Do you believe that the company's compensation system satisfies the worker?

➤ The company has established different pay system; first of all we have a salary scale which has considered the labor market as to assess the company pay system in connection to similar industries. The current operating salary scale is still sound to our employees, in this regard, the scale is approved in relation to job grades in order to respond employees need, particularly the professionals. And also that, all this package of pay systems are satisfying and motivating the employees at their work place, but it is not enough to all employees, and we have future plan to satisfy all employees.

Q.2. Did the company uses any mechanism to increase performance and productivity?

➤ First of all employees who are basically satisfied by the pay system and working conditions of the plan are expected to increase performance and productivity to certain degree, in line with the performance and productivity, the company established incentive pay and commission schemes.

Q.3. What are the determinant factors for the organization compensation system?

➤ Employees have to have objectives and goal to reach at using his earning from the plant. Employees shall contribute to achieve plant's objectives and goal, productivity in profitability. Hence, management of MOHA Soft Drink Company has to design and organize its policies in away both assisting each other in give and take approach.

Chapter four

4.1 SUMMARY, CONCLUSION AND RECOMMENDATION.

4.1.1. Summary.

The researcher attempts to summarize the findings that have been assessed during the process of conducting the research activity. As the researcher try to sort out the main factor that have an impact of compensation on employees' productivity and commitment under chapter three.

- Most of MOHA soft drink company employees said that, the company does not provide adequate compensation for employees.
- Majority of employees are not satisfied by the compensation system.
- Most of MOHA soft drink company employees believe that compensation system increase employees willingness to fulfill their duties and responsibilities.
- Majority of the company employees have a problem of productivity due to lack good of compensation.
- Majority of the company employees have a problem of good administration and availability of human resource management.
- Employee's payment and meeting their need is a key factor to increase productivity in an organization. Accordingly, a question has been asked to the top manager of the organization to elaborate the payment system of the organization and working condition. As the human resource manager replied that the available pay system is satisfactory but need improvement to meet potential employee's requirements.

4.1.2. Conclusion.

Based on the data analysis, interpretations and information's conducted from employees' response the following conclusions forwarded.

- MOHA Soft Drink Company is not providing adequate compensation for its employees due to the company compensation strategy.
- The strategies that MOHA soft drink company follow to pay higher compensation more related with experienced employees, this create the company gives little attention to educated employees.
- As shown in the study, majority of the respondents are not satisfied by the company compensation system. From this we can conclude that, employees who cannot be willingness to fulfill their duties and responsibilities.
- The strategies that MOHA soft drink company providing salary increment for their employees due to seniority and no focuses given to those providing high contribution for organization productiveness.
- The company uses different mechanisms like bonus and incentive program to motivate employees with related to issue of compensation. This shows that the employees in helping to achieve their goal of improving performance.
- MOHA Soft Drink Company has a problem of productivity, due to lack of good compensation strategies.
- MOHA Soft Drink Company does not possess competitive advantage to their employees as result of lack of company strategy.
- There are factors that affect the company salary and wage administration like, company pay plan.
- Packages of payment systems of satisfying and motivating to employees are not enough in the company.

4.1.3 Recommendation.

Based on this investigation, the researcher would like to suggest the following ideas as a recommendation for the company.

- The company tries to pay adequate compensation for their employees with related to their works.
- The company should try to give good attention to those educated employees related with experienced employees.
- The company should keep giving salary increment based on seniority, and also considering the employees who are gives high contribution for the organization productiveness.
- The company should increase salary and give service allowance to their employees.
- The company tries to give their employees different incentive especially for those who have excellent evaluation.
- The company as much as possible minimizes the problem of productivity by using different compensation strategies like, providing benefit and incentive, promotion and transfer.
- The company should to possess competitive advantages like, by creating good input management in the company.
- The company should try to check their strategies and also take appropriate correction for their employee's wage and salary administration.
- The company should increase the compensation and other benefit to satisfy its employees.
- The company should try to increase pay system and working condition, like creating friendly relation ship employees and the organization, ascertaining job security and ensuring organization sustainability to increase performance and productivity.

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