

## **The impact of compensation and benefits on Financial Performance: a Case study on Arab Potash Company**

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### **Abstract**

This study aims to examine the impact of compensation and benefits on financial performance applied on the Arab Potash Company, and it's one of the few studies according to the researcher's best knowledge which is examine the impact of compensations and benefits of the members of the executive management and the board of directors on the net operating income before tax as a measurement of financial performance. Based on the published secondary data from the annual reports of the Arab Potash Company at the period of 2007- 2018 the company performance was inferred. The research hypotheses were examined by the statistical analysis software E-views 0.9, and it presents the following results. There is a significant impact of representation fees for board of director's members on the financial performance however the rest of the compensations and benefits elements for the members of the board of directors and executive management have no significant impact on the financial performance The study recommended that the organization must Work to link the increase in compensation and benefits for the members of the management rate of increase in production and sale, and directors' remuneration should be linked to net annual profit or loss, rather than being paid in fixed cash, regardless of the profit or loss the company will achieve. Also, the researcher recommends his fellow researchers in the field of business administration and finance, to try the same research on other industrial companies, and using the same independent variables or other variables.

**Key Words:** Impact, Compensation, Benefits, Performance, Financial.

### **1. Background and Importance of the Study:**

#### **1.1.Introduction**

Human resources management (HRM) acts as a supportive unit for all other functions within organizations that involve global practice which in turn include the elements of selection; training and development, performance appraisals, and compensation. On the international level, HRM practices have already been appreciated and adopted to achieve competitive advantage through human capital and employment relationship, and that could lead to converting other sources such as money, machine, methods and materials into the output. Maintaining

a strong employer and employee relationship can be the key to the ultimate success of an organization. It is known that if a strong relationship is in place employees will be more productive, efficient, create less conflict and will be more loyal. So in this study the researcher takes compensation practice into consideration, which plays an influential role in the employment relationship that affects company financial performance. Because it relies on salaries, wages, rewards in both intrinsic and extrinsic ways and any strategic monetary flows related to employees within the organization; to generate higher levels of financial performance measurement such as

higher productivity, revenues, income, lower unit costs and more. Therefore, managers should identify the financial status of the organization before drawing future plans and conduct a group of studies and investigations before making financial strategic decisions. These studies include evaluating the financial performance in addition to analyzing the organization's financial indexes with their various forms. So this study attempts to define the impact of compensation and benefits on financial performance in Arab Potash Company.

### **1.2.Statement of the Research Problem:**

Globalization and technological advancements have led organizations to seek more competitiveness. In light of compensations as one of HRM practices and their radical effect of financial performance development within organizations, and how the level of compensations and benefits the employee (regardless of his/her job level) receives from the organization has a great advantage on stimulating, developing, and increasing the employee's contribution in achieving the work and tasks on behalf of the organization's survival and persistence ineffective and efficiency way. Organizations are required to keep up with the recent strategies and techniques employed in compensations' management in accordance with those employed in financial performance practices. Based on this, the problem of this study which is presented in investigating the effect of compensations on financial performance by conducting an applicative study on the Arab Potash company to answer the following research main question:

What is the effect of Compensations and Benefits to the Members of the

Executive Management, and Board of Directors on financial performance of the Arab Potash company?

### **1.3.Research Objectives General Objectives**

The main objective of this study is to investigate the effect of compensations and benefits to the Members of the Executive Management, and Board of Directors on financial performance on the Arab Potash Company.

### **1.4.Specific Objectives**

1. To offer a group of recommendations that may positively be reflected in the compensations system in Arab Potash Company.
2. To enrich the existing literature – Jordanian in particular – with specialized research on this domain.
3. To satisfy the researcher's curiosity to know the effect of Benefits and compensations on financial performance within Jordanian organizations through applying the study on the Arab Potash Company.

### **1.5.Importance of the Research:**

The extractive mining industries represent the largest part of the revenues of the Jordanian mining sector, where there are some extractive materials such as phosphates and potash in Jordan, so the government has paid great attention to improving the investment of these raw materials because of its large economic revenues exceeded other uses. In particular, these extractive materials are valuable and depleted both domestically and internationally and many industrialized countries in the world depend on importing these materials from abroad after the depletion of local, which increased their prices.

The minister of energy and mineral resources has stated in 2018 that the

contribution of the mineral sector in the gross domestic product in Jordan reached about 8% in the previous year (2017), and added that the sector's exports reached about 32% of the total exports in the same previous year (Ad-Dust our Journal, 27th December 2018).

This study in particular addresses the Arab potash company as it achieved 1 million work hours without injuries and operational revenues of 432 million JDs, 64 million JDs as operational profits and 8.1 million as shares' profitability (Arab Potash Company Reports, 2017).

According to these achievements the importance of the study based on different reasons:

1. The study attempts to identify the level of awareness among top management about the compensations practices and therefore it can assist the top management in the process of decision making about the compensations strategy that can be reflected on the net operating income before tax as the financial performance of the organization.
2. And this research is among the few researches addressing this topic Jordan for the researcher's best knowledge.

## 1.6. Research Hypotheses

In order to identify the relationship between the independent and dependent variables, and according to the research questions and objectives the following to main hypothesis was developed

### 1.6.1. Testing the first main hypothesis:

**H0.1:** There is no statistically significant impact of compensations and benefits to members of executive management on financial performance in the Arab Potash company at the level of ( $\alpha \leq 0.05$ ).

**From the first main hypothesis, the following sub hypothesis was derived:**

**H0.1.1:** There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

**H0.1.2:** There is no statistically significant impact of representation fees on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

**H0.1.3:** There is no statistically significant impact of per diem on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

**H0.1.4:** There is no statistically significant impact of Housing and utilities on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

### 1.6.2. Testing the second main hypothesis:

**H0.2:** There is no statistically significant impact of compensations and benefits to members of the board of directors on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

**From the second main hypothesis, the following sub hypothesis was derived**

**H0.2.1:** There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash company at the level of ( $\alpha \leq 0.05$ ).

**H0.2.2:** There is no statistically significant impact of representation fees on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

**H0.2.3:** There is no statistically significant impact of per diem on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

**H0.2.4:** There is no statistically significant impact of Annual bonus on

financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ ).

**H0.2.5:** There is no statistically significant impact of Annual

transportation and committees allowance on financial performance in Arab Potash Company at the level of ( $\alpha \leq 0.05$ )

### 1.7. Research Model

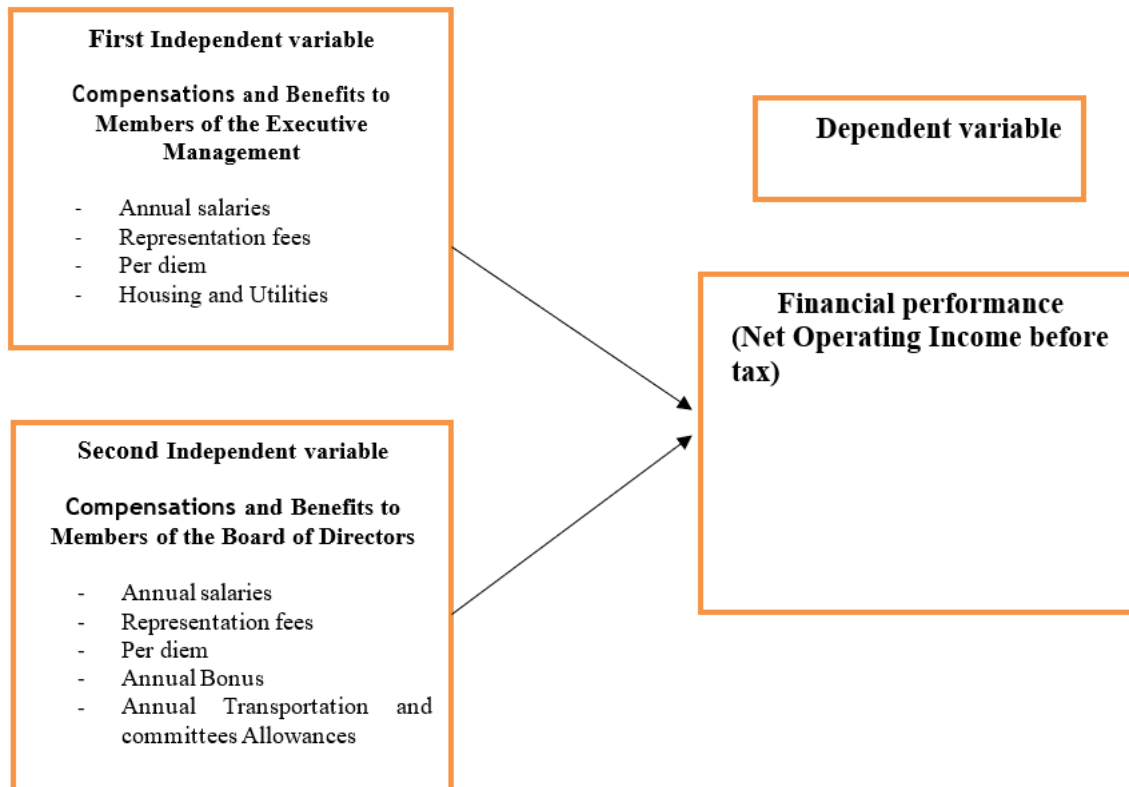


Figure 1.1: The form was prepared by the researcher based on the literature of the relevant studies

## 1.8. Definitions

1. **Benefits and Compensations:** Is the rewards that employees receive as an exchange of their contributions to fulfill the organizations' jobs and including financial and non-financial compensations which include:
  - 1.1. **Annual salaries:** the sum of the base compensations that employee received based on their job performance, and it's a base pay from the direct financial compensations
  - 1.2. **Representation fees:** the amount of money paid for the representative employee of the company abroad and it's a variable pay from the direct financial compensations.
  - 1.3. **Per Diem:** it used for expenses incurred while traveling on business-related activities. And it refers to the amount driven to a traveler to cover expenses such as lodging, meals, and entertainment. In connection with the performance of service duties for a company, and these are mandatory benefits from the indirect financial compensations.
2. **Housing and utilities:** the rewards employees receive as cars, houses, and anything that helps employees in their position and they are mandatory benefits from the indirect financial compensations.
3. **Annual bonus:** compensations that is over and above the amount of pay specified as a base salary, and it is specified according to employee personnel file, or in a contract, also its a variable of payment from the direct financial compensations.
4. **Annual transportation and committee allowance:** the number of rewards received based on participation on internal or external committees, and it's a mandatory benefit from the indirect financial compensations.
5. **Financial performance:** refers to the

firm financial outcomes or values that can be reflected in different dimensions from the use of the firm assets in the primary mode of business such as (Net operating income before TAX).

6. **Net operating income before tax:** is a calculation used to analyze the profitability of income-generating real estate investments. NOI equals all revenue from the property (gross margin), minus all reasonably necessary operating expenses (Selling and administrative expenses). NOI is a before- tax figure, appearing on a property's income and cash flow statement

## 2. Literature Review and Previous Studies

HRM with their compensations professionals needs to determine if the compensations and benefits it is fair enough to meets industry standards and to attract individuals to work in the organization. So compensations are significant organizational assets if appropriately used and managed. Compensations includes anything the employee receives for his or her work so it should take into consideration the number of years with the organization, years of experience, education and similar aspect. This chapter describes the available related literature to the topic of this research. It also offers a critical analysis of previous studies that have been conducted by other scholars in the area of this research addresses.

### 2.1. First: The concept of Compensations:

Compensations is an adequate and equitable remuneration for employees due to their contributions to achieving organizational objectives, (Armstrong and Brown

2001) and is an important factor affecting how and why people choose to work at one organization over others.

Compensations involves issues regarding wage and/ or salary programs and structures accruing from job descriptions, merit-based programs, bonus- based programs, commission-based programs and so on, while benefits typically refers to retirement plans, health life insurance, disability insurance, vacation, employee stock ownership plan and so on And it is “all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship” (Malkovich and Newman ,1999). Also it's adequate and equitable remuneration of the personnel for their contribution to organization objectives, including three components as basic wage or salary (to attract qualified candidates); variable compensations (to motivate job performance); and supplementary fringe benefits (to retain talented staff), (Flippo, 1984).Compensations as comprising of base pay and fringe benefits. Base pay or cash pay is the direct pay provided by employers for work performed and these include salary, overtime pay, shift allowance, uniform allowances and pay contingent on performance like merit awards, incentive pay, bonuses and gain sharing while fringe compensating include required programs such as social security, health benefits, pension plans, paid time off, tuition reimbursement, foreign service premiums and so on. And the compensations are such an activity through which an organization based on its ability and within law reasonably assesses the contribution of employees directly and indirectly for the distribution of financial and non-financial

remuneration

According to (DeNisi and Griffin, 2001) compensation are a reward system that a company provides to individuals in return for their willingness to perform various jobs and tasks within organizations

### **2.1.1.Compensation Types**

Is the sum of direct benefits and indirect benefits that an employee receives from an employer? Compensation practices vary significantly across employing organizations and to some degree, across jobs. Previous studies have explored the compensation packages available to employees in organizations (Senait Awoke Zewde, 2017). Broadly, many researchers argue that compensation should be a package comprising financial and non-financial, direct and indirect compensation (Armstrong and Brown, 1998). Specifically, (Noe et al 1994) and others argue that a typical compensation package should include base pay, commissions, overtime pay, bonuses, profit sharing, merit pay, stock options, travel and meals, housing allowance, benefits including dental, insurance, medical, vacation, leaves, retirement, tax freedom.

#### **2.1.1.1. Financial Compensations**

According to (Cascio, 2003), the objective of the design of the compensation program is divided into two; direct and indirect forms of compensations. Direct compensation has to do with wage or salary aspect while indirect compensation is the fringe benefits a worker enjoys as a result of working in an organization. Integrating the two into a package that will encourage the achievement of an organization's goal is what compensation is all about (Odunlade, 2012).

### 2.1.1.2. Direct Compensations

1. **Base pay:** The basic compensations that an employee receives, usually as a wage or salary. Many organizations use two base pay categories, hourly and salaried, which are identified according to the way pay is distributed and the nature of the jobs. So people paid salaries to receive a consistent payment each period regardless of the number of hours worked. Some organizations maintain an all-salaried approach with their manufacturing and clerical employees in order to create a greater sense of loyalty and organizational commitment. (Robert and John, 2007).
2. **Variable pay:** its compensations linked directly to the individual, team, or organizational performance. The most common types of variable pay for most employees take the form of incentives, merit pay, and seniority
  - a. **Incentives:** It's compensations which

*Figure 2.1: (Joseph, 2015)*

**Individual incentive plans.** These plans reward employees whose work is performed independently. Some companies have piecework plans, typically for their production employees. Under piecework plans, an employee's compensations depend on the number of units she or he produces over a given period.

**Group incentive plans.** These plans promote supportive, collaborative behavior among employees. Group

adds to base-pay and fluctuates according to employees' attainment of some standards, such as a pre-established formula, individual or group goals, company earnings (Peck, 1993). Effective incentive pay systems are based on three assumptions:

- i. Individual employees and work teams differ in how much they contribute to the company. both in what they do as well as how well they do it
- ii. The company's overall performance depends to a large degree on the performance of individuals and groups within the company
- iii. To attract, retain, and motivate high performers and to be fair to all employees, a company needs to reward employees on the basis of their relative performance.

**Incentive pay plans can be broadly classified into three categories as shown in**

incentives work well in manufacturing and service delivery environments that rely on interdependent teams. In gain sharing programs, group improvements in productivity, cost savings, or product quality are shared by employees within the group.

**Companywide incentive plans.** These plans tie employee compensations to a company's performance over a short time frame, usually from a 3-month period to a 5-year period.

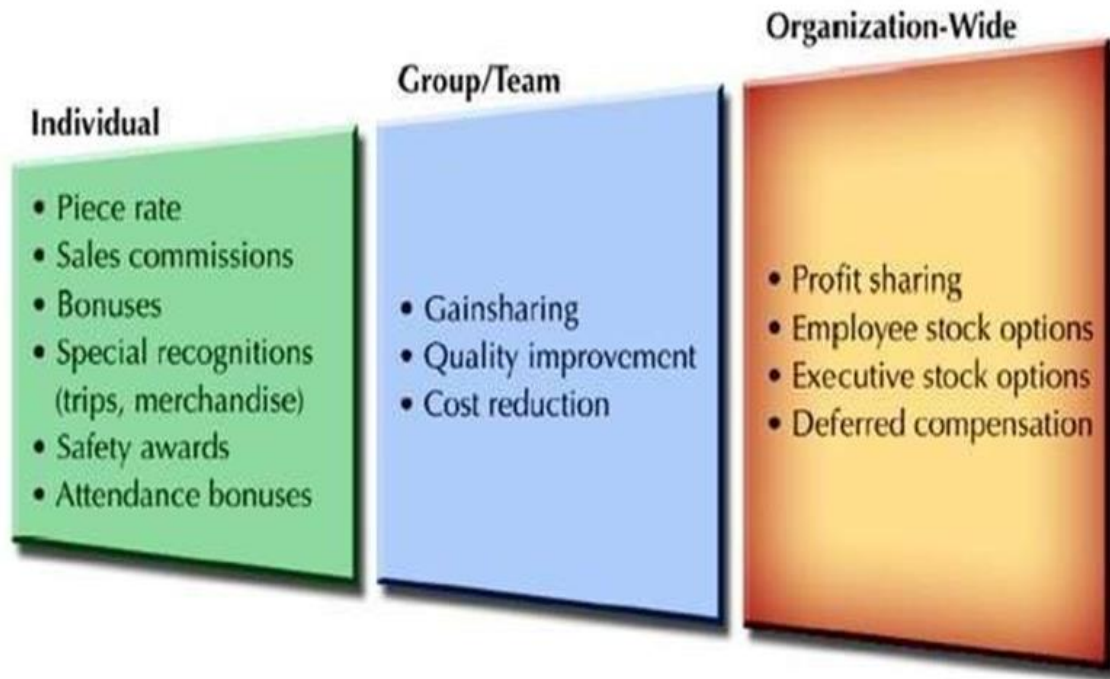


Figure 2.1: Types of Variable Pay Plans By (Robert and John 2003)

- b. **Merit Pay:** It depends on previous year salary (recurring pay), ever merit pay programs assume that employees' compensations over time should be determined, at least in part, by differences in job performance (Peck. C (1984)), Employees earn permanent merit increases based on their performance. The increases reward excellent effort or results, motivate future performance, and help employers retain valued employees. Merit increases are usually expressed as a percentage of hourly wages for nonexempt employees and as a percentage of annual salaries for exempt employees. (Joseph, 2007)
- c. **Seniority and Longevity Pay:** These systems reward employees with periodic additions to base pay according to employees' length of service in performing their jobs. These pay plans assume that employees become more valuable to companies with time and that valued employees will leave if they do not have a clear idea that their salaries will progress over time (Cayer, N. J. 1975). This rationale comes from human capital theory, which states that employees' knowledge and skills generate productive capital known as human capital (Becker, G.1975). Employees can develop such knowledge and skills from formal education and training, including on-the-job experience. Over time, employees presumably refine existing skills or acquire new ones that enable them to work more productively. Thus, seniority pays rewards to employees for acquiring and refining their skills as indexed by seniority (Joseph, 2007).
- 2.1.1.3. Indirect Compensations**  
Many organizations provide numerous extrinsic rewards in an indirect manner. With indirect compensations, employees receive the tangible value of the rewards without receiving the actual cash. A benefit is an indirect reward, given to



an employee or group of employees as a part of organizational membership and it consists of items or awards which are supplementary to normal pay. Some - such as pensions and sick pay are an essential entitlement, so the common term "fringe benefits" is perhaps misleading certain provisions of the maintenance of adequate standards of living have been underwritten by the state, which has legislated for employees and employers alike to bear some of the cost. They are awarded to anyone who meets certain qualifying conditions and as such is independent of the employer's discretion and performance considerations. Other benefits such as cars, medical insurance and 'perks', are more in the nature of optional extras and as such may be part of the recruitment retention and incentives strategies of the organization, Entitlements include the following: ([www.eiilmuniversity.ac.in](http://www.eiilmuniversity.ac.in))

## 1. Coverage of Benefits:

### a. Pension Provisions:

Pensions are generally regarded as the most important benefit after basic pay: they

are a kind of deferred pay, building uprights to a guaranteed income on retirement (or to dependents, on death) they are financed by contributions from the company, with facilities for contribution by employees as well.

### b. Sick Pay:

It is understandable that sickness or other enforced absence from work would haunt workers with the prospect of lost earnings unless there was some son of provision for genuine sufferers. Many employers supplement the state benefit by additional sick pay schemes, which may be tailored to the organizations' particular objectives.

### c. Maternity Leave and Maternity Pay:

The benefit was given to the female employees of the organization.

### d. Holidays

This is a benefit, which is very much taken for granted, and according to Jordanian labor law the vacation Types are as follow, and we found it in <http://www.clejordan.com>

Table 2.1: Vacations of Jordanian labor law

Vacation Type	Duration	Wage	Notes
Annual Vacation	14 days for each year service 21 days for each year after spending five continuous years within service or for the percentage of service period if the service doesn't exceed one year.	Full	Above this period is allowed to be agreed upon Service should be connected and continuous for the same employer. Official holidays, religious holidays and weekends are not included in the annual vacation. Vacation can be postponed to the next year and the employees' right in this postponed vacation is dropped if not utilized within the year it postponed. The employer doesn't have the

			<p>right to refuse the employee's right on vacation or leave.</p> <p>An employer can within the first month of the year determine the annual vacation for each employee and how to be utilized based on the work requirements and on the employee's benefit.</p> <p>If vacation divided, each proportion of it shouldn't be less than two days each time.</p> <p>Any waiver or an agreement regarding the employee's waiving his/her right in the vacation is avoided.</p> <p>If the employee's service is terminated for any reason before using his/her annual vacation, he/she has the right to be paid for these days.</p>
Sickness Leave	14 days during a year based on the doctor's report that is approved by the employer. Renewing the leave for an additional 14 days and this is conditioned by approving that the employee resides in a hospital or by a medical committee report approved by the employer.	Full	<p>If the employee's illness is a work injury or one of the work-related illnesses, the conditions are different then.</p> <p>The case of illness is absolute and the employer has no right to pretend that it is due to the employee's misbehavior or carelessness.</p>
Additional leave or vacation to Join Cultural or work course or seminar or for Hajj	14 days	Full	<p>The work-related course should be approved by the ministry or the general union of the syndicate and the employee's participation in the course should be based on the employer or manager nomination.</p> <p>For the Hajj vacation, it is conditioned that the worker or employee has been working for at least five continuous years for the employer.</p> <p>Hajj vacation is allowed only once during the whole service period.</p>
Vacation for Study	4 months	Without wages	Vacation for the study is allowed when the employee enrolled in a university,

			institution or college officially approved.
Maternity Leave	10 weeks	Full	Vacation is starting before giving birth and the vacation after birth should not be less than 6 weeks and it is forbidden to allow the employee to initiate work before this period.
Lactation Hour	One hour a day for a year from birth.	Full	This hour can be divided into parts. It is added to rest hours if available.
Children raising leave	One year and less	Without wages	This leave or vacation is the right given only worker women within a facility that hires 10 employees and above. A woman has the right to go back to work after terminating the vacation unless it is proved that she worked for another party during the vacation.
Leave for joining the spouse	Two years and less	Without wages	Each of the worker spouses has the right to obtain a vacation to join the spouse if shifts to an area away from his/her work within or outside the kingdom and this vacation are allowed only once.
Weekend holiday	Fridays unless the nature of work required contrary to this.	Full in case of leave	By agreement, all weekend holidays can be combined and taken during a period that doesn't exceed a month. If the worker works on a daily or weekly basis, he/she takes the wage of each holiday day in case of working 6 continuous days before the holiday. In case of working for 3 or more days, he/she deserves the wages relative to the days he/she works during the week. The official weekend can be determined by agreement or based on the employer's internal system can be any other day in addition to Friday (Friday and Sunday for example). If the worker works at his/her holiday (voluntary or

			involuntary), his/her wage shouldn't be less than 150% of the traditional wage.
Religious and public holidays		Full in case of leave	Determined by an official letter from the board of ministries. If works these days (voluntary or involuntary), his/her wage shouldn't be less than 150% of the traditional wage.

## 2. Transport Assistance

Examples may include loans for the purchase of annual season tickets, or bulk buying of tickets by employers for distribution to staff.

## 3. Housing Assistance

perhaps in the form of Allowances to staff who have been transferred or relocated removal and traveling expenses, lodging, convincing fees and so on or assistance with house purchase – bridging loan, preferential mortgage terms.

## 4. Medical Benefits

Say private medical and/or dental insurance. Some medical services may also be provided at the workplace: for example, eye and hearing tests (where relevant to the industrial context).

## 5. Catering Services.

Most commonly, subsidized food and drink at the workplace or Luncheon Vouchers.

## 6. Recreational Facilities.

It is a subsidy and organization of social and sports clubs or provision of facilities such as a gymnasium or bar.

## 7. Allowance.

For telephone costs, professional subscriptions or work-related reading matters. Discount or preferential terms on the organization's own products services. Bank employees, for example, may receive: a mortgage subsidy: discounts for example, may receive: a mortgage subsidy: discounts on unit trusts or insurance products; bonus interest on accounts or savings plans; or reduced interest rates on overdrafts and loans.

## 8. Educational programs.

In-house study opportunities, or

sponsorship of external study (not necessarily work-related).

## 9. Family-friendly Policies.

Such as workplace nurseries, term-time hours' contracts, career break schemes. It has been recognized that certain benefits must be supplied by the organization for its employees, regardless of whether it wants to or not. With few exceptions, the hiring of any employee requires the organization to pay social security premiums, the payment of these costs by the organization at retirement, termination, or as a result of injury, and it also provides to the workers' dependents in case of the employees' death

### 2.1.1.4. Managerial Compensations:

This is carried out by analyzing what it is that determines the executive pay levels. It has been established that executive pay levels are influenced by firm performance, organizations size, novelty (in high-technology organizations), past pay, managerial decision, external versus internal successors, human capital, organizational growth, and engaging consultants (Penning's, 1993; Murphy and Sandino,2010) Executive pay is also fixed in connection with consequent organizational performance, strategic changes and strategic refocusing.

### How is compensations use:

Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensations may be adjusted according to the business needs, goals, and available resources.

Compensations may be used to recruit and retain qualified employees, increase or maintain morale / satisfaction, reward and encourage peak performance, achieve internal and external equity, reduce turnover and encourage company, modify practices of unions through negotiations. [https:// www.hr-guide.com](https://www.hr-guide.com)

### **Compensations Objectives:**

(Singh, 2007) said that compensations is provided with two basic objectives; a reward for past service to the organization and as a stimulus to increase performance in the future. It can also create a system of rewards that is equitable to the employer and employees alike so that the employee is attracted to do a good job for the employer. The progressive organizations are utilizing compensations and rewards system as effective tools to develop, build and maintain “human capital” for competitive advantages by the following ways (Singh, 2007):

1. Compensations can serve to attract qualified applicants to the organization. Other things being equal, an organization offering a higher level of pay can attract a larger number of qualified applicants than its competing units
2. Compensations helps to retain competent employees in the organization. Although retaining competent is contingent on many factors, compensations policies help by maintaining a fair internal pay structure and by providing attractive benefits. Turnover is thus reduced, along with costs associated with recruiting, selecting, and training replacement
3. Compensations serves as incentives to motivate employees to put forth their best efforts. Manufacturing and sales organization, for example, use monetary incentives to attain a higher level of production and sales without hiring additional employees. When employees put forth their best efforts, the average productivity of labor increases. With increased productivity, fewer employees are needed to achieve the same level of

output. Thus, labor costs are reduced and organizational profitability is increased.

4. Compensations systems must be consistent with the existing legislation in the areas of Labor Standards, equal pay, Human Rights, Employment Insurance, pension or retirement benefits, labor relations and Occupational Health and Safety.

### **2.2. Second: Financial Performance:**

Financial performance is one of the most important concepts for organizations as a whole and studies and research haven't agreed yet on one definite concept for performance. This disagreement emerged as a result of the multiple measurements and standards by which performance is assessed as they differ in use by researchers based on the attitudes and objectives of each researcher.

Generally, performance is defined as the extent to which organizations are able to achieve their desired goals via their available resources by which the success or failure of an organization is determined, and performance assessment is defined as identifying organizations' competency and efficiency in redirecting the optimal exploitation for resources with the highest quality using creative methods and overcoming any difficulties they may face in order to improve their competitive status and to achieve their planned and desired goals (Alkhateeb. M, 2010). Performance assessment is also defined as the process of studying the drawn goals or plans and comparing them with what is actually achieved in order to identify biases whether being positive or negative ones with reference to the potential causes for the negative biases or errors and correcting them and maintaining the positive ones and supporting them to continue in developing the enterprise which is in turn reflected on the gross national economy.

The importance of performance assessment is represented by directing organizations' workflow and offering the necessary instructions for both employee and higher management and working on coordinating

the activities among all departments (Alkhateeb. M, 2010), and through performance assessment, organization achievements are assessed in addition to determining finance resources and the extent of using money efficiently and effectively in addition to making available the appropriate information for the process of making the appropriate decision.

### **2.2.1. The Concept of Financial Performance:**

Financial performance represents the narrow concept of organizations' performance as it focuses on using financial indexes to assess the extent of goals' achievement and expresses organizations' performance in general as it is the main supporter for the various business activities practiced by the organization. Financial performance contributes to making available the financial resources in addition to providing the organization with investment opportunities in the various fields that assist in meeting stakeholder needs and objectives (Tahir. M, 2003). Based on the above mentioned, (Al Sa'id 2002) indicates that financial performance is:

1. A tool that enhances investment decisions and directs them toward successful organizations as it works on encouraging investors to invest in organizations or shares in which financial standards indicate progress and success compared to others.
2. A tool for addressing gaps, problems and obstacles facing the organization progress as it is regarded hazardous when there are measurement of facing monetary or profitability difficulties by the organization or the high amounts of debt and loans in addition to financial hardship which alarms the management to act to correct the error.
3. A tool to enhance workers and management in the organization to exert more efforts to achieve better financial results and criteria than the previous ones.
4. A tool to identify the present financial status of the organization at a specific period or for a specific aspect of performance or the performance of the organization shares at the stock exchange at

a certain day and period.

5. Organizations express their financial performance with terms that represent subjective visions for performance level through concrete formulas with numerical and quantitative values rather than using terms that confirm general realities so as the organization can accurately and effectively determine performance level (Alkhateeb. M, 2010).

### **2.2.2. Importance of Financial Performance:**

The importance of financial performance lies generally in that it aims to evaluate organizations' performance from several aspects and angles with a pattern that serves data users who have financial interests within the organization to determine strength and weakness aspects within the organization and to utilize the data offered by financial performance to rationalize the users' financial decisions (Alkhateeb. M, 2010).

Financial performance importance also lies in particular in the process of following up organizations' business and operations , checking their behaviors, controlling their status, evaluating their performance levels , directing performance towards the desired correct direction through determining obstacles and identifying their causes and suggesting corrective procedures , rationalize the organizations' general uses and investments based on the organization's general goals and contributing in making accurate decisions to maintain survival and competing (Alkhateeb. M, 2010)

By financial performance, strengths and weaknesses can be detected by disclosure the financial data for stakeholders which enables them to make appropriate decisions, the importance of financial performance is also represented in that it focuses on several important aspects for the organization such as determining profitability ratio, determining long-term debts and how to pay them back, determining the available cash flow for the organization to practice its daily

operational processes, determining the extent to which the organization is able to pay back the short-term debts, determining how financial resources are distributed on the organization works and investment, and evaluating activities to check for the optimal use of money (Zakar, 2015).

### 2.2.3. Factors Influencing Financial Performance:

Factors influencing financial performance are internal, administrative and technical ones, and these include:

1. **Organizational Structure:** the frame within which all variables related to organizations and their business interact, in this frame communications, authorities, responsibilities, and methods of activities and information are determined. The organizational structure includes the administrative density represented by the administrative positions in organizations, vertical differentiation which is the administrative levels' number within organizations and the horizontal differentiation which indicated the number of tasks resulted from dividing work and the geographical spread for branches and employees (Alkhateeb. M, 2010).
2. **Organizational structure** impacts organizations' performance through assisting in implementing plans successfully by determining the business and activities to be conducted and then assigning resources for these activities and business in addition to facilitating roles' determination for individuals within organizations and assisting in decision making processes within standards that facilitate decision making for management with more efficiency (Alkhateeb. M, 2010).
3. **Organizational Culture:** it is the clarity of organization, how decisions are made, the management method and directing performance and developing the human resource. By organization clarity, it is meant the workers awareness toward the organization tasks, goals, process and activities in relation to performance, while by how decision is made it is meant the rational making of decisions and evaluating them and assessing information appropriateness for making decisions and the management method in encouraging workers for self-initiation during performance. Directing performance on the other hand means the extent to which an employee is sure of his/her performance and achieving higher levels of performance as the organizational climate guarantees proper and positive performance in addition to the efficiency of this performance on both levels the administrative and the financial ones and offering information for decision-makers to form an image for performance and identifying the extent to which managers and administrators apply performance standards in their distributions and acts regarding the organization cash (Alkhateeb. M, 2010).
4. **Technology:** indicates the methods and skills and the adopted ways within an organization to achieve the desired goals and work on connecting resources with needs, and technology includes several types such as on demand-production technology which is based on the standards demanded by consumers and clients, continuous-production technology that is committed to persistence principle and the high- payments technology (Alkhateeb. M, 2010).
5. **Size:** by size, it is meant classifying organizations into small, medium or large ones as there are many measurements for organizations' sizes such as total assets, total deposits, total sales or net profitability. The size of an organization impacts its financial performance as it is reflected in its financial performance efficiency in the case of large organizations, while in the case of small organizations there is low financial performance and large organizations are able to face competitors more than small ones (Almajali, 2012).
6. **Organizational life cycle:** organization age is among the factors that impact financial performance as old organizations are more

vulnerable to the surrounding environment changes and become less modern than other organizations as old organizations have experienced several stages which makes them less competitive which in turn leads to a decline in their investments and thus a decline in their profitability with time (Almajali, 2012).

**Most Important Financial Measurement need it to calculate the net operating income before tax:**

Many financial measurements for measuring the financial performance of an organization have been highlighted by researchers such as (Drury, 2000) (Horngren, Datar and Rajan, 2012) and some of these shall be discussed in this study till we reach the net operating income

$$\text{Cost of Goods Sold} = \text{beginning merchandise inventory} + \text{Purchases} - \text{Ending merchandise inventory}$$

**Gross Profit:** This is the gain that accrues to the organization\_ after deducting all direct expenses attributable to generating the revenue that can be computed directly by:

**Gross margin** = Sales - Cost of Goods sold

**Selling and administrative expenses:** report all period costs that have been expensed as incurred.

**Net operating income before tax:** Or profit from the operation, It is calculated as follows:

**NOI before tax** = gross margin - S and A

## 2.3. Previous Studies

### 2.3.1. Firstly: Foreign Studies

Compensation and company performance\_ within the banking sector: A case study on chief executive officer compensation in relation to company performance measures. By (Alexandra, Carolina, 2009).

The study aimed to investigate the

before tax.

**Sales:** This is the total number of goods and services sold to the public consumer in monetary terms. It is also referred to as revenue or turnover at times and it is calculated as (Adeoye, 2014).

**Sales** = Unit price × Number of goods sold

**Cost of Goods sold:** Reports the product costs attached to the merchandise sold during the period. And it can be computed directly by multiplying the number of units sold by their unit cost or indirectly using the equation below (Garrison, Noreen, Brewer, 2015)

relationship between CEO compensation and company performance. The sample consisted of the twelve banks operating in the Swedish banking market. Variables were collected from each company's annual reports and focus was on 2007 and 2008 years.

By using excel with analysis toolpak the. Regressions Results of the annual reports indicated that turnover was the only variable that indicated any significant p-value under 10 % in the regressions drawn. Of all regressions, three showed the significance and all were related to turnover.

### **Board Composition and Firm Performance: Evidence from Bangladesh. By (Rashid et al, 2010)**

The study examined the influence of corporate board composition in the form of representation of outside independent directors on firm economic performance in Bangladesh. The study considers 90 non-financial firms listed on the Dhaka Stock Exchange (DSE) during the period 2005 to 2009. A total of 274 observations are made



for this study, by using linear regression analysis by SPSS to test the hypotheses. The results reveal that there is no significant relationship between board composition and firm performance in either measure.

This implies that the findings provide an insight into the regulators in their quest for harmonization of international corporate governance practices.

**The relationship between executive compensation and firm performance in the Kenyan banking sector. By (Josiah Aduda, 2011)**

The study examined the relationship between executive compensation and firm performance among the commercial banks listed at the Nairobi Stock Exchange as of December 2008. By using a statistical package for the social sciences (SPSS) version 15. The findings of the study suggest that a negative non-significant relationship between executive compensation and performance of commercial banks in Kenya. And in the large commercial banks, size is a key criterion in determining executive compensation as it is significantly but negatively related to compensation.

**Effect of Compensation Strategy on Corporate Performance: Evidence of Nigerian Firms. By (KehindeObasan, 2012)**

The study attempted to link compensation with performance using selected firms in Nigeria as a case study. Three conglomerates in Nigeria were covered and 150 questionnaires were distributed ( 50 for each ) and both quantitative and descriptive approaches were used for data analysis by using cross-sectional data analysis, The results indicated that compensation strategy has the potential beneficial effects of enhancing workers' productivity and by extension improving the overall organizational performance. Therefore, the significance of compensation cannot be overemphasized in

an organization and is, in fact, a veritable option for attracting, retaining, and motivating employees for improved organizational productivity. This finding further enriches the literature supporting that higher pay guarantees higher productivity and vice-versa.

**Impact of Directors' Remuneration on Financial Performance of a Firm. By (Sania and Mobeen, 2014)**

The study examined the performance of firms in terms of profitability and its association with management remuneration for 70 Pakistani corporate firms listed in Karachi stock exchange for the period of 2007 to 2011 .by using SPSS the results consistently supported the potential association between firm's financial performance and management remuneration policy although the intensity of relationship differs across different measures of performance. There is a positive association exists between remuneration and performance in terms of resource utilization and shareholder wealth.

**The Relationship between Executive Compensation and Financial Performance of Insurance Companies. By (Tarus, Basweti and Richard, 2014)**

The study aimed to assess the effect of executive compensation on the financial performance of insurance companies in Kenya. The study adopted a causal research design and the sample included (46) registered companies in Kenya over a five-year period from 2006 to 2010. And the secondary data collected from the financial statements published and filed with the Insurance Regulatory Authority of Kenya over five year period. By using (SPSS) version

The results indicated that there was a non-significant relationship between executive compensation and financial performance. The negative correlation suggests the capping of executive compensation to maximize shareholders' returns. This

advocates that key performance ratios are not key considerations in determining executive compensation among the insurance companies in Kenya.

**Relationship between CEO remuneration and company financial performance in the South African retail and consumer goods sector. By (Mark Bussin and Nel, 2015)**

The aim of the study was to understand the relationship between company financial performance and CEO guaranteed CTC in the South African retail and consumer goods sector. The research was quantitative and archival data of companies listed on the Johannesburg Stock Exchange (JSE), measured over a period of six years (2006\_2011). By using DuPont analysis, The Results indicated that CEO guaranteed CTC has shown no sensitivity towards company financial performance. Furthermore, a negative relationship existed between the return on equity and the guaranteed CTC of CEOs in the retail and consumer goods sector during that period.

**The relationship between South African CEO Compensation and company performance in the banking industry. By (Deysel and Kruger, 2015)**

The aim of this study was to determine whether a long-term positive relationship exists between South African CEO Compensation and the company's performance in the banking sector.

The study was conducted on firms listed under the Johannesburg Stock Exchange (JSE) Banking Sector (a grouping used by McGregor BFA for index purposes). By using the SPSS program. The result showed a positive long-term relationship exists between CEO compensation and company performance.

**Relationship between Board Remuneration and Financial Performance in the Kenyan Financial**

**Services Industry. By (Rita and Amos 2016)**

The study aimed to determine the effect of board remuneration on financial performance, focusing on commercial banks, insurance companies and investment companies listed at the Nairobi Securities Exchange from 2003 to 2013. Secondary data was obtained from audited financial statements for the 11 years ending 2013. Board remuneration was measured by director annual fees, while financial performance was measured using the proxies; return on assets (ROA), return on equity (ROE), dividend yield (DY), and earnings per share (EPS). By using a linear regression model on pooled cross-sectional time-series data to draw inferences of the study. The results disclose that there was no significant relationship between board remuneration and financial performance measures.

**Executive Remuneration and the Financial Performance of Quoted Firms: The Nigerian Experience. By (Sunday and Babatunde, 2016)**

The study seeks to ascertain the nexus between executive remuneration, firm size and board size variables and the performance of quoted companies. A sample of sixty (60) companies excluding non-financial firms were selected for the period 2013 and 2014. By using the econometric package of E-views version 7.0, the results suggest that executive remuneration has a negative relationship with firm performance, though was not statistically significant. Firm size was ascertained not to have a significant positive relationship with firms' performance, Board size was found to negatively affect the performance of firms and is statistically not significant.

**Effect of compensation on financial performance of banks: a case study of private banks. By (Senait, 2017)**

The study aimed to examine the effect of compensation on the financial performance

of 12 Ethiopian commercial banks. These banks are operating in the industry for the last 7 years i.e. from 2010 up to 2016 and are chosen purposively. Thus, the study used a total of 84 observations, documentary reviews of annual reports and in-depth interviews to test stated research hypotheses and to answer the research questions. By using (SPSS) version 20 and Excel for data analysis. The results showed that compensation has no effect on the financial performance of Ethiopian commercial banks. However, the result showed a significant relationship between Operational efficiency, Asset Quality, capital adequacy ratio, GDP, inflation, Earning Management, and financial performance.

**CEOs Monetary Incentives and performance of Mexican firms. By (Karen Watkins-Fassler, 2017)**

This paper analyzes if changes in CEO remuneration and the executive of CEO Stock options impact firm performance. The study uses a sample from 88 non-financial companies listed on the Mexican Stock Exchange from 2001 until 2012. By using panel data that combines time series with cross-sectional information, the results showed a negative relationship between flat monetary incentives and Mexican firm performance. In addition, financial incentives based on results particularly CEO stock options do not imply higher firm performance.

**Executive compensation and corporate performance: evidence from Jordanian commercial banks. By (Majd, Hadeel and Asma'a, 2018)**

The study aimed to investigate the relationship between CEO compensation and corporate performance among commercial banks in Jordan. Primary data were collected for a sample of 13 Jordanian commercial banks listed at the Amman Stock Exchange (ASE) during the period of 2010-2016, by using descriptive statistics. The results reveal a significant relationship

between executive compensation and firm's performance among the smaller sample firms.

**The relationship between remuneration and financial performance for companies listed on the Johannesburg Stock Excbanks. By (Kirsten and Du, 2018).**

The purpose of the study was to determine whether a relationship exists between the performance-based remuneration of executive directors and the financial performance of South African companies. The study was conducted on 42 companies in the consumer goods and services industry of the Johannesburg Stock Exchange (JSE) from 2006 to 2015. The study design was quantitative. And linear regression was applied to the adjusted dataset, with bootstrapping at a 95% confidence interval (CI) to correct for non-normality and to compensate for the small sample size. The results of the study indicate that the remuneration policies in place for South African executive directors within the consumer goods and services industry seem to be affected by the share price of the company.

**How director remuneration impacts firm performance: An empirical analysis of executive director remuneration in Pakistani. By (Ejaz, Razali and Muhammad 2019)**

This study investigates the interrelationship between the pay and performance of CEOs/board of directors in an emerging market Pakistan, the study utilizes a sample of non-financial firms listed in the KSE over the period of 2009\_2016. By using the Generalized Method of Moment (GMM) to investigate the interrelationship between pay and performance.

The results of the study provide evidence that pays-performance framework supports the agency theory whereby CEOs/board of directors are compensated for their prior level of market-based performance.

### 2.3.2. Second: Arabic Studies

#### **Influence of Training Financial Allocations on Increasing Financial Performance Efficiency: A Field Study on the General Company for South Oil / Basra. By (Alkhaffaji, 2008)**

The aimed to examine the extent of training financial allocations' effect with its components (training expenses and rewards) on increasing financial performance using both the profitability and revenue on investment scales. The sample of the study included 50 participants working in General Company for South Oil in Iraq/ Basra. this study used the questionnaires. And by using SPSS the Results viewed a high level of relationship between the training elements (training expenses and rewards) and the financial performance (profitability), in addition, there is a strong correlation between training expenses and financial performance for the company.

#### **Effect of Material and Moral Incentives on Improving Workers 'Performance in the Omani Ministry of Education. By (Aljassasi, 2011).**

The study aimed to identify the effect of material and moral incentives on improving workers' performance in the Ministry of Education in Oman. The sample of 290 participants in the Ministry was selected and the descriptive- analytic approach was followed and the questionnaire was used for data collection. By using SPSS statistical program, the results indicated that the participants' attitude has no statistically significant difference toward the effect of material and moral incentives on improving workers' performance.

#### **The Role of Compensation Strategy in Achieving Competitive Advantage: A Case Study on Algerian Commercial Banks. By (Bakhoush, 2013)**

The study aimed to examine the effect of compensation on achieving competitive

advantage at the Algerian commercial banks level. 18 banks were randomly selected from a sample of 54 participants and questionnaire was used for data collection. By using SPSS statistical program, the results indicated that there is an effect of compensation strategy in achieving competitive advantage through the dimensions of efficiency, quality, renewal, and response to clients' needs, in addition, participants agreed on applying the items of compensations within their organizations and on connecting compensation with performance standards.

#### **Effect of Incentives on Improving Performance among Workers in the Jordanian Public Sector Institutions: Applicative Case study on greater Amman Municipality. By (Alhalaibeh2013)**

The study investigated the effect of incentives on improving worker performance in the Greater Amman Municipality. The sample of the study included 150 male and female administrative employees and a questionnaire was used for data collection, department's heads and managers. By using SPSS statistical program, the results indicated that the level of financial and material incentives and the level of social and performance incentives were low. Results also indicated a linear correlation between using incentives and improving performance.

#### **Effect of Salaries on Job Satisfaction, Satisfaction about Compensation and Self-Motivation among Higher Education Faculty Members: A Field Study in Ferhat Abbas University – Setif. By (Fatiha, 2015)**

The study investigated the effect of salaries as the main component of compensation system on higher education faculty members' satisfaction with compensations and their self-motivation regarding the absolute and relative values in addition to investigating the relative importance of

salaries for them compared to ten motivation factors. The study use questionnaires to collect data. The sample included 241 participants from Ferhat Abbas University at Setif in Algeria. By using SPSS 0.19 the results indicated that regarding their absolute value, salaries affected neither job satisfaction nor satisfaction about compensations while there was a slightly negative effect on self-motivation, and regarding the relative value of salaries, they did affect both job satisfaction and satisfaction about compensations and self-motivations with varying levels.

**Effect of Material and Moral Incentives on Workers' Performance in Palestinian Beverage Companies. By (Abu A'llan, 2016)**

The study aimed to identify the material and moral incentives' systems and their effect on workers' performance in Palestinian beverage companies. A sample of 200 workers selected from 14 Palestinian beverage companies was selected and a questionnaire conducted for data gathering. By using SPSS statistical program, the results indicated a positive correlation between the level of material and moral incentives and workers' performance and the level of material incentives in these companies was medium.

**Evaluating the Effect of Incentives' System on Workers' performance: A Sample Study on the National Foundation for wells services (ENSP). By (Zarari, 2017)**

The study aimed to identify the effect of incentives on workers' performance quality in the National Foundation for wells services (ENSP) in Algeria through studying the incentives' system followed within the foundation and evaluating its efficiency and its effect on performance. The study used questionnaires were distributed on a sample of 150 participants and 118 questionnaires were retrieved and valid for analysis. By using SPSS statistical

program for data analysis and the Excel table processor. The results indicated medium effects for the efficiency of the incentives and rewards system on improving workers' performance.

**Buras (2017) Work Accidents and their Effect on Financial Performance for an Industrial Corporation: A Case Study on the KPM Corporation at Constantine /Algeria. By (Buras, 2017)**

The study aimed at identifying work accidents that occur within industrial corporations and determining their effects on the financial performance of these corporations. The study was applied to the KPM Corporation for medicines manufacturing where the records and data of work accidents for the periods (2006-2016) were reviewed. By using statistical methods, such as Cronbach's alpha test, descriptive statistics, SPSS, Exploratory Factor Analysis, Normality Distribution Test of data, Hierarchical Regression Analysis, Simple Regression analysis, and Multivariate analysis of Variances (MANOVA) , The result of the study showed that the practice of the compensation manage results indicated that the greater was the number of work accidents, the higher were the costs resulted from these accidents as most of these costs were hidden ones, results also indicated that work accidents didn't affect the financial performance of the corporation under study.

**Compensations' Management Strategy and its Influence on Talent Retention: Testing the Modified Role of Spiritual Capital / Analytical Study from Workers in Islamic Banks' Perspective Amman-Jordan. By (Ahmad, 2017)**

The study aimed to identify the effect of compensations' management strategy on maintaining talents and also to test the modified role of spiritual capital in Islamic banks in Amman/ Jordan. The study covered the Islamic banks in Amman listed in the Jordanian central bank and were four

banks (Arab Islamic International Bank, Jordan Islamic Bank, Jordan Dubai Islamic Bank, and Al Rajhi Bank). A stratified random sample of 351 employees from all the banks was selected. The questionnaire was utilized for data collection in this study. By using statistical methods, such as Cronbach's alpha test, descriptive statistics, SPSS, Exploratory Factor Analysis, Normality Distribution Test of data, Hierarchical Regression Analysis, Simple Regression analysis, and Multivariate analysis of Variances (MANOVA). The results indicated that there is an impact of the compensation management strategy on retention talents and maintain talents in Islamic banks in Amman

**Effects of Material and Moral Incentives on Employees' Performance: Case Study / Syrian Private University. By (Abbas**

**2018)**

The study aimed to identify the effect of material and moral incentives on employees' performance in the Syrian private university. The sample included all the 58 administrative employees in the University and the researcher used 58 questionnaires. By using the SPSS program. The results of the study indicated a very high performance for administrative employees in the university from participants' perspective and material incentives affecting performance were limited to service termination reward and extra task wages. Results also indicated that moral incentives were limited to expressions of thanks, praise, and honor at official and nonofficial events.

The following table summarizes the most important objective, result, and statistical analysis for the foreign and Arabic Studies:

Table 2.2: Foreign Studies

Statistical analysis	Important result	Important objective	Researcher name	Research title
Excel	The results indicated that turnover was the only variable that indicated any significant p-value under 10 % in the regressions drawn.	The study aimed to investigate the relationship between CEO compensation and company performances	(Alexandra, Carolina 2009	Compensation and company performance_ within the banking sector: A case study on chief executive officer compensation in relation to company performance measures
(SPSS) version 15..	There is no significant relationship between board composition and firm performances	The study examined the influence of corporate board composition in the form of representation of outside independent directors on firm economic	Rashid et al 2010	Board Composition and Firm Performance: Evidence from Bangladesh

		performance in Bangladesh		
Cross-sectional	The findings of the study suggest that a negative non-significant relationship between executive compensation and performance of commercial banks in Kenya	the study examined the relationship between executive compensation and firm performance among the commercial banks	Josiah Aduda 2011	The relationship between executive compensation and firm performance in the Kenyan banking sector
Data analysis	The results indicated that compensation strategy has the potential beneficial effects of enhancing workers' productivity and by extension, improving the overall organizational performance.	The study attempted to link compensation with performance using selected firms in Nigeria as a case study	Kehinde Obasan 2012	Effect of Compensation Strategy on Corporate Performance: Evidence of Nigerian Firms
SPSS	There is a positive association exists between remuneration and performance in terms of resource utilization and shareholder wealth	The study examined the performance of firms in terms of profitability and its association with management remuneration	Sania and Mobeen 2014	Impact of Directors' Remuneration on Financial Performance of a Firm.
(SPSS) version 12	The results indicated that there was a non-significant relationship between executive compensation and financial	The study aimed to assess the effect of executive compensation on the financial performance of insurance	Tarus, Basweti and Richard, 2014	The Relationship between Executive Compensation and Financial Performance of Insurance Companies

	performance	companies in Kenya		
DuPont analysis	The Results indicated that CEO guaranteed CTC has shown no sensitivity towards company financial performance	The aim of the study was to understand the relationship between company financial performance and CEO guaranteed CTC in the South African retail and consumer goods sector.	Mark Bussin, More Nel 2015	Relationship between CEO remuneration and company financial performance in the South African retail and consumer goods sector
SPSS	The result showed a positive long-term relationship exists between CEO compensation and company performance	The aim of this study was to determine whether a long-term positive relationship exists between South African CEO compensation and the company's performance in the banking sector	Rita and Amos 2016	The relationship between South African CEO compensation and company performance in the banking industry
linear regression model on pooled cross-sectional time-series data	there was no significant relationship between board remuneration and financial performance measures.	The study aimed to determine the effect of board remuneration on financial performance	Sunday and Babatunde (2016)	Relationship between Board Remuneration and Financial Performance in the Kenyan Financial Services Industry.
the econometric package of E-views version 7.0	The results suggest that executive remuneration has a negative relationship with firm performance	The study seeks to ascertain the nexus between executive remuneration, firm size and board size variables and the performance of quoted companies.	Karen Watkins-Fassler (2017)	Executive Remuneration and the Financial Performance of Quoted Firms: The Nigerian Experience.



panel data combines time series with cross-sectional information	the results showed a negative relationship between flat monetary incentives and Mexican firm performance	This paper analyzes if changes in CEO remuneration and the executive of CEO Stock options impact firm performance	Senait, 2017	Os MON TA INCENTIVES AND PERFORMANCE OF MEXICAN Firms
(SPSS) version 20 and Excel for the data analysis	The results showed that compensation has no effect on the financial performance of Ethiopian commercial banks.	The study aimed to examine the effect of compensation on the financial performance of 12 Ethiopian commercial banks	Kirsten and Du, 2018	EFFECT OF COMPENSATION ON FINANCIAL PERFORMANCE OF BANKS: CASE STUDY OF PRIVATE BANKS
linear regression	The results of the study indicated that the remuneration policies in place for the South African executive industry seem to be affected by the share price of the company	The purpose of the study was to determine whether a relationship exists between the performance-based remuneration of executive directors and the financial performance of South African Companies	Kirsten, E., & Du Toit, E. (2018).	the relationship remuneration and financial performance for companies listed on the Johannesburg Stock Exchange
SPSS	The results reveal a significant relationship between executive compensation and firm's performance among the smaller sample firms	The study aimed to investigate the relationship between CEO compensation and corporate performance among commercial banks in Jordan.	Majd, Hadeel and Asma'a (2018)	EXECUTIVE COMPENSATION AND CORPORATE PERFORMANCE: EVIDENCE FROM JORDANIAN COMMERCIAL BANKS.
the Generalized Method of Moment (GMM)	The results of the study provide evidence that pays-performance framework supports the	This study investigates the interrelationship between pay and performance of CEOs/board of	Ejaz, Razali and Muhammad 2019	How director remuneration impacts firm performance: An empirical analysis of executive

	agency theory whereby CEOs/board of directors are compensated for their prior level of market-based performance	directors in an emerging market Pakistan		director remuneration in Pakistani,
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**Table 2.3:** Arabic Studies

<b>Statistical analysis</b>	<b>Important result</b>	<b>Important objective</b>	<b>Researcher name</b>	<b>Research title</b>
SPSS	the Results viewed a high level of relationship between the training elements (training expenses and rewards) and the financial performance (profitability), in addition, there is a strong correlation between training expenses and financial performance for the company	The study aimed to examine the extent of training financial allocations' effect on increasing financial performance	Alkhaffaji (2008)	Influence of Training Financial Allocations on Increasing Financial Performance Efficiency: A Field Study on the General Company for South Oil / Basra "
SPSS	the results indicated that the participants' attitude have no statistically significant difference toward the effect of material and moral incentive on improving workers' performance	The study aimed to identify the effect of material and moral incentives on improving workers' performance in the Ministry of Education in Oman.	Aljassasi (2011)	Effect of Material and Moral Incentives on Improving Workers' Performance in the Omani Ministry of Education.
SPSS	The results indicated a linear correlation	The study investigated the effect of	Alhalaibeh2013	Effect of Incentives on Improving

	between using incentives and improving performance	incentives on improving worker performance in Greater Amman Municipality		Performance Among Workers in the Jordanian Public Sector
SPSS	the results indicated that there is an effect of compensation strategy in achieving competitive advantage	examine the effect of compensation on achieving competitive advantage at the Algerian commercial banks level	Bakehouse (2013)	The Role of Compensation Strategy in Achieving Competitive Advantage: A Case Study on Algerian Commercial Banks
SPSS version 0.19	the results indicated that salaries affected neither job satisfaction nor satisfaction about compensations while there was a slightly negative effect on self-motivation,	The study investigated the effect of salaries as a main component of the compensation system on higher education faculty members' satisfaction about compensations and their self-motivation	Fatiha (2015)	Effect of Salaries on Job Satisfaction, Satisfaction About Compensation and Self-Motivation Among Higher Education Faculty Members: A Field Study in Ferhat Abbas University – Setif.
SPSS	the results indicated a positive correlation between the level of material and moral incentives and workers' performance	The study aimed to identify the material and moral incentives' systems and their effect on workers' performance in Palestinian beverage companies	Abu Allan (2016)	Effect of Material and Moral Incentives on Workers' Performance in Palestinian Beverage Companies
SPSS statistical program for data analysis and the Excel	The results indicated medium effects for the efficiency of the incentives and rewards' system on improving	The study aimed to identify the effect of incentives on workers' performance quality in the	Buras (2017)	Evaluating the Effect of Incentives' System on Workers' performance: A Sample Study on

	workers' performance	National Foundation for wells services (ENSP)in Algeria		the National Foundation for wells services (ENSP).
cronbach's alpha test, descriptive statistics, SPSS, Exploratory Factor Analysis, Normality Distribution Test of data, Hierarchical Regression Analysis, Simple Regression analysis, and Multivariate analysis of Variances (MANOVA)	The result of the study showed that the practice of the compensation management indicated that the greater was the number of work accidents, the higher were the costs resulted from these accidents	The study aimed at identifying work accidents occur within industrial corporations and determining their effects on the financial performance of these corporations	Ahmad (2017)	Work Accidents and their Effect on Financial Performance for an Industrial Corporation: A Case Study on the KPM Corporation at Constantine / Algeria.
cronbach's alpha test, descriptive statistics, SPSS, Exploratory Factor Analysis, Normality Distribution Test of data, Hierarchical Regression Analysis, Simple Regression analysis, and Multivariate analysis of Variances (MANOVA)	The results indicated that there is an impact of the compensati on management strategy on retention talents and maintain talents in Islamic banks in Amman	The study aimed to identify the effect of compensations' management strategy on maintaining talents and also to test the modified role of spiritual capital in Islamic banks in Amman/ Jordan	Ahmad (2017)	Compensations' Management Strategy and its Influence on Talents Retention: Testingthe Modified Role of Spiritual Capital / Analytical Study from Workers in Islamic Banks' Perspectiv e (Amman- Jordan)
SPSS	The results of the study indicated a	The study aimed to identify the	Abbas 2018	Effects of Material and

	very high performance for administrative employees and material incentive affecting performance were limited	effect of material and moral incentives on employees' performance in the Syrian private university.		Moral Incentives on Employees' Performance: Case Study / Syrian Private University
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### What distinguishes this research from previous studies:

1. Using Net Operating Income to before tax measure the financial performance and the actual benefits and compensations for the Members of the Executive Management, Chairman and Members of the Board of Directors as dependent and independent variables and that as far as the researcher knows is one of the few studies that have studied these variables.
2. Using the E- Views version 0.9 system for statistical analysis.
3. The study covers the period of 2007-2018.
4. The field of study is the Arab Potash Company.

### 3. RESEARCH METHODOLOGY

This chapter presents the design to be used in the study, research design, target population, sampling procedure, research data collection instruments, and procedures.

#### 3.1. Research design

The study is expected to assess the impact of compensations on the financial performance of the Arab Potash company. In doing so, the study adopted a descriptive research design which will ensure ease in understanding the insight and ideas about the problem's.

Descriptive survey designs are used in preliminary and exploratory studies, to allow researchers to gather information, summarize, present data, and interpret it for the purpose of clarification, also we use Secondary data, on the other hand, refers to data that has been collected that can be

published or unpublished but are already exists.

#### 3.2. Research tool

Secondary data for the study were collected from the annual financial reports published for the Arab Potash Company for the years ( 2007-2018 ) at the website: WWW.arabpotash.com.bb

#### 3.3. Research population

The population of the study includes all Jordanian extractive mining companies and the mining sector consists of the following sub-sectors: Phosphate and potash, Cement, Mining and extraction of limestone to produce calcium carbonate, Metallurgy and manufacturing of kaolin, gypsum, feldspar and silica, Extracting and crushing stone slabs and cracking slabs, marble, granite and sandstone, Mining chalk. Applied to the Arab Potash Company for being one of the most widely exploited wealth in Jordan, where the company's sales reached the highest levels in 2018 amounting to 2.44 million tons.

#### 3.4. Research sample

Based on the Arab Potash Company statement in 2018 for Khaberni news site (www.khaberni.com), the company was selected as the sample of this study to study the Compensations and Benefits to the Members of the Executive Management, and Members of the Board of Directors for different reasons:

1. The company of Arab Potash is one of the Jordanian economy pillars and the most important tributaries of the Jordanian

treasury with about 320 million JDs in the last five years in the form of taxes, mining fees, other fees, profits' distribution in addition to the share of the social security corporation from the distributed profits. The Arab Potash Company is also regarded as one of the most important tributaries for the kingdom the reserves of hard currency with supporting the central bank with 850 million\$ in the year 2017.

2. The company realizes that its plants are geographically are located within an area with the highest concentration of poverty and unemployment, therefore the company is highly keen to invest in developing local communities within the surrounding areas and also all around the country. The contributions of the Arab Potash Company are among the social responsibility programs of companies that are assigned and spent under the supervision of the social responsibility committee in the board of management based on the highest standards of wise governance and integrity and reached 9 million JDs annually in the past five years (about 44 million) and this is the greatest contribution for local communities' development when compared as a percentage with net profitability.
3. This company highly applies the principle of transparency and clarity regarding its

employees and the higher management and also as it is easy to access information about compensations for the members of the executive management, chairman and members of the board of directors

4. Finally, it is worth noting that the Arab Potash company offers one of the best salary systems, rewards, and privileges for its employees.

#### 4. Data analysis, discussion of results and recommendations

##### 4.1. Statistical Analysis

This part of the study represents the results of statistical analysis, including descriptive measures, model fit tests, and hypothesis testing results. The statistical processing depends on the financial data of the Arab Potash Company for the period 2007-2018.

##### 4.1.1. First: Descriptive Statistics

##### 4.1.1.1. Descriptive of dependent variables

Dependent variable represented by financial performance in Arab Potash Company, that measured by net operating income before tax (NOI).

Table 4.1: Descriptive statistic of NOI in Arab Potash Company for the period 2007- 2018

Variables (million JOD)	Mean	Stdev.	Max	Min
Net Operating Income before tax (NOI)	155,850	96,910	359,300	28,507

The above table shows that the mean of net operating income before tax (NOI) in Arab Potash Company for the period 2007-2018, was (155,850) million JOD, with standard deviation (96,910) million JOD. The maximum value (359,300) million JOD, while minimum value (28,507) million JOD. Results refer to a wide difference in NOI of the company during the period.

##### 4.1.1.2. Descriptive of independent variables

Independent variables represented by compensations and benefits of management in Arab Potash Company for

the period 2007-2018, the value of observations gathered for both executive management and board of directors.

##### 4.1.1.3. Descriptive of compensations and benefits for executive management

Compensations and benefits for executive management included annual salaries, representation fees, per diem, housing and utilities. The descriptive statistic for the mentioned variables are shown in the following table:

Table 4.2: Descriptive statistic for compensations and benefits of executive management in Arab Potash Company for the period 2007-2018

Variable	Mean	Stdev.	Max	Min
Annual salaries (AS)	581,293	180,270	1,001,700	303,209
Representation fees(RF)	11,764	9,760	31,150	3,600
Per diem(PD)	49,670	15,783	74,500	24,500
Housing and utilities(HU)	119,787	33,672	163,305	53,000

The above table shows the following:

1. The mean of annual salaries of executive management in Arab Potash Company for the period 2007-2018, was (581,293), with standard deviation (180,270). Maximum value (1,001,700), while minimum value (303,209). Results refer to the variation in annual salaries during the period.
2. The mean of representation fees of executive management in Arab Potash Company for the period 2007-2018, was (11,764), with standard deviation (9,760). Maximum value (31,150), while minimum value (3,600). Results refer to differences in representation fees during the period.
3. The mean of per diem of executive management in Arab Potash Company for the period 2007-2018, was (49,670), with standard deviation (15,783). Maximum value (74,500), while minimum value (24,500). Results refer to differences in representation fees during the period.
4. The mean of housing and utilities of executive management in Arab Potash Company for the period 2007-2018, was (119,787), with standard deviation (33,672). Maximum value (163,305), while minimum value (53,000). Results refer to the variation in per diem during the period.

#### 4.1.1.4. Descriptive of compensations and benefits for a board of directors:

Compensations and benefits for a board of directors included annual salaries, representation fees, per diem, annual bonus, Annual transportation and committees' allowance. The descriptive statistic for the mentioned variables are shown in the following table:

Table 4.3: Descriptive statistic for compensations and benefits of the board of directors in Arab Potash Company for the period 2007-2018

Variable	Mean	Stdev.	Max	Min
Annual salaries(AS)	178,001	43,938	310,825	153,000
Representation fees(RF)	115,266	24,544	144,000	65,273
Per diem(PD)	112,522	36,701	201,960	69,000
Annual bonus(AB)	65,315	1,498	70,000	64,138
Annual transportation and committees' allowance(ATCA)	215,382	53,206	234,000	46,800

The above table shows the following:

1. The mean of annual salaries of the board of directors in Arab Potash Company for the period 2007-2018, was (178,001), with standard deviation (43,938). Maximum value (310,825), while minimum value (153,000). Results refer to differences in annual salaries during the period.
2. The mean of representation fees of the board of directors in Arab Potash Company for the period 2007-2018, was (115,266), with standard deviation (24,544).

Maximum value (144,000), while minimum value (65,273). Results refer to differences in representation fees during the period.

3. The mean of per diem of the board of directors in Arab Potash Company for the period 2007-2018, was (112,522), with standard deviation (36,701). Maximum value (201,960), while minimum value (69,000). Results refer to the variation in per diem during the period.
4. The mean of annual bonus of board of directors in Arab Potash Company for the period 2007-2018, was (65,315), with standard deviation (1,498). Maximum value (70,000), while minimum value (64,138). Results refer to proximity in annual bonuses during the period.
5. The mean of annual transportation and

committees" allowance of the board of directors in Arab Potash Company for the period 2007-2018, was (215,382), with standard deviation (53,206). Maximum value (234,000), while minimum value (46,800). Results refer to the wide variation in annual transportation and committees" allowance during the period.

#### 4.1.2. Multicollinearity Test

To test the existence of multicollinearity phenomena between model variables, Pearson correlation coefficients calculated between independent (predictor) variables, the results of testing multicollinearity between independents variables are explained by correlation matrices and VIF test as following

##### 4.1.2.1. Multicollinearity Test for compensations and benefits of executive management

Table 4.4: Correlation matrix for predictor variables for executive management

	Annual salaries (AS)	Representation fees(RF)	Per diem(PD)	Housing and utilities(HU)
Annual salaries (AS)	1.000			
Representation fees(RF)	0.318	1.000		
Per diem(PD)	-0.572	-0.573	1.000	
Housing and utilities (HU)	-0.139	-0.268	0.050	1.000

The above table shows that the maximum value of correlation coefficient (-0.572) occurred between (AS and PD), this value may indicate the existence of multicollinearity, otherwise, the values were less than or equals ( $\pm 0.80$ ), which means there was no perfect relationship

between variables. In the statistical literature the value (0.80) and more considered as a measurement of multicollinearity existence Gujarati, (2004). To ensure the above result, variance factor inflation (VIF) was calculated, the results in the following table

Table 4.5: VIF for independent variables for executive management

Variable	VIF
Annual salaries (AS)	1.520
Representation fees(RF)	1.635
Per diem(PD)	2.065



Housing and utilities(HU)	1.120
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Table (4.5) shows that all VIF values were greater than (1) and less than (10). This gives evidence that there is no

multicollinearity among all predictors' variables, Gujarati, (2004).

#### 4.1.2.2. Multicollinearity Test for compensations and benefits of the board of directors

Table 4.6: Correlation matrix for predictor variables for board of directors

	Annual salaries (AS)	Representati on fees (RF)	Per diem (PD)	Annual bonus (AB)	Annual transportation and committees' allowance(ATCA)
Annual salaries (AS)	1.000				
Representation fees (RF)	-0.776	1.000			
Per diem (PD)	-0.232	0.415	1.000		
Annual bonus (AB)	-0.254	0.467	0.150	1.000	
Annual transportation and committees'' allowance (ATCA)	0.073	-0.188	0.328	0.089	1.000

The above table shows that the maximum value of correlation coefficient (-0.776) occurred between (AS and RF), this value may indicate the existence of multicollinearity, otherwise, the values were less than or equals ( $\pm 0.80$ ), which means there was no perfect relationship

between variables. In the statistical literature the value (0.80) and more considered as a measurement of multicollinearity existence Gujarati, (2004). To ensure the above result, variance factor inflation (VIF) was calculated, the results in the following table

Table 4.7: VIF for independent variables for the board of directors

Variable	VIF
Annual salaries(AS)	2.929
Representation fees(RF)	4.809
Per diem(PD)	1.711
Annual bonus(AB)	1.487
Annual transportation and committees'' allowance(ATCA)	1.522

Table (4.7) shows that all VIF values were greater than (1) and less than (10). This gives evidence that there is no multicollinearity among all predictors' variables, Gujarati, (2004).

#### 4.1.3. Test of Normality

Normality is one of the assumptions of parametric tests, like t-test and F- test, so data should be normally distributed,

especial if the sample size is small ( $n < 30$ ). Jarque-Bera test was performed for all

observations, the results were as following:

Table 4.8: Jarque-Bera test results for study variables

Variables	Jarque-Bera	Prob.
Net operating income before tax (NOI)	1.541	0.463
Executive management		
Annual salaries (AS)	1.184	0.553
Representation fees(RF)	1.890	0.389
Per diem(PD)	0.779	0.677
Housing and utilities(HU)	0.461	0.794
Board of directors		
Annual salaries(AS)	3.046	0.218
Representation fees(RF)	0.555	0.758
Per diem(PD)	0.904	0.636
Annual bonus(AB)	0.787	0.691
Annual transportation and committees" allowance(ATCA)	2.126	0.345

According to the above table, all test values were with a significant level more than (0.05), this means that all study variables are normally distributed, which refers to an absence of outlier values, so we can apply parametric tests.

developed the autocorrelation test, also known as the LM Test, to determine if autocorrelation was present, especially in large samples with time series (Gujarati, 2003). In the LM Test applied for the model

#### 4.1.4. Serial correlation

Serial correlation is the existence of a relationship between error terms, this relationship enables error term to transfer from one period to another. Breush (1979) and Godfrey (1978)

established in the application section of this study, since the yearly data is studied, one lag values and then five lag values are examined. The LM test results are summarized in Table (4.9).

Table 0.1: LM test results with 1 and 5 lags for autocorrelation

Model	Constant variance test (heteroskedasticity test: White)	
The first model (H01)	F-statistic: 2.396280	Prob. F(1,11) : 0.1726
	F-statistic: 0.725613	Prob. F(5,70) : 0.6664
The second model (H02)	F-statistic: 1.308444	Prob. F(1,11) : 0.3045
	F-statistic: 1.783522	Prob. F(5,7) : 0.05123

Table (4.9) above shows that the null hypotheses of the LM test are accepted at the level of 1% significance for both research models. This result indicates the absence of auto-correlation, and we can conclude the study models have no serial correlation problem.

#### 4.2. Hypotheses testing:

This part of study explains hypotheses testing, where multiple regression analysis applied, for main hypotheses, this method called ordinary least squared (OLS), the first hypothesis aimed to examine the impact of compensations and benefits of executive management on net operating income before tax in Arab Potash Company for the period 2007-2018, while the second

hypothesis aimed to the same objective but for board of directors. Results were as following:

#### 4.2.1. Testing the first main hypothesis

H0.1: There is no statistically significant

impact of compensations and benefits to members of executive management on financial performance in the Arab Potash Company at  $\alpha \leq 0.05$ .

Table 0.2: regression analysis for the first main hypothesis

Dependent variable	R squared	Adj Rsquared	Standard Error	F-statistic	Pro.
Net operating income before tax before tax (NOI)	0.250	0.250	0.250	0.250	0.250

The above table shows that (R squared = 0.495), which means that (49.5%) of variation of net operating income before tax (NOI) can be explained by the model. Moreover, (F-statistic = 1.717), with significant level (Prob.F = 0.250), which refers that the model is not significant. So the null hypothesis is accepted, states

The following table represents regression

Table 0.3: regression coefficients

Variable	Coefficient (B)	t-statistic	Prob. t
Annual salaries (AS)	0.042	0.235	0.821
Representation fees(RF)	3.859	1.132	0.295
Per diem(PD)	5.312	2.242	0.060
Housing and utilities (HU)	-0.357	-0.436	0.676
Constant	-134923.800	-0.533	0.610

The sub-hypotheses were tested by the significant of coefficient, results were as following:

Results of first sub-hypotheses testing:

**H0.1.1: There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ .**

Table (4.11) shows that the impact of annual salary pay on net operating income before tax was not significant, where (B=0.042), and (t-statistic = 0.235), with significant level (Prob. t = 0.821).

So first null sub-hypothesis is accepted, states that:

that:

**“There is no statistically significant impact of compensations and benefits to members of executive management on financial performance in the Arab Potash Company at  $\alpha \leq 0.05$ ”**

coefficients and their significance levels.

**“There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ ”**

Results of second sub-hypotheses testing:

**H0.1.2: There is no statistically significant impact of representation fees on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ .**

Table (14) shows that the impact of representation fees on net operating income before tax was not significant, where (B= 3.859), and (t-statistic = 1.132), with

significant level (Prob.  $t = 0.295$ ).

So second null sub-hypothesis is accepted, states that:

**“There is no statistically significant impact of representation fees on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ ”**

**Results of third sub-hypotheses testing:**

**H0.1.3: There is no statistically significant impact of per diem on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ .**

Table (14) shows that the impact of per diem on net operating income before tax was not significant, where ( $B = 5.312$ ), and ( $t$ -statistic = 2.242), with significant level (Prob.  $t = 0.060$ ).

So third null sub-hypothesis is accepted, states that:

**“There diem is no statistically significant impact of per on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ ”**

**Results of fourth sub-hypotheses testing:**  
**H0.1.4: There is no statistically significant impact of housing and utilities on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ .**

Table (14) shows that the impact of housing and utilities on net operating income before tax was not significant, where ( $B = -0.357$ ), and ( $t$ -statistic = -0.436), with significant level (Prob.  $t = 0.676$ ).

So fourth null sub-hypothesis is accepted, states that:

**“There is no statistically significant impact of housing and utilities on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ ”**

**Testing the second main hypothesis:**

**H0.2: There is no statistically significant impact of compensations and benefits to members of the board of directors on financial performance in the Arab Potash company at  $\alpha \leq 0.05$ .**

Table 0.4: Regression analysis for the second main hypothesis

Dependent variable	R squared	Adj Rsquared	Standard error	F-statistic	Pro. F
Net operating income before tax (NOI)	0.716	0.479	69927.660	3.025	0.105

The above table shows that (R squared = 0.716), which means that (71.6%) of variation of net operating income before tax (NOI) can be explained by the model. Moreover, (F-statistic = 3.025), with significant level (Prob.F = 0.105), which refers that the model is not significant. So the null hypothesis is accepted, states that:

**“There is no statistically significant impact of compensations and benefits on members of the board of directors on financial performance in the Arab Potash company at  $\alpha \leq 0.05$ ”**

The following table represents regression coefficients and their significance levels

Table 0.5: regression coefficients

Variable	Coefficient (B)	t-statistic	Prob. t
Annual salaries(AS)	1.637	1.993	0.093
Representation fees(RF)	4.919	2.611	0.040
Per diem(PD)	-0.137	-0.182	0.862
Annual bonus(AB)	6.642	0.387	0.712
Annual transportation and committees“ allowance (ATCA)	0.644	1.317	0.236
Constant	-1259550.000	-1.250	0.258

The sub-hypotheses were tested by the significant of coefficient, results were as following:

Results of first sub-hypotheses testing:

**H0.2.1: There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ .**

Table (4.13) shows that the impact of annual salary pay on net operating income before tax was not significant, where (B=1.637), and (t-statistic = 1.993), with significant level (Prob. t = 0.093).

So first null sub-hypothesis is accepted, states that:

**“There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ ”**

**Results of second sub-hypotheses testing:**

**H0.2.2: There is no statistically significant impact of representation fees on financial performance in Arab Potash**

**Company at  $\alpha \leq 0.05$ .**

Table (4.13) shows that the impact of representation fees on net operating income before tax was significant, where (B= 4.919), and (t-statistic = 2.611), with significant level (Prob. t = 0.040).

So second null sub-hypothesis is rejected, and alternative one has accepted states that:

**“There is a statistically significant impact of representation fees on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ ”**

**Results of third sub-hypotheses testing:**

**H0.2.3: There is no statistically significant impact of per diem on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ .**

Table (4.13) shows that the impact of per diem on net operating income before tax was not significant, where (B= -0.137), and (t-statistic = -0.182), with significant level (Prob. t = 0.862).

So third null sub-hypothesis is accepted, states that:

**“There is no statistically significant impact of per diem on financial**

**performance in Arab Potash Company at  $\alpha \leq 0.05$ )”**

**Results of fourth sub-hypotheses testing:  
H0.2.4: There is no statistically significant impact of annual bonus on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ ).**

Table (16) shows that the impact of housing and utilities on net operating income before tax was not significant, where (B= 6.642), and (t- statistic = 0.387), with significant level (Prob. t = 0.712).

So fourth null sub-hypothesis is accepted, states that:

**“There is no statistically significant impact of annual bonus on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ )”**

**Results of fifth sub-hypotheses testing:  
H0.2.5: There is no statistically significant impact of Annual transportation and committees' allowance on financial performance in Arab Potash  $\alpha \leq 0.05$ ).**

Table (4.13) shows that the impact of Annual transportation and committees' allowance on net operating income before tax was not significant, where (B= 0.644), and (t-statistic = 1.317), with significant level (Prob. t = 0.236).

So fifth null sub-hypothesis is accepted, states that:

**“There is no statistically significant impact of Annual transportation and committees' allowance on financial performance in Arab Potash Company at  $\alpha \leq 0.05$ )”**

#### 4.3.3. RESULTS

When reviewing the previous statistical analysis, the most important results can be summarized as follows:

1. There is no statistically significant impact of compensations and benefits to members of executive management on financial performance in the Arab Potash Company.

2. There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash Company.
3. There is no statistically significant impact of representation fees on financial performance in Arab Potash Company.
4. There is no statistically significant impact of per diem on financial performance in Arab Potash Company.
5. There is no statistically significant impact of housing and utilities on financial performance in Arab Potash Company.
6. There is no statistically significant impact of compensations and benefits to members of the board of directors on financial performance in the Arab Potash Company.
7. There is no statistically significant impact of total annual salaries pay on financial performance in Arab Potash Company.
8. There is a statistically significant impact of representation fees on financial performance in Arab Potash Company.
9. There is no statistically significant impact of per diem on financial performance in Arab Potash Company.
10. There is no statistically significant impact of annual bonus on financial performance in Arab Potash Company.
11. There is no statistically significant impact of Annual transportation and committees' allowance on financial performance in Arab Potash Company.

#### 4.4.Recommendations

Based on the above results, we recommend the following:

1. Work to link the increase in compensations and benefits for the members of the management rate of increase in production and sale.
2. Restructuring the annual salaries paid to the executive management, and work linked to the rate of annual increase that occurs, the rate of increase in the rate of return on investment.
3. Restructuring the representation fees of the executive management, and working to link them to practical achievements, in line with the volume of efforts exerted.

4. Not to allow any day to be spent, which does not have any positive impact on annual revenues and expenses.
5. Not to allow workers in the regular system, residence in the occupational housing, and give it only to workers in the system of shifts, to reduce the variable housing expenses and the development of the local community.
6. The increase in the rate of compensations and benefits of directors should be linked to the increase in the rate of return on equity.
7. Restructure the salaries of the members of the Board of Directors, and work to link part of it with the rate of earnings per share.
8. Increase or decrease the allowance for the representation of members of the Board of Directors, at the same rate of increase or decrease in profits or losses in subsidiaries and associates.
9. Reduce the number of days spent by the Chairman and members of the Board of Directors outside the country, and limited to the tasks that entail an increase in revenue or decrease in expenses.
10. Directors' remuneration should be linked to net annual profit or loss, rather than being paid in fixed cash, regardless of the profit or loss the company will achieve.
11. The transfer allowance shall be paid to the Board member according to the number of meetings actually held, not on a fixed monthly basis regardless of the actual number of meetings held.
12. The researcher recommends his fellow researchers in the field of business administration and finance, to try the same research on other industrial companies, and using the same independent variables or other variables.

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