

The Influence of Compensation and Organizational Culture and Work Conflict to Organizational Commitment and Cooperatives Management Performance in East Kalimantan - Indonesia

Muhammad Bayu, Djoko Setyadi, Eny Rochaida, Ardi Paminto

Doctoral Programs of the Economics and Business Faculty, University of Mulawarman – Indonesia

ABSTRACT

This study is intended to test and analyze the influence of compensation, organizational culture, and work conflict to organizational commitment and performance of cooperative management. The study used 120 persons of cooperative management on East Kalimantan as the respondents and used stratified random sampling method. The data was collected by using questionnaires and analyzed with Structural Equation Modeling (SEM) using SmartPLS program.

The study found out that compensation has no significant influence to organizational commitment. The compensation has no significant influence to performance of cooperative management. The organizational culture and work conflict have significant influence to organizational commitment. The compensation and organizational culture have no significant influence to the performance of cooperative management. The work conflict and organizational commitment have significant influence to the performance of cooperative management.

Keywords : compensation, cooperative management performance, organization commitment, work conflict

1. INTRODUCTION

The strategic role of a management in a cooperative institution is expected to provide adding value and it is a measure of the success of the cooperative. The success of cooperatives in achieving the goal is becoming a cooperative management performance benchmarks. Sutrisno (2007) wrote that there are two types of job duties that include important elements of performance, namely, functional tasks and task behavior. Functional tasks are associated with an employee finishing work, including completing the technical aspects of the job. Behavioral tasks are related to how well employees deal with inter-personal activities with other members of the organization, including resolving conflict, managing time, empowering others, working in a group and independently. In order to achieve cooperative management performance as expected, there are many factors that influence it, including compensation, organizational culture, work conflicts and organizational commitment.

Compensation is a factor that affects performance. The provision of adequate compensation is expected to create commitment, because the size of the compensation is a measure of the achievements of a person. If a fair compensation system is given, it will encourage someone to do the job better and become more responsible for each task given. The purpose of compensation is done, among others, to appreciate one's accomplishments and ensure justice.

According to Werther and Davis (2003), compensation is what is received by the employee in exchange of their work. Whether hourly wages or periodic salaries, the personnel department usually designs and administers employee compensation.

Organizational culture is very influential in improving the consistency of one's behavior. Culture is an important factor for improving the performance of a person in the organization. Culture is the result of interaction and dialogue on the various components of the organization that are interlinked each other, which ultimately led to a values shared between elements of the organization.

Work conflict can be measured based on the theory of Boles, Howard and Donofrio (2001). Indicators of work conflicts are: (1) Working pressure (how hard the work interfere with the health of the cooperative management); (2) The number of task demands (cooperative management of excess employment); (3) Being busy with work (the cooperative management has a high level of activity); (4) Conflict of commitment and responsibility to work (their desire to resign from the duties and responsibilities in the cooperative).

Organizational commitment to the cooperative is not only a fidelity to the cooperative but an ongoing process, namely the cooperative management expresses concern at the cooperatives in the form of success and high achievement. Commitment of cooperative management can be seen as a mutual relation of each party (officers, members and cooperatives).

This study builds and tests a conceptual model that simultaneously consists of variables, namely compensation, organizational culture, and work conflict as exogenous variables, as well as organizational commitment and management performance as endogenous variables.

2. LITERATURE REVIEW

2.1. Cooperative

According to the Law of the Republic of Indonesia No. 17 of 2012, a cooperative is a legal entity established by individuals, with the separation of the wealth of its members as capital to run the business. It meets the aspirations and needs of economic, social and cultural rights in accordance with the values and principles of cooperatives.

Abrahamson, cited from Ropke (2012), defines that a cooperative is a business entity owned by the members, which is the service users. This fact distinguishes the cooperative from another form of enterprises (companies) whose owner is investors.

ILO, cited from Baswir (2000), expressed that a cooperative is an association of people, who usually have limited economic capacity. Through a form of business organization that is supervised democratically, each contributes the necessary capital, and is willing to bear the risks and receive remuneration in accordance with the business they do.

2.2. Performance

Bernardin and Russel, cited from Viswesvaran and Ones (2000), stated that the performance is defined as the record of the outcomes produced on a specified job function or activity during a time period. It has been suggested that the performance is likely to be seen as the result of a process of job measurement done within a certain time. Brumbrach, cited from Armstrong (2006), said that performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right - the product of mental and physical effort applied to tasks - and can be judged apart from the results.

Performance means an act, a feat of skill or general appearance. Mangkunagara (2011) said that the term performance is derived from the word "job performance" or "actual performance", i.e. performance or achievements actually achieved by a person in performing its duties in accordance with the responsibilities given to him. Greenberg and Baron (2007) suggested that the performance of the individual is also referred to job performance, work outcomes, and task performance.

2.2. Organizational Commitment

Newstrom and Davis (2002) stated that organizational commitment is the degree to which an employee identifies the organization and wants to continue actively participating in it. Further explained, organizational commitment is the desire of employees to remain working at the company until the future. It describes the employees' trust in the mission and objectives of the company, the desire to excel and keep working on something important for a company to create continuity of the company

Mowday, *et al.*, (1982) defined organizational commitment as the relative strength of an individual identification with involvement in a particular organization. Allen and Meyer (1997) formulated a definition of the commitment in the organization as a psychological construct, which is a relationship characteristic of organization member with the organization and has implications for an individual's decision to continue its membership in the organization.

2.3. Compensation

Dessler (2003) said that the compensation of employees means all forms of remuneration or reward that flows to the employee or arises from their employment. Mondy (2008) defined the compensation as the total remuneration received by the employee in lieu of services rendered to the organization.

According to Jackson, *et al.* (2012), total compensation is reward in monetary and non-monetary which is paid to the employee. Total compensation is also defined as activities that organizations assess the contribution of workers that will be redeemed in exchange for monetary and non-monetary based on the ability of organizations and legal provisions.

2.4. Organizational culture

Robbins (2003) wrote that organizational culture is a system of shared meaning held by members that distinguishes the organization with other organizations. This system of shared meaning is, on closer examination, a set of key characteristics of the organization values. According to Gibson *et al.* (2008), organizational culture is the process in which people understand the expectations of the organization, called as socialization, such as pro-cultural, norms, beliefs and behaviors that are required to enable them to contribute effectively to the organization.

2.5. Work Conflict

Robbins (2003) defined conflict as a situation in which an individual (person) is faced with the expectations of different roles. Thus, a conflict arises when individuals in certain roles confused by the demands or the necessity to do something different from what is needed or that are not a part of his field of work.

Greenberg and Baron (2007) argued that the conflict occurred as a process that one party or one group felt no parties or other groups have taken or will take action that would negatively affect the main purpose of the group.

According to Mangkunegara (2008), conflict occurs between what was expected by a person against himself or others, with the reality of what is expected. Conflict is a situation in which two or more people want goals according to their perception can be achieved by one of them, but it is unlikely to be achieved by both parties.

3. HYPOTHESES

Based on the background and literature study, the hypotheses are formulated as follows:

1. If the compensation is granted decently, it will affect the organizational commitment of cooperative management in East Kalimantan.
2. If the organizational culture is strong, it will affect the organizational commitment of cooperative management in East Kalimantan.
3. If there is work conflict, it will affect the organizational commitment of cooperative management in East Kalimantan.
4. If the compensation received is feasible, it will affect the increased performance of the cooperatives management in East Kalimantan.
5. If the organizational culture is strong, it will affect the increased performance of the cooperative management in East Kalimantan.
6. If there is work conflict, it will affect the increased performance of the cooperative management in East Kalimantan.
7. If there is a strong organizational commitment, it will affect the increased performance of the cooperatives management in East Kalimantan.

4. RESEARCH FRAMEWORK

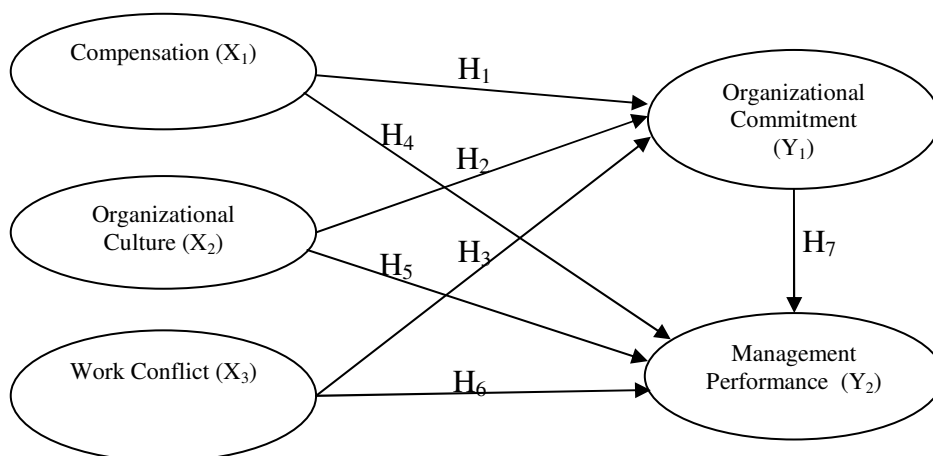


Figure 1: Research Framework

5. RESEARCH METHOD

5.1. Population and Sample

The population in this study is the entire management of cooperatives in East Kalimantan scattered in 8 cities/district. Each cooperative is represented by 1 (one) person cooperative management. Selected cooperative is a cooperative which has conducted the Annual Members Meeting, which amounted to 889 units. Based on the opinions from Hair *et al.*, (1995), the number of samples is the number of indicators multiplied by 5 to 10 times. In this study, there were 24 indicators. The number of samples taken is $24 \times 5 = 120$ respondents. Thus, the number of samples that serve as respondents of the cooperative management was 120 persons.

5.2. Research Variables

For this research study, the variables consist of:

1. Compensation (X_1)

Compensation in this study was measured based on the theory by Noe, *et al.* (2007). Compensation of employees is measured by direct compensation received by the cooperative management in the form as follows.

- a. Salary
- b. Wage
- c. Incentives
- d. Allowances.

2. Organizational Culture (X_2)

Organizational culture in this study was measured based on the theory by Robbins (2009). There are seven key indicators as a whole, which is the essence of organizational culture variables.

- a. Innovation and courage to take risks
- b. Attention to detail
- c. Results oriented
- d. People oriented
- e. Team oriented
- f. Aggressiveness
- g. Stability.

3. Work Conflict (X_3)

Work Conflict in this study was measured based on the theory of Boles, Howard and Donofrio (2001). Indicators of work conflict are as follows.

- a. Working pressure

- b. The number of task demands
- c. Being busy with work
- d. Conflicts of commitment and responsibility towards work.

4. Organizational Commitment (Y₁)

Organizational commitment in this study was measured based on the advanced theory by Allen and Meyer (1997), where there are three dimensions of organizational commitment as follows.

- a. Affective commitment
- b. Normative commitment
- c. Continuous commitment.

5. Management Performance (Y₂)

Indicators used to measure the performance of the cooperative management, drawn from the theory proposed by Mondy, Noe and Pemeaux (1999), using six indicators as follows.

- a. Quantity of work
- b. Quality of work
- c. Dependability
- d. Initiative
- e. Adaptability
- f. Cooperation.

6. ANALYSIS RESULTS AND DISCUSSIONS

6.1. Outer model measurement or the measurement model

6.1.1. Convergent validity of the construct of compensation

Output from the outer loading of SmartPLS compensation model is described as follows.

Table 1. Compensation Measurement Model

Item	Original Estimate (Outer Loadings)	Remark
X1_1	0.849	Valid
X1_2	0.888	Valid
X1_3	0.915	Valid
X1_4	0.886	Valid

Source: Data processing by PLS, 2016

6.1.2. Convergent validity of the construct of organizational culture

Outer loading of organizational culture with SmartPLS program can be explained in Table 2 as follows.

Table 2. Organizational Culture Measurement Model

Item	Original Estimate (Outer Loadings)	Remark
X2_1	0.793	Valid
X2_2	0.798	Valid
X2_3	0.703	Valid
X2_4	0.751	Valid
X2_5	0.778	Valid
X2_6	0.715	Valid
X2_7	0.655	Valid

Source: Data processing by PLS, 2016

6.1.3. Convergent validity of the construct of work conflict.

Table 3. Measurement Model of Work Conflict

Item	Original Estimate (Outer Loadings)	Remark
X3_1	0.748	Valid
X3_2	0.698	Valid
X3_3	0.678	Valid
X3_4	0.899	Valid

Source: Data processing by PLS, 2016

6.1.4. Convergent validity of the construct of organizational commitment.

Table 4. Measurement Model of Organizational Commitment

Item	Original Estimate (Outer Loadings)	Remark
Y1_1	0.616	Valid
Y1_2	0.729	Valid
Y1_3	0.862	Valid
Y1_4	0.828	Valid
Y1_5	0.743	Valid
Y1_6	0.819	Valid

Source: Data processing by PLS, 2016

6.1.5. Convergent validity of the construct of management performance.

Table 5. Measurement Model Of Management Performance

Item	Original Estimate (Outer Loadings)	Remark
Y2_1	0.740	Valid
Y2_2	0.732	Valid
Y2_3	0.785	Valid
Y2_4	0.805	Valid
Y2_5	0.853	Valid
Y2_6	0.848	Valid

Source : Data processing by PLS, 2016

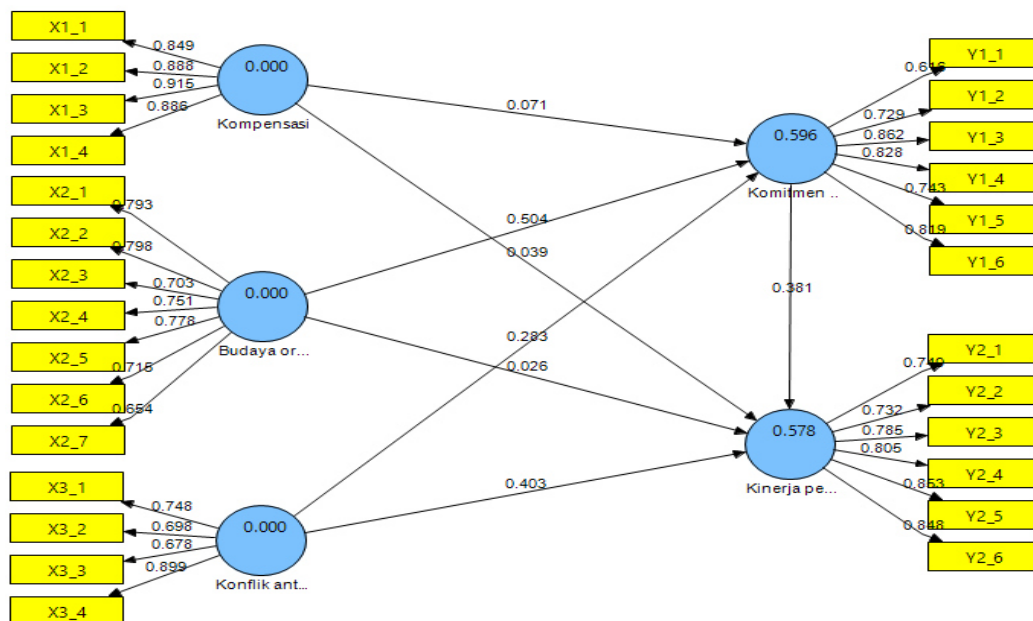


Figure 2. Final Model After Loading Factor Test

6.1.6. Composite Reliability.

Tabel 6. Composite Reliability

	Composite Reliability
Compensation	0.935
Organizational Culture	0.896
Work Conflict	0.844
Organizational Commitment	0.897
Management Performance	0.911

Source : Data Processing by PLS, 2016

6.1.7. Average Variance Extracted (AVE).

Tabel 7. Average Variance Extracted

Variable	AVE	Remark
Compensation	0.783	> 0.50
Organizational Culture	0.553	> 0.50
Work Conflict	0.579	> 0.50
Organizational Commitment	0.594	> 0.50
Management Performance	0.632	> 0.50

Source : Data Processing by PLS, 2016

According to the table above, AVE value for compensation, organizational culture, work conflicts, organizational commitment and management performance are above 0.50. It means that all variables have a composite value of high reliability.

6.2. Goodness of fit model

Goodness of fit model is measured through Q-square value of predictive relevance. It is to gauge how well the observed values generated by the model and parameter estimation. Goodness of fit testing is done by using a predictive-relevance value (Q^2). The R^2 for each endogenous variable in this study are as follows:

Table 8. R-Square Value

Endogenous Variable	R²
Organizational Commitment	0.596
Management Performance	0.578

Source : Data Processing by PLS, 2016

Based on Table 8, the calculation of the Q-square predictive relevance is as follows.

$$\begin{aligned}
 Q^2 &= 1 - (1 - R_1^2) (1 - R_2^2) \\
 &= 1 - (1 - 0.596) (1 - 0.578) \\
 &= 0.829
 \end{aligned}$$

The calculation result shows predictive relevance value of 0.829 or 82.9%, so the decent models are said to have predictive relevant value. Predictive relevance value of 82.9% indicates that the diversity of data explained by the model is 82.9%. In other words, the information contained in the data can be explained by the model up to 82.9%. While the remaining 17.1% is explained by other variables (which is not contained in the model) and error. These results say that the model is very good, because it can explain 82.9% of the overall information, making it feasible to interpret.

6.3. Structural Model (Inner Model)

Table 9. Result For Inner Weights

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STERR)	P Value
Compensation --> Organizational Commitment	0.071	0.072	0.990	0.324
Organizational Culture --> Organizational Commitment	0.504	0.084	5.987	0.000
Work Conflict --> Organizational Commitment	0.283	0.089	3.176	0.002
Compensation --> Management Performance	0.039	0.078	0.498	0.619
Organizational Culture --> Management Performance	0.026	0.100	0.261	0.795
Work Conflict --> Management Performance	0.403	0.128	3.159	0.002
Organizational Commitment --> Management Performance	0.381	0.105	3.627	0.000

Source : Data Processing by PLS, 2016

This study conducted bootstrap method to a sample of 120 resampling. Testing with bootstrapping is also intended to minimize the problem of abnormalities in the research data.

Based on the Table 9, the results for inner weight analyses could be explained as follows.

1. Testing hypothesis 1 indicates that the effect of compensation to organizational commitment of cooperative management in East Kalimantan gives path coefficient of 0.071, t-statistic 0.990, and p value = 0.324 ($p > 0.05$). This result means that the compensation effect is not significant to the organizational commitment of cooperative management in East Kalimantan, which means that the first hypothesis in this study is rejected.
2. Testing hypothesis 2 shows that the influence of organizational culture to organizational commitment of cooperative management in East Kalimantan gives path coefficient 0.504, t-statistic 5.987, and p value = 0.000 ($p < 0.05$). This result means that there is a significant relationship between organizational culture and organizational commitment of cooperative management in East Kalimantan, which means that the second hypothesis in this study is accepted.
3. Testing hypothesis 3 shows that the work conflict influences the organizational commitment of cooperative management in East Kalimantan with path coefficient value of 0.283, t-statistic 3.176, and p value = 0.002 ($p < 0.05$). This result means that there is a significant relationship between work conflict toward organizational commitment of cooperative management in East Kalimantan, which means that the third hypothesis in this study is accepted.
4. Testing hypothesis 4 shows that the path coefficient value of 0.039 with t-statistic 0.498 and p value = 0.619 ($p > 0.05$). This result means that the compensation has no significant influence to the performance of the cooperative management in East Kalimantan, which means that the fourth hypothesis in this study is rejected.
5. Testing hypothesis 5 shows the influence of organizational culture to the performance of the cooperative management in East Kalimantan with path coefficient 0.026, t-statistic 0.261, and p value = 0.795 ($p > 0.05$). This result means that there is no significant influence of organizational culture to the performance of the cooperative management in East Kalimantan, which means that the fifth hypothesis in this study is rejected.
6. Testing hypothesis 6 shows that the work conflict influences the performance of the cooperative management in East Kalimantan with path coefficient 0.403, t-statistic 3.159, and p value = 0.002 ($p < 0.05$). This result means that there is a significant relationship between work conflict and the performance of the cooperative management in East Kalimantan, which means sixth hypothesis in this study is accepted.
7. Testing hypothesis 7 shows the influence of organizational commitment to the performance of the cooperative management in East Kalimantan with path coefficient 0.381, t-statistic 3.627, and p value = 0.000 ($p < 0.05$). This result means that there is a significant relationship between organizational commitment to the performance of the cooperative management in East Kalimantan, which means the seventh hypothesis in this study is accepted.
8. Assessment of the effect of mediation.

a. Compensation for the cooperative management performance through organizational commitment in East Kalimantan.

Results of testing the influence of organizational commitment to management performance shows path coefficient 0.381. T-statistic value obtained was 3.627. This value is greater than t-table (1.960). This result means that organizational commitment has a positive influence on management performance.

Testing the influence of intervening variables that mediates between the dependent variable is done by calculating the Sobel formula. The results of the two tests obtained P_1 (the path coefficient of compensation) = 0.071 with Se_1 (STDEV compensation) = 0.128, and P_2 (the path coefficient of organizational commitment) = 0.381 with Se_2 (STDEV organizational commitment) = 0.105.

The coefficient of indirect compensation variable (X_1) to the management performance (Y_2) obtained results ($Se_{1,2}$) amounted to 0.029. The t-test result of 0.920 with p value = 0.359 ($p > 0.05$) means that the parameters of mediation is not significant. Thus, the model of the indirect effect of compensation to management performance through organizational commitment cannot be accepted (rejected).

b. Organizational culture on cooperative management performance through the organizational commitment in East Kalimantan.

Testing result of the influence of organizational commitment to management performance shows path coefficient value of 0.381. T-statistic value was 3.627. This value is greater than t-table (1.960). It means that organizational commitment has a positive influence on management performance.

Testing the mediating influence between intervening variables and the dependent variable gives P_1 (the path coefficient of organizational culture) = 0.540 with Se_1 (STDEV compensation) = 0.084, and P_2 (the path coefficient of organizational commitment) = 0.381 with Se_2 (STDEV organizational commitment) = 0.105. The magnitude of the indirect coefficient of organizational culture (X_2) to the management performance (Y_2) is $P_{1,2}$ (0.192).

The magnitude of the indirect standard error of organizational culture (X_2) to the management performance (Y_2) obtained results $Se_{1,2} = 0.062$ with t-test result 3.074.

T-value of 3.074 with p value = 0.003 ($p < 0.05$) means that the mediating parameters is significant. Thus, the model of indirect influence of organizational culture to the management performance through organizational commitment is acceptable.

c. Work conflict toward cooperative management performance through organizational commitment in East Kalimantan.

Assessment of the effect of mediation is conducted by using Sobel formula. Results of testing the influence of organizational commitment to management performance shows path coefficient value of 0.381. T-statistic value obtained was 3.627. This value is greater than t-table (1.960). This result means that organizational commitment has a positive influence on management performance.

The results of the two test results obtained P_1 (the path coefficients of work conflict) = 0.283 with Se_1 (STDEV compensation) = 0.089, and P_2 (the path coefficient of organizational commitment) = 0.381 with Se_2 (STDEV organizational commitment) = 0.105. The indirect coefficient of work conflict variables (X_3) to the management performance (Y_2) is $P_{1,2} = 0.108$. The indirect standard error is $Se_{1,2} = 0.046$, with t-test result of 2.342 and p value = 0.021 ($p < 0.05$). It means that the mediating parameter is significant. Thus, the model of indirect influence of work conflict variables toward management performance through organizational commitment is acceptable.

7. CONCLUSION

Based on the analysis and discussion in the previous chapter, it can be concluded as follows.

1. Compensation has positive and insignificant effect on the organizational commitment of the cooperative management in East Kalimantan.
2. Organizational culture has positive and significant effect on the organizational commitment of the cooperative management in East Kalimantan.

3. Work conflict has significant positive effect on the organizational commitment of the cooperative management in East Kalimantan.
4. Compensation has positive and insignificant effect on the performance of the cooperative management in East Kalimantan.
5. Organizational culture has positive and insignificant effect on the performance of the cooperative management in East Kalimantan.
6. Work conflict has positive significant effect on the performance of the cooperative management in East Kalimantan.
7. Organizational commitment has positive significant effect on the performance of the cooperative management in East Kalimantan.
8. Organizational commitment is a pure mediation of organizational culture and management performance, as well as quasi-mediation between work conflict and the management performance.

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