



# **ASSESSMENT OF COMPENSATION PRACTICE IN ASKU & BERHANE INVESTMENT GROUP (ABIG)**

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*A Thesis Submitted to St. Mary's University in Partial Fulfillment of the  
Requirements for the Award of the Degree of Master of Business  
Administration*

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**December, 2020**

**ADDIS ABABA, ETHIOPIA**

## **DECLARATION**

I hereby declare that this thesis entitled with “Assessment of Compensation Practice in Asku & Berhane Investment Group (ABIG)” has been carried out by me under the guidance and supervision of Dr. Abraraw Chane. The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

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## **CERTIFICATE**

This is to certify that Mr. Tibebe Nega on the thesis entitles “Assessment of Compensation Practice in Asku & Berhane Investment Group (ABIG)” is submitted to St. Mary’s University for the award of the Degree of Master of Business Administration (MBA) and it is a research work carried out by Mr. Tibebe Nega under my guidance and supervision. Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

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Signature of Board of Examiner’s

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## **ACRONYMS/ABREVIATIONS**

ABIG-	Asku & Berhane Investment Group
HRM-	Human Resource Management
SPSS -	Statistical Package for Social Science



## ***Abstract***

*Compensation is a complex topic that has a significant impact on organizational success (Luis et al., 2018). The main objective of this study was to assess Compensation Practice in Asku & Berhane Investment Group (ABIG). Specifically, it aimed to describe types of compensations, compensation practices, benefit of compensation practice and employees perception of the compensation practice in Asku and Berhane Investment Group (ABIG). The study used descriptive research design. Primary data, through structured questionnaire was collected from samples of 216 employees of Asku & Berhane Investment Group (ABIG). Simple random sampling was used to select samples from the target population. Data were analyzed using descriptive statistics with the help of SPSS version 23. The finding shows that the employee satisfied with indirect financial compensation and non-financial compensation and happy with the working condition, the working hours, organizational culture and work environment. However, the employee not satisfied with direct financial compensation, participation in compensation and benefit decision process and compensation practice and perceive there is a problem related with adequacy and equitability of payment. Therefore, Asku & Berhane Investment Group (ABIG) should assess area of problems to be addressed in the area of direct financial compensation, participation in compensation and compensation practice by taking continuous follow-up program and a feedback to evaluate the outcome of the compensation practice and take corrective actions. And the future research should investigate the effect of compensation practice on employee performance.*

***Key Words: Compensation Practice, financial compensation, non-financial compensation***

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Organizations are established with the aim of effectively utilizing various available human and non-human resources to achieve certain objective. Among these resources in human, which is commonly seen as the most valuable asset an organization could use to earn competitive advantage and achieve its objective, hence the need for human resources management to ensure optimum productivity and organizational continuous existence (Armstrong, 2005). It is the human resources that supply the knowledge, skills, creativity and their efforts to effectively and efficiency utilize other resources for the success of desired organizational objectives.

Organization successes and failure is determined by the effective and efficient utilization of its human and non-human resource. Human resource is a valuable asset for an organization and the organization is established with the aim of using its resources effectively to achieve its objectives and to get competitive advantages (Armstrong, 2005). The people working in an organization individually and collectively contribute to the achievement of the organization's objectives. The overall purpose of human resource management is to ensure that the organization is able to achieve success through people.

Employee compensations refer to all forms of pay or reward going to employees arising from their employment (Gary, 2015). People work for a living. It is rational that employees demand an appropriate level of compensation for their effort. Such compensation may be offered in monetary (direct) reward, such as salary and bonus, or bundled with other non-monetary (indirect) reward such as medical insurance (Mondy, 2010).

Compensation is a complex topic that has a significant impact on organizational success (Luis et al., 2018). It is one of the most important mechanism that companies can use to attract, retain, and motivate competent employees to perform in ways that supports organizational objectives. An effective compensation system can make a significant difference in gaining a competitive advantage over competitors.

Employee compensation can be a sensitive subject and people get very passionate when trying to determine the most appropriate compensation plan for any business. Many human resource-related concerns need to be addressed, but equally important is understanding the financial aspects of employee compensation. Employee compensation is much more than just the direct amount that you pay an employee. There are other costs that need to be incorporated in the overall payroll budget.

Asku & Berhane Investment Group (ABIG) is an umbrella management company that has formed a unique team of experts managing a diverse investment portfolio across different industries. The company aims to bring together a group of highly seasoned experts with a wide range of proficiency and astute leadership in our chosen investments. The company participate in different sectors such as Food & Beverage, Petrochemicals, Manufacturing, Import & Export, Engineering and Construction & Property Management. ABIG is currently managing over 15 companies.

As related to compensation management ABIG is undertaking a lot of measures to ensure effective salary system. The company strives to have a competent and satisfied employee in all aspects. To this end, the company tries to provide fair, equitable and adequate salary for its employees in order to motivate them to work hard and achieve the overall objectives of the company. Therefore, the aim of this study is to assess Compensation Practice in Asku & Berhane Investment Group (ABIG).

## **1.2. Statement of the problem**

The design and management of reward systems and structures are a key function within organizations, whether part of the remit of senior management, human resources practitioners or reward specialists. How an organization chooses to reward its employees is a matter of choice. However, the choices an organization makes with regard to reward strategy, systems, structure and policy are highly critical for the health and effective functioning of the organization and a key transmitter of messages to the external product and labor market within which the firm operates and the internal labor market. The decisions organizations make in terms of employee reward carry ramifications for recruitment, employee engagement, cooperation and control, team-working, productivity, and levels of job satisfaction and employee retention. Managing

reward effectively is, however, deeply complex and thus not without difficulty (Amanda & Alan, 2017).

Currently, there is competitive labor market for the industry that avail job opportunities with attractive compensation system. And as cost of living is swiftly increasing with each passing day, employees are seeking better remuneration in other relevant companies, if they found inequity in their existing one. It is obvious that, new company join the market and existing company expand the network of their branches so this may lead the competition gets tougher and recruiting and retaining qualified and experienced employee in tight job market become often pose up as a great challenge for the company (Beruk, 2013).

Employee compensation offers a diversity of rewards that may be monetary or nonmonetary. When employees found that they are under paid, they likely become ill motivated, dissatisfied and start to look for a better compensation package in other working environment. According to Shukla, et, el (2013), one common cause of high employee turnover rates is low pay and benefits packages. When a worker is employed in a low-wage position with limited benefits, there is little incentive to stay if a similar employer offers even a slightly higher rate of pay.

The existing system and structure of compensation management in Asku and Berhane Investment Group (ABIG) face some problems. According to the preliminary assessment of the researcher, many employees of ABIG complain that the existing compensation practice of the company is not competent enough with other companies in the same industry. Some of employees also believes that the company's compensation package is not satisfying their needs rather it is being a reason for de-motivation and dissatisfaction. The company has also compensated employees who have same work experience, qualification and related level of responsibility differently, according to significant number of employees' perception. Additionally, little study is conducted compensation practice of Asku and Berhane Investment Group (ABIG). In general, this study assess the existing compensation management practice of Asku and Berhane Investment Group (ABIG) and the perception of employees toward the practices. Therefore, this study assess Compensation Practice in Asku & Berhane Investment Group (ABIG).

### **1.3. Research Questions**

1. What are the types of compensations that are currently adopted by Asku and Berhane Investment Group (ABIG)?
2. What is compensation practices of Asku and Berhane Investment Group (ABIG)?
3. What are the benefits of compensation practice in Asku and Berhane Investment Group (ABIG)?
4. What is the perception of employee toward compensation practice in Asku and Berhane Investment Group (ABIG)?

### **1.4. Objective of the study**

#### **1.4.1. General objective**

The general objective of this study is to assess the current compensation practices of Asku and Berhane Investment Group (ABIG).

#### **1.4.2. Specific objectives**

The specific objectives of the study include the followings: -

- To describe types of compensations that are currently adopted by Asku and Berhane Investment Group (ABIG).
- To describe compensation practices of Asku and Berhane Investment Group (ABIG).
- To describe benefit of compensation practice in Asku and Berhane Investment Group (ABIG).
- To describe employees perception of the compensation practice in Asku and Berhane Investment Group (ABIG).

## **1.5. Significance of the Study**

The finding of this study expected to give feed back to the company to see whether the company's existing compensation and benefit practice is good or not. It is expected to provide clear knowledge to decision makers on compensation and benefit practice toward employee's motivation, job satisfaction, employee loyalty and competitiveness in the labor market.

In addition, the significance of the study is to provide a chance to the employees of the company to express their opinions and complaints on the compensation and benefits they receive. This could help the company to have better understanding on what its employees need. Furthermore, this study help another researchers in providing information which emphasize in the area of compensation practice.

## **1.6. Scope of the Study**

ABIG is undertaking its activities in many regions of the country, however due to the lack of time, budget and other constraints, the scope of the study encompass only the main office of the company located in Kazanchis – Addis Ababa. The reader should also bear in mind that the study was confined to data only obtained from Asku and Berhane Investment Group (ABIG) using closed ended questionnaire. The timeframe that the study cover is also from 2020/2021 fiscal year up to the current one. Through inclusive data collected from randomly selected employees both from permanent and temporary workers of the institution, the study tried to assess the up to date compensation and benefit scheme the company applied. Moreover, only quantitative research methods was employed to triangulate the findings.

## **1.7. Limitation of the study**

From 344 questionnaires distributed to sample respondents, only 216 returned back for analysis. Therefore, this study was based on result from 216 samples. Most of the respondents did not return all responses of the questionnaires and some of respondents was uncomfortable in replying answers to the questionnaire due to busy schedules of respondents at work place. To minimize this, the researcher has described the objective of the study to respondents.

## **1.8. Organization of the Study**

This study is divided into five chapters. The first chapter dealt with background of the study, problem statement, research questions, objectives of the study, research hypothesis, significance of the study, limitation and Scope of the study. Chapter two presents the theoretical, empirical related literature and depicts the conceptual framework. Chapter three is concerned with the methodology used for this study. Chapter four outlines data presentation, analysis and discussion and finally chapter five provides conclusion, recommendation suggestion for future research.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

The review of related literature has two major sub-topics. These are: theoretical literature and empirical literature.

#### **2.1. Theoretical related literature**

##### **2.1.1. Definitions of Compensation**

Compensation is the remuneration employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar non-monetary exchange for employees' performance" (Holt, 1993). Well-designed compensation systems facilitate organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. Moreover, Milkovichet. al. (2011) defines compensation as "all forms of financial returns on tangible services and benefits employees receive as part of an employment relationship". Compensation management performs organizational influence the employers' ability to compete for employees in the labor market that attract the new employees and retain the existing company work force. In the other hand pay dissatisfaction may lower performance, causes strike, increase grievance, and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther & Davis, 1996). Armstrong (2005) stated that compensation management is an essential part of human resources management approach to productivity improvement in the organization. It deals with the design, implementation and maintenance of compensation system toward the improvement of organizational, team and individual performance. In addition, Armstrong (2005) further defined that reward management is concerned with the formulation and implementation of strategies and Policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization. It deals with the design, implementation and maintenance of reward practices that are geared towards the improvement of organizational, team, and individual performance. Effective compensation has identified the following seven objectives: Acquire qualified personnel, retain current employees, guarantee pay



equity, reward desired behavior, control cost, fulfill with legal considerations, and facilitate understanding. Werther & Davis (1996) Organizations usually associate compensation/pay ranges with job descriptions in the organization. The ranges include the minimum and the maximum amount of money that can be earned per month in that role.

When the above definitions are summarized we can say that compensation is financial or nonfinancial return made to employees in lieu for their performance in achieving organizational goals where the former shall be in conformity with standards of fairness, equity and consistency. Fulfilling the ultimate objectives of compensation, i.e. attraction and retention of qualified personnel, cost control, cultivating desired employee behavior and team spirit rely on effective compensation system design, implementation and maintenance. Therefore, compensation is a process that ranges from strategy design to maintenance of the system implemented.

### **2.1.2. Objective of Compensation**

The objective of compensation system is creating a system of reward that is equitable to employers and employees so that employees are attracted to work and motivated to do good job for the employer. Employee compensation management system supports the achievement of the business strategy and it concern with developing a positive employment relationship and psychological contract, to address longer term issues relating to how people should be valued for what they do and what they achieve. It holds both financial and non-financial rewards, and thus all these need to be taken into account and integrated in order to maximize the effectiveness of the organization.

According to David Ross; success requires satisfied and loyal employees. Researches provide evidence that re-taking employees help customers and investors. “Organization with low turnover and satisfied employees tend to perform better. Job is the primary source of income and financial security for employees in an organization. Pay has large impact on employee attitudes and behaviors. It is also an indicator of status within the organization and in the society at large, so it contributes to some people self-worth. From the employers’ point of view, pay is powerful tool for meeting the organizations goals. It is a screen that filters which kind of employees are attracted and remain with the organization.

### **2.1.3. Type of compensation**

There are two types of compensation, these are Financial and non-Financial

#### **2.1.3.1. Financial compensation**

Financial compensation includes direct and indirect compensations made to an employee in terms of sum of money or its equivalent in kind or service.

**Direct compensation** is the money directly paid to employees in exchange for their labor. Direct compensation includes wages, salaries, bonuses, tips and commissions. It is most well recognized form of compensation and probably the first type of compensation preferred by most workers, is direct compensation (Monday & Noe, 1990).

**Indirect financial compensation** is a benefit that has financial value given to an employee, but it is not a direct monetary payment. It is often referred to as non-cash benefit. In certain circumstances, these noncash benefits may be more valuable to an employee than a high salary or wage (Monday & Noe, 1990). Indirect financial compensations include annual leave, overtime allowance, health insurance, life assurance, company car and mobile and pension funds.

#### **2.1.3.2. Non-Financial compensation**

Non-financial compensation: it doesn't have any monetary value. Includes any satisfaction which receive from the job, such as the need for recognition, responsibility, achievement, personal growth and the like or form environment in which they work including comfortable working condition, competent supervision, pleasant work friend and other related physical and social need of employees (Monday & Neo 1990).

### **2.1.4. Determining the Compensation and benefit packages**

The compensation and benefit packages should be selected on the basis of what is good for employees as well as the employer. Often knowing employees preference can determine which benefits should be offered. There are series of internal and external factors that influence compensation and benefit decisions. According to Ivancevich & Glueck, (1989), government directly affect compensation and benefits through wage control and guidelines which prohibit an

increase in compensation for certain workers at certain times, and laws directed at the establishment of minimum wage rate, wage and hour regulations, and prevention of discrimination directed towards certain groups. Its main concern is to ensure that the financial compensation support the social and economic interest of the broader society (Scarpello & Lendvinka, 1988). Another important external influence on an employer's compensation program is the labor unionization. Unions have an effect whether or not the organization's employees are unionized; Union tended to be pacesetters in demand for pay, benefits, and working condition and affect the overall compensation policy of organizations (Ivancevich & Glueck, 1989). Its main concern is to protect, maintain, and increase the welfare of workers ((Scarpello & Lendvinka, 1988). According to Ivancevich & Glueck (1989) the nature of the task affects compensation primarily in the method of payment for the job, such as the payment for the time worked or incentives.

One of the most significant factors in compensation is the nature of the employee and how employees' attitude and preference directly affect performance and pay structure. Organizations appear to attribute similar value for similar jobs and different values to different jobs. Organizations pay for the value they attach to certain duties, responsibilities, and other job related factors (Mondey & Noe, 1990) To sum up, employee preference, government regulation, trade union" influence, boom or recession experienced by overall economy and the nature of the task are factors important in determining compensation and benefit packages of an organization.

### **2.1.5. Compensation Management Philosophy**

Compensation management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to pass them. These include beliefs in the need to achieve fairness, equity, consistency and transparency in operating the reward system. The philosophy recognizes that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e., the return on investment they generate)(Armstrong, 2006). As John Walker, Jac & Miller (2009) noted, compensation management processes are based on compensation philosophies and strategies and contain arrangement in the shape of policies and strategies, guiding principles, structures and procedures which are developed and managed to provide and maintain appropriate types and levels of pay,

benefits and other forms of compensation. This constitutes measuring job values, designing and maintaining pay structures, paying for performance, competence and skill, and providing employee benefits. However, compensation management is not just about money. It is also concerned with non-financial compensation which provides intrinsic or extrinsic motivation. Process of compensation management is to establish and maintain an equitable wage and salary structure and an equitable cost structure. It involves job evaluation, wage & salary survey, profit sharing and control of pay costs.

The philosophy of compensation management recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy (Bohlander & Snell, 2004). According to Mathis & Jackson (2010), two basic compensation philosophies lie on opposite ends of a continuum and most compensation systems fall somewhere in between these two extremes. The philosophy will be affected by the business and HR strategies of the organization, the significance attached to reward matters by top management, and the internal and external environment of the organization (Armstrong, 2006).<sup>19</sup> In addition, Mathis & Jackson (2010) advocates regularly communicate to employees and managers about the compensation philosophy helps to reinforce the organizational commitment to it. A recent study found that communication of profit-sharing information increased knowledge, which influenced commitment and satisfaction. Communication also can enhance understanding and perceptions of pay policies, encouraging greater generalized pay satisfaction and career development.

Finally, establishing a dialogue with employees about total rewards enables them to be more involved with the development of pay systems that enhance talent and return on investment. A company's compensation philosophy can be used to develop individual talent in an organization.

### **2.1.6. Factors Affecting Compensation System**

As Armstrong (2002) noted, the most significant decisions that have to be made by those concerned with compensation management are about levels of pay. In making these decisions it is necessary to be aware of the various factors that influence pay levels. The following are economic theories and concepts provide guidance on the factors that affect pay levels: Labor

theory of value, the labor market, classical economic theory, external competitiveness versus internal equity, efficiency wages theory, the effort bargain.

According to (Barry et al, 2007) employee compensation plays such a key role because it is at the heart of the employment relationship, being of critical importance to both employees and employers. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and on benefits to provide income and health security. For employers, compensation decisions influence their cost of doing business and thus, their ability to sell at a competitive price in the product market. In addition, compensation decisions influence employer's ability to compete for employees in the labor market (attract and retain) as well as their attitudes and behaviors while with the employer (Gerhart & Milkovich, 1992; Heneman& Schwab, 1979; Milkovich & Newman, 1993). Explaining about compensation pay dimensions, pay can be in the form of cash or benefits (e.g., health care, retirement, paid vacation). On average, 70% of employees receive their payment in the form of cash, 30 % in the form of noncash. As per (Noe et al. 1994) health care has been the fastest growing benefit, and most employers describe the challenge of controlling this cost while providing quality coverage as one of their top human resource management challenges. Second, both benefits and cash compensation can be described in terms of their level (how much).

Most organizations use one or more market pay surveys to help determine what other organizations pay specific jobs in making their own pay level decisions. Therefore, to assess competitiveness in the product market, organizations should not focus only on pay levels. They should compare total labor costs, and better yet, they should compare with other organizations the sort of return (or productivity) they receive in terms of profits. In addition, the compensation pay nature can be differing within organization, an employing unit, steps or employee grades and also between different levels in the company structure.

## **2.2. Empirical Literature**

In spite of the above theoretical recognition compensation management practices and challenges, there are different studies which describes about compensation management practices and challenges. In this section, an attempt is made to assess the empirical studies conducted by different authors.

Eman (2010) found that there is no employees' discussion in preparing compensation plan in organization not only this even the employees don't know from where they can get information regarding the compensation plan of the organization. Employees are unsatisfied with the current monetary incentives bonus and so on. Eman (2010) finding shows that satisfaction level of employees with the existing remuneration system of the organization is limited in case of salary. This means employees may not stay in the organization for long period of time and this may not lead to increase turnover and absenteeism of the organization. He also recommends that the company attention should be given for improvement in area of existing remunerating system to increase the level of satisfaction of employees; the organization could be able to allocate appropriate remuneration system for satisfaction of employees and also he recommend the organization should administer the salary scale fairly based on the responsibility they have qualified and relevant year of experience to retain and motivate employees for higher performance.

Another study Bililign (2012) finding demonstrated that the benefit package of the company is not enough to cover the basic need of its employee and their families. Moreover, his study also established that the benefit package of the company is lower than similar and different company to cover the needs of its employees.

Study by Binyam (2015) revealed that many aspects of the compensation management practices of the telecom are exercised poorly. Due to this reason he found that the existing practice of the telecom fails to satisfy the needs of the employees and it makes the employees less motivated and dissatisfied in the telecom to work for long period service time. Similarly, Gashaw (2014) noted the importance of compensation management and he emphasized that compensation enables us to differentiate between our remuneration strategies and those of our competitors while still allowing flexibility, control and cost effectiveness. It provides a tool set for strategic remuneration planning that reflects our organization culture and payment strategies. In his findings and conclusion, the ground work for the compensation will be developed when the organization has a systematically developed compensation system and considers it to be a steering instrument in order to efficiency, effectiveness and to reach company goals.

In an organization environment where there is no carefully developed compensation system, it may be difficult to establish the ground work of compensation system. Thus, he argues that all

companies widely use organizational reward, but team reward, and individual rewards are rarely used in all companies when performance is achieved result. Additionally, Simachew (2014) found that as the results proved the sector bureaus were not in a good track in practicing training and development, career development, organizational development and performance appraisal. Ponduri & Aravind found employees' perception towards current compensation and benefits are unfair, not distributed between supervisor and clerical employees.

# **CHAPTER THREE**

## **METHODOLOGY OF THE STUDY**

### **3.1 Study Design**

The study used a descriptive research design. According to Kothari (1990) the major purpose of descriptive research is to describe the state of affairs as it exists at present. Descriptive design is appropriate because it involves collecting data in order to answer pertinent questions concerning the current status of subjects. The primary purpose of the study is to assess Compensation Practice in Asku & Berhane Investment Group (ABIG).

### **3.2. Research Approach**

This study has applied quantitative approach in order to assess Compensation Practice in Asku & Berhane Investment Group (ABIG). A quantitative approach is one in which the researcher collects, analyzes, and or “integrates” quantitative data in a single study to understand a research problem (Creswell, 2003). Quantitative research; is an approach for testing objective theories by examining the relationship among variables. These variables in turn can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures building in protections against bias, controlling for alternative explanations, and being able to generalize and replicate the finding (Creswell 2013).

### **3.2. Population and Sampling Design**

#### **3.2.1. Population of the Study**

Asku & Berhane Investment Group (ABIG) is profit based organization engaged in providing human resource, marketing, legal, logistics and other related service in different sectors. The Asku & Berhane Investment Group (ABIG) have 14 sectors company. The company have 2500 employees. The target population was employees of Asku & Berhane Investment Group (ABIG).



### 3.2.2 Sampling Design & Sample Size Determination

This study used simple random sampling method to draw the sample from the population of Asku & Berhane Investment Group (ABIG). Simple random sampling was chosen because of every member of the population has the same chance of being included in the sample. This technique was also preferred because it assists in minimizing bias when dealing with the population. A random sample of 344 respondents were selected from the total population, using Slovin's sampling formula as follows:

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

n = sample size

N = the size of the population (2,500)

e = level of precision (0.05)

$$n = \frac{2,500}{1+2,500 (0.05)^2} = 344$$

### 3.3. Sample Selection Technique

This study used simple random sampling (SRS) method in order to select samples of respondents' from Asku & Berhane Investment Group (ABIG). Once sample size is determined, a sampling frame was prepared using list of Asku & Berhane Investment Group (ABIG) employees. With this technique, the sampling frame was organized before selecting elements for the sample. From a complete list of Asku & Berhane Investment Group (ABIG) employees, simple random sampling method was applied to select sample respondents.

### 3.4. Source of Data

In order to get reliable and relevant information both primary and secondary data sources were used. Primary data were collected from employees of Asku & Berhane Investment Group (ABIG) using closed-ended questionnaire. Secondary data source for this study were different sources such as magazines, newspaper, books, journals, and different researches which were conducted on compensation practice.

### **3.5. Methods of Data Collection**

The study used survey questionnaire as a relevant method of data collection in the study. Based on this the researcher developed a questionnaire containing closed ended questions as an instrument of data collection which help to increase statistical efficiency of the data. This questionnaire was distributed to 344 respondents on the issue related with compensation practice in Asku & Berhane Investment Group (ABIG). A set of questionnaire anchored on Likert-type scale (ranged from strongly disagrees to strongly agree) were designed.

### **3.6. Methods of Data Analysis**

In this study, descriptive statistics were used. Descriptive statistics were used to analyze and describe a collection of quantitative data on compensation practice by using frequencies, percentages, arithmetic mean and standard deviation. In this study, descriptive statistics was used to analyze and describe a collection of quantitative data on compensation practice by using frequency tables, percentages, arithmetic mean and standard deviation through the use of Statistical Package for Social Scientists (SPSS) version 23 relevant methods of data analysis.

### **3.7. Validity of research Instrument**

Validity is the degree to which a test measures what it purports to measure (Creswell, 2009). According to him its purpose is to increase accuracy and meaningfulness of the inferences which are based on the research results. He contends that the validity of the questionnaire data depends on a crucial way the ability and willingness of the respondents to provide the information requested. Questionnaires was tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended by John et al. (2007). Then the revision and proper detection of questionnaire was undertaken by my advisor to ensure validity of the instruments. Finally, the improved versions of the questionnaires were distributed.

### **3.8. Ethical consideration**

All the sampled respondents included in this study were appropriately informed about the purpose of the study and their willingness and consent was secured before the commencement of distributing questionnaire. Regarding the right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In line with secondary data, the researcher acknowledged the sources of different studies undertaken by different researchers used in this study.

# CHAPTER FOUR

## DATA PRESENTATION, ANALYSIS AND DISCUSSION

### Introduction

This chapter presents research finding of the study carried out to assess compensation practice in Asku & Berhane Investment Group (ABIG). The chapter is guided by research objective which is to describe types of compensations, compensation practices, benefit of compensation practice and employees perception of the compensation practice in Asku and Berhane Investment Group (ABIG). The study was targeted 344 sampled employees of Asku and Berhane Investment Group (ABIG). Out of 344 target respondents 216 of them returned back questionnaires.

### 4.1 Demographic Characteristics of Respondents

#### 4.1.1. Gender of respondents

**Table 4.1: Gender of respondents**

Gender of respondents	Frequency	Percent
Male	125	57.9
Female	91	42.1
Total	216	100.0

#### Survey (2020)

As shown in table 4.1 above, the majority of respondents 125(57.9%) are male and the remaining 91(42.1%) respondents are female. This indicates the majority of sampled respondents are male.

### 4.1.2. Age of Respondents

**Table 4.2: Age of respondents**

Age of respondents	Frequency	Percent
20-25	34	15.7
26-31	109	50.5
32-40	45	20.8
41& above	28	13.0
Total	216	100.0

#### **Survey (2020)**

As shown in table 4.2, majority of respondents 109(50.5%) are between 26-31 age, followed by those who are between the age of 32-40 which constitutes 45(20.8%), then between 20-25 which constitutes 34(15.7%), then lastly by those above 41 which accounts 28(13.0%). This indicates the majority of sampled respondents are those in the younger age category.

### 4.1.3. Education of Respondents

**Table 4.3: Education of respondents**

Education of respondents	Frequency	Percent
Diploma	32	14.8
Degree	113	52.3
Master's Degree	71	32.9
Total	216	100.0

#### **Survey (2020)**

The above table 4.3, shows that most of the respondents are those who have bachelor degree 113 (52.3%) and followed by those who received Master's Degree 71(32.9%), then by those who have diploma which constitute 32(14.8%). This implies the majority of sampled respondents have bachelor degree.

#### 4.1.4. Experience of Respondents

**Table 4.4: Experience of respondents**

Experience of respondents	Frequency	Percent
Less than 3 years	62	28.7
4 to 5 years	97	44.9
6 to 8 years	49	22.7
More than 9 years	8	3.7
Total	216	100.0

#### Survey (2020)

As shown in above table 4.4, most of the respondents 97 (44.9) are those who have been serving in the interval of 3-5 years, followed by 62 (28.7%) those who have experience of less than 3 years, then by those who have been serving in the interval of 6-8 years which constitutes 49(22.7%) and finally by those who get more than 8 years of experiences which constitutes 8(3.7%).

### 4.2. Descriptive Analysis

In this part all Likert type questionnaires were get into analysis and interpretation. For five point Likert types questionnaires according to Gautum (2013),the mean range from 0.01-1.00, 1.01-2.00, 2.01-3.00, 3.01- 4.00 and 4.2-5 falls in response option of strongly disagree, disagree, neither agree nor disagree, agree and strongly agree category. Therefore, while making interpretation of the results of mean and standard deviation obtained from the sample of respondents were reassigned in line with this category to make the interpretation easy and clear.

#### 4.2.1. Direct Financial Compensation

The respondents of the study were asked to describe direct financial compensation and the findings presented in the following table.

**Table 4.5: Direct Financial Compensation**

<b>Direct Financial Compensation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The amount of pay I receive for my job is about equal to others doing similar work in other company	216	2.65	.525
I feel that I am well paid in comparison with my experience, responsibilities and qualification is equal to the required job	216	2.43	.650
I feel that the performance bonus structure fairly rewards my effort	216	2.37	.539
I am fairly rewarded taking into account the amount of education, training and experience that I have had	216	2.60	.562
Salary packages/monetary incentives are sufficient in my company	216	2.50	.640
The current salary and benefit being offered by the company is adequate to cope with the ongoing cost of life	216	2.52	.519
Salary and Reward available in your company is fair	216	2.57	.560
I feel that I am rewarded with better appraisal rates and grade promotions on my actual performance	216	2.46	.674

**Survey (2020)**

As shown in above table 4.5, in line with direct financial compensation, the respondents neither agree nor disagree in that the amount of pay they receive for their job is about equal to others doing similar work in other company with mean score of 2.65 and a standard deviation of 0.525. Similarly, the respondents remained neutral in that they feel that they are well paid in comparison with their experience, responsibilities and qualification is equal to the required job with mean score of 2.43 and a standard deviation of 0.650. Additionally, the respondents remained neutral in that they feel that the performance bonus structure fairly rewards their effort with mean score of 2.37 and a standard deviation of 0.539. Moreover, respondents remained neutral in that they fairly rewarded taking into account the amount of education, training and experience that they had with mean score of 2.60 and a standard deviation of 0.562. Furthermore,

respondents neither agree nor disagree in that salary packages/monetary incentives are sufficient in their company with mean score of 2.50 and a standard deviation of 0.640. Similarly, respondents neither agree nor disagree in that current salary and benefit being offered by the company is adequate to cope with the ongoing cost of life with mean score of 2.52 and a standard deviation of 0.519. In the same vein, respondents remained neutral in that salary and reward available in their company is fair with mean score of 2.57 and a standard deviation of 0.560. Similarly, respondents neither agree nor disagree in that they feel that they are rewarded with better appraisal rates and grade promotions on their actual performance with mean score of 2.46 and a standard deviation of 0.674.

In general, regarding direct financial compensation, amount of pay employees receive for their job is not equal to others in other company, employees do not feel that they are well paid in comparison with their experience, and qualification required to the job, employee do not feel that the performance bonus structure fairly rewards their effort, employee not fairly rewarded taking into account the amount of education, training and experience that they had, salary packages/monetary incentives do not sufficient in their company, current salary and benefit being offered by the company is not adequate to cope with the ongoing cost of life, salary and reward available in their company is not fair, they feel that they are not rewarded with better appraisal rates and grade promotions on their actual performance.

#### **4.2.2. Indirect Financial Compensation**

The respondents of the study were asked to describe indirect financial compensation and the findings presented in the following table.



**Table 4.6: Indirect Financial Compensation**

<b>Indirect Financial Compensation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The number of vacation, sick leave and insurance policy (safety, health) set by the company is adequate for me	216	3.60	.721
I am happy with company's assistance for loans - housing, vehicle, personal and staff loans	216	2.64	.789
My qualification and experience are considered for promotion and the opportunity are equal to other employees	216	3.37	.564
My company's retirement plan is competitive with others in the industry	216	3.51	.610
My company provides me a stock option and profit sharing programs	216	3.57	.804
I receive services such as, counseling, legal referral, career planning, wellness plan and fitness club membership from my company	216	2.87	.901

**Survey (2020)**

As shown in above table, the respondents agreed that the number of vacation, sick leave and insurance policy (safety, health) set by the company is adequate for them with mean score of 3.60 and a standard deviation of 0.721. Similarly, respondents neither agree nor disagree in that they are happy with company's assistance for loans, housing, vehicle, personal and staff loans with mean score of 2.64 and a standard deviation of 0.789.

Additionally, respondents agreed that their qualification and experience are considered for promotion and the opportunity are equal to other employees with mean score of 3.37 and a standard deviation of 0.564. Moreover, the respondents agreed that their company's retirement plan is competitive with others in the industry with mean score of 3.51 and a standard deviation of 0.610.

In the same vein, respondents agreed that their company provides them a stock option and profit sharing programs with mean score of 3.57 and a standard deviation of 0.804. Furthermore, respondents remained neutral in that they receive services such as, counseling, legal referral,

career planning and wellness plan and fitness club membership from my company with mean score of 2.87 and a standard deviation of 0.901.

In general, regarding indirect financial compensation, the number of vacation, sick leave and insurance policy (safety, health) set by the company is adequate, employees qualification and experience are considered for promotion and the opportunity are equal to other employees, their company's retirement plan is competitive with others in the industry and their company provides them a stock option and profit sharing programs. However, employee do not receive services such as, counseling, legal referral, career planning and wellness plan and fitness club membership from their company, they are not happy with company's assistance for loans, housing, vehicle, personal and staff loans.

### 4.2.3. Non-Financial Compensation

The respondents of the study were asked to describe non- financial compensation and the findings presented in the following table.

**Table 4.7: Non-Financial Compensation**

<b>Non-Financial Compensation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
I am happy with the working condition	216	3.57	.804
The working hours are satisfactory in the organization	216	3.68	.666
I am happy with organizational culture and work environment	216	3.55	.752
The company gives enough recognition for well done work and I feel I am appreciated at work	216	3.51	.734
I will receive a praise from my boss every time I accomplish a task successfully	216	3.28	.624

#### **Survey (2020)**

As shown in above table, respondents agreed that they are happy with the working condition with mean score of 3.57 and a standard deviation of 0.804. Additionally, respondents agreed that the working hours are satisfactory in the organization with mean score of 3.68 and a standard deviation of 0.666. Moreover, respondents agreed that they are happy with organizational culture and work environment with mean score of 3.55 and a standard deviation of 0.752. Similarly, respondents agreed that the company gives enough recognition for well done work and they feel

they are appreciated at work with mean score of 3.51 and a standard deviation of 0.734. Besides, respondents agreed that they will receive a praise from their boss every time they accomplish a task successfully with mean score of 3.28 and a standard deviation of 0.624.

In general, regarding non-financial compensation, employees are happy with the working condition, the working hours are satisfactory in the organization, employees are happy with organizational culture and work environment, the company gives enough recognition for well done work and employee feel they are appreciated at work and they will receive a praise from their boss every time they accomplish a task successfully.

#### 4.2.4. Compensation Practice

The respondents of the study were asked to describe compensation practice and the findings presented in the following table.

**Table 4.8: Compensation Practice**

<b>Compensation Practice</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The company provides a more flexible compensation system	216	2.48	.741
My company periodically evaluate the effectiveness of compensation	216	3.01	.692
There is reasonable periodical increase in salary	216	2.64	.646
My company conducts proper exit interview	216	2.91	.669
My company takes corrective action based on feedback from exit interview	216	2.68	.943
I feel the company is fair in general and treat employees fairly	216	2.44	.644
My company has good financial position to pay my salary and other related payments	216	3.00	.798
My company uses a job evaluation method to develop a pay system.	216	2.75	.814
Top management may like to pay higher pay to attract top talent	216	2.86	.789
The labor market highly affects My company ability to pay	216	2.40	.653

#### Survey (2020)

As shown in above table, the respondents neither agree nor disagree that the company provides a more flexible compensation system with mean score of 2.48 and a standard deviation of 0.741. On the other hand, the respondents agreed that their company periodically evaluate the effectiveness of compensation with mean score of 3.01 and a standard deviation of 0.692. The respondents also remained neutral in that there is reasonable periodical increase in salary with mean score of 2.64 and a standard deviation of 0.646. Additionally, respondents neither agree

nor disagree that their company conducts proper exit interview with mean score of 2.91 and a standard deviation of 0.669.

Moreover, respondents remained neutral in that their company takes corrective action based on feedback from exit interview with mean score of 2.68 and a standard deviation of 0.943. In the same vein, respondents neither agree nor disagree that they feel the company is fair in general and treat employees fairly with mean score of 2.44 and a standard deviation of 0.644. On the other hand, respondents agreed that their company has good financial position to pay their salary and other related payments with mean score of 3.00 and a standard deviation of 0.798. Similarly, respondents remained neutral in that their company uses a job evaluation method to develop a pay system with mean score of 2.75 and a standard deviation of 0.814. The respondents also neither agree nor disagree that top management may like to pay higher pay to attract top talent with mean score of 2.86 and a standard deviation of 0.789. Similarly, respondents remained neutral in that the labor market highly affects their company ability to pay with mean score of 2.40 and a standard deviation of 0.653.

In general, regarding compensation practice, the company do not provide a more flexible compensation system, there is no reasonable periodical increase in salary, their company do not conducts proper exit interview, do not takes corrective action based on feedback from exit interview, employees do not feel the company is fair and treat employees unfairly, their company do not use a job evaluation method to develop a pay system, top management do not like to pay higher pay to attract top talent. On the other hand, the company periodically evaluate the effectiveness of compensation and company has good financial position to pay their salary and other related payments.

#### **4.2.5. Perception of Employees towards the Compensation and benefit**

The respondent of the study were asked to describe perception of employees towards the compensation and benefit and the findings presented in the following table.

**Table 4.9: Perception of employees towards the compensation and benefit**

<b>Perception of employees</b>	<b>N</b>	<b>Mean</b>	<b>Std.Deviation</b>
There is adequate and equitable pay system in Asku and Berhane Investment Group (ABIG)	216	2.68	.850
My colleague in another department with the same qualification receives more compensation than I do	216	3.75	.730
The pay is fair compared with similar jobs in other organization	216	2.84	.872
Each employees treated equally without any discrimination who have similar work experience and education in Asku and Berhane Investment Group (ABIG)	216	3.76	.725
The current compensation and benefit package being offered by my Company are sufficient to survive with the ongoing cost of life	216	2.84	.917
Compensation and benefit package available in my company is fair	216	2.61	.745
The compensation and benefit package available in my company keep a balance between employees contribution and cost of the employer	216	2.68	.756
It provides the opportunity to attain self-interests (like building house, car, paying children school fee etc.	216	2.82	.801
The current compensation and benefit package provides appropriate payment for the work related experience and qualification I have	216	2.84	.826

**Survey (2020)**

As shown in above table, respondents neither agree nor disagree in that there is adequate and equitable pay system in Asku and Berhane Investment Group (ABIG) with mean score of 2.68 and a standard deviation of 0.850. However, respondents agreed that their colleague in another department with the same qualification receives more compensation than they do with mean score of 3.75 and a standard deviation of 0.730. Similarly, respondents remained neutral in that the pay is fair compared with similar jobs in other organization with mean score of 2.84 and a standard deviation of 0.872.

On the other hand, respondents agreed that each employees treated equally without any discrimination who have similar work experience and education in Asku and Berhane Investment

Group (ABIG) with mean score of 3.76 and a standard deviation of 0.725. However, respondents remained neutral in that the current compensation and benefit package being offered by their company are sufficient to survive with the ongoing cost of life with mean score of 2.84 and a standard deviation of 0.917. Additionally, respondents neither agree nor disagree that compensation and benefit package available in the company is fair with mean score of 2.61 and a standard deviation of 0.745. Besides, respondents remained neutral in that the compensation and benefit package available in their company keep a balance between employees' contribution and cost of the employer with mean score of 2.68 and a standard deviation of 0.756. Similarly, respondents remained neutral in that it provides the opportunity to attain self-interests (like building house, car, paying children school fee etc. with mean score of 2.82 and a standard deviation of 0.801. In the same vein, respondents neither agree nor disagree that the current compensation and benefit package provides appropriate payment for the work related experience and qualification they have with mean score of 2.84 and a standard deviation of 0.826.

In general, regarding perception of employees towards the compensation and benefit, there is no adequate and equitable pay system in Asku and Berhane Investment Group (ABIG), the pay is not fair compared with similar jobs in other organization, the current compensation and benefit package being offered by their company are insufficient to survive with the ongoing cost of life, the compensation and benefit package available in the company is not fair, the compensation and benefit package available in their company no balanced between employees contribution and cost of the employer, the company do not provides the opportunity to attain self-interests (like building house, car, paying children school fee etc, the current compensation and benefit package do not provides appropriate payment for the work related experience and qualification they have. On the other hand, in the company the colleague in another department with the same qualification receives more compensation than they do, employees treated equally without any discrimination who have similar work experience and education in Asku and Berhane Investment Group (ABIG).

#### 4.2.6 Involvement of Employees in Compensation and benefit decisions

The respondent of the study were asked to describe involvement of employees in compensation and benefit decisions and the findings presented in the following table.

**Table 4.10: Involvement of Employees**

<b>Involvement of employees in compensation and benefit decisions</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
I participate in compensation and benefit decision process	216	2.90	.638
My company provides more flexible benefit options	216	2.87	.918
I have good understanding of how my retirement benefits are calculated	216	2.92	.797
I know where to go for information related to benefits	216	2.91	.754
I should be given the option to decide on the pay mix at the beginning of the year	216	2.87	.799

#### **Survey (2020)**

As shown in above table, respondents neither agree nor disagree that they participate in compensation and benefit decision process with mean score of 2.90 and a standard deviation of 0.638. Similarly, respondents remained neutral in that their company provides more flexible benefit options with mean score of 2.87 and a standard deviation of 0.918. Additionally, respondents neither agree nor disagree that they have good understanding of how my retirement benefits are calculated with mean score of 2.92 and a standard deviation of 0.797. Moreover, respondents remained neutral in that they know where to go for information related to benefits with mean score of 2.91 and a standard deviation of 0.754. Similarly, respondents neither agree nor disagree that they should be given the option to decide on the pay mix at the beginning of the year with mean score of 2.87 and a standard deviation of 0.799.

In general, regarding involvement of employees in compensation and benefit decisions, employee do not participate in compensation and benefit decision process, their company do not provide more flexible benefit options, they do not have good understanding of how my

retirement benefits are calculated, they do not know where to go for information related to benefits, they should not be given the option to decide on the pay mix at the beginning of the year.



## **CHAPTER FIVE**

# **MAJOR FINDINGS, CONCLUSION, RECOMMENDATION & SUGGESTIONS FOR FUTURE RESEARCH**

### **Introduction**

This chapter presents major findings, conclusion and recommendation based on the findings of the study and suggest possible areas for future research.

### **5.1. Major Findings**

This study was carried to assess compensation practice in Asku & Berhane Investment Group (ABIG). Specifically, it tied to describe types of compensations, compensation practices, benefit of compensation practice and employees perception of the compensation practice in Asku and Berhane Investment Group (ABIG).

Regarding direct financial compensation, the finding of the study shows that amount of pay employees receive for their job is not equal to others in other company, employees do not feel that they are well paid in comparison with their experience, and qualification required to the job, employee do not feel that the performance bonus structure fairly rewards their effort, employee not fairly rewarded taking into account the amount of education, training and experience that they had, salary packages/monetary incentives do not sufficient in their company, current salary and benefit being offered by the company is not adequate to cope with the ongoing cost of life, salary and reward available in their company is not fair, they feel that they are not rewarded with better appraisal rates and grade promotions on their actual performance.

The finding of the study also shows that, in line with indirect financial compensation, the number of vacation, sick leave and insurance policy (safety, health) set by the company is adequate, employees qualification and experience are considered for promotion and the opportunity are equal to other employees, their company's retirement plan is competitive with others in the industry and their company provides them a stock option and profit sharing programs. However, employee do not receive services such as, counseling, legal referral, career planning and wellness

plan and fitness club membership from their company, they are not happy with company's assistance for loans, housing, vehicle, personal and staff loans.

Additionally, the finding of the study shows that regarding non-financial compensation, employees are happy with the working condition, the working hours are satisfactory in the organization, employees are happy with organizational culture and work environment, the company gives enough recognition for well done work and employee feel they are appreciated at work and they will receive a praise from their boss every time they accomplish a task successfully.

Furthermore, the finding of the study shows that regarding compensation practice, the company do not provide a more flexible compensation system, there is no reasonable periodical increase in salary, their company do not conducts proper exit interview, do not takes corrective action based on feedback from exit interview, employees do not feel the company is fair and treat employees unfairly, their company do not use a job evaluation method to develop a pay system, top management do not like to pay higher pay to attract top talent. On the other hand, the company periodically evaluate the effectiveness of compensation and company has good financial position to pay their salary and other related payments.

Moreover, the finding of the study shows that, regarding perception of employees towards the compensation and benefit, there is no adequate and equitable pay system in Asku and Berhane Investment Group (ABIG), the pay is not fair compared with similar jobs in other organization, the current compensation and benefit package being offered by their company are insufficient to survive with the ongoing cost of life, the compensation and benefit package available in the company is not fair, the compensation and benefit package available in their company no balanced between employees contribution and cost of the employer, the company do not provides the opportunity to attain self-interests (like building house, car, paying children school fee etc, the current compensation and benefit package do not provides appropriate payment for the work related experience and qualification they have. On the other hand, in the company the colleague in another department with the same qualification receives more compensation than they do, employees treated equally without any discrimination who have similar work experience and education in Asku and Berhane Investment Group (ABIG).

Additionally, regarding involvement of employees in compensation and benefit decisions, employee do not participate in compensation and benefit decision process, their company do not provide more flexible benefit options, they do not have good understanding of how my retirement benefits are calculated, they do not know where to go for information related to benefits, they should not be given the option to decide on the pay mix at the beginning of the year.

## **5.2. Conclusions**

This study assessed Compensation Practice in Asku & Berhane Investment Group (ABIG). Based on the finding most of the respondents responded that Asku & Berhane Investment Group (ABIG) amount of payment employees receive for their job is not equal to employee in other company, employees do not feel that they are well paid in comparison with their experience and qualification required to the job. This indicates, the company do not review periodic compensation need of its employees.

In line with indirect financial compensation, sick leave and insurance policy set by the company is adequate and their company's retirement plan is competitive with others and their company provides them a stock option and profit sharing programs. However, employee do not receive services such as, counseling, legal referral, career planning and wellness plan and fitness club membership from their company, they are not happy with company's assistance for loans, housing, vehicle, personal and staff loans. This indicates indirect financial compensation of the company is not sufficient.

The non-financial compensation of Asku & Berhane Investment Group is satisfactory indicating that employees are happy with organizational culture and work environment. This shows that non-financial compensation of Asku & Berhane Investment Group is sufficient.

The finding of the study shows that the company do not provide flexible compensation system, periodical increment of salary is not reasonable, the company do not use a job evaluation method to develop a pay system, top management do not like to pay higher pay to attract top talent. Hence, the compensation practice of Asku & Berhane Investment Group do not satisfy its employee needs.

Most of the respondents in Asku & Berhane Investment Group (ABIG) perceive there is a problem related with adequacy and equitability of pay system indicating the pay is not fair compared with similar jobs in other organization. This indicates employees perceive the compensation and benefit practice of Asku and Berhane Investment Group (ABIG) is not satisfactory and create a sense of inequality and demoralize determination for self-upgrading by individual employee.

The finding of the study shows that, regarding involvement of employees in compensation and benefit decisions, employee do not participate in compensation and benefit decision process, their company do not provide more flexible benefit options and they should not be given the option to decide on the pay mix at the beginning of the year. This indicates employees of Asku and Berhane Investment Group (ABIG) have minimal participation in compensation and benefit decision process.

### **5.3. Recommendations**

The finding of the study shows that there is unfair and inadequate payment structure. Therefore, the company should review salary payment structure between employees with the same qualification in different departments and also with similar external organizations.

This study found that employee do not receive indirect financial compensation. Thus, the Asku & Berhane Investment Group should assess its indirect financial compensation such as, counseling, legal referral, career planning and wellness plan and fitness club membership from their company, they are not happy with company's assistance for loans, housing, vehicle, personal and staff loans in order to satisfy its employee and reduce turnover of employees.

The non-financial compensation of Asku & Berhane Investment Group is satisfactory indicating that employees are happy with organizational culture and work environment as well as the company gives enough recognition and feel they are appreciated at work. Thus, the Asku & Berhane Investment Group should strengthen non-financial compensation in order to retain its employees.

This study found that majority of the employees is dissatisfied with the current compensation system. Thus Asku & Berhane Investment Group needs to revise the compensations package by

assessing the environment, the nature of jobs and employees expectation so that the dissatisfied employees be properly considered.

This study confirmed that employees' perception towards the current compensation is not satisfactory. Then, to improve the perception of compensation systems in the institution, the compensation should compromise the need of employees. The compensation criteria of Asku & Berhane Investment Group need to be refined in conformity to the purpose desired. The company should periodically evaluate the effectiveness of compensation.

The company should invite the employees to participate in to the compensation and benefit package development and implementation, so that the sense of responsibility entrusted into employees. Compensation and benefit should not be a onetime issue and need to be evaluated periodically for effectiveness.

In general, Asku & Berhane Investment Group (ABIG) should assess area of problems to be addressed in the area of direct financial compensation, participation in compensation and compensation practice by taking continuous follow-up program and a feedback to evaluate the outcome of the compensation practice and take corrective actions.

#### **5.4. Future Research Direction**

The study major purpose was to assess Compensation Practice in Asku & Berhane Investment Group (ABIG). This study is confined to assessing Compensation Practice. The finding shows that the employee satisfied with indirect financial compensation and non-financial compensation and happy with the working condition, the working hours, organizational culture and work environment. However, the employee not satisfied with direct financial compensation, participation in compensation and benefit decision process and compensation practice and perceive there is a problem related with adequacy and equitability of payment. Therefore, the researcher recommends future research direction to see the effect of Compensation Practice on employee performance.

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**APPENDIX A**  
**Questionnaire**

**St. Marry University**

**School of Graduate Studies**

**Department of Business Administration**

Dear Respondent,

This questionnaire has been designed to solicit information purely for academic purposes. This research is conducted as a partial fulfillment of the award of Master degree in Business administration in St. Marry University under the title “compensation practices of Asku and Berhane Investment Group (ABIG)”. Therefore, your participation in giving reliable information has a vital contribution for the success of this study. So, I respectfully request your kind cooperation in answering the questions as clearly and genuinely as possible. I would like to assure you that the information you provide will be used for research purpose only and all responses will be treated in strict confidentiality. Finally I would like to express my appreciation for your time, patience and diligence in responding to this questionnaire and for allowing me to fulfill my objectives.

**Note**

- Please don't write your name.
- please answer by putting “√” mark on the box with point which highly reflects your idea parallel to your choice.

Sincerely,



**Part One: Background Information**

1. Gender A. Male  B. Female
2. In which age group are you?
  - A.20-25  B. 26-31
  - C. 32-40  D. 41& above
3. What is your current Educational Qualification?
  - A. Diploma  B. Degree
  - C. Master’s Degree  D. Other
4. What is your Service year in Asku and Berhane Investment Group (ABIG)?
  - A. Less than 3 years  B. 3 to 5 years
  - C. 6 to 8 years  D. More than 9 years

**Part II: Questions related to Compensation practice.**

To what extent do you agree with the following statements regarding Compensation practice?  
 1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5= Strongly Agree

1	<b>Direct Financial Compensation</b>					
1.1	The amount of pay I receive for my job is about equal to others doing similar work in other company					
1.2	I feel that I am well paid in comparison with my experience, responsibilities and qualification that is equal to the required job					
1.3	I feel that the performance bonus structure fairly rewards my effort					
1.4	I am fairly rewarded taking into account the amount of education, training and experience that I have had					
1.5	Salary packages/monetary incentives are sufficient in my company					
1.6	The current salary and benefit being offered by the company is adequate to cope with the ongoing cost of life					
1.7	Salary and Reward available in your company is fair					
1.8	I feel that I am rewarded with better appraisal rates and grade promotions on my actual performance					

2	<b>Indirect Financial Compensation</b>					
2.1	The number of vacation, Sick leave and Insurance policy (safety, health) set by the company is adequate for me					
2.2	I am happy with company's assistance for loans - housing, vehicle, personal and staff loans					
2.3	My qualification and experience are considered for promotion and the opportunity are equal to other employees					
2.4	My company's retirement plan is competitive with others in the industry					
2.5	My company provides me a stock option and profit sharing programs					
2.6	I receive services such as, counseling, legal referral, career planning, wellness plan and fitness club membership from my my company					

3	<b>Non-Financial Compensation</b>					
3.1	I am happy with the working condition					
3.2	The working hours are satisfactory in the organization					
3.3	I am happy with organizational culture and work environment					
3.4	The company gives enough recognition for well done work and I feel I am appreciated at work					
3.5	I will receive a praise from my boss every time I accomplish a task successfully					

4	<b>Compensation Practice</b>					
4.1	The company provides a more flexible compensation system					
4.2	My company periodically evaluate the effectiveness of compensation					
4.3	There is reasonable periodical increase in salary					
4.5	My company conducts proper exit interview					
4.6	My company takes corrective action based on feedback from exit interview					
4.7	I feel the company is fair in general and treat employees fairly					
4.8	My company has good financial position to pay my salary and other related payments.					
4.9	My company uses a job evaluation method to develop a pay system.					
4.10	Top management may like to pay higher pay to attract top talent.					
4.11	The labour market highly affects My company ability to pay.					

<b>5</b>	<b>Perception of employees towards the compensation and benefit</b>					
5.1	There is adequate and equitable pay system in Asku and Berhane Investment Group (ABIG).					
5.2	My colleague in another department with the same qualification receives more compensation than I do.					
5.3	The pay is fair compared with similar jobs in other organization					
5.4	Each employees treated equally without any discrimination who have similar work experience and education in Asku and Berhane Investment Group (ABIG).					
5.5	The current compensation and benefit package being offered by my Company are sufficient to survive with the ongoing cost of life					
5.6	Compensation and benefit package available in my company is fair					
5.7	The compensation and benefit package available in my company keep a balance between employees contribution and cost of the employer					
5.8	It provides the opportunity to attain self-interests ( like building house, car, paying children school fee etc.					
5.9	The current compensation and benefit package provides appropriate payment for the work related experience and qualification I have					

<b>6</b>	<b>Involvement of employees in compensation and benefit decisions</b>					
6.1	I participate in compensation and benefit decision process					
6.2	My company provides more flexible benefit options					
6.3	I have good understanding of how my retirement benefits are calculated					
6.4	I know where to go for information related to benefits					
6.5	I should be given the option to decide on the pay mix at the beginning of the year					