The relationship between strategic compensation practices and affective organizational commitment

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ABSTRACT

The study, conducted in universities of medical sciences, seeks to investigate the relationships among strategic compensation practices, psychological contract, and affective organizational commitment. In addition, the study aims to test the mediating effect of psychological contract in the relationship between strategic compensation practices and affective organizational commitment. The study sample comprised 301 non academic staff in the universities of medical sciences in Iran. Results reveal that strategic compensation practices led to perceived fulfillment of psychological contract and the latter, in turn, led to higher affective organizational commitment. In addition, employees with higher levels of affective organizational commitment who perceived a fulfillment of psychological contract were less likely to leave an organization. There was significant relationship between employees’ psychological contract and their affective organizational commitment. The study’s findings are generalizable to other universities of medical sciences and perhaps to similar universities in the Iran. Future research should examine the antecedents and consequences of affective organizational commitment in other universities in Iran. The study suggested that to avoid intention to leave and retain employees who identify with their values and goals, organizations ought to provide effective strategic compensation practices in decision-making. Implications of the findings of this study and possible directions for future research are also discussed.

Key words: Strategic compensation practices, psychological contract, affective organizational commitment, turnover intention.

INTRODUCTION

Work-related attitudes demonstrated by employees are increasingly valued as many have a direct or indirect impact on work behaviors. Affective organizational commitment is related to such important employee attitudinal variables, as well as behavioral factors, such as turnover intention (Addae et al., 2006). In fact, it is an attitudinal construct that may be an important antecedent to other constructive employee behaviors. Despite the abundance of research that has examined affective organizational commitment, there remain a number of gaps that form the basis for this study. Firstly, a literature review shows that although affective organizational commitment has been shown to be an important predictor of turnover intentions (Addae et al., 2006; Addae and Parboteeah, 2006) very few studies (Anvari et al., 2010) have examined how psychological contract is related to the link strategic compensation practices and affective organizational commitment. It is plausible to argue that strategic compensation practices will likely relate to employees’ levels of organizational commitment, the degree to which they are satisfied with their jobs and even their intentions to leave. Secondly, few studies (Aggarwal and Bhargava (2009) have investigated how aspects of compensation strategies, are related to various key organizational variables such as psychological
contract, affective organizational commitment, and turnover intention. As such, we explore not only a new potential link but, as discussed later, also test the relationship in Iran where very little systematic research into employees’ attitudes and behaviors has been conducted. In this study, we examine an important antecedent of affective organizational commitment (psychological contract) and consequences of affective organizational commitment (turnover intention) in the universities of medical sciences in Iran. Furthermore, we also examine how psychological contract mediates the relationship between strategic compensation practices and affective organizational commitment. We believe that this article makes some important contributions to the literature. In addition, organizations definitely benefit from a committed workforce because those who are committed to their organizations tend to be absent less often and make positive contributions to the organization. Since turnover can be costly to organizations, commitment is generally assumed to be a desirable quality that should be fostered in employees. Furthermore, we also contribute to an understanding of the nature of the relationship between affective organizational commitment and turnover intentions, by investigating psychological contract as a mediator that could change the relationship in the universities of medical sciences. Notably, this is the first study linking strategic compensation practices to affective organizational commitment and other related factors using universities sample. We therefore believe this study brings together, in one model, the three constructs of strategic compensation practices, psychological contract, and affective organizational commitment.

LITERATURE REVIEW

The literature review of related determinants of strategic compensation practices as variables are concluded in following section.

Strategic compensation practices and affective organizational commitment

Affective organizational commitment is central to strategic human resource management practices and individual effectiveness (Guest, 1998; Bratton and Gold, 1999). Therefore, with strategic perspective, this article explores the literature on the relationships between two practices of strategic compensation and affective organizational commitment. According to Armstrong (2000), taking a strategic approach to human resource management practices (e.g. compensation) may mean making strong changes in how employees are compensated. Compensation links all pay and benefits to attracting and motivating employees (Mello, 2002; Daley, 2002). Organizations taking a strategic approach to compensation realize the need for inspiration to meet strategic objectives. In addition, inside an organization, different compensation programs may be needed for different separation, departments or group of employees. In fact, compensation should focus on internal and external pay differential among jobs (Martocchio, 2009). Strategic compensation refers to the provision of intrinsic and extrinsic compensation that are perceived by employees as fair (Mahmoodi, 2006). According to Armstrong and Murlis (1994) implementing strategic compensation practices help the organization to achieve its objectives by increasing commitment and motivation. Following this logic, compensation has been considered an important mechanism affecting attitudes and behaviors of employees. It is clear that effective compensation is generally associated with work attitudes and behavioral outcomes.

The positive impact of compensation, such as pay and incentives on work attitudes can be derived from the argument that an individual’s perception of being valued by the organization may be significantly influenced by the organization’s compensation for the individual’s effort (Meyer and Allen, 1997). Some scholars have suggested that compensation should be designed to achieve affective commitment as a strategic human resource management practices (Ritzer and Trice, 1969; Martocchio, 2009). Also, they addressed that the certain types of compensation plans also lead to higher affective organizational commitment. For example, in a study conducted by Grover and Crooker (1995), using data collected in a national survey of more than 1,500 U.S. workers, found a positive relationship between availability of benefits and affective commitment. They argued that organizations that offer such benefits are perceived by employees as showing greater support and as being fair in their dealing with employees. Compensation research has adopted theories, such as the equity theory (Adams, 1965) and job characteristic theory (Hackman and Oldham, 1980), to explore the issue of attitude with compensation. According to the equity theory, individuals are dissatisfied with the amount of pay received is less than they had expected. In the individuals’ perceptions of fair with compensation approach, some studies have suggested that pay satisfaction is related to organizational commitment. For example, Beauvais et al. (1991) found a positive and significant relationship between pay equity and organizational commitment. Lane (1993) examined the relationship between
benefit satisfaction, organizational commitment, and turnover intention. He found that benefit satisfaction was positively related to organizational commitment and negatively associated with turnover intention. According to various scholars, successful compensation practices depend on an organization’s ability to develop and implement systematic training programmes (Mello, 2002; Lundy and Cowling, 1996; Martocchio, 2009). In what follows, we will discuss possible lines of study that can contribute to the understanding of why and how integrating training, compensation, and performance appraisal has strategic importance in the organization. However, the association between training and compensation and organizational commitment appears lacking from previous investigation (Stup, 2006). In other words, provision of effective training and effective compensation are considered to be the top strategic human resource management that is considered to be relevant for retention and turnover intention (Chew and Chen, 2008). Following this logic, we aim to analyze the relationship between strategic compensation and training. Employees typically like pay-for-knowledge plans and they enjoy benefits from these programs. Because according to Hackman and Oldham (1976) they can provide both work design and job enrichment that create more intrinsically motivating. Tosi and Tosi (1986) found anecdotal evidence to suggest that workers will be more satisfied with the compensation that they receive in a pay-for-knowledge plan. Job enrichment, also known as work redesign, attempts to increase an individual’s work motivation through changes in individual jobs, which in turn lead to organizational commitment (Jamshidiyan, 2007). The job characteristics model of Hackman and Oldham (1976) provides a significant foundation to explain how to improve employee motivation through work design. Intrinsic job dimensions described the relationship between job characteristics and individual response to work (Scott et al., 2005).

In addition, according to job characteristic theory, lack of skill, task, autonomy, and feedback will not provide intrinsic compensation which in turn, will not reinforce desired work behaviors (Steers, 1977) such as attendance and desire to remain-lower turnover. Pay-for-knowledge strategies can help organizations design such intrinsically motivating works especially with regard skill variety, task identity and task significance, autonomy, and feed back (Martocchio, 2009). According to work characteristic theory, they enable employees to experience meaningfulness of work, responsibility, and knowledge of outcomes that is fundamental to intrinsic motivation, that is, work is motivating itself (Hackman and Oldham, 1975). In addition, job characteristic has an impact on individual’s attitudes, and it recognizes that human needs act as motivational forces (Charles, 2002). Motivation has been theorized as the foundation of organizational commitment (Herzberg, 1987; House and Michell, 1974; Vroom, 1964). So far, evidence does suggest that pay-for-knowledge programmes lead to increased affective organizational commitment, enhanced work motivation, these result probably due to the fact that will-designed pay-for-knowledge plans promote skill variety and autonomy (Caudron, 1993). For example, when an employer empowers teams to manage themselves, these managing duties, including training one another, learning multiple work, and different skills and abilities, represent the autonomy and skill variety. As a result, pay-for-knowledge programs can help organizations design such intrinsically motivating works, especially with regard to skill variety and autonomy. For this reason, this study has focused upon two items, skill variety and autonomy that enable employees to experience meaningfulness of work and lead to experienced responsibility for work. While there is clear evidence that intrinsic compensation affect intrinsic need satisfaction, a more recent study found that intrinsic rewards such as verbal words of interest, thanks, and approval from one’s supervisor, positively affect motivation and intrinsic need satisfaction (Wellman, 2008). The findings of the study also suggested that intrinsic need satisfaction predicts job satisfaction. The research has placed greater emphasis on intrinsic compensation than it has on extrinsic compensation.

This research is useful in integrating strategic training and intrinsic reward assessing literature and it shows the importance meaningfulness of work, and responsibility in pay-for-knowledge programs. If the strategic training involves the development of skills specific to the organization, it is likely to providing a lower turnover intention (Frazis et al., 1998; Rust, 2004; Schultz, 2002). Furthermore, there are essential gaps in our understanding of the influence of skill variety and autonomy, and individual needs assessment approach, therefore this is an important area of inquiry. Although, managing successful intrinsic reward plans depends on performance appraisal to determine appropriate compensation (Martocchio, 2009). As discussed above, strategic compensation linked both intrinsic and extrinsic rewards to motivation employees (Martocchio, 2009). Strategic compensation is critical issue for organizations because of the financial investment in paying people. Furthermore, employees must perceive a strong relationship between performance appraisal and receiving pay increase (Martocchio, 2009). It is clear that administering successful pay-for-performance programmes depends on performance appraisal practices. Thus, performance-related pay is an approach of rewarding employees for higher performance (Daley, 2002). In order for
performance-related schemes to work they should be based on clear, measurable targets agreed by both employer and employee (Perry and Wise, 1990; Naff and Crum, 1999). There are a number of reasons why employer might introduce this type of pay scheme. They may be dedicated to keep current staff, want to compete for new talent, and be seeking a fairer way of distributing wages (Martocchio, 2009). Although pay-for-performance has been considered to foster the development of a job performance (Eisenberger et al., 1999; Gavino, 2005), to date little effort has been made to demonstrate the linkage between pay- for-performance and affective organizational commitment. One of the few studies to analyzed the relationship between pay-for-performance and work-attitude and behaviors (Eisenberger et al., 1999) corroborated the relevance of pay-for-performance with work-behaviors such as perceived organizational support and job performance. The expectations of reward for high-performance was positively related to employees’ perception of autonomy, which in turn, was positively related to employees’ belief that the organization valued their contributions and their well-being. It is clear that employees appear to view the opportunity to obtain reward for greater performance as indicating increased freedom of action, and they attribute this autonomy to the organizational commitment. Drawing from this reasoning, we posit that:

**Hypothesis 1: Strategic compensation practices will be positively related to affective organizational commitment.**

**Strategic compensation practices and psychological contract**

Compensation is an important encouragement of the exchange process between employers and employees (Gerhart and Milkovich, 1992). Compensation have been recognized as an vital element of the psychological contract central the relationship between employers and employees (Lucero and Allen, 1994). Psychological contracts are an individual's beliefs regarding reciprocal obligations (Rousseau, 1990). Beliefs become contractual when the individual believes that he or she owes the employer certain contributions (e.g. hard work, loyalty) in return for certain inducements (e.g. high pay, pay-for-performance). In fact, when individual employees believe they are obligated to behave or perform in a certain way and also believe that the employer has certain obligations toward them, these individuals hold a psychological contract. Appropriate strategic compensation practices motivate employees to apply skills and encourage them to work harder and improve work processes (Aggarwal and Bhargava, 2009). Studies on the strategic compensation have identified pay-for-performance as important employer obligations (Rousseau, 1990; Robinson, 1996). Organisations can design the compensation system based on the type of employment relationship that they want to maintain (affective commitment). For instance, firms that want to establish a long-term relationship with specified performance measures should come up compensation structure which invests in employees in terms of firms’ specific skill-based training, wherein an organization will invest in the employee in terms of expensive skill-based training (Aggarwal and Bhargava, 2009). With regard to this question, how compensation can influence employee conception of psychological contract and can be used as a signalling mechanism to establish certain kinds of employment relationships? We can therefore posit that:

**Hypothesis 2: Strategic Compensation practices will be positively related to psychological contract.**

**Psychological contract and affective organizational commitment**

The psychological contract is generally defined as the employees’ beliefs about reciprocal obligations that compose an employee-employer exchange relationship (Rousseau, 1989). In other words, it is a set of unwritten beliefs held by the individual employee which specifies what individuals are allowed to receive, and what obligation each has in the line of their work relationship. Schein (1980) pointed out, the psychological contract, despite being an accepted agreement, can act as a dominant determinant of organizational behavior. Regarding to organizational commitment, an employee’s decision of the extent to which one’s psychological contract is being fulfilled has been expected to influence differently each of the three dimensions of organizational commitment (Meyer & Allen, 1984). Affective organizational commitment is likely to be affected most by the individual’s decision of the relational contract. When employees judgment that they are valued by organization, a reciprocity develops whereby the employees respond positively with higher levels of loyalty (Kwon, 2001). Thus, if organizations can meet the expectations inherent to the psychological contract, they are more likely to encourage employees’ affective commitment to the organization. Surprisingly, in a more resent research study conducted by Addae et al. (2006), found non-significant findings for the relationship between affective commitment and psychological contract. Hence In this study we seek to test the proposition that:
Hypothesis 3: Psychological contract will be positively related to affective organizational commitment.

As discussed above, when employees receive relational psychological contracts, they thus develop a positive emotional bond to the organization (i.e. affective commitment) (Eisenberger et al., 1990). Psychological contract is said to exist when organizations provide employees with what was obligated by employees (e.g., pay-for performance and pay-for knowledge), latter reciprocate by forming positive attitude in terms of affective organizational commitment. Therefore, we believe that if employees perceive a honor in the psychological contract, it will lead to emotional attachment to the organization. Employees whose psychological contract expectations are met (i.e pay-for performance and pay-for-knowledge) by the organization are more likely to be affectively committed to organizational goals. However, a psychological contract breach will undermine assumptions and perceptions of fair employer-employee long-term relationships (Rousseau and Parks, 1993). Because a breach signals a failure on the part of employers to fulfill their obligations to them (i.e. compensation). Connecting employees in strategic compensation practices are suggested to be an important tool for preventing perceived violations of psychological contract (Lucero and Allen, 1994), which in turn lead to positive attitude to the organizational values. Thus, pay-for-performance and pay-for-knowledge are important employer obligations. As such, it is hypothesized that:

Hypothesis 4. Psychological contract will mediate the relationship between strategic compensation practices and affective organizational commitment.

Consequences of affective commitment: affective organizational commitment and turnover intention

A great deal of research has been conducted that attempts to link employee attitudes (e.g., affective organizational commitment) with behavioral factors (e.g., turnover intention) (Zhao et al., 2007). In fact, affective organizational commitment plays a central role in the turnover literature. Two recent meta-analyses conducted by Griffeth et al. (2000) and Meyer et al. (2002) confirm that affective organizational commitment is well established as an important antecedent of withdrawal behaviors. They also showed that intention to leave is an important antecedent to actual turnover. Committed employees have been found to be less likely to leave an organization than those who are uncommitted (Angle and Perry, 1981; Porter et al., 1975). Affective organizational commitment refers to the employee’s emotional attachment, as well as identification with and involvement in the organization, it is likely that committed employees may therefore remain because they wish to maintain their membership in order to facilitate organizational goals (Suliman and Iles, 2000). Although, a more resent research conducted by Hsu (2009) showed no significant relationship between organizational commitment and turnover intention, most researchers have found a significantly negative relationship between affective organizational commitment and turnover intention (Addae et al, 2006; Zhao et al., 2007; Pare and Tremblay, 2007). It seems to be logical to expect that affective commitment will affect intention to quit, and thus we hypothesize that:

Hypothesis 5: Affective organizational commitment will significantly and negatively influence turnover intention.

THEORATICAL FRAMEWORK

Theoretical framework (Figure 1) describes the variables in the conceptual Model. The model suggests affective organizational commitment as dependent variable and strategic compensation practices as independent variable. In addition, it is anticipated that the relationship between strategic compensation practices and affective organizational commitment will be mediated by psychological contract. These relations are based on review of the literature that tends to support this conceptual model.

MATERIALS AND METHODS

METHOD

Measurement of variables
The main variables of the study were strategic compensation practices, affective organizational commitment, psychological contract, and turnover intention. This research used standard questions adopted from previous studies to measure the variables. Respondents were asked to indicate on a 5-point Likert-type scale (1= strongly disagree; 5= strongly agree) the extent to which they agreed with the statements.

**Strategic compensation practices**

Successful and effective pay-for-knowledge plans depend on an organization’s ability to develop and implement systematic training programs. With developing and implementing systematic training programs, successful and effective pay-for-knowledge will be achieved. Organizations that adopt pay-for-knowledge plans must accordingly ensure that employees have equal access to the training needed to equal higher level skills (Martcchio, 2009). So far, evidence does suggest that pay- for-knowledge plans lead to improve employees (Caudron, 1993), especially with regard two items—skill variety and autonomy. As a result for this study two items, skill variety (e.g., different skills, abilities, and talents) and autonomy (e.g., freedom, independence, and discretion) are broken up into pay- for-knowledge plans on the work of (Gupta et al., 1987). Measures for this dimension are drawn from existing research instruments the Work Design Questionnaire Morgeson and Humphrey (2006). Employees were asked to respond to eight items. The reliability coefficient (Chronbach alpha) for skill variety and autonomy scales to be 0.82 and 0.80 respectively. In this study pay-for-performance programs were composed of two items, how perceived an employee a strong relationship between attaining performance standards and receiving pay increases, and how employee must be prepared to meet job goals with respect to their skills and abilities (Martcchio, 2009). A 7-item pay-for-performance scale developed by Gavino (2005) was adopted to measure assess pay and their linkage to performance. In this study pay- for-performance is reported to have a high reliability of measurement (α = 0.84).

**Psychological contract**

Psychological contract fulfillment was included in the present study because of its documented role of influencing with three strategic compensation practices and affective organizational commitment. Psychological contract was measured by using 12 items scale adopted from Coyle-Shapiro and Conway (2005). Whereas they reported a internal consistently reliability with coefficient Alpha of 0.89. In this study psychological contract is reported to have a high reliability of measurement (α = 0.83).

**Affective organizational commitment**

Affective organizational commitment refers to an emotional bonding to the organization. Employees with a large emotional attachment to the organization can not leave their organization (Meyer et al., 1993). In this study, 6-item scale was adopted Meyer and Allen (1997). In this study, affective organizational commitment measurement is adopted from sub dimensions of organizational commitment Scale by Meyer and Allen (1997). They reported affective organizational commitment with Alpha Cronbach value 0.85. In this study, we obtained an Alpha Cronbach of 0.89.

**Turnover intention**

Turnover intention is an important antecedent to actual turnover and its negative impact on the well being of the organization” (Addae et al., 2006: 228). In this study turnover intention was outcome variable and as consequence of affective organizational commitment. Turnover intention was measured by using 4 items scale adopted from Sanders and Roefs (2002) and 3 items scale adopted from Camman et al. (1979). The Chronbach alpha for this scale was 0.85.
Furthermore, this study is adopted construct validity to promise the goodness of survey. Thus, factor analysis is used as a common test to validate the construct of the measurement. It was decided to use the construct validation strategy— the process of factor analysis recommended by Pallant (2007). The process has three assumptions: determine sufficient correlations that show value greater than 0.3; demonstrate of significantly in the correlation matrix \( p < 0.05 \); determine the Kaiser-Meyer-Olkin in the descriptive statistics that show value greater than 0.06.

Table 1 presents the results of factor analysis for studied practices of strategic compensation (pay-for-performance and pay-for-knowledge) undertaken in this study. The exploratory factor analysis for the strategic compensation scale revealed some overlap between items in the first factor (pay-for-knowledge) and the second factor (pay-for-performance). After rotation, the first factor explained 35.536% of the variance, and the second factor explained 46.809% of the variance, with a total of 82.345% of the variance explained by these two factors. It denotes that the dimensions are greatly suitable to describe this variable. Table 2 presents the results of factor analysis for studied variables (affective organizational commitment, psychological contract, and turnover intention) undertaken in this study. All studied variables report its cumulative variance greater than 60 percent (affective organizational commitment: 71.73%; psychological contract: 73.14%; turnover intention: 60.46%). It denotes that these dimensions are greatly suitable to describe the variables.

The study sample

Four universities of medical science were places of conducting this study. According to the data released by Health Information Management (2 Dec, 2009), there were nine universities of medical sciences listed in the Webometric Ranking of Top Iranian Medical Universities and out of them, only four universities were top Iranian Medical universities. The four universities were Isfahan, Iran, Tehran, and Mashhad universities of medical sciences. The Four hundred questionnaires for non-academic employees were distributed according to simple random sampling of the probability sampling design. Simple random sampling method gives the population equal chances of being chosen as a subject of the study (Bordens and Abbot, 2008). The questionnaire randomly was hand carried in person by the researcher to the 100 employees within the four universities. Meanwhile, before distributing the questionnaire, the researcher sent a letter for requesting approval to conduct the study in each university. The period of data collection lasted 80 days, from February 20th 2010 to May 10th 2010. For improving the response rate, the researcher has informed respondents by a cover letter for the purpose that participation in the research was voluntary and that would be fully confidential in the data analysis. Of 400 employees selected for the sample, 325 employees completed and returned their questionnaires. After deletions of 24 unusable missing cases, the final data set consisted of 301 respondents for an overall response rate of 75.25 per cent. The university response rate for each of the four universities varied between 68 per cent and 92 per cent.

**STATISTICA METHODS**

Descriptive statistics, which include frequencies, percentages, means, standard deviations and intercorrelations among the main variables, are used to present the main characteristics of the sample. In addition, following appropriate statistical tools was used for data analysis.
Pearson product-moment correlation

According to the requirements of the conceptual framework (Figure 1), the test of measuring the relationship of variables is Pearson correlation, because it tests the interdependency of the variables discussed in the conceptual framework.

Multiple regression analysis

Because of there are more than one independent variable in the conceptual framework, multiple regression analysis is used.

Simple linear regression

For determining the effect of affective organizational commitment on the turnover intention a simple linear regression was carried out for this study.

DISCUSSION

The purpose of this study was to measure the relationship between strategic compensation practices and affective organizational commitment of non academic staff in Iran. After interpretation of results, our H1 is sustained as there is a significant relationship is found between pay-for-knowledge and pay-for-performance and affective organizational commitment. But comparatively pay-for-performance has stronger relation than pay-for-knowledge. It means that non academic staffs are more concerned with what the job is actually paying to them. The study conducted by Jamshidiyan (2007) showed that people are more satisfied with pay-for-performance than pay-for-knowledge. It is clear that, the study of strategic compensation practices is important in Iran. However, limited studies have been conducted so far, particularly on the relationships of pay-for-performance and pay-for-knowledge on affective organizational commitment. In addition, these findings confirm that pays based on knowledge and performance are as an important exchange process as argued by Robinson (1996). Moreover, Gerhart and Milkovich (1992) believed that strategic compensation practices are vital for exchanging process between employers and employees. It is because beliefs become contractual when the employees believe that they owe the employer certain contributions (e.g. commitment, profitability) in return for certain inducements (e.g. pay-for-knowledge and pay-for-performance). Thus, it should be noted that universities employees put great emphasis on psychological contract, which in turn significantly affects their emotional bond toward their employing university. Therefore, it would be beneficial for universities provide employees with what was obligated by employees (e.g., pay-for-performance and pay-for-knowledge), latter reciprocate by forming positive attitude in terms of affective organizational commitment.

This study demonstrates that psychological contract has positive impact on affective organizational commitment. Addae et al. (2006) found a nonlinear relation between psychological contract and affective organizational commitment. Despite divergent finding in their work, this exploratory investigates how fulfillment of the psychological contract may have been expected encourage more emotional bonding (i.e. affective organizational commitment) to the organizations. In the regression model on strategic compensation practices including psychological contract, strategic compensation practices showed a direct and positive effect on affective organizational commitment. This direct effect indicates that psychological contract does not completely mediate the relationship between strategic compensation practices and affective organizational commitment. In other words, the most important purpose of strategic compensation practices is to foster an appropriate employees conception of employment relationship (psychological contract) that if the employment relationship is to be seen fair by employees, they feel emotional bonding to the organization. However, this result has not been previously described in other studies. One plausible explanation is that, when employees are presented the useful and beneficial actions by the organization they may recognize high-quality exchange relationships and a feel of strong bonding to their organizations. Sometimes when these strategic practices are viewed by employees helpful and they acknowledge the accomplishment of these practices, thus they feel emotional attachment to the organization. This result is consistent with Addae’s (2006: 228) explanation that “if organizations can meet the expectations inherent to
the psychological contract, they are more likely to encourage employees’ affective commitment to the organization”. Because of the previous research has been conceptual (Aggarwal and Bhargava, 2009) it is difficult to compare the findings of this research with the findings of other research within the strategic human resource management field.

Analysis of data relating to H5 found that affective organizational commitment and turnover intention are significantly and negatively correlated. Regressing the variable on turnover intention yielded that it is a significant explanatory variable of turnover intention. These findings confirm theorization that the degree employee’s emotional attachment increases if the degree of likely to leave an organization decrease and vice versa. When employees have emotional attachment to the organization they will contribute with and involvement in the organization to achieve individual effectiveness as argued by Armstrong (2000). The higher affective organizational commitment, the lower turnover intention is likely to be. This reasoning is confirmed by the findings. The findings are consistent with the results of Addae et al. (2006). They found that employees who are thinking about living are likely uncommitted than those involvement to the organization. It seems possible that these results are due to they wish to sustain their attachment in order to achieve individual effectiveness. Also, the findings are consistent with the explanation of Zhao et al. (2007) and Pare and Tremblay (2007). However, finding from Hsu (2009) say the opposite to the result of Addae, et al. (2006). Study among employees from high-tech industry in Taiwan exerted that employees who stay with their organisations do not feel strong belonging. It can therefore be assumed that if organisations could give their employees with effective involvement, then the researcher can expect employees will not intention to conduct a job search.

LIMITATIONS, FUTURE RESEARCH AND CONCLUSIONS

The main hypothesis of this study was to investigate the mediating effect of psychological contract on the relationship between strategic compensation practices and affective organizational commitment of non academic staffs in the universities of medical sciences in Iran. The relationships between strategic compensation practices, psychological contract, and affective organizational commitment have not been investigated in one integrated model in Iran. Thus, the study contributes to filling this gap. Although the findings raise important considerations about the strategic compensation practices that may affect organizational commitment, there are a number of limitations that should be noted. The generalizability of the results may be limited because the research was conducted in organizations in the universities of medical sciences in Iran. While it is arguable that they should be relevant to other similar occupations, this may have biased our results. We hope that this study will encourage new research avenues. For instance, we found relationship between strategic compensation practices and psychological contract. Perhaps future studies can explore this in integrating model of strategic training, compensation, and performance appraisal practices. By doing so, we can understand more about how integrating of strategic human resource management practices including compensation, training, and performance appraisal affect work attitudes (i.e. affective organizational commitment) and work behavior (i.e. turnover intention). Consequently, this study provided evidence that psychological contract is important in the emotional bond (i.e. affective organizational commitment) to the organization as a link between strategic compensation practices and affective organizational commitment. The findings imply that managers can develop a positive emotional bond to the organization among their competent staff by using relational psychological contracts that often support employees’ affective commitment to the organization. The results of this study generally supported the literature on this complex construct.

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