

Research Article

Mediating Effects of Knowledge Management, Organizational Commitment, and Compensation on Performance of the District Secretariat of Aceh Jaya, Indonesia

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Abstract: This study empirically explores the effects of knowledge management, organizational commitment, and compensation on staff's performance and their implication on the performance of district secretariat of Aceh Jaya, Indonesia. Out of 169 staff, 125 staff of the district secretariat were selected as the respondents of the study using proportionate stratified random sampling technique. Questionnaires were distributed to the respondents to gather the data and analysed using the partial least square (PLS) model based on the structural equation modelling (SEM) technique. The study documented that knowledge management, organizational commitment, and compensation have significantly and directly affected the staff's and organizational performances. The positive mediating effects of knowledge management, organizational commitment, and compensation on the organizational performance through the improvement of staff's performance were also documented. These findings imply that any efforts to improve organization performance should be focused on the enhancement of staff's performance on the basis of improving knowledge management, organizational commitment, and compensation.

Keywords: Knowledge management, Organizational commitment, Compensation, Performance, Mediating effect, SEM.

INTRODUCTION

All organizations, both private and public always aim to realize their targeted performances. As one of the district public organizations in the province of Aceh, Indonesia, the secretariat office of Aceh Jaya always intends to provide a better public service quality as part of its set goals. However, in the last decade, the office has faced difficulty to achieve its setting performance target. Some public service beneficiaries have complained about the low quality of services they received from the office. Due to this fact, thus it is extremely important to identify factors determining the success of the office to deliver its services to the staff, public, and its stakeholders.

Previous studies documented that the achievement of office setting goals is very much depending on its staff's performance. Apart from the infrastructure and conducive environment, human resources are the most vital asset of the organization. If

all staff is able to perform better all the assigned official tasks, it would finally contribute towards a higher performance of the offices. Higher staff productivity supported by the higher level of their responsiveness, responsibility, accountability, and their capabilities would promote organizational performance. All these would, in turns, contribute to the improvement of knowledge management of the staff Dalkir (2013). As one of important factor contributing to the staff and organizational performance, knowledge management is defined as systematic coordination in an organization that focuses on human resource management and the use of information and technology in all organizational activities that lead for the staff and organizational creativity and innovation. Chen (2012) views the knowledge management as the ability of human resources to use knowledge in carrying their official duties that might be different from one organization to another. Additionally, Turban (2008) sees knowledge management as a process to identify, select, organize,

Quick Response Code



Journal homepage:

<http://www.easpublisher.com/easjebm/>

Article History

Received: 14.05.2019

Accepted: 25.05.2019

Published: 13.06.2019

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DOI: 10.36349/easjebm.2019.v02i06.001

spread, and transfer all information and expertise throughout the organizations.

Apart from knowledge management, the organizational commitment that indicates the organizational loyalty of staff is identified as one of the factors contributes to the realization of the organizational values, vision, and mission. The higher the level of organizational commitment, the higher would be the level of staff's responsibility and loyalty to the organizational progress, which in turn accelerates the organization to materialize its vision and mission. Thus, organizational commitment is considered as the most important factor determining the success of the organization (McShane and Von Glinow, 2008). Organizational commitment has the strongest influence on staff working motivation to accomplish their assigned official duties that consequently improve organizational performance.

Knowledge management and organizational commitment are not sufficient to promote staff and organizational performance, the compensation received by the staff is also determining staff and organization performance. Compensation is one important factor influencing staff working motivation and in turns staff performance as well as organizational performance. As it is well-known, compensation is a kind of beneficiaries received by the staff in the form of material or non-material provided by the organization on the basis of services contributed by the staff to the organization. In the view of Nelson *et al.*, (2008), compensation is any form of payment to employees for work they provided to their employer or as an exchange of work they give to employers. A similar opinion was expressed by Choudhary (2016) where compensation is perceived as s the equitable remuneration of personal contributions to organizational objectives. It is a reciprocal manifestation of an act done by employees to the organization due to their contribution to the achievement of the organization. Thus, compensation in accordance with the level of the services of employees in the organization would have a positive impact on the staff's performance in particular and the organization in general. An increase in output produced by employees would easily realize the achievement of organizational setting goals.

There have been many previous studies investigated the influences of knowledge management (Lee and Choi, 2003; Darroch, 2005), compensation (Abowd, 1990; Tosi *et al.*, 2004), organizational commitment (Riketta, 2002; Li *et al.*, 2012; Jyoti, 2013), and on staff and organizational performances. These factors are documented to positively influence both staff and organizational performance directly. However, these studies only examined the direct effect of these factors on staff and organizational performance, and none of them investigated the mediating effect of staff performance on the

relationship between knowledge management, compensation, and organizational commitment on organizational performance. Thus, this study intends to fill this gap by exploring the mediating effect of staff performance on the relationship between knowledge management, compensation, and organizational commitment on organizational performance, taking the case of district secretariat of Aceh Jaya, Aceh province, Indonesia.

The findings of this study are hoped to provide important references for the organizational leaders to improve the performance of their staff on the basis of improvement of knowledge management, organizational commitment, and compensation. The findings of this study are expected to enrich the existing literature on the organizational behaviour and human resource management especially those related to the influence of knowledge management, organizational commitment, and compensation on both staff and organizational performances.

The next section of this study proceeds to review relevant selected previous studies. Section 3 provides the research method and data, followed by the discussion of the findings in Section 4. Finally, Section 5 concludes the study.

LITERATURE REVIEW

Organizational and Staff's Performance

Performance represents the achievement of an individual or organization. It also shows the working results. The concept of performance can be defined as the level of achievement of results. Performance can also be said as a result or output of a particular process carried out by staffs and all components of the organization in the use of resources (inputs). It is also part of the achievements made by all elements in the organizations towards the realization of their vision and mission. Overall, the organizational performance in a combination of achievements of the individual employee and the results of the whole staff that then constitutes the performance of the organization (Robbins and Judge, 2016).

The success of an organization is influenced by the performance of its employees. The organization always strives to improve the performance of its employees in achieving organizational goals that have been set. Employee performance refers to a person's achievements measured by standards and criteria set by the organization. It is a combination of behaviour with the achievement of what is expected and choice or part of the assignment requirements that exist in each individual in the organization (Zhang *et al.*, 2012). Thus, performance is the result of the work of an employee for a certain period compared to various possibilities, for example, standards, targets, and criteria that have been determined in advance and have been agreed upon. To have a good performance, a person

must have a high desire to work and know how to improve it by matching the assigned job and ability.

Knowledge Management

Davidson and Voss (2002) define knowledge management as an organizational capability to manage employees and introducing technology to the organization that contributes to the improvement of staff’s performance by communicating with each other. Meanwhile, Matayong and Kamil (2013) define knowledge management as a set of technological and social elements that ensure the development of the knowledge management process and the creation of appropriate organizational conditions. In their studies, Wijayanti and Sundiman (2017) and Nur Falah and Prasetya (2017) documented that knowledge management has a significant effect on employee performance and organizational performance as well.

Organizational Commitment

Organizational members who are committed to their organization may develop a more positive pattern of view towards the organization and happily without coercion spend extra energy for the benefit of the organization (Anik and Arifuddin, 2012). This shows that organizational commitment means more than passive loyalty, but involves active relationships and the desire of employees to make meaningful contributions to the organization. Newstrom and Davis (1985) suggested that the characteristics of organizational commitment consist of three elements, namely: (1) being able to carry out organizational goals and values; (2) prepare to work totally; and (3) be able to deal with pressure in the organization.

Staff with strong commitment allows them to face the challenges and pressures that exist. Success in facing these challenges will foster a sense of pride towards the organization). In their study, Zain *et al.*, (2009) found that organizational commitment has a positive impact on improving employee performance. Employees who have a strong commitment to their organization would help the organization to achieve its goals by providing maximum benefits to the organization. Fundamental commitments given to organizations are also needed to resolve organizational internal problems such as reduced operational costs and conflict within the organization

Compensation

Compensation is something that is received by employees as a form of appreciation for the labours of employees who have worked for the benefit of the organization. Compensation can be used as a motivator in work as one of the reasons to achieve organizational goals and objectives. If compensation given by the organization to employees is inappropriate or inadequate, it will result in a decrease in work performance. In connection with that, in some compensation literature, it is often termed wages.

According to Njoroge and Kwasira (2015), compensation is a kind of appreciation for employees to perform better in carrying their official duties and tasks. Compensation both in the monetary form and non-monetary form has been proven to be an incentive for the staff to work harder to realize the organization set goals and targets.

Previous studies showed that monetary and non-monetary reward received by the staff has improved their performances (Hameed *et al.*, 2014). Risambessy (2017) also documented a significant positive effect of compensation on performance of staff performance. Consequently, compensation has a significant positive effect on organizational performance. It has potential beneficial effects to increase worker productivity specifically and overall organizational productivity in general (Obasan, 2012). Thus, compensation is seen as one of the most important strategies in the function of human resource management because it affects the productivity and performance of the organization.

Based on the above delineation, the study proposes the following research framework to be tested:

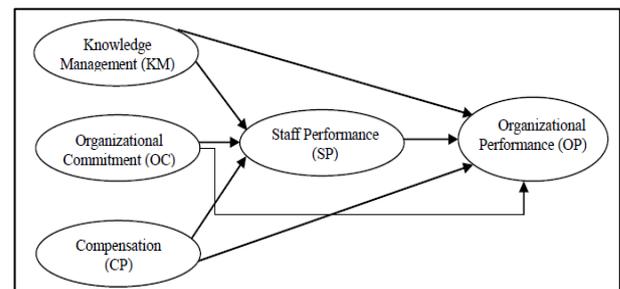


Figure1. Proposed Research Framework

RESEARCH METHOD

This study empirically explores the mediating effect of staff performance on the influence of knowledge management, organizational commitment, and compensation on organizational performance of the District Secretariat Office of Aceh Jaya, Aceh province, Indonesia. Out 169 staff of the office, 125 of them were selected as the sample of the study using the proportionate sampling technique. This sample size is sufficient to portray the entire picture of the population since the minimum sample size required for the structural equation modelling (SEM) analysis is at least 5 times the number of indicators. As this study used 25 indicators to measure 5 variables, thus the minimum sample size required is 5 x 25, which is 125.

To gather the data, the questionnaires are distributed to the respondents. To measure the organizational performance, 4-indicator (i.e., efficiency, effectiveness, justice, and response) proposed by Pasolong (2013) are used; 6-indicator (i.e., quality of work, quantity of work, timeliness, work effectiveness, independence, and work commitment) introduced by

Mathis and Jackson (2013) are used to measure staff performance; 4-indicator (i.e., capture, development, sharing, and implementation) proposed by Ramirez *et al.*, (2011) are used to measure knowledge management; 6-indicator (i.e., sense of belonging, feeling sticky, meaning of the organization, don't leave the organization, sense of proud, and loyalty) introduced by Logahan and Aesaria (2014) is used to measure organizational commitment; and 5-indicator (i.e., salary, incentives, benefits, facilities, and work performance benefits) introduced by Kurniawan (2015) are used to measure compensation. In totality, 25 indicators are used to measure 5 investigated variables.

To analyze the data, the SEM is used and analyzed using *Partial Least Square* (PLS) statistical software. This approach is an appropriate estimated model as it enables to test a series of complex interrelationships (Ferdinand, 2012; Hair *et al.*, 2012). The estimated SEM equations tested in this study are as follows:

$$SP = \gamma_{11}KM + \gamma_{12}OC + \gamma_{13}CP + \zeta_1 \tag{1}$$

$$OP = \gamma_{21}KM + \gamma_{22}OC + \gamma_{23}CP + \gamma_{23}SP + \zeta_2 \tag{2}$$

where SP is the staff performance, KM is the knowledge management, OC is the organizational commitment, CO is the compensation, OP is the organization performance, γ_{ii} are the estimated loading factors for each variable and ζ_i are the structured error terms.

Previous to the SEM analysis, the instrument tests comprising validity and reliability would be performed first. To ensure the appropriateness of the model to examine the direct and indirect relationships, the goodness of fit indices will also be conducted.

RESULTS AND DISCUSSION

Characteristics of the Respondents

Table 1 reports the characteristics of respondents. As illustrated in Table 1, 85 employees (68.00%) in the secretariat office were male, and the remaining 40 were women (32.00%). In terms of age, the majority of employees were in the age group 40-49 years (52.00%), while the minority of them were in the age group 18-30 years (4.80%). When viewed from the consecutive years of service, 25.60% of them have served the office for 3-5 years, 60.00% have served for 6-10 years, while 14.40% of them have served for less than 11 years.

Table1. Characteristics of the respondents

	Characteristics	Total	%
Gender:	Male	85	68.00
	Female	40	32.00
	Total	125	100
Age:	18 – 30 Years	6	4.80
	30 – 40 Years	40	32.00
	40 – 50 Years	65	52.00
	≥ 50 Years	14	11.20
	Total	125	100
Marital Status:	Married	91	72.80
	Single	34	27.20
	Total	125	100
Educational Level:	Junior High School	2	1.60
	Senior High School	16	12.80
	Diploma Degree	23	17.60
	Bachelor Degree	78	62.40
	Master Degree	6	4.80
	Total	125	100
Monthly Income (IDR):	< 2.0 Million	45	36.00
	2.0 – 2.5 Million	62	49.60
	2.5 – 3.5 Million	9	14.40
	≥ 3.5 Million	9	7.20
	Total	125	100
Employment Status:	Permanent Employee	51	40.80
	Contracted Employee	74	59.20
	Total	125	100

In terms of education level, there was 4.80% with a master degree, 62.40% with a bachelor degree, 18.40% with a diploma degree, and 12.80% and 1.60% with senior and junior high schools, respectively. In terms of monthly income, employees with revenues of less than IDR2.0 million were 36.00%, IDR2.1 - 2.5 million as many as 49.60%, and IDR2.6-3.5 million as many as 14.40%. Finally, in term of employment status, 40.80% and 59.20% were permanent and contracted staff, respectively.

Instrument Tests and Goodness of Fit Indices

Prior to examining the interrelationships among investigated variables, the validity and reliability tests were conducted first to ascertain the accuracy and consistency of the indicators in measuring the variables. The study found that all 25 indicators were valid and reliable. This proved that all indicators could be used to measure the variables and in turns their relationships.

In the next step, to ensure the appropriateness of the estimated model, the study conducted the goodness of fit where their findings are reported in Table 2.

Table2. The goodness of fit (GoF) indices for models' measurement

GoF	Cut-off value	Result	Remark
Probability	≥ 0.05	0,361	Good Fit
RMSEA	≤ 0.08	0,015	Good Fit
GFI	≥ 0.90	0,856	Marginal Fit
AGFI	≥ 0.90	0,823	Marginal Fit
CMIN/DF	≤ 2.00	1,029	Good Fit
TLI	≥ 0.95	0,985	Good Fit
CFI	≥ 0.95	0,987	Good Fit

As observed from Table 2, with the exception of Goodness of Fit Index (GFI) and Augmented Goodness of Fit Index (AGFI) which are marginally fit, all other goodness of fit indices, namely: probability, Root Mean Square Error of Approximation (RMSEA), CMIN/DF, Tucker-Lewis Index (TLI), and Comparative Fit Index (CFI) showed a better fit model. The estimated value of GoF indices was above the cut-off value, indicating that the overall estimated SEM models better fit to provide the answer for the objectives of the study. These findings show that our proposed estimated are fit enough to provide robust findings.

Direct effects of knowledge management, organizational commitment, and compensation on staff and organizational performances

Table 3 illustrates the findings of the direct influences of knowledge management (KM), organizational commitment (OC), and compensation (CP) on staff performance (SP) and organizational performances (OP). As observed from the table, all exogenous variables have a positive effect on the endogenous variables at the 1% level of significance. The findings and their explanations are discussed in more detail as below.

Firstly, knowledge management is found to have a positive effect on staff performance and organizational, as indicated by the significance p-values of the estimated knowledge management by 0.961 and 0.726 at the 1% level. This indicates that an increase in knowledge management by 1 unit caused an increased by 0.961 unit in the Likert scale. Knowledge management is also documented to be the most important factor affecting the improvement in staff performance. The ability of staff to use the technology has contributed towards an improvement in the staff performance and organizational performance as well. Knowledge management that refers to various practices and techniques used by organizations to create, share and utilize knowledge among the staff has contributed toward the promotion of staff and organizational performances. The management of knowledge that staff possessed has inculcated a positive value that provides benefits both for staff and organizations that

consequently capable of motivating staff to better understand the work in the form of know-how, experience, skill, understanding, and regulation (Jain and Jeppe, 2013). These findings are also in line with previous studies by Gloet and Terziovski (2004), Darroch (2005), and Nur Falah and Prasetya (2017) who found that knowledge management has enabled staff to increase their knowledge, experiences, and creativity in an effort to improve their performances as well as organizational performance. Thus, to promote both staff and organizational performances, it is recommended that the secretariat office of Aceh Jaya, Aceh Province, Indonesia should pay more attention to enhance knowledge management in their organization.

Table3. Direct effects of knowledge management, organizational commitment, and compensation on staff and organizational performances

Interrelationship			Estimate	P-value
SP	<---	KM	0.961***	0.004
SP	<---	OC	0.826***	0.002
SP	<---	CP	0.813***	0.016
OP	<---	SP	0.758***	0.015
OP	<---	KM	0.726***	0.011
OP	<---	OC	0.686***	0.005
OP	<---	CP	0.730***	0.001

Note: *** indicates significance at the 1% level. SP = staff performance; KM = knowledge management; OC = organizational commitment; CP = compensation; and OC = organizational performance.

Secondly, the study also found a positive significant effect of organizational commitment on staff and organizational performance of the district secretariat of Aceh Jaya, Indonesia. Specifically, an increase in the organizational commitment by 1 unit has contributed to an improvement of staff performance by 0.826 unit in the Likert scale and an increase in organizational performance by 0.686 unit in the Likert scale. These findings confirmed the importance of staff to have strong organizational performance in order to improve their performance and organizational performance as well. Staff with strong commitment would motivate to work harder, which in turns lead to their performances' improvement and consequently helped the organization to accomplish its vision and mission.

These empirical findings are in harmony with the findings of the previous study by Sopiah (2008), and Nurandini and Lataruva (2014), Majid *et al.*, (2016), and Qadariah *et al.*, (2019) who found that higher organizational commitment has caused the staff to remain in the organization and with a better performance. Additionally, affective commitment, continuous commitment, and normative commitment were recorded to have a positive significant effect on both staff and organizational performances. Staff who is highly committed would make every effort to realize

organizational goals and improve it further from time to time continuously.

Thirdly, the study found a positive significant effect of compensation on both staff and organizational performances at the 1% level of significance. Particularly, an increase in compensation by 1 unit has contributed to an improvement of staff performance by 0.813 unit in the Likert scale and an increase in organizational performance by 0.730 unit in the Likert scale. These findings showed the importance of compensation received by the staff has promoted the staff performance and organizational performance as well. Staff who received higher compensation would work harder and this in turns contributes to the realisation of the organization to achieve its set targets and goals.

Our findings of significant effect of compensation on staff and organizational performances are in line with the previous study by Gerhart and Milkovich (1990), Maheswari and Lutvy (2015), and Kurniawan *et al.*, (2017) who recorded the positive impact on compensation on performance. Compensation is as a reward given by the organization to motivate staff to provide better services, work harder, and take more responsibility responsibilities in carried out the official assigned tasks (Hati and Brahmana, 2016). According to Aslam et al (2015) the effect of reward and compensation systems on employee performance. These findings further imply that to enhance staff and organizational performances, the office should provide just compensation for its staff.

Finally, the study also documented the significant effect of staff performance on the organization performance of district secretariat of Aceh Jaya, Indonesia. The study recorded than an increase in staff performance by a 1 unit in the Likert scale, it caused an increase in the organizational performance by 0.758 units in the liker scale. This finding is as expected since organizational performance is the overall effectiveness of the organization, including staff for the defined needs of a member of the organization relating to systematic efforts and increasing the ability of the organization to achieve their needs effectively (Rozanna *et al.*, 2019). Additionally, human resources are an invaluable asset of office, thus the achievement of organizational setting goals is absolutely depended on professional human resources management. In the office, human resources play a pivotal role in processing input into producing better public services quality. To maintain the high contribution of staff towards organizational progress, staff empowerment through training and education schemes should be regularly provided. This finding supported the finding of previous studies by Salanova *et al.*, (2005) and Sun *et al.*, (2007).

Mediating Effects of Staff performance on the Influences of Knowledge Management, Organizational Commitment, and Compensation on Organizational Performance

Referring to Table 4, the indirect effects of knowledge management, organizational commitment, and compensation on organizational performance through employee performance could be identified. Based on the framework of Baron and Kenny (1986), the value of estimated path coefficient between knowledge management on staff performance was 0.961, while the staff performance’s estimated path coefficient on organizational performance was 0.758. These values showed that there was a mediated significant effect of staff performance on the relationship between knowledge management and organizational performance with the size of 0.728. This finding further indicates that the improvement of staff performance on the basis of enhancing staff’s knowledge management would finally contribute towards increasing organizational performance.

Table4. Mediating effects of staff performance on the influences of knowledge management, organizational commitment, and compensation on organizational performance

Interrelationships among the Variable					Estimate	Sobel P-value
OP	<---	SP	<---	KM	0.728 ^{***} = (0.961 x 0.758)	0.010
OP	<---	SP	<---	OC	0.626 ^{***} = (0.826 x 0.758)	0.001
OP	<---	SP	<---	CP	0.616 ^{***} = (0.813 x 0.758)	0.012

Note: ^{***} indicates significance at the 1% level. SP = staff performance; KM = knowledge management; OC = organizational commitment; CP = compensation; and OC = organizational performance.

Table 4 also showed that the value of the estimated path coefficient between organizational commitments on staff performance was 0.826, while the staff performance’s estimated path coefficient on organizational performance was 0,758. These values indicated that there was a mediated significant effect of staff performance on the relationship between organizational commitment and organizational performance with the size of 0.626. This finding further implied that the improvement of staff performance on the basis of enhancing staff’s organizational commitment would finally contribute towards increasing organizational performance.

Finally, as observed from Table 4, the value of the estimated path coefficient between compensation and staff performance was 0.813 and the staff performance’s estimated path coefficient on organizational performance was 0,758. These values showed that there was a mediated significant effect of employee performance on the relationship between

compensation and organizational performance with the size of 0.616. This finding further indicated that the improvement of employee performance on the basis of enhancing compensation received by the staff would, in turns, contribute to the realization of higher organizational performance.

Since the relationships between knowledge management, organizational commitment, and compensation on performances of staff and organization were found to be significant at the 1% level, respectively, and the effect of staff performance on organization performance was also significant at the 1% level, thus the staff performance is documented to act as the partial mediator. These findings further implied that to enhance the organizational performance the focus should be given on improving knowledge management, organizational commitment, compensation, and performance of the employee.

CONCLUSION

This study empirically explored the mediating effect of staff performance on the influences of knowledge management, organizational commitment, and compensation on the performance of district secretariat of Aceh Jaya, Indonesia. Out of 169 staff, 125 staff of the district secretariat was selected as the respondents of the study using proportionate stratified random sampling technique. Questionnaires were distributed to the respondents to gather the data and analysed using the partial least square (PLS) model based on the structural equation modelling (SEM) technique. The study found that the staff performance significantly and partially mediated the effects of knowledge management, organizational commitment, and compensation on the performance of district secretariat of Aceh Jaya, Indonesia. These findings implied that any effort to enhance organizational performance, it should be focused on the improvement of staff's knowledge management, organizational commitment, compensation, and their staff's performance.

Further studies on this topic could offer more comprehensive empirical findings by taking into account more variables into the model of estimation. These factors could cover both internal and external factors influencing staff and organizational performances. In addition, covering more public organization into the analysis would also enhance existing empirical evidence on the effects knowledge management, organizational commitment, and compensation on the organizational performance, mediated by the staff performance. Ultimately, comparing the private and public organization would also enrich the existing empirical findings on the investigated topic.

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