



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

**ASSESSMENT OF VARIABLE PAY SYSTEM PRACTICES AND
CHALLENGES: THE CASE OF ETHIO TELECOM**

**PREPARED BY
AMANUEL TSEGAYE**

DEC, 2021

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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DECLARATION

I, Amanuel Tsegaye, hereby declare that this thesis is my original work, prepared under the guidance of Asst. Professor Shoa Jemal. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

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DEC, 2021

ENDORSEMENT

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

Shoa Jemal

Advisor

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St. Mary's University, Addis Ababa

DEC, 2021

Table of Contents

Acknowledgment-----	i
Acronyms /Abbreviations-----	ii
List of Tables-----	iii
List of Figure-----	iv
Abstract-----	v

CHAPTER ONE

INTRODUCTION -----	1
1.1 Background of the study-----	1
1.2 Organization of the study -----	2
1.3 Definitions of Key Terms -----	3
1.4 Statement of the problem-----	3
1.5 Research questions -----	4
1.6 Research objective -----	5
1.7 General objective -----	5
1.8 Specific objectives -----	5
1.9 Significance of the study-----	6
1.10 Scope of the study-----	7
1.11 limitation of the study -----	8
1.12 Organization of the paper-----	9

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical literature-----	10
2.2 Development of Variable Pay Systems-----	11
2.3 Components of Compensation-----	14
2.4 Why Introduce Variable Pay -----	15
2.5 Significance of Variable Pay -----	16
2.6 Approaches Variable Pay Systems -----	17
2.7 The different forms of variable pay system-----	18
2.8 Types of Variable Pay -----	19
2.9 key factors -----	21
2.10 Empirical literature -----	22
2.11 Conceptual Framework -----	23

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research design and approach-----	24
3.2 Population, Sample Size and Sampling Techniques -----	25
3.2.1 Research Population-----	25
3.2.2 Sample Size-----	25
3.2.3 Sampling Techniques-----	26
3.3 Source of Data-----	26
3.4 Data Gathering Instruments-----	26
3.5 Procedures of Data Collection-----	27
3.6 Pilot Testing-----	27
3.7 Method of Data Analysis-----	27
3.8 Ethical considerations-----	28

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Response Rate-----	29
4.2 Demographic Information of Respondents-----	30
4.3 Analysis of collected data-----	41

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of the major finding-----	42
5.2 Conclusions -----	43
5.3. Recommendations-----	45
References-----	46
Appendix I-----	49
Appendix II-----	56

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LIST OF ACRONYMS/ABBRIVATION

ETS	Ethiopian Telecommunication Services
ETA	Ethiopian Telecommunications Authority
ETC	Ethiopian Telecommunications Corporation
NAAZ	North Addis Ababa Zone
PBR	Payment-by-results
HR	Human Resource
SD	Sales Division
DC	Direct Channel
IDC	Indirect Channel

LIST OF TABLES

Table 3.1 Carvalho's Sample Size Determination -----	23
Table 3.2 Stratified Random Sampling Design form-----	23
Table 3.3: Pilot Sample Reliability Test Result-----	25
Table 4.1: Response Rate -----	27
Table 4.2.2 Linkage Variable Pay and Company Objectives-----	30
Table 4.2.3 Consistency-----	31
Table 4.2.4 Equitability-----	32
Table 4.2.5 Acceptance-----	33
Table 4.2.6 Performance measures-----	34

LIST OF FIGURES

Figure 2.1 Development of Variable Pay Systems-----	9
Figure 2.2 Conditions for Successful Variable Pay Plans-----	12
Figure 2.3 Components of Compensation-----	13
Figure 2.4 Components of Compensation: Determinants of variable pay-----	21

ABSTRACT

The major objective of this study is to assess Variable pay system practice and challenges of Ethio -Telecom. The research implemented both quantitative and qualitative approach. The study used random sampling technique to collect the data. The targeted a population of 4 managers for interview and 80 non-manager level employees to fill questionnaires. All the samples were taken from the Ethio telecom zonal office employees purposively assessment the real practice and challenge when implement variable pay system and policy then cascaded to the sales center branches. Data analysis was done using descriptive statistics with the help of numbers, percentage ratings were used to present the awareness of the respondents. Consequently, findings showed that employees real the current variable pay practice and challenge from the research it is observed variable pay system is considered as the reward which is given to employees against work to achieve organization objective and enhance performance on the way side of variable pay system on employee's acceptance, Consistency, equitability, performance measures. Major findings shown that the consistency problem of variable pay system design majority of the respondents disagree it means that the practice of payment system is randomly not consistent and not revise regularly in addition that another finding shown Performance measures variable pay system design, majority of the respondents disagree it means that the practice of payment system performance meareument not standard only linked directly to output when implement the variable pay system is not clear performance criteria recommended The variable pay system revise Regularly and also A consistent approach to reward management means that decisions on pay do not vary arbitrarily without due cause between different sales type and business at different times. In addition, that for establishing effective variable pay plans is to make them easy for employees to understand. If these plans are clear, employees can track performance against the objectives of the plan and see what variable pay they are earning. Successfully using variable sales compensation requires establishing clear performance criteria and measure Finally, the ultimate goal of utilizing a variable pay plan and improving employee performance is to increase organizational efficiency and profitability.

Key Words: *Variable pay; Consistency; Performance measures, Policy*

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Variable pay is incentive system the purpose of design for achieve company goal by selective hard task force those work task like sales for meet firm objective the method of meet goal by increase sales performance so realizing an action by scheme of incentive system

Pay for performance it means that the pay is vary depend on individual and group performance because of if someone accomplish action is high also the pay is high on other side accomplish low in the same way payment is low the fluctuate of performance change on incentive pay so on the variable pay appliance company meet and increase their business strategic plan because the sales target related with company goal

Variable pay is viewed as a mechanism of aligning and fine-tuning the interests of employees with those of the employer. Proponents of variable pay systems claim that such systems improve employee motivation, create culture in which employees genuinely care about organizational effectiveness and integrate an organization's labor costs to its ability to pay (Guthrie and Cunningham,1992)

Salesforce compensation should be distinguished from other employee pay structures because salesforce have a direct and measurable impact on the organization's revenue performance. The sales compensation plan, when designed properly, has a significant and positive impact on performance of salesforce, customer loyalty, and organization's financial results as part sales force increased motivation and retention of sales talent. Better sales focus and performance. side of customer high rate of customer acquisition and account penetration enhanced customer satisfaction and loyalty side of organization top line sales growth and improved profitability with better stability and sustainability of performance (Schuster & Zingheim,1993).

As pay is a strong communicator between an organization and its employees, its success or failure can ultimately have great impact on the overall success of the organization (Hill,1993).

Furthermore, pay is a powerful communicator of organizational goals and priorities across all

levels in the organization; therefore, organizations that expect to be more successful must make employees partners in their success (Schuster and Zingheim, 1993). Sales team's performance is affected not only by factors specific to them such as skill and aptitude of team members, but also by other organizational factors such as performance based reward structures (Churchill et al., 1981)

1.2 Organization of the study

According to the company profile booklet, the introduction of telecommunications services in Ethiopia dates back to 1894, i.e., seventeen years after the invention of telephone technology in the world. Because of different reason its name changed many times. Some of them are Imperial Board of Telecommunications of Ethiopia (IBTE), Ethiopian Telecommunication Services (ETS), Ethiopian Telecommunications Authority (ETA), and Ethiopian Telecommunications Corporation (ETC). As a continuation of the 2005/06-2009/10 five-year plan and after concentrating its efforts on education, health and agriculture, the Ethiopian government decided to focus on the improvement of telecommunication services considering them as key lever in the development of Ethiopia. Ethio telecom was born on 29 November 2010, from this ambition of supporting the steady growth of our country. Transition to Ethio telecom. Ethio telecom has got its current status since 29th November 2010 as a part of Ethiopia's 2005/06 – 2009/10 GTP following the federal government's decision to focus on improving telecom services, taking them as key to national development. Consequently, the country's telecom infrastructure and services have been transformed to world-class standards to facilitate the development of the country with a great paradigm shift in the improvement of the sector.

As per guideline of Ethio Telecom is taking great responsibility to improve the living standards of the people by accelerating the development of our country by improving the service delivery and customer management. In this regard, it is necessary to achieve better results in different areas such as sales, customer management. In order to achieve this result, an incentive framework has been developed, recognizing that special incentives should be given to those who work diligently and sincerely to achieve the desired results. Accordingly, the monthly plan and performance measure will be distributed to the employee at the beginning of each month in accordance with the institution's plan; This incentive will be implemented in light of the company's contribution to achieving its goals. The incentive fee is based on the monthly performance

1.3 Definitions of Key Terms

Variable Pay: defined strictly as pay which does not become a permanent part of base pay.’ (Armstrong, 1999). As Schuster Zingheim, (1992) put it: ‘variable pay is any form of direct pay not folded into base pay that varies according to performance’

Consistency: A consistent approach to reward management means that decisions on pay do not vary arbitrarily –without due cause –between different people or at different times

Performance Measurement: Performance measurement systems are characterized as strategic expert systems by which organizations observe and measure their intangible performance elements in the form of qualitative and quantitative assessments stated in the article of Fried (2010).

Policy: Policies are a set of general guidelines. They outline your organization’s plan for tackling certain issues (Crosby, B. C., & Bryson, J. M. (2005)

Equity: Equity is achieved when people are rewarded appropriately in relation to others within the organization. Equitable reward processes ensure that relativities between jobs are measured as objectively as possible and that equal pay is provided for work of equal value Armstrong (2002).

1.4 Statement of the problem

Gaps inconsistency when preparation employee performance outcome to employer and it has problem on standard of criteria when measurement performance in all eligible staffs. It has been observed that to correct the operating gaps and a similar procedure to make it exist

In addition, ownership increases, along with acceptance and understanding of the new pay system, when management and employees are properly communicated in the design of their compensation system (Cumming, 1988) and (McAdams, 1995, p. 54) Involving employees in improving an organization’s performance is the "key to competitiveness”.

According theory evaluate distinction between academic point of view and practical point of view on how to involvement and acceptance organization management with employee when design compensation policy specifically on variable pay program and also survey over all the real challenge and problem when implement on the spot. Finally lack of research on variable pay area up to date

1.5 Research questions

The following basic research questions are designed with to provide possible answer

1. How does the variable pay system linked with the company business strategic objectives?
2. What are the practices of the variable pay system in Ethio -Telecom?
3. What are the main challenges of the variable pay system in Ethio -Telecom?
4. What is the acceptance of employees concerning variable pay policy of the company?
5. How often the company revise performance measures and consistency of variable pay system?

1.6 Research objective

General and specific objective of the study are listed below

1.6.1 General objective

The main objective on the study to assessment variable pay system practices and challenges of Ethio -Telecom

1.6.2 Specific objectives

Based on the general objective of the study the following specific objectives are listed below

To identify what extent variable, pay system is linked with the company business strategic objectives

To identify the acceptance of employees concerning variable pay policy of the company

To identify how often the company, revise the standard of performance criteria

To recognize the awareness of employee concerning variable pay policy of company

To recognize the consistency of variable pay system?

1.7 Significance of the study

The output of this research is expected to give feed back to the company, especially variable pay system consistency and the standard performance measurement to sales performance direct channel and indirect channel section, with to see whether the company's existing incentive on variable pay practice and challenge encourages employees or not and to create an understanding within the employees that compensation is there any time to reward no more than what employees perform. Besides, it gives clear knowledge to decision makers on variable pay incentive practice toward employee's motivation, job performance, employee loyalty and competitiveness in the effort market place. Finally, it can also serve as a reference for further related research works.

1.8 Scope of the study

The study has been under taken in the budget year 2013 E.C variable pay system issue are mainly but in the study Linkage Variable Pay and Company objectives, consistency, equitability, acceptance and performance measurement. Methodologically the research used descriptive research design with quantitative and qualitative approach geographically the study is under taken in Addis Ababa north Addis Ababa zone (NAAZ)

On the specific office sales division department of residential sales direct channel (DC) and indirect channel (IDC)

1.9 limitation of the study

The limitations accompanying when reach the study in relation to expected unwillingness of respondents in filling out questioners which in sequence affect time budget and quality of data. The other challenge may relate with the different work place of sales center in geographic coverage and the reason of corona virus difficult on mode of delivery questioner in addition when fill improbability data difficulty in sorting and organizing written documents are challenge of limitations. the researcher designs the research properly and managed the challenges by include e-mail communication in the process of the study

2.0 Organization of the paper

The thesis is organized and offered in five major different chapters. The first chapter stands for introduction of the study which consists of background of the study with background of the organization, statement of the problem, major and specific objectives of the study and also scope of the study, limitation, and organization of the paper.

The next chapter which is chapter two contains different literatures on the area which discusses various theories and concepts on variable pay practice in organization. Then, chapter three shows the research methodology. Furthermore, chapter four presents all the collected data in a clear manner and the analysis accordingly. Finally, the fifth chapter portrays the summary, conclusion and recommendation part.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature

variable payment is a system that rewards employees for their outcomes in the industry Heneman (2002). As per Heneman variable pay like system and tools the other or one of incentive method for based employee performance and outcomes.

Under such schemes, employees shoulder an equal share of the risk with the employer (Suff P and Reilly P.,2004). Variable pay: With this system a percentage of base pay is at risk and will be earned only if targets are met (Giblin and Kelley, 1994)

The variable pay is cash payments to people in the form of performance pay or bonuses based on their own performance or that of your team or organization (Armstrong & Murlis, 2007).

Zingheim and Schuster (2004) advise setting realistic goals, warning that too often a firm will set selling targets based on what it needs – or hopes for – rather than what is possible. Michael & Heneman (2000) state that organizations increasingly use variable pay plans to reward employees for the results they achieve Most time the payment method of variable pay in cash depends own performance.

Eriksson & Ville Val (2008) emphasize the link between pay and performance, but they can also help firms attract productive employees. According Eriksson the performance of each employee and group link with payment for this reason this type of incentive attractive productive employees. Incentives and reward system direct worker's capabilities into more efficiency in their work in an attempt to achieve the institution's goals (Gana and Bababe, 2011).

“A portion of remuneration, also known as “pay at risk” that has to be earned on each occasion, usually by meeting or exceeding individual, team or organizational performance criteria Schuster Zingheim, (1992)

Variable pay is compensation linked to individual, team, and/or organization performance. Traditionally also known as incentives, variable pay plans are attempts to tie additional tangible rewards given to employees for performance beyond normal expectations. The philosophical foundation of variable pays rests on several basic assumptions:

- ❖ Some jobs contribute more to organizational success than others
- ❖ Some people perform better than others.
- ❖ Employees who perform better should receive more compensation.
- ❖ A portion of some employees' total compensation should be given to reward

above-satisfactory performance.

Contrast the assumptions above with a pay system based on seniority or length of service

2.2 Development of Variable Pay Systems

Variable Pay Systems have traditionally existed in different forms such as piecework wages, commissions or bonuses connected with productivity. These are what we have called “Old Forms of Variable Pay Systems”. Between the 1980s and 1990s, many companies found difficulties in competing in the global market (their costs were too high and their quality of output too low). This was the situation for some American companies, for example (Belcher, 1996). Taylor's principle of division of labor does not work and the established management model was not useful. To adapt quickly to environmental changes employees had to be motivated to the results and viability

of business (Belcher, 1996). Beside this changes, an increased role of financial activity and financial institutions as an important point of the transformations of economy and society is observed (Stock hammer, 2013). This situation is known as financialization and include rising indebtedness of households, more volatile exchange rates and asset prices and short-termism of financial institutions. In this extension, some new features could be found. One novelty consists in seeing how some of what we called “New Forms of Variable Pay Systems” have emerged, such as the Financial Participation of Employees in Companies, that did not exist before

For all these reasons, the compensation system needed to change with the new framework. This would be the reason why Variable Pay Systems were introduced: to adapt the new situation of international markets, in order to improve competitiveness level.

Traditional payment systems have been reviewed in response to changing business objectives and new forms of work organization (Arrow smith, Nicholai Sen, Becher, & None’Il, 2010). As a result, performance compensation is growing in importance (Dale-Olsen, 2012). In this context, it is often stated that remuneration for performance or variable is fundamental for competitive organizations (Appelbaum & Shapiro, 1991; Appelbaum & Shapiro, 1992).



Figure 2.1 Development of Variable Pay Systems

2.3 Components of Compensation

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.

Werther and Davis in Wibowo (2012) define compensation as what employees receive in exchange for their contribution to the organization, in compensation there is an incentive system that links Compensation has many meanings with the same aims and objectives, namely regarding remuneration, reward, compensation for contributions and rewards in the form of financial and non-financial for the work that has been completed.

Compensation to performance is the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it (Armstrong, 2006). performance as a salesperson's contribution to the goals of the organization (Churchill et al., 1985).

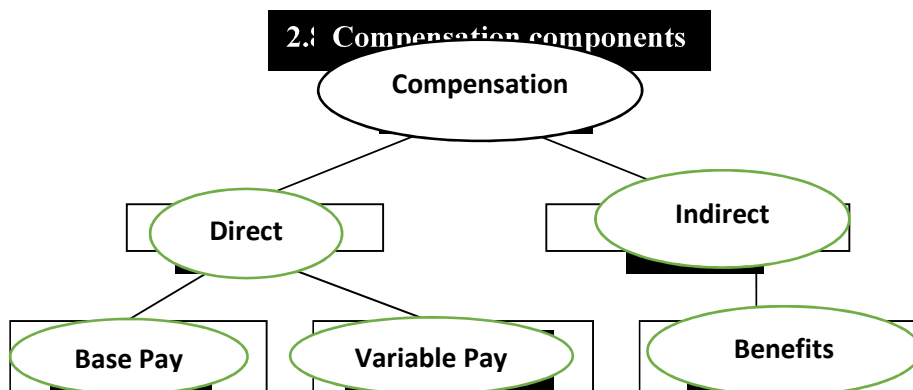


Figure 2.3 Components of Compensation

Variable pay is often a key component of the total reward package. According to Byars and Rue (2005), rewards are of two types, the extrinsic rewards and intrinsic rewards. These extrinsic and intrinsic rewards are also referred to as financial and non-financial rewards

Armstrong (2007), mentioned that all the reward management policies and practices supposed to operate in accordance with the principles of distributive and natural justice identify below factors

Equity: -is achieved when people are rewarded appropriately in relation to others within the organization. Equitable reward processes ensure that relativities between jobs are measured as objectively as possible and that equal pay is provided for work of equal value.

Consistency: -A consistent approach to reward management means that decisions on pay do not vary arbitrarily –without due cause –between different people or at different times. They do not deviate irrationally from what would generally be regarded as fair and equitable.

Transparency: -exists when people understand how reward processes function and how they are affected by them. The reasons for pay decisions are explained at the time they are made. Employees have a voice in the development of reward policies and practices.

Strategic alignment: -The strategic alignment of reward practices ensures that reward initiatives are planned by reference to the requirements of the business strategy and are designed to support the achievement of business goals

2.4 Why Introduce Variable Pay?

In their 1992 book, Schuster and Zingheim give pride of place to variable pay. It is the ‘centerpiece’ of the new approach to reward. This is because it ‘facilitates employee-organization partnership by linking the fortunes of both parties’. Their emphasis is on the linkage between reward and business strategy, a key element in ‘new reward’ thinking (Reilly, 2003). Variable pay achieves this by reflecting a common purpose for the organization.

2.5 Significance of Variable Pay in Compensation Management

As per Madhani, P. M. (2011) Progressive organizations are seeking alternative pay methods to both maintain cost controls on overall compensation expenses and increase employee performance and productivity. One possible alternative is variable pay for performance, a method of paying employees for successful attainment of specific sales performance objectives. Variable pay design can include incentives for achievement based on individual performance, group performance and/or company performance. Variable pay creates a belief among employees that good performance will lead to higher overall pay, minimize the perceived negative consequences of performing well or surpassing performance targets (fear that the performance bar will be raised).

Variable pay is viewed as a mechanism of aligning and fine-tuning the interests of employees with those of the employer. Proponents of variable pay systems claim that such systems improve employee motivation, create culture in which employees genuinely care about organizational effectiveness and integrate an organization's labor costs to its ability to pay (Guthrie and Cunningham, 1992). In recent times, more emphasis is laid on the use of variable compensation plans instead of fixed forms of pay mainly to enhance employee morale and productivity and thus overall firm performance (Marks, 2001).

Variable pay schemes include individual, group and organizational forms of reward and remuneration such as bonus, incentive, profit share and various pay-for-performance schemes. They essentially are based on a principle that an individual's pay should vary based on the performance of the individual, group, or organization, in order to encourage efforts of an individual to higher level

Difference between Fixed Versus Variable Pay

The main goal for an HR manager is to hire high quality and competent sales employees to earn the sales organization as much revenue and profit as possible. Once these employees have been hired, inducted, and trained, HR managers need to find a way to motivate them. When organizations think of motivating sales force, they think of ways to reward their achievement and performance through an appropriate compensation strategy. Sales compensation structure comprises two core elements - fixed pay and variable pay as explained below

Fixed pay, also known as base pay, is non-, discretionary in nature and does not vary according to performance or results achieved by the sales employee. Fixed pay compensation is usually determined by the sales organization's overall pay philosophy and compensation structure.

Variable pay, also known as pay at risk, changes directly with the level of performance or results achieved by the sales force. Variable pay provides incentives for sales force to focus on the quality of the sale-deals that generate profit and cash flow

2.6 Approaches Variable Pay Systems

We would find three different approaches from literature to the reasons for the introduction of Variable Pay Systems (Arrowsmith et al., 2007):

1 Neoclassical Economics Approach

in a free market situation, without institutions or regulations, like trade unions, wages reflect the different productive capacities of workers (Minford,1985). So, pay systems would be configured by incentives which link effort and performance to rewarding employees (Marsden et al.,1999), creating a virtuous circle. (Arrowsmith et al., 2010).

2 Industrial Relations Approach

According to some authors like Kessler and Purcell (1995), Variable Pay Systems would expose employees to market-risk and would reduce union roles through the process of decentralization and individualization of collective bargaining, (Arrowsmith et al. 2010). From the unions' point of view, Variable Pay Systems sometimes appear contrary to equality and fairness. And, sometimes, some schemes, like PRP, could be considered by unions as a fair way of differentiating in terms of effort and performance. (Arrowsmith et al. 2010).

3 Human Resource Management Approach

from this point of view, Variable Pay Systems are a strategic response from Human Resource Management to international competition, deregulation and weakening institutions of collective bargaining, (Lawler, 1995).

At this point, we can connect this point of view, which mainly comes from Business and Management approach with neoclassical competitive model of labor market from Labor Economics, where wages are determined by worker productivity level. So get a bigger motivation

from the employees can be a manager's biggest challenge. (Boachie-Mensah, F, 2011). Because more motivation can imply more productivity and more productivity can imply more competitiveness for the firm. In this way, Variable Pay Systems would be a tool to improve motivation level and have a clear interaction with wages. But moreover, as wage determination is connected with collective bargaining, in most European countries, for example, Variable Pay Systems and Performance Related Pay are may be related to collective bargaining.so this study more related to neoclassic economic approach

2.7 The different forms of variable pay system

Variable pay systems are commonly divided into the following three main categories:

1.Payment-by-results schemes: such as productivity bonus and sales incentives, where proportion of the employee's pay is linked directly to the level of output or business outcome.

The classic payment-by-results (PBR) scheme is the traditional productivity incentive used in manufacturing industry to raises hop floor output. Such schemes aim to motivate employees to exert more effort. According to Armstrong (1999), a PBR scheme must meet the following criteria for it to be effective

- A clear and direct link between effort and reward
- The value of the reward is appropriate for the effort exerted
- Individuals are able to control their level of effort in order to earn the reward
- Rewards closely follow the effort
- Individuals are unable to manipulate the scheme to earn excessive rewards

2. Performance schemes: including individual performance-related rewards and team-based pay, where employees are encouraged to meet specific standards or objectives that are not necessarily linked directly to output but help the organization achieve its overall business goals.

The majority of bonus schemes fall within this category as even the most basic are no longer tied exclusively to measures of output. For example, those that focused on sales growth alone may have broadened out targets to reduce the miss selling risk. Team or company-wide schemes, such as multi-factor bonus systems, which generally combine both output and input factors and rely on a set formula to calculate awards are increasingly common examples of performance-based variable

pay arrangements. Single-factor schemes, which focus on a specific objective, such as attendance, are also relatively popular.

Although most performance schemes focus on improvements that are substantially within the control of employees involved, such as product quality and customer service, some combine such measures with broader organizational objectives, such as profitability, over which staff can exercise very little direct influence. Ideally, profit-related schemes should fall within the scope of the financial participation category, but the distinction is blurred by incentive schemes that are linked to broad business targets, such as profitability, but with payouts determined by individual performance ratings often based on an assessment of what a person achieves and how they achieve it. Some organizations attempt to retain the 'line-of-sight' link in bonus schemes that contain broad financial factors by including a business unit profit target or sales growth

3. Financial participation schemes: such as profit sharing paid in cash or shares via some form of equity-based arrangement, where employees are entitled to a share of the organization's performance or profits.

Sales Performance Measurement

Successfully using variable sales compensation requires establishing clear performance criteria and measures. Generally, no more than three sales performance measures should be used in a sales compensation plan. Consultants criticize many sales commission plans as being too complex to motivate sales representatives. Other plans may be too simple, focusing only on the salesperson's pay, not on organizational objectives. Although many companies use an individual's sales revenue compared to established quotas as the primary performance measure, performance would be much better

2.8 Types of Variable Pay

Variable pay plans can be established that focus on individual performance, team or group performance, and on organization-wide performance. An important feature of variable pay plans is that incentives increase the degree of cooperation in teams, whereas individual incentives do not

Individual incentives

Given to reward the effort and performance of individuals. Some of the most common means of providing individuals variable pay are piece-rate systems, sales commissions, and bonuses. Other means include special recognition rewards such as trips or merchandise. Two widely used individual incentives focus on employee safety and attendance. One of the difficulties with individual incentives is that an employee may focus on what is best individually and may block or inhibit performance of other individuals with whom the employee is competing. That competition particularly occurs if only the top performer or winner receives incentives.

Group incentives

Gainsharing plans where employee teams that meet certain goals share in the gains measured against performance targets. Often, gain sharing programs focus on quality improvement, labor-cost reduction, and other measurable result.

Organization incentives

Reward people for the performance of the entire organization. This approach reduces individual and team competition and assumes that all employees working together can generate better organizational results that lead to better financial performance. These programs share some of the financial gains to the firm through payments to employees. The payments often are paid as an additional percentage of each employee's base pay. Also, organizational incentives may be given as a lump-sum amount to all employees, or different amounts may be given to different levels of employees throughout the organization. The most prevalent forms of organization wide incentives are profit-sharing plans and employee stock plans. For senior managers and executives, variable pay plans often are established to provide stock options and other forms of deferred compensation that minimize the tax liabilities of the recipients.

2.9 key factors

An important factor in the success of any variable pay program is that it be consistent with both the culture and the financial resources of the organization. Gross and Bacher (1993) have identified some of the critical factors in proper design and implementation of variable pay for performance plans. These include;

- 1) senior management support, 2) employee acceptance, 3) clear goal definition and unambiguous performance measures clearly linked to employee efforts, 4) a supportive organizational culture, 5) clear communications, and 6) strong education and training.

Incentive pay can pull a company out of the doldrums of complacency and create a new, vibrant operating environment in which all truly espouse the concept of “shared destiny” and believe that every individual can make a difference and will be rewarded based on that difference (Gross & Bacher, 1993).

2.10 Empirical Review

The above theoretical variable pay system 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.

Ahmed Kellil (2010) researched on employee perception on compensation and benefit policy in the case of some selected government institute in Addis Ababa. This study examined the perception of employees regarding the compensation and benefit policy in government higher education institutions found in Addis Ababa. The findings showed that employees perceived the current compensation and benefits inadequate, employees did not participate in compensation and benefits decision, and is not well communicated to employees. Moreover, it was perceived that the effectiveness of compensation and benefits was not evaluated and the policy was no revised. He concluded and recommended that the compensation and benefit policy should be periodically revised taking into account the market conditions and nature of the job. The analysis category there was a slight difference between age groups, educational qualification, work experience, and salary level of employees.

According to Suzanne and Luthans (2006, vol9) conducted a study on found out that although both financial and non-financial incentive had a significant impact, the financial incentive

was found to have a greater initial impact than the nonfinancial incentive. Money is readily perceived as having a high instrumental value that makes putting forth extra effort worthwhile. Also, the monetary incentive may have a long-run effect in terms of staying or leaving (i.e., turnover rates) because of comparative value for alternative employment. Bonuses and commission motivates the employees to put in all activities and efforts during the year to achieve more than a satisfactory appraisal that increases the chance of earning several salaries as a lump sum (Lin, 2007). Suzane and Fred (2006), conducted a study on The impact of financial and non-financial incentive on business –unit outcomes overtime and found out that the financial incentive found to have a greater initial impact than non-financial incentive. According to Gerhat and Rynes (2003) increase in financial incentives such as promotion, and bonuses enhanced employee loyalty which increases the employees performance and reduce turnover.

2.11 Conceptual Framework

Based on research objective and literature review the following concern frame words has been developed The conceptual framework for variable pay system practice and challenges based on the theoretical perspective and empirical results, every compensation practice will be faced a problem due to the factors in proper design and implementation of variable pay system

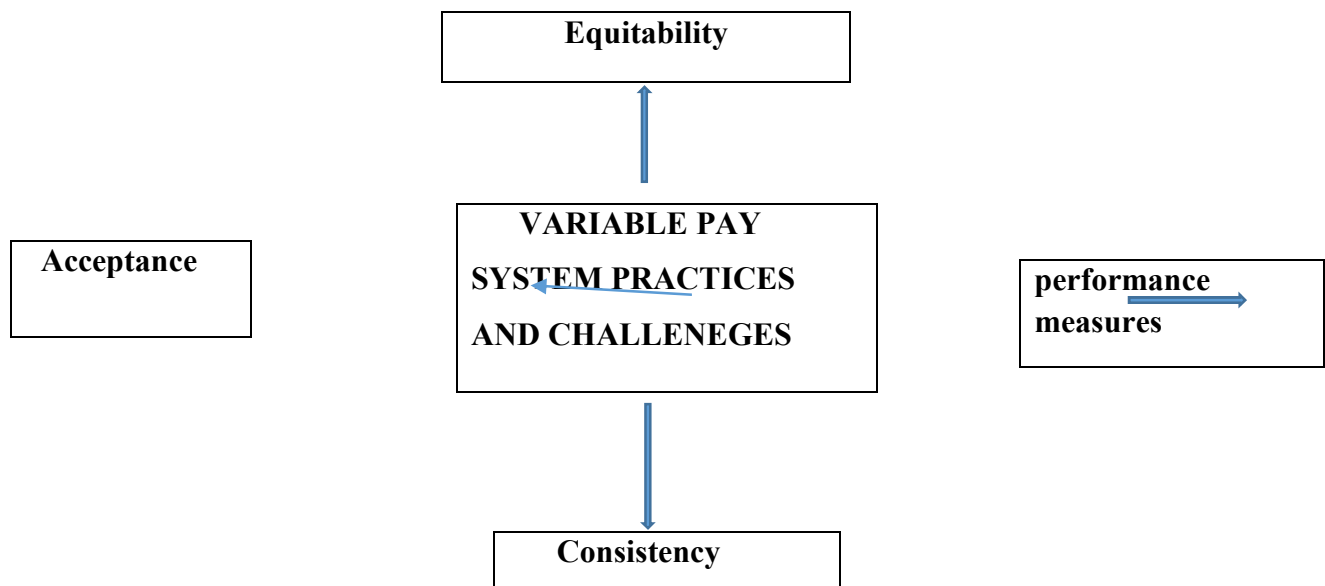


Figure 2.4 Components of Compensation: Determinants of variable pay

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Research design and approach

The researcher used mixed (both qualitative and quantitative) approaches to analyze the collected data. According to Creswell (2003) the use of both qualitative and quantitative approaches is cycle so that the overall strength of the study is greater than either qualitative or quantitative research. Thus, this approaches are selected to express the current phenomenon of a situation and gives prediction depending on the finding of the research and to Descriptive the basic questions stated in the research.

In this particular study Descriptive research is best suited to collect exact information concerning the current practice of the company variable pay schemes. Descriptive researches are those studies which are concerned with describing the characteristics of a particular individual, or group and it includes surveys and fact-findings enquiry of different kinds. This technique was used to interpret and analyze the organized data.

3.2 Population, Sample Size and Sampling Techniques

3.2.1 Research Population

According to Hair, et al (2010) target population is a specified group of people or object for which questions can be asked or observed to collect required data structures and information.

The population consisted Ethio-telecom structure separate by division my study focus on zonal level sales division(SD) with two channel direct channel and indirect channel in addition that categorized department residential sales and enterprise sales so my research more attentions to specific residential sales on level of middle management and non-managerial groups

According of NAAZ HR data Jun, 2021 record there are 298 employees in Addis Ababa branch of north Addis Ababa zone who are eligible for variable pay incentive.

3.2.2 Sample Size

The sample size is very important for the clear understanding of the population of the study to be undertaken. Alreck & Settle (1995) states that sample size is determined after considering statistical precision, practical issues and availability of resources. The sample consisted of employees working in branch found in Addis Ababa zone office. The categories of respondents were included sales and fixed network. Therefore, the sample size was determined by considering the total population of branch of NAAZ found in Addis Ababa. The researcher has used both stratified and simple random sampling method to select respondents from the targeted population. According of NAAZ HR data Jun, 2021 there were 298 employees of authorized for variable pay. From this target population, 80 employees were taken as a sample of respondents for a large size population using simple random sampling.

Table 3.1 Carvalho’s Sample Size Determination

Population Size	Small	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-150,000	200	500	800

Source: Carvalho (1984)

3.2.3 Sampling Techniques

The sampling technique used in this study was simple random and stratified, simple random sampling has an advantage for the number of sampling population to give an equal probability being selected. Zikmund (2003) identifies two basic sampling techniques: probability and nonprobability sampling. According to Zikmund, a probability sample is defined „“ as a sample in which every member of a population has a known, non-zero probability of selection. ““ Zikmund states that if sample units are selected on the basis of personal judgment, the sample method is a non-probability sample. Hence, I used a probability sampling techniques of simple random and stratified to give respondents equal opportunity. By doing this, samples of 80(26.8%) employees were selected from a population of 298 employees in the north Addis Ababa zone for research purposes

Table 3.2 Stratified Random Sampling Design form

No	Types of the Strata (management and non-management staffs	Total Population size	Sample Size(26.8%) of the population)
1	Management of the zone	26	7
2	Non- management staffs	272	73
	TOTAL	298	80

3.3 Source of Data

To perform this research, the researcher used both primary and secondary data. The primary data was generated through structured questionnaires that was distributed to employees. Data gathered through questionnaires analyzed quantitatively. Also semi-structured in-depth interviews was carried out to get data from three top management members and the collected data has been analyzed qualitatively.

Secondary sources of data are the human resource policy document, bulletin, brochure and other relevant printed documents. These documents were reviewed to generate data concerning its background and policies of compensation

3.4 Data Gathering Instruments

The primary data collected through structured questionnaires and interviews. The secondary data were collected from the organization's documents which are related with the incentive and variable pay practice in the company and also from different literatures on the area

3.5 Procedures of Data Collection

Procedure of questionnaires it includes open ended and close ended questions interviewing has a variety of forms including: individual, face-to-face interviews and face-to-face group interviewing and also secondary data procedure Working processes, policies, procedures

3.6 Pilot Testing

Good measures should be both consistent (reliable) & accurate (valid). Reliability: It is an indicator of a measure's internal consistency.

Reliability: It is an indicator of a measure's internal consistency. Methods of Measuring Reliability 1) Test-retest 2) Coefficient of equivalence (parallel) 3) Split half method 4) Cronbach's alpha (Internal consistency) 5) Inter-rater reliability for pilot test more focus Cronbach's alpha

Validity is the extent to which the construct measures what it says it is measuring. It would not be a valid test, if it didn't measure what you thought it didn't even though it was a high reliable test.

Then, test being conducted should produce data that it intends to measure, i.e., the results must satisfy and be in accordance with the objectives of the test

	Description	No. of tested resp.	Tested resp. in %
Cases	Valid	15	100.0
	Excluded	0	0.0
	Total	15	100.0
Cronbach's alpha		0.838	

Table 3.3: Pilot Sample Reliability Test Result

Source: Survey Questionnaires, 2021

3.7 Method of Data Analysis

The collected data are clearly presented by using tables and charts which are expressed in the form of frequency, percentage, mean and standard deviation. Then, descriptive analysis technique was used to interpret and analyze the organized data. Meanwhile, SPSS was used as the main tool to conduct the analysis.

3.8 Ethical considerations

The process of obtaining Consent consists of the following: consent should be given freely (voluntary), subjects should understand what is being asked of them, and involved person's must be competent to consent. This means, to participate in a research study, participants need to be adequately informed about the research, comprehend the information and have a power of freedom of choice to allow them to decide

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter deals with the presentation and interpretation of the collected data. It consists of two parts. During the study, questionnaires and interview were conducted to collect the necessary data; where interviewing method was applied to collect data from management group and questionnaire to that of non-management group. All sources used in this study have been acknowledged, next to this the data analysis and interpretation is made under each table.

4.1 Response Rate

The study targeted 80 respondents were involved to give information for the quantitative data. All the distributed questionnaires were actually returned and this made a 100% response rate as illustrated in the table.

The researcher has used 15 questioners for pilot test to get feedback from selected respondents. All questioners have been returned and such responses put forth strong and helpful advices and comments in a bid to make the questioner easy and understandable for the respondents.

In the abovementioned statement the total rate of return of questioners is 100 % and this is used to make analysis of the study. The first part of the analysis devotes on indicators on the characteristic of the respondent that include personal & professional characteristics; the second part deals with the presentations, discussion and interpretation of the major findings in description of the basic questions that were analyzed based on the response obtained from the employees. The data were analyzed and interpreted in the form of table.

Table 4.1: Response Rate

Description	Frequency	Percent
Respondents	80	100
Non-respondents	0	
Total	80	100

Source: Own Survey, 2021

4.2 Demographic Information of Respondents

In order to capture the general information of the respondents, issues such as gender, age, educational level, length of service and range of salary of the respondents were measured.

Table 4.2:1 Demographic Characteristics of the Respondents

Category of Respondents	Description	Frequency	Percent
Gender	Male	45	56.3
	Female	35	43.8
Age Range	Below 30	37	46.3
	31-40	31	38.8
	41-50	12	15.0
Educational Level	First Degree	66	82.5
	Second Degree	14	17.5
Service Years	Less than 5 Years	31	38.8
	5-10 years	14	17.5
	11-20 years	28	35.0
	More than 20 years	7	8.8
Salary Range	10,000-15,000	26	32.5
	15,001-17,000	11	13.8
	17,001-22,000	21	26.3
	Above 22,000	22	27.5

Source: Own Survey, 2021

According to the collected data Table 4.2 shows the demography distribution of management and non-management groups of the respondent. The data indicate 56.3% of the respondents are male and the rest 43.8% are female. Based on the data, in the management and non-management category, my respondents dominantly constitute male employees. Therefore, from the investigated fact, we can assume that Ethio-Telecom sales division human resource is dominated by male employees and the sample proportion with this regard can be taken as representative.

Whereas 46.3% of the respondents are below 30 years old, 38.8% are between 31 to 40 years old while the remaining 15.0% of the respondents are between ages 41 to 50 years old. Most of my respondents fall beyond age 30 This indicates that the company especially sales division is staffed with young employees who belong to the productive age group.

Regarding to employee qualification, from all respondents, 82.5% are first degree holder and the rest 17.5% are with post graduate degree. Therefore, Ethio- Telecom especially sales force majority staffs have at least a first degree

With concern to years of experience, majority of the sales employees have relatively short existence in the company. To be specific, 13.8% of the respondents have an experience between 0 and 5 years, 17.5% of the respondents have been working in the company for at least 6 up to 10 years, 35.0% of the respondents have an experience which ranges from 11 to 20 years and the remaining 8.8% of the respondents have service of 21 years and above in the company. Employees' short time service in terms of sales behavior benefits the organization to get competitive advantages because The advantage is that the sales staff does not spend too much time on the job, which allows them to do their job without getting bored uninterested

The last item in the demography part is the Basic salary of the respondents' basic monthly salary, 32.5% between 10,000-15,000, 33.45% of the respondents have salary ranging 15,001-17,000, 26.3% from 17,001-22,000 the rest 27.5% of the respondents are above 22,000. So pursuant to the respondents replay highest number of respondents fall in the salary range between from 10,000 to 15,000.

4.3 Linkage Variable Pay and Company Objectives

Table 4.2.2 Respondents Response Towards Linkage Variable Pay and Company Objectives

Statement	Ratings (Likert-scale)						Total	Mean	Std. deviation
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree				
The variable pay policy helps the achievement of the company's objective	36.25%	46.25%	7.5%	7.5%	2.5%	100%	4.0625	.98526	
The current variable pay system in my company is connected to an employee's performance	23.75%	43.75%	16.25%	13.75%	2.5%	100%	3.7250	1.05513	
The current variable pay practice is designed by considering the nature of the sales staff	15.0%	37.5%	13.75%	25.0%	8.75%	100%	3.2500	1.23760	
company strategic plan clearly linked to variable pay policy	21.3%	33.75%	8.75%	27.5%	3.75%	100%	3.4625	1.21117	
Ethio-Telecom have well-defined objectives. When designing variable pay	25.0%	33.75%	13.75%	25.0%	2.5%	100%	3.5375 ----- Aggregate Mean= 3.6075	1.19008	

The question The variable pay policy helps the achievement of the company's objective. 82.50% of the respondents agree, 10% disagree that the compensation and benefit package is less powerful to attract new employees and retain the existing ones and also 7.5% of the respondents have Neutral. Whereas 67.5% of the respondents agree The current variable pay system in my company is connected to an employee's performance disagreed 16.25% strongly disagree; the rest 16.25% have neutral. Regarding the question, whether The current variable pay practice is designed by considering the nature of the sales staff. 52.5% of the respondents agree with the statement, about 33.75% of the respondents disagree, the rest 13.75% neutral.

Regarding the question company strategic plan clearly linked to variable pay policy 55.05% of the respondents agree with the statement, about 31.25% of the respondents disagree, the rest 8.75% neutral. Regarding Ethio-Telecom have well-defined objectives. When designing variable pay 58.75% of the respondents agree with the statement, 27.5% of the respondents disagree, the rest 13.75% neutral. The Aggregate Mean Value Linkage Variable Pay and Company Objectives is 3.6075 showing the company objective properly linkage variable pay system. According to Moidunny (2009) mean score 3.6075 is consider high

Mostly, as indicated on table 4.3, in all of the five questions raised by the researcher to assess Towards Linkage Variable Pay and Company Objectives, majority of the respondents agree that Association Variable Pay and Company Objectives. Further, it can be showed that the variable pay system are connected to company objective.

4.4: Consistency of variable pay

Table 4.2.3 Consistency

Statement	Ratings (Likert-scale)						Mean	Std. deviation
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total		
Currently Ethio-Telecom designed Consistent variable pay system	3.75%	15.0%	22.5%	38.75%	20.0%	100%	2.4375	1.08900
The variable pay plan is consistent with sales type and business	3.75%	21.25%	25.0%	40.0%	10.0%	100%	2.6875	1.03842
The variable pay system revise Regularly	10.0%	22.5%	13.75%	33.75%	20.0%	100%	2.6875	1.29843
All employees are properly involved sales incentive target process	13.75%	17.5%	20.0%	30.0%	18.75%	100%	2.7750	1.32144
When achieve sales target get Consistent payment	28.75%	15.0%	6.25%	30.0%	20.0%	100%	3.0250 ----- Aggre gate Mean = 2.7225	1.55876

The question Currently Ethio-Telecom designed Consistent variable pay system. 18.75% of the respondents agree, 58.75% disagree that Currently Ethio-Telecom designed Consistent variable pay system and also 22.5% of the respondents have Neutral, the variable pay plan is consistent with sales type and business 25.00 % of the respondents agree,50% disagree, 25% of the respondents have Neutral, regarding the variable pay system revise regularly 32.5% of the respondents agree,53.75% disagree and also 13.75 of the respondents have Neutral, Whereas all employees are properly involved sales incentive target process 31.25% of the respondents agree, 48.75% disagree and also 20% of the respondents have Neutral, When achieve sales target get Consistent payment 43.75% of the respondents agree,50% disagree and also 6.25% of the respondents have Neutral. The Aggregate Mean Value Consistency of variable pay is 2.7 showing the variable pay system not consistency.

Mostly, as indicated on table 4.4, in all of the five questions raised by the researcher to assess Consistency variable pay system design, majority of the respondents disagree it means that the practice of payment system randomly not consistent and vary Further, it can be showed that the variable pay system are inconsistency

4.5 Equitability of variable pay

Table 4.2.4 Equitability.

Statement	Ratings (Likert-scale)						Total	Mean	Std. deviation
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree				
Each employee is treated equally without any discrimination based on similar work experience and education.	18.75%	45.0%	7.5%	17.5%	11.25%	100%	3.4250	1.29042	
The variable pay is fair compared with similar jobs in other organizations	30.0 %	20.0%	18.75 %	17.5%	13.75 %	100%	3.3500	1.42403	
There is an equitable variable pay system in Ethio-Telecom	6.25%	35.0%	30.0%	11.25%	17.5%	100%	3.0125	1.19592	
My colleague in another department with the same qualification receives more compensation than I do.	2.5%	8.75%	22.5%	41.25%	25.0%	100%	2.2250 ----- Aggregate Mean= 3.003125	1.00599	

The question Each employee is treated equally without any discrimination based on similar work experience and education, 63.75% of the respondents agree, 28.75% disagree and also ,7.5% of the respondents have Neutral, the variable pay is fair compared with similar jobs in other organizations 50% of the respondents agree,31.25% and also, 18.75% of the respondents have Neutral. There is an equitable variable pay system in Ethio-Telecom,41.25 of the respondents agree,28.75% disagree and also ,30% of the respondents have Neutral, my colleague in another department with the same qualification receives more compensation than I do,11.25% of the respondents agreey,66.25% disagree and also ,22.5% of the respondents have Neutral. The Aggregate Mean Value equitability of variable pay is 3.003125 showing company equitability variable pay system According to Moidunny (2009) mean score 3.00 is consider medium.

Mostly, as indicated on table 4.5, in all of the five questions raised by the researcher to assess the variable pay Equitability, majority of the respondents agree it means that Equitable remuneration processes ensure that relativities between jobs are measured as objectively as possible and. Further, it can be showed that the variable pay system equal pay is provided for work of equal value.

4.6 Acceptance of variable pay

Table 4.2.5 Acceptance

Statement	Ratings (Likert-scale)						Mean	Std. deviation
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total		
The current variable pay system is acceptable .	3.75%	31.25%	28.75%	20.0%	16.25%	100%	2.8625	1.14454
The amount of variable pay currently received is adequate for what I think it should be.	5.0%	30.0%	27.5%	26.25%	11.25%	100%	2.9125	1.10458
My company has a variable pay scheme that is impartial	11.25%	35.0%	23.75%	25.0%	5.0%	100%	3.2250	1.10207
The current variable pay is applicable to work-related experience	16.25%	43.75%	13.75%	17.5%	8.75%	100%	3.4125	1.20855
							----- Aggregate Mean= 3.103125	

The question The current variable pay system is acceptable, 35% of the respondents agree, 36.25% disagree and also ,28.75% of the respondents have Neutral, the amount of variable pay currently received is adequate for what I think it should be,35 % of the respondents agree,37.5% disagree and also 27.5% of the respondents have neutral, my company has a variable pay scheme that is impartial 46.25% of the respondents agree,30% disagree and also,23.75 of the respondents have neutral, The current variable pay is applicable to work-related experience 60% of the respondents agree,26.25% disagree and also ,13.75% of the respondents have neutral. The Aggregate Mean Value Acceptance of variable pay is 3.103125 showing company acceptance variable pay system According to Moidunny (2009) mean score 3.10 is consider medium.

Mostly, as indicated on table 4.6, in all of the four questions raised by the researcher to assess the variable pay Acceptance, majority of the respondents agree it means that employee acceptance is critical factors in proper design and implementation of variable pay for performance plans and. Further, it can be showed that Involving employees in improving an organization's performance

4.7 Performance measures

Table 4.2.6 Performance Measures

Statement	Ratings (Likert-scale)						Mean	Std. deviation
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total		
The measurement of the standard level of sales volume is satisfactory	6.25%	18.75%	21.25%	48.75%	5.0%	100%	2.7250	1.03085
The current performance standard is achievable	8.75%	25.0%	23.75%	38.75%	3.75%	100%	2.9625	1.07260
The criteria for the best performer are clear and easily measurable	10.0%	20.0%	25.0%	32.5%	12.5%	100%	2.8250	1.18829
The standard level of variable pay reliability	11.25%	27.5%	20.0%	32.5%	8.75%	100%	3.0000	1.19068
The performance standard level includes quality and efficiency	7.5%	22.5%	18.75%	41.25%	10.0%	100%	2.7625 ----- Aggregate Mean= 2.855	1.13900

The question The measurement of the standard level of sales volume is satisfactory, 25% of the respondents agree, 53.75% disagree and also ,21.25% of the respondents have neutral, the current performance standard is achievable 33.75% of the respondents agree,42.5% disagree and also,23.75% of the respondents have neutral, the criteria for the best performer are clear and easily measurable 30% of the respondents agree,45% disagree and also ,25% of the respondents have neutral, The standard level of variable pay reliability 38.75% of the respondents agree,41.25% disagree and also ,20% of the respondents have neutral, The performance standard level includes quality and efficiency,30% of the respondents agree,51.25% disagree and also 18.75% of the respondents have neutral. The Aggregate Mean Value performance measures of variable pay is 2.855 showing the company performance measures variable pay system is not standard

Mostly, as indicated on table 4.4, in all of the five questions raised by the researcher to assess Performance measures variable pay system design, majority of the respondents disagree it means that the practice of payment system performance measurement not standard only linked directly to output Further that when implement the variable pay system is not clear performance criteria

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with the summary of the key findings, conclusions drawn from the findings highlighted and recommendations through around The conclusions and recommendations drawn are in goal of addressing the research objective which was to establish the practices and challenges of variable pay system in Ethio-Telecom.

5.1. Summary of the finding

- ❖ Demographic analysis the sample shown that the data gathered from such members indicate 56.3% of the respondents are male and the rest 43.8% are female. Based on the data, in the management and non-management category, my respondents dominantly constitute male employees. Therefore, from the investigated fact, we can assume that Ethio-Telecom sales division human resource is dominated by male employees and the sample share with this concern can be taken as representative
- ❖ Regarding the question company strategic plan clearly linked to variable pay policy majority of the respondents agree that Association Variable Pay and Company Objectives. Further that the variable pay system are connected to company objective and need to motivate financial compensation to employee for achieve over all company goal and leads employees to better performance
- ❖ When assess Consistency of variable pay system design, majority of the respondents disagree it means that the practice of payment system randomly not consistent and the variable pay system are not revise regularly also The variable pay plan is not reliable with

sales type and business finally the main reason not consistency All employees are not properly involved sales incentive target process

- ❖ To assess the variable, pay Equitability, majority of the respondents agree it means that Equitable remuneration processes ensure that relativities between jobs are measured as objectively as possible and Each employee is treated equally without any discrimination based on similar work experience the variable pay system equal pay is provided for work of equal value
- ❖ Regarding consideration, the variable pay acceptance, majority of the respondents agree it means that employee acceptance the current variable pay is applicable to work-related experience and also the amount of variable pay currently received is adequate. But the range of the finding medium or moderate
- ❖ To assess Performance measures variable, pay system design, majority of the respondents disagree it means that the practice of payment system performance measurement not standard only linked directly to output Further when implement the variable pay system is not clear performance criteria and also The performance standard level is not including quality and efficiency
- ❖ In addition, questionnaire findings the following summary of the key highlights interview outcome. Ethio-telecom has policy an incentive payment based on performance and also the variable pay policy associations to company objective
- ❖ The problem of practices variable pay system in Ethio-Telecom allocate monthly target without related service type and market share
- ❖ The criteria of performance measurement it is not standard without related to job behavior finally allocate target without sufficient resources and employer is not communicate with employee when set variable pay target

5.2 Conclusion

- Based on the finding company strategic plan clearly linked to variable pay policy majority of the respondents agree that Association Variable Pay and Company Objectives so that the existing variable pay policy helps the achievement of the company's objective They also indicate that variable pay is considered by the total respondent group to be a viable motivational tool and more operational.
- The remuneration of variable pay policy is actual survey shows the system of pay is acceptance and practices without discrimination based on similar work experience the variable pay system equal pay is provided for work of equal value but the range of the mean scores when interpret medium
- The main challenges of the variable pay system in Ethio –Telecom that the practice of payment system randomly not consistent and the variable pay system are not revise regularly also The variable pay plan is not reliable with sales type and business.
- The practice of payment system performance meareument not standard only linked directly to output Further when implement the variable pay system is not clear performance criteria and also The performance standard level is not including quality and efficiency
- Finally, when shows the whole finding except linkage of company objective concluded the variable pay system practices not properly implemented

5.3. Recommendation

- ❖ Based on the study findings recommended the following points identified problems
- This study found that majority of the employees is challenged The variable pay plan is not consistent with sales type and business so mentioned The variable pay system revise Regularly and also A consistent approach to reward management means that decisions on pay do not vary arbitrarily –without due cause –between different sales type and business at different times.
- This study found also the practice of payment system performance meareument not standard only linked directly to output and the measurement of the standard level of sales volume is exaggerated further when implement the variable pay system is not clear performance criteria and also The performance standard level is not including quality and efficiency so recommended for establishing effective variable pay plans is to make them easy for employees to under-stand. If these plans are clear, employees can track performance against the objectives of the plan and see what variable pay they are earning. Successfully using variable sales compensation requires establishing clear performance criteria and measure
- Companies must also consider work processes and the ease or difficulty of developing performance measures. Can performance be measured? If so, can performance standards be clearly communicated by direct report managers to employees? Finally, the ultimate goal of utilizing a variable pay plan and improving employee performance is to increase organizational efficiency and profitability.

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Appendix I
St. Mary's University
School of Graduate Studies
Masters of Business Administration
MBA Program

These questionnaires are designed to collect information for objective of the research “ASSESSMENT OF VARIABLE PAY SYSTEM PRACTICE AND CHALLENGES”. Therefore, your genuine, honest, and prompt response is a valuable input for the quality of and successful completion of the study. Any information you presented will be kept absolutely confidential and used only for academic purpose. I am grateful for your kind cooperation and would like to extend my heartfelt appreciation for providing me all relevant information Lastly, I would like to thank you for your effort and devotion of precious time to fill the questionnaire.

Amanuel Tsegaye

MBA Candidate

General Instructions

1. You are not required to write your name.
2. All questions are equally important for the completion of the study.

Tick only one appropriate answer indicated sign (√) parallel to your choice

PART I

Demographic Information of Respondents

1. Gender

a) Male

b) Female

2. Age group

Below 30 31-40 41-50

Above 50

3. Educational Background.

Diploma First Degree Second degree

PHD Other

4. Years of service in Ethio Telecom

< 5-year 5 -10

11 – 20 More than 20 years

Division: _____

5. Monthly Salary

10,000-15,000 15,001-17,000

17,001-22,000 Above 22,000

PART II

Opinion Survey on the Practices and Challenges of Variable Pay System

Please indicate the extent of your agreement or disagreement with each statement by putting a mark "√" in the column of your choice that is numbered from 1-5 for all items in the questionnaire, please use the following rating scale for all items. where: 1= Strongly disagree 2= Disagree 3= Neutral 4= Agree 5= Strongly Agree

1. Linkage Variable Pay and Company Objectives						
No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The variable pay policy support the achievement of company objective					
2	The current variable pay system of my company is connected to the employee performance					
3	the current variable pay practice are designed by considering the nature of the sales staff					
4	company strategic plan clearly linked to variable pay policy					
5	Ethio-telecom have well-defined objectives. When designing variable pay					

2. Consistency						
1	Currently Ethio-Telecom designed Consistent variable pay system					
2	The variable pay plan is consistent with sales type and business					
3	The variable pay system revise Regularly					
4	All employees are properly involved sales incentive target process					
5	When achieve sales target get Consistent payment					
3. Equitability.						

1	Each employees treated equally without any discrimination who have similar work experience and education					
2	The variable pay is fair compared with similar jobs in other organization					
3	There is equitable variable pay system in Ethio-telecom					
4	My colleague in another department with the same qualification receives more compensation than I do.					
4. Acceptance						
1	The current variable pay system is acceptable					
2	The amount of variable pays currently receive is acceptable to what I think it should be					

3	Variable pay scheme available in my company is impartial					
4	The current compensation package applicable for the work related experience					
5. Performance measures						
1	the standard level of sales volume is satisfactory					
2	The current performance standard achievable					
3	The criteria of best performer clear and easily measurable					
4	The standard level of variable pay reliability					
5	The performance standard level of include quality and efficiency					

Part III

3. Additional questions:

1. Please, specify the important variable pay are system being offered by other organization that is not available in your company

2. What particular problem you have observed in the current variable pay system practice of your company?

3. What particular problem you have observed in the current variable pay system main challenges of your company?

4. What do you think the solution to the problem will be?

Appendix II

St. Mary's University

School of Graduate Studies
Masters of Business Administration
MBA Program

The following interview questions are designed to collect information about for objective of the research “ASSESSMENT OF VARIABLE PAY SYSTEM PRACTICE AND CHALLENGES”. Therefore, your genuine, honest, and prompt response is a valuable input for the quality of and successful completion of the study. Any information you presented will be kept absolutely confidential and used only for academic purpose. I would like to thank you for your effort and devotion of precious time to response this interview question

List of interview questions:

1. Is there a variable pay policy in your organization? What is the objective of variable pay policy as stated in policy manual?
2. Do you think that the variable pay policy of your company is serving its purpose?
3. What are the major problems that your department is facing with respect to variable pay?
4. Do you think the current variable pay packages ease human resource functions?
5. How do you communicate the variable pay packages to employees in your company?
6. Do you think the current variable pay tools available in your company is linked to the company strategic plan?
7. Do you think the current variable pay system is sufficient? If No, why?
8. Are there variable pay method which you think necessary but not considered?
9. How often the company revise the variable pay system
10. Finally, is there anything that you want to give comment about current variable pay practices of your organization?