

## The Influence of Total Compensation Management Affects on Employee Motivation, Employee Commitment, and Employee Performance: A Case Study of Royal Thai Army\*

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### Abstract

Total compensation management (TCM) has been widely considered as the strategic instrument used by the organizations for its employee attraction, motivation, retention and performance in the human resource management (HRM) research field. There is a great challenging for public sectors in understanding and implementing compensation strategy to keep sustainable of employee performance. This study intends to propose and develop the research model and conceptual framework for of TCM namely; cash and benefit implementation with employee commitment and employee motivation as the mediating role in relation to employee performance particularly in context with the Royal Thai Army (RTA) organization.

It is shown from the results of path analysis and structural equation model (SEM) that TCM in benefit has direct effect to employee commitment, employee motivation and employee performance and has indirect effect through employee commitment and employee motivation. On the other side, TCM in cash compensation does not have direct effects on employee performance but has indirect effect through employee commitment and employee motivation. As these relationships are developed from the causal relationship among variables. Therefore, the adoption of a theoretical model on TCM, employee commitment, employee motivation and employee performance would facilitate the policy makers, public officials and HRM practitioners toward the better understanding in TCM practices with the focus on the identified during TCM implementing together with employee commitment and employee motivation in their organizations.

**Keywords:** Total compensation management (TCM), employee commitment, employee motivation, employee performance, Royal Thai Army (RTA)

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## บทบาทการส่งอิทธิพลผ่านของการบริหารค่าตอบแทน ความผูกพันต่อองค์กร และการสร้างแรงจูงใจต่อประสิทธิภาพการทำงานของข้าราชการทหารสังกัดกองทัพบก\*

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### บทคัดย่อ

การบริหารค่าตอบแทน (Total Compensation Management) เป็นหนึ่งในเครื่องมือสำหรับการบริหารทรัพยากรมนุษย์ ที่นำมาใช้ในองค์กรเพื่อดึงดูด สร้างแรงจูงใจ และกระตุ้นให้เกิดประสิทธิภาพการทำงาน ซึ่งถือว่าเป็นความท้าทายสำหรับองค์การภาครัฐในการบริหารจัดการ และการดำเนินกลยุทธ์การบริหารค่าตอบแทนให้มีประสิทธิภาพ โดยการศึกษาวิจัยในครั้งนี้มีวัตถุประสงค์เพื่อพัฒนาและนำเสนอแนวความคิดกรอบโมเดลของการบริหารค่าตอบแทน ในรูปแบบของค่าตอบแทนที่เป็นตัวเงิน (Cash Compensation) และค่าตอบแทนที่ไม่ใช่ตัวเงิน (Benefit) โดยศึกษาผ่านตัวแปรของทฤษฎีความผูกพันต่อองค์กร (Employee Commitment) ทฤษฎีการจูงใจพนักงาน (Employee Motivation) และทฤษฎีประสิทธิภาพการทำงาน (Employee Performance) โดยเก็บรวบรวมข้อมูลปฐมภูมิจากข้าราชการทหารในกองทัพบกไทย และใช้สมการโครงสร้างการสร้างแบบจำลอง (SEM) วิเคราะห์ถึงความสัมพันธ์ของโมเดลการวิจัยและสมมติฐานที่สร้างขึ้น ผลจากการศึกษาพบว่า ค่าตอบแทนที่ไม่ใช่ตัวเงินมีความสัมพันธ์เชิงบวกและมีอิทธิพลทางตรงต่อความผูกพันต่อองค์กร การจูงใจพนักงาน และประสิทธิภาพในการทำงาน ในขณะที่ค่าตอบแทนที่เป็นตัวเงิน มีอิทธิพลทางตรงต่อความผูกพันต่อองค์กร และการจูงใจพนักงาน แต่ไม่มีอิทธิพลทางตรงต่อประสิทธิภาพในการทำงาน ซึ่งผลจากการวิจัยและการนำเสนอโมเดลของการบริหารค่าตอบแทนมีความสำคัญต่อผู้กำหนดนโยบาย และผู้ปฏิบัติงานด้านการบริหารทรัพยากรมนุษย์ เพื่อให้มีความรู้และความเข้าใจในการบริหารค่าตอบแทน ความผูกพันต่อองค์กร และแรงจูงใจของข้าราชการทหาร เพื่อให้เกิดประสิทธิภาพในการทำงาน และพัฒนาขีดความสามารถของข้าราชการทหารได้อย่างยั่งยืน

**คำสำคัญ:** การบริหารค่าตอบแทน ความผูกพันต่อองค์กร การจูงใจพนักงาน ผลการปฏิบัติงาน กองทัพบกไทย

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## Introduction

To achieve organization goals, employers must ensure that they have a competent and properly management of compensation for recruiting, motivating and retaining of the best employees within the highly global competitive surroundings. For smooth working in highly competitive environments and to achieve organizational goals HRM has a vital role to play in enhance working effectiveness. The naturally developed organization is formed with the employees that can manage on the progress of the organization to become the place as desired; however, failure in many organizations administration resulted from poor HRM.

High employee performance refers to the increasing of quality, efficiency and effectiveness in series of tasks completion as the organization assigned. Performance can be influenced by the compensation given to them and the compensation could result on the tendency to seek for other organization employment. If the hard work and superior performance of employees are known and rewarded from the organization, they will hope to get the higher payment and intend toward higher performance level (Simamora, 1997). On the contrary, dissatisfaction on compensation could direct to the degradation in performance, more absenteeism, and turnover among employees (Mangkuprawira, 2003). Ivancevich and Glueck (1989) mentioned that total compensation seems to be one among the HRM field most dynamic and complex issues, it is the important instrument of organization to attract, retain and motivate employee to increases their performance.

Although, this is the growing research field, but there are only few studies about TCM that used the mechanisms to examine that TCM contributes toward the employee performance, which believed that employee performance is influenced from the motivation, compensation and commitment. Thus, these mechanisms and interconnected processes are ignored from most studies in a way that TCM directs toward performance. Many of previous compensation studies, employee commitment, motivation, and performance seem never link the variables to make the research in comprehensive and integrate way; while there are differences analysis and measurement methods and outcomes. The perspectives of Rizal et al. (2014), Igalens and Roussel (1999) and Umar (2011) about the future theory driven research is required to examine on the causal chain to describe the way that TCM components impact over both individual and organizational levels performance via the mediators.

Hence, it requires broadening our understanding through the research on how relevant of TCM to employee performance dimension. TCM could take organizations into a new dimension of management and bring about a new challenge in effective of HRM. According to, employee performance of military service in RTA, it is very importance and strategic. Due to the inseparableness makes national security more challenge and international situation more competitive and complicated.

If the duties and responsibilities are properly carried out, there will be the impact on the national security and national development. At present, military organization is an ongoing facing problem with the employee under-performance on delivering the good quality performance of service to the people and country. Therefore, TCM relationship study and the military performance in RTA organization are crucial and strategic for examining and the investigation on these could reveal the HRM challenge for military sector.

According to the above research gaps and the statement of problems in previous study, further found that there is small amount of research in TCM of public organization in Thailand, and simple methodologies that have limited our understanding of the complex relationship through which TCM leads to employee performance, grounded in motivation and commitment theory. Hence, this study aims to examine on employee performance and TCM relationship through the TCM mechanisms role of meditation. The study wants to contribute from the literature and knowledge by the TCM complex relationships modeling with several of employee performance dimensions. Also, this will offer the best Thailand knowledge on the broadly relationship between employee performance and TCM, and this can help shaping and redefining the organizations to meet with its goals and create more employee management effectiveness.

## Research Question

The main research question of this study is: “How does the direct and indirect relationship between TCM (cash compensation and benefits), employee motivation, employee commitment and employee performance within RTA organization?”

## Research Objectives

This study focuses on two main research objectives:

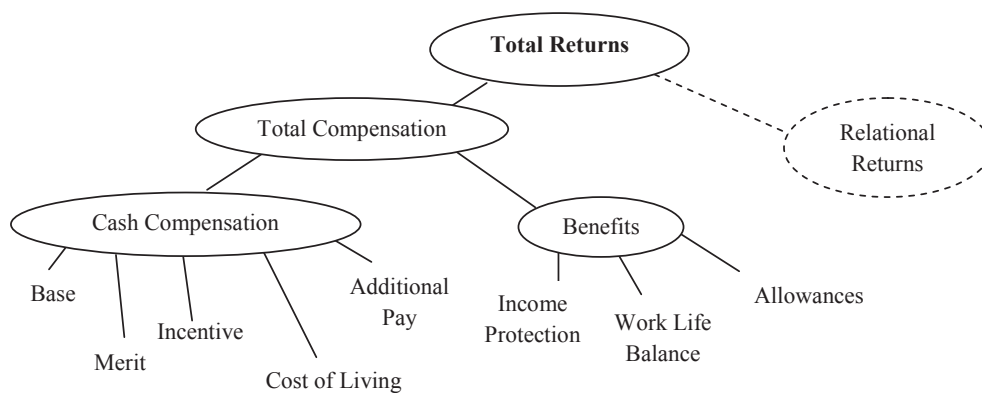
1. To examine the relationship of TCM (cash compensation and benefits), employee motivation (expectancy, instrumentally, valence, equity) employee commitment (affective, normative, continuous) and employee performance (task, contextual, adaptive, counter-productive performance) within RTA.
2. Testing a proposed model to explain the relationship between TCM, employee motivation, employee commitment and employee performance through an empirical examination.

## Literature Reviews

A compensation management common theme is that the key role is played by compensations to fulfill that mission of the organization (Larkin et al., 2012; Moriarty, 2014). Milkovich, Newman and Gerhearts (2014) addressed for the meaning of compensation as presents in figure 1 number of

returns received from job by people in whom they are characterized as the whole returning relation and compensation. Total compensation returns are more transactional including the direct paid cash received (base, long-term and short-term incentives, cost of living and merit), and indirect benefits paid in form of medical insurance, pensions, work-life balance assisting program and radiantly colored uniforms) (Milkovich et al., 2014).

In cash composition from Milkovich et al. (2014) are categorized as mention above, which are based on the compensation form of western region and suitable for business section rather than non-business organization. Therefore, the author adjusted the types of cash compensation to be more cover and properly to Thailand public context is illustrated in Figure 1;



**Figure 1.** Total Returns from Work

#### Relationships between Cash Compensation and Employee Motivation

One person need is to get proper compensation. It is crucial to generate the effective and proper compensation system as part in the process of human resource. This would enhance the compensation system to attract and retain the talented and competent staff that is important to the organization in its goals and mission accomplishment (Dessler, 2005). Compensation is defined by Anthony et al. (2002) as the mechanism to motivate and encourage the managers for the organizational goals achievement. Motivation refers to the strong willingness to make the efforts toward the aim of the organization as conditioned by the ability to serve for the desire of individual. Vroom (1964) stated in his expectancy theory that employees are motivated to make high effort if they have the confidence that these efforts will lead them toward good appraisal results and good judgment while it comes with the rewards such as bonuses, and more employee benefits, or promotion provided by the firm to satisfy their personal goals. Equity theory from Adams (1965) mentioned that individuals are motivated to seek for their social equity from rewards their received according to the high performance.

Mohrman and Odden (1996) stated that good compensation can stimulate the employees to show fresh ideas and innovation initiative. From the ideas of many employees, the useful benefits go toward the firm. As the observation done by Mohrman and Odden (1996), good employee's compensation leads to the healthily of employees as well as the health maintenance can offer them the best chance to maximize their performance. The compensation and motivation research results from Ghazanfar et al. (2011), Khan and Mufti (2012), Igalens and Rousell (1999) and Rasheed et al (2010) presents the significant effect from compensation on motivation. Therefore, hypothesis can be stated as follows:

H1: Cash compensation has positive and significant effect on employee motivation of military in RTA.

#### **Relationships between Cash Compensation and Employee Motivation**

According to Armstrong (2008), compensation and rewarding employee can give more than just throwing the money at them, Clegg and Birch echo on this point that compensation and reward is not only a money thing. It is stated by DeCenzo and Stephen (2007) that employees at recent are looking forward to more than just a wage or salary but additional considerations are required on their lives enriching. The non-financial is also described as the benefit, the extras desirable in the organization without direct increasing in the financial position of the employees, but rather increase the job attraction. And indirect financial rewards result from the subsidized benefits like the plans for retirement, sick leaves paid and discounts of purchasing (DeCenzo & Stephen, 2007). The other payments are classified by Dessler (2008) as the employer-paid insurance and vacations as the financial benefits forms such as health care insurance, job security, and other benefits. Suitably "fringe" benefits administration is an effective, though potentially affluent, way to attract and employ employees (Messmer, 2006).

It is also stated by Gomez-Mejia et al. (2012) that sometimes we call benefits as the indirect compensation given as a plan to the employees rather than cash to offer them and family members with security. Benefits are defined in Bernardin (2003) as an indirect compensation form that intends to motivate and keep employee to work with the better quality of life provide to them. According to Patrick Mwangi in 2014 studied the relation of the benefits impact on the motivation of employee in which it is shown from the results that the respondents have the high level of awareness on benefits.

To support with this, it is shown from Amah et al., (2013) that working condition, salary and others will influence on the employee motivation of the employees as well as the productivity and performance in the organization. Moreover, Amah (2010) studied also found that it is needed by employees to get from their job more than just a salary. They expect for other rewards from work,

hence they can be motivated by the extra benefits and rewards given that will encourage them to work at their best, employees loyalty can be sustained through more than just salary providing but all works with some benefits/rewards expected. Kennish (1994) stated that the endless benefits to employee mix with the life insurance, stock ownership plans, profit sharing, health care, exercise facilities, company cars, subsidized meal plans, available child care , and companies also use more in their efforts to keep the employees happy with the belief that happy employees will have motivation. Therefore, hypothesis can be stated as follows:

H2: Benefit has positive and significant effect on employee motivation of military in RTA.

### **Relationships between Cash Compensation and Employee Commitment**

Employee commitment is the individual relative strength identification with an organization as it is characterized by the organization's objectives and goals acceptance, a willingness to exercise amount of effort on behalf of the organization with the strong intend to remain as the organization's member (Mowday et al., 1982). Nature of relationship of employee to the organization is indicated by their consistency with the goal of the organization and keen to remain as the organization member, willing to do the best for the organization interest, with strong acceptance and trust on the organizational values and goals (Gibson, Ivancevich, & Donnelly, 1996).

Committed employees present the strong intentions to work for the organizations with less leaving intentions (Hunt & Morgan, 1994; Robbins & Coulter, 2003; Mowday et al., 1982). A significant and positive relationship is found in the research of Paik et al. (2007) between the compensation paying to the expatriate Korean workers and Mexico local workers and the affective commitment, where there is insignificant from the continuance commitment. According to O'Driscoll and Randall (1999), the study with 350 samples from daily workers in Ireland and New Zealand showed the powerful effect from the rewards over the attitudes of employee towards their organization and work commitment. This view is supported by Vance (2006) by asserting that the competitive advantage strategy to enhance the commitment of employee is a good compensation; since the qualify candidates can be attracted from the competitive pay attracts as well as to improve their motivation and retention to work efficiency with the productivity for the organization.

Addressing the employees' commitment relationship with compensation is crucial in some following reasons. First, the employee's organizational commitment is seen as the construct with multi-dimension (Mowday et al., 1982). Second, for employers and employees compensation is the key issue as well as the very big and difficult issue. Compensation policies should be formed where all sizes of organization should be administered (Milkovich & Newman, 2005). In the successful of higher competition, it requires the organizations to improve the all levels of productivity. Therefore,

hypothesis can be stated as follows:

H3: Cash compensation has positive and significant effect on employee commitment of military in RTA.

#### **Relationships between Benefit and Employee Commitment**

As indicated in many researches, benefits are the organizational commitment conducive where the great deal is mentioned about employee benefits and its effect on commitment in the past decade (Beer et al., 1984; Meyer & Allen 1997; Namutebi, 2006; Armstrong & Murlis, 2007). Benefits and employee commitment research have become more and more crucial since it is examined by some researchers on the relationship between them (Christoph, 1996). Yew et al. (2008) suggested from their findings the crucial and positive relationship between mandatory and fringe benefits with the employee commitment while the fringe benefits seem to have higher relationship if compared to the mandatory benefits.

With the recent trend of economic, it is striving by all of the organization over the lasting success. It is considered that work force must be amount the most crucial determinants for the competitiveness of the organization. It required by employees to be convinced from the interested and committed of their employers on their welfare prior to bring out all of their employers service to confirm for the success of the organization's success. Ekere (2013) conducted the study in which reported that friendly benefits to employees help enhance their employee commitment and also put in their best to lead them toward the best performance. Eventually, this will lead to the low turnover rate, and boosting the performance of employees. Therefore, hypothesis can be stated as follows:

H4: Benefit has positive and significant effect on employee commitment of military in RTA.

#### **Relationships between Employee Commitment and Employee Motivation**

Herzberg et al. (1959) argued that work motivation of employee can be seen as the attitude of employee. They included the development processes with the employee motivation and employee commitment and to understand on the effective changes in order to get the desired outcomes. Employee commitment and employee motivation have the clear meaning as a result that if employees are motivated and committed, it will influence on the work outcomes (Lawler, 1986). In typical the more motivated employees will place more exertions from their higher committed and involvement to their jobs (Blau, 1986; Blau, & Boal, 1987).



Commitment is the psychological attachment of employees to the organization in which up to their motivated degree, involvement, trust, and loyalty toward the organizational norms and values. Employees with well-motivated and committed can feel that organization truly values them as the crucial part of the organization in which spontaneously boost the performance of both sides (Mohsan et al., 2004). As commitment in normative involvement, affective commitment, and continuance commitment; the stable characteristics are relatively possessed by individuals in which influence on their attitudes and behavior (Davis-Blake & Pfeffer, 1989). As attitude can influences on personality, it in turn affects on motivation that would result on the behavioral outcomes. Examining the relationship between both would result toward the better understanding in processes functioning and by this reason; this study will generate the additive empirical outcomes for this field of research. Therefore, hypothesis can be stated as follows:

H5: Employee commitment positive and significant effect on employee motivation of military in RTA.

#### **Relationships between Cash Compensation and Employee Performance**

Milkovich and Newman (2008) said reward can fill in the gap between the expectation of individual and goals of the organization. To him, to become the effective organization that meet with all performance, there are four things required to offer from the total compensation system: sufficient reward level that can fill in the basic needs; equity in the external labor market, in the organization and; organization member treatment to satisfy their needs. One way to improve performance management, motivate and improve the performance of employees is through compensation (Mathis & Jackson, 2002). As the integral part in HRM, compensation management can help motivate the employees as well as organizational effectiveness and performance improvement (Naukrihub, 2009).

The relationship between the compensation and employee's performance according to Javed et al. (2010) is positive. It is also found by Collings and Mellahi (2009) that effective HR practices can influence on the employee performance, the compensation has the crucial affect on the performance of employee. Javed et al. (2010), Gungor (2011), Gibson (1996) describes on the positive effect between employee performance and compensation and Collings and Mellahi (2009); Javed et al. (2010), Gungor (2011) studies also stated in support that there is the positive effect from compensation on the employee performance. The study outcomes are based on four employee performance dimensions which are contextual, task, adaptive and counter - productive behavior (Borman & Motowido, 1993; Allworth & Hesketh, 1999; Viswesvaran & Ones, 2000; Rotundo & Sackett, 2002). Therefore, hypothesis can be stated as follows:

H6: Cash compensation positive and significant effect on employee performance of military in RTA.

#### **Relationships between Benefit and Employee Performance**

The findings from Yew et al. (2008) recommended that both of fringe benefits and mandatory have either significant or positive relationship to the commitment of the employees and the organizational performance. The higher relationship can be seen from fringe benefits if compared with the mandatory provided benefits. It is proposed from this finding that when employees received more fringe benefits, they seem to commit more to their organization and it tends for committed employees to contribute more and quite productive for the performance (Cascio, 2003). Benefits can facilitate the business profits improvement by increasing the responsibility of employees that results on the fairly employees treatment to enhance their work life quality.

According (Tsai, Yu & Shih-Yi, 2005), organization can highly attract and retain the highly competitive employees from the indirect compensation which can be considered as the strategic resources for competitive advantage. It can be expected the through the offering of benefits, it will help increase the overall organization attractiveness as well as employees' satisfaction and loyalty that will also be increased. Consequently, this also increases the motivation and levels of performance in employees. The benefits impact on employee performance is up to the compensation and performance management package offered by the organization. Employees respond to the increasing benefits and pay with the productive and positive attitude. It is indicated from several studies that the benefits for employee are related to the organizational performance.

In fact as mentioned in Bond and Galinsky (2006) many small organization if not all but provide some of the supplementary benefits to the employees who have lower-wage to show that they consider the valuable of investments on the purposes to enhancing the recruitment, retention and performance. Therefore, hypothesis can be stated as follows:

H7: Benefits positive and significant effect on employee performance of military in RTA.

#### **Relationships between Employee Motivation and Employee Performance**

Mangkunegaran (2002) the relationship of motivation and performance as describes in the formulation of equation on the relationship between performance and the ability and motivation. It is argued by Gibson et al. (1996) that the performance of employee is resulted from the achievement in work of individual related to the organizational position. It is shown in the result of previous research that between the motivation and employee performance, motivation can significantly influence on the performance (Javed et al. 2010; Nawab & Bhatti 2011; Kaymaz et al., 2011). The relationship on compensation based on performance according to Boachie-Mensah and Dogbe (2011) is a tool to generate the motivation of performance in employees.

Other motivation related studies are done by Forest (2008) where in this research French civil service is explained as the public officials that based their pay on performance with the presence of individual payroll practices done in the long term that can reduce the civil servants' service motivation. Also, this study has examined on the performance as the organizational process to assess the implementation of job by individual employee. Other motivation related studies are done by Forest (2008) where in this research French civil service is explained as the public officials that based their pay on performance with the presence of individual payroll practices done in the long term that can reduce the civil servants' service motivation. Also, this study has examined on the performance as the organizational process to assess the implementation of job by individual employee. Therefore, hypothesis can be stated as follows:

H8: Employee motivation positive and significant effect on employee performance of military in RTA.

#### **Relationships between Employee Commitment and Employee Performance**

The study on employee performance and commitment is the top crucial for the top executive management in the firm. Somers and Birnbaum (1998) studied the career commitment relationship with the effectiveness of performance and the result is positive. Jackofsky (1984) noticed the low commitment leading to the high turnover rate while the higher the satisfaction level on job via job security entails the high employee commitment level which next results on the employee performance improvement among employees. Employee's commitment could be the key instrument to improve the organizational performance. Chughtai and Sohail (2006) conducted the study with the professors in the university of Pakistan and summarized that the professors with strongly committed outperform better than those uncommitted professors. The commitment is studied by Clarke (2006) with the UK based health care units' network performance in which it found that the significant role is played by the commitment especially on the result of performance.

Employee commitment is associated with the organization involvement of one in either cognitive or affective ways. Including in the cognitive engagement is the one perception or view toward the organization that will guide then to accept the values and relevant interested, organizational goals and objectives then it continues influence on the involvement to manifests their own willingness and desire to do their best for the organization. Employee involvement can improve the performance as the results from the research on commitment said it can affect on employee performance and this is agreed by Samad (2011). Herzberg's duality theory is adopted in the study by Khan et al. (2011), Rod and Ashill (2010) that conclude on the significant relationship between employee commitment and their performance. Therefore, hypothesis can be stated as follows:

H9: Employee commitment positive and significant effect on employee performance of military in RTA.

### **Relationships between Total Compensation and Employee Performance through Mediating Role of Employee Motivation and Employee Commitment**

In Malaysia, a study by Boon and Arumugam (2006) found that total compensation have the motivated impact on people at work, and those compensation aspects like the equitable pay, fairness, and good performance praising to influence employee commitment and enhance the performance to employee. Assuming that, the important factors to boost up the performance are the total compensation, employee motivation and commitment. Better compensation is one among the practices of management that seems to bring the benefits such as higher performance and productivity, motivation, employee commitment, high employee morale, faster adapting to change, better communication, better teamwork and greater trust. It is assumed that compensation is the most effective employee committed predictor sine this can fulfill the employees' requirement and their employer's primary purpose. Organizations with attractive work environments that can motivate and retain the hardworking workers will have the better positioned for competitive environment success. Among the key organizational challenges, one is the effective human capital strategies implementation that can enhance the performance of employee and accountability. The consequence of performance emphasizing stressed on the effective HRM strategies where the emphasis of this research is on the compensation, motivation and commitment.

Based on the research objectives and problem formulation, the dissertation aims at compensation effects on commitment, motivation and employee performance examining and analysis. Direct effect hypothesis can be applied as the determination basis for indirect effect where four indirect effect hypotheses are proposed from this study as follows.

Thus, the author places the indirect hypothesis as follows:

H10: Cash compensation effects on employee performance through employee commitment.

H11: Cash compensation effects on employee performance through employee motivation.

H12: Benefits effects on employee performance through employee commitment.

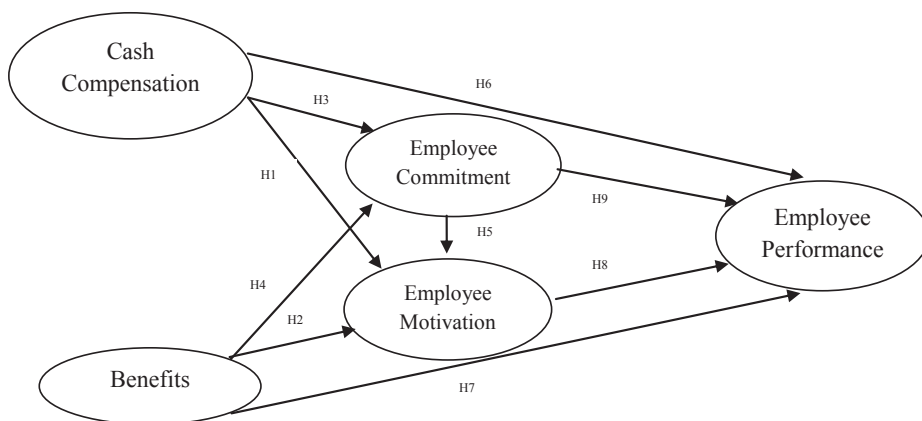
H13: Benefits effects on employee performance through employee motivation.

### **The Conceptual Framework**

Employee performance refers to the outcome of work carrying out by one who assigned with tasks based on the skills, experience, and determination (Hasibuan, 2000). Performance as stated in Mangkunegaran (2002) is the work quantity and quality outcomes as achieved by an

employee in their duties processing according to the given responsibility. Based on research objectives and problems, this study is directed to examine and analyze on the effect of compensation on motivation, organization commitment, and employee performance. Furthermore, the empirical investigation of TCM and performance in individual work performance level will help management and organizations understand the impact of TCM on the various dimensions of employee performance: task, contextual, adaptive and counterproductive behaviors. Indeed, even with the abundant literature focusing on the fact that employee performance is multi-dimensional, previous studies (Chami-Malaeb, 2012; Luna-Arocas & Morley, 2015) have not attempted to relate TCM to these dimensions. Hence, this study is beneficial in broadening our understanding of how TCM relates to the various dimensions of employee performance through the mediators.

This theoretical framework development is based on relevant theories and previous studies. Framework of this study is shown in Figure 2; this concept guides the dissertation framework and SEM technique will be used to test the relationship between these variables;



**Figure 2.** Conceptual Framework

In brief, this research developed the model with hope to simplify and facilitate the effective compensation management in public organization. The gap between the recent practices and best practices will be addressed to form up the gap reducing plan. Results will direct toward better understanding that will offer the new compensation management insight where employee commitment, employee motivation, and TCM are crucial for employee performance increasing. This study gives the researchers and practitioners the benefits of public organization sustainable development enhancement.

## Research Methodology

### Research Design

Based on the above literature review, a conceptual framework is developed and a research model has been proposed to examine the extent to which the eight TCM practices with employee motivation and employee commitment as the mediating role are practiced and implemented in RTA and to explore the relationships between identified TCM practices and employee performance. This research is an explanatory study with the aim to explain on the studied variables position and the influence on one variable. As, the main objective of this research is the conceptual forming to describe on the relationship between employee performance and TCM via the employee commitment and employee motivation role mediating by taking into account the effect of management on TCM.

Population of the research is Commissioned officers and Non-commissioned officers of military servant in RTA from 72 units all around country. Two main sampling techniques were adopted for this study: non-probability and probability techniques. The research used Two-Stage Cluster Sampling to collect sample based on the 72 work units by dividing into 7 big components namely The Command Component, The Combat Component, The Combat Support Component, The Logistic Component, The Regional Component, The Education and Training Component and The Developing Country Sector, the number of sampling still large amount then the researcher further determined with the department level and scope down to division level. Non-probability sampling techniques were adopted for this study, researcher assumed that population was not homogenous so the researcher divided two cluster; CO and NCO by used Quota Sampling, the sample which was randomly picked in two group and proportionally determined with comprehensive number and 124 and 276 respectively, totally the amount of respondents are 400. The research period was conducted in August 2015 - August 2016, and the ways of collecting data were done by two methods: handed out and sent by mail and later collected or returned by stamped addressed envelope.

In the first phase, multiple regression and path analysis are selected to further investigate the relationships between TCM, employee motivation, employee commitment and employee performance. The direct and indirect effects of TCM, employee motivation, employee commitment and employee performance are examined within the RTA context. Based on this study research questions proposed, the structured questionnaire surveys from literature review are adopted.

### Instrument and Measurement Scales

The main instrument in this study is a list of structured questions or questionnaires given to the RTA. The survey data is obtained directly from respondents those military officers in RTA. This study used 1-5 Likert scale measurement and data was analyzed by SEM using AMOS 22 software. TCM was measured on a 99 items scale measure adapted from;

**Table 1.** Questionnaire Construct Measurement

Construct	Adapted from
Total Compensation Management	Roberts (2005), Snoeker (2010), Salanova and Kirmanen (2010) Milkovich et al. (2014), Hendriks (1999), William (2010)
Benefit	Roberts (2005), Milkovich et al. (2014), Tornikoski (2011), Devendra and Kumar (2013)
Employee Commitment	Meyer, Allen and Smith (1993), Allen and Meyer (1996), Dixit and Bhati (2012)
Employee Motivation	Vroom (1964), Chiang et al. (2008), Snoeker (2010), Devendra (2013), William (2010), Adhikari and Thapa (2013), Adams (1963), Elding (2006), Mwangi (2014)
Employee Performance	Tsai et al. (2005), Koopmans (2014), Mawutor and Obeng (2015), Koopmans et al. (2012)

### Analysis and Results

Data screening and preparation are the crucial essential component that most of multivariate techniques have to applied (Hair et al., 2010; Meyers, Gamst & Guarino, 2013; Tabachnick & Fidell, 2014).

**Normality Screening:** A variable from normally-distributed will form the skewness and kurtosis values that drift around  $\pm 1.0$  (Meyers, Gamst & Guarino, 2013). With these measures, statistical significance has an alpha level of  $p < 0.001$  which indicates a possible of normality violation uni-variate (Hair et al., 2010; Meyers, Gamst and Guarino, 2013; Tabachnick and Fidell, 2014). In this research the skewness and kurtosis show the value between  $\pm 1$ . Assumed that the results showed that none of the items had extreme skewness as none of the values was higher than  $\pm 3.0$  as the values were not actually extreme, the assumption can make on multivariate normality, therefore, no transformation on none of these variables. (Mawutor & Obeng, 2015).

**Multicollinearity, Linearity, and Homoscedasticity Screening:** Multicollinearity is an existing condition when there are two or more strongly correlated predictors. In the correlation matrix, the existing of multicollinearity can be noticed with the correlation between the analyzing variables are very strongly related. Though, some disagreement is shown in concerning to the relationship strength; the correlations of 0.80 and above have raised a red flag. The result show that Pearson's correlation of correlation coefficient is no strong correlation (not over 0.80) and scatter plots of some variable show the linear relationship between variable which positive and upward line through the point and none of variable indicated violation of homoscedasticity.

**Reliability:** test with Cronbach Alpha Coefficient of the data shown the result between 0.78 – 0.9, which are acceptable.

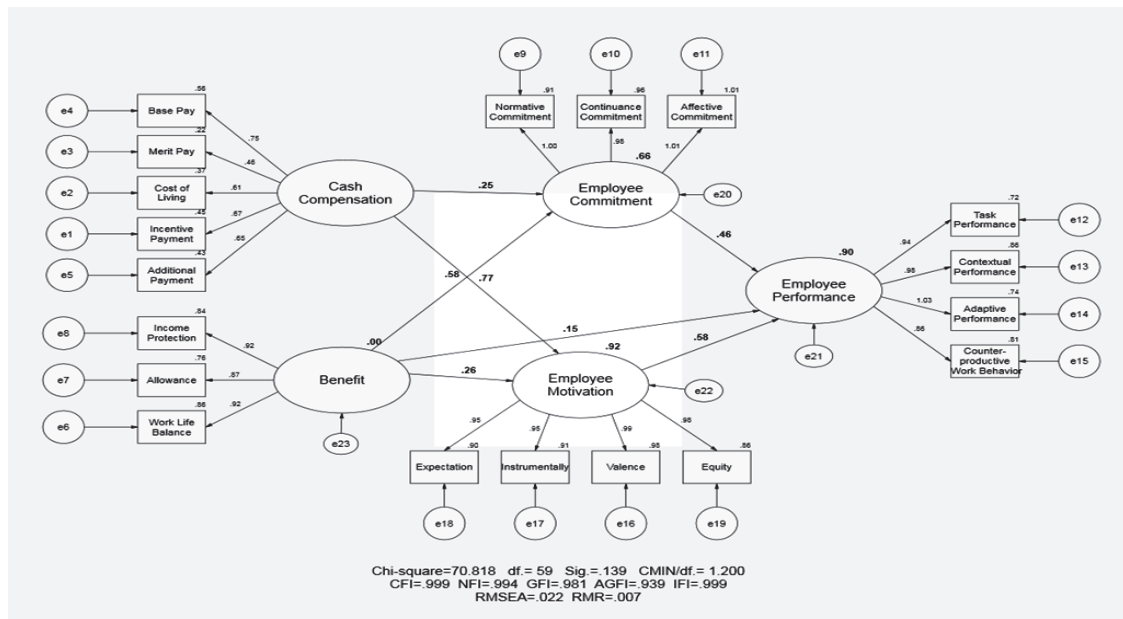
**Validity Test by Pearson Correlation:** the results show none of strong correlation, the result show value between  $\pm 0.01$  –  $\pm 0.3$ .

**Factor Loading:** proceeded by confirmative factor analysis (CFA) with extraction and varimax rotation by SPSS the construct validity and reliability of construct show the result loading between 0.6 – 0.9 is confirmatory.

It can be said that data are multivariate normal distribution. Thus, it can be used to perform SEM multivariate analysis.

### SEM Assumption Test

The chi-square test is established for restrictive model hypothesis tested determination whether the model is correct according to the sample. To be said also, the chi-square test needs for the perfectly covariance matrix reproduced based on the theoretical model. Capture the direct and/or indirect directional structural relationships between latent constructs analyzed by SEM with AMOS 22 see Figure 3.



**Figure 3.** Structural Equation Model for This Research



As shown in the figure 3, t-values for the structural coefficients are more than 0.10 with the positive except on three path; “Total Compensation Management (Cash Compensation) and “Employee Performance” (t-value = -0.176). “Employee Commitment” and “Employee Motivation” (t-value = -0.06). Thus, to say that none of direct structural relationship exists between them is not bias.

The data revealed of SEM analysis the model influence of total compensation management affects on employee motivation, employee commitment, and employee performance a case study of Royal Thai Army. Result found acceptable threshold levels and consistent with the concept Hair et al. (1992; 2010), Bollen (2011) by Chi – Square = 70.818, df = 59, Sig. = 0.139 > 0.05, CMIN/df. = 1.200 < 5.0, in addition, the structural equation modeling analysis results from the factor are presented with the relatively reasonable from fourteen models index to data based on number of fit statistics. Fit indices for proposed model see table 2.

**Table 2.** Goodness-of-fit Statistics

Index	Criteria	Result	References	Result
Chi – Square	p > 0.05	70.818	Hair et al. (2006), Bollen (2011)	Good fit
CMIN/df.	< 5.0	1.200	Bollen (2011), Diamantopoulos and Siguaw (2000)	Good fit
GFI	≥ 0.90	0.981	Hair et al. (2006), Browne and Cudeck (1993)	Good fit
AGFI	≥ 0.90	0.939	Durande-Moreau and Usunier (1999), Harrison-Walker (2001)	Good fit
NFI	≥ 0.90	0.994	Hair et al. (2006), Mueller (1996)	Good fit
IFI	≥ 0.90	0.999	Hair et al. (2006), Mueller (1996)	Good fit
TLI	0.95 – 1.00	0.997	Hair et al. (2006), Mueller (1996)	Good fit
RFI	0 – 1.00	0.982	Hair et al. (2006), Mueller (1996)	Good fit
CFI	≥ 0.90	0.999	Hair et al. (2006), Mueller (1996)	Good fit
RMR	< 0.05	0.007	Diamantopoulos and Siguaw (2000)	Good fit
RMSEA	< 0.05	0.022	Hair et al. (2006), Browne and Cudeck (1993)	Good fit
PNFI	> 0.5	0.547	Hair et al. (2006), Mueller (1996)	Good fit
PCFI	> 0.5	0.543	Hair et al. (2006), Mueller (1996)	Good fit
PGFI	> 0.5	0.563	Hair et al. (2006), Mueller (1996)	Good fit

### Hypothesis Summarize

Table 3: summarized of hypothesized model factor of the influence of total compensation management affects on employee motivation, employee commitment, and employee performance a case study of Royal Thai Army.

**Table 3.** Hypotheses Test Results for the Proposed Structural Model

H	Variable	Path	Variable	Coefficients	Effect	Result
H1	Cash Compensation	--->	Employee Motivation	0.77	Direct	Significant
H2	Benefit	--->	Employee Motivation	0.25	Direct	Significant
H3	Cash Compensation	--->	Employee Commitment	0.25	Direct	Significant
H4	Benefit	--->	Employee Commitment	0.58	Direct	Significant
H5	Employee Commitment	--->	Employee Motivation	N/A	N/A	Not Significant
H6	Cash Compensation	--->	Employee Performance	N/A	N/A	Not Significant
H7	Benefit	--->	Employee Performance	0.15	Direct	Significant
H8	Employee Motivation	--->	Employee Performance	0.58	Direct	Significant
H9	Employee Commitment	--->	Employee Performance	0.46	Direct	Significant
H10	Cash Compensation pass Employee Commitment	--->	Employee Performance	0.12	Indirect	N/A
H11	Cash Compensation pass Employee Motivation	--->	Employee Performance	0.45	Indirect	N/A
H12	Benefit pass Employee Commitment	--->	Employee Performance	0.27	Indirect	N/A
H13	Benefit pass Employee Motivation	--->	Employee Performance	0.15	Indirect	N/A

## Discussion of Results

### Cash Compensation

The Cash Compensation, result found have 5 observed variables (Base Pay, Merit Pay, Cost of Living, Incentive Payment and Additional Pay) and factor loading  $0.46 - 0.75 > 0.40$ . And Cash Compensation factor can explain the causal relationship of model two direct effect and two indirect effect including.

#### *Effect of Cash Compensation on Employee Commitment*

The cash compensation factor has direct effect to the employee commitment. The regression weight estimate of coefficients 0.25, has a standard error of about 0.107,  $t$  -value 2.545,  $\text{sig.} = 0.011 < 0.05$ . And the cash compensation factor explain the causal relationship of model factor of the influence of total compensation management of the employee commitment at 66.0 percent, this was significant at or below the 0.05 level.

#### *Effect of Cash Compensation on Employee Motivation*

The cash compensation factor has direct effect to the employee motivation. The regression weight estimate of coefficients 0.77, has a standard error of about 0.176,  $t$  -value 4.840,  $\text{sig.} = 0.000 < 0.001$ . And the cash compensation factor explain the causal relationship of model factor of the influence of total compensation management of the employee motivation at 92.0 percent, this was significant at or below the 0.05 level.

#### *Effect of Cash Compensation on Employee Motivation*

Analysis results the direct effect of cash compensation on employee performance show negative and insignificant path coefficient value of -0.176. This suggests that relationship between cash compensation and employee's performance none of direct structural relationship exists between them is not bias.

#### *Effect of Cash Compensation on Employee Performance through Employee Commitment and Employee Motivation*

The cash compensation factor has indirect effect to the employee performance, the path through form the employee commitment a total of coefficients 0.12.

The cash compensation factor has indirect effect to the employee performance, the path through form the employee motivation a total of coefficients 0.45.

### Benefit

The Benefit, result found have 3 observed variables (Income Protection, Allowance and Work Life Balance) and factor loading  $0.87 - 0.92 > 0.40$ . And Benefit factor can explain the causal relationship of model 3 direct effect and 2 indirect effects including;

#### *Effect of Benefit on Employee Commitment*

The benefit factor has direct effect to the employee commitment. The regression weight estimate of coefficients 0.59, has a standard error of about 0.077,  $t$ -value 6.487,  $\text{sig.} = 0.000 < 0.001$ . And the benefit factor explain the causal relationship of model factor of the influence of total compensation management of the employee commitment at 66.0 percent, this was significant at or below the 0.05 level.

#### *Effect of Benefit on Employee Motivation*

The benefit factor has direct effect to the employee motivation. The regression weight estimate of coefficients 0.26, has a standard error of about 0.106,  $t$ -value 2.108,  $\text{sig.} = 0.035 < 0.05$ . And the benefit factor explain the causal relationship of model factor of the influence of total compensation management of the employee motivation at 92.0 percent, this was significant at or below the 0.05 level.

#### *Effect of Benefit on Employee Performance*

The benefit factor has direct effect to the employee performance. The regression weight estimate of coefficients 0.15, has a standard error of about 0.049,  $t$ -value 2.627,  $\text{sig.} = 0.009 < 0.05$ . And the benefit factor explain the causal relationship of model factor of the influence of total compensation management of the employee performance at 90.0 percent, this was significant at or below the 0.05 level.

#### *Effect of Benefit on Employee Performance through Employee Commitment and Employee Motivation*

The benefit factor has indirect effect to the employee performance, the path through form the employee commitment a total of coefficients 0.27.

The benefit factor has indirect effect to the employee performance, the path through form the employee motivation a total of coefficients 0.15.

### Employee Commitment

The employee commitment, result found have 3 observed variables (Normative Commitment, Continuance Commitment and Affective Commitment) and factor loading  $0.98 - 1.01 > 0.40$ . And the employee commitment factor can explain the causal relationship of model 1 direct effect including;

### *Effect of Employee Commitment on Employee Performance*

The employee commitment factor has direct effect to the employee performance. The regression weight estimate of coefficients 0.46, has a standard error of about 0.044 t-value 10.186, sig. = 0.000 < 0.001. And the employee commitment factor explain the causal relationship of model factor of the influence of total compensation management of the employee performance at 90.0 percent, this was significant at or below the 0.05 level.

### *Effect of Employee Commitment on Employee Motivation*

Analysis results the direct effect of employee motivation on employee commitment show insignificant and negative path coefficient value of -0.06. This suggests that employee commitment do not affect on employee motivation. Negative path coefficient means that there is no relationship between directions of employee commitment with employee motivation.

### **Employee Motivation**

The employee motivation, result found have 4 observed variables (Expectation, Instrumentally, Valence and Equity) and factor loading 0.95 – 0.99 > 0.40. And the employee motivation factor can explain the causal relationship of model 1 direct effect including;

### *Effect of Employee Motivation on Employee Performance*

The employee motivation factor has direct effect to the employee performance. The regression weight estimate of coefficients 0.58, has a standard error of about 0.094 t –value 6.020, sig. = 0.000 < 0.001. And the employee motivation factor explain the causal relationship of model factor of the influence of total compensation management of the employee performance at 90.0 percent, this was significant at or below the 0.05 level.

## **Research Contributions**

### **Academic Implication**

Although the practice of TCM has been a crucial source for the prescription of human resource management and also being the large subject volume of the published research, however, not so much recognized on that TCM practices implementation can lead to the motivation and commitment in the performance of RTA employees as experienced from the military officers. Until recent, this research domain and application has been ignored by the academicians, leaders and administrators that is why the author of this research wants to contribute for it by formulating the research model and testing to explain on the reason and the way that TCM practices are different in the relationships between motivation and commitment in RTA employee performance. Besides for the current TCM research extending, the research model as proposed has bridged the gap in the TCM literature and

role stressors. Moreover, SEM using in this study offers an excellent way for simultaneously models analysis with the mediating effects assessment on the motivation and commitment of employees in which offer various of fit indices for the determination of whether the hypothesized models are accurately specified. This is the crucial contribution since it simultaneously investigates on different TCM practices dimensions (cash composition: base pay, cost of living pay, merit pay, incentives and additional pay; benefits: income protection, allowances and work life balance), employee motivation and employee commitment that offer the more comprehensive understanding about the phenomena with the current knowledge advancement in concerning of the interrelationships among the eight TCM practices with motivation and commitment of RTA's military officers performance.

For our knowledge, there is no research done in the areas, where TCM study has explored on both direct and indirect impacts from the TCM practices relationships with the motivation and commitment of employees. Regarding to this, the multidimensional establishing with the mediating relationships between the employees' motivation, commitment and eight TCM practices in this research is the significant distinction that have never been identified by the previous study.

### **Theoretical Implication**

There are also the methodological contributions from the study. First, most of the empirical studies on TCM are based on qualitative methodologies of interviews, case studies, focus group discussions, and even the quantitative ones with exception of a few did not use complex techniques such as SEM. Instead, they utilized ordinary regression techniques, ANOVA, and logistics regression for statistical analyses. By the way, it requires the researchers to aware on the possible complexity in the relationship between TCM, employee performance by applying the more rigorous, sophisticated, and robust analytical tools, specifically SEM for potential variables test to mediate the relationship. This study on the other hand used SEM to examine these complex relationships, which made the results much more valid, reliable, and robust than other statistical techniques used in previous studies.

Second, this study contributes toward the TCM literature in the non-Western context. Thus, while interest in TCM research is growing, the current assumptions and concepts in the TCM literature are strongly embedded in US, European. As a result, recommendations have been made for further research to examine TCM systems in different contexts, regions, and countries. Therefore, this study has responded to filling this gap by discussing evidence of TCM and employee performance in Thailand, a non-Western and non-European country. Overall, it is suggested from the findings of this research that TCM systems have the potential to lead to employee performance through TCM mechanisms but they were not seen to have a direct relationship as postulated in most of the Western literature.

### **Practical Implication**

According to the practical view, importantly we should know which dimensions of TCM that are significantly related to the motivation and commitment of employees as experienced among the RTA'S military officers. Since it is allowed from the proposed model an independent analysis on TCM dimension related to the motivation and commitment of employees, this study's research serves as an organizational administrators' diagnostic tool and for HR managers to obtain the insight into TCM practices positive and negative influences over the motivation and commitment of military employees. This is certainly an important analysis since if we can uncover the relationships between the different TCM practices, motivation and commitment of the RTA military employees' performance, the practitioners and organizational administrators can then manage on each employees' behavior through the application of current TCM practices together with motivation and commitment as experienced from military officers.

### **TCM Model Implication in RTA**

TCM modeling is a systematic approach and fit for RTA organizations. The empirical results obtained from the 400 military officers can be used as reference by using variables such as TCM, employee motivation and employee commitment on employee performance. As TCM in cash compensation is the highest effect on employee motivation in direct effect (0.77). TCM in cash compensation is the second highest effect to employee commitment in direct effect and total effect (0.25). On the other hand, TCM in cash compensation does not have direct effects on employee performance but has indirect effect through employee motivation (0.45) and employee commitment (0.12) and total effect (0.57). Furthermore, TCM in benefit is the highest effect on employee commitment in direct effect (0.58), the second highest effect to employee commitment in direct effect and total effect (0.26) and third highest effect to employee performance in direct effect, indirect effect and total effect (0.15, 0.42 and 0.57 respectively).

Although, there were confirmations on several hypotheses according to the quantitative data from the questionnaire survey, it can be confirmed that the TCM model is useful and should not be ignored. Thus, the TCM model's major targeted areas must take into account the most crucial factors in employee motivation and employee commitment to improve employee performance. Based on the targeted TCM areas, the effects of cash compensation and benefits should be ranked in terms of their potential contributions to RTA performance improvement. Even though the results found that cash compensation has no positive relationship with employee performance, this could lead the organization to reconsider cash compensation management. However, the disconfirmation does not imply the useless and non-significance of the TCM model. But RTA organizations should instead address this model's problem areas and more efficiency management on these issues.

## Recommendations for Future Research

The data collection and empirical analysis must be taken into account in the future research during the hypothesizing of the extent testing of implementation and relationships in the RTA organizations. Hopefully, the results can prove on the greater the extent to which the presence of these TCM practices lead to the higher employee performance for the organizations. Finally, testing and validating the theoretical model as proposed by using different approaches would be interesting and one of them is the approach Structural Equation Modeling (SEM) with the testing and validating capability for such a theoretical model. Statistical software like Amos, LISREL etc. could be applied for the future research to form the confirmatory factor analysis (CFA), correlation matrix, and diagramming for the relationships validation. Moreover, there is the limitation in this study in which it conducts only in the military organization which is public sector. In the future, it is suggested that the study could be extended to the private sector or other public sectors and conduct in more TCM aspects such as the other types of payment and others total work returns such as relational returns that can be flexibly incorporated with TCM related to the motivation and commitment of individual employee performance.



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