



# **Impact of Compensation Practices on Employee Motivation in Pharma Industries of Karachi**

**By**

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## List of Tables

Table 4.1 .....	18
Table 4.2 .....	18
Table 4.3 .....	19
Table 4.4 .....	19
Table 4.5 .....	20
Table 4.6 .....	20
Table 4.7 .....	21
Table 4.8 .....	21
Table 4.9 .....	22

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## **Dedication**

The achievement of this paper is the result of uncountable help from Almighty ALLAH, all praise goes to HIM. Then all the efforts and care made by my beloved parents for providing me all the necessities to complete this project. Then thanks to my thesis supervisor Dr. Rafiq Ahmed Khan, under his guidance and supervision the project has comes towards a successful end.

And last but not the least I would also like to thank my friends for helping me out in every stage of this project.

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## **Abstract**

### **Purpose:**

The aim of the research is to determine the impact of compensation practices on employee motivation in Karachi Pharmaceutical industry. It further highlights the relationship of different compensation packages (salary, benefits, and nonfinancial incentives) with employee motivation. To cover the whole Pharma industries four leading Pharmaceutical industries located in Karachi were select for the research; these include Bosch, Getz, Novartis and Herbion. The employee motivation is essential for the overall organizational performance and it adds up value to the organization. Motivating factors may vary from industry to industry and class to class of employees.

### **Methodology/sample:**

The research being explanatory in nature as several researches done in this topic. It involved quantitative data, and sample size is 160. In this study primary data is used and the questionnaire instrument was adopted. Regression and correlation test were performed to identify the impact of compensation practices on employee motivation.

### **Findings:**

The study and analysis of the results have revealed that the impact of salary, benefits and non-financial incentives have positive effect on employee motivation It suggest that organization has to consider market competitive basic pay, allowances, rewards and training. Benefits plan which include vacation, health and/or retirement plan helps employees to focus on their and organizational goals. Better compensation packages not only motivate employees but also improve their performance, high level of job satisfaction and commitment and long term retention.

### **Practical Implications:**

The findings/results of this research will helps management to successfully plan and implement compensation policy for employee motivation by recognizing the gap, it also help the organizations to know the factors which employee prefer for their compensation and their level of satisfaction due to the salary and other benefits that organization provides to their employees It will also help to efficiently alien benefits and nonfinancial incentive according to market situation to increase employee motivation so that they can achieve the organization goals.

**Keywords:** Compensation, motivation, salary, benefits, nonfinancial incentives.

## Table of Contents

Title page.....	
Approval for Examination.....	ii
Declaration of Authentication.....	iii
List of Tables .....	iv
Originality Report .....	v
Dedication .....	vi
Acknowledgement.....	vii
Abstract .....	viii
Table of Contents.....	ix

### Chapter 1 Introduction

1.1 Purpose and Significance of Study .....	1
1.2 Problem Statement .....	1
1.3 Research Questions .....	2
1.4 Objectives of the Study .....	2
1.5 Scope of the Research .....	2
1.6 Limitation of the Study .....	3
1.7 Organization of Thesis .....	3

### Chapter 2 Literature Review

2.1 Significance of Employee Motivation .....	4
2.2 Need to motivate employees .....	5
2.3 Employee compensation.....	6
2.4 Types of compensation packages.....	6
2.4.1 Direct Compensation .....	6
2.4.2 Indirect Compensation .....	7
2.5 Non financial Compensation.....	9
2.6 Relation between compensation and motivation.....	11
2.7 Research Variables .....	13
2.8 Theoretical Framework .....	13
2.9 Development of Hypotheses .....	14
2.10 Research Hypotheses .....	14

**Chapter 3 Research Methodology**

3.1 Natures of Research .....15  
3.2 Target Population .....15  
3.3 Sample Size .....16  
3.4 Research instrument.....16  
3.5 Sampling Technique .....16  
3.6 Data Collection Method .....17  
3.7 Data Treatment .....17

**Chapter 4 Data Integration and Analyses**

4.1 Data Analyses .....18  
4.2 Hypotheses Testing .....20  
4.3 Finding of Study .....22

**Chapter 5 Discussion**

5.1 Critical Debate .....25

**Chapter 6 Conclusion and Recommendation**

6.1 Conclusion .....27  
6.2 Recommendation .....27

**References.....29**

**Appendix.....31**

Questionnaire

# CHAPTER 1

## INTRODUCTION

### **1.1 Significance of the Study**

Employees are important asset of any association. Labor productivity is main focus of any organization. The pharmaceutical industries of Pakistan contribute a lot in the economic development of country. Employees play an essential role in the enhancing the productivity of pharmaceutical industries and they are the main source of profit.

Compensation is one of the methods to increase employee motivation, satisfaction and retention. These includes salaries, bonuses, health benefit, health insurance, transportation and vacations etc. Organizations offer different types of compensation in the form of wages, salaries and pay etc. Mostly it is seen that employees having good qualification are not satisfied with their job and salary and switch to the better jobs so organizations plans compensation policy to stop their turnover and to motivate the employees. We can say that compensation motivates employee for better performance. If representatives are paid great and acquire more than their partners they feel happier. Good looking compensation is helpful in motivating an employee as motivation is an important factor that to be considered in organization to achieve their goals and objectives.

Compensation is one of the major sources of motivation because employees perform better when they know they will receive good compensation in form of salary, benefits or rewards etc, they exert more efforts. A compensation system must be plan in such a way that it directly link to the mission, vision and business strategy of an organization so that they can easily attain their goals and targets.

### **1.2 Statement of problem**

Every organization wish that their employees perform in a better way but it is not possible unless employees are compensated properly by the organization. There are many pharmaceutical companies which are paying less as compared to their competitors which result in low motivation, less job satisfaction and high turnover among employees.

According to Amstrong (2008) employees with low motivation lose their morale to work and this can be destructive for the organization. He further said that un-motivated employees exhibit warning signs like high absenteeism, fatigue, turnover, lack of interest in work, less satisfaction to job, and lack of spirit in team work. Those organizations that understand the value of motivation may develop such strategies that consistently motivate their employees and retain them to achieve their goals and objectives. So in this research we made an effort to determine the level of motivation among employees which is affected by compensation system.

### **1.3 Research questions**

- What is the impact of compensation practices on employee motivation?
- Are employees satisfied with the current compensation practices?
- Is the compensation system is effective to achieve organization goals?
- How compensation improve employee motivation and performance?

### **1.4 Objectives of the study**

- To identify the impact of compensation practices on employee motivation.
- To identify what compensation packages are available in different Pharma industries.
- To identify the satisfaction level of employees with compensation system.
- To identify the extent at which the compensation can improve employee performance.

### **1.5 Scope of the study**

The scope of this study is limited to the Pharmaceutical industries of Karachi, their compensation practices and its impact on their employee motivation.

## **1.6 Limitations of the study**

This research is conducted in a short period of time so it does not include each and every aspect of employee motivation. Since data was taken from few companies of the industry, it may not be generalized to the entire industry.

## **1.7 Organization of the study**

The study consists of five chapters, followed by references.

Chapter 1 is on the Introduction which includes sub headings like significance of the study, Problem Statement, Objectives of the study, Research Question, Scope of the Study, Limitations of the study and Organization of the study.

Chapter 2 includes evaluation of the prevailing literature comprising the theoretical discussion on impact of compensation practices on employee motivation in Pharma companies of Karachi with the outlooks of the academicians' and experts' on the matter.

Chapter 3 encompasses research methodology – nature of research, target population, sample scope, sampling technique, and data gathering approaches employed throughout the study, type of data collected, and the way the data was assimilated.

Chapter 4 covers analysis of primary data collection and integration and illustrates the findings of data analysis and their interpretation.

Chapter 5 consists of a critical debate on the study drawing on the literature review in contrast with the findings of this study.

Chapter 6 includes summary of findings, conclusions and recommendations.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Significance of Employee Motivation**

Maintaining a competitive edge in relevant industry is desire of almost all leading organizations. Motivation is considered to be a tool to get optimum performance. Motivation is defined as the process of stimulating a person so that desired action can be taken to taken (Ghosh, 2000). According to Amstrong (2008), motivation is taken from the word motive whose means a basis for doing some act. We can say that motivation can be achieved via incentives or rewards to ensure that the individual deliver results as per the expectation of management.

The presence of human resources plays an important role in any organization. To understand significance of individuals in any association it is important to perceive that the employees and the organization go side by side. One method to achieve this goal is to keep people motivated. Compensation is perceived as an important instrument and costly process for organizations to motivate employees.

Akintoye (2000) emphasize that paying more is the most useful strategy to motivate a person. He clarify that cash has the ability to pull in and motivate people towards high performance. For example, if a representative has another employment offer with more prominent budgetary rewards and has indistinguishable occupation qualities with his present place of employment, that laborer would likely be roused to acknowledge the new employment offer.

Banjoko (1996) tells that many administrators use cash to reward or penalize workers. This is carried out by the way of remunerating employees for higher performance by imparting fear that they will lose job or other related issues(e.g., no annual increment or promotion due to poor performance).

Today many companies use projects meant to motivate employees by binding compensation to their performance and more striking are the conviction that people will perform better if they have been promised some kind of reward.

Compensation may give an aggressive edge to one company over its opponents. The success in attaining goal human resource is directly connected to compensation offered. Also, the ability to motivate workers and retain competent employees is to great extent impacted by compensation offered Dulebohn and Werling (2007).

## **2.2 Need to motivate employees**

To obtain desire behavior and conduct particular act from one or group of people the tool used is motivation. Organization's uses these kinds of strategies to attain their goal by achieving employee's commitment. It helps to reduce turnover, gives opportunity to fully utilize employees capabilities for long term project and challenging task.

Herzberg's motivation-hygiene theory based on lower-order need which is necessary to remove dissatisfaction such as food, safety security and higher-level satisfying factors are recognition, career advancement and work identification. He also describes the connection between job satisfaction and motivation. Researchers claim that people will be motivated by challenging and pleasant task by performing on their higher capability. The aspects involves in motivations are organization and employee goals and workers participation in decision making.

Porter *et al.* (2003) identified the factors which can de-motivate employees include work environment, supervisor behavior, salary and policy as well. The combination of extrinsic and intrinsic factors can produce effective strategy for employee retention. Samuel and Chipunza (2009) had studied the relationship of intrinsic and extrinsic variables which effect on employee's motivation such as training, challenging job, innovation and job security.

There is a significance influence can be found in employees retention by goal setting techniques which asses in showing their contribution in the attainment of organization objective. Reward and recognition has also shows effectiveness in acknowledging employees efforts, especially for those who are looking for self-esteem and actualization. As employees mentoring helps worker to develop and growth in career, Das and Baruah (2013) recognizes these efforts in their study that salary and work setting play an effective role for retaining employee, as internally

Enthusiastic worker feel valued in the company. They perform better when they are motivated, the theory of expectancy supports to develop efforts-performance-output relationship.

### **2.3 Employee Compensation**

Compensation is the human asset administration work that deals with each kind of prize people get in return for performing authoritative undertakings, with a craved result of a representative who is pulled in to the work, satisfied, and motivated to benefit the business.

As per the American Compensation Association's (1995) definition, "Compensation is the cash and non-cash remuneration provided by an employer for services rendered". It could be financial rewards which relate to any monetary rewards that go above and beyond fundamental pay. These are isolated from the basic salary. Examples of these include monetary incentives, bonuses, and acknowledgement. Compensation can be depicted as direct and indirect compensation.

### **2.4 Types of Compensation Packages**

According to Dessler (2011), compensation can be divided into 2 forms  
Direct and indirect compensation

#### **2.4.1 Direct Compensation**

He clarified that direct compensation is usually constrained to the direct cash benefits that the employees get on monthly, bi-monthly or weekly basis for the services they render as employees of a specific organization. It could also be in the form of stock bonus compensation, where representatives of the association are given the chance to claim offers in the association they work for and toward the end of consistently they have the open door again to increase some profit as value on their shares. This is also termed as Executive stock options (ESO). It includes wages, salaries, bonuses or commission based on performances, overtime work, and occasion premium.

- **Salary** is the fixed or guaranteed regular monthly or annual gross payment made to workers; it varies from job to job, workers to workers and organization to organization.
- **Wage** on the other hand is a regular, usually weekly or daily payment made for work or services usually to manual workers.
- **Commission pays** dependent upon the sales of quantity and its calculation is on the percentage bases. Overtime pay is the amount compensated to the employee for their extra work after completing agreed working hours
- **Bonus** is the reward paid on exceeding performance and on earning particular profit. These are the multiple of per month salary and it gives many benefits to company such as performance versus expectation to enhance productivity. It can also to cut the pressure to raise salary.

#### **2.4.2 Indirect Compensation**

Dessler (2011) defines Indirect Compensation as the indirect financial and payments employees get for preceding their employment with the company which is an imperative part of every employee's compensation. Other terminology such as fringe benefits, supplementary compensation and supplementary pay are utilized. It is paid as medical benefits, housing allowance, meal allowance, utility allowances, incentive bonus, shift allowances, hospitalization expenses, out of station allowance, vehicle loan benefits, annual leave allowances, car basic allowances, and so on.

As per Chhabra (2001), Indirect or Supplementary Compensation involves 'fringe benefits' offered through several employee services and benefits such as housing, subsidized food, medical aid, etc. The essential reason of fringe benefits or supplementary compensation is to attract and maintain proficient human resources and to motivate them.

➤ **Benefits**

Benefits are indirect compensation for the time which has not performed work such as health care, retirement and life coverage (Heneman and Schwab 1985). Benefits are used by employer to sustain employee from leaving the organization, the cleverly use of pay and benefits help companies to lessen turnover, improve job satisfaction and meet their goals. Organization compensation benefits are

- **Workers' Compensation**

This is intended to shield workers from loss of pay and to cover extra expenditure connected with job-related wounds or illness. The laws generally provides for substitution of lost wage, medical expenses, recovery of some sort, death benefits to survivors, and lump-sum disability installments.

- **Social Security**

This is a federally controlled insurance system. According to law, both employer and employee must pay into the framework, and a certain percentage of the employee's salary is paid up to a maximum limit and it is calculated on the average monthly wage. It is given predominantly to give financial security to employees during their retirement.

- **Retirement Plans**

Retirement and pension plans, which provide a source of income to people who have retired from their past services. Private arrangements can be supported altogether by the association or mutually by the association and the worker amid the season of vocation. One prominent type of annuity arrangement is the characterized as the defined-benefit plan. Under this, the business promises to give an advantage controlled by a clear recipe

at the representative's retirement date. The other significant kind of retirement arrangement is the characterized –contribution arrangement, which requires an altered or known yearly commitment rather than a known advantage.

- **Paid vacations**

Regularly, a worker must meet a specific length-of–service prerequisite before getting to be qualified for paid vacation. Likewise, the time took into consideration paid vacations for the most part relies on upon the representative's length of administration. Not at all like holiday policies that generally influence everybody in the same way, may vacation policies vary among classifications of representatives. Most associations permit representatives to take vacation by the day or week. Associations may offer an extensive variety of extra advantages, including food services, exercise offices, health and emergency treatment services, monetary and lawful guidance, and purchase discounts in addition to the real advantages to motivate employees.

- **Health benefits**

Health benefits provide employee life and health insurance, out and in-patient facility to employees, panel assign by organization for hospitalization and other health related matter. Dental, visibility, threat compensation are also vary from nature of work and its impact on human life which is covered by employer

## **2.5 Non-Financial Compensation**

Non-financial incentives contain employee acknowledgement, training, development career planning programs. Study proved that non-financial compensation is more effective the pay-check, it provide quality of life, peace of mind by securing employee from risk by providing health insurance, flexible working hours and other benefits.

It is the acknowledgment of employees' efforts and work dedication, enhance loyalty, moral and build supportive environment. These are psychological motivator and they are become important and prevalent in today's workplace (Ivey Business Journal).

The training and development is also one of the factors which fall into the non-financial compensation factor. It helps in growth of organization and produces reason for employee retention. It is a part of career development which is supported by long term mission of the organization and become the reason of job satisfaction.

In today's era of globalization and fierce market competition, technological innovation makes it tough for the organization to survive without strategic competitive advantage. After realizing this situation businesses' has focused on constant learning and development of their employees in order to retain trained workforce, since employees' knowledge and expertise have turn out to be the key for economically competitive firms (Hiltrop 1999).

The compensation system must be alluring enough to keep employees from getting to be disappointed, de-motivated and looking somewhere else for better compensation, career development opportunities, fringe benefits, rewards and incentives.

Compensation can advance an organization's success and satisfy employee career objectives. It has been underscored that compensation must also be outlined appropriately as if not carefully design and implemented, it can fail to motivate the employees.

OmoayoAdewale (2014) analyze the effect of remuneration framework at work performance of representatives and work on just favored private establishments in Ogun State, South-West Nigeria by utilizing survey. He fined that foundations which have more fitting pay bundles can have beneficial outcome on employees performance and motivation accordingly the turnover of worker turn out to be less and they true with their employment and stay in association.

Muhammad riaz (2014) concentrated on the effect of compensation of worker performance on association commitment on the performance of representative, by utilizing SPSS as a statically apparatus and reasoned that Compensation as motivators, pay rates will play out a critical part to upgrade motivation of worker in Local Revenue Management

Tahira Nazi (2013), watched that what is the level of organizational devotion and employment satisfaction in the blink of an eye in the United kingdom Higher Education division and colleges by utilizing relationship method and presumed that United kingdom Higher Education segment propose both money and non-money premise prizes to individuals from association and makes them fit and motivated as it check that the individual from association are social agents.

## **2.6 Relation between compensation and motivation**

**Salary / wages/ increments-** all are methodologies used to propel employees.

Many of the researches have revealed that cash is critical to employees in relation to other parameters as acquiring more cash push them towards motivation. It reveals that when employees feel satisfaction, they will be motivated at work and buckle down.

The success of every organization relies on their key resources, employees, as well as the abilities of representatives to create a motivating environment for their employees. It is a challenge for the directors to keep their people and employees motivated and satisfied.

Urichuck (2002) expressed that motivated worker will expand the ability of the association to achieve its central goal, objectives and destination. It will likewise connect with all to fabricate a solid hierarchical society. Additionally, Buttner and Moore (1997), examine about "Happy Employees Make Productive Employees" found that when worker attitudes enhanced by 6%, consumer loyalty hopped by 1.2%, and the revenue expanded by 6%. Thus, motivated workers for the most part create more than others and henceforth the consumer loyalty enhance.

Motivated employees can affect an organization's primary concern and make the work environment some place representatives anticipate communicate with rather than only a spot to "get a paycheck" (Nandanwar 2010). An inspired association for beyond any doubt will have more motivated employees and henceforth they will be more beneficial and this will lead to cost

Savings (Urichuck, 2002). Also, satisfied workers decidedly affect corporate society, bringing about numerous intangible however similarly essential returns (Barbara, Christy, 2002).

Deci (1985), clear that an establishment whose workers have low motivation is totally powerless against both inward and outside difficulties since its employees are not doing anything to keep up the association's stability, so the association fails to meet challenges.

Association's needs to inspire their employees and keep them persuaded so as to get the efficiency picks up and to insure their stability. Individuals who are given responsibilities feel motivated and work hard (Ludivine, 2011).

Mansoor (2008) additionally sees that inspiration is about making environment where representatives will be spurred and subsequently work with their full exertion. In this way, associations ought to rouse their representatives to achieve the organizations vision and mission (Philip, 2007).

Specialists have prescribed that worker's dedication toward their associations will improve their satisfaction and which will advantage the firm (Morris and Sherma, 1981). Besides, specialists have focused on that fulfilled and urged workers are crucial to the association effectiveness (Rachel, Edwin, 2010). Additionally, business and organization's progression relies on upon motivated employees; they can have all the effect in the organization's capacity not to simply survive but rather likewise to succeed.

As indicated by Jonathan, Christine (2002), roused individuals and their dedication are imperative to the profitability of the work as they will perform with their maximum capacity and with high caliber and Michael and Crispen (2009) expressed that having a persuaded workforce gives the upper hand that the association looks for and better worker execution helps the association accomplish higher efficiency.

Jonathan, Christine (2002), recognized that more noteworthy inspiration will have an immediate impact in enhancing efficiency through more noteworthy exertion and conceivably development. They additionally expressed that inspiration prompts a beneficial with superior representative who does the best at work, spares time and exertion furthermore volunteers to

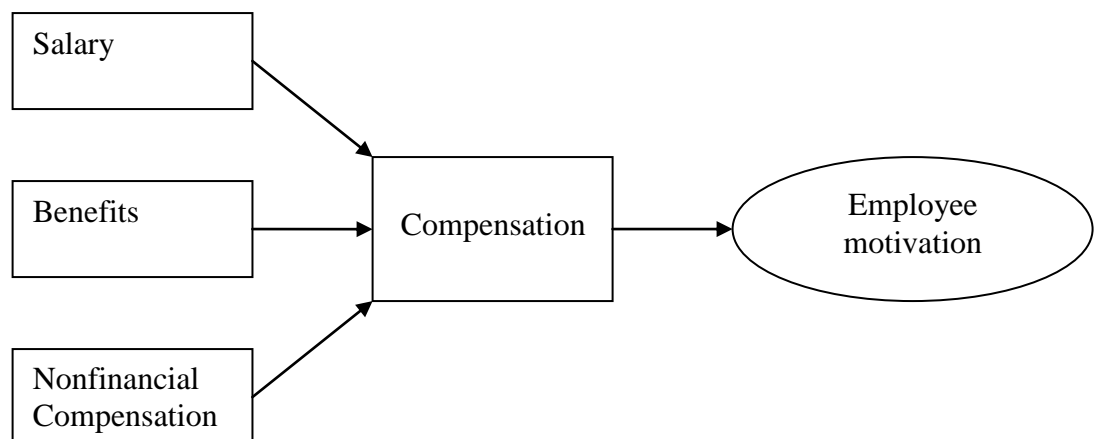
Accomplish more than what is required. Such representative will be an awesome asset to the business and an extraordinary model to be trailed by others.

## 2.7 Research Variables

The first element analysis made for the dependent variable is employee motivation, and the second factor analysis was compensation for the independent variables salary, benefits and non-financial incentives.

## 2.8 Theoretical framework

Organizations want their employees constantly work so they provide compensation (Gibson, 1996). When an employee in affiliated with an organization, there is expectation from the employer with respect to their efforts and time devotion. Employee's compensation impact on their performance and their retention. Pay cover's the financial factors of the motivation. Employee growth and career development are part of non-financial end of compensation which includes career planning, training and development. Benefits make the employer competitive from the market to hold the best performer. Liang Gie in Martoyo (2000) said that motivation is the reason for someone to do something or work that is why non motivated employees only give minimum effort to work.



The diagram shows that employee motivation has three independent variables i.e. salary, benefits and non-financial factors are making compensation element which directly influencing employee motivation.

## **2.9 Development of Hypotheses**

From the literature review on employee motivation due to compensation, the following hypotheses have developed to measure the impact of compensation (salary, benefits and non-financial) on employee motivation.

## **2.10 Research Hypotheses**

### **Hypothesis - 1**

Ho1: There is no impact of salary on employee motivation.

Ha1: There is a significant impact of salary on employee motivation.

### **Hypothesis - 2**

Ho2: There is no impact of benefits on employee motivation.

Ha2: There is a significant impact of benefits on employee motivation.

### **Hypothesis - 3**

Ho3: There is no impact of nonfinancial compensation on employee motivation.

Ha3: There is a significant impact of nonfinancial compensation on employee motivation.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

The objective of the study is to find out the impact of compensation on employee motivation in Pharma Companies of Karachi. The quantitative method has adopted to learn the impact on employee motivation. This research is quantitative research means the process of explaining some phenomena using mathematical or statistical techniques to analyze numerical data (Muijs 2004).

#### **3.1 Type of Research**

DeVos (1998) said that a research design is the detail planning of how a research is to be carried out, and it is of great importance because the success or failure of the research depends on this. It describes logical arrangements for the data collection and analysis so that results can be made. The nature of the research is explanatory because several researches have been done on this topic to describe the association of compensation practices on employee motivation. . An explanatory study generally aims to explain causal connection between variables and effect of one variable to another variable (Sugiyono, 2002). Literature describes that explanatory research set up causal connections between variables. It is descriptive study to analyze the association between independent and dependent variables

This research begins with the social phenomena of employee motivation with the development of hypotheses and then collecting data to test the developed hypotheses. Explanatory research type is a systematic approach to exam the study in of evidence. This study helps to explain the why the phenomenon happening and drawn conclusion..

#### **3.2 Target Population**

According to Zigmund (*et al.* 2010) defining the target population size helps to specify the sampling plan and it assist in investigating the behavior of respondent through interpretation. Burns (1993) describe population as all the fundamentals including individuals, objects and events that symbolize the sample.

The research has been conducted in the city of Karachi and the pharmaceutical companies of Karachi (Bosch, Novartis, Herbion, Getz) are the focal point of my study. Target population of all four organizations is approx. 800 employees.

### **3.3 Sample Size**

Sample size shows the quantity of respondents chosen from the population (Kothari, 2007).

Sample size is selecting a valid number of respondent out of define targeted population to get error free result. Sampling can accurate the study than studying entire population and also it creates smaller data set and analysis to the response. Sample size for data collection is 160 belonging to both managerial levels. Respondents include both male and female.

### **3.4 Research instrument**

A well-structured questionnaire is used aim at collecting quantitative data from chosen sample size using Likert scale.

The first section covered the bio-data of the respondents and required them to provide data about respondent age, gender, education and their length of service with their organization. The second section addressed 23 questions to establish the link between compensation and employee motivation.

### **3.5 Sampling Technique**

Kothari (2007) describes sampling technique is a definite plan for obtain a sample from the sampling frame.

For samples selection it is necessary to assume that possibility of participant, but as it's a business research and due to time and resources constraint, it's not possible to use probability techniques, hence, we have adapted non-probability sampling technique in which sample size is ambiguous and the focus of the research is on generalization of the theory.

As data cannot be selected from entire population and generality is suitable with it so the use of convenience non-probability technique is best. It is a sampling in which taking people respond is conveniently available.

### **3.6 Data Collection Method**

Data was gathered through primary source and the questionnaire is use which is a instrument for collecting data having similar set of questions in a predetermined order (deVaus 2002).

The questionnaire is use to classify the variation in different phenomena. The structured question is adapted to impose limit on available responses.

### **3.7 Data Treatment**

Data analysis done on Statistical Package for Social Science (SPSS) software. Statistical tests are performed to ensure that outcomes are up to the mark (Saunders 2009). The data was integrated by using statistic tools like regression and correlation. The relationship of independent and dependent variable can be evaluated by utilizing techniques such as regression and correlation. Regression analysis can be used to anticipate the estimations of a dependent variable given the value of one or more independent variables by calculating a regression comparison. Whereas other test was correlation which examine to what extent two variables are related to each other. For testing the software was used SPSS, version 22.

## CHAPTER 4

### DATA INTEGRATION AND ANALYSIS

#### 4.1 Data Analysis

This section comprises the analysis and explanation of the data which is composed of close ended questionnaire. To analyze the quantitative data SPSS version 22 software was used. 160 questionnaires were distributed to respondents of four different Pharma companies of Karachi. The survey was contained of twenty three questions. Given underneath is the investigation of the composed data.

**Table 4.1 Gender of Respondent**

		<b>Gender</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	100	62.5	100.0	100.0
Missing	Female	60	37.5		
Total		160	100.0		

#### Interpretation

As the table 4.1 shows 62.5% respondents were male and 37.5% of the survey respondents were female belongs to different Pharma companies of Karachi.

**Table 4.2 Organization of Respondent**

		<b>Organization</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	bosch pharma	40	25.0	25.0	25.0
	getz pharma	40	25.0	25.0	50.0
	herbion pharma	40	25.0	25.0	75.0
	novartis pharma	40	25.0	25.0	100.0
Total		160	100.0	100.0	

## Interpretation

As the table 4.2 shows 25% of respondents belongs to each Pharma company of Karachi i.e. Bosch Pharma, Getz Pharma, Herbion Pharma and Novartis Pharma.

**Table 4.3 Age of Respondent**

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 – 30	102	63.8	63.8	63.8
	30 – 40	52	32.5	32.5	96.3
	40<	6	3.8	3.8	100.0
	Total	160	100.0	100.0	

## Interpretation

As the table 4.3 shows 63.8% respondents were from age group of 20-30, following the 32.5% of 30-40 age bracket respondents and the least one is 40 and above age group with 3.8% response rate of the survey.

**Table 4.4 Education of Respondent**

		Education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Graduate	68	42.5	42.5	42.5
	Master	90	56.3	56.3	98.8
	Ph.D.	2	1.3	1.3	100.0
	Total	160	100.0	100.0	

## Interpretation

As the table 4.4 shows, 42.5% respondents were graduate, 56.3% survey respondents were master, and remaining 1.3% were Ph.D. degree holders.

**Table 4.5 Tenure of Respondent**

		<b>Tenure</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	96	60.0	60.0	60.0
	6-10	54	33.8	33.8	93.8
	>11	10	6.3	6.3	100.0
	Total	160	100.0	100.0	

**Interpretation:**

As the table 4.5 shows, 60% respondents had 1to5 years’ work experience, 33.8% had 6-10 year tenure, and only 6.3% respondents has more than 11 years’ work experience.

**4.2 Hypotheses Testing**

The regression model is used to determine the relationship of independent variables with dependent variable. The model of regression also determines the extent to which different variables have impact on employee motivation.

**Table 4.6 Application of Regression**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.384 <sup>a</sup>	.147	.131	.48987

**Interpretation:**

The value of R square in Table 4.6 suggests that how much total variation in the dependent variable can be explained by independent variables. In this 14.7% can be explained.

**Table 4.7 Application of ANOVA**

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.465	3	2.155	8.980	.000 <sup>b</sup>
	Residual	37.435	156	.240		
	Total	43.900	159			

a. Dependent Variable: Motivation

b. Predictors: (Constant), NFI, Salary, Benefits

**Interpretation:**

Here significant level is 0.000 which is less than .05; it means that here is a positive association between independent variables (salary, benefits and non-financial incentives) and dependent variable (motivation).

**Table 4.8 Application of Coefficients**

		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.328	.385		16.451	.000
	Salary	.420	.164	.400	2.559	.011
	Benefits	.150	.167	.301	2.697	.019
	NFI	.150	.062	.189	2.406	.017

a. Dependent Variable: Motivation

**Interpretation:**

The value of p is less than 0.05 so the null hypotheses are not accepted or rejected.

$$Y = a + \beta x$$

$$Y = a + \beta x_1 + \beta x_2 + \beta x_3$$

$$Y = 6.328 + (0.420\text{salary}) + (0.150\text{benefits}) + (0.150\text{nonfinancial})$$

**Table 4.9 Application of Correlations**

		<b>Correlations</b>			
		Motivation	Salary	Benefits	NFI
Motivation	Pearson Correlation	1	.337**	.275**	.271**
	Sig. (1-tailed)		.000	.000	.000
	N	160	160	160	160
Salary	Pearson Correlation	.337**	1	.881**	.322**
	Sig. (1-tailed)	.000		.000	.000
	N	160	160	160	160
Benefits	Pearson Correlation	.275**	.881**	1	.336**
	Sig. (1-tailed)	.000	.000		.000
	N	160	160	160	160
NFI	Pearson Correlation	.271**	.322**	.336**	1
	Sig. (1-tailed)	.000	.000	.000	
	N	160	160	160	160

\*\* . Correlation is significant at the 0.01 level (1-tailed).

### **Interpretation:**

The salary and motivation sig. (1-tailed) is less than 0.01 which demonstrates that there is a strong correlation amongst salary and motivation. The benefits and motivation sig. (1-tailed) is less than 0.01 which illustrates that there is a solid correlation between benefits and motivation. The nonfinancial incentives and motivation sig. (1-tailed) is less than 0.01 which spectacles that there remains a resilient correlation between nonfinancial incentives and motivation.

### **4.3 Findings of Study**

This research contains three independent variables – salary, benefits, nonfinancial incentives and one dependent variable motivation. After performing data collection and application of valid tests the result shows the strong affiliation between compensation and employee motivation.

Since the data is collected from middle level employees including managers, assistant managers, supervisors, executives and officers. Out of which who consider compensation as a prime motivating factor 62.5% respondents were male and 37.5% of the survey respondents were female belongs to different Pharma companies of Karachi. Among them 63.8% respondents were from age group of 20-30, 32.5% of 30-40 age bracket respondents and the least one is 40 and above age group with 3.8% response rate of the survey. Their qualifications were different e.g. 42.5% respondents were graduate, 56.3% survey respondents were master, and remaining 1.3% were Ph.D. degree holders. They have different tenure in their respective organization like 60% respondents had 1 to 5 years' work experience, 33.8% had 6-10 year tenure, and only 6.3% respondents has more than 11 years' work experience.

Based on the demographic findings and statistical tests the three given hypotheses are discussed as follows.

**H1:**

The first hypothesis was to measure the impact of salary have significant positive impact on employee motivation. The demographic details of respondents shows that 62.5% respondents were male and 37.5% of the survey respondents were female belongs to different Pharma companies of Karachi. Among them 63.8% respondents were from age group of 20-30, 32.5% of 30-40 age bracket respondents and the least one is 40 and above age group with 3.8% response rate of the survey. Their qualifications were different e.g. 42.5% respondents were graduate, 56.3% survey respondents were master, and remaining 1.3% were Ph.D. degree holders. They have different tenure in their respective organization like 60% respondents had 1 to 5 years' work experience, 33.8% had 6-10 year tenure, and only 6.3% respondents has more than 11 years' work experience. After performing reasonable statistical tests the significance level shows the strong relation between employee salary and their motivation. It suggests that organization is considering market competitive basic pay, commission, allowances to motivate their employees.

**H 2:**

In second alternative hypothesis has proven that benefits have significant positive impact on employee motivation. The demographic details of respondents shows that 62.5% respondents were male and 37.5% of the survey respondents were female belongs to different Pharma

Companies of Karachi. Among them 63.8% respondents were from age group of 20-30, 32.5% of 30-40 age bracket respondents and the least one is 40 and above age group with 3.8% response rate of the survey. Their qualifications were different e.g. 42.5% respondents were graduate, 56.3% survey respondents were master, and remaining 1.3% were Ph.D. degree holders. They have different tenure in their respective organization like 60% respondents had 1to5 years' work experience, 33.8% had 6-10 year tenure, and only 6.3% respondents has more than 11 years' work experience.. After performing reasonable statistical tests the significance level shows the strong relation between benefit and motivation. Employee care plays a very effective role for their commitment with the organization. The benefit plan which include vacation, health and/or retirement plan motivate employees and help them to focus on their organization goals.

### **H 3:**

The last and the third hypothesis was to identify the non-financial incentives have significant positive impact on employee motivation. The demographic details of respondents shows that62.5% respondents were male and 37.5% of the survey respondents were female belongs to different Pharma companies of Karachi. Among them 63.8% respondents were from age group of 20-30, 32.5% of 30-40 age bracket respondents and the least one is 40 and above age group with 3.8% response rate of the survey. Their qualifications were different e.g. 42.5% respondents were graduate, 56.3% survey respondents were master, and remaining 1.3% were Ph.D. degree holders. They have different tenure in their respective organization like 60% respondents had 1to5 years' work experience, 33.8% had 6-10 year tenure, and only 6.3% respondents has more than 11 years' work experience and test indicates the strong influence with employee motivation, it include recognition, training and development activities, employees efforts acknowledgement, flexible working hours and work environment.

## **CHAPTER 5**

### **CRITICAL DEBATE**

The direct /indirect financial or nonfinancial compensation have produced positive impact on employee motivation. Many of the researches have revealed that cash is critical to employees in relation to other parameters as acquiring more cash push them towards motivation. It reveals that when employees feel satisfaction, they will be motivated at work and buckle down.

From the survey it has shown that employees are motivated in the organization if their efforts are acknowledge through giving them better salaries, rewards and annual increase in benefits.

Majority respondent are agree with the statement that overall salary is the big source of employee's motivation. Ozutku (2012) believe the extrinsic rewards play's effective role for satisfying tangible needs of employees, and it may come in the form of promotion, certificate of appreciation, pay, monthly performance reward and fringe benefits.

The other form of compensation is in term of benefits which may include house rent, transportation and meal expense, health benefits, retirement plans, leave policy and overtime allowance etc. These benefits can also cover intrinsic reward of development and training, succession planning, career enrichment and other HRD efforts by the organization. Participant of the research gives their intention towards organizational supports to employee's health and leave policy, payment of salary on time, family support policies and structured reward function.

The first hypothesis shows that employees are happy with the pay scale and organizations are following the right track to for their financial incentive. The basic pay is matching with current market trend as pointed out in by Lai (2009). Organizations paid salary on time, review it periodically. Second element of the survey is employee benefits which also shown the strong relationship with employee motivation, but organization need to improve benefits factor of their compensation plan for employee motivation. And the last factor, nonfinancial incentive is also get the positive result by respondent which shows that employees are happy with the nonfinancial incentives provided by the employer. Organizations provide them opportunities to share their ideas, give them feedback and help them in achieving their career goals.

According Huang (1997: cited by Lai 2009), compensation is explained into two basic functions, first is basic compensation which includes salary and second is benefits. Compensation effects motivation among employees and become a cause of job satisfaction and commitment. Herzberg's motivation-hygiene theory based on lower-order needs which are necessary to remove dissatisfaction such as food, safety security and higher-level satisfying factors are recognition, career advancement and work identification. He also describes the connection between job satisfaction and motivation.

Researchers claim that if employees are motivated and satisfied in their work they feel happy and exert more efforts and perform their work with the best of their abilities so their performance increase so we can say that motivating employees will also benefit the whole business.

## **CHAPTER 6**

### **CONCLUSION AND RECOMMENDATION**

#### **6.1 Conclusion**

Findings of the research provide ample evidence that compensation is one of the important factors for creating motivation among employees. Recognition of efforts by the organization can motivate employees and enhance their job satisfaction. All major factors of compensation – salary, benefits and rewards and nonfinancial incentive – hold the strong relationship with employee motivation. Employees are satisfied with the basic pay, benefits and nonfinancial incentives as shown in our result with the positive significance level

#### **6.2 Recommendations**

There is always a room for improvements so on the basis of specific areas projected in the results, following measures are recommended:

- Proper salary survey and job evaluation should be conducted.
- Organization should offer insurance benefit to all the employees which increase their motivation level.
- Organization should look at existing benefits such as leave, health benefits, food and conveyance, accommodation and retirement benefits etc. to motivate employees who can increase their productivity.
- Organizations need to adopt proper training and developmental strategy to enhance employees learning and communicating techniques which is beneficial for the organization also.

- Opportunity may be provided to all the employees for their career development and professional growth to keep them motivated.
- Management must take initiatives to search for which benefits work well and why. This enables the organization to reduce the cost spend in useless benefits.

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## Appendix

### Research Survey of Karachi Pharma Companies On Employee motivation

I am a student of Bahria University Karachi Campus and as a part of my MBA curriculum I am conducting a research for academic purposes. The data collected shall not be disclosed to any unauthorized person. Kindly answer following questions; your cooperation will be highly appreciated.

---

#### Respondents' Profile:

Gender :  Male  Female  
 Organization: \_\_\_\_\_  
 Age group : 22- 30 30-40  >40  
 Education : UG  Graduate  Master  Ph.D.  
 Position : 22- 30 30-40  >40  
 Tenure (years) :  1- 5  6-10  >11-20  >20  
 Date : \_\_\_\_\_

#### Instructions

- a. Please fill-out the questionnaire and kindly tick the appropriate box where it deems necessary.  
 b. Choices are defined as: (1) Strongly Disagree (SD), (2) Disagree (DA), (3) Neutral (N), (4) Agree (A), (5) Strongly Agree (SA)

Question Statements	SD (1)	D (2)	N (3)	A (4)	SA (5)
<b><i>Salary</i></b>					
1. Employees are satisfied with existing salary package.					
2. Salary is set as per market trends.					
3. Salary raises are adequate and merit based.					
4. Monthly salary is always paid without any delay.					
5. Company's basic pay is reviewed periodically.					
<b><i>Benefits</i></b>					
6. Organization has flexible benefits plan for its employees.					
7. Employees are satisfied with health benefits.					
8. Benefits are seen as highly useful to cater employee needs.					
9. Flexible benefits motivate employees better than fixed benefits.					
10. Company has insurance program for every employee.					

<b><i>Non financial incentives</i></b>					
11. Non financial incentives influence employees to exert more efforts.					
12. Recognition has significant effect on employee motivation.					
13. Company gives feedback to motivate employees.					
14. Employer provides opportunity to employees to share their ideas.					
15. Organization support employees in achieving career goals.					
16. Employees are facilitated to maintain a healthy balance between work and family life.					
<b><i>Motivation</i></b>					
17. Overall salary is a big source of employee motivation.					
18. A supportive/respectful working environment is important for employees to work well.					
19. Rewards/ benefits boost employee motivation to work hard.					
20. Employee involvement in decision making is effective for employee motivation.					
21. Annual raises and promotions have significant role on employee motivation.					
22. Flexible working hours motivate employees and increase their productivity.					
23. Job security has significant effect on employee motivation.					

