



The Role of Compensation on Job Satisfaction, Employee Performance and Organisational Performance

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ABSTRACT

Present research looked at the role of compensation on job satisfaction, employee performance and organisational performance. The study was underpinned through social-exchange theory. Further, research used quantitative approach through which gathering data employed questionnaires. Descriptive research design was adopted. Research used one of Tanzania's public organisations as a case study. The study opted to collect data from all the employees (107) of the organization hence sampling was not done. Out of 107 respondents, data were collected from 85 respondents which accounts for a response rate of 82.5%. Collected data were analyzed through descriptive and inferential statistics. Descriptive outcomes involved frequencies, means and standard deviations while those from inferential statistics were correlations and regressions. The study found compensation has significant positive influence on job satisfaction ($\beta=.790$, $P\text{-value}=.000$), employee performance ($\beta=.429$, $P\text{-value}=.000$), and organisational performance ($\beta=.551$, $P\text{-value}=.000$). The study calls for organisations to design and use effective compensation polices, strategies and practices to create supportive environment for employees to attain job satisfaction, employee performance and organisational performance as well.

Keywords: Compensation, Employee Performance, Job Satisfaction, Organisational Performance, Social Exchange Theory

I. INTRODUCTION

Job satisfaction is a global concern in workplaces and it one of the areas that scholars and practitioners of management have given much attention (Hünefeld et al., 2020). This is because it predicts so many other organisational outcomes, including but not limited to, employee absenteeism, turnover, and employee performance (Al-Ali et al., 2019; Gazi et al., 2022; Koo et al., 2020). Further, organisations invest in varied resources and strategies to ensure employees are satisfied. Empirical evidence shows that organisations in the USA, Japan, Germany and other western countries are facing a challenge of low job satisfaction (Alonderiene & Majauskaite, 2016; Drabe et al., 2015). Job satisfaction entails one's contentment about his/her job. A satisfied employee is considered an important asset that has to be retained at all costs. The literature explains how compensation is paramount in boosting workers' job satisfaction in various organisations (Adanlawo et al., 2023; Salisu et al., 2015). On the other hand, employee and organisational performance is also another area of concern globally. Stakeholders are concerned with how employees and their respective organisation in general perform given amount of investments that are done in their respective organisations (Alnachef & Alhajjar, 2017).

Job satisfaction, employee performance and organisational performance in African organisations need empirical and strategic approaches to deal with. Studies show that organisations are experiencing unsatisfactory levels of job satisfaction, employee and organisational performance. In Nigeria, low job satisfaction is linked with working conditions, training, leadership, working tools and infrastructure, and learning opportunities (Olufayo & Akinbo, 2021; Azi & Augustine, 2016; Lasebikan et al., 2020). The situation is similar in so many other African countries like Kenya, Uganda, Ethiopia, Ghana, and Zambia, to mention a few (Addis et al., 2018; Aruasa et al., 2019; Emmanuel & Akonor, 2017; Kim et al., 2021). While the issue of job satisfaction, employee performance and organisational performance seem to be a problem in many African countries, the magnitude and strategies used to improve the situation differ from a country to a country and an industry to an industry. This calls for more empirical studies with specific focus on different geographical areas to understand varied contexts and come up with appropriate solutions.

Job satisfaction, employee performance and organisational performance in Tanzanian organisations have been areas of concern for years. To deal with the problem there are organisations that have been implementing different strategies. Some strategies relate to improving compensation practices. Contrary to expectations, organisations have been reporting low level of job satisfaction which consequently lead to various outcomes like high labour turnover, low motivation and commitment (Mbunea et al., 2021; Mgaiwa, 2021; Mwita et al., 2023). This calls for further



investigation on how compensation is practiced and its role on job satisfaction. However, compensation of employee is not only for satisfying employees but also to enhance employee and organisational performance. Investments in organisations are assessed on their abilities to enhance organisational performance (Chalutz Ben-Gal, 2019). Managers' success is always gauged by how they contribute towards achievement of organisational goals (Moeuf et al., 2020). The need to assess the role of employee compensation on organisational performance is paramount to justify the efforts and resources invested in compensation (Maloa, 2018). Admittedly, compensation is centered in the reciprocity fashion. This means, employees receive financial and non-financial benefits for what they offer in achieving organisational goals and vice versa. This implies, compensations offered to employees will be lost in vain if employees do not have substantial contribution to organisational performance. This is the case in Tanzania context, performance of employees and organisations especially those in the public sector has been questionable (CAG, 2024; Mahuwi & Panga, 2020; Matemani, 2019). Current research emphasized on assessing role employee compensation on job satisfaction, employee performance and organisational performance.

1.1 Statement of the problem

The relationship between employers and employees is considered to be transactional (Nurlina, 2022). Employees get paid for what they offer to their respective organisations. This makes compensation one of important management practices to ensure employees achieve both individual and organisational goals (Chalutz Ben-Gal, 2019). Moreover, compensation is provided to enhance job satisfaction, which is considered a determinant of so many other organisational outcomes.

The Tanzania public service has been in the spotlight for decades regarding its ability to meet expectations of various stakeholders especially the citizens. The major concern has been on the ability of the public servants to achieve their goals and those of their respective organisations. Empirical evidence shows that performance of the public servants and that of their respective organisations is not satisfactory (CAG, 2024; Matemani, 2019). Further, their level of job satisfaction is alarming (Masanja, 2021; Mwakasangula & Mwita, 2023).

Researchers have been linking employee performance, organisational performance and job satisfaction in the public sector with various aspects, including leadership styles, working environment, and availability of resources, among others (Sospeter & Hassanal, 2022; Mwita & Mrema, 2023). The influence of compensation on job satisfaction, employee performance and organisational performance has not been given enough attention. This study examined the influence of compensation on all the three dependent variables, namely, job satisfaction, employee performance and organisational performance.

1.2 Research Objectives

- (i) To examine the role of compensation on job satisfaction
- (ii) To examine the role of compensation on employee performance
- (iii) To examine the role of compensation on organisational performance

1.3 Hypotheses

The study aimed at testing the following hypotheses;

H1: Compensation significantly influences job satisfaction

H2: Compensation significantly influences employee performance

H3: Compensation significantly influences organisational performance

II. LITERATURE REVIEW

2.1. Social Exchange Theory

This concept postulates that an organisation receives benefits from its employees as an exchange of what it offers to them (Ahmad et al., 2023). This means the more an organisation invests to its people the more it gets returns. Accordingly, any individual, benefiting from the other, is indebted to reciprocate that individual. This can be by means of good deeds and commitment as highlighted by Xuecheng et al. (2022). This is elucidated by the reality that when workers perceive rewards that they receive to be fair and just they are more likely to be contented and invest more efforts in their assigned work and ultimately enhance their performance as well as that of their individual firms (Rasheed et al., 2020). The theory sees an employee as rational being who uses available information to make decision with regard to efforts and energy to invest in an organisation. Various studies such as Ko and Hur (2014); Redy (2020) Wijaya and Rezek (2020) used social exchange theory to link compensation with job satisfaction, employee performance and/or organisational performance.



2.2 Conceptual Review

2.2.1 Compensation

Compensation can be defined as benefits that an employee receives as the result of services he/she provides to an organisation (Khalid & Nawab, 2018). It is divided into financial and non-financial compensation. Financial compensation involves monetary benefits that employees receive as an exchange of what they offer to an organisation. On the other hand, non-financial compensation implies non-monetary benefits that employees receive in the course of service they provide to their respective organisations (Mahathir et al., 2020). This may include recognition, training and development opportunities, housing facilities and others. With reference to Tanzania, compensations that employees receive varies from one organisation to another and from one employee to another. However, public organisations have similar compensation packages. Public servants having similar qualifications generally receive the same compensation benefits with some variations in a few cases. One of the reasons is the fact that compensation decisions and strategies are on top-down basis (from respective ministries and the office responsible for public service management) (Sirili & Simba, 2021). Admittedly, organisations have internal compensation policies and practices that to the certain extent differentiate amount and types of compensations that employees receive from their respective organisations. Financial benefits such as travelling allowances, housing allowances, etc largely depends on employees' positions and ranks in an organisation.

2.2.2 Job or Work fulfillment/satisfaction

It depicts a good feeling or pleasant affection arising from acknowledgement of individual experiences at job or work, according to Locke (1976). There are numerous determinants of job satisfaction. They include, working conditions, leadership and supervision, compensation, training and career development opportunities, among other many variables (Farrington & Lillah, 2019; Rahayu et al., 2019; Salisu et al., 2015; Taheri et al., 2020). Job satisfaction has not explored extensively in Tanzania like in other countries specifically western countries. Limited empirical evidences available show that the level of job satisfaction in varied organisations especially public organisations is not satisfactory (Mgaiwa, 2021; Mwita et al., 2023). This has been linked with number of people who leave these organisations to go to work elsewhere and demonstration of unwanted behaviours like turnover and absenteeism (Mwita et al., 2023). Nevertheless, various initiatives have been put in place to help increase the level of employee job satisfaction. This includes improving working conditions of employees. One example that can be cited is rehabilitation and construction of modern offices by the government of Tanzania in the past few years. Additionally, the government has been improving financial benefits that employees in both private and public organisations receive. This is evident on how the government has been raising the minimum wage for employees in both private and public organisation.

2.2.3. Employee Performance

This term entails achievement of a person at work. This occurs after expending the needed effort on the job. It is usually connected through accessing adequate work, engaged profile in addition to colleagues/employers who are understanding in the midst (Pradhan & Jena, 2017). It is linked to how individuals at work perform their assigned roles and duties efficiently and effectively. Organisations are so concerned with how their respective employees perform since organisational performance largely depends on employee performance. Further, organisations invest numerous resources in employees expecting positive results (Inuwa, 2016).

2.2.4. Organisational Performance

This is a field which is overly studied in management sciences. With large amount of literature available on organisational performance yet, there is no consensus of one accepted definition. This is due to the reasons that there are numerous dimensions that one can use to measure performance. However, it is generally accepted that organisational performance has to do with an organisations' capacity to realize its pre-determined aims. While there is no consensus of what organisational performance is, Taouab and Issor (2019) link organisational performance with organisation's ability to meet expectations of various stakeholders. Performance of organisations in Tanzania is presented in different ways with different perspectives.

2.3. Empirical Review

2.3.1. Compensation and Job Satisfaction

Employees who receive sufficient compensation find it easier for them to solve various problems and ultimately life becomes better-off for them. Amount and types of compensation therefore play an important role for employees to assess whether they are fair and just by comparing with efforts they offer to their respective organisations (Yao et al., 2017). This implies workers who are better compensated are prone to like their jobs and find



happiness at work more. The study of Muguongo et al. (2015) which was done in Kenya among secondary teachers found compensation is a significant work fulfillment determinant. Similarly, study of Salisu et al (2015) which was done in Nigeria among public sector construction workers reported substantial and considerable correlation between pay and job fulfillment. Surprisingly, a recent study by Adanlawo et al (2023) indicated a detrimental connection between pay and job satisfaction. Possible explanation is presence of unattractive compensation in a situation where employees have other reasons to be satisfied.

H1: Compensation significantly influences job satisfaction

2.3.2. Compensation and Employee Performance

When employee consider pay or compensation as fair and just they tend to get motivated which is an important determinant of their performance at work. Organisations with attractive compensation packages both monetary and non-monetary compensation have higher chances of enhancing performance of their employees. The study of Darma and Supriyanto (2017) which was done in Indonesian technology industry shows positive link between pay and performance of employee. Further, Widagdo (2018) looked at the link between compensation and employee performance. The study highlighted compensation is a substantial element of performance in workers. Similar study was conducted by Okwudili and Edeh (2017) in the civil service context in Nigeria. Like previous studies, research reported favorable correlation between worker compensation and their performance.

H2: Compensation significantly influences employee performance

2.3.3. Compensation and Organisational Performance

Role of compensation on organisational performance cannot be underestimated. Organisations that offer better compensation packages tend to possess a higher probability to do better compared to those whose packages are considered unattractive. Compensation practices are linked to their ability to motivate people and therefore instill the spirit to work better and happily which are crucial to organisational performance (Cahyani et al., 2022). The study of Kayani and Gan (2022) which was done among Asia Pacific firms found increased pay of CEO resulted to boosted performance of firms. This was achieved by encouraging executives to enhance rewards of shareholders. On the other hand, basic salary is of no consequence. Kim and Jang (2020) conducted survey on impacts of increasing compensation on workers' performance in restaurants. Outcomes suggest restaurant businesses ought to embrace compensation of workers as an instrument in management. This will promote performance in respect to growth of profits in the short-term and longterm revenue advantage. Outcomes similarly imply that businesses in restaurant sector ought to take into account adjusting small but consistent improvements in compensation of employees so as to preserve enhanced performance results.

H3: Compensation significantly influences organisational performance

2.4. Conceptual Framework

The study developed the conceptual framework that shows how the independent variable (i.e. compensation) affects job satisfaction, employee performance and organisational performance. The framework is presented in figure 1.

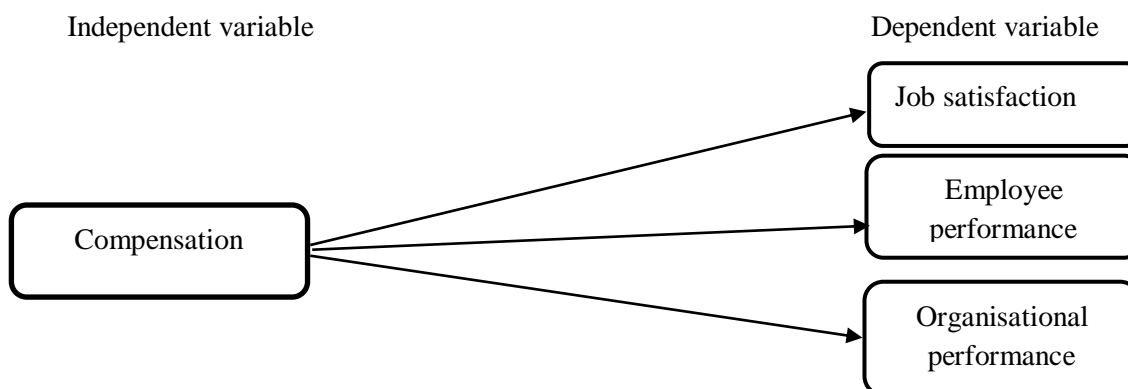


Figure 1
Conceptual Framework



III. METHODOLOGY

Research adopted a quantitative approach that involved use of case study through which Tanzania Education Institute (TIE) which is located in Dar es Salaam, Tanzania was used. Descriptive design was used to Quantitative approach is applicable in research aiming at examining connection between elements (Mwita, 2022). The organisation had a total of 107 employees. To ensure that sufficient amount of data is collected the researchers opted to collect data from all the employees however, 103 were reached. The target was reached by 79.4% after 85 respondents successfully and correctly filled the questionnaires and returned for data analysis. The questionnaire used had four scales which had five-point likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Compensation was measured by a scale by Chuang and Liao (2010), Job satisfaction was measured by a scale by Brayfield and Rothe (1951) and organisational performance was measured by a scale by Ironson et al (1989). On the other hand, employee performance was measured by a scale developed by Pradhan and Jena (2017) which measures three categories of performance i.e. task performance, adaptive performance and contextual performance. Data analysis involved descriptive and inferential statistics. Descriptive statistics was used to calculate means and standard deviations of each construct and variable involved in the study. Inferential statistics was used analyze correlation and testing hypotheses.

IV. RESULTS & DISCUSSIONS

4.1 Response Rate

The study focused on collecting data from 107 employees of Tanzania Institute of Education. Questionnaires were distributed to 103 respondents. Out of 103 questionnaires distributed, 85 questionnaires were correctly filled and included in the study which accounts for 82.5% response rate. A rate of 70% and above is considered very good for social science research (Mugenda & Mugenda, 2003).

Table 1

Response Rate

<i>No. of distributed questionnaires</i>	<i>No. of collected questionnaires</i>	<i>Response rate</i>
107	103	82.5%

4.2 Demographic characteristics of respondents

The study involved a total of 85 respondents who had different demographic characteristics. Out of the 85 respondents, 44(51.8%) were males and 41 (48.2%) were females. A total of 3(3.5%) had age of below 23 years, 43 (50.6%) were of age ranging from 23 to 33, the age bracket of 34 go 43 had 32 respondents (37.6%) and 7 respondents (8.25) were of the age ranging from 44 to 53. On marital status, 16 respondents (18.8%) were married and 33 (38.8%) were not married. On education level, 16 (18.8%) had diploma qualification, 53 (62.4%) had bachelor degree, 14 (16.5%) had master's degree qualification and 2 (2.4%) were PhD holders. The data show how diverse the respondents were which gives an impression data provided came from a representative sample. The results are summarised in Table 2.

Table 2

Demographic Characteristics

<i>Characteristic</i>	<i>Category</i>	<i>Frequency (%)</i>
Gender	Male	44 (51.8%)
	Female	41 (48.2%)
Age	Below 23	3 (3.5%)
	23-33	43 (50.6%)
	34-43	32 (37.6%)
	44-53	7 (8.2%)
Marital status	Married	52 (61.2%)
	Not married	33 (38.8%)
Education level	Diploma	16 (18.8%)
	Bachelor degree	53 (62.4%)
	Master's degree	14 (16.5%)
	PhD	2 (2.4%)
Total		107



4.3. Descriptive Results

Descriptive statistics was involved to calculate mean and standard deviation of each variable involved in the study. The results are presented below.

4.3.1. Reliability of the research instrument

To ensure reliability of the questionnaire used, the study checked for Cronbach alpha. The test showed that compensation had coefficient of 0.771, job satisfaction had .890, employee performance had 0.890 and organisational performance had .828. The coefficients for all the variables are above 0.7. As the general rule, any value equal or above 0.7 signifies that a scale is reliable for data collection and analysis.

Table 3

Cronbach Alpha Values for the Variables

Variable	Cronbach's Alpha	No. of items
Compensation	.771	7
Job satisfaction	.890	4
Employee performance	.890	7
Organisational performance	.828	23

4.3.2 Compensation

The results in Table 4 shows means and standard deviations for constructs of compensation. The weighted mean is 3.46 and standard deviation is 1.023. The mean shows that compensation a slightly above the mid-point. This gives an impression that although compensation cannot be considered excellent, employees find it somewhat satisfying. The standard deviation shows that the scores from the respondents were not far from the mean score since the difference from the mean score was relatively low.

Table 4

Descriptive Results for Compensation

Statements (Constructs)	Mean	S. D
EC1: On average the pay level (including incentives) of our employees is higher than that of our competitors	3.64	.687
EC2: Employee salaries and rewards are determined by their performance	3.31	.772
EC3: My organisation rewards employees for new ideas for improving customer services	3.22	.878
EC4: My organisation provides a variety of benefits	3.41	.745
EC5: My organisation attaches importance to the fairness of compensation/rewards	3.73	2.296
EC6: Employees receive monetary or nonmonetary rewards for great effort and good performance	3.41	.917
EC7: My organisation gives special rewards to employees who are excellent in serving customers	3.52	.868
Weighted mean & standard deviation	3.46	1.023

4.3.3 Job Satisfaction

The results in table shows that employees are, too the large extent, satisfied with their job with the mean score of 3.74. By considering that the scale had five points (from 1 to 5), the respondents agree that they are satisfied with their job. The standard deviation of .812 shows that there was no significant dispersion from the mean score.

Table 5

Descriptive Results for Job Satisfaction

Statements (constructs)	Mean	S. D
JS1: I feel real enjoyment in my job	3.64	.843
JS2: I like my job better than the average worker does	3.65	.896
JS3: Most days I am enthusiastic about my job	3.94	.696
JS4: I feel satisfied	3.72	.811
Weighted mean & standard deviation	3.74	.812

4.3.4. Employee Performance

Employee performance had three sub-variables which are task performance, adaptive performance and contextual performance. Task performance had a mean of 3.36 and standard deviation of 1.030, adaptive performance



had a mean of 3.21 and standard deviation of 1.078 and contextual performance had a mean of 3.63 and standard deviation of 1.240. Generally, there were no significant differences of performance levels among the three variables although the contextual performance was the highest. The results show that employee performance was slight above the average. One can draw a conclusion that although employee performance was perceived to be above average yet the need for a better performance is desired. The standard deviations for all three sub-variables show that the respondents' scores distributions were not significantly far from the mean scores.

Table 6*Descriptive Results for Employee Performance*

Statements (constructs)	Mean	S. D
TP1: I use to maintain high standard of work	3.72	.750
TP2: I am capable of handling my assignments without much supervision	3.49	.895
TP3: I am very passionate about my work	3.33	.918
TP4: I know I can handle multiple assignments for achieving organisational goals	3.34	.907
TP5: I use to complete my assignments on time	3.01	1.384
TP6: My colleagues believe I am a high performer in my organisation	3.25	1.327
Weighted mean & standard deviation	3.36	1.030
AP1: I use to perform well to mobilise collective intelligence for active team work	3.41	1.303
AP2: I could manage change in my job very well whenever the situation demands	2.86	1.432
AP3: I can handle effectively my work team in the face of change	3.54	1.385
AP4: I always believe that mutual understanding can lead to viable solution in my organisation	2.47	1.087
AP5: I use to lose my temper when faced with criticisms from my team members	2.99	1.116
AP6: I am very comfortable with job flexibility	3.75	.575
AP7: I use to cope well with organisational changes from time to time	3.44	.645
Weighted mean & standard deviation	3.21	1.078
CP1: Used to extend help to my co-workers when asked or needed	3.27	.697
CP2: I love to handle extra responsibilities	3.42	.762
CP3: I extend my sympathy and empathy to my co-workers when they are in trouble	3.49	.840
CP4: I actively participate in group discussion and work meetings	3.59	.776
CP5: I use to praise my co-workers for their good work	3.61	.742
CP6: I deliver lot of satisfaction nurturing others in organisation	3.75	.738
CP7: I use to share knowledge and ideas among my team members	3.78	.8822
CP8: I use to maintain good coordination among fellow workers	3.98	.672
CP9: I use to guide new colleagues beyond my job purview	3.76	.826
CP10: I communicate effectively with my colleagues for problem solving and decision making	3.69	.900
Weighted mean & standard deviation	3.63	.784

4.3.5. Organisational Performance

Results in Table 7 show that the weighted mean for organisational performance was 3.76 and the standard deviation was 1.240. The mean score implies that organisational performance is generally satisfactory with consideration that the highest score of the scale was five (5). Admittedly, there is a room for improvement to make organisational performance more impressive. The standard deviation of 1.240 shows that the dispersion from the mean score was not something to worry about.

Table 7*Descriptive Results for Organisational Performance*

Statement (constructs)	Mean	S. D
OP1: My organisation has better quality of products and services as compared to others	3.67	.822
OP2: My organisation develops new products/services	3.74	.875
OP3: My organisation is able to attract essential employees	3.64	.911
OP4: My organisation is able to retain essential employees	3.73	.918
OP5: In my organisation, the customers/clients are satisfied with the organisation products/services	3.54	.868
OP6: In my organisation, there is a good relationship between management and employees	3.79	.901
OP7: In my organisation, there is good relationship among employees in general	4.18	3.385
Weighted mean & standard deviation	3.76	1.240



4.4. Correlation Analysis

Correlation analysis was done to test how compensation was related with job satisfaction, employee compensation and organisation compensation. The results show that compensation was positively and strongly correlated with job satisfaction ($r=.738$). On the other hand, correlation between compensation and employee performance ($r=.463$) was moderate and positive. Moreover, correlation between compensation and organisational performance was moderate and positive ($r=.425$).

Table 8

Correlation Matrix

Indicator		Compensation	Job satisfaction	Employee performance	Organisational performance
Compensation	Pearson Correlation	1			
	Sig. (2-tailed)				
Job satisfaction	Pearson Correlation	.738**	1		
	Sig. (2-tailed)	.000			
Employee performance	Pearson Correlation	.463**	.594**	1	
	Sig. (2-tailed)	.000	.000		
Organisational performance	Pearson Correlation	.592**	.581**	.425**	1
	Sig. (2-tailed)	.000	.000	.000	

**Correlation is significant at the 0.01 level (2-tailed).

4.5. Hypothesis Testing

Research tested hypothesis using ANOVA. The results summarized in Table 9 depict compensation had a substantial explanatory power on job satisfaction by 54.5%. Further, it was found that compensation positively and significantly influence job performance ($\beta=.790$. $P\text{-value}=.000$). Moreover, it was found that compensation had a significant explanatory power of 35% on employee performance. Outcome, denote compensation had a significant positive effect on employee performance ($\beta=.429$. $P\text{-value}=.000$). Further, compensation had significant explanatory power of 21.5% on organisational performance. Moreover, the study confirmed the hypothesis that compensation positively influence organisational performance ($\beta=.551$. $P\text{-value}=.000$)

Table 9

Hypothesis Testing Results

Hypothesis	R	R ²	β	p-value	Decision
Compensation significantly influences job satisfaction (H1)	.738	.545	.790	.000	accept
Compensation significant influence employee performance (H2)	.592	.350	.429	.000	accept
Compensation significant influence employee performance (H3)	.463	.215	.551	.000	accept

V. DISCUSSION OF RESULTS

The study found compensation has a significant positive impact on jobs satisfaction. This gives an implication that organisations with better compensation practices are more likely to improve job satisfaction of their respective employees. This finding is consistent with the findings of Muguongo et al (2015); Salisu et al (2015) and Adanlawo et al (2023). Compensation is paramount to job satisfaction since it is one of important factors that employees consider before joining any organisation and how long they will stay in an organisation. When compensation is not well administered in an organisation it may lead to low job satisfaction. It is important to consider that employees tend to compare their compensations with those of their counterparts. Counterparts could be fellow employees or even employees of another organisation. This calls the need to consider internal and external consistency when designing compensation packages for an organisation to ensure employees do not feel the sense of inequity.

The second objective of this study was to examine the role of compensation of employee performance. The study found compensation has significant positive effective on employee performance. This finding supports the findings of Darma and Supriyanto (2017); Widagdo (2018) and Okwudili and Edeh (2017) which found similar findings. The finding entails that when employees consider compensation practices and packages attractive it will



improve their performance. Admittedly, it is an expectation and wish of every organisation that employees will perform extraordinarily. As pointed out in this study, the link between compensation and employee performance has been well established by various researchers in the literature. One might be interested to know why organisations do not offer attractive compensation for them to perform better. Ability to pay has been cited as one of the common reasons. Some organisations find compensation a challenging practice because of their limited financial capacity to compensate their employees satisfactorily (Leer Jørgensen et al., 2020). However, compensation does not involve financial compensation only, since there are other non-financial compensations when well administered can enhance performance of employees. Organisations that have good compensation policies and practices can benefit by enhancing performance of their employees. This seems to be more relevant in public organisations in Tanzania in which managers have limited influence on how much an employee have to be compensated.

The third objective of this study focused on the relationship between compensation and organisational performance. The study found compensation has a significant positive effect on organisational performance. This makes compensation one of important determinants of organisational performance. The findings are consistent with those of Cahyani et al (2022); Kayani and Gan (2022) and Kim and Jang (2020). Given unsatisfactory performance of many public organisations in Tanzania, these findings call for the government to assess and rethink about compensations that public servants receive. By considering the nature of services that public organisations offer for the citizens the issue of organisational performance has to be taken seriously by examining all determinants of organisational performance including compensation.

This study's findings also support the social exchange theory that underpinned the study. What organisations do to their employees has reciprocal effect on what employees will offer to their organisations. Giving employees attractive compensation, having effective compensation policies and practices is considered as investment that can help organisations to have employees who are satisfied, perform extraordinarily as well as having ability to enhance performance of their respective organisations.

VI. CONCLUSIONS & RECOMMENDATIONS

6.1 Conclusions

Research sought to assess the role of compensation on job satisfaction, employee performance and organisational performance. Based on the findings, compensation plays a substantial and favorable role on job satisfaction, employee performance and organisational performance. Organisations with effective compensation are more likely to have better results and achieve a competitive advantage. Compensation policies, practices and strategies therefore deserve a serious attention in organisations. It should be noted that employees are the most valuable resources in any organisation and therefore ensuring they have better compensation is vital not only for them to offer positive outcomes to an organisation but also to retain them. This validates concept of social exchange that postulates that employer-employee relationship is based on reciprocity. Employees will invest their energy and efforts in an organisation as a result of fair and equitable compensation.

6.2 Recommendations

This study, recommends that organisations have to consider designing and reviewing their compensation policies and strategies to ensure they can make working places preferred by employees. This is an important determinant of job satisfaction, employee performance and organisational performance as well.

Organisations are recommended to ensure they have leaders and managers who are competent in administering employee compensation effectively. This can be done by ensuring those who get promoted to managerial positions understand well principles and practices of compensation. Organising capacity building programmes will help to achieve this as well.

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