

Administration of the Merit Pay Systems Enhancing Work Outcomes

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ABSTRACT

This study investigates the relationship between administration of merit pay systems and work outcomes. For data collection purposes, self-administered questionnaires were used on the administrative staff of a Malaysian public research university. The analysis of the Smart PLS path model exhibits three important outcomes: first, the implementation of communication and the assessment of performance are important factors that motivate employees to enhance work satisfaction. Second, the implementation of communication is not an important factor that motivates the employees to enhance organisational commitment. Third, the performance assessment is an important factor that motivates employees to enhance organisational commitment. The results in general, corroborate with previous literature, however, the empirical evidence on the effective communication within the organisation is not an important factor in determining organisational commitment. In addition, this paper provides a clear guidance for managers to administer merit pay system in gaining positive work outcomes. This paper goes on to discussion and implications and is thereafter concluded with conclusion therein.

Keywords: Merit pay; administration; work satisfaction; organisational commitment

INTRODUCTION

Nowadays, many employers have transformed their organisations to become winners in a global marketplace (Ali, Schneider, Wickert & Marti 2017; Seny Kan & Sarstedt 2016; Zafar, Dayan & Di Benedetto 2016; Singh & Hess 2017). This transformation process has shifted its paradigm of maintaining personnel functions to a new paradigm in forming strategic partnerships with their stakeholders and line administrators in organisations (Brewster, Mayrhofer & Smale 2016; Noe, Hollenbeck, Gerhart & Wright 2017; Watson, Wilson, Smart & Macdonald 2017). With the new shift, human resource administrators acknowledge that creativity and willingness to work hand in hand with their stakeholders and line administrators in order to enhance the effectiveness of managing human resource functions is a prerequisite, especially the compensation system (Berber, Morley, Slavić, & Poór 2017; Budhwar, Varma & Patel 2016; Noe et al. 2017). The traditional compensation systems based on institutional regulations, minimum salary requirement, employee service agreements, trade unions and judicial decisions of the courts of labour are further influenced by the considerations of the job evaluation, rank of the employee, current living standards, the dearth or excess of the employees, the bargaining power of both parties and the inherent capability and skill sets offered by the employees therein. Notwithstanding the same, however; despite the aforementioned comprehensive balancing mechanisms, this compensation system does not adequately produce better pay differentials among competent and non-competent employees in dynamic organisations. This situation has strongly motivated many successful organisations in the Western and non-Western

countries to plan and implement the class, rank, position and or the sum of remuneration that better reflects or commensurate with the merits, talent or value possessed or rendered by the respective employees in question (Azman, Rozanariah & Mohd Hamran 2014; de Silva 2017; Newman, Gerhart & Milkovich 2017).

The above considerations or better defined for the purpose of this paper as the merit pay system is often viewed as a creative compensation system whereby the allocation of additional payments (e.g., extra rewards or variable pay) besides a basic-fixed salary scale has been determined to every employee based on the equity principle; namely performance, skills, knowledge, competency and/or productivity in question (Day, Holladay, Johnson & Barron 2014; Newman et al. 2017; Osterloh 2014). For example, lump sum bonuses, incentives and or pay increases are several forms of merit pay have often been provided to high performing employees in organisations (Newman et al., 2017; Martocchio 2016). These pay allocations are very important because they will draw, keep and inspire high performing employees to support workflow, enhance fairness, improve the product and or quality of service and decrease operation costs (Brehm, Imberman & Loveheim 2017; Siti Salwa & Azman 2016). As a result, it may help to accomplish the strategic business vision and missions of both the management of the human resource and the organisation in question (Rozila & Scott 2015; Balkin, Roussel & Werner 2015; Newman et al. 2017).

In successful organisations, well-designed merit pay systems are usually planned and established through the pay management committees, which involve senior administrators, line administrators and or consultants,

but is led by the senior human resource administrators. In this committee system, all members will spend their time and energy to thoroughly study the present external competitiveness variables (e.g., labor market factors, product market factors, and organisational factors) and internal alignment variables (e.g., external factors, organisational factors and internal structure) as important bases to design a credible merit pay system for their organisations (Martocchio 2016; Newman et al. 2017).

However, a review of the current literature pertaining to successful organisations published mostly in the 21st century highlights that well-designed merit pay systems may not be able to support their objectives if administrators have not appropriately managed the pay systems. Effective administrators should have adequate capabilities to carry out three important roles in managing merit pay systems; that of communication, involvement and performance assessment (Newman et al. 2017; Siti Salwa & Azman 2016). In the management of merit pay systems, communication of the same is broadly defined as administrators openly, accurately and honestly disseminate information to different ranks and status of staff electronically and through written hand-outs. If this pay message is appropriately delivered this shall effectively disclose both in clear quantitative and qualitative terms the value or merit of the remuneration packages; decrease employees' misjudgement about salary and its relationship to merit pay; and enhance the employees' feelings of equity and fair treatment within the pay system. Consequently, this situation may principally enhance the credibility of the pay systems therein (Ali, Shahid, Wali & Anjum 2014; Azman et al. 2014; Newman et al. 2017).

On the other hand, involvement is generally defined as the formal or informal involvement of staff from differing hierarchical positions or ranks in the organisational information processes, decision-making processes and or problem-solving processes or activities with regard to the establishment and or the operation of the merit pay systems (Azman, Hayazi & Wan Khairuzzaman 2007; Siti Salwa, Shafiq, Azman & Ishak 2015). If this involvement process is done competently and realistically; this shall garner valuable constructive suggestions and honest comments from the pool of employees coming from such diverse service backgrounds and personality traits; thus effectually motivating the quality of sincerity and honesty on part of the employees personal contributions to the organisational interests (Aimi, Azman & Fatmawaty 2014 ; Newman et al. 2017).

Further, performance assessment is commonly defined as various types of appraisal methods designed by an employer to evaluate employee performance based on the trait, behaviour and or outcome criteria (Newman et al., 2017; Noe et al., 2017). Administrators will use the assessment methods to determine the employees' performance scores and recommend the types, level and or amount of pay that is consistent or commensurate with the level achievements performed by the employees. The ability of administrators to equally allocate pay-

wage according to employee achievements may strongly motivate them to respect and accept their organisational merit pay objectives (Agyare, Yuhui, Mensah, Aidoo & Ansah 2016; Munir, Aziz, Shaladin & Muhammad 2013).

PROBLEM STATEMENT

The phenomenon of the impact on work satisfaction and organisational commitment due to the management of the remuneration system based on merit or merit pay by the organisation is quite substantial based on extant research carried out on the same (Ahmed, Vveinhardt, Ahmed & Hemani 2016; Ali et al. 2014). From the angle of the organisational behaviour, satisfaction of work outcome is mainly explained based on human cognitive and or affective perspectives. This view explains that the employees' positive attitudes or emotions toward their intrinsic and extrinsic work conditions may lead to enhance the notion of work satisfaction in an organisation (Chatzoudes, Chatzoglou & Vraimaki 2015; Joung, Goh, Huffman, Jessica & Surlles 2015; Yahyagil 2015). Organisational commitment, on the other hand, is broadly viewed as a multidimensional concept developed based on the combination of three major features: affective, continuance and normative elements. This view explains that affective commitment to the organisation is a combination of the employee identification in his organisation coupled with the level of his involvement and personal commitment on an emotional level (Meyer, Allen & Smith 1993; McShane, Steen & Tasa 2017). The second feature of continuance commitment, however, is customarily referred to as that of the employee to continuing serving his organisation due to his personal estimation of the opportunity cost of departing from it (Meyer et al., 1993; Velickovic, Visnjic, Jovic, Radulovic, Sargic, Mihajlovic & Mladenovic 2014). Finally, normative commitment to an organisation is often seen as the employee wanting to stay put in his organisation due to of his personal feelings of moral duty, loyalty, devotion or faithfulness (Meyer et al. 1993; Milgo, Namusonge, Kanali & Makokha 2014). In short, organisational commitment in a particular employee or staff may be enhanced dramatically if he exhibits a greater level of affective, continuance and normative elements or features per se (Ahmad & Oranye 2010; McShane et al. 2017; Milgo et al. 2014; Velickovic et al. 2014).

Notwithstanding the above research and its observations, there is a distinct lack of explicit research on the function of the organisational administrators in the management of the remuneration based on merit or merit pay in the merit pay literatures (Agyare et al. 2016; Siti Salwa and Azman 2016; Ahmed et al. 2016). Many scholars argue that this condition may be caused by several factors in that first, many previous research have largely described only the internal properties of the merit pay system such as the conceptual definitions, purposes and advantages of the various kinds of merit pay for the public and private sector (Aimi et al. 2014; Azadeh & Rast 2012; Panggabean 2001). Second, many

previous studies have utilised a straight-forward correlation procedure in order to analyse the employee perceptions on some aspects of the systems of merit pay in question together with the association between the specific types of merit pay systems and work outcomes. In addition, these studies have equally neglected to emphasise the sizeable effects and nature of the association between the roles of the administrators to the remuneration based on merit and the outcomes of the employees (Azman et al. 2014; Munir et al. 2013). As a result, the aforementioned research had only given the usual and customary direction or suggestions which may not be enough or sufficient as a recommendation or instructions for use of practitioners to fully apprehend the notion and difficulties associated with the administering of the merit pay systems and to fully formulating the management of the systems of merit pay both variably and creatively in order to sustain and enhance the performance of the organisations in the present wake of global turbulence (Agyare et al. 2016; Azman et al. 2014; Ahmed et al. 2016).

In short, the above consideration has prompted the researchers in this study to fill in the lacunae or gap in the academic literature by measuring the ensuing effects of administrators' roles in the merit pay systems on work outcomes therein. Therefore, the primary objectives of the paper are to examine the association of the systems of pay based on merit and the satisfaction derived from work under the system; second to analyse the association of the systems administration and the staff commitment to their organisation. The remaining of the paper are the review of the literature, findings of the study, discussions and implications of the findings and the conclusions of the study therein.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Effects of the administration of the merit pay system on work satisfaction garnered ardent confirmation from the theory of leadership behaviour. For instance, Olson's (1965) theory of collective action states that effective cooperation between leaders and members may increase mutual monetary and non-monetary benefits among group members. Graen's (1976) role theory elucidated that

the employees' positive actions may be induced by the capability of the organisational leaders to appropriately allocate rewards and benefits commensurate with the contributions made by the employees. This theory suggests that a proper performance appraisal is an important measure in determining employees work satisfaction and organisation commitment. Similarly, Bies and Moag's (1986) interactional justice theory describe that the leader's readiness or inclination in providing fair treatment that comprises of politeness, respect and dignity coupled with fair information (e.g., adequacy of explanation) may enhance positive work outcomes. The interactional justice theory highlights that the communication is also an important feature to gain employees workers outcomes. Furthermore, in a bigger scope, Leader-Member Exchange theory as per Graen and Uhl-Bien's (1995) argues that the readiness of leaders to distribute (e.g., via moral support and or material things) in-kind exchanges based on the subordinate contributions which may eventually and effectually invoke followers' positive behaviour.

Based on the abovementioned theories; the features such as communication and performance assessment are important in the context of the merit pay administration. As shown in Figure 1, the conceptual framework binds the effective communication and fair relationships between leaders and its subordinates during performance assessment; thus garnering strong validation from the literature on the management of merit pay therein.

The strong validation by the research academia can be shown by studies that utilise the direct effects model in order to assess merit pay founded upon differing organisational data covering the perceptions of 244 university employees (Allen 1992), 386 full-time faculties from SA (Degree) Management Programs at private universities in Jakarta, Indonesia (Panggabean 2001), 101 employees at an international non-profit organisation (Karimi, Malik, Hussain 2011), 69 employees at a governmental organisation in Beijing, China (Wang 2011), 175 employees at Iranian airline companies (Azadeh & Rast 2012), 133 staff in Malaysian multinational companies (Darechzerehski 2013), 425 employees in Malaysian governmental agencies (Munir et al, 2013), 224 lecturers at Public Sector Universities of the Malakand Division, KPK

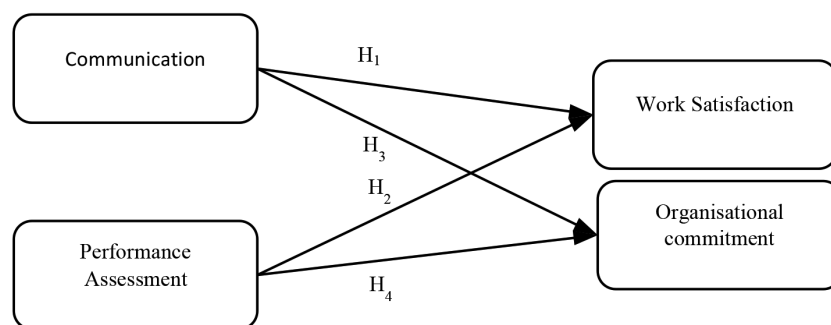


FIGURE 1. The Conceptual Framework

in Pakistan (Ali et al. 2014), 12,000 individuals from the German Socio-Economic Panel Study (Kampkötter 2014), 199 employees at Business School of Pakistan (Ahmed et al. 2016), and 200 respondents from Microfinance organisations in Ghana (Agyare et al. 2016). The results of the aforementioned research displayed two significant findings in that the capability of administrators to openly, accurately and honestly disseminated the information of merit pay systems to staff from diverse positions and ranks had led to greater work satisfaction (Agyare et al. 2016; Ahmed et al. 2016; Ali et al. 2014; Azadeh & Rast 2012; Darechzereshki 2013; Panggabean 2001). Conversely, the ability of the administration to appropriately assess employee performance and adequately allocate rewards (i.e., monetary) based on their performance had led to higher work satisfaction (Kampkötter 2014; Karimi et al. 2011). Based on the empirical evidence shown in the literature, we hypothesise that:

- H₁: There is a positive association between communication and work satisfaction
 H₂: There is a positive association between performance assessment and work satisfaction

Second, the ability of organisational administrators to properly deliver high-quality information about merit pay systems through upward, horizontal, formal and informal styles to the staff at different job levels and classification had led to an enhanced organisational commitment (Allen 1992; Wang 2011). On the contrary, the capability of organisational administrators to carefully assessing employee performance together with the determination of the class, position, rank and or the sum or level of remuneration consistently with their performance or accomplishment scores had led to an upgraded organisational commitment (Agyare et al. 2016; Ali et al. 2014; Munir et al. 2013). Therefore, we hypothesise that:

- H₃: There is a positive association between communication and organisational commitment.
 H₄: There is a positive association between performance assessment and organisational commitment

RESEARCH DESIGN

The researchers in this study utilises a cross-sectional research design as it permits the combination of the literature on the merit pay system, the semi-structured interview and the real survey as the principal operation for the purposes of data collection which shall assist researchers to garner better accuracy data-wise, minimise potential bias and intensify the quality of collected data (Cresswell 1998; Sekaran & Bougie 2010) with the research carried out at one Malaysian public research university in the Peninsular West Coast. At the initial stage of this study, a research questionnaire is drafted based the merit pay literature. Next, semi-structured interviews are carried out involving five administrative staff of seven

to twenty years working experiences in the four major organisational divisions of the human resource, academic, student, finance and asset divisions. This interview method is done to enable the researchers to fully understand and comprehend the essence of the merit pay systems and their relationships with work satisfaction and organisational commitment in the organisation. The subject of this research, which is a public university follows the policies and guidelines of merit pay regulated under the directive of the Federal Government. The data collected from the same are thereby used to upgrade the format and content of the research questionnaire for an actual survey. Further, the technique of back to back translation is employed for the English and the Malay language questionnaires for greater research reliability and validity therein (Cresswell 1998; Sekaran & Bougie 2010).

MEASUREMENT

The questionnaires in this research consist of four main parts: first, communication of 3 items is taken from rewards related communication academic literature (Burroughs 1982; Day 2007; Mara & Lerner 1987). The questions that relate to the construct are consistent with the organisational strategy and goals, employees' needs and expectations, and clarity of pay criteria. Second, the performance assessment of 5 items which is adapted from the literature on rewards related performance assessment (Brown, Hyatt & Benson 2010; Azman et al. 2014; Shahraji, Rashidipanah, Soltaninasanb, Golroudbari, Tavakoli, Khorshidifard, Attar & Ghahramanpour 2012). The questions that are related to the construct are premised and based on the developmental purpose (i.e., opportunity to further study, provide non-monetary recognition, and increased pay level) and the assessment purpose (i.e., open and transparent, as well as relate performance scores to rewards). Third, work satisfaction of 4 items is adopted from the job satisfaction scale based on work of Warr, Cook and Wall's (1979). The questions that relate to the construct are the satisfaction with the physical environment and the job-recognition of the immediate boss and co-workers. Finally, the organisational commitment of 5 items is adapted from the scales on the organisational commitment designed by Porter, Steers, Mowday and Boulian (1974), Mowday, Steers, and Porter (1979) and Meyer et al. (1993). The questions that relate to the construct are "I feel that I owe this organisation", "I am loyal to this organisation", "My values are the same with this organisation values", and "My organisation has a great deal of personal meaning to me" which are then measured with the 5-item scale that covers from the "strongly disagree/dissatisfied" (1) to the "strongly agree/satisfied" (7). Since the research is predominantly in the attitude of employees; demographic variables as the controlling variable are utilised thereof.

DATA SAMPLE

The population targeted for this study is organisation administrative employees in which the purposive

sampling is utilised in disseminating the 300 survey questionnaires to the same working in differing central organisational divisions of the human resource department, academic management department and asset management department. The same method is used since it is not possible to utilise the method of random sampling for the organisation does not reveal the registered list of its staff. The rate of response reaches 47.7%, which represents 143 useable questionnaires that have been returned out of 300 questionnaires disseminated. It is important to note that the participants answered the questionnaires on the voluntary and consensual basis.

ANALYSIS OF DATA

In order to assess the data acquired from the research questionnaire, the SmartPLS is used because it able to produce latent variable scores, steer away from problems associated with small sized samples; calculate each complex model having many latent variables and finally manage both the measurement model of the reflective and the formative therein (Henseler, Ringle & Sinkovics 2009). The procedure of data analysis is first; the instrument is evaluated to determine the standards of reliability and validity analysis. Second, the path coefficients using standardised betas (β) and t statistics ($t > 1.65$) for one tail testing is examined to evaluate the structural model. Third, the value of R^2 for an endogenous variable is engaged in order to indicate the total prediction of the strength of this research model based on the following three criteria of

0.26 (substantial effect), 0.13 (moderate effect) and 0.02 (weak effect) (Cohen (1988). Fourth, the prediction of the model's relevance is evaluated by the use of the Q^2 value founded on the following criteria of the 0.02 (weak effect), the 0.15 (medium effect) and the 0.35 (large effect) (Hair, Hult, Sarstedt & Ringle 2017). Lastly, the effect size of the research independent variable is measured by using the f^2 value which is based on the following criteria of the 0.02 (weak effect), the 0.15 (medium effect) and the 0.35 (large effect) (Hair et al., 2017).

RESULTS AND DISCUSSION

Table 1 displays that the major attributes of the respondents are females (59.4%), with age ranging from 25 to 50 years old at 74.8%, diploma level of education at 77.6%, clerical and support staff at 88.8%, length of service between 11 and 20 years at 51.7%, gross monthly incomes between RM2000 to RM3999 at 77.6%, gross monthly expenses between RM2000 and RM3999, married employees at 79.7%, and number of dependent less than 3 at 67.1%.

MEASUREMENT MODEL

Table 2 shows that the values of the average variance extracted (AVE) for communication, performance assessment, work satisfaction and organisational commitment are greater than the 0.5, indicating that all constructs have fulfilled the standard of convergent validity (Fornell & Larker 1981). Further, as for the AVE square

TABLE 1. Respondent Characteristics (n=143)

Respondent Profile	Sub-Profile	Numbers	Percentage
Gender	Male	58	40.6
	Female	85	59.4
Age	Less than 25 years old	25	17.5
	25 to 50 years old	107	74.8
	51 years old and above	11	7.7
Education	MCE/SPM	29	20.3
	HSC/STP	38	26.6
	Diploma	45	31.5
	Degree	31	21.7
Position	Management & professional group	16	11.2
	Clerical and supporting staff	127	88.8
Length of Service	Less than 10 years	57	39.9
	10 to 20 years	74	51.7
	21 years and above	12	8.4
Marital Status	Single	29	20.3
	Married	114	79.7
Gross Monthly Income	Less than RM2000	22	15.4
	RM2000 to RM3999	111	77.6
	RM2000 and above	10	7.0
Number of Children	Less than 3 children	96	67.1
	3 children and above	47	32.9

TABLE 2. The Results of Convergent Validity and Discriminant Validity

Construct	AVE	Communication	Performance Assessment	Job Satisfaction	Organisational Commitment
Communication	0.628	0.792			
Performance Assessment	0.682	0.189	0.826		
Job Satisfaction	0.665	0.336	0.523	0.815	
Organisational Commitment	0.731	0.206	0.285	0.499	0.855

root in diagonal values for communication, performance assessment, work satisfaction and organisational commitment are principally over and above the squared correlation of the other off-diagonal constructs; thereby exhibiting that all constructs have achieved the standard of discriminant validity (Hair et al. 2017; Henseler et al. 2009).

Table 3 shows that the loadings of items that represent communication, performance assessment, work satisfaction and organisational commitment are greater in comparison to the items outside these features of different constructs. These loadings which are stronger on its own constructs within the model; over and above 0.70 is deemed as sufficiently adequate (Hair et al. 2017). In short, the measurement model has achieved the criteria of validity. Further, the values of composite reliability for communication, performance assessment, work satisfaction and organisational commitment are higher than 0.70, thus signalling the internal consistency for this research instrument is high (Hair et al., 2017).

Table 4 shows the mean values for communication, performance assessment, work satisfaction and

organisational commitment are from 3.8648 to 4.0434, thus showing that the levels of all constructs range from high at 3 to the highest level at 5. Meanwhile, as for the variance inflation factor and its values for the connection between the independent variable (i.e., communication and performance assessment) and the dependent variable (i.e., work satisfaction and organisational commitment) are lower than 5.0; which suggests that there are no pressing difficulties with regard to the issue of collinearity in the data of study therein (Hair et al. 2017). Overall, the confirmatory factor analysis results further confirm that the instrument has satisfied the standards of reliability and validity analyses.

STRUCTURAL MODEL

Table 5 displays that the presence of the communication and performance assessment in the analysis had contributed 28 percent in the variance of work satisfaction. This outcome shows that it provides substantial support for the model. Furthermore, the research hypotheses examined display three fundamental research findings in that first;

TABLE 3. The Results of Factor Loadings and Cross Loadings for Different Constructs

Construct	Communication	Performance Assessment	Job Satisfaction	Organisational Commitment	Composite Reliability
Communication	0.847				0.834
CMC1	0.720				
CMC2	0.805				
CMC3					
Performance Assessment		0.761			0.914
PAS1		0.863			
PAS2		0.722			
PAS3		0.901			
PAS4		0.867			
PAS5					
Work Satisfaction			0.797		0.888
WST1			0.801		
WST2			0.805		
WST3			0.858		
WST4					
Organisational Commitment				0.774	0.931
OCT1				0.875	
OCT2				0.852	
OCT3				0.885	
OCT4				0.885	
OCT5					

communication is significantly related to work satisfaction ($\beta=0.289$; $t=2.173$), therefore H1 is supported. Second, performance assessment is notably related to work satisfaction ($\beta=0.394$; $t=4.858$); thus H2 is substantiated. The findings confirm that assessment of communication and performance are important determinants of work satisfaction. With respect to effect size, this study shows that the f^2 values for communication (0.112) and performance assessment (0.209) are from 0.02 to 0.15 (Hair et al. 2017), signifying that these constructs provide the medium effect. With respect to predictive relevance, this study significantly shows that the outcome of 0.161 for work satisfaction value of Q^2 at 0.161 has much predictive relevance for the reflective endogenous latent variable is higher than zero (Hair et al. 2017).

Table 6 displays that the analysis assessment of communication and performance has contributed to the organisational commitment variance at 11%. This outcome shows that it provides small support for the model. Further, the findings of the research hypotheses testing show three fundamental discovery in that first; communication is not significantly related to organisational commitment ($\beta=0.157$; $t=1.626$), therefore H3 is not supported. Second, performance assessment is significantly related to organisational commitment ($\beta=0.256$; $t=3.363$), hence H4 is supported. These findings confirm that communication

and performance assessment are important determinants of organisational commitment.

As an extension to the testing of the research hypotheses, tests for determining the effect size (f^2), and predictive relevance (Q^2) are conducted using the Bootstrapping and Blindfolding procedure, respectively. The results of testing the effect size of independent variable show that the f^2 values for communication (0.027) and performance assessment (0.071) are from 0.02 to 0.15 (Hair et al. 2017), signifying that these constructs provide small effects. Further, the results of testing the predictive relevance of reflective endogenous latent variable show that Q^2 value for organisational commitment (0.066) is over and above zero (Hair et al. 2017), signifying that this construct has predictive relevance.

The research imparts three significant implications in terms of the contribution to theory, the strength of research methodology and contribution to practitioners, among others. With regard to contribution to theory, the essence of Olson's (1965) theory of collective action, Graen's (1976) role theory, Bies and Moag's (1986) interactional justice theory and Graen and Uhl-Bien's (1995) leader-member exchange theory confirms that the implementation of communication and performance assessment in managing merit pay systems may lead to greater work satisfaction. This result also has supported and

TABLE 4. The Results of Variance Inflation Factor and Descriptive Statistics

Construct	Mean	Std. Deviation	Variance Inflation Factor	
1. Communication	3.8648	.26900	3	4
2. Performance Assessment	3.8867	.40875	1.037	1.037
3. Work Satisfaction	3.9720	.32107	1.037	1.037
4. Organisational Commitment	4.0434	.37238		

TABLE 5. Results of Testing the Direct Effects Model

Relationship between Administrators' roles in Performance-based Pay and Work Satisfaction	Beta	T-Statistics	R ²	f ²	Q ²
H1: Relationship between communication and work satisfaction	0.289*	2.173	0.283	0.112	0.161
H2: Relationship between performance assessment and work satisfaction	0.394*	4.858		0.209	

Note: Significant at * $t > 1.65$ (One Tail Testing)

TABLE 6. Results of Testing the Direct Effects Model

	Beta	T-Statistics	R ²	f ²	Q ²
H3: Relationship between communication and organisational commitment	0.157 ^{ns}	1.626	0.106	0.027	0.066
H4: Relationship between performance assessment and organisational commitment	0.256*	3.363		0.071	

Note: Significant at * $t > 1.65$ (One Tail Testing); ns = not significant

extended research studies of Panggabean (2001), Azadeh and Rast (2012), Darechzereshki (2013), Ali et al. (2014), Agyare et al. (2016) and Ahmed et al. (2016). Meanwhile, the implementation of performance assessment in the management of the systems of merit pay might give rise to considerable organisational commitment. This result also has supported and widened Munir et al. (2013), Ali et al. (2014) and Agyare et al. (2016) research studies.

Notwithstanding the above findings, however, this study has not recognised the significant impact of communication on organisational commitment. A meticulous examination of outcomes of the semi-structured interview displays that this might be due to some outside and independent considerations in that first; the respondents of this study comes with dissimilar requirements and goals, thus this might have an effect on personal values and opinions on the usefulness of information on their salary disseminated through the organisational printed and electronic media. Second, respondents have different levels of knowledge and skills; this condition may affect their assessments and judgments on the ability of the administrative staff in delivering pay information to employees on different job levels and categories. Third, the majority of the administrative employees are from the clerical and support staff. For this employee group, adequacy of pay is more important to fulfil their basic needs and for them to improve their status in society than pay communication systems practised within the organisation. These factors may overrule the effect of communication practices in enhancing organisational commitment in the organisation. As with the research questionnaire and its accompanying data harvested; the same has fulfilled the criteria of the reliability and validity analysis which may procure reliable and accurate findings thus principally showing the strength of this research methodology therein.

As for the practical contribution, the recommendations from this research finding can be utilised by senior management to improve the management of merit pay systems in organisations. This objective may be achieved if senior management pays more attention to the following aspects: first, the adequacy of reward should be revisited according to the employees' needs and expectations which can be diverse; as well as taking into account of the current organisational strategy. This may help to improve the living standards and status of staff at the same time motivating the same to upgrade their job performance. Second, short courses on merit pay policies and procedures should be appropriately planned and implemented for the enhancement of the staff knowledge and understanding at the same time to reduce misjudgements on the merit pay systems. Third, staff association should be involved in pay management committees and or task force to help employers ascertain the class, position, rank and or volume of remuneration in accordance with the needs and expectations coming from those of high performing employees within the organisation. Finally, knowledgeable and experienced employees should be hired to fill in important positions in organisations. These employees may

play important roles as a coach and mentor in order to assist junior employees in improving their job motivation and performance per se. It is opined that staff may appreciate the existence of the merit pay system and its accompanying objectives if the abovementioned considerations or suggestions are heeded and properly administered and put into practice therein.

CONCLUSION

This study develops and examines the conceptual framework which is founded on the literature of the research on merit pay. The analysis of the confirmatory factor established that this research instrument meets the conditions of the reliability and the validity analysis. Results of testing this research hypothesis reveal three important findings in that first; the implementation of communication and performance assessment have motivated the employees to enhance work satisfaction. Second, implementation of the assessment of performance has motivated the employees to enhance organisational commitment which widens and corroborates the international academic literature on the research of merit pay. Third, communication has not motivated the employees to enhance organisational commitment in the organisation.

A thorough examination of the results of the semi-structured interview reveals that the same may be affected by other considerations or externalities such as the differences in the needs, goals, knowledge and or skills of the respondents which may duly affect their opinions, values, judgments or assessments on usability and benefits of the information on the merit pay, ability of administrators in disseminating pay information and the importance of adequacy of pay in fulfilling the employees' basic needs and improving their position or status in society; hence these externalities or considerations might advertently override the impact of communication on organisational commitment.

Consequently, the strategic feature in the domain of merit pay that is the assessment of communication and performance is a prerequisite for future research and that of practitioners. It is further suggested that strong inducement of positive work outcomes among others; the features of fairness, pro-social activities or behaviour, job motivation and ethics shall be harvested by the capability and creativity of the organisational administrators to properly and feasibly design and administer the aforesaid systems of merit pay within the organisation which may unanimously place the particular employers, in this present era of global turbulence as the employers of choice.

This study has several conceptual and methodological limitations in that first, with regard to the cross-sectional research designated for this study, the specific causal connections in the research sample variables have not been assessed. Second, the analysis of the SmartPLS path model has only measured the association among the latent constructs, namely that of the independent and dependent variable. Third, a non-probability sampling technique is

used to select participants and this exposes the same to response bias. Finally, this study sample is limited in that it is only conducted at one public research university of the Malaysian higher educational institutions and the same together with the aforesaid limitations may minimise the generalisation and applicability of the research findings to other domains of the organisation settings therein.

The research provides several fundamental suggestions for future researchers in that first; further perspectives in relation to the staff similitudes and or differences may be enhanced significantly with further examination of the demographic variables as for sex, age, marital status, education and position wherein the same may show significant perspectives in understanding how similarities and differences of employees can affect the implementation of merit pay systems in organisations. Second, detailed patterns of change together with the bearing and magnitude of the causal linkages of the related variables can be more robustly accounted and formidably explained via the adoption of a longitudinal study. Third, a comparative study of two or more organisations should be done in order to enhance our understanding of the effects of the merit pay systems on work outcomes in different organisational settings. Fourth, a probability sampling technique should be used to decrease response bias inherent in a study. Finally, other variables such as the elements of equity and fairness and working conditions need to be fully redressed for the same has been widely acknowledged and identified as important considerations for the mediator and or moderator relationships within the administration of the systems of merit pay and work outcomes therein.

ACKNOWLEDGEMENT

We thank the Ministry of Higher Education, Malaysia and Centre for Research and Instrumentation (CRIM), UKM for supporting this study under the Fundamental Research Grant Scheme (FRGS). (Project code: FRGS/1/2014/SS05/UKM/02/7).

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