

## **A Study of Relationship between Satisfaction with Compensation and Work Motivation**

### **Faheem Ghazanfar**

PhD scholar at School of Economics and Management,  
China University of Geosciences,  
Wuhan, 430074, P.R. China

Email: [faheemghazanfar@yahoo.com](mailto:faheemghazanfar@yahoo.com), Tel: 0086-134-7706-6175

### **Shuai Chuanmin**

Professor of Management at School of Economics and Management,  
China University of Geosciences,  
Wuhan, 430074, P.R. China

Email: [shuaicharm@gmail.com](mailto:shuaicharm@gmail.com), Tel: 0086-132-6069-3879

### **Muhammad Mahroof Khan**

PhD scholar at School of Economics,  
Huazhong University of Science and Technology,  
Wuhan, 430074, P.R.China

Email: [khanhust@yahoo.com](mailto:khanhust@yahoo.com), Tel:008613618665351

### **Mohsin Bashir**

PhD scholar at School of Management,  
Huazhong University of Science and Technology,  
Wuhan, 430074, P.R.China

Email: [uaf\\_mohsinpk@yahoo.com](mailto:uaf_mohsinpk@yahoo.com) , Tel: 008615271818734

### **Abstract**

*The current study while applying the theoretical framework based on expectancy theory examined the relationship between satisfaction with compensation and work motivation. The dimensions i.e. fixed pay, flexible pay, and benefits were examined with regard to satisfaction with compensation. The work motivation on the other hand was studied using the effort and performance dimensions. Literature research as well as practical survey consisting of self-administered questionnaire was used to study the population in question, which were managerial cadre employees of the sales departments of the cellular service providers in Lahore. The relationships between satisfaction with compensation and work motivation were analyzed by using Chi Square and correlations. The main findings of the study were: 1) satisfaction with compensation can be factor of work motivation. 2) flexible pay is not a motivating factor in the jobs which the employees were holding. 3) benefits do not have a significant impact on work motivation.*

**Key words:** Compensation, Satisfaction, work motivation, expectancy theory

### **1. Introduction**

In the 21<sup>st</sup> century organizations, by and large, people pay much more attention to their life style and the money they earn from the work than their predecessors. However, it still remains unclear whether many of them would continue working if it were not for the money they earn. Employee expectations of a compensation plan are that it is fair and equitable, that it provides them with tangible rewards commensurate with their skills and, further, that it provides recognition and a livelihood. Compensation, in the organizations of today is a major consideration in Human Resource Management (HRM), and how it is allocated sends a message to employees about what the organizations believe to be important and worth encouraging. For employers, the compensation usually represents a sizeable proportion of operating costs. Many employers view this only as a cost, while failing to consider the strategic benefits of a well considered remuneration and benefits plan.

In manufacturing firms, payment to employees generally exceeds 20 percent of total expenditure and can exceed 80 percent in service firms Belcher and Atchison (1987) which indicates that the organizations need to spend more on compensation to make sure that their employees are motivated enough to perform at their best.

Modern day organizations render an utmost importance to work which provides products and services, which characterize the basis for a company's success Steers (1991), but it is also a vital and highly central aspect in the lives of individuals Hall (1994) due to numerous reasons. First, persons receive some kind of reward, extrinsic (such as money) or intrinsic (satisfaction coming from the work), in exchange for their performance Steers and Porters (1991). The individual holds certain personal expectations in terms of form and amount of reward, which he/she should receive for the provided service. Thereby, the performance of a person as well as the decision to remain in the company is influenced by the level to which such expectations are met Steers (1991). Second, the workplace presents opportunities for socialization with other people Hall (1994). Third, the job is often a source of rank, or status, in the society in general Steers (1991). In other words, the work may provide a source of social delineation. Fourth, reason pointed by Steers and Porter (1991) indicates that work has an individual meaning for each person. It may range from a source of identity and self-esteem, to a source of frustration, monotony, and a feeling of futility, which may be due to the work itself or even may be due to the personality traits of the person.

As stated earlier, work may be a sound base of self fulfillment for some employees. For others it may be other way around and leaves the employees in a state of dissatisfaction. With regard to the employees' time which they use up for most of their day time at work and that too for almost whole of their lives before they retire. It becomes pivotal that the employees should have a positive mind set for the work which they do. If not, it will leave them annoyed and unhappy. In addition, this negative mind set will not only leave a bad impact on the social and family life but also renders an individual physically and emotionally distressed, Schultz and Schultz (1998). Herzberg, Mausner, and Snyderman (1999) pointed out that an employee, irrespective of working in an office or on a bench, will experience his/her tasks, as well as the workday totally differently if the attitudes toward the job are good or if they are bad. More over, they are also of the view that the good or bad performance of a company is also influenced by the feelings of the employees'. The case in point would be hard times in an organization where the employees' morale may be the driving force in the run for company's survival.

To state it a bit differently a motivated work force is a vital component for a company's survival. Employees are a valuable resource that may contribute in several different ways to a company's activities, provided that the company gives them an appropriate chance Morgan (1997). For a company to be successful, it needs the work force that can act strongly for the achievement of organizational goals and also have a strong urge to remain loyal to the company Molander (1996). For such devotion and dedication the key remains the motivation. Moreover, motivation is expected to accomplish work productivity and job satisfaction Schultz and Schultz (1998). Mainly, the impacts of motivation on the work performance and productivity attracted attention towards motivation in the work environment Huddleston and Good (1999). Employees with high level of motivation tend to work hard and perform better in their work as compared to the employees with low level of motivation.

The understanding of the employees' needs and expectations of employees at work signifies the base for their motivation. In addition, the arrangement of the employees' work and the level of satisfaction with the job are important in order to increase the actual motivation and satisfaction with their work. The differences in this regard that what people want and actually perceive from their job are of significance. The strongest motivator is, according to Wiley (1997), something that people value, but lack. The awareness, for the organization, about those strong motivators is of great value and may serve as a starting point to re-design the work, in order to increase an employee's motivation and satisfaction.

Top executives are primarily responsible for corporate profitability and shareholders' wealth; lower level line managers are primarily responsible for operational performance. Although organizations often seek to associate a portion of middle managers' pay to corporate financial performance, these managers are also likely to be rewarded for their contribution to the organizations in terms of their ability to effectively manage the production systems for which they are responsible.

Prominent among these production systems in modern day organizations are “ high performance human resource practices: those that invest in the skills and abilities of employees, design work ways that facilitate employee collaboration in problem solving, and provide incentives to inspire workers to bring best out of them Appelbaum, Bailey, Berg, & Kalleberg (2000). A growing number of studies illustrate that these practices indeed are associated with better performance Appelbaum et al, (2000); Becker and Gerhart, (1996); Lchniowski, Kochan, Levine, Olson, & Strauss (1996). If these practices lead to better organizational performance, then it is reasonable to consider whether or not managers are rewarded for managing them.

High performance HR practices may affect managerial pay directly, by altering the complexity of the managers’ job, or indirectly, by raising workers productivity and pay, which in turn may lead to work motivation which is an amount of effort an individual is willing to put in his or her work. Why it is important for management of an organization to consider work motivation as an important phenomenon. The reason is that the primary goal of the management is to increase efficiency by getting the greatest output at the lowest cost. Therefore, any behavior that contributes to greater efficiency will be actions that management will want to encourage. These actions might be coming to work, being punctual, or exerting a lot of effort. In order to make sure that an organization gets best out of its employees it will have to adopt such a compensation plan that motivates the employees to keep performing for the best interest of the organization.

## ***2. Literature Review and Theoretical Framework***

The management of human resources at work is a vital component of the management process. To realize the critical importance of people in the organization it is imperative to recognize that the human element and the organization go together. One way of achieving this goal and to realize the critical importance of the people in the organization is to keep them motivated. In the field of management the key to understanding the process of motivation lies in the meaning of, and relationship among, needs, drives, and incentives. In their work, Minner, Ebrahimi, and Watchel (1995) elaborate in a system sense that, motivation consists of these three interacting and interdependent elements, i.e., needs, drives, and incentives. For as long as organizations have existed, compensation has been recognized as a major motivator of employees as well as an important tool and expense for organizations. Understanding the construct of compensation systems, its impact upon the organization's structure, strategies, and employees has been an important area. To use compensation as a motivator effectively, personnel managers must consider four major components of a pay structures in an organization Popoola and Ayeni (2007). These are (a) job rate, which is the importance the organization attaches to each job;(b) payment, which encourages employees by rewarding them according to their performance;(c) personal or special allowances; and (d) fringe benefits such as holidays with pay, pensions, and so on.

In his work, Akintoye (2000) emphasize that money remains the most important motivational strategy. As far back as 1911, Frederick Taylor and his scientific management associate described money as the most important factor in motivating the industrial workers to achieve greater productivity. Taylor viewed compensation and performance based pay as one of the major tools management had at its disposal to motivate employees and to increase their productivity and reduce turnover Dulebohn, Ferris, & Stodd (1995). Money possesses significant motivating power in as much as it symbolizes intangible goals like security, power, prestige, and a feeling of accomplishment and success. Sinclair, et al. (2005) exhibits the motivational power of money with the process of job choice. They explains that money has the power to attract, retain, and motivate individuals towards higher performance. For instance, if an employee has another job offer, which offers greater financial rewards and has identical job characteristics with his current job, that worker would most probably be motivated to accept the new job offer.

Banjoko (1996) states that many managers use money to reward or punish workers. This is done through the process of rewarding employees for higher productivity by instilling fear of loss of job or other related issues (e.g., no annual increment or promotion due to poor performance). The desire to be promoted and earn enhanced pay may also motivate employees. Another stream of compensation research; focus on highlighting the internal orientation towards an individual’s reaction to pay. This research orientation is led by industrial organizational psychologists and has contributed significantly to human resource management practice. The main impetus for this research has been the supposition that pay affects employees’ overall level of job satisfaction and primary work behaviors or motivation, Oshagbemi (2000).

Numerous studies on work motivation seem to confirm that it improves employees' performance, motivation and satisfaction. For example, in their work Brown and Shepherd (1997) examine the characteristics of the work in an organization with four major categories: knowledge base, technical skills, values, and beliefs. They report that employees will succeed in meeting this challenge only if they are motivated by deeply held values and beliefs regarding the development of a shared vision. Vinokur, Jayarantne, and Chess (1994) examine work and employment conditions, and assess their impact on social workers' motivation and job satisfaction. Some motivational issues were salary, fringe benefits, job security, physical surroundings, and safety. Certain environmental and motivational factors are predictors of job satisfaction.

Colvin (1998) shows that financial incentives will get people to do more of what they are doing; Silverthorne (1996) investigates motivation and managerial styles in the private and public sector. The results indicate that there is a little difference between the motivational needs of public and private sector employees, managers, and non-managers. Today, majority of the contemporary organizations use some sort of program intended to motivate employees by tying compensation to performance in one way or another. But more striking is the belief that people will do a better job if they have been promised some sort of incentive. This assumption and the practices associated with it are all encompassing, but a growing collection of evidence supports an opposing view. According to numerous studies in laboratories, workplaces, classrooms, and other settings, rewards typically undermine the very processes they are intended to enhance.

The findings of Jude T. Rich and John A. Larson (1987) are of quiet interest here. In 1982, using interviews and proxy statements, they examined compensation programs at 90 major U.S. companies to determine whether return to shareholders was better for corporations that had incentive plans for top executives than it was for those companies that had no such plans. They were unable to find any difference. Jenkins (1986) tracked down 28 previously published studies that measured the impact of financial incentives on performance; these studies were conducted in different setup. His analysis, "Financial Incentives," revealed that 16, or 57%, of the studies found a positive effect on performance. However, all of the performance measures were quantitative in nature: a good job consisted of producing more of something or doing it faster. Only five of the studies looked at the quality of performance. And none of those five showed any benefits from incentives. In his study Rothe (1970), studied production over a period of months, providing the sort of long-term data. After the initial slump, Rothe found that in the absence of incentives the workers' production quickly began to rise and eventually reached a level as high or higher than it had been before. Guzzo, Jette and Katzell (1985) conducted one of the largest reviews of how intervention programs affect employee productivity, a meta analysis of some 330 comparisons from 98 studies, was conducted. The raw numbers seemed to suggest a positive relationship between financial incentives and productivity, but because of the huge variations from one study to another, statistical tests indicated that there was no significant effect overall. What's more, financial incentives were virtually unrelated to the number of employees who were absent or who quit their jobs over a period of time.

Even if people were principally concerned with their salaries, this does not prove that money is motivating. There is no firm basis for the assumption that paying people more will encourage them to do better work or even, in the long run, more work. As Herzberg (1968) has argued, just because too little money can irritate and demotivate does not mean that more and more money will bring about increased satisfaction, much less increased motivation. It is reasonable to assume that if someone's take-home pay was cut in half, his or her morale would suffer enough to undermine performance. But it doesn't necessarily follow that doubling that person's pay would result in better work. Human resource management practices (including compensation) may give a competitive edge to one corporation over its rivals Schuler and MacMillan (1984). From a managerial perspective in addition to the significant cost of doing business associated with compensating employees, the implications of compensation decisions are among the most important in remaining viable and competitive. From a human resource management perspective, the successes of major human resource activities are related to and are dependent on compensation policy and practice. The success in attaining goals in human resource planning related to attracting and recruiting human capital is directly linked to compensation offered. Also, the ability to motivate workers and retain desired employees is largely influenced by compensation offered Dulebohn and Werling (2007).

## **Expectancy Theory**

Motivational models are commonly divided between those which focus on an individual's internal attributes (content theories) and those, which focus on the individual's interactions with his/her environment (process theories). Expectancy theory is a process theory of motivation, which describes motivation as a function of individuals' perceptions they have about their surroundings and the expectations they form based on these perceptions. While the organizational psychology literature includes a number of motivational theories, we have selected expectancy theory as our "implementation mechanism" for several reasons.

First, the theory has been subjected to rigorous academic testing as each of its components has been experimentally confirmed as having a positive influence on motivation. Klein (1991), Pritchard and Sanders (1973), and Arvy (1972) give support for the link between E-P expectancy and effort. The link between instrumentality and effort seems to be the best supported of the components and has been empirically established by Hope and Pate (1988) and measured by Lawler and Porter (1967), Snead and Harrell (1994), Klein (1991), Harrell and Stahl (1984), and Pritchard and Sanders (1973) have verified the motivational link between valence and effort. Second, the theory is straightforward and easily understood. First developed by Vroom (1964), expectancy theory identifies three factors, which play an interactive role in motivation. The first of these factors, effort-performance expectancy (referred to hereafter as "E-P expectancy"), concerns the individual's perception that effort is positively correlated with level of performance.

**Proposition 1:** An individual is positively motivated and is likely to put more effort when (s) he expects that effort will lead to performance achievement. The second factor in expectancy theory, performance-outcome expectancy, or instrumentality, concerns a person's expectations that the rewards he will receive are closely tied to his level of performance. A paradigm example of someone who ought to have high instrumentality is a salesperson paid on straight commission.

**Proposition 2:** When an individual expects that performance leads to the obtaining of outcomes in terms of total compensation, (s) he is likely to be motivated to put in more effort. Valence, the degree to which an individual values a particular reward, is the third component of expectancy theory. The more a person values the reward he will receive for his effort, the more motivated he will be to receive the reward.

**Proposition 3:** The value attached to each component, that is fixed pay, flexible pay, and benefits, of total compensation will increase work motivation.

**Figure 1: An expectancy theory model constructed from E-P expectancy, instrumentality, and valence.**

**Insert Figure (1) about here**

As mentioned in figure1, employers can increase the effort employees expend on their assigned tasks by increasing the expectation that greater effort will lead to a higher level of performance, by strengthening the perceived link between results and rewards, and by ensuring that employees value the rewards given for high performance. A virtue of expectancy theory is that each of its components has been experimentally confirmed as having a positive influence on motivation. So based on the discussion and conceptual model given in figure 1, the following hypothesis can be derived.

### **Hypothesis:**

The higher the satisfaction of employees with compensation, the higher will be their work motivation.

### **3. Research Design**

The current study used survey research design to examine the effect of compensation on work motivation. The survey research design was a suitable choice for two reasons: (a) It is a cross-sectional study the data was collected at one point in time, and (b) The study aimed at measuring the perception of employees about the compensation they are getting for their work. The respondents would be asked about how they feel toward the compensation an organization offers and how does that effect their motivation. The cellular phone industry being a major player in the service sector offers competition and challenge to its employees. To keep the work force motivated to perform at their peak, organizations offer them compensation packages, which are competitive.

Although, from the organization's point of view the compensation packages offered are competitive and are equitable to the compensation package offered by the other organizations but still the question remains whether or not the compensation package offered is enough to motivate the employees. The proposed study focused on managerial cadre employees in the sales department of the cellular service providers in Lahore, Pakistan. Since the total population for the proposed study is small consisting of 60 managerial cadre employees, the whole population would be surveyed for the purpose of collecting data. Data for the study in question was collected through personally administered questionnaire. The reason to use questionnaire was based on the premise of Churchill's paradigm (1979). This paradigm proposes a procedure, which allows the construction of precise instrument in shape of multi-item questionnaires. Another reason to use questionnaire was that the respondents in the current study were managerial level officials of the reputed service sector organizations in the cellular industry and they were well equipped to answer these types of questionnaires. Moreover questionnaire is the most efficient way of getting impersonal, unbiased responses on a uniform instrument.

The current research followed the procedure, which integrated the construction of precise measuring instrument in shape of a questionnaire, which comprised of 62 questions in the beginning. In an exploratory phase the questionnaire was pre- tested and the items that challenged the reliability and validity of the scale were eliminated. The final questionnaire administered contained 51 questions. The questionnaire was administered to managerial cadre employees of the cellular phone service provider organizations in Lahore. The questionnaire was given to them at their work place. The data was entered using SPSS and simple frequencies were run on the summated scores for both the variables, which showed the minimum, and the maximum summated score for both the variables and also the frequencies for all the summated scores of the whole data. Cronbach's Alpha Cronbach (1951) was used to check the reliability of the scale and internal consistency. The value .70 of the Cronbach alfa is a good indicator of the instrument's internal-consistency reliability.

#### **Data Processing**

**Editing Data:** The filled questionnaire collected from the respondents was checked for incompleteness and for any inconsistencies. Editing detects errors and omissions, corrects them when possible, and certifies that minimum data quality standards have been achieved. Before the data are tabulated and analysis carried, the researcher is required to edit the same suitably to make it more meaningful. An initial screening should be carried out to determine if the responses are legible, consistent and complete. If the responses are not legible, a researcher may have to approach the respondent once again, or try to infer something about which a researcher is not clear or at the most discard the response altogether Enns Phillip (1985). The filled questionnaires collected from the respondents were checked for incompleteness and for any inconsistencies. Any incompleteness was rectified or completed at this stage by the researcher.

**Handling of Blank Responses:** The respondents leave some questions unanswered or blank. De Vaus (2002) has suggested that the blank responses should be assigned the middle value. According to Converse and Stanley Presser (1986), it is the editor's responsibility to decide which of the responses is both consistent with intent of the question and other information in the survey and most accurate for this individual respondent. In this study any questions left blank in the questionnaire by the respondents although very few in number, due to misunderstanding or any other reason, were assigned the middle value of the five point likert scale after taking clarification from the respondent i.e. neither agree nor disagree.

**Scaling:** For each question, Likert scale was used for responses. The responses were strongly-Disagree 1, Disagree 2, neither-Agree/Nor Disagree 3, Agree 4, Strongly Agree 5. Scoring for positive questions remained unchanged whereas it was reversed for negative questions.

**Scoring:** Each respondent had an individual score on both variables, which was obtained through descriptive statistics using Statistical Package for Social Sciences (SPSS). Individual score on independent variable ranged from 56 to 97. While individual score on dependent variable ranged from 81 to 108.

#### **4. Results**

Table 1 presents the two way cross table of the work motivation with compensation. Results on both variables indicates that out of highly satisfied with compensation, 35.1 percent have high work motivation at the work place as compared to 8.7 percent who have low satisfaction with compensation but have high work motivation at the work place.

The data also indicate that those having low satisfaction with compensation, 21 percent have low work motivation as compared to 64.9 percent who have high satisfaction with compensation but low work motivation.

**Insert Table (1) about here**

The possible reason behind the high percentage of respondents with high satisfaction with compensation but low work motivation is due to the organization wise difference in the said ratio and that difference might be due to the organizational policies, which we are unable to explain in this research.

**Hypothesis Testing**

The hypothesis was tested by using Chi Square. The reason for using Chi Square was the categorical nature of the data for which Chi Square is an appropriate test. Another justification for using Chi Square is based on the premise that it is most frequently used to test the statistical significance of results reported in bivariate tables, Connor-Linton (2001). Pearson Chi Square was calculated using SPSS software at .05 level of significance with 1 degree of freedom. The results are given in table 2.

**Insert Table (2) here**

Since the chi square value 5.288 with 1 degree of freedom and significance level of .000021 calculated in table 2 is greater than the tabulated value which is 5.02 with level of significance 0.05 we have enough evidence to reject our null hypothesis. So we conclude the alternative hypothesis, which is “the higher the satisfaction of employees with compensation the higher will be their work motivation”. Although on the basis of chi square statistical relationship between both variables can be tested but the chi square test does not provide information about the strength of the association between the variables. The chi square test shows only, whether on the basis of sample data, alternative hypothesis could be concluded or not. In order to determine the degree to which dependent and independent variables are related to each other Gamma test was applied to the data.

**Gamma test**

Gamma is an appropriate measure of association for ordinal arrangements of values Babbie, (2004). The value of the gamma ranges from -1 to +1. It is a systematic measure that gives same results of relationship irrespective of the fact which variable taken as dependent.

**Insert Table (3) about here**

Gamma test shows that significance value is .008 that is below .05( $P < .05$ ). This indicates that there are approximately .8 percent chances that the true value will fall in the critical region. The value of the test .701 indicates that there is a strong relationship between satisfaction with compensation and work motivation.

**Insert Table (4) about here**

The analysis of correlation of satisfaction with compensation and work motivation in table 4 reveals that there is positive but slightly weaker relationship between the two variables (.342). Such kind of a positive relationship is consistent with the suggestions of Jacques and Roussel, (1999).

**Insert Table (5) about here**

The analysis of correlation of dependent variable work motivation with each of the three dimensions of independent variable (fixed pay, flexible pay and benefits) indicates that work motivation has a positive but slightly weaker relationship with fixed pay (Table 5: .305) These results are inline with the findings of Miceli et al. (1991); Heneman (1992); Mount (1987). Our results also show positive but insignificant relationship between work motivation and other dimensions, which are flexible, pay and benefits which are (.337), (.025) respectively.

**5. Discussion and Conclusion**

The findings of the present study adds a new perspective on the basis of a new environmental settings to the existing evidence signifying that the work motivation in the organizations is influenced by the satisfaction of the employees with their compensation, which is offered by the organization. The data in the present study suggest that fixed pay can increase work motivation. These results are consistent with those found by Miceli et al. (1991). These results are also consistent with what past researchers Heneman (1992) and Mount (1987) have suggested is necessary for an efficient merit-based pay system.

The data in the current research further indicates that flexible pay (incentives, overtime and bonuses) doesn't have significant impact in motivating the employees. The results are positive but are on the weaker side. The previous researches also hold a similar opinion, which is that flexible pay is not a motivating factor. This has been a case in the research done by Markham (1988); Heneman (1990). The other similar observation in this regard is of France where flexible pay shows a lack of efficiency, Jacques and Roussel (1999). These results in Pakistani context are on the positive side but are insignificant. This might be due to the difference in the cultures of the countries in above-mentioned researches and culture in Pakistan.

The further analysis of the data pertaining to the satisfaction with compensation and work motivation suggest that benefits had a positive but weak relationship with the work motivation. Benefits include allowances and reimbursements for miscellaneous expenses, company housing and company conveyance. The previous researches in this regard refer benefits as not an ingredient, which motivates employees, Jacques and Roussel, (1999). Our findings relate with these findings because of the weaker relationship of benefits with work motivation. We might also find an explanation for the inefficiency of benefits, in research by Hills, Bergmann and Scarpello (1994). Referring to surveys concerning employees, they formulate the proposition that benefits are generally perceived as a right in United States society, so they have no incentive character. In French context, a large part of benefits are obligatory by law, by employment contract or by collective labor agreements. This explanation could also be valid in Pakistani context, as large part of benefits are obligatory by law, by employment contract the only difference which might have caused the relationship to be on the positive side could be of cultural difference.

The results of the present study were further tested using cross tabulation and chi-square and they were found significant. Cross tabulation of the satisfaction with compensation and work motivation in table 2 indicates that most of the respondents fall in the same categories of both dependent and independent variables (i.e. High and low satisfaction with compensation and work motivation). The test result of the Chi-Square ( $\chi^2$ ) is significant that supports the cross tabulation results and confirms that there is a relationship between satisfaction with compensation and work motivation.

Gamma test statistics describes the direction and strength of relationship. Gamma test value 0.701 signifies that the relationship is significant between the satisfaction with compensation and work motivation. According to the results pertaining to the correlation, the correlation value 0.342 ( $P < .01$ ) between the two variables indicates there is a positive but slightly weaker relationship between the two variables under study. However as Sekaran (2003) mentioned that, in social sciences, very high correlation between two variables may create a doubt that whether they are two different variables or a single variable is being measured twice. So in this context, correlation value of 0.342 ( $P < .01$ ) is considered to be an acceptable value indicating a positive relationship between the two variables. The other results of correlation of dependent variable work motivation with each of the three dimensions of independent variable (fixed pay, flexible pay and benefits) indicates that work motivation has a positive but slightly weaker relationship with fixed pay which is .305. Although, the results of the current study are found consistent with the earlier studies, however, if this line of research is to be carried forward in future several limitations in the study will have to be addressed. The first of the limitation concerns the external validity of the research because of the sample size and that was due to the nature of the sales department in the cellular industry. In cellular industry the bulk of sale is done through the franchise outlets and the company owned service centers. This results in the lesser number of sales officials in the sales departments. The second limit concerns the type of respondents. Only employees in the sales department were part of this research, because of this the external validity of the research is limited as only sales department has been taken.

Third limitation of the study related to sampling is that only Lahore was focused and this may lead to generalization issues in others parts. Another limitation in the theoretical framework is that only two variables were studied in the current research. Impact of other variables and interaction effects of those variables with satisfaction with compensation and work motivation are not taken into account. It would be ideal to take up a larger sample in future research to shun practical restrictions and ensure generalizability of the findings. Motivation is a continual process and needs to be sustained and developed because individual and organizational factors change over time.

It may be of interest to have a continuous view of what motivates the employees and provides them with satisfaction. Furthermore, it may be interesting to compare the received results with similar surveys done with different sample in the cellular industry. Unfortunately, such data is not easy to get to, therefore, it may be recommended to do a new survey every subsequent year in order to determine the degree of work motivation and to figure out the factors, which are valued or otherwise lacked by the employees. A comparison of the surveys may provide the company with useful information about the success/failure of changes regarding the work and the development in the work motivation of the employees. The current study can also be expanded to encompass the whole cellular industry in Pakistan to find other determinants of satisfaction with compensation and their impact on work motivation.

## References

- Akintoye, I.R. (2000). The place of financial management in personnel psychology. A Paper Presented as Part of Personnel Psychology Guest Lecture Series Department of Guidance and Counselling, University of Ibadan, Nigeria.
- Appelbaum E, Bailey T, Berg P, & Kalleberg AL, (2000). *Manufacturing advantage*. Ithaca, NY: Cornell ILR Press.
- Arvey, R. (1972). Task performance as a function of perceived effort- performance and performance reward contingencies, *Organizational Behavior and Human Performance* 8, pp. 423-433.
- Babbie, E.R., (2004) *The Basics of Social Research*, Wadsworth Pub Co
- Banjoko, S.A. (1996). *Human resource management*. Lagos: Saban Publishers.
- Becker B, & Gerhart B (Eds). (1996). Special forum: Human resource management and Organizational performance. *Academy of Management Journal*, 39, pp.777-985.
- Belcher, D.W., & Atchison, T.J. (1987). *Compensation Management*, 2<sup>nd</sup> Ed, New Jersey: Prentice- Hall, P 4.
- Brown, J. & Sheppard, B. (1997). Teacher librarians in learning organizations. Paper Presented at the Annual Conference of the International Association of School Librarianship, Canada. August pp.25-30.
- Churchill, G.A. (1979). ‘ A Paradigm for developing better measure of marketing constructs’, *Journal of Marketing Research*, 16, pp. 64-73.
- Colvin, G. (1998). What money makes you do. *Fortune* 138 (4), 213-214.
- Connor-Linton, J. (2001). *Chi Square Tutorial*. Retrieved May, 12, 2007, from [Http://www.Georgetown.edu/cball/webtools/web\\_chi\\_tut.html](http://www.Georgetown.edu/cball/webtools/web_chi_tut.html).
- Converse, J.M., & Presser, S. (1986) *Survey Questions: Handcrafting the Standardized Questionnaire*. New Delhi, India: Sage Publications.
- Cronbach, L. J. (1951). ‘Coefficient alpha and the internal structure of tests’, *Psychometrika*, 16(3), pp.297-334.
- DeVaus, D.A. (2002). *Survey in Social Research* 5<sup>th</sup> edition, London, Routledge.
- Dulebohn, J. H., Ferris, G. R., & Stodd, J. T. (1995). The history and evolution of human resource management. In G. R. Ferris, D. T. Barnum, & S. D. Rosen (Eds.), *Handbook of human resource management* ( pp. 18-41). Oxford, UK: Blackwell.
- Dulebohn, J. H., Werling, S.E., (2007). Compensation research past, present, and future. *Human Resource Management Review*, 17(07), pp.191-207
- Enns, Phillip, G. (1985). *Business Statistics: Methods and Applications*, Homewood, Richard D. Irwin, Inc., p.46.
- Guzzo, A. Richard, Jette, D. Richard & Katzell, A. Raymond, (1985). The Effect of Psychologically Based Intervention Programs on Worker Productivity: A Meta Analysis. *Personnel Psychology Summer 1985*.
- Hall, R. H. (1994): Sociology of work: perspectives, analyses, and issues, *Pine Forge Press*, Thousand Oaks
- Harrell, A.M., & Stahl, M.J., (1984). Modeling managers’ effort level decisions for a within persons examinations of expectancy theory in a budget setting, *Decision Sciences* 15, pp.52-73.
- Heneman, R. L. (1990). ‘Merit pay research.’ In Rowland, K. M. and Ferris, G. R. (Eds) *Research in Personnel and Human Resource Management*, Vol 8, JAI Press, Greenwich, CT, pp.203-263.

- Heneman, R. L. (1992). 'Merit pay, *Linking Pay Increases to Performance Ratings*, Addison- Wesley, Reading, MA.
- Herzberg, F. (1968). One More Time: How Do you Motivate Employees?. *Harvard Business Review*, January-February.
- Herzberg, F., Mausner, B., & Snyderman, B. B. (1999): *The Motivation to Work*, 3rd edition, *Transaction Publishers*, New Brunswick
- Hills, F. S., Bergmann, T. J. and Scarpello, V. G. (1994). *Compensation Decision Making*, The Dryden Press, Fort Worth.
- Hope, J. W. & Pate, L.E. (1988). A cognitive expectancy analysis of compliance decisions, *Human Relations* 41, pp. 739-751.
- Huddleston, P., & Good, L. K. (1 999): Job motivators in Russian and Polish retail firms, *International Journal of Retail & Distribution Management*, Vol. 27, No. 9, pp. 383-393
- Jacques, I. & Roussel, P. (1999). A study of the Relationship between Compensation Package, Work Motivaition and Job Satisfaction, *Journal of Organizational Behavior*, Vol. 20, No. 7, pp. 1003-1025.
- Jenkins, G. Douglas, Jr. (1986). Financial Incentives. In Locke, A. Edwin (Eds) *Generalizing from Laboratory to field settings*. Lexington, MA: Lexington Books, 1986.
- Jude, T. Rich, Jone, A. Larson, (1987). Why some long term incentives fail. In *Incentives, Cooperation, and Risk Sharing*, edited by Haig R. Nalbantian Totowa, NJ: Rowman & Littlefield, 1987.
- Klein, H.J. (1991). Further evidence on the relationship between goal setting and expectancy theories, *Organizational Behavior and Human Decision Processes*, 49, 230-257
- Lawler, E.E. & Porter, L.W. (1967). Antecedent attitudes of effective managerial performance, *Organizational Behavior and Human Performance*, 2, pp.122-142.
- Lchniowski C, Kochan T, Levine D, Olson C, Strauss G. (1996). What works at work:overview and assessment. *Industrial Relations*, 35, pp. 299-334.
- Markham, S. E. (1988). 'Pay- for- performance dilemma revisited: empirical example of the importance of group effects', *Journal of Applied Psychology*, 73 (2), pp.172-180.
- Miceli, M.P., Jung, I., Near, J.P. and Greenberger, D.B.(1991). ' Predictors and outcomes of reaction to pay-for-performance plans,' *Journal of Applied Psychology*, 76(4), pp.508-521.
- Miner, J.B., Ebrahimi, B., & Wachtel, J.M. (1995). How deficiency in management contributes to the United States' competitiveness problem and what can be done about it? *Human Resource Management*. Fall, p. 363.
- Molander, C. (1996): *Human Resources at Work*, *Chartwell-Bratt*, Lund
- Morgan, G. (1997): *Images of Organization*, *Sage Publications*, Thousand Oaks
- Mount, M. K. (1987). ' Coordinating salary action and performance appraisal'. In: Balkin, D .B. and Gomez – Mejia, L.R.(Eds) *New Perspectives on Compensation*, Prentice –Hall, Englewood Cliffs, NJ, pp. 187-195.
- Oshagbemi, T. (2000). Correlates of pay satisfaction in higher education. *The International Journal of Educational Management*, 14(1), pp. 31-39.
- Popoola, S.O., Ayeni, C.O., (2007) Work Motivation, Job Satisfaction, and Organisational Commitment of Library Personnel in Academic and Research Libraries in Oyo State, Nigeria. *Library Philosophy and Practice*.
- Pritchard, R.D. & Sanders, M.S. (1973). The influence of valence, instrumentality, and expectancy of effort and performance, *Journal of Applied Psychology* 57, pp.55-60.
- Rothe, F. Harold, (1970). Output Rates Among Welders: Productivity and Consistency Following Removal of a Financial Incentive System. *Journal of Applied Psychology* December 1970.
- Schuler, R.S. & MacMillan, I.C.(1984). Gaining competitive advantage through human resource management practices, *Human Resource Management*, 23(3), pp. 241-255.

Schultz, D. P., & Schultz, S. E. (1998): *Psychology & Work Today: An Introduction to Industrial and Organizational Psychology*, Prentice Hall, New Jersey

Sekaran U. (2003). *Research Methods for Business a skill building approach: John Wiley & Sons, Inc.*

Silverthorne, C.P. (1996). Motivation and management styles in the public and private sectors in Taiwan and a comparison with United States. *Journal of Applied Social Psychology* 26 (20), pp.1827-1837.

Sinclair, R.R., Tucker, J.S., Cullen, J.C., & Wright, C. (2005). Performance differences among four organizational commitment profiles. *Journal of Applied Psychology* 90 (6), pp.1280-1287.

Snead, K.C., & Harrell, A.M. (1994). An application of expectancy theory to explain a manager's intention to use a decision support system, *Decision Sciences* 25, pp. 499-513.

Steers, R. M. (1991): *Introduction to organizational behavior*, 4th edition, Harper, New York, Collins Publishers Inc.

Steers, R. M., & Porter, L. W. (1991): *Motivation and Work Behavior*, 5<sup>th</sup> edition, , New York, McGraw-Hill.

Vinokur, K.D., Jayaaratne, S., Chess, W.A. (1994). Job satisfaction and retention of social workers in public agencies, non-profit agencies and private practice: The impact of work place conditions and motivators. *Administration in Social Work* 18 (3) pp. 93-121.

Vroom, V.H. (1964). *Work and Motivation*, Wiley, New York.

Wiley, C. (1997): What motivates employees according to over 40 years of motivation surveys, *International Journal of Manpower*, 18(3), pp. 263-280

**Figure 1: An expectancy theory model constructed from E-P expectancy, instrumentality, and valence.**

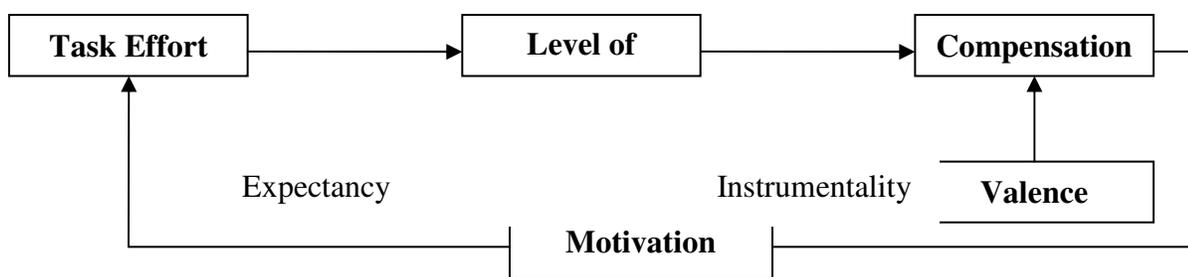


Table 1 Work motivation and satisfaction with compensation cross tabulation

Work motivation	Satisfaction with compensation					
	High		Low		Total	%
	F.	%	F.	%		
High	13	35.1	2	8.7	15	25
Low	24	64.9	21	91.3	45	75
<b>Total</b>	<b>37</b>	<b>100</b>	<b>23</b>	<b>100</b>	<b>60</b>	<b>100</b>

Table 2 Chi-Square Test for satisfaction with compensation and work motivation

	Value.	df	Asymp. Sig.(2-sided)
Pearson Chi- Square	5.288	1	.021
Continuity Correction	3.972	1	.046
Likelihood Ratio	5.917	1	.015
N of Valid Cases	60		

**Table 3 Gamma Test Statistics**

	Value	Asymp Std. Error a	Approx. Tb	Approx.Sig.
Ordinal by ordinal Gamma	.701	.208	2.660	.008
N of Valid Cases	60			

**Table 4 Correlations for satisfaction with compensation and work motivation**

		Satisfaction	Motivation
Satisfaction	Pearson correlation	1.000	.342
	Sig. (2 – tailed)		.007
	N	60	60
Motivation	Pearson correlation	.342	1.000
	Sig. (2-tailed)	.007	
	N	60	60

**Table 5. Correlations of work motivation and three dimensions of independent variable**

		Motivation	Fixed pay	Flexible pay	Benefits
Motivation	Pearson correlation	1.000	.305	.337	.025
	Sig. (2 – tailed)		.018	.009	.847
	N	60	60	60	60
Fixed pay	Pearson correlation	.305	1.000	.074	.030
	Sig. (2-tailed)	.018		.572	.822
	N	60	60	60	60
Flexible pay	Pearson correlation	.337	.074	1.000	.068
	Sig. (2-tailed)	.009	.572		.605
	N	60	60	60	60
Benefits	Pearson correlation	.025	.030	.068	1.000
	Sig. (2-tailed)	.847	.822	.605	
	N	60	60	60	60