

PERFORMANCE BASED PAY AS A DETERMINANT OF JOB SATISFACTION: A STUDY IN MALAYSIA GIATMARA CENTERS

Azman ISMAIL
Nurhana M RAFIUDDIN
Mohd Hamran MOHAMAD
Norashikin Sahol HAMID
Aniza WAMIN
Nurzawani ZAKARIA

National Defence University of Malaysia
Email:azisma08@gmail.com

Abstract:

Compensation management literature highlights that performance based pay has two major characteristics: participation in pay systems and adequacy of pay. The ability of management to properly implement such pay systems may lead to increased job satisfaction in organizations. Though, the nature of this relationship is interesting, little is known about the influence of performance based pay on job satisfaction in compensation management literature. Therefore, this study was conducted to examine the relationship between pay for performance and job satisfaction in Malaysian GIATMARA centers. The results of exploratory factor analysis confirmed that measurement scales used in this study satisfactorily met the standards of validity and reliability analyses. An outcome of stepwise regression analysis shows that determinant of job satisfaction is performance based pay. Further, this result confirms that pay for performance is an important antecedent for job satisfaction in the studied organizations.

Keywords: Pay for Performance, Job Satisfaction, Malaysian GIATMARA centers.

Introduction

Compensation is a strategic human resource management issue where it is also known as salary and wages, remuneration, reward and/or pay system. These terms are often used interchangeably in organizations, but their meaning are similar (Bergman & Scarpello, 2002; Milkovich & Newman, 2009). Performance based pay is a type of compensation system where it has two major types: pay for group performance (team based pay and gain-sharing) and pay for individual performance (e.g., merit pay, lump sum bonus, promotion based incentives and

variable pay) (Henderson, 2009; Milkovich & Newman, 2009). However these pay systems have different types, they use the similar criterion to allocate pays, which is when an employer rewards additional pays to basic pay in order to meet high performers' needs and expectations (Chang & Hahn, 2006; Lawler, Ledford & Chang, 1993; Lee, Law & Bobko, 1999). In other words, the rules for distributing rewards, the fluctuations of pay levels and structures are now contingent upon the level of performances, skills, knowledge and/or competency exhibited by the employees and not the nature of their job structure

(Amuedo-Dorantes & Mach, 2003; Appelbaum & Mackenzie, 1996; Lee et al., 1999).

Many scholars think that pay for performance has used different treatments in allocating rewards, but the ability of management to properly implement this pay system will strongly attract, retain and motivate employees to achieve the major objectives of the organizational pay system: efficiency (i.e., improving performance, quality, customers, and labor costs), equity (i.e., fair pay treatment for employees through recognition of employee contributions and employees' needs) and compliance with laws and regulations (Gomez-Mejia & Balkin, 1992a & 1992b; Milkovich & Newman, 2009). Hence, it may lead employees to sustain and increase organizational competitiveness in the global economy (Appelbaum & Mackenzie, 1996; Lawler, 2000).

Surprisingly, extant research in pay for performances highlights that properly implemented pay for performance characteristics may positively affect job satisfaction (Janssen, 2001; McClausland, Pouliakas & Theodossiou, 2005). For example, participation in pay systems is often seen as an employer who encourages employees in different hierarchical levels and categories to discuss and share information-processing, decision-making, and/or problem-solving activities related to pay systems (Belcher & Atchison, 1987; Ismail et al., 2007). Most organizations practice two major participation styles: participation in pay design (e.g., start-up stages of pay system) and participation in pay administration (e.g., operation stages of pay system) (Belfield & Marsden, 2003; Kim, 1996 & 1999; Lee et al., 1999).

Participation in the design of pay systems refers to employees who are given more opportunity to provide ideas in establishing pay systems to achieve the major goals of its system,

stakeholder's needs and/or organizational strategy (Gomez-Mejia & Balkin, 1992a & 1992b; Lawler et al., 1993). Participation in the administration of pay systems refers to employee participation in both input and output. Participation in input means employees provide suggestions to determine the enterprise's goals, resources, and methods. Participation in output means employees are permitted to share the organization's rewards in profitability and/or the achievement of productivity objectives (Coyle-Shapiro, Morrow, Richardson & Dunn, 2002; Kim, 1996 & 1999). For example, a pro-social organizational behavior literature highlights that making constructive suggestions in performance based pay system (e.g., merit pay and gain-sharing plans) will encourage employees to be honest in making personal contributions, this may lead to improved job satisfaction (Giacobbe-Miller et al., 1998; Lawler, 1995; Mani, 2002).

Besides that, adequacy of pay and participation in pay systems has been identified as the salient characteristics of pay for performance system (Ismail, Hock & Sulaiman, 2007; Lee et al., 1999). Many scholars often interpret adequacy of pay from cultural, organizational and individual perspectives. In terms of cultural perspective, an individualistic culture perceives adequacy of pay as equity (e.g., equitable or inequitable pay) whereas a collective culture perceives adequacy of pay as equality, pay for the length of service or seniority and pay for individuals' needs (Giacobbe-Miller, Miller & Victorov, 1998; Money & Graham, 1999). In terms of organizational context, adequacy of pay is often defined as the type, level and/or amount of pay which is provided by an employer to its employee who work in different job groups based on the organizational policy and procedures (Anthony, Perrewé & Kacmar, 1996; Henderson, 2009). From an individual perspective, adequacy of pay is often

viewed based on a social comparison theory, which posits that an individual perceives the adequacy of the type, level and/or amount of pay based on a comparison between what he/she receives and what he/she expects. An individual will perceive the type, level and/or amount of pay as adequate if he/she views that the pays are provided equitable with his/her contribution (e.g., ability to perform job, merit, skills and/or performance) (Adams, 1963 & 1965; Skarlicki & Folger, 1997; Sweeney & McFarlin, 1993).

Within a pay system framework, many scholars think that participation in pay systems, adequacy of pay, and job satisfaction are distinct constructs, but highly interrelated. For example, the ability of managers to appropriately determine the type, level and/or amount of pay based on performance criterion and highly encourage participation styles in designing and administering pay for performance plans may lead to higher job satisfaction (Bies, Shapiro & Cummings, 1988; Greenberg, 1996 & 2003; Tang & Sarfield-Baldwin, 1996; Skarlicki & Folger, 1997). However, even though numerous studies have been done, little is known about the role of performance based pay as an antecedent of job satisfaction in performance based pay literature (Adams, 1963 & 1965; Ismail et al., 2007; Shaw, Duffy, Jenkins & Gupta, 1999). Therefore, it motivates the researchers to explore the issue.

Objectives of the Study

This study has two major objectives: first, to measure the relationship between participation in pay systems and job satisfaction. Secondly, to measure the relationship between adequacy of pay and job satisfaction.

Literature Review ***Relationship between Participation in Pay Systems and Job Satisfaction***

Recent studies about pay administration were done using different samples, such as 115 sales people (Pettijohn, Pettijohn & d'Amico, 2001), faculty members in institutions of higher education (Terpstra & Honoree, 2008), and public servants in US public agencies (Boardman & Sunquist, 2009). Findings from these studies found that participation style in pay decisions (e.g., open discussion and explanation in evaluation methods, faculty committee and clarity of the benefits of the merit pay) had provided more opportunity for employees to determine pay rates had increased job satisfaction in the organizations (Boardman & Sunquist, 2009; Pettijohn, Pettijohn & d'Amico, 2001; Terpstra & Honoree, 2008).

These studies are consistent with the notion of interactional justice theories. For example, Leventhal's (1976) self-interest model suggest six justice rules in making decisions: decisions based on accurate information, apply consistent allocation procedures, do correct decisions, suppress bias, practice moral and ethical standards in decision-making and ensure allocation process meet recipients' expectation and needs. While, Lind and Tyler's (1988) group value model suggest three types of relational judgments about authorities: standing or status recognition (e.g., assessments of politeness, treatment with dignity, and respect individuals' rights and entitlements), neutrality (e.g., decision-making procedures are unbiased, honest and decision based on evidence), and trust (e.g., motives of the decision-maker are fair and reasonable or otherwise).

Further, Folger et. al (1992) due-process appraisal system suggest three justice characteristics; adequate notice (e.g., explanation, discussion and feedback about performance criteria),

fair hearing (e.g., informing performance assessments and their procedures through a formal review session) and judgment based on evidence (e.g., applying consistent performance criteria and honesty and fairness principles, as well as providing better explanations about performance ratings and reward allocations). Application of these theories in a compensation model shows that the ability of management to make justice decisions using participation style will increase employees' understanding that their pay systems are properly allocated based on performance, and this may lead to higher job satisfaction (Money & Graham, 1999; Pettijohn et al., 2001).

Relationship between Adequacy of Pay and Job Satisfaction

Several important studies about pay distribution were conducted using different samples, such as sample of U.S. group (153 sales representatives and 146 sales managers) and Japanese group (175 of sales representatives and 93 sales managers) (Money & Graham, 1999), 123 nonmanagerial bank employees (Waite & Stites-Doe, 2000), and 56,354 teachers across public schools and 10,760 teachers across 3558 private schools (Belfield &

Heywood, 2008). Findings from these studies reported that the willingness of management to appropriately allocate the levels of pay to high performing employees had been a motivating factor that could lead to an enhanced job satisfaction in the organizations (Belfield & Heywood, 2008; Money & Graham, 1999; Waite & Stites-Doe, 2000).

These studies support the notion of distributive justice theories. For example, Adams' (1963 & 1965) equity theory and Allen and White's (2002) equity sensitivity theory clearly posit that individuals who perceive that the type, level and/or amount of pay that they receive are equitable with their contributions (e.g., merit, skills and/or performance) may affect individual attitudes and behavior (Adams, 1965; Allen & White, 2002). Application of these theories in a compensation model shows that the willingness of management to adequately determine the type, level and/or amount of pay to high performers may lead to higher job satisfaction in organizations ((Belfield & Heywood, 2008; Money & Graham, 1999; Waite & Stites-Doe, 2000).

The literature has been used as foundation to develop a conceptual framework for this study as shown in Figure 1.

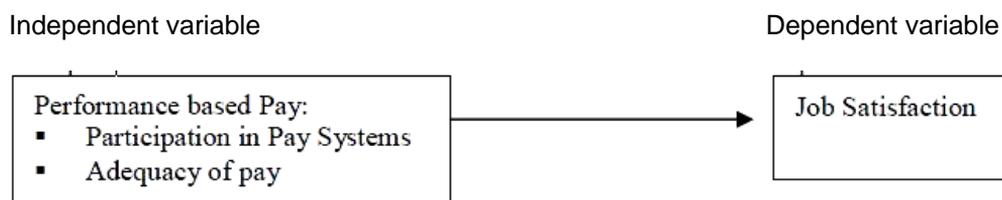


Figure 1. Conceptual Framework

Based on the framework, it can be hypothesized that:

H1: Participation in pay systems positively related to job satisfaction.

H2: Adequacy of pay positively related to job satisfaction.

Methodology

Research Design

This study used a cross-sectional research design that allowed the researchers to integrate compensation management literature, the in-depth interview, the pilot study and the actual survey as a main procedure to gather

data. Using such methods in may gather accurate data, decrease bias and increase quality of data being collected. The use of such methods may gather accurate and less biased data (Cresswell, 1998; Sekaran, 2000). The unit of analysis for this study was employees who have worked in seventeen GIATMARA centers from two states of Malaysia, namely Kuala Lumpur and Selangor. At the initial stage of this study, in-depth interviews and pilot study were conducted in the headquarters of GIATMARA, Kuala Lumpur. The in-depth interviews involved four experienced employees, namely two supervisors and three supporting staff. They were selected using a purposive sampling technique because they had working experienced more than five years and had good knowledge about compensation program practiced in the studied organizations.

Information gathered from the interview method was used to develop the content of a pilot survey questionnaire. Next, a pilot study was done by discussing the survey questionnaires with the five experienced employees that are three supervisors and two supporting staff. Their opinions were sought to verify the content and format of survey questionnaires for an actual study. Back translation techniques were used to translate the survey questionnaires into English and Malay languages in order to increase the validity and reliability of research findings (Cresswell, 1998; Sekaran, 2000).

Measures

The survey questionnaire had three sections. Firstly, participation in pay system was measured using 5 items that were modified from pay administration literature (Greenberg, 1996, 2003; Milkovich & Newman, 2009; Money & Graham, 1999; Pettijohn, et al., 2001). For example, respondents were asked about

opportunity to give suggestions, to discuss, to share information, and to involve in making pay decisions. Secondly, adequacy of pay was measured using 5 items that were modified from pay design literature (Henderson, 2009; Milkovich & Newman, 2009; Kim, 1996 & 1999; Gomez-Mejia & Balkin, 1992a & 1992b). For example, respondents were asked about the type, level and/or amount of pay for performance. Finally, job satisfaction was measured using 18 items that were modified from job satisfaction literature (Oldham, Hackman & Stepina, 1978; Warr, Cook & Wall, 1979). For example, respondents were asked about the intrinsic job characteristics (i.e., duty and responsibility, freedom of working and variety of tasks) and the extrinsic job characteristics (i.e., working conditions, pay, recognition, management style and employee relation). The items used in the questionnaires were measured using a 7-item scale ranging from "strongly disagree/dissatisfied" (1) to "strongly agree/satisfied" (7). Demographic variables (i.e., gender, age, race, status, length of service, salary and position) were used as a controlling variable because this study focused on employee attitudes.

After obtaining permission to conduct a survey from the studied organization, the researchers have made a discussion with HR manager in order to understand the rule of distributing survey questionnaires in its organization. Based on the organization rules, a quota sampling was used to determine the sample size according to the length of this study and financial constraints that was 250 employees. Next, a convenient sampling technique was used to distribute 250 survey questionnaires to employees who have worked in every department in the organizations. This sampling technique was chosen because HR manager did not provide the list of registered

employees to the researchers and asked the researchers to send the questionnaires to employees through HR office. These constraints had motivated the researchers to use the sampling technique. Of the total number, 132 usable questionnaires were returned to the researchers, yielding 52.8 percent of the response rate. The survey questionnaires were answered by participants based on their consents and a voluntarily basis.

A Statistical Package for Social Science (SPSS) version 16.0 was used to analyze the questionnaire data. Firstly, exploratory factor analysis was used to assess the validity and reliability of measurement scales (Hair et al, 1998). Secondly, Pearson correlation analysis and descriptive statistics were conducted to determine the collinear problem, further confirm the validity and reliability of constructs and thus test research hypotheses (Tabachnick et al., 2001; Yaacob, 2008).

Finally, Stepwise regression analysis was undertaken to assess the magnitude of each independent variable, the relationship between many independent variables and one dependent variable, and the contribution and influence of each independent variable on dependent variable (Baron & Kenny, 1986; Foster et al., 1998). In this regression analysis, standardized coefficients (standardized beta) were used for all analyses (Jaccard et al., 1990).

Findings

Participant Characteristics

Table 3 shows the profile of respondents in GIATMARA. Majority respondents were males (52.3%), management employees (44.7%), ages between 26 to 35 years old (49.2%), Diploma holders (31.8%), and workers who served less than 5 years (66.8%).

Table 1

Participant Characteristics (N=132)

<u>Gender (%)</u>	<u>Education Levels (%)</u>
Male =52.3	Degree =18.9
Female =47.7	Diploma =31.8
<u>Position (%)</u>	Higher School Certificate =4.5
Management =44.7	Malaysia Certificate of Education =24.2
Non-management = 55.3	Skill based Certificate =20.5
<u>Age (%)</u>	<u>Length of Service (%)</u>
18-25 years =25.0	21 & above years =3.8
26-35 years =49.2	16-20 years =5.3
36-45 years =15.2	11-15 years =11.4
46 & above =10.6	6-10 years =12.9
	1-5 years =53.0
	< 1 year =13.8

Validity and Reliability Analyses for the Measurement Scales

The questionnaires had 28 items, which related to three variables: participation (5 items), adequacy of pay (5 items), and job satisfactions (18 items). Table 2 shows that the factor analysis with direct oblimin rotation was done for three variables with 28 items.

The Kaiser-Mayer-Olkin Test (KMO) which is a measure of sampling adequacy was conducted for each variable and the results indicated that it was acceptable. Specifically, these statistical results showed that (1) all research variables exceeded the acceptable standard of Kaiser-Meyer-Olkin's value of 0.6, (2) all research

variables were significant in Bartlett's test of sphericity, (3) all research variables had eigenvalues larger than 1, (4) the items for each research variable exceeded factor loadings of 0.40 (Hair, Anderson, Tatham & Black, 1998), and (5) all research variables exceeded the acceptable standard of reliability analysis of 0.70 (Nunally & Bernstein, 1994).

These statistical results showed that the measurement scales used in this study met the acceptable standard of validity and reliability analyses as shown in Table 2.

Table 2
The Results of Validity and Reliability Analyses for Measurement Scales

Measure	Item	Factor Loadings	KMO	Bartlett's Test of Sphericity	Eigenvalue	Variance Explained	Cronbach Alpha
Adequacy of pay	5	0.53 to 0.81	0.85	375,93, p=.000	3.42	68.40	0.88
Participation	5	0.53 to 0.83	0.76	238,19, p=.000	2.87	57.47	0.81
Job satisfaction	18	0.40 to 0.71	0.92	1572,31, p=.000	9.35	51.93	0.94

Analysis of the Constructs

Table 3 shows the results of Pearson correlation analysis and descriptive statistics. The means for all variables are from 3.0 to 3.2, signifying that the level of participation, adequacy of pay, interactional justice, and job satisfaction are ranging from moderately high (3.0) to highest level (7). The correlation coefficients for the relationship between the independent variable (i.e., participation and adequacy of pay)

and the mediating variable (i.e., interactional justice), and the relationship between the dependent variable (i.e., job satisfaction) were less than 0.90, indicating the data were not affected by serious collinearity problem (Hair et al., 1998). Thus, these statistical results provide further evidence of validity and reliability for measurement scales used in this research (Hair et al., 1998; Nunally & Bernstein, 1994).

Table 3
Descriptive Statistics and Pearson Correlation Analysis

Variables	Mean	Standard Deviation	Pearson Correlation (r)		
			1	2	4
1. Participation	3.2	1.1	(1)		
2. Adequacy of Pay	3.0	1.0	0.53**	(1)	
4. Job Satisfaction	3.0	1.0	0.52**	0.62**	(1)

Note: Significant at **p<0.01 Reliability estimation are shown diagonally (value 1)

Outcomes of Testing Hypothesis

Table 4 shows the results of testing hypotheses using a stepwise regression analysis in Step 2. Firstly,

participation in pay systems positively and significantly correlated with job satisfaction ($\beta=0.51, p<0.001$), therefore H1 was supported. Secondly, adequacy of pay positively and significantly

correlated with job satisfaction ($\beta=0.561$, $p<0.001$), therefore H2 was supported. In terms of explanatory power, the inclusion of pay for performance characteristics in this step had explained 67 percent of the variance in dependent variable.

This result confirms that interactional justice does act as an important antecedent of job satisfaction in the compensation program models of the studied organizations.

Table 4

Results of Stepwise Regression Analysis

Variables	Dependent Variable (Job Satisfaction)	
	Step 1	Step 2
<u>Control Variables</u>		
Gender	-0.02	-0.03
Position	0.07	0.01
Age	0.25	0.18
Education Level	-0.11	-0.00
Length of Service	-0.14	-0.12
<u>Independent Variables</u>		
Participation		0.51***
Adequacy of pay		0.61***
R Square	0.202	0.67
Adjusted R Square	0.030	0.41
R Square Change	0.041	0.45
F	1.069	14.24***
F Δ R Square	1.069	45.28***

Note: Significance at *** $p<0.001$

Discussion and Implications

The results of this study substantiate verify that performance based pay acts as a precursor to job satisfaction in the compensation models in the studied organizations. In the organizational context, managers use compensation policy and rules set up by the stakeholder to determine the type, level and/or amount of pay for high performers. Employees perceive that the managers able to allocate sufficient rewards based on their performance. Besides that, managers encourage employees who work in different job groups to participate in the design and administration of pay systems. Employees perceive that the managers actively practice such participation styles among employees who work in different job groups. When employees perceive that they receive adequate pays from their employers and they are actively involved in the pay system, this

may lead to greater job satisfaction in the studied organizations.

The implications of this study can be divided into three major aspects: theoretical contribution, robustness of research methodology, and practical contribution. In terms of theoretical contribution, the findings of this study highlight two major issues: firstly, adequacy of pay does act as a predictor of job satisfaction. This result is consistent with studies by Money and Graham (1999), Waite and Stites-Doe (2000), and Belfield and Heywood (2008). Secondly, participation in pay systems does act as a predictor of job satisfaction. This result support studies by Pettijohn, Pettijohn and d'Amico (2001), Terpstra and Honoree (2008), and Boardman and Sunquist (2009).

With respect to the robustness of research methodology, the survey questionnaires used in this study have exceeded a minimum standard of

validity and reliability analyses; this can lead to the production of accurate and reliable findings. In terms of practical contributions, the findings of this study may be used to upgrade the efficiency of designing and administering pay for performance in organizations. The improvement efforts can be done in two major aspects: firstly, the extra rewards for high performers can be perceived more valuable if the type, level and/or amount of pay are revised according to current national cost of living and organizational changes. This may help them to give more focus on achieving organizational goals because they view that extra rewards fulfill their expectations, standards of living and statuses in society. Secondly, the content and method of management development programs need to emphasize on creative soft skills (e.g., stimulate employees' intellects in doing job, respect employees' voices, counsel employees to increase their potentials to achieve better career, learn new problem solving skills approach and share the organizational interests) may upgrade the ability of managers to practice good interaction styles in managing compensation system. If organizations heavily consider such suggestions, this will decrease employees' misconceptions and misjudgments, as well as increase their appreciations and acceptance of the pay for performance system. Thus, it may lead to sustained and increased organizational competitiveness in a global economy.

Conclusions

This study proposed a conceptual framework based on compensation program literature. The measurement scales used in this study satisfactorily met the standards of validity and reliability analyses. The outcomes of testing hypothesis confirmed that performance based pay did act as an important antecedent of job satisfaction in the compensation program models of the organization. This result has also supported performance based pay literature mostly published in Western countries. Therefore, current research and practice within the pay system model needs to consider participation in pay systems and adequacy of pay as a critical aspect of the pay systems. This study further suggests that HR managers and/or managers should be trained to enable them practice good treatments while allocating the type, level and/or amount of pay and involving employees in making pay decisions. The ability of HR managers and/or managers to properly practice such styles in performance based pay will increase positive employees' attitudes and behavior. Thus, it may lead to sustained and achieved organizational strategy and goals.

REFERENCES

- Adams, J.S. (1963). Towards an understanding of inequity. *Journal of Abnormal and Social Psychology*, 67, 422-436.
- Adams, J.S. (1965). Inequity in social exchange. In Berkowitz, L. *Advances in Experimental Social Psychology*, 2, 267-299. New York: Academic Press.
- Allen, R.S., & White, C.S. (2002). Equity sensitivity theory: A test of responses of two types of under-reward situations. *Journal of Managerial Issues*, 14 (4), 435-152.

- Amuedo-Dorantes, C. & Mach, T. (2003). Performance pay and fringe benefits. Work incentives or compensating wage differentials? *International Journal of Manpower*, 24 (6), 673-698.
- Anthony, W.P., Perrewe, P.L., & Kacmar, K.M. (1996). *Strategic human resource management*. New York: Harcourt Brace & Company.
- Appelbaum, S.H., & Mackenzie, L. (1996). Compensation in the year 2000: Pay for performance. *Health Manpower Management*, 22 (3), 31-39.
- Belcher, D.W., & Atchison, T. (1987). *Compensation administration*. Englewood Cliffs, NJ: Prentice Hall.
- Belfield, C.R., & Heywood, J.S. (2008). Performance pay for teachers: Determinants and consequences. *Economics of Education Review*, 27 (3), 243-252
- Belfield, R., & Marsden, D. (2003). Performance pay, monitoring environments, and establishment performance. *International Journal of Manpower*, 24 (4), 452-471.
- Bergmann, T.J., & Scarpello, V.G. (2002). *Compensation decision making*. United States: South-Western Thomson Learning.
- Bies, R.J., Sharpiro, D.L., & Cummings, L.L. (1988). Causal accounts and managing organizational conflict: is it enough to say it's not my fault? *Communication Research*, 15, 381-399.
- Boardman, C., & Sundquist, E. (2009). Toward Understanding Work Motivation: Worker Attitudes and the Perception of Effective Public Service. *American Review of Public Administration*, 39 (5), 519-524.
- Coyle-Shapiro, J.A-M., Morrow, P.C., Richardson, R., & Dunn, S.R. (2002). Using profit sharing to enhance employee attitudes: A longitudinal examination of the effects on trust and commitment. *Human Resource Management*, 41 (4), 423-439.
- Cresswell, J.W. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. London: SAGE publications.
- Folger, R., Konovsky, M.A., & Cropanzano, R. (1992). A due process metaphor for performance appraisal. *Research in Organizational Behavior*, 3, 129-177.
- Foster, D.P., Stine, B., & Waterman, R. (1998). *Business analysis using regression: A casebook*. Springer-Verlag.
- Giacobbe-Miller, J.K., Miller, D.J., & Victorov, V.I. (1998). A comparison of Russian and U.S. pay allocation decisions, distributive justice judgements, and productivity under different payment conditions. *Personnel Psychology*, 51 (1), 137-364.
- Gomez-Mejia, L.R. & Balkin, D.B. (1992a). *Compensation, organizational strategy, and firm performance*. Cincinnati, OH: South Western Publishing Co.
- Gomez-Mejia, L.R. & Balkin, D.B. (1992b). The determinants of faculty pay: An agency theory perspective. *Academy of Management Journal*, 35 (5), 921-955.
- Greenberg, J. (1996). *The quest for justice on the job: Essays and experiments*. Thousand Oaks, CA: Sage.
- Greenberg, J. (2003). Creating unfairness by mandating fair procedures: The hidden words of a pay-for-performance plan. *Human Resource Management Review*, 13, 41-57.
- Hair, J. F., Anderson R. E., Tatham, R. L., & Black, W. C. (1998). *Multivariate Data Analysis*. New Jersey:Prentice Hall.

- Henderson, R.I. (2009). *Compensation management in a knowledge based-world*. New Jersey: Prentice-Hall.
- Ismail, I., Hock, W.K., & Sulaiman, S. (2007). *Relationship between Performance based Pay Features and Job Satisfaction: Does Interactional Justice Act As a Mediating Role?* Universiti Malaysia Sarawak.
- Jaccard, J., Turrisi, R. & Wan, C.K (1990). *Interaction Effects in Multiple Regression*, 72. Newsbury Park, California: SAGE Publications, Inc.
- Janssen, O. (2001). Fairness perceptions as a moderator in the curvilinear relationships between job demands, and job performance and job satisfaction. *Academy of Management Journal*, 44 (5), 1039-1050.
- Kim, D.O. (1996). Factors influencing organizational performance in gainsharing programs. *Industrial Relations*, 35 (2), 227-44.
- Kim, D.O. (1999). Determinants of the survival of gainsharing programs. *Industrial and Labor Relations Review*, 53 (1), 21-38.
- Lawler, E.E. (1995). Choosing an involvement strategy. *Academy of Management Executive*, 2, 197-203.
- Lawler, E.D. (2000). *Rewarding Excellence: Pay Strategies for the New Economy*. California: Jossey-Bass.
- Lawler, E.E., Ledford, G., & Chang, L. (1993). Who uses skill-based pay, and why. *Compensation and Benefits Review*, March-April, 22-26.
- Lee, C., Law, K.S., & Bobko, P. (1999). The importance of justice perceptions on pay effectiveness: A two-year study of a skill-based pay plan. *Journal of Management*, 25 (6), 851-873.
- Leventhal, G.S. (1976). Fairness in social relationships. In Spence, J.T., and Carson, R.C. *Contemporary Topics in Social Psychology*. Morristown, New Jersey: General Learning Press. 211-240.
- Lind, E.A., & Tyler, T.R. (1988). *The social psychology of procedural justice*. New York: Plenum.
- Mani, B.G. (2002). Performance appraisal systems, productivity, and motivation: A case study. *Public Personnel Management*, 31 (2), 141-160.
- McCausland, W.D., Pouliakas, K. & Theodossiou, I. (2005). Some are punished and some are rewarded. A study of the impact of performance pay on job satisfaction. *International Journal of Manpower*, 26 (7/8), 636-659.
- Milkovich, G.T. & Newman J.M. (2009). *Compensation*. New York: McGraw Hill.
- Money, R.B., & Graham, J.L. (1999). Salesperson performance, pay and job satisfaction: Test of a model using data collected in the United States and Japan. *Journal of International Business Studies*, 30, 149-172.
- Nunally, J.C., & Bernstein, I.H. (1994). *Psychometric theory*. New York: McGraw-Hill.
- Oldham, G.R.; Hackman, J.R.; Stepina, L.P. (1978). Measurement, Organizations, Surveys, Standards, Males, Job Analysis, Job Satisfaction, Females. *Personnel Management And Labor Relations*, 48.
- Pettijohn, C.E., Pettijohn, L.S., & d'Amico, M. (2001). Characteristics of performance appraisals and their impact on sales force satisfaction. *Human Resource Development Quarterly*, 12 (2), 127-146.
- Sekaran, U. (2000). *Research methods for business: A skill building approach*. New York: John Wiley & Sons, Inc.

- Skarlicki, D. P., & Folger, R. (1997). Retaliation in the workplace: The roles of distributive, procedural and interactional justice. *Journal of Applied Psychology, 82*, 434–443.
- Shaw, J.D., Duffy, M.K., Jenkins, G.D., & Gupta,, N. (1999). Positive and negative affect, signal sensitivity, and pay satisfaction. *Journal of Management, 25* (2), 189-206.
- Sweeney, P.D., & McFarlin, D.B. (1993). Workers' evaluation of the "ends" and the "means": An examination of four models of distributive and procedural justice. *Organizational Behavior and Human Decision Processes, 55*, 23-49.
- Tabachnick, B.G., Barbara, G., & Fidell, L.S. (2001). *Using multivariate statistics*. Sydney: Allyn & Bacon.
- Tang, T.L.P., & Sarsfield-Baldwin, L.J. (1996). Distributive and procedural justice as related to satisfaction and commitment. *S.A.M. Advanced Management Journal, 61* (3), 25-32.
- Terpstra, D.E., & Honorée, A.L. (2008). Faculty Perceptions of Problems with Merit Pay Plans in Institutions of Higher Education. *Journal of Business and Management, 14* (1), 43-59.
- Waite, M.L., & Stites-Doe, S. (2000). Removing performance appraisal and merit pay in the name of quality: an empirical study of employees' reactions. *Journal of Quality Management, 5* (2), 187-206
- Warr, P.B., Cook, J., & Wall, T.D. (1979). Scales for the measurement of some work attitudes and aspects of psychological well-being. *Journal of Occupational Psychology, 52*, 129-148.
- Yaacob, M.R. (2008). SPSS for business and social science students: Version 14 for windows. Kota Bharu, Kelantan: Pustaka Aman Press Sdn. Bhd.