

DO COMPENSATION AND EMPLOYEE RELATIONSHIP EFFECT ORGANIZATIONAL LEARNING AND GROWTH? : A STUDY ON ADVENTIST PHILIPPINES HIGHER EDUCATIONAL INSTITUTION

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Abstract

Satisfactory performance is a dream expected by every organization. Management efforts were made in order to be able to achieve it, from the planning, implementation monitoring and evaluation and other work for this expected performance. In this study, the performance is measured by the paradigm of learning and growth with a questionnaire instrument developed to measure the perceptions, as well as variable compensation and employee relationship. In some previous studies say that the compensation and employee relationship positively effect on learning and growth, and the results of this study reinforce previous research in which the amount of constant learning and growth primarily influenced by greater employee relationship (0.580) than followed by a compensation factor (0.216). This finding provide input to the Philippines on Adventist education organization that employee relationship is becoming a more important concern than the compensation in order to improve the learning and growth of the organization.

Keywords: compensation, relationship, non-financial performance, learning and growth

Introduction and Problem

Compensation includes both financial and nonfinancial rewards. Financial rewards include direct payment (e.g., salary and wages) plus indirect payment in the form of employee benefits (such health insurance, retirement program, paid leave, etc). Nonfinancial rewards include everything in a work environment that enhances a worker's sense of self-respect and esteem by others, (Cascio 2006). While at the other hand it is important to provide a fairly general definition of the employment relationship as being 'an economic, social and political relationship in which employers provide manual and mental labor in exchange for rewards allotted by employers. The rewards from employment can be economic, social and psychological, while the effort (the contribution the employee makes in

his/her job) can range from skilled to unskilled, and can be tightly controlled or left free to initiative and individual creativity.

Organization has learning and growth goals that includes employee training and development, continuous learning and knowledge sharing, and building a culture of innovation. Achieving these will help an organization build efficient internal business processes that promote good relationships with suppliers and partners, improve the quality and flexibility of operation and expel the development of innovative products and services (Daft 2006).

With a system that is satisfactory compensation and employee relationship better then expected to build a conducive working environment which in turn will increase the acceleration of growth of the organization.

As for the central problem in this study is whether there is an effect of compensation and employee relationship to organizational learning and growth? So that the purpose of this study is to find out the effect of compensation and employee relationship between organizational learning and growth to either partially or simultaneously on higher educational institution in the Philippines.

Review of Related Literature and Hypothesis

Compensation

Amos, Ristow, and Pearse (2008) stated that compensation is needed in any organization. The objective of any compensation function is to create a system of rewards that meet the needs of the employer and employee alike. The desired outcome is an employee who is attracted to work and motivated to do a good job.

Compensation practitioners recognize the impact of employee learning on motivation and performance (Swanson & Holton, 2001). Compensation is considered a primary tool to align individual behavior with the organizational performance goals (Allen & Helms, 2001). This tool often included variable compensation programs like bonus pay or stock option (Grossman, 1995).

According to Cascio (2006), compensation includes both financial and nonfinancial rewards. Financial rewards include direct payment (e.g., salary and wages) plus indirect payment in the form of employee benefits (such health insurance, retirement program, paid leave, etc). Nonfinancial rewards include everything in a work environment that enhances a worker's sense of self-respect and esteem by others.

Pay is important both in its effect on employees and on account of its cost, organizations need to plan what they will pay employees in each job. Organization make decisions about two aspects of pay structure: job structure and pay level. Job structure consist of relative pay for different jobs within the organization. Pay level is the average amount (including wages, salaries and bonuses) the organization pays for a particular job. Government regulation effects pay structure in areas of equal employment opportunity, minimum wages, pay for overtime, and prevailing wages (Noe, Hollenbeck, Gerhart, & Wright, 2007).

Jave, Khan, Azam, and Iqbal (2010) conducted a research about employees' compensation and organization's financial performance which found that employee compensation is linked to subsequent performance and suggested that firms should use effective compensational strategies to boost firm's financial position. According to the study of Kulik (2001), compensation practices may reflect not only the organization's business strategy but also the organization's corporate identity of the employee's decision to accept a particular amount and form of compensation, reflecting his or her aspirations and self-perception.

Relationship

As organizations try to do more or less and as employees struggle with the challenge of balancing work and personal lives, many disputes between employees and employers involve demands on workers have increasingly emphasized limits on overtime when they are bargaining with employers (Noe, Hollenbeck, Gerhart, & Wright, 2007).

According to Gospel and Palmer as cited in Rose (2001), it is important to provide a fairly general definition of the employment relationship as being 'an

economic, social and political relationship in which employers provide manual and mental labor in exchange for rewards allotted by employers. The rewards from employment can be economic, social and psychological, while the effort (the contribution the employee makes in his/her job) can range from skilled to unskilled, and can be tightly controlled or left free to initiative and individual creativity.

The purpose of employee relations is to establish rules, regulation and agreement to regulate the employment relationship. The priority given to the individual employment relationship as opposed to the collective employment relationship within companies depends on management view of what is in the best interest of the organizational employee relations (Gennard & Judge, 2005).

Fox as cited in Truss, Mankin, and Kelliher (2012) distinguished between what he termed the unitary and the pluralistic perspective on employment relations. Unitary: under this perspective the employer and employee are seen to have common interests. Harmony, as the opposite of conflict as a result of miscommunication or as the work of troublemakers; Pluralistic: under this perspective, conflict in the employment relationship is seen as inevitable, since the parties are seen to have differing interest. Both parties are seen as seeking to maximize their own interest-employers might want higher productivity and reduced cost, whereas employees might want higher wages as a return to their labor. In this perspective, the approach for employers is to attempt to manage conflict, rather than to avoid or suppress it.

According to Ivancevich and Konopaske (2013), the relationship includes the negotiation of a written contract concerning pay, jours, and other terms and conditions of employment as well as the interpretation and administration of this contract over its period of coverage.

A number of studies have found that employees are more inclined to stay when they have strong relationships with their work colleagues (Clarke, 2001): Employment relations and HRM are closely related to employee values and the meaning of their work, and affected and influenced by them (Harpaz & Meshoulam, 2009).

Doucouliagos and Laroche (2002) conducted a research in French equipment manufacturing. The results showed that employee relations are important to the performance of firms in this industry. Union presence has had a negative effect on best practice performance. Carpizo (2008) who conducted a study on the relationship of human resource management practices and organizational performance found that consistent implementation of good employee relations increase profitability, customer satisfaction, employee productivity, and employee satisfaction.

The study of Rhee (2004) mentioned that stating the employees who have positive employee-organization relationship (i.e., employees who have high level of commitment) and those who are capable of using symmetrical cultivation strategies contribute significantly to the development of positive organization-public relationship. The study also found that when the external publics have positive interactions and develop trusting individual relationships with employees, they tend to evaluate the overall organization positively. In other words, when employees have positive employees-organization relationships and employee-public relationships, external publics who interact with those employees tended to develop positive organization-public relationship.

Davis and Pett (2002) mainly identified two perspectives for measuring organizational performance: 1) efficiency versus effectiveness, and 2) financial performance and non financial performance. The first perspective on organizational performance is that organizational effectiveness and organizational efficiency should be included to measure organizational performance. Efficiency generally refers to profits as the ratio of inputs to outputs, whereas effectiveness represents a firm's capability to acquire scarce resources. In other words, efficiency is associated with profitability and effectiveness concerns growth.

Buhovac and Slapnicar (2007) maintained that organizations can achieve high levels of performance without using both financial and nonfinancial performance measurement system. Buhovac and Slapnicar claimed that a focused performance measurement system that is well-aligned with the business strategy and supported by tight controls can improve firm performance.

Learning and Growth

Saks and Haccoun (2007) opined that a smart organization knows how to create new knowledge and disseminate it throughout organization. In other word, it knows how to learn. Organizational learning refers to the process of creating, sharing, diffusing and applying knowledge and uses new information and knowledge to change and modify its behavior in order to achieve its objectives and improve its effectiveness.

Daft (2006) stated that an organization has learning and growth goals that includes employee training and development, continuous learning and knowledge sharing, and building a culture of innovation. Achieving these will help an organization build efficient internal business processes that promote good relationships with suppliers and partners, improve the quality and flexibility of operation and expel the development of innovative products and services.

One ultimate result of building learning and growth in the organization is improving the employee productivity. Related to employee productivity is employee retention and employee satisfaction. These are three issues from desired outcome measure of learning and growth for many organizations. Therefore, organizations track performance in productivity, retention rate, and satisfaction of their employees. The following factors form leading measures in learning and growth: 1) employee capabilities, 2) information system capabilities, 3) organizational structure capabilities. (Albrecht, Stice, & Swain, 2011).

Hilton, Maher, and Selto (2008) mentioned that improvements in operating performance result largely from enhancing the capabilities of the organization's employees and motivating them to use those capabilities so that the organization can learn and improve its processes and products. Different organizations might require levels of some employee capabilities, such as education, to prosper. There is a number of measures of employee capabilities such as employee training and education, employee satisfaction, employee turnover, innovativeness, and opportunities for improvement.

Moore, Blake, Philips, and McConaughy (2003) indentified a positive relationship between state sponsored training investments and organization

productivity. Sadler, Spicer, and Chaston (2001) indicated casual relationship between learning and firm growth. Their study showed that higher growth small manufactures report behaviors that are conducive to lifelong learning.

The Effect Among Variables

According to Ivancevich and Konopaske (2013), total compensation includes three elements: (1) Base Pay is matched closely to competition, according to the organization's ability to pay and attract quality talent; (2) Variable pay is the centerpiece of the total compensation approach, method include gains haring, wins haring, lump-sum bonuses, individual variable pay, and so forth; and (3) Indirect pay adds cost-effective benefits keyed to supporting the goals of the organization and sharing costs.

According to Cascio (2006), compensation includes both financial and nonfinancial rewards. Financial rewards include direct payment (e.g., salary and wages) plus indirect payment in the form of employee benefits (such health insurance, retirement program, paid leave, etc). Nonfinancial rewards include everything in a work environment that enhances a worker's sense of self-respect and esteem by others. Pay is important both in its effect on employees and on account of its cost, organizations need to plan what they will pay employees in each job.

A study on three Information Technology (IT) organizations having duration of services more than three years, with age range between 25–40 years and bachelor's degree as the minimum qualification, revealed that the use of rewards, which definitely contributes to attracting and retaining employees making them feel more valued and thus increase engagement: such organization recognise the fact that engaged employees work with passion and have visceral connection to their company (Bhattacharya & Mukherje, 2009).

Mohammad, May, and Maw (2009) reported that incentives are positively related to organizational performance. Another study conducted by Resurreccion (2012) on Filipino-owned small medium enterprises (SMEs) in Philippines found

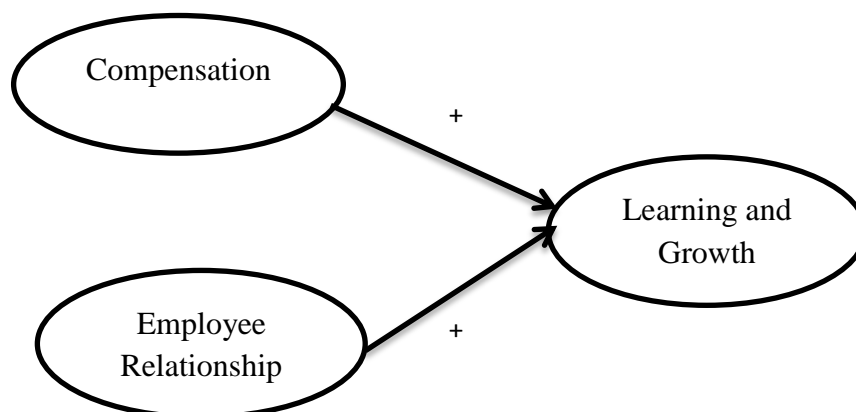
that Filipino-owned companies are giving more emphasis on employee benefits to support its thrust of achieving competitiveness.

Based on the above research, the author hypothesized that:

1. Compensation positively effect on learning and growth on Adventist Philippines Higher Education Institutions.
2. Employee relationship positively effect on learning and growth on Adventist Philippines Higher Education Institutions.

With the following paradigm:

Figure 1
Research Paradigm



Source: writer research paradigm

Method of Study

The researcher used the descriptive research method, an approach considered appropriate to answer the research questions. The design of this research is descriptive-correlational and effect. This research involved SDA Higher Educational Institutions in Philippines, with the population of this research were the regular employees of higher education institutions in Philippines. The higher educational institutions are as follows: Adventist University of Philippines, Central Philippine Adventist Colleges, Manila Adventist Medical

Center and Colleges, Naga View Colleges and Northern Luzon Adventist Colleges. With the population and questionnaires distribution as follows.

The convenience sampling technique was used in this study. This is a sampling design which selected the most accessible sample what to immediately get their reaction to certain issues (Calderon & Gonzales, 2004).

Table 1
Respondents' Population and Questionnaires Distribution, Retrieved and Valid

Institution	Population	Distributed Questionnaires	Retrieved Questionnaires	Valid to be Processed
Adventist University of Philippines	348	144	127	124
Central Philippine Adventist Colleges	80	56	52	51
Manila Adventist Medical Center and Colleges	60	60	45	44
Naga View Colleges	35	35	23	22
Northern Luzon Adventist Colleges	83	64	51	49
Total	606	359	298	290

Sources: field data

The researcher used a self-constructed questionnaire for the data gathering. The questionnaire was constructed based on related literature and studies. The instrument used a five-scale of measurement in which respondents indicated their answer. The questionnaire deals with the respondents' perception on the employee compensation, employee relationship and learning and growth.

Correlation analysis using Pearson's Product Moment was used to determine the significant relationship between variables. Regression analysis was used to determine the effect of strategic planning and budget preparation toward financial performance. Data analyze, interpret and determine the implications of date gathered, the statistical techniques Employed using the Statistical Package for Social Science (SPSS).

Result of the Study

Analysis and research results in this paper include descriptive statistics and descriptions, as well as the subsequent statistical processing of the results of the hypothesis test as describe below.

Descriptive Data

The author describes the results of the following descriptive statistics of each variable to be more complete picture of the description variables even elements of the each questionnaires.

Compensation

Table 2 shows the perception of respondents on the which employees are paid compensation for overtime work has the lowest mean value (2.50), followed by the annual pay is linked to performance appraisal rating (3.21) and the employees are allowed to have service leave with pay (3.39). this is because the existing policy on such sets the organization. While the highest mean value is in the medical fees are covered by the organization (4.47), followed by a receive employee salaries according to educational level (4.06) and followed with another points question.

According to the study of Kulik (2001), compensation practices may reflect not only the organization's business strategy but also the organization's corporate identity and the employee's decision to accept a particular amount and form of compensation, as this reflects his or her aspirations and self- perception.

Employee Relationship

All the items in Table 3 (employee relationship) has a good descriptive interpretation except for The HR department addresses employee's dissatisfaction (with the mean value of 3.44), which means that the employee relationship to the organization is in a good neighborhood.

Table 2
Descriptive Statistics of Compensation

Statements	N	Mean	Std. Deviation	Scaled Responses	Descriptive interpretation
Annual pay is linked to performance appraisal rating.	290	3.21	1.282	Sometimes	Fair
Employees are allowed to have Annual vacation leaves with pay.	290	3.58	1.365	Oftentimes	Good
Employees are allowed to have Service leave with pay.	290	3.39	1.415	Sometimes	Fair
The organization explains all allowances system to employees.	290	3.89	1.051	Oftentimes	Good
Current compensation system is competitive.	290	3.72	1.057	Oftentimes	Good
Employees are given group life insurance.	290	3.67	1.352	Oftentimes	Good
Employees are paid for overtime work.	290	2.50	1.458	Sometimes	Fair
The organization communicates to employees any change in pay structure.	290	3.69	1.183	Oftentimes	Good
Employees salaries are adequate to enhance cost of living.	290	3.93	.994	Oftentimes	Good
Employees are informed of their benefits.	290	3.96	1.117	Oftentimes	Good
Employees receive salaries according to Work experiences.	290	3.85	1.103	Oftentimes	Good
Employees receive salaries according to Educational level.	290	4.06	.969	Oftentimes	Good
Medical fees are covered by the organization.	290	4.47	.820	Oftentimes	Good
The organization is transparent in determining compensation.	290	3.92	1.014	Oftentimes	Good
Length of service influence salary rate.	290	4.03	1.073	Oftentimes	Good
Grand Mean for Compensation		3.72		Oftentimes	Good

Legend: Very Good (4.50 – 5.00); Good (3.50 – 4.49); Fair (2.50 – 3.49); Poor (1.50 – 2.49); Very Poor (1.00 – 1.49)

The grand mean of 3.78 reveals that the management, relationship its worker was *good*. It indicates that there was a friendly atmosphere in the work place and the work environment was enjoyable. There was teamwork among employees.

Table 3
Descriptive Statistics of Employee Relationship

Statements	N	Mean	Std. Deviation	Scaled Responses	Descriptive interpretation
Employees are given a copy of the hanbook.	290	3.90	1.263	Oftentimes	Good
The HR department handles questions regarding organizational policy.	290	3.75	1.214	Oftentimes	Good
The socialization programs are satisfying.	290	3.62	1.030	Oftentimes	Good
Superiors consider the suggestions of employees.	290	3.73	.976	Oftentimes	Good
As a follower, if I have complaints, my superior calmly explains what went wrong.	290	3.71	.929	Oftentimes	Good
The HR department addresses employee's dissatisfaction.	290	3.44	1.149	Sometimes	Fair
Employees are given feedback to solve employees problem.	290	3.56	1.158	Oftentimes	Good
Organization encourages employee's to practice in improving the employee management relationship.	290	3.91	.935	Oftentimes	Good
Organization allows employees opportunities to develop.	290	3.84	1.042	Oftentimes	Good
The work environment is enjoyable	290	4.07	.903	Oftentimes	Good
A friendly atmosphere is promoted in the work place.	290	4.10	.913	Oftentimes	Good
Employees are treated fairly.	290	3.77	1.068	Oftentimes	Good
There is teamwork among employees.	290	3.82	1.030	Oftentimes	Good
Grand Mean for relationship.		3.78		Oftentimes	Good

Legend: Very Good (4.50 – 5.00); Good (3.50 – 4.49) Fair (2.50 – 3.49); Poor (1.50 -2.49); Very Poor (1.00 – 1.49)

This findings are supported by the study of Rhee (2004) stating that employees who have positive employee-organization relationship (i.e., employees who have high level of commitment) and those who are capable of using symmetrical cultivation strategy contribute significantly to the development of positive organization-public relationship. The study also found that when the external publics have positive interactions and develop trusting individual relationships with employees, they tend to evaluate the overall organization

positively. In other words, when employees have positive employees-organization relationships and employee-public relationships, external publics who interact with those employees tended to develop positive organization-public relationship.

Learning and Growth

The perception of respondents on learning and growth of 3.84 (see table 4) reveals that the organizational performance in terms of learning and growth was *good*. This means that workers of institutions had more than one job, sharing their capability to co workers and striving to be innovative and involved in improving outcome.

Table 4
Descriptive Statistic of Learning and Growth

Statements	N	Mean	Std. Deviation	Scaled Responses	Descriptive interpretation
Organization improves service quality every year.	290	3.88	.895	Oftentimes	Good
Employee satisfaction is measured in the organization.	290	3.69	.964	Oftentimes	Good
Employees are recognized by management for taking initiative.	290	3.79	.920	Oftentimes	Good
Organization motivates employees to improve their competency.	290	3.87	.888	Oftentimes	Good
Complete facilities are available in the organization.	290	3.58	.975	Oftentimes	Good
Organization encourages employees to develop innovative service.	290	3.90	.853	Oftentimes	Good
Organization invites employees to contribute to the organization's vision.	290	3.89	.941	Oftentimes	Good
Organization encourages employees to share their capabilities to their co-employees.	290	3.93	.911	Oftentimes	Good
Organization develops information technology to support the strategy.	290	3.95	.877	Oftentimes	Good
Employees are open-minded in the organization.	290	3.81	.883	Oftentimes	Good
Skills and jobs are matched in the organization.	290	3.78	.912	Oftentimes	Good
Organization asks employees to do more than one job.	290	3.99	.866	Oftentimes	Good
Grand Mean for Learning and Growth		3.84		Oftentimes	Good

Legend: Very Good (4.50 – 5.00); Good (3.50 – 4.49); Fair (2.50 – 3.49); Poor (1.50 -2.49); Very Poor (1.00 – 1.49)

This study supports the study of Sadler, Spicer, and Chaston (2001) indicated casual relationship between learning and firm growth. Their study

showed that higher growth small manufactures report behaviors that are conducive to lifelong learning.

The Hypothesis Testing

From the hypotheses mentioned above, said that the compensation positive effect on learning and growth, as well as that employee positive relationship also affects the learning and growth. So to prove the truth of this hypothesis, the authors tested using the SPSS statistical processing as it existed in the tables below.

**Table 5
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.827 ^a	.684	.682	.3945080

a. Predictors: (Constant), Relationship, Compensation

**Table 6
ANOVA^b**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.794	2	48.397	310.960	.000 ^a
	Residual	44.668	287	.156		
	Total	141.461	289			

a. Predictors: (Constant), Relationship, Compensation

b. Dependent Variable: Learning

It was found that the relationship variable compensation and employee relationship with learning and growth is very strong positive (0.827) and significant at the 0.001 level. which means that an increase in compensation and employee relationship will also increase followed by an increase in organizational learning and growth. So for efforts to improve the learning and growth of compensation and employee relationship is also a significant factor in addition to

consideration of the factors (important) that may have occurred outside of the study (eg, planning and supervision).

The influence between variables can be explained by the regression equation as outlined in Table 6 above, where learning and growth compensation = $0.837 + 0.216 \text{ compensation} + 0.580 \text{ relationship} + e$. With the constant value 0.837, the amount of constant learning and growth primarily influenced by greater

Table 7
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.837	.132		6.348	.000
	Compensation	.216	.046	.212	4.672	.000
	Relationship	.580	.039	.667	14.683	.000

a. Dependent Variable: Learning

employee relationship (0.580) and followed by a compensation factor (0.216). Thus the function of human and relationship as well as programs for this increase (both formally and informally) is very important for the Adventist educational institutions on the object of this research.

Conclusion and Recommendation

Any organization (whether profit oriented or not) expects a satisfactory performance. Both are measured in terms of financial or non-financial. Of the non-financial aspects of the author examines the performance of learning and growth prospects as measured by the questionnaire instrument developed to measure these variables. In some previous studies say that the compensation and employee relationship positive effect on learning and growth, and the results of this study reinforce previous research in which the amount of constant learning and growth primarily influenced by greater employee relationship (0.580) and Followed by a compensation factor (0.216) . that provide input to the Philippines

on Adventist education organization that factor employee relationship is becoming a more important concern than the compensation in order to improve the learning and growth of the organization.

It is important for researchers to further develop this research in order to be able to measure the performance of the organization of education in a broader scope and incorporate other variables in order to obtain yet a better generalization results.

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