

Are Organizational Commitment and Compensation Predicting Employee's Performance?

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Abstract

The problem, which an organization often faces, is the employees' performance, which results in ineffective organization. Commitment and compensation are factors affecting the employees' performance. This research aims at empirically examining the role of commitment and compensation of employees' performance. The subjects of the research are permanent employees at Ahmad Dahlan University, having served for more than one year. The sampling technique is non-randomized. The method of collecting data uses commitment, compensation, and performance scales. The data are analyzed with multiple linear regression technique. The result shows that the organizational commitment and the compensation simultaneously predict the employees' performance of $(r_{x_2y}) = 0,594$ and the significance correlation coefficient of $F_{reg.} = 12.815$ with $p = 0,000$ ($p < 0,01$), which means there is a very significant positive correlation among organizational commitment and compensation simultaneously with the performance of the employees of Ahmad Dahlan University. The implication of study is discussed further in article.

Keywords: organizational commitment, compensation, performance

Introduction

Yukl (2001) suggests that human resource is an important factor in an organization because it determines the progress of the organization. A working organization making use of strategy to win a competition through human resource management proves to surpass other organizations employing other strategies (Prefer, 1996). The importance of preserving, managing, employing human resource should be optimally considered to reach the organization's goals because only its relevant performance leads to the attainment of the organizational goals (Vande, et.al., 2005). A good performance is one of organizational targets for high work productivity.

Performance is all activities or behaviors controlled by an individual, which contributes to the attainment of organizational goals (Ratundo & Sackett, 2002). The existence of employees with high performance will lead the organization to a condition where high productivity is possibly achieved. If the employees of an organization show low performance, it will negatively impact the organization. The employees' behaviors leading to low performance are playing truant, being absent, working indifferently, delaying work, having no initiative, less communicating and cooperating with the managers, etc., which lead to declining the productivity of the organization. Mitchell (1989) suggests the aspects that contribute to the measurements of

employees' performance are from quality of work, promptness, initiative, capability, and communication. The employees' low performance negatively impacts the organization so that it tries hard to improve the performance through studying factors affecting the employees'

Wright and Bonett (2002) suggest that commitment is one factor affecting the employees' performance. It determines how hard the employees work and how their efforts influence their performance. Organizational commitment reflects the employees' dependence to the supervisor and ties to their working group, to their top management, and to their organization (Becker, et. al., 2004). Meyer and Herscovitch (2002) explain that organizational commitment includes emotional bond, identification, individual's participation in the organization, and the employee's willingness to retain his membership in the organization. Organizational commitment is a condition where an employee is very attentive to his organizational goals, values, and targets (Maier & Brunstein, 2001).

Meyer (1997) argues that an employee having high commitment will work harder and show better performance than an employee with low commitment. Mathieu and Zajac (1990) suggest that the employee's high commitment will positively influence the organization such as the decrease of employees' late coming, absence, and turn over because the employees with high commitment will conduct in accordance with the values and norms of the organization. The theory is supported by a research conducted by Angle and Perry (Dassler, 2001) shows that

organizational commitment is related to the capability of the organization and the employees to adapt with future possibilities full of uncertainty. This research shows that employees with high commitment will have higher level of attendance and longer service than the employees with low commitment (Somers, 1995)

The results revealed a positive relationship between organizational commitment and employees' performance (Khan, et.al., 2010; Sani, 2011). Employees with high organizational commitment will carry out their duty better than those of low organizational commitment. Handoko (2006) supports it with his claim through research that there is a significant positive correlation between organizational commitment and employees' performance. It means organizational commitment can predict well the employees' performance and will determine how big the employees' effort at work.

Apart from organizational commitment, Polnaya (2007) suggests that financial and non-financial compensation simultaneously and significantly influence the employees' performance. Compensation is all good reward in the form of money, goods, or enjoyment given by the company to the employees for their performance to the organization (Gorda, 2006). According Mondy and Noe (2005) compensation includes salary, wages, bonus, commission, life and health insurance, social assistance, pension, social work insurance, educational grant, natural help, leave pay, vacation, sickness leave, work diversity, self-development and participation in decision making. Simamora (2006) state that financial

compensation in the form of several type, such as salary, wage, bonus, commission, employees' insurance, social work assistance, allowance, vacation or paid leave, etc. While non-financial compensation includes attractive, challenging duties, responsibility, chance, recognition, goal accomplishment and comfortable work environment.

The more material and non-material compensation an employee receives satisfactorily the more spirit, commitment, and performance he will attain (Buraidah & Lieke, 2005). The organizational commitment had a positive significant effect on the job performance. Three dimensions of organizational commitment, Affective, continuance, and normative commitment, had a positive significant effect on the job performance (Rafiei, et.al., 2014). Some researches reveal that the employees' attitude toward their organization depends on their perception on the compensation they receive. This contributes for the employees' great performance to the organization where they work (Ahearne, et.al., 2005). Sveiher et.al. (2004) explains that the employees' poor performance especially the civil servants due to the low salary and work satisfaction, which is extrinsic oriented.

The phenomenon at research site reflects there is a problem related to organizational commitment and compensation, which are predicted to influence the employees' performance. This research aims at examining empirically the role of organizational commitment and compensation for the employees' performance at Ahmad Dahlan Univeristy Yogyakarta.

Method

Subject

The subjects of the research were 50 educational employees at Ahmad Dahlan University Yogyakarta. The selection of the subject was done by means of non-randomized technique i.e. it was done based on identified characteristics such as (1) being an employee at Ahmad Dahlan University (2) being active and permanent employee (3) have been in service at least one year (4) male or female worker.

Measurements

Performance Scale

Performance was measured by means of performance scale, which referred to performance assessment indicators proposed by Prawirosentono (2008), which are adapted to specific research problems at field such as work quality, cooperation, initiative, creativity, and work speed. The result of reliability analysis of the performance scale showed the result of reliability coefficient (α) of 0.800 and validity coefficient ranging from 0.313 to 0.726. The valid items, which were used for the research, are 8 items. Performance scale with the example of items such as "I was able to complete the tasks of the institution properly, I was able to work in a team as well, I made an appropriate work plan, I give the idea in meetings, I completed the task on time".

Organizational Commitment Scale

Organizational commitment was measured through organizational commitment scale, which referred to commitment aspects proposed by Allen and Meyer (in Luthans, 2008), Meyer and Hersovitch (2002) i.e. affective commitment, continuance commitment, and normative commitment. The result of analysis of organizational commitment showed reliability coefficient (α) of 0.794 and validity coefficient ranging from 0.310 to 0.722. The valid items, which were used in the research, were 10 items. Commitment scale with the example of items such as “This institution is very meaningful, I want to spend my working career at this institution, I keep the rules in this institution”

Compensation Scale

Compensation was measured through compensation scale, which referred to compensation indicators proposed by Simamora (2006) i.e. salary, wage, incentive, allowance, and facilities. The result of analysis of compensation scale is (α) 0.831 and the validity coefficient ranging from 0.311 to 0.707. The valid items, which are used in the research, are 10 items. Compensation scale with the example of items such as “The amount of salary received in accordance with the job that I do, Institution provide overtime pay to employees who work outside of working hours, institution give gifts to employee who works well, I get health insurance from the institution when sick, retirement benefits received is greater than any other organization”

The items of performance, organizational commitment, and compensation scales consist of five alternative options i.e. strongly agree, agree, in doubt, disagree, and strongly disagree.

Validity and Reliability

The scale reliability was analyzed by means of internal consistency method through statistical formula Cronbach alpha, while the validity was done by means of content validity. The result of validity and reliability analyses towards the performance scale showed the result of reliability coefficient (α) of 0.800 and validity coefficient ranging from 0.313 to 0.726. The valid items, which were used for the research, are 8 items.

Data analysis

The data analysis method uses a parametric statistical method. It makes use of *SPSS 17.0 for windows* through multiple regression test i.e. a statistical analysis technique to find the relationship between two free variables i.e. organizational commitment and compensation) and one dependent variable i.e. performance.

Results

Normality Test

Based on the result of normality test on table 1, it is known that the significance value of performance, organizational commitment, and compensation variables are 0.067, 0.208, and 0.250 respectively with $p > 0.05$ so that each

data is normally distributed. It means there is no difference between the sample score range and the population score range. In other words the samples represent the population

Table 1
The Result of Range Normality Test

Variable	Score K-SZ	Sig.	Remark
Performance	1,304	0,067	Normal
Organizational Commitment	1,063	0,208	Normal
Compensation	1,019	0,250	Normal

Multicollinearity Test

Multicollinearity test is meant to examine if the regression model finds strong relationship among free variables (Ghozali, 2011). Multicollinearity can be seen from the tolerance value and variance inflation factor (VIF). If VIF is greater than 10, there is a multicollinearity problem among independent variables and vice versa. Based on the result of multicollinearity test on table 2, it is known that VIF value is less than 10. It can be concluded that the regression model equivalence shows no multicollinearity problem. It means there is no significant correlation among independent variables so that they can be used for further analysis.

Table 2
The Result of Multicollinearity Test

Variables	VIF	Status
Compensation (X1)	1.471	No Multicollinearity
Affective Commitment (Y1)	1.334	No Multicollinearity

Heteroscedacity Test

Heteroscedacity test is done to know if there is an inequality variant in a regression model and if there residue from from one observation to another (Ghozali, 2011). This research uses Glejser test to know if there is heteroscedecity. If the significance value >0.05 there is no heteroscedecity. If the significance value <0.05 there is heteroscedescity. Based on table 3 it is known from the analysis that all independent variable values show greater significance at the level of 0.05 so that it can be concluded that in the regression model there is no heteroscedecity.

Table 3
The Result of Heteroscedacity Test

Variable	Significance	Remark
Compensation	0.468	No Heteroscedacity
Affective Commitment	0.063	No Heteroceedascity

Multiple Regression Test

Table 4 and 5 show the result of multiple correlation coefficient value between organizational commitment simultaneously with the employees' performance of $(r_{x_2y}) = 0,594$ and the correlation coefficient shows $F_{reg.} = 12,815$ with $p = 0,000$ ($p < 0,01$), which means there is a very significant positive correlation between organizational commitment and commitment simultaneously with the employees' performance at Ahmad Dahlan University. The higher the organizational commitment and the compensation the better the employees' performance it will be. The

lower the organizational commitment and the compensation the worse the employees' performance it will be.

The degree of organizational commitment and compensation influence on the performance

simultaneously show R value = 0.353, which means there is organizational and compensation influence of 35.3% on the performance and the rest as much as 64.7% other influence outside the observed variables.

Table 4
The Result of Multiple Regression Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.594 ^a	.353	.325	2.547

a. Predictors: (Constant), Commitment, Compensation

Table 5
The Result of Multiple Regression Test

ANOVA ^b						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	166.290	2	83.145	12.815	.000 ^a
	Residual	304.930	47	6.488		
	Total	471.220	49			

a. Predictors: (Constant), Organizational Commitment, Compensation

b. Dependent Variable: Employees' Performance

Table 6
The Result of Multiple Regression Test

Coefficients ^a						
Model	B	Unstandardized Coefficients		Standardized Coefficients		
		Std. Error	Beta	t	Sig.	
1	(Constant)	22.920	3.337		6.869	.000
	Kompensasi	-.244	.064	-.504	-3.801	.000
	Komit_Afektif	.440	.093	.626	4.727	.000

a. Dependent Variable: Kinerja_Kary

Discussion

Based on the results of analysis above it can be concluded that organizational commitment and compensation simultaneously influence the performance of the employees of Ahmad Dahlan University Yogyakarta. The regression model can predict the employees' performance. Consistent with previous research (Jamal 2011; Fu & Deshpande, 2014), our study found that organizational commitment had a significant direct impact on job performance. The problem of employee's performance in an organization is a crucial. Wright and Bonett (2002) suggest that organizational commitment is the factor affecting for employees' performance. Meyer (1997) considers that employees with high organizational commitment will work harder and show better performance compared to those with low commitment. Wright and Bonett (2002) reveal Koch and Steers' research, which suggests that there is a positive correlation between organizational commitment and performance. The commitment is perceived by behavioral indicators such as loyalty, the involvement in the development of the institution, and the compliance to the rules.

The organizational commitment characteristics as pointed out by Steers and Porter (1990) are the employees' behavior reflecting their orientation to the organization, which shows their close relationship with the organization, their willingness to work harder and to preserve their membership in the organization to achieve its goals. Steers and Porter (1990) suggest that employees with high organizational commitment

and have been serving the organization for a long time will suffer from loss of benefit if they turn over from the organization. In addition an employee with low organizational commitment will withdraw from the organization through being absent and turn over or in out (Mathis & Jackson, 2001). Besides, organizational commitment can reduce the organization cost for recruitment (Carrel & Jennings, 1997).

Buraidah and Lieke (2005) suggest that employee who satisfy with their compensation, would be more likely to performance higher achievement. Mathis and Jackson (2000) suggest that management can improve employees' work achievement and motivation by fulfill the adequate compensation. The organization capability to provide proper compensation as well as to secure the employees' positive feeling will improve their trust to the organization. Thus, it will contribute to the organization in the form of spending more time, energy and effort to it (Hadipranata, 1999; Randall et.al. 1999). It means that the contribution given by the employees will be greater when they are supported by the organization (Eisenberger, et.al. 2001).

The degree of organizational commitment and compensation influence on the performance is shown simultaneously by R Square =0.353. It means there is organizational commitment and compensation influence of 35.3% towards the performance. The rest of 64.7% is influenced by factors other than the observed variables. The above mentioned result shows that the problem of organizational commitment and compensation are important factors to pay attention from

the organization because they positively and significantly affect the employees' performance.

The implication of this research for the institution is that the formation of high organizational commitment and compensation either material or non-material given to the employees will improve their performance in their quality work, cooperation, initiative, creativity, as well as in the work speed.

Conclusion

Based on the analysis, the writer concludes that there is a positive significant relationship between organizational commitment and compensation simultaneously with the performance of the employees at Ahmad Dahlan University. Organizational commitment and compensation influence of 35.3% towards the performance.

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