A STUDY OF THE RELATIONSHIP AMONG THE COMPENSATION MANAGEMENT, OPERATIONAL MANAGEMENT AND ORGANIZATIONAL CLIMATE

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Abstract

When a compensation management pattern featuring an industrial harmony is created to cater to employees' needs and to aggregate centripetal forces, an enterprise is then competent to deliver expected performances archived by fully utilized manpower values within a more flexible management system. Thus, under the win-win condition of sides, the labors or the employers, the reasonable compensation management, good corporate culture and good Organizational climate are centripetal forces to the employees. Apart from that, the flexibility, efficiency, the performance and the competence advantage are improved. This paper made research on the integrity of compensation management, operation performance and Organizational climate. Also, the relevance among each variable is testified.

The research is based on the empirical study of Taiwan Fusing Industrial Co. With the analysis of one-way ANOVA and regression analysis, each variable meets significant level. The empirical analysis shows that different Organizational climate has significant difference on compensation management and operation performance, and on compensation management. Organizational climate and operation performance. Finally, the research hopes that based on the results, some suggestion and reference on the theoretical development and compensation management of international corporations have been put forward.

Keywords: Compensation Management, Corporate Culture, Climate, Efficiency, Performance
Introduction

With the dual effects of globalization and the industrial competence, international corporations face challenges of global crisis, rising raw material price and man power cost as well as tax which influence market supply. Thus, under the tough circumstance, corporations consider pursuing best performance as their priority. The conditions of operation performance reflect operation results. Therefore, the result of operation performance motivates staff to work hard towards goals and directions and improves corporation's performance. As for how to motivate staff to create values for corporations, the most frequently used method is salary, which is the controllable part of operation performance. As for how to know staff’s feelings towards Organizational climate, the method is Organizational climate which is helpful for corporations to understand staffs’ behavioral feelings and the condition for improvement of compensation management.

Corporation needs to know more about Organizational climate, which traditional researches do little study with human resources. However, recently, scholars Bowen and Ostroff (2004) consider that Organizational climate is the important variable between human resource practice and operation performance. Thus, related researches on this point are the key researches in the future. The essay needs to know how staff performance influence operation performance when international corporations with inseparable relationship between corporation and staff facing global competitions and the staff performance and management system directly influences operation performance. In the future, compensation management, staff’s feelings towards organization management and corporation culture need to be double checked. Depending on shared values, consensus management is reached. By using these core staff in the organization, a corporation can take advantage in this changing market.
Literature Review

Compensation Management

The so-called salary means the payment that a corporation offers to the staff. Based on the clear explanation of Labor Standards Act Article 2, salary is the payment of labors for their work. There are some definitions for salary based on different scholars. Uen and Chien (2004) put forwards that salary is the award corporation used as the incentive to the staff. There are lots of researches on the relevance between compensation management and the operation performances. For example, Artis, Backer and Huselid (1999) found that compensation management incentive staff to reach organization purposes. The above shows that either financial factors or non-financial factors, compensation management has close relevance with operation performance. Delaney and Huselid (1996) pointed that compared to other human resources management method; compensation management is more effective in influencing corporation performance. In 1964 Vroom’s expectancy theory highlights the mandatory combination of compensation management and operation performance. That is, good compensation management system motivates hard work so that good performance is shown and good salary is obtained in return. compensation management can efficiently motivate staff and combine improved staff performances and corporation advantages. Human resource should use compensation management to attract and retaining talent so that unique human resources advantages can be maintained.

Operation Performance

The society is changing unpredictably. The corporation management factors are changing in line with the changing environment. Thus, during the aim pursing, efficiency maintenance and flexibility process, the ultimate aim of the organization operation is the performance. Only with
the improvement of productivity, profitability, growth rate and corporate image, a corporation can survive and develop. Guo Jianliang (2003) holds that performance means the degree of the goal which a corporation or an organization has made. Fan Chiwen (2004) holds that operation performance means the actual practice and result of an organization. In simply words, an organization with efficient performance can make efficient use of resources to satisfy staff needs, to obtain established goal and to adapt to outer changes. Guo Minghua (2009) holds that operation performance is the reflection of the achievement of operation activities, which include revenue creation, cost control and the reflection of the achievement.

Lawrence & Lorsch (1969), Katz & Kahn (1978) once put forward an agreed definition. They hold that agreement must reached among salary system, organization frame and management decision. That is, cooperation among each factor can achieve the best operation performance. Gerhart & Milkovich (1990) figure out that with the practice of the strategy of salary varying with performance, i.e. the use of performance-related pay system, the performance of a corporation is improved. Covin & Slivin (1991) hold that for the researches on measurement of corporations’ performances, as corporations are unwillingly to offer writing financial reports, the majority of the researches evaluate financial factors by questionnaires. Thus, the research considers financial performance as the evaluation standards based on evaluation on operation performance. The used Walker & Ruekert (1987) here are the most frequently used factors by research to evaluate organization performance, mainly include financial efficiency, growth rate and profitability which are the baseline for evaluation the overall performance of a corporation.

Organizational Climate

As for corporations’ regulations, except those stipulated clearly, the efficient achievement of organization goals by staff performance depends on staff’s understanding and feeling towards
Organizational climate. The good Organizational climate may improve the members’ attitude and behavioral performance. Recently, scholars Baer & Frese (2003) consider that Organizational climate only focuses on those observable and concrete behaviors. Mathisen, Torsheim & Einarsen (2006) hold that Organizational climate originates from organization members under the same working environment. After the accumulation period, organization members reflect and share their points on the same thing. In simply words, Organizational climate is the personal feeling towards Organizational climate by personal value.

Dessler (1976) considers organizational climate as the organization aim or the concrete bridge linking staff morale and behaviors. Besides, based on staff’s reflection on structure, leadership and rules, it provides references on the improvement of Organizational climate to the managers. Organizational climate originates from the thought researches on organization members’ motives and behaviors. The understandings and feelings towards organization have influences on the obtaining of organization goals. Therefore, Organizational climate plays essentially important part in corporation management. Managers can make use of Organizational climate to grasp motivated action, to improve organization behavior pattern and to improve staff’s positive behavioral action in order to efficiently obtain organization goals.

*Different Organizational Climate Has Significant Difference On Compensation Management and Operation Performance*

Liu Xiangshang (1990) points out that the success and the failure of a corporation have indispensable relationship with productivity and staff’s attitude. Organizational climate, which involves staff needs, compensation management, working environment, promotion opportunity, benefits, and interpersonal relationship and so on, influences all staff’s attitude. Zhao Haitao (1993) considers the key challenge of a corporation is to create appropriate Organizational climate and the establishment of compensation management so that improve operation
performance in the dynamic and changing environment. Therefore, Organizational climate has close relationship with operation performance. Some scholars such as James & Jones (1974) and Gerhart & Milkovich (1990) hold that compensation management is one significant facets of Organizational climate. Apart from that, Slater & Narver (1995) put forward that if corporations want to display the best operation performance, it is not enough to rely solely on marketing guidance. Instead, it needs to combine marketing guidance and compensation management as well as appropriate Organizational climate.

There Is Significant Difference on Compensation Management, Operation Performance, Organizational Climate and Corporation Culture

Jiang Jing-Qing (2002) holds that compensation management can reflect corporation culture. Thus, rational compensation management can arouse good Organizational climate and influence staff behaviors which not only improve operation performance but also reduce corporation cost. Kopelman, Brief and Guzzo (1990) hold that corporation culture is compensation management during human resource management practice and individual understanding and feeling towards organization in order to influence operation performance. Robbins (2001) points out in the research that compensation management has close relation with Organizational climate and influences operation performance as well as forges corporation culture. Erdogan, Kraimer and Liden (2001) hold that if one organization has good Organizational climate and corporation culture where talents are free to display their ability, the operation performance is definitively improved.

Methodology

Based on previous research background, aims and collected references, the essay establishes conceptual frame and puts forwards research hypothesis and makes use of questionnaires as the way to collect information and SPSS 14.0 statistical analysis to testify the
hypothesis. The research introduces in order research frame, research hypothesis, measurement among variables, sample characteristic analysis and data analysis way.

**Research Frame**

After the completion of above introduction and literature review, the study direction and related theories are clear and the fame of the essay is demonstrated below.

![Research Frame Diagram](image)

**Research Hypothesis**

The purpose of the research is to discuss the relationship among corporation culture, Organizational climate as well as its influence on compensation management and operation performance. Based on study aim and the conclusion from references discussion, comprehensive study of scholars and old-days research on compensation management, Organizational climate, operation performance as well as corporation culture, the essay put forwards research frame, as shown on Figure 3-1. Also, the following hypothesis on this theoretical frame is testified.
Hypothesis 1: Different Organizational climate has significant difference on compensation management

Hypothesis 2: Different Organizational climate has significant difference on operation performance

Hypothesis 3: There are significant differences among compensation management, operation performance and Organizational climate

3-1: compensation management has positive significant influence on operation performance.

3-2: Organizational climate has positive significant influence on operation performance.

Research on Measurement Among Variables

The research adopts questionnaires as study method. The content of questionnaires mainly based on the research variables of the research frame and the references of the related published researches of national and international scholars. The contents of the questionnaires are three parts such as compensation management, operation performance and Organizational climate are evaluated by Likert Six-point Scale, here is the clarification of related tables and figures.

Compensation Management

The design question entities of the research make reference on Heneman & Schwab (1979) point compensation management includes four dimensions, which are salary level, salary adjustments, salary structure and benefits. There are 23 question entities with totally agree, agree, partly agree, partly disagree, disagree and totally disagree on the scale. Each measurement method is Likert Six-point Scale.

Operation Performance

The question entities of the research make reference on Walker & Ruekert (1987) which is the most frequently used measurement for evaluation guidance of organization performance.
and three dimensions of financial efficiency, growth rate, profitability. There are 19 question entities with totally agree, agree, partly agree, partly disagree, disagree and totally disagree on the scale. Each measurement method is Likert Six-point Scale.

Organizational Climate

The design of the questions is based on Xu Zhiwei (2002) who classifies Organizational climate into 4 dimensions including real harmony perception, virtual conflict perception, emotion relation perception and tool perception. Based on these 4dimensions are used to compile Chinese Organizational climate research tables. There are 30 question entities with totally bad, very bad, bad, good, very good and totally good on the scale. Each measurement method is Likert Six-point Scale.

Sample Characteristic Analysis

Since established from 1957, Taiwan Fusing Industrial Co. has 52-year history. The main products of this biggest international door lock manufacturers, are commercial heavy-duty locks, residential light locks, door closers, electronic locks, transom closer and floor spring, fire locks, moulds manufacture, bathroom products. In 2005, it won the first two hundred Asian SMEs by Forbes. Facing competitions from the same industry, Taiwan Fu Hsing Industrial Co. is dedicated to high value products as Chinese marketing is advanced in low cost where low price competition of the the peer is banished and low price is not the only pursuit of the market. As for door locks, it is mandatory to ocnsider the high security of the products are quality guarenteed. Meanwhile, the outer design should match the overall decoration of the house in order to attract customers. Therefore, the competition advantage of Taiwan Fu Hsing Industrial Co relys not on mainland factories which are known for their low cost and its status cannot be replaced. It also has stable order on locks and door closers and successes in big American distributors and biggest
famous brand OEM. The research focuses on directors and staff of each department of Taiwan Fu Hsing Industrial Co by the method of questionnair. Totally 300 pieces of questionnaires have been distributed. There are 224 pieces of responsive valid questionnaires with deduction of uncompleted questionnaires. The responsive rate is 70%. The research on the relationship between compensation management and its related organization atmosphere reflected by operation performance of Taiwan Fusing Industrial Co. provides empirical study for further research and offers reference for corporations.

Analysis and Results

Reliability and Efficiency Analysis

Efficiency Analysis

The research testifies the efficiency of constant tables on relationship among compensation management, Organizational climate and operation performance. The main contents of the test are to examine whether the dimensions of each factors covers the definition of the constants which are to be evaluated and the relevance among these same interrelated dimensions. The research makes usage of factor analysis to obtain factor structure matrixes of each entity. By factor extraction and the usage of axis factoring method, the common variance of variables is clarified. Then by shafting orthogonal axis, similar entities constitute one specific factor. The larger of factors load quantity value, the convergent efficiency is higher. In this research, the measurement tables show that all factors’ loading quantities are higher than 50%. Therefore, it means that in construct efficiency, the convergent efficiency is rather significant.

Reliability Analysis

Reliability is the results of many-times test and measurement with consistency or stability. Or it is the value of estimated measurement errors and the index reflects the real
measurement degree. In Likert scale method, the frequently used reliability method is Cronbach $\alpha$ innovated by Cronbach (1951), a kind of measurement method which represents the inner consistency. The bigger $\alpha'$ coefficient, the consistency is higher, which also represents the relevancy of question entities. The research is based on this method. As for Cronbach $\alpha$ coefficient of each variable, most of the values of each variable is bigger than 0.8 with the lowest reliability standards below 0.60. This means that question entities are based on the four dimensions and the inner consistency is rather high.

*Results of the Analysis on Efficiency and Reliability of Compensation Management Scale.*

After factor analysis, the compensation management scale extricates 4 factors. The reliability is represented by inner consistency coefficient Cronbach $\alpha$. The first factor is salary level (characteristic value =9.931, $\alpha$=0.979). The second factor is salary adjustments (characteristic value =4.445, $\alpha$=0.988). The third one is salary structure (characteristic value=3.817, $\alpha$=0.963). The fourth one is benefits (characteristic value=2.732, $\alpha$=0.966). The shared accumulated explanation variance is 90.978%.

*Results of the Analysis on Efficiency and Reliability of Organizational Climate Scale.*

After factor analysis, the Organizational climate scale extricates 4 factors. The reliability is represented by inner consistency coefficient Cronbach $\alpha$. The first factor is real harmony perception (characteristic value =10.978, $\alpha$=0.972). The second factor is virtual conflict perception (characteristic value =10.003, $\alpha$=0.984). The third one is emotion relation perception (characteristic value =9.306, $\alpha$=0.959). The forth one is tool relation perception (characteristic value=3.766, $\alpha$=0.969). The shared accumulated explanation variance is 81.079%.

*Results of the Analysis on Efficiency and Reliability of Operation Performance Scale.*

After factor analysis, the operation performance scale extricates 3 factors. In addition the
reliability is represented by inner consistency coefficient Cronbach’ \( \alpha \). The first factor is financial efficiency (characteristic value = 7.073, \( \alpha = 0.931 \)). The second factor is growth rate (characteristic value = 5.179, \( \alpha = 0.929 \)). The third one is profitability (characteristic value = 3.068, \( \alpha = 0.926 \)). The shared accumulated explanation variance is 80.631%.

Combined above analysis results, this scale obtains good support from both reliability and efficiency test. From three evaluation facets, i.e. compensation management, Organizational climate and operation performance, the accumulated variances of dimensions’ factors are nearly 80% and the value of Cronbach \( \alpha \) is higher than 0.90. This shows that the factors extricated in this table possess appropriate reliability. Besides, the four factors extricated in compensation management and Organizational climate, together with the three factors extricated from operation performance dimensions are consistent with the operation contents of the research which reflects good structure efficiency of factor structures.

**Variance Analysis**

**Organizational Climate Variance Analysis**

This part adopts quick clustering method to analyze Organizational climate dimension and the numbers of the classified groups are preset. Based on four groups proposed by Xu Zhiwei (2002), there are 4 classifications. K-MEANS is used to evaluate non-classified group and the results of group analysis are in line with Xu Zhiwei’s classification (2002). By the usage of classification, Organizational climate is independent variable and compensation management and operation performance is dependent variable. By one-way analysis of variance, the groups whose average variances reach significant levels are determinate. Then by further use of multiple assays proposed by Duncan to testify data, the averages which are different from others are determinate so that the research on the hypothesis 1 which is the variances of different
Organizational climates towards compensation management and operation performance.

Initially, as the analysis results shown, on different Organizational climate, there are significant variances on the three factors which are salary level ($F=3.650$, $p<0.012$), salary structure ($F=1.526$, $p<0.020$), benefits ($F=2.946$, $p<0.043$) and so on of compensation management. It is known from the observation of average, in emotion relation perception, the average of the three factors are all high, followed by tool perception. The lowest are real harmony perception and virtual conflict perception. This means that in corporation environment, staff’s feelings favor emotion relation perception. As a corporation offers the best working system, comparatively equal salary, benefit and organizes staff in the department and cross the department to communicate formally or informally, the staff is willing to communicate mutually and feel harmony by support and cooperation.

Then, among different Organizational climate, the two factors of growth rate ($F=14.546$, $p<0.000$) and profitability ($F=3.962$, $p<0.019$) of operation performance are with significant variance. As the average shown, in emotion perception relation level, these two factors’ averages are rather high, followed by real harmony perception, tool relation perception and the virtual conflict perception is the lowest. This means that the more real harmony, emotional Organizational climate the staff perceives, the stronger the motivation to the growth of organization operation. As the more tool relation and virtual conflict the staff perceives, the more poor the performance of the staff towards the operation growth. This means that staff perceives direct harmony and the narrow relationship among groups and can grow emotion towards each other. For the purpose of group interest, each department can change their ideas and obtain the shared value to be loyal to the corporation and work whole-heartily to improve product quality which has influence on operation performance in return. The more sense of faction, the interest
relationship is closer and the groups’ relationship is larger. Each department is devoted to its own affairs and lack communication with other departments which causes the divergences of ideas and the staff cannot cooperate well towards the operation goals and good operation performance.

Combined above analysis results of Organizational climate, it is shown that different Organizational climates have significant variance on the two factors of compensation management, which are salary level and benefits, and on the two factors of operation performance, which are growth rate and profitability. Thus, hypothesis 1 of the research which different atmospheres have significant variance on compensation management and operation performance is partly supported.

*The Regression Analysis on Each Variable towards Operation Performance.*

This part mainly focuses on salary level, salary adjustment, salary structure and benefits of compensation management. The real harmony perception, virtual conflict perception, emotion relation perception and tool relation perception of the Organizational climate are independent variables and the financial efficiency, growth rate and profitability of the operation performance are dependent variables. The regression analysis is used to testify the hypothesis of the research.

As the analysis results shown, salary level in compensation management and real harmony perception, emotion relation perception of Organizational climate have significant influence ($F=12.879, p<0.000$) on financial efficiency. This means that financial efficiency of operation performance is influenced by salary level of compensation management and real harmony perception and emotion relation perception of Organizational climate, which reflects the good and bad of the efficiency. Secondly, salary structure and benefits of compensation management and real harmony perception, virtual conflict perception of Organizational climate have significant influence ($F=11.893, p<0.000$) on the growth rate of operation performance.
Besides, salary, salary structure of compensation management and emotion relation perception, tool relation reception of Organizational climate have significant influence (F=3.030, p<0.0005) on profitability of operation performance. This means that there is relevance between the efficiency created by corporations and the influences of compensation management on profitability. Especially, the benefits and salary system satisfy the staff and motivate staff to stay and learn in the corporations. Staff is willing to communicate, to accept advice from the peers, to be self-improved, to be frank and cooperate with each other and put the group interest into priority place. This efficient, open, cultural and fun working environment offers money payment and retain like-minded and the most talented people.

Combined above the multiple regression analysis results of all these variables on the operating performance, it is shown that there has influence on the three factors of compensation management, which are salary level, salary adjustment, salary structure and benefits, and on the four factors of Organizational climates, which are real harmony perception, virtual conflict perception, emotion relation perception and tool relation perception, toward the three factors of the operation performance, which are financial efficiency, growth rate and profitability. Thus, hypothesis 3 of the research which there is significant difference on compensation management, operation performance Organizational climates and corporation culture is partly supported.

Conclusion and Suggestions

As for the management essences of these three factors, here is the conclusion of the research. After offering respectively advice and further suggestions are as followings.

**Looking for Appropriate Corporation Culture to Improve Corporation Operation Performance**

In this changing environment, the improved corporation culture is helpful to advance...
The deeper understand on the force of corporation culture, the more natural one can set one’s goal. Corporation culture may influence individual behaviors. Corporations should choose appropriate culture to select talents with shared values and grasp staffs’ attitudes and behaviors. Apart from that, corporations should shift corporation goals and thoughts into belief and arouse staff’s recognition and belongings. This future melts into organization’s operation performance results. Only on the condition of excellent culture and win-win situation, the solid foundation can be forged.

*Highlights Corporations’ Organizational Climate to Improve Corporations’ Operation Performance*

A corporation is like a big family. Staff is the important constitute members. To match up with corporations’ operation belief, corporations offer staff the comfortable working environment and the distance between the supervisors and the grass roots is shortened. What’s more, supervisors highlight the interpersonal relationship among staff and creates harmony organizational climate where the relationship among staff is good to maintain the high morale and productivity. This can not only reduce operation cost, mobility and maintain harmony relationship, but also improve the corporation image and eliminate staff’s suspect on organization environment. All the staff can adhere to corporation’s operation belief, establish trusted group, work together towards the common goals, reflect on operation performance and the corporation grows and develops naturally even to lasting operation.

*Offers Flexible Compensation Management to Improve Corporation Operation Performance*

Human resource is great capital asset of the corporation. To retain talents, for departments, even individuals are different; compensation management value must be flexible enough in order to adapt to abnormal and exceptions. Avoid the situation where there is
unpublicized salary and awards. Corporations should offer rational salary. As how to meet staff’s practical needs, necessary communication and cooperation among supervisors and grass roots are needed. The transparent and public communication between supervisors and grass roots and corporation inner information, the respect and participation sense of staff have great influence on staff’s motivation and behavior. The on-time grasp of staff’s working attitude and behaviors, continuous study chance, growth environment and good human management system are the basic for application performance measurement index to realize corporation compensation management. Besides, corporations should establish object and justified performance appraisal system which punishment and the award are clarified so that staff’s potential talents can be exploded and capacity can be forged.

References


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