

## Analyzing the service compensation method of senior managers

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### ABSTRACT

Human resource is one of the most important resources of organizations which have a huge role on development of countries. Management can be very useful in this way. Management activities are related to human resource issues and the types of activities can lead to satisfaction or dissatisfaction of organization's employees. One of those activities is service compensation method which cause satisfaction or dissatisfaction of people directly. On the other hand, satisfaction is an important factor of motivation and employee's cooperation and choosing an appropriate method of service compensation is a need to achieve people's satisfaction. The current paper aims to analyze blemish fix methods, organization's services and determining senior manager's satisfaction in Parsian entertainment centers. Our priorities in this paper are analyzing rate of satisfactory from service compensation methods and types of blemish fix methods, then the difference between the existing circumstance and desirable circumstance in service compensation methods will be determined.

**KEYWORDS:** Service Compensation, Senior Managers, Service Compensation Methods, Gap Analysis, Satisfaction.

### 1. INTRODUCTION

Alignment of service compensation and strategic goals of organization is an undeniable necessity and it needs a holistic strategy. For as much as payment systems can affect employee's decisions to continue cooperating or not, and the fact that unsatisfied human resource can't bring organizational goals, so alignment of organization and employee's goals is necessary. Organizations should consider human resources as organizational treasure and try to improve employee's work situation and life and to achieve their satisfaction [1].

Service compensation service is the engine of an organization, so plans and provisions are so important. Executive Managers service compensation in accordance with managers and shareholder's interests can be led to the highest level of organizational and individual goals and brings managers and shareholders satisfaction. Rate of manager's satisfaction from service compensation shows organization success in service compensation codification and paying attention to this satisfaction and trying to determine it, can be an alarm for codifiers of service compensation who make the essential decisions to continue or to change the policies and to prevent dissatisfaction.

### 2. Questions of the research

- 1- In the existing situation what are the ways to compensate senior manager's services of the tourism holding and Parsian entertainment centers?
- 2- In the desirable situation what are the ways to compensate senior manager's services of the tourism holding and Parsian entertainment centers?
- 3- Is there any different between the current and the desirable situation of compensation methods of senior managers of the tourism holding and Parsian entertainment centers?
- 4- How much is the rate of satisfaction of the tourism holding and the Parsian entertainment center managers of service compensation methods?
- 5- Is the any relationship between the age of experience of senior managers and the way of prioritizing of communication services compensation?

### 3. Services compensation management

Human resource management is to determine, to choose, to employ and to train human resources to achieve organizational goals[2]. One of the most important duties of human resource management is to plan the service compensation system. This system is designed for various goals. Its goal is to offer the best fair wages, payment balance and bonus for employees in a competitive market so that managers can hold their employees cooperation. (Seyyed Javadin, 1994) [3]. To determine payments and wages are essential in human resource management, because firstly service compensation has a huge positive effect on employee's satisfaction and motivation and secondly payment is one of the hugest costs of every organizations to practice purposes (Saadat, 2007) [4].

Many of the human resources management experts believe that the most important function of human resource is services compensation. According to the Manus and Graham( 2003) [5]definition, services compensation includes all

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direct- indirect and internal- external rewards. Countor and Kao 2004 said: services compensation includes everything employees achieve as the result of their work. There are different definitions for services compensation which all means “all existing tools for employer to absorb and hold employees and motivate them and to achieve their satisfaction” the service compensation approach is known as everything which is appropriate for achieving financial bonus. But appreciation their valuable experiences which increase their job and the job environment are parts of services compensation too. Our goal is to maximize the effects bonus on motivation, commitment and job cooperation. It should be mentioned that bonuses management is not all about financial bonus and payments but also it is also about non- financial bonuses such as improvement and job responsibilities and situations.( Armestrang ,2010) [6].

### 3.1. Conformity of services compensation system with motivation

Wherever it is discussed about payment system, it is about motivation. The designer of payment system should consider following issues: fair behavior in payment and bonus system, the payment system has to be considered fair by employees. The relationship between payment system features and employees desires is necessary for absorption, holding and training employees. It is achieved when organizations know about employee’s motivation and point of views (Roul and Kazans 2003- 355).

#### Elements in services compensation methods

There are various approaches about services compensation methods and every approach expressed the existing elements in services compensation methods differently which are going to be discussed in follows.

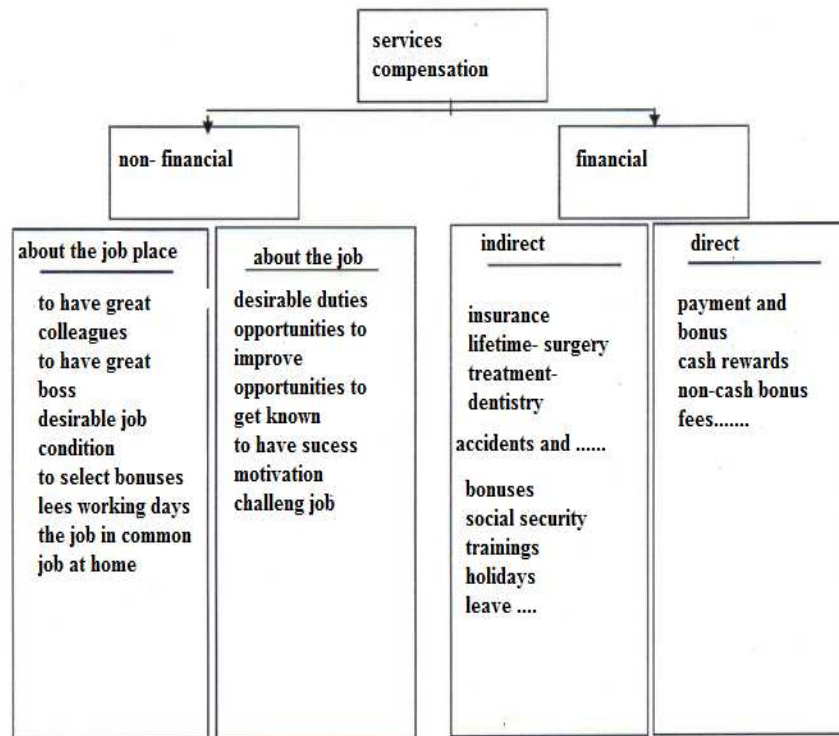
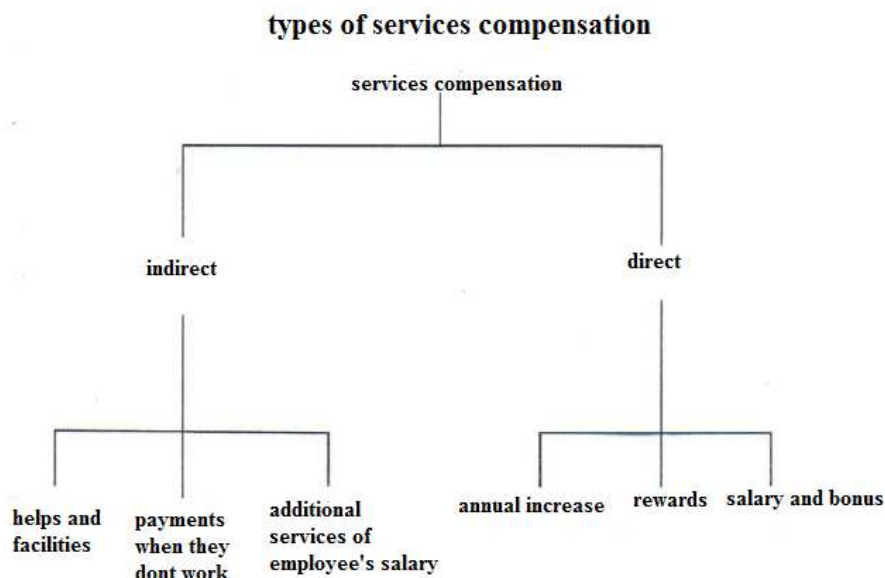


Fig. 1. Jazani 2001- existing elements in services compensation



**Fig. 2.** the main elements of offered services by Seyyed Javadin 1999

#### 4. MATERIAL AND METHODS

The current research aims to explain services compensation methods and the satisfaction of senior managers of services compensation method. Our research method is quantity-descriptive and a sectional survey. It is descriptive as the author studies now and previous records to clarify the current items. In this way we used questionnaires and interviews to gather data and information. To evaluate the measurement tools we used contents reliability method. This method is usually by experts. So the content reliability is depending on the expert's judgment. To evaluate the reliability of the research, the basic questionnaires were provided to two human resource experts to approve the reliability of the research. To evaluate the questionnaire's validity of the research, the Alpha coefficient was used. The validity of the questionnaires was achieved based on basic studies and for three factors of existing and desirable situation of services compensation method and satisfaction of senior managers, the services compensation methods of 88.8 and 90.5 and 88.9 were used which shows the high validity of the tools. The statistical society of the current research is the case study of tourism holding and Parsian entertainment centers which are subsets of Bonyad Mostazafin and 43 persons from 120 managing directors of 32 companies were selected as the samples and the questionnaires were gather in summer 2014. The SPSS 19 and three other tests were used to analyze the gathered data.

- To compare the existing and desirable situation of services compensation methods, we used Wilcoxon test. The Wilcoxon test is used when participants are in two same groups.
- To prioritize the services compensation methods in the view of employees, the Friedman test was used. It is a non-parametric test to evaluate the meaningful difference between average ranks of variables.
- The even T test is used to determine satisfaction rate from services compensation methods and applying different methods in existing and desirable situation.

#### 5. RESULTS

In this section the data analysis is carried out. Our goal is to find out about the statistic society of the research. In following we will answer the questions of the research

##### 5.1. In the existing situation what are the ways to compensate senior manager's services of the tourism holding and Parsian entertainment centers?

To determine the methods we used the T test. The Sig lesser than 0.05 shows there is a difference with the average (hypothetical difference 3). In the table 1 shows the results of the T test in the existing situation.

**Table 1-** comparison of the average of senior managers services compensation methods in the existing situation with the hypothetical average 3.

Existing situation methods	Average	Sig	T
Bonus based on function	2.5814	0.014	-2.555
Annual bonus based on function	2.5814	0.013	-2.610
Rewards based on function	3.0233	0.965	0.04 <sup>n.s</sup>
To grant Share cooperation right for the managers	1.9302	0.0	-6.379
Effects of job experience (for example 5 years) to grant share cooperation right	2.1163	0.0	-5.397
Right of selling shares for the managers	1.7442	0.0	-8.029
Share of managers from organizational activities interests	1.9070	0.0	-5.823
Bonus for managers in short term periods	2.4419	0.010	-2.710
Appropriate retirement bonus for managers	2.4186	0.001	-3.625
Facilities, insurance, medical services , loan for houses	2.3023	0.0	-3.794
Position bonus such as organization car, entertainment facilities	2.7674	0.229	-0.22 <sup>n.s</sup>
Job bonus such as, office, good job, secretary, educational scholarship, long term leave.... For managers	2.6279	0.048	-2.041 <sup>n.n</sup>
Amount of bonuses which are higher than normal as postponed	2.3488	0.001	-3.641

(n.s) means no meaningfulness

The methods with star were meaningful in the level of  $p \leq 0.05$ . it means that those methods with star had meaningful difference with the average level that means they were used lesser. Methods without star were not meaningful in the level of  $p \leq 0.05$  and they have no difference with the average. It means that bonuses such as reward based on function, position bonuses such as organization car, entertainment facilities, paying costs such as telephone and etc, educational scholarship, appropriate office, secretary, long term leave and etc did already exist in the organizations but those with star did exist less and methods such as share cooperation right, shares of managers in organizational activities and right of selling shares for managers did exist less or did not exist at all.

#### 5.1.1. Prioritizing services compensation methods in the existing situation

Prioritizing services compensation methods was carried out by Friedman test. In this test the value of every variables for every prioritizing methods and the results are shown in average rank table. The lower rank of averages is assigned to low value of variables and higher rank is assigned to high value of variables. The Friedman tries to find out if there is meaningful difference between two variables or not. Table 2, prioritizing services compensation methods. Based on the results of analysis with Sig equal to 0 which is smaller than 0.05U we can say that there is meaningful difference between two following ways. So we can clarify the data prioritizing.

**Table 2-** prioritizing services compensation methods in the existing situation

Existing situation methods	Average	Sig	Priority
Bonus based on function	9.62	0.00	3
Annual bonus based on function	9.48		5
Rewards based on function	9.52		4
To grant Share cooperation right for the managers	6.5		12
Effects of job experience (for example 5 years) to grant share cooperation right	7.55		10
Right of selling shares for the managers	5.4		13
Share of managers from organizational activities interests	6.58		11
Bonus for managers in short term periods	8.93		6
Appropriate retirement bonus for managers	8.92		7
Facilities, insurance, medical services , loan for houses	8		9
Position bonus such as organization car, entertainment facilities. Paying costs of telephone and etc for managers	10.3		1
Job bonus such as, office, good job, secretary, educational scholarship, long term leave.... For managers	9.66		2
Amount of bonuses which are higher than normal as postponed	8.46		8

## 5.2. In the desirable situation what are the ways to compensate senior manager's services of the tourism holding and Parsian entertainment centers?

To determine the methods we used the T test. The Sig lesser than 0.05 shows there is a difference with the average (hypothetical difference 3). In the table 3 shows the results of the T test in the existing situation.

**Table 3.** The results of the T test in the existing situation

Desirable situation methods	Average	Sig	t
Bonus based on function	3.8372	0.0	8.419
Annual bonus based on function	3.9767	0.0	9.063
Rewards based on function	3.6977	0.0	6.173
To grant Share cooperation right for the managers	3.4186	0.005	2.946
Effects of job experience (for example 5 years) to grant share cooperation right	3.5581	0.0	4.989
Right of selling shares for the managers	3.093	0.592	0.540 <sup>n.s</sup>
Share of managers from organizational activities interests	3.5814	0.0	4.631
Bonus for managers in short term periods	3.6279	0.0	5.039
Appropriate retirement bonus for managers	3.8837	0.0	8.311
Facilities, insurance, medical services , loan for houses	3.907	0.0	7.929
Position bonus such as organization car, entertainment facilities. Paying costs of telephone and etc for managers	3.7442	0.0	6.16
Job bonus such as, office, good job, secretary, educational scholarship, long term leave.... For managers	3.7209	0.0	5.534
Amount of bonuses which are higher than normal as postponed	2.9767	0.886	0.144 <sup>n.s</sup>

n.s means no meaningfulness

The methods with star were meaningful in the level of  $p \leq 0.05$ . It means that those methods with star had meaningful difference with the average level that means they were used lesser. Methods without star were not meaningful in the level of  $p \leq 0.05$  and they have no difference with the average. It means that bonuses such as reward based on function, position bonuses such as organization car, entertainment facilities, paying costs such as telephone and etc, educational scholarship, appropriate office, secretary, long term leave and etc did already exist in the organizations but those with star did exist less and methods such as share cooperation right, shares of managers in organizational activities and right of selling shares for managers did exist less or did not exist at all.

### 5.2. 1. Prioritizing services compensation methods in the desirable situation

Prioritizing services compensation methods was carried out by Friedman test. In this test the value of every variables for every prioritizing methods and the results are shown in average rank table. The lower rank of averages is assigned to low value of variables and higher rank is assigned to high value of variables. The Friedman tries to find out if there is meaningful difference between two variables or not.

**Table 4-** the results Prioritizing services compensation methods in the desirable situation

Existing situation methods	Average	Sig	Priority
Bonus based on function	9.30	0.000	4
❖ Annual bonus based on function	10.06		1
Rewards based on function	4.2		13
To grant Share cooperation right for the managers	6.91		10
Effects of job experience (for example 5 years) to grant share cooperation right	7.56		9
Right of selling shares for the managers	5.73		11
Share of managers from organizational activities interests	8.01		7
Bonus for managers in short term periods	7.91		8
Appropriate retirement bonus for managers	9.7		2
Facilities, insurance, medical services , loan for houses	9.67		3
Position bonus such as organization car, entertainment facilities. Paying costs of telephone and etc for managers	8.7		6
Job bonus such as, office, good job, secretary, educational scholarship, long term leave.... For managers	8.79		5
Amount of bonuses which are higher than normal as postponed	5.53		12

### 5.3. Is there any different between the current and the desirable situation of compensation methods of senior managers of the tourism holding and Parsian entertainment centers?

To answer this we used Wilcoxon, results from average and standard deviation of answers in two existing and desirable positions are shown in the following table.

**Table 5-** average and standard deviation of answers in two existing and desirable positions

	Numbers	Average	Standard deviation
existing positions	43	2.48	0.686
desirable positions	43	3.65	0.4409

Based on the average results, desirable situation answers are higher than existing situation.

Results from Wilcoxon test in comparison with existing and desirable situations are shown in the following table.

**Table 6-** results from two existing and desirable comparison

	Numbers	Rank average	Total ranks
Rank Negatives	4 <sup>a</sup>	4.38	17.5
Rank Positives	39 <sup>b</sup>	23.81	928.5
Equal	0 <sup>c</sup>		
total	43		

a: desirable < existing

b: existing < desirable

c: existing= desirable

Based on results from 4 answerer cases, existing situation achieved higher rank than desirable situation and in 39 cases, desirable situation achieved higher rank than existing situation and they were never equal in two groups.

**Table 7-** meaningfulness difference level of existing and desirable situation

Desirable situation-Existing situation	
<b>z</b>	<b>**</b> -5.5

\* and \*\*, n.s respectively show meaningfulness in 5 percent level and 1 percent level and no meaningfulness.

Considering results in above table it can be said that the achieved average in desirable situation is higher than existing situation meaningfully with confidence level of 99%. And we can say there is a meaningful different between existing and desirable services compensation methods of senior managers.

### 5.4. How much is the rate of satisfaction of the tourism holding and the Parsian entertainment center managers of service compensation methods?

Based on results of table 8, T in the level of  $p \leq 0.05$  there was no meaningfulness. Considering achieved average, senior managers satisfaction was lower than average level but considering no meaningfulness between two averages, we can say that this satisfaction has no meaningful difference with average level and senior managers satisfaction from services compensation methods are average.

**Table 8-** average comparison of satisfaction of senior managers services compensation method with hypothetical average 3

	T	Standard deviation	Average
satisfaction of managers	1.09 <sup>n.s</sup>	0.81	2.84

\* and \*\*, n.s respectively show meaningfulness in 5 percent level and 1 percent level and no meaningfulness.

### 5.5. Is there any difference between experience of senior managers and prioritizing communicative services compensation methods?

in this section results from sig in the table ANOVA are shown to explain if there is a relationship between age and experience and services compensation methods in desirable situation or not.

**Table 9-** The relationship between age -experience of senior managers and services compensation methods in desirable situation

Methods	Sig in age	Sig in experience
Level of annual payments based on function	0.591	0.36
Level of rewards based on manager's function	0.765	0.974
Level of granting cooperation right to the managers	0.646	0.522
Effects of hob experience (for example 5 years) to grant cooperation right to the managers	0.679	0.496
Level of granting selling shares right to the managers	0.372	0.51
Level of participation of managers in organization activities interests	0.558	0.307

Based on results, all ages and all job experiences (sig) were higher than 0.05. So there is no meaningful difference between age and job experience for no mentioned factors and age had no meaningful effect on mentioned factors.

## 6. CONCLUSION

The first result from data analysis is to determine main methods of services compensation in organizations. Based on the agency theory, service compensation must be motivational in accordance with managers and shareholder's interests Ker and Larcker (2003) [7], Morphi (1999) [5]. To achieve both sides satisfaction. This satisfaction can be achieved through using cash and non-cash service compensation to reach organization and manager's satisfaction. Both cash and share rewards have positive correlation with accounting output Anderson and colleagues (1999) [8] to participate managers in ownership can increase shareholder's wealth Bhagat (1983) [9].

Regarding analysis, payment, both in existing and desirable situation is confirmed as combination of cash and non-cash payments. In the existing situation, position bonus such as car, entertainment and paying telephone costs and job bonuses such as good office, secretary, educational scholarship and long term leave are in the highest priority. The next priorities there are bonuses such as rewards based on function, rewards in short term and retirement bonuses. And then there are methods such as postponed rewards, facilities, social security, medical services and houses loans and having shares from activities, share cooperation right of managers and having right of selling shares are in the lowest priority in the existing situation. These priorities show the current situation of the organization but with regard to agency theory, manager's interests are important and must be considered. In the desirable situation, the highest priorities are respectively annual payment based on function, appropriate retirement bonus, facilities and providing job bonuses, position bonuses, having shares from activities interests, granting rewards in short term periods. After those job experience to grant cooperation right to the managers, granting share cooperation right to the managers, granting right of selling shares to the managers, and finally postponed rewards and payments as rewards based on function are last priorities.

### **The differences between services compensation in existing and desirable situation**

As it was mentioned before in services compensation methods in existing and desirable methods there are meaningful differences. These differences include two different parts. The first part includes applying most of the mentioned methods which is related to higher interests of managers from their services compensation this a normal thing in organizations as everyone seek its own interests. In all mentioned methods in existing situation, the emphasis is average or low but in desirable situation all those methods are emphasized. But the second part is related to applying services compensation methods. The three factors which that were cared less including having right in activities interests, level of share cooperation of managers and right of selling rights were improved. It shows importance of having cooperation right in share and interest which was spared in the existing situation. Managers want to improve their cooperation in interests of organizational activities and having shares in the organization. The nest factor is facilities such as insurance, house loan and etc... which were in lower priority and achieved higher priority in the desirable situation. To determine services compensation methods we have to know about individual interests and to consider the limitations.

### **Level of satisfaction from services compensation methods**

To feel commitment to the values and organizational goals is a need to manager's efficiency. This process is achieved from manager's job satisfaction. Individual's approach especially to meet job requirements in accordance with the abilities. Regarding this, satisfaction of wage and bonus are essential factors for job satisfaction. In our statistical society, satisfaction of senior managers from services compensation is lower than average level but it is not meaningful from statistical approach. No dissatisfaction was found but the low level of satisfaction is a warning and should be considered and the organizations should start changing existing situation.

Finally we should mention that payment structure includes type and level of organizational bonuses. There is no absolute good or bad service compensation system. The evaluation criterion is different organization to organization. To choose a good service compensation system we have to consider expert ideas, organization's policies, polls and individual point of view to increase the satisfaction. This issue needs peer review on current situation of organizations and individual's view of a desirable situation of every organization.

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