

INVESTIGATING RELATIONAL CONTRACT AND AFFECTIVE COMMITMENT ON THE RELATIONSHIP BETWEEN COMPENSATION AND PRODUCTIVITY IN ORGANIZATIONS IN LUSAKA ZAMBIA

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Abstract

It is purported in the literature that, compensation as a motivational factor, has a relationship with productivity in organizations. However, there are other schools of thought that postulate that there are mediating factors such as relational contract and affective commitment that could influence the relationship between compensation and productivity. Thus, the research attempted to establish this speculation. The conceptual framework evolved generated the following hypotheses: Compensation positively relates to productivity; compensation positively relates to affective commitment; compensation positively relates to relational contract; affective commitment relates positively with productivity; finally, relational contract positively relates to productivity. The study was based on the expectancy theory of motivation by Victor Vroom. Using simple random sampling technique, 200 companies were sampled out of 10,077 companies. Unfortunately, the response rate of 49.5% of the 200 companies was used for the study. The structural modeling approach was chosen to evaluate both error in construct measurement and error in hypothesized relations. Latent variables partial least-squares

(LVPLS) was employed. Three of the hypotheses were supported, i.e., compensation was found to have significant impact on productivity, affective commitment and relational contract. The results revealed that compensation is positively related to productivity, affective commitment and relational contract.

Keywords: Compensation, Affective Commitment, Relational Contract, Productivity, Zambia

INTRODUCTION

It is common knowledge that most employees agitate for better conditions of service, while employers complain of low productivity. In most cases the non-attention by employers to address conditions of service for employees generate labour unrests. Labour unrest in the form of strike actions in both public and private corporate organizations underscore the importance employees attach to the issue of compensation (Yamoah 2013, p.110). The issues in most cases that are glossed over by employers is the litigation processes that some employees will engage their employers eventually leading to huge sums of money to be paid as compensations to employees. As a result, the human resource functions of many corporate organizations are challenged to develop and implement effective compensation schemes which will lead to the achievement of organizational goals (Yamoah 2013, p.110).

According to Bajwa et al. (2015), compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of employment relationships. The different components of compensation makes employees feel that they are secured and working under a better organization that is fulfilling their needs. When the employees feel secured and satisfied they perform better. Nnorom et al. (2016) opined that, compensation includes direct forms such as base, merit, and incentive pay and indirect forms such as vacation pay, deferred payment, and health insurance. The ultimate objectives of compensation administration are: efficient maintenance of a productive workforce, equitable pay, and compliance with federal, state, and local regulations based on what companies can afford. Employees today are not willing to work only for the cash alone they expect 'extra' known as employee benefits (Nnorom et al. 2016). A well designed compensation and benefits plan helps to attract, motivate and retain talent in organizations. Employees would be happy with their jobs and would love to work for such organizations if they get fair compensations in exchange of their services. A compensation plan that meets workers' needs is more likely to motivate them to act in the desired way. In addition, when worker's compensations are adequately managed, employees will have the zeal and enthusiasm to be regular at work. When employees are treated well, they

will offer value for money spent on them. Employees will not be willing to work for any other organization as long as they are treated well and get their compensation at the right time and measure. So there will be a low rate of employee turnover. The benefits of a good compensation package to employees include having a peace of mind and increasing self-confidence among employees. Employees also tend to gain more and more confidence in their employers if they receive just compensations. As a result, their performance level shoots up (Nnorom et al. 2016, p.43).

The question that one may want to ask is whether there is any relationship between compensation and productivity (Yamoah 2013, p.110). Among the factors that affect productivity, the issue of compensation is one that is dear to both employers and employees. The type of compensation and the relevance of the compensation benefits to the employee is very important (Yamoah 2013, p.112).

According to Kumari (2013), affective organizational commitment is one dimension of a multi-commitment work environment. Explaining what it is that contributes to affective organizational commitment in different outcomes like quality of work life variables involving satisfaction with relations, hobbies, place of residence, satisfying life, health condition, physical fitness etc. When family researchers examine the interplay between work and the family, they usually focus on the impact of people's work situations on their family lives. But recent research acknowledges that non-work aspects, such as life satisfaction, should be important consideration for organization operating system (p.26).

Employees are considered as an important asset of an organisation and their commitment plays a vital role in achieving sustainable growth of the organisation. The employee commitment always plays a very predominant role in achieving the vision and mission of the organisation. The employee commitment is identified as a baseline for the performance of the company. This commitment is said to have a relationship with the compensation what employee receives. It is predicted that employee commitment may be increased when the employee is satisfied by the elements of compensation (Alamelu et al. 2015, p.335).

The paper has the following five sections or parts: - Part one discusses briefly the research problem and the history of Zambia's socio-economic and labour market, part two discusses the literature related to the study which is also the empirical evidence culminating to the formulation of hypotheses, discussion of the conceptual framework that guided the study and the theories on compensation, affective commitment, relational contract and productivity. Part three of the paper focuses on the methodology of the research study, part four highlights the results and discussion of the research study. The last part of the paper outlines the conclusions and recommendations for further research studies.

Zambia's Socio-Economy and Labour Market History

Zambia's Socio-economic and labour market history is quite an intriguing one. Before independence on October 24th 1964, the economy was largely dependent on the copper exports generated from her rich copper reserves in its geographical zone aptly described as the Copperbelt Province. The role of the copper industry has not dwindled. Infact after independence, the copper production industry has expanded to the North-Western province with companies such as First Quantum being the first mining conglomerate to initiate mining activities as Kansenshi mines. Other mineral explorations in gold, oil and uranium are thought to have been done but not exploited or mined on commercial basis (UNDP Report, 2016, p.43). However, in view of the uncertainties that are associated with mineral operations (i.e., the exhaustive nature of the mineral and the high cost associated with its operations the industrial activities are encouraged by the government to be pursued. Both foreign based and domestic entrepreneurs have been attracted to the favourable economic policies of the government to establish their businesses in Zambia. Most of the industries are located along the line of rail stretching from Kitwe through Ndola, Lusaka and Livingstone. The line of rail creates a geographical divide of the country. Nonetheless, Lusaka being the capital city and the main commercial centre has witnessed an influx of entrepreneurs and business growth. This expansion process, has made the city to experience a high urbanization rate characterized by high rate of informal sector economic development process. The high urbanization process has made Lusaka a potential geographical base for excess labour to be exploited by industrialists and business managers. The scenario, thus, has made Lusaka to experience high rate of business formation activities (UNDP Report, 2016, p.43).

In view of the high rate of business formation activities in the city of Lusaka, this research thought of prudent and appropriate to study some of the human resource practices that the industries utilized in the wake of global competition to sustain productivity. It must be hinted at this juncture that Zambia's political history after independence was a one party system which focused on the ideology of humanism and state formation concept as a way of ensuring equality in the sharing of the gross domestic product (GDP). This philosophy failed and in 1992 the Movement for Multiparty Democracy (MMD) party came to power after a democratic process was initiated by the people of the country. This socio-economic and politico-economic dynamism supported the free-market economy (UNDP Report, 2016, p.43). Though the free-market economy has its own risks and setbacks, it can be reiterated at this juncture that ever since the process was initiated by the Movement for Multiparty Democracy (MMD) government in the 1992, Zambia's socio-economic structures have been evolving with more and more indigenous entrepreneurs being born and seizing the opportunity to compete with the foreign

companies (UNDP Report, 2016, p.43). This process has reduced the unemployment rate. Nonetheless, compensation policies also have tended to have some bearing on the most industrial organisation's relational contract and productivity as well as the affective commitment of these employees on productivity hence, the study.

LITERATURE REVIEW

The following empirical research evidence was reviewed to establish the nature of the research study conducted and its findings. Nereid et al. 2017; Nnorom et al. 2016; Hameed et al. 2014 and Yamoah 2013 focused on the relationship between compensation and productivity. On the other hand, Kee et al. (2016); Rahaman et al. (2016); Bajwa et al. (2015); Alamelu et al. (2015); Kumari et al. (2013) and Nawab et al. (2011) emphasized on the relationship between compensation and affective commitment. Nereid et al. (2017) conducted research studies on the mediating role of affective commitment in the organizational rewards – organizational performance relationship. The results indicated that organizational rewards played a significant role in influencing employees' attitudes related to improving the organizational performance (p.105). Nnorom et al. (2016, p.44) examined the effect of compensation administration on employee productivity in Dangote Nigeria Headquarters in Lagos Nigeria. The study highlighted the need for effective compensation in organizations. The study looked at what constituted effective compensation administration on organizations and the benefits that were obtained. The findings of the study indicated that effective compensation administration had a positive bearing on employee productivity. In a similar study done by Kee et al. (2016, p.79) on the banking industry in Malaysia, in-depth on the relationship between financial compensation and organizational commitment the results showed that, there was a significant relationship between financial compensation such as salaries, bonuses and merit pay and organizational commitment. Besides that, merit-based pay was identified as the dominant factor in influencing the organizational commitment among the bank workers under study. Rahaman et al. (2016), also conducted a research to examine the Bangladesh Railway employee's commitment based on compensation and benefits. The results indicated that there were various common factors related to compensations and benefits that affected employee's commitment.

Bajwa et al. (2015) conducted research studies to determine the relationship between compensation management and employee motivation in cooperative banks. The objective of the research study was to analyze compensation management practices required to retain employees and maintain them. The main aim of the research study was to study compensation management and related aspects and to know the impact of compensation management on

employee motivation in private sector banks in Jaipur city. The results revealed that there is a positive relationship between compensation management and employee motivation (p.70).

Alamelu et al. (2015) conducted research studies to establish the relationship between compensation and commitment in small manufacturing industries in Tiruchirappalli District, Tamil Nadu, India. The study aimed to establish the factors of compensation affecting employee commitment, and employee's perception towards the components of pay model. The study revealed that employee commitment was strongly associated with the satisfaction of employees towards their compensation based on pay model (p.340). However, Hameed et al. (2014) measured the impact of compensation on employee performance at the banking sector of Pakistan. The findings revealed that compensation had positive impact on employee performance (p.308).

Yamoah (2013) examined the relationship between compensation and productivity in the banking industry in Ghana. The results indicated a significant relationship between compensation and productivity (p.112). Kumari et al. (2013) examined the role of affective commitment in employee's life satisfaction. The results were found that organizational affective commitment was highly significantly related with life satisfaction among managerial employees (p.28). Nawab et al. (2011) conducted research studies on the impact of employee compensation on their job satisfaction and employee's organizational commitment among Pakistani university teachers. The study also aimed at developing a course of action for university's administration to come up with practices which would enable them to attract and retain top level faculty at their institutions.

The comprehensive literature reviewed established that very little research has been established on the relationship between compensation, affective commitment, relational contract and productivity. Most of the literature dwelt on affective commitment and productivity or organizational commitment and employee performance. The literature also did not illustrate the relationship between compensation, affective commitment, relational contract and productivity. Besides, there is also insufficient knowledge due to limited literature focusing on organizations based in Lusaka Zambia. Hence the motivation and desire to pursue the research. Based on the extracts from the literature reviewed, the next section discusses the theoretical constructs perceived to guide the conceptualization of the relationship between compensation, affective commitment, relational contract and productivity.

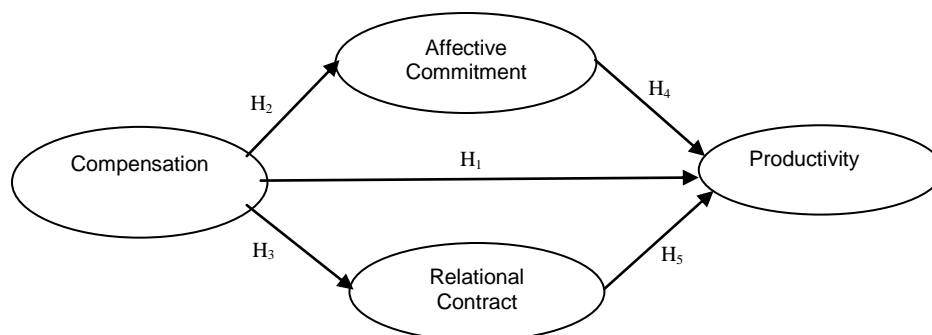
Theory on Compensation, Affective Commitment, Relational Contract and Productivity

This study utilized Vroom's expectancy theory of motivation which states that "performance or productivity can be thought of as a multiplicative function of motivation and ability; for example P

= (M x A)". Motivation in turn varies with the Valence (V) or attractiveness of outcomes upon the performance for that task, and the instrumentality (I) of performance for attaining the outcome. Vroom is simply saying in precise mathematical language that, "motivation depends not just on the outcome desired by the worker, but also on the instrumentality of effort, that is the relationship perceived by the worker between his and others' previous efforts and the desired outcome" (Nnorom G. et al. 2016, p.42). Vroom's explanation in his theory is that, in order to motivate employees or people, the effort put in by the employees, the performance generated, and motivation must be linked to one another. Thus in Vroom's view, employee expectations can affect an individual's motivation. Thus the amount of effort employees exerts on a specific task depends on their expectations of the outcome. Vroom contends that employees ask three basic questions before committing maximum effort to a task: Can I accomplish the task? If I do accomplish it, what's my compensation? Is the compensation worth the effort? (Nnorom G. et al. 2016, p.42). Therefore, relevant concepts are extracted from the expectancy theory by Victor Vroom to explain the relationships between compensation, affective commitment, relational contract and productivity.

The conceptual framework below shows the relationship between the four variables of compensation, affective commitment, relational contract and productivity, thus the hypotheses that emerged are as follows. All the variables were measured by means of the 7-point Likert scale questionnaire that produced the perceptions of the respondents.

Figure 1: Conceptual Framework



- H₁: Compensation positively relates to Productivity*
- H₂: Compensation positively relates to Affective Commitment*
- H₃: Compensation positively relates to Relational Contract*
- H₄: Affective Commitment relates positively with Productivity*
- H₅: Relational Contract positively relates to Productivity*
- H₆: There is significant categorical moderating effect of firm size on the relationship among model constructs*

METHODOLOGY

A positivist research strategy was adopted in this research study. The sample frame constituted of 10,077 companies, all situated in Lusaka, Zambia. A sample of 200 companies were randomly selected of which 99 companies responded.

Edgar et al. (2005, p.534) scale was adopted to measure strength of human resource management practices which include compensation. A 16-item measurement developed by Allen et al., (1990, p.14) was adopted to measure affective commitment. Relational contract was measured using the 12 items scale by Coyle-Shapiro et al. (2005, p.781).

A self-administered questionnaire containing mostly close-ended questions was used in the collection of data. The instrument comprised of several Likert-type scale ranging between (1) representing strongly disagree and (7) representing strongly agree was used.

One structural model was formulated and tested using structural equation modeling (SEM) using latent variables partial least-squares (LVPLS) with SmartPLS3.

RESULTS AND DISCUSSION

After examining the outer loadings for all latent variables, the 1 indicator (AC5) was removed because its outer loading was smaller than the 0.4 threshold level (Hair et al., 2013). Meanwhile, 10 indicators (C4, C5, AC3, RC1, RC2, RC3, RC5, PROD1, PROD4 and PROD5) were found to have loadings between 0.4 to 0.7. A loading relevance test is therefore performed for these 10 indicators to see if they should be retained in the model. In a loading relevance test, problematic indicators should be deleted only if their removal from the PLS model leads to an increase of AVE and composite reliability of their constructs over the 0.5 thresholds. PROD5, RC3 and RC2 were removed leading to AVE of the constructs PRODUCTIVITY and RELATIONAL CONTRACT increasing from below 0.05 to a value above 0.50. The other indicators were not removed from the PLS model as the latent constructs' Average Variance Extracted (AVE) and composite reliability were above 0.5 and 0.7 respectively to maintain content validity.

The resulting path model estimation is presented in Figure 2 and the outer loadings of various constructs are shown in Table 1.

Figure 2: PLS Path model estimation

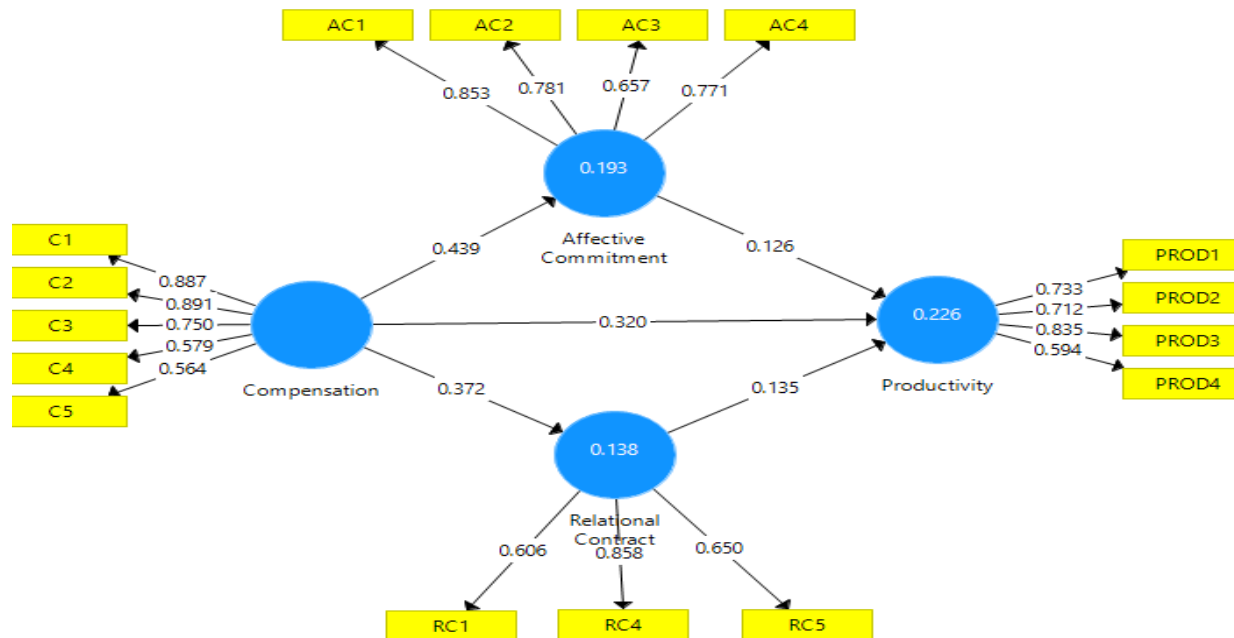


Table 1: Outer Loadings

	AFFECTIVE COMMITMENT	COMPENSATION	PRODUCTIVITY	RELATIONAL CONTRACT
AC1	0.853			
AC2	0.781			
AC3	0.657			
AC4	0.771			
C1		0.887		
C2		0.891		
C3		0.750		
C4		0.579		
C5		0.564		
PROD1			0.733	
PROD2			0.712	
PROD3			0.835	
PROD4			0.594	
RC1				0.606
RC4				0.858
RC5				0.650

Internal Consistency Reliability

The composite reliability for the constructs COMPENSATION, AFFECTIVE COMMITMENT, RELATIONAL CONTRACT AND PRODUCTIVITY are shown to be 0.860, 0.851, 0.752 and 0.812 respectively, indicating high levels of internal consistency reliability (Nunnally & Bernstein, 1994). Prior research suggests that a threshold level of 0.60 or higher is required to demonstrate a satisfactory composite reliability in exploratory research (Bagozzi & Yi, 1988) but not exceeding the 0.95 level (Hair et al. 2013).

Convergent Validity

The AVE for the latent construct COMPENSATION, AFFECTIVE COMMITMENT, RELATIONAL CONTRACT AND PRODUCTIVITY are 0.559, 0.591, 0.509 and 0.523 respectively, all are above the required minimum level of 0.50 (Bagozzi & Yi, 1988). Therefore, the measures of the four reflective constructs can be said to have high levels of convergent validity.

Discriminant Validity

Table 2 clearly shows that discriminant validity is met because the square root of AVE for COMPENSATION, AFFECTIVE COMMITMENT, RELATIONAL CONTRACT AND PRODUCTIVITY are much larger than the corresponding LVC and the indicator's loading to its latent construct is higher than that of other constructs.

Table 2: Fornell-Larker Criterion

	AFFECTIVE COMMITMENT	PRODUCTIVITY	COMPENSATION	RELATIONAL CONTRACT
AFFECTIVE COMMITMENT	0.769			
PRODUCTIVITY	0.354	0.723		
COMPENSATION	0.439	0.425	0.748	
RELATIONAL CONTRACT	0.649	0.336	0.372	0.713

Evaluation of the Structural Model in PLS-SEM: Collinearity Assessment

In addition to checking the measurement model, the structural model has to be properly evaluated before drawing any conclusion. Collinearity is a potential issue in the structural model and that variance inflation factor (VIF) value of 5 or above typically indicates such problem (Hair et al. 2011). The collinearity assessment results were summarized in Table 4. It can be seen

that all VIF values are lower than five, suggesting that there is no indicative of collinearity between each set of predictor variables.

Table 3: Collinearity Assessment

	AFFECTIVE COMMITMENT	PRODUCTIVITY	COMPENSATION	RELATIONAL CONTRACT
AFFECTIVE COMMITMENT		1.875		
PRODUCTIVITY				
COMPENSATION	1.000	1.260		1.000
RELATIONAL CONTRACT		1.756		

Coefficient of Determination (R^2)

A major part of structural model evaluation is the assessment of coefficient of determination (R^2). In this model, PRODUCTIVITY is the main construct of interest. From the PLS Path model estimation diagram (see *Figure 2*), the overall R^2 is found to be a weak one. Threshold value of 0.25, 0.5 and 0.7 are often used to describe a weak, moderate, and strong coefficient of determination (Hair et al., 2013). In our case, it suggests that the three constructs COMPENSATION, AFFECTIVE COMMITMENT, and RELATIONAL CONTRACT can jointly explain 22.6% of the variance of the endogenous construct PRODUCTIVITY. The R^2 value is 0.226.

Path Coefficient

From Table 4, three of the five of the structural model relationships are significant, confirming our various hypotheses about the construct relationships. The PLS structural model results enable us to conclude that COMPENSATION has the strongest effect on PRODUCTIVITY (0.320), followed by RELATIONAL CONTRACT (0.135) and AFFECTIVE COMMITMENT (0.126).

Table 4: Significance Testing Results of the Structural Model Path Coefficients

	Mean	Std dev	t-statistic	p-value
AFFECTIVE COMMITMENT → PRODUCTIVITY	0.126	0.202	0.622	0.534
COMPENSATION → AFFECTIVE COMMITMENT	0.439	0.080	5.511	0.000
COMPENSATION → PRODUCTIVITY	0.320	0.140	2.284	0.023
COMPENSATION → RELATIONAL CONTRACT	0.372	0.101	3.687	0.000
RELATIONAL CONTRACT → PRODUCTIVITY	0.135	0.205	0.662	0.508

Predictive relevance (Q^2)

An assessment of Stone-Geisser's predictive relevance (Q^2) is important because it checks if the data points of indicators in the reflective measurement model of endogenous construct can be predicted accurately. This can be achieved by making use of the blindfolding procedure in SmartPLS. AFFECTIVE COMMITMENT, RELATIONAL CONTRACT AND PRODUCTIVITY are the three endogenous constructs in the model, so they are selected for running the Blindfolding Algorithm. The following table summarizes the results. It is observed that the proposed model has good predictive relevance for all of the endogenous variables. Chin (1998) suggests that a model demonstrates good predictive relevance when its Q^2 value is larger than zero (Table 5).

Table 5: Predictive relevance (Q^2)

Endogenous Latent Variable	R^2 Value	Q^2 Value
AFFECTIVE COMMITMENT	0.193	0.094
RELATION CONTRACT	0.138	0.050
PRODUCTIVITY	0.226	0.092

The f^2 Effect Size

The final step in structural model evaluation is to assess the effect of a specific exogenous construct on the endogenous construct if it is deleted from the model. This can be achieved by examining the f^2 effect sizes. Following Cohan's (1988) guideline which states that f^2 values of 0.02, 0.15, and 0.35 are interpreted as small, medium, and large effect sizes, respectively, it can be said that in general, the exogenous variables have small to medium f^2 effect sizes on the endogenous variables (see Table 6).

Table 6: The f^2 Effect Size

	AFFECTIVE COMMITMENT	PRODUCTIVITY	COMPENSATION	RELATIONAL CONTRACT
AFFECTIVE COMMITMENT		0.011		
PRODUCTIVITY				
COMPENSATION	0.239	0.105		0.160
RELATIONAL CONTRACT		0.014		

Multi-group Analysis (PLS-MGA) – Firm Size

The dataset for the study comprise of small firms and large firms in Lusaka (based on the number of employees). Hence, a multi-group analysis (PLS-MGA) is conducted using the

parametric approach as suggested by Keil et al. (2000) which involves a modified two independent-sample t test to compare path coefficient across two groups of data. With the help of bootstrapping, the standard deviation of the path coefficient can be calculated. This way, we can explore if there is any categorical moderating effect of firm size (i.e., small = group 1; large = group 2) on the research findings. This kind of concern is understandable because heterogeneity may exist to show significant differences in model relationships. Becker, Rai, Ringle, & Völckner (2013) advise that researchers who failed to consider this potential issue may draw incorrect conclusions.

In the dataset, there were 55 small firms and 44 large firms. The main idea is to check if the variances of the PLS parameter estimates (i.e., path coefficients) differ significantly across the two groups. Table 7 is a summary of the output from the PLS_MGA analysis.

Table 7: Results of the Multi-group Analysis (PLS-MGA)

	Path Coefficient	<i>p</i> -value
	Diff (Firm size 1 – Firm size 2)	(Firm size 1 vs Firm size 2)
Affective Commitment → Productivity	0.308	0.194
Compensation → Affective Commitment	0.056	0.360
Compensation → Productivity	0.429	0.954
Compensation → Relational Contract	0.125	0.812
Relational Contract → Productivity	0.102	0.414

As revealed in Table 7, none of the relationship differs significantly across the two groups (*p*-value > 0.05). The lack of heterogeneity in the path relationships leads us to reject the sixth hypothesis (H_6) about the categorical moderation role of firm size in the model.

Summary of Hypothesis Testing

Three of the hypotheses are supported, and their results are summarized in Table 8. COMPENSATION is found to have significant impact on PRODUCTIVITY, RELATIONAL CONTRACT and AFFECTIVE COMMITMENT. However, there is no significant effect of RELATIONAL CONTRACT and AFFECTIVE COMMITMENT on PRODUCTIVITY so the last two hypotheses are rejected. There is no significant categorical moderating effect of firm size in the model so the last hypothesis (H_6) is rejected.

H₁: Compensation positively relates to productivity

Table 8 shows that compensation positively relates to productivity. The result is in agreement with the findings of Nnorom et al. (2016) whose outcome indicated that effective compensation

administration had a positive bearing on employee productivity. In addition, the findings by Hameed et al. (2014) revealed that compensation had positive impact on employee performance. The results by Yamoah (2013) also indicated a significant relationship between compensation and productivity. The result of the hypothesis implies that managements of organizations based in Lusaka Zambia should embark on strategies to improve their compensation schemes that continuously attract, motivate and retain competent employees. Employees are an organization's most valued asset because they enable organizations to achieve their goals (productivity) by providing the necessary labour. Compensation management is therefore very important for employees and should be linked with their productivity.

H₂: Compensation positively relates to affective commitment

The findings on table 8 show that compensation positively relates to affective commitment. The result is in agreement with the findings of Kee et al. (2016) which established a significant relationship between financial compensation such as salaries, bonuses and merit pay and organizational commitment. Similarly, Rahaman et al. (2016) revealed that there were various common factors related to compensations and benefits that affected employee's commitment. In addition, the results of Nereid et al. (2017) indicated that organizational rewards played a significant role in influencing employees' attitudes related to improving the organizational performance. Rahaman et al. (2016) also revealed that there were various common factors related to compensations and benefits that affected employee's commitment. Bajwa et al. (2015) revealed that there is a positive relationship between compensation management and employee motivation. The outcome of the study by Alamelu et al. (2015) revealed a strong relationship between employee commitment and satisfaction of employees towards their compensation based on pay model. Lastly, the results by Kumari et al. (2013) found that organizational affective commitment was highly significantly related with life satisfaction among managerial employees. The result of the hypothesis implies that management of organizations based in Lusaka Zambia can strategize to improve their compensation policies in order to create more effective and efficient organizations as a result of increasing employees' affective commitment. Hence, managements should make use of both monetary and non-monetary incentives in order to enhance affective commitment of employees.

H₃: Compensation positively relates to relational contract

According to the results shown on table 8, compensation positively relates to relational contract. The result is in agreement with the findings of Bajwa et al. (2015) whose findings revealed a positive relationship between compensation management and employee motivation. Similarly, Nereid et al. (2017) indicated that organizational rewards played a significant role in influencing

employees' attitudes related to improving the organizational performance. Nawab et al. (2011) also recommended that organizations should come up with practices which would enable them to attract and retain top level faculty at their institutions. The result of the hypothesis implies that managements of organizations based in Lusaka Zambia should ensure that they always meet their obligations as far as employee compensation is concerned. Meeting compensation obligations by management is mandatory for the purpose of ensuring that relational contract is not violated. Hence, compensation policies should be modified in order to match with the prevailing market conditions. This will ensure that relational contract is maintained among employees.

H₄: Affective commitment relates positively with productivity

The results on table 8 show that affective commitment does not significantly positively relate to productivity. The result is not in agreement with the findings of Nereid et al. (2017) which implied that organizational rewards played a significant role in influencing employees' attitudes related to improving the organizational performance. The result of the hypothesis implies that managements of organizations based in Lusaka Zambia should appreciate that productivity in organizations is achieved with a combination of various factors. Therefore affective commitment on its own as a factor is not sufficient to enable organizations to achieve productivity. Efficient use of compensation policies could positively determine a positive relationship between affective commitment and productivity on employees in organizations in Lusaka, Zambia.

H₅: Relational contract is positively related to productivity

Table 8 shows that relational contract does not significantly positively relate to productivity. The result is not in agreement with the findings of Nereid et al. (2017) which indicated that organizational rewards played a significant role in influencing employees' attitudes related to improving the organizational performance. The result of the hypothesis implies that managements of organizations based in Lusaka Zambia should ensure that they always meet their obligations as far as employee compensation is concerned. Meeting compensation obligations by management is mandatory for the purpose of ensuring that relational contract is not violated. Hence, compensation policies should be modified in order to match with the prevailing market conditions. This will ensure that relational contract is maintained among employees.

H₆: There is significant categorical moderating effect of firm size on the relationship among model constructs

Table 8 also shows that no significant categorical moderating effect of firm size is observed in this research, so the same conclusion can be drawn for both small business and large businesses. In other words, firms in Lusaka, Zambia do not need to run different human

resource programmes to influence organizational performance (productivity). Since there is a positive relationship between compensation and productivity, organizations should prioritise on attractive compensation schemes if they are going to increase productivity and hence become more competitive in the market place. Hence attractive compensation schemes should be introduced in order to ensure continuous productivity in organizations based in Lusaka Zambia.

Table 8: Summary of Hypothesis Testing

	Hypotheses	Supported not Supported
H ₁	Compensation positively relates to Productivity	Yes
H ₂	Compensation positively relates to Affective Commitment	Yes
H ₃	Compensation positively relates to Relational Contract	Yes
H ₄	Affective Commitment relates positively with Productivity	No
H ₅	Relational Contract relates positively with Productivity	No
H ₆	There is significant categorical moderating effect of firm size on the relationship among model constructs	No

CONCLUSIONS AND RECOMMENDATIONS

The findings of this research concluded that, compensation relates positively, and has a direct influence on productivity, affective commitment and relational contract. This can only be achieved in organizations that promote transparent compensation schemes and ensure that the compensation schemes meet the needs of employees. The study also established that affective commitment and relational contract are not related to productivity. This explains the reason why affective commitment and relational contract act as mediating factors to the relationship between compensation and productivity. The conclusions of this research study also indicate that if compensation policies were properly managed by organizations, productivity levels of these organizations would be positively affected.

The study however suggests that organizational objectives should be merged with employee objectives through compensation management strategies, in order to accomplish both objectives. In addition, the needs of employees should be determined and accordingly accomplished by organizations through different compensation management strategies. The managements of organizations in Lusaka, Zambia should also make use of different non-monetary incentives in order to enable employees to feel connected with organizations.

The study however assumed that compensation methods were uniform across organizations in Lusaka, Zambia. Each organization is unique and therefore applies different compensation methods that are specific. Future research studies should therefore focus on compensation methods that are specific to each organization that participates in the research study.

The geographical scope of the research study was confined to a few organizations in Lusaka Zambia. The findings of the same were then generalized to all organizations in Lusaka, Zambia. Future research studies should be replicated in order to focus on a wider scope to incorporate organizations that are situated outside Lusaka Zambia. The questionnaire was used as the only research instrument to collect data for the research study. Future research studies should make use of other research instruments like interview schedules and observation guides in order to get more detailed and accurate data for the research study.

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