

Article

Employee Compensation Strategy as Sustainable Competitive Advantage for HR Education Practitioners

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Abstract: By building on compensation literature, the current study explored and identified the ties between workers' competencies, corporate cultures, and compensation schemes. These schemes were typically the subject of literature on the factors dealing with the implementation of incentive systems for pay for performance (PFP) or problems that can lead to a PFP system's failure. Unfortunately, when it comes to research that HR education practitioners may do, the literature has been scarce. It shows which organizational elements might be necessary to examine when deciding whether a PFP or an alternative compensation program is acceptable. This study aimed to add insight into this gap in research. The findings of this study showed from the use of data from 385 American employees in the manufacturing industry that there are significant relationships statistically between employee competencies and organizational cultures and those findings can be corroborated with existing researches, suggesting compensation schemes were related to multiple types of competence organizations and different organization cultures, thus adding meaningfully to the current literature.

Keywords: HR management; compensation strategy; organizational element



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1. Introduction

There should be no questionable that employees of a company are an essential foundation for a sustainable competitive advantage. According to major academic studies, employees' performance in the area of Human Resource Management (HRM) from an employee compensation system could lead to benefits [1–3]. Nevertheless, a prior research has received little attention to enhancing the understanding of employees' different cultures and abilities, which, despite these essential studies, encourage such remedial approaches. The compensation that is important for both individual employees and the organization as a whole is one of the highest costs for an organization [4]. In case of the possible source of sustained competitive gain for the corporation: the field of compensation may be critical for the success or failure of an organization [2,5], and the characteristics of the workers and their interactions form the basis for strategic planning and implementation [6]. The study of Cummings and Worley [3] also stated that a compensation scheme should be driven by the policy, structure, employee engagement, and work as an integral part of the HR (Human Resource) education practitioners designing an organization and training employees.

However, among academics there appears to be disagreement regarding whether pay-for performance (PFP) programs in which there is a direct relationship between an employee's performance results and their compensation reward [6,7] should be used in organizations as a compensation strategy to enhance organizational performance or whether they are inherently ineffective or even counterproductive in that role. This indicates that within the compensation literature review, there is still a large amount of confusion between two sides regarding the utilization of PFP incentive systems. Consequently, this insufficiency of agreement among HRM experts regarding appropriate PFP system deployment becomes an important issue among academics and practitioners. This study starts from

the prevailing literature that stated on the firm circumstances about which practitioners examine before implementing a PFP program. The present authors point out that PFP compensation schemes should be aligned with employee competencies and corporate cultures that are both reinforced by proper reward system.

The discussion of the present research also centers on a contrasting compensation scheme, "skill-based pay" (SBP), or "pay-for-knowledge". Gomez-Mejia and Balkin [8] determined performance-based compensation and skill-based compensation to be different concepts. A SBP system pays for an employee's knowledge, skills and abilities [9]. It is a reward system which is based on wage rates on the range of skills employees can apply to their jobs. Employees' compensation plans are totally more based on individual skills such as skill type, skill depth, and skill range than depending on how employees perform their jobs at a particular time. Thus, SBP motivates employees to acquire new competencies and skills [10] and rewards employees with additional pay in exchange for formal certification of the employee's mastery of skills, knowledge, and competencies [11]. Just about all companies should still use their 'Pay for Performance' (PFP) compensation programs as 'the best practice' [12–17]. The same opposition is present, although some researchers are using several examples of organizational performance enhancements using PFP compensation schemes [18–20]. While the entire academic community expects different viewpoints, the fact that the best sector in management academia does not agree on PFP is alarming.

We noted the study of Lawler [21] and Zarifian [22] which contrasted between PFP and SBP system in their reasonable approaches and were aroused the curiosity with the past research of Díaz-Fernández et al. [6] and Kerr and Slocum [23]. As a result, we would like to check if there might be a meaningful connection between the strategic competencies an organization is trying to possess, and the corporate culture and reward system which might also link that specific competency. This study demonstrates that the PFP recompense schemes can be tested by organizations, not with a "best practice" approach (always/never). Firms that want the skills of adaptability, an innovative approach, or technological competence may create a clan culture and relate this culture to SBP systems. In comparison, promoting a PFP-associated consumer culture may be the course of action for businesses seeking customer attention and performance guidance.

Purpose of the Present Study

Most of the PFP compensation systems literature focuses either on the implementation factors of these programs or on problems that could fail a PFP program. Before implementation, practitioners strive to understand whether a particular compensation scheme is used. However, there is little research at their disposal to help them see what organization, if any PFP program or alternative compensation program could fit their situation and be relevant. This research was intended to provide insight into this apparent lacuna. In addition to the literature strength of the present study, we assumed that an organization's employees' specific skills are connected with a particular culture of the organization. We relied on two previous studies that already realized that pay systems and employee capacities have strong relationships with pay structures and organizational cultures [6,23]. The present study has collaborated and questioned current research related to pay system/organizational culture and employee knowledge by identifying a clear correlation between the employee's competence and company organization using a structural equation review.

By identifying the meaningful associations between worker's competency and corporate culture through the structural equation analysis, the present study collaborated and challenged the existing research pertaining to pay system / organizational culture and employee competency [6,23], insisting that different orientations of reward practice might be matched to different types of competencies and cultures. Finally, for HR practitioners who determine the correctness of PFP scheme for their companies, the present authors offer a helpful framework relating specific culture and competency with the utilization either a PFP or SBP system.

2. Literature Review

2.1. Pay for Performance (PFP)

The literature review departs from stating the definition of PFP compensation scheme. A compensation system that bases reward on individual performance results is suggested to be a PFP scheme in the present study [6,8]. The employee understands that there is a straight connection between their performance results and their compensation reward, generally PFP indicates that there is a meaningful proportion of total compensation that is “pay at risk” [24], while a commission scheme might be a pure example of PFP. To provide an incentive for the employee to perform, the linkage between the employee’s performance and their pay in PFP programs is assumed [6,7,25]. For example, Cammann & Lawler [26] made a link between expectancy theory and PFP compensation system. Ultimately leading to a successful performance and the resulting positive outcome might motivate employees, they noted the potential impact of expectancy of effort.

Indeed, numerous scholars have suggested that PFP compensation should be a “best practice” for all organizations at all times [12,13,15–17,27–30]. Further, by using PFP compensation programs, they have suggested that the improvement of organizational performance can be achieved. In fact, improved motivation for employees can be achieved by offering incentives about outstanding performance. The previously cited authors further asserted that organizations may utilize rewards such as promotions and merit boosts, in addition to intrinsic rewards such as goal accomplishment, to encourage sustained high levels of performance of employees.

Recent studies espoused PFP system has significant positive effects for employee performance. Using over 10,000 workers for five years and found out that merit pay schemes are connected strongly with worker’s performance in the future, Nyberg, Pieper & Trevor [27] tested whether key contextual factors such as job characteristics and the experience of pay structure play in PFP effectiveness. Furthermore, these researchers found out that the strength of PFP’s effect has a significant positive impact for employee tenure and that merit pay scheme and bonus pay scheme could replace for each other. By comparing selected workers in organizations, Uriesi [31] investigated that the influences of PFP scheme on worker’s performance using the Romanian sample. As evaluated by the direct supervisors of each employee, the work performances of employees who are compensated through PFP systems were significantly higher than those of employees who were not implemented by PFP system. As indicated by the study of Uriesi [31], the effect of PFP based systems were mediated by their strong and positive impacts on workers’ perceptions regarding procedural justice and distributive justice.

However, other researchers have a different opinion about which PFP compensation should be a “best practice” for all organizations at all times. They avowed that PFP compensation system has a negative effect for employees or might be effective in enhancing performance but that planning and execution are critical for improving employee performance. For instance, the study [19] showed that those who argue for PFP do agree that successful PFP schemes are contingent upon thoughtful implementation. The research group of [19] also stated that the PFP program would have a better chance of success if it had clear goals and provides adequate compensation. Finally, a main reason of the deficiency of desirable PFP plans in companies is due to be a deficiency of more specific and clearer object. By applying both empirical and theoretical contexts in the prior literature, Eijkenaar [32] presented an outline of main issues in the using of PFP compensation schemes. Moreover, he discussed that organizations should consider carefully how to place the incentives in a frame for preventing unexpected employee behaviors. In conclusion, his study argued that even if the fundamental idea of PFP programs are simple, to design effective and fair performance-based program, companies are required a complicated consideration with various interrelated features.

Traditionally, many researchers have also focused on complementing PFP’s deficiency, suggesting certain conditions between pay and performance. The study [33] argued that a successful PFP program depends on whether there is a meaningful link between

compensation program and worker's performance in the mind of the worker. Employees must understand their PFP plan to respond in good manner they say in further discussion. As suggested, then, the compensation relationship with pay and performance should be simple and easy for employees to understand and calculate. The study of Kaplan & Norton [34] proposed that PFP system may be work properly if a "balanced scorecard" method is implemented by practitioners. By tapping financial measures and customer satisfaction measures, a balanced scorecard helps practitioners to obtain overall aspects. While also standing in contrast with the idea that performance metrics should be simple and understandable for employees, this again suggests the importance of performance metrics in assessing employees.

Researchers also discussed that PFP program ought to be used only when objective, quantifiable standards and goals are available to assess employee performance [6,35]. The study of Campbell, Campbell and Chia [36] pointed out that employees might reduce their effort due to the difference job performance and the actual reception of reward, the issue of time lapse. Rewarding behaviors that are unintended is also an issue that exists. For example, the research found out that hospitals that were quick to cancel required operations to reach targeted results under a PFP program [37]. Casalino and his associates [38] suggested like opinions. Observing that physicians would avoid high-risk patients who might cause them not to meet performance objectives under a PFP compensation scheme, he provides empirical evidence from the healthcare industry. Pointing out that an introduction of a major performance-based pay system in England was related to drop emergency admission rate in hospitals for incentivized circumstances compared with circumstances which were not incentivized.

Hamel and his colleagues [18] addressed that PFP program has been in operation throughout the 10 years in medical industry and doctors have been ambivalent about it. They argue that some elements of the program in which the framework bolstered commonly accepted medical standards were welcomed by doctors. However, they were also concerned about a loss of control and professionalism in addition to becoming less skilled in dealing with certain conditions, such as diabetes, since nurses were increasingly involved in chronic disease management. Despite welcoming the initial pay increase, this resulted in many practitioners beginning to resent the PFP program as successive governments took back the initial large increases with a succession of below inflation boosts.

Ultimately, reward specialists and academics have argued on whether or not PFP is an effective tool for motivation. That it provides direct incentive, as tangible means of recognizing individuals' achievements, and the flexibility to retain key staff are some of the potential advantages of PFP. On the negative side, adversaries of PFP in this way assert that it can be discriminatory, demotivate most employees at the expense of some high performers, and erode 'felt fair' perceptions of equity [39]. The extant research on PFP compensation programs provides little direction to practitioners beyond the necessity for careful implementation and the literature seems bereft of research that might offer guidance for linking organizational factors situationally with the use of different compensation programs, as many previous studies have shown. Thus, to resolve this issue, the present study, as noted earlier, utilized both PFP and SBP compensation schemes to compare their relevance which are predominated previously in the compensation literature [8,40].

2.2. Skill-Based Pay (SBP)

The present study also discusses on a contrasting compensation scheme, "Skill-Based Pay" (SBP), or "Pay-For-Knowledge". The prior study [11] defined SBP system in more detail. They stated SBP is a compensation system that employees are compensated with additional wage in return for formal certification of the mastery of credentials, expertise, and skills. Expertise in performing tasks is obtained and can be seen. Knowledge can be thought of as acquired information used in performing tasks, while competencies can be defined as more normal skills or traits need to perform tasks, many times in multiple roles or jobs. Because it is based on the characteristics of the person rather than the job, SBP is a

person-based system. Where workers have the right even though they are not qualified, the wage is dependent on jobs in more traditional pay structures based on employment.

The company invests in the growth and advancement of workers, employees see higher job security, and the organization stresses the autonomy of employees by basing compensation on the worker rather than the work under the SBP system [41,42]. As a result, SBP plans should be positively linked to behaviors such as employees' happiness and engagement. Are competitive and sustainable in factories where the related skills (for example, machinery operators, welders, etc.) are more concrete than service firms [43,44]. Because there is little doubt that performance has been at the key part in reward system for decades and thus, practitioners have absolutely willingness to compensate more productive workers as a strong HR strategy, the literature review seems to have more insight based on PFP as compared to SBP. With the multi-faceted nature of jobs in the 21st century, however, the effectiveness of SBP has been contended by compensation scholars who insist that a simple measure of performance-based scheme might be hard to justify and SBP system has many advantages for organizations including a flexible workforce, labor cost reduction, quality and productivity improvement [10,11].

In their contingency approaches, as already mentioned earlier, the present study noted that previous studies [21,22] specifically contrasted PFP and SBP programs. The authors of the present study was particularly intrigued with the work of Kerr and Slocum [23] and Diaz-Fernandez et al. [6]. There was further thought that there might be an important link between the competencies an organization is trying to deploy, and the culture and compensation program that might best support that specific competency. Between organizational culture and compensation programs, Kerr and Slocum [23] offered vision into the relationship. Linking employee competencies with both PFP and SBP compensation scheme, Diaz-Fernandez and his associates [6] provided evidence more recently. Offering an insight into literature that provides little research to direct what organizational components could be important to decide if their condition might be correlated with a PFP program or an alternative compensation program, this study investigated specifically employee' competencies, organizational cultures, and their relationships with compensation systems to resolve the problem that provides little direction to compensation practitioners. Before taking a look at competencies and their relationship with compensation systems, the literature review of employee competency departs from investigating the definition of competency.

2.3. Employee Competency

Research says that competencies are an important factor for organizations to keep competitive advantage and can lead effective employee performance. In addition to these opinions, present authors further wondered what specific elements of competency exist in the literature and investigated the past studies that opine the elements of competency. Studies of employee competency historically have followed two main approaches that were developed independently per past research. In a competency set, the mixture of both core competencies that are common to workers around the enterprise and competencies that are unique to specific jobs is probable.

In most organizations, competency structures include both 'transferable' or behavioral competencies and technical/functional competencies ('hard' skills). Job performance requirements and the levels and outcomes that individuals performing a role should achieve or that workers in a specific occupational field should be able to do are addressed as many studies are 'hard' or practical skills. Past reviews often refer to transferable skills as personal or behavioral features that show people their work [45–47].

First, a relatively enduring feature to an employee that is associated with effective performance in a job is how personal competency has been defined [45]. Differentiating outstanding from average performers based on the prior literature, Boyatzis and Boyatzis [48] provides three clusters of behavioral competency. The three are as follows: (1) Cognitive competencies, such as system thought and pattern recognition; (2) competencies of emo-

tional intelligence, including competencies of self-knowledge and self-regulation, such as emotional self-awareness and emotional self-control; and (3) competencies of social intelligence, such as empathy and teamwork, including social awareness and relationship management competencies.

Defined by not just the ability to do something, but how it is done, behavioral competencies are often called transferable skills. Particularly true of leadership competencies, they also describe a way of doing things in relation to other people. Continuing after the cognitive ability, such as self-awareness, social skills, and self-regulation [45,47,49], many studies insisted that the behavioral approach focuses on many attributes. Able to be taught through learning and development, this strategy suggests that, unlike personality or intellect, competencies are essentially behavioral. Asumeng [50] discussed that abilities and expertise are behavioral attitudes that mostly predict success, which is important for any organization thinking strategically and finding prosperity—measured by output analysis (real actions and outcomes), which, in return, represents the level of organization in the market and gives a competitive advantage. Martina and his associates [51] submitted that the inputs of individuals (knowledge, skills, abilities, attitudes, and values) are the competence and are considered an essential predictor for prosperity organizations. Things that a person continually considers or needs to stimulate action and motivate, direct, and select conduct towards certain acts or goals and away from others are, therefore, motivations.

Second, those things that employees who need to work in a particular occupational zone ought to be able to exhibit [45] are functional competencies (skills or know-how). This requires that competency management also have professional and technical competencies integrated with generic competencies. This functional method would seem to deal with this business requirement. By controlling the word ‘competency’ to describe only employees’ skills and know-how considered essential for handling a task [45,52], the functional approach points out that competencies can be required for performing the task successfully. In other words, functional competencies are often referred to as well-established technical skills and simply mean the ability to perform some technical task such as operating machinery, performing double entry accounting. Functional skills refer to the functions, procedures, and responsibilities in an organization and cover the expertise and skills needed to perform a particular task or job effectively. [45,52]. Several studies focus on job-related (functional) competences based on job-related standards rather than behavioral competency even though some are definitely supported by behavioral competencies [53–55].

In sum, the literature in terms of employee competency has mentioned that awareness is the knowledge a person has in particular areas of content, and skill is the ability to perform a particular physical or mental activity. Therefore, expertise and skills (technical skills) that are fundamentally important for the job tend to be obvious, and comparatively surface characteristics whereas autonomy, traits, and motive skills (behavioral competencies) were more secret, deeper and central to personality are those which drive an individual’s success in the job [51,56,57]. Although there is still a lot of evidence of behavioral competence in the US, a more comprehensive definition of competence, which also emphasizes job-related practical skills and experience, is gaining ground clearly [45]. As previous paragraphs show, prior studies have provided two perspectives in terms of competencies. Based on those approaches, to effectively build competency-based HR strategies that directly connect compensatory methods with their partners Díaz-Fernández and his colleagues [6] integrate behavioral and functional approaches, using five employee competencies previously developed in the publications [47,56,58–60].

2.4. Five Employee Competencies

As we already mentioned, the employee competencies considered in the present study totally based on the prior study [6]. Diaz-Fernandez and his associates insisted five separate competencies based on numerous prior studies [47,56,58–60]. Thirty years of research carried out by McBer and later by the Hay Group [61] have cross-culturally

validated these competencies, including innovation, technological competence, adaptability, results-focus orientation, customer-focus orientation. Due to the necessary skills of adaptability, creativity, technological competence, customer orientation, and result orientation, several studies showed how the corporate output is affected [62–64]. Additional research has highlighted the connection between firm success and some of these skills. For example, Sheppeck and Militello [65], who analyzed employee adaptability-affected company efficiency. Som [66] also studied how creativity and customer orientation skills are important for company competitiveness and Jackson, Farndale, and Kakabadse [67] mentioned the effect on the performance of customer orientation and technical competence skills. Furthermore, Mathew [68] analyzed the contribution. The following paragraphs introduce the five competencies in more detail. 1. Innovation competency: The production of knowledge defines the concept of innovation. For the purpose of helping their organizations obtain their goals, employees who possess the innovation competency creatively try to identify and solve problems that their organization faces. 2. Technical expertise competency: Technical expertise should be associated with making physical products through the employees' knowledge. Not only could they contribute more to their organizations, but personal development could be led by employees who acquire technical skills. Moreover, their skill and knowledge can be appropriately applied for the organization. 3. Adaptability competency: The adaptive response to cope with new environmental situations for employees is emphasized as important by the study [69]. Those with the adaptability competency may be flexible employees, meaning they do not hesitate to work closely with other individuals. Further, even if they face diverse situations, they handle their job effectively. 4. Result orientation competency: The setting of objects and preferences to optimize organizational resources and an orientation toward matching firm objectives and results describes a result orientation. Working "to achieve desired policy and program outcomes" is a characteristic of employees who possess result orientation competency. 5. Customer orientation competency: Serving and assisting customers to meet their given set of demands is associated with the customer orientation competency. An understanding of the customer's perspective, an ability to ascertain customer needs, and finding the best way the organization can meet those needs are all included in this competency. To evaluate whether their employees in the service department are fulfilling in an expected way to measure customer orientation competency organizations are likely to have a means, such as selling volume.

2.5. Employee Competency and Its Relationship with Compensation Scheme

Díaz-Fernández and his colleagues [6] situationally examined the appropriate use of either PFP or SBP programs by utilizing an established framework of employee competencies previously established in the literature. The advocacy of selectively applying PFP or SBP compensation programs to support the different employees' competencies of innovation, technical expertise, adaptability, results orientation, and customer orientation was the result of their study.

Logical when evaluating the study of Spencer & Spencer's study [56] affirmation that these three competencies are closely connected to one another and appear for the domain of a set of skills, knowledge and abilities that make possible employees to handle issues or problems, create new opportunities and apply them to unfamiliar situations, Díaz-Fernández and his colleagues argued that competencies of innovation, technical expertise and adaptability should be labeled reasonably by 'Proactive Behavior' competencies. They realized that the relationship with SBP compensation system is stronger for employees who have proactive behavior competencies than employees involving PFP compensation system. In contrast, the strength of the relationship is the opposite for a given results orientation and customer orientation: a stronger association with PFP than with SBP is shown with this competency. Ultimately, it was concluded that firms' compensation programs are based principally on workers' skill when firms would like to foster three proactive behavior competence, which includes technical expertise, innovation, and adaptability. However,

firms should focus their compensation approach on the individual worker's output to encourage results orientation and customer orientation competency [6].

2.6. *Organizational Culture*

Sustainable organizational culture includes an organization's specific attitudes, technologies, individual style (e.g., dress code of workers) per Schein [70]. By showing a negative connection between the type of hierarchy cultural system and worker's motivation, the prior study [71] showed that the organizational culture is a critical factor in forming the level of employee motivation. The values, trust, and point of view of its group which build and influence norms of behavior for employees are also reflected in organizational culture. For examples, it was suggested by Lawler [21] that an organization's compensation plan can have a significant effect on the produced culture. It was noted by him that some organizations that give significant rewards to risk takers develop a culture that risk taking might be supported, while others develop a culture of teamwork and commitment partly because of its egalitarian reward system. Then, that indicates that there is a strong connection between establishing compensation scheme for organizations and organizational culture. The potential connection between culture and compensation practices was also documented by Wright [72]. She described a possible framework connecting elements of the reward system to differing cultural perspectives that might complement a reward system. It is not in doubt that there exists a strong relationship between culture and compensation systems as contended by prior research. Furthermore, Kerr & Slocum [23] also asserted that the type of culture (clan and market) may be mutually supportive of one compensation scheme or the other.

1. **Clan culture:** Clan culture emphasizes more discretion and flexibility than the control of hierarchy and the stability and compete organizations (market culture). An open and friendly workplace where people share a lot descriptive of clan culture—this culture can be compared to an extended family. Mentors or even parental figures are often found in leaders. Sense of tradition and group loyalty are strong elements of this culture. Group cohesion is of great importance and provides the benefits of human resource development for long term period. A premium is placed on teamwork, participation, and consensus while strongly emphasizing concern for people. In the clan culture, growth and acquiring new resources are long-term focuses. Industry leadership and acquiring unique and new products or services are important. In the culture, individual initiative and freedom are also encouraged [73,74]. Therefore, the clan culture refers to amicable and “cozy” working environment, wherein the employees are perceived as extended family and superiors are understood as mentors; workers are characterized by high commitment to both job and organization and the development of friendly relations [75].

2. **Market culture:** Next, a clan culture is contrasted against a market culture by Kerr & Slocum [23]. A market culture is identified by a sense of individual initiative and ownership, mutual short-term commitments between the organization and its members, high levels of member independence, supervisors as negotiators and resource allocators, and rets on self-interest, competition and utilitarianism. Market culture encourages individuality in which everyone pursues their own interests and induces rivalry. Fortunately, members of other rival organizations become the target of this rivalry that is directed outward. The term ‘market’ refers to the nature of a company that operates as a market is to pay attention to performance, results, and income and stress the importance of market position and control [73]. Using coordinated utilization of every resource within the company, strong market culture organizations can achieve superior customer value and do so profitably according to the study of [76]. Thus, market culture organizations emphasize relationships—more specifically transactions—with suppliers, customers, contractors, unions. They feel that they can best achieve success [74] and can create more customer value from executing the required actions with the most efficient means available through effective external relations, resulting in high firm performance levels [77].

It is reasonable that an individual's poor performance would signal a misalignment causing the organization to reassign or terminate the employee when considering that the relationship between employees and the firm in a market culture is short term and transactional. Reid and Hubbell's [78] use of Jack Welch as the exemplar for leadership in the market culture may further prove that this might be a precept of the performance culture. "Differentiation," or more commonly called "stacked rankings," in which managers are forced to rank employees as superior, average, or underperforming is famously advocated for by Jack Welch [79] in his book, *Winning*. He conducted that the bottom 10% of underperforming workers be terminated each evaluation term. Within a PFP compensation scheme, he further advocates for financial incentives and rewards for high performers.

2.7. *Organizational Culture and Its Relationship with Compensation Scheme*

To answer the question of whether PFP is a preferable option over the SBP compensation program, this study presented theoretical viewpoint regarding organizational culture. The type of organizational culture may also be mutually supportive of one or the other of these compensation systems according to evidence. Through examination, Kerr and Slocum [23] pointed out how two different types of cultures, clan culture and market culture, are respectively supported through either SBP or PFP reward system. Kerr and Slocum [23] figured out that a SBP reward system which supports cultural values of employee development, cooperative interdependencies, and a long-term relationship between the organization and its members best supports clan culture. Further, they advocate for a market culture to be supported by a PFP reward scheme. Rewards are explicitly linked to short-term individual performance and they are based on evaluative rather than developmental criteria that is quantitatively defined in a PFP compensation scheme. With the potentially significant magnitude of bonuses communicating the value of the "Star" performer, bonuses are an important element of compensation and based on the individual managers' performance outcomes. All in all, the existing studies on reward systems and culture suggest that a PFP scheme may be better situationally applied with respect to organizational culture and not generalizable as a best practice.

3. Methodology

3.1. *Research Model and Hypotheses*

In regard to the appropriate organizational circumstances that favor the use of either PFP over SBP programs, the literature available is sparse. Beyond the essential element of careful implementation, the existent research on PFP compensation programs as a tool through which to enhance organizational performance is somewhat perplexing and offers little guidance to practitioners. In order to add a level of robustness in the literature, the present study was to better understand and investigate the relationships between employee competencies and organizational cultures and aims to corroborate and challenge the existing research pertaining to compensation system / organizational culture and employee competencies.

Prior research examined clan or market organizational cultures might be strongly associated with either a SBP or PFP compensation approach [23] and specific employee competencies might also be associated with either a SBP or PFP compensation system [6]. Importantly this posited it might be possible to link specific employee competencies such as proactive behavior competencies, result, and customer orientation competency each with a particular organizational culture (see the Figure 1).

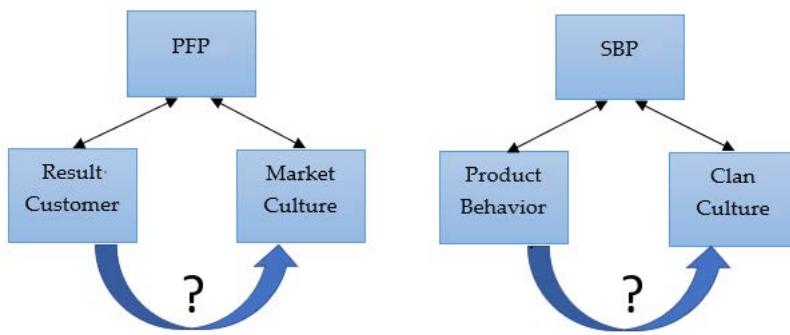


Figure 1. The research model of the present research.

Investigating the strong relationship between employee competency and organizational culture, this study might offer a source of information for current organizations that the firm's compensation strategy with sustainable HR practices might include organizational culture or employee competencies as a component of analysis. Finally, corroborating the existing studies, the hypotheses associated with:

Hypotheses 1 (H1). *The proactive behavior competencies are more strongly matched with clan cultural attributes than with market cultural attributes.*

Hypotheses 2 (H2). *Result orientation competency is more strongly matched with market cultural attributes than with clan cultural attributes.*

Hypotheses 3 (H3). *Customer orientation competency is more strongly matched with market cultural attributes than with clan cultural attributes.*

3.2. Variables and Sample

The total questions of the questionnaire that are used to gather variable values from the participants were 25 questions and all questions were based entirely on prior studies. Variables about employee competencies were 13 questions and borrowed directly by prior study [6] and the part of the organizational cultures on the instrument were 12 questions and based totally on the study [80]. The Table 1 shows specific description of variables in main factors.

The units of analysis for this study's sample were as follows: production department employees (factory workers, employees in product design & development and Quality Control), customer service department employees in the manufacturing industry, and 385 American employees interacting directly with customers, or who are directly involved in the creation of a product in the manufacturing companies. To measure the relationship between main factors, there were two reasons why the sample of this study should be selected by the production workers and the companies of manufacturing industry.

First, rather than merely applying existing knowledge to workplace activities, the employees who are in manufacturing sector can be expected to use their technical, generic knowledge, and skills to contribute to the production of new knowledge within the workplace on an ongoing basis. That is why previous studies [6,19,81] suggested that future research of employees' competencies can work well with the manufacturing industry. Next, analyzing relevant personal competencies in a homogeneous group of employees who were employed in production roles and customer service roles was the focus of this study. Employee competency management is more feasible in this sector more than other sectors, and production workers perform the core activities in the manufacturing sector [6,44]. To measure customer-orientation competency, then, the customer service departments in the manufacturing companies were selected. As indicated by Díaz-Fernández et al. [6], there is no linkage between the competency of customer orientation and the dimensions of production departments. This study, thus, reasonably hypothesized that employees in the customer service department can concentrate on their customers directly with commis-

sions or bonuses in line with sales volumes, and this type of competency will be measured easily with PFP in the customer service department [82].

3.3. Original Measurement Tool for Competency

To measure five employees' competencies, the present study directly duplicated the instrument of Díaz-Fernández et al. [6]. Investigating the relationship between employees' competencies and compensation systems, Díaz-Fernández and his associates contained total 39 questions (employee competency: 30 questions, pay systems: 9 questions) in their questionnaire. The employees' competencies analyzed in their study – proactive behavior (innovation, technical expertise, adaptability), customer orientation and results orientation – were measured using the scale suggested by Spencer [83]. They measured all items on a Likert scale ranging from 1 to 7 (1 = strongly disagree, 7 = strongly agree). In their study, Díaz-Fernández and his colleagues [6] have provided rich information about reliability and validity for their instrument. They performed the Confirmatory Factor Analysis (CFA) to check the quality of their instrument. The CFA is a powerful statistical technique that has become an increasingly popular tool in all areas of social science and allows researchers to evaluate the degree to which their measurement hypotheses are consistent with actual data produced by respondents using the scale, verifying reliability and validity simultaneously of the instrument [6].

According to the study of Díaz-Fernández et al. [6], CFA analysis could confirm the reliability and validity of their competency and compensation scales. Regarding employees' competencies, there were three factors (proactive behavior competencies, result-orientation competency and customer-orientation competency). And the two dimensions of the compensation systems proposed in their study were found to be significant (PFP and SBP). For each factor, selected items among all items are only included in final sample if estimated items are significant with factor loadings higher than 0.7. Factor loadings reflect the degree to which each item is linked to a factor. Therefore, If an item is hypothesized to load on a particular factor, then researchers hope to find a significantly-large positive factor loading. such results are found, then researchers will likely retain that item. If, however, a factor loading. If is small and/or non-significant, then researchers will likely conclude that the item is unrelated to the factor, removing it from the scale. Thus, Díaz-Fernández and his associates eliminated some of the items (lower than 0.7) of the original scales in their instrument, in accordance with a statistical significance. As a result, total 17 questions were left to use for their instrument and they found out that all extracted 17 questions (employee competency: 13 questions and compensation system: 4 questions) are reliable and convergent validity exists. For this reason, this study used 13 items to measure five employees' competencies.

Table 1. The description of variables in main factors.

Main Factors	Number of Questions	Description
Proactive Competencies		* Innovation—Separate out fresh ideas from a wide variety of sources. Take fresh perspectives and risks in their thinking. * Technical Expertise—Show curiosity in exploring beyond the limits of jobs. Collaborate in the resolution of technical problems.
(1) Innovation	2	
(2) Technical Expertise	2	
(3) Adaptability	2	* Adaptability—Smoothly handle multiple demands, shifting priorities and rapid changes. Flexible in perception of events.
Result Orientation	3	Set challenging goals and take calculated risks. Pursue information to reduce uncertainty and find way to improve. Learn how to improve performance.
Customer Orientation	4	Understand customer needs and match them to services or products. Seek ways to increase customer satisfaction and loyalty. Gladly offer appropriate assistance, etc.

Table 1. *Cont.*

Main Factors	Number of Questions	Description
Clan Culture	6	Long-term relationships between firm and employees. Developmental and mentoring supervision. Collegiality and mutual interests. Shared fate, etc.
Market Culture	6	Short-term relationships between firm and employees. Supervision through resource allocation. Worker independence and individuality. Individual initiative. High competition, etc.

3.4. Original Measurement Tool for Organizational Culture

In order to measure two organizational cultures (Clan and Market), the present study directly borrowed the instrument of Nazarian (2013)'s study [80]. To investigate the relationship between cultures and leadership styles, Nazarian [80] included total 12 organizational culture questions in his research instrument (Clan culture: 6 questions, Market culture: 6 questions) with seven-point Likert-scale format (1 = extremely strongly disagree, 7 = extremely strongly agree) and these 12 questions were copied entirely by the Organizational Culture Assessment Instrument (OCAI) for his instrument. The Organizational Culture Assessment Instrument (OCAI) was a tool to measure the organizational culture developed by Cameron and Quinn [84] and has been used in a variety of extensive studies with solid reliability and validity from the Far and Middle East to USA and Canada [80].

According to the study of Nazarian [80], his seven-point Likert-scale of OCAI was absolutely supported by the reliability and validity. In order to measure the reliability of this instrument, he measured internal consistency using Cronbach's alpha which has been widely used to measure the reliability of scales. As many studies mentioned, an alpha value more than 0.7 would be considered as indicative of acceptable reliability. The reliability of his instrument about organizational cultures was examined and the result showed that the Cronbach's alpha coefficient for all 12 questions of clan and market culture were within an acceptable range (Clan culture: 0.768, Market culture: 0.878) [80]. The instrument of Nazarian also provided useful information about convergent validity of his measurement tool regarding clan and market culture. In his study, Pearson correlation analysis was conducted to ensure convergent validity between culture items and their relevant items theoretically (leadership types) and correlation coefficients of all constructs of organizational culture were found to be all in the acceptable range (all correlation coefficients of clan and market culture are more than 0.35). Convergent validity refers to the degree to which measures of constructs that theoretically should be related, are in fact related. As a result, Nazarian [80] concluded that his OCAI instrument with seven-point Likert scale has robust validity to measure organizational cultures based on the study of Robinson, Shaver, & Wrightsman [85] that has suggested that the item-total correlation is to be at least 0.30 to be significant. As mentioned earlier, the present study directly borrowed the OCAI instrument of Nazarian to measure organizational cultures and modifications were never made to these questions since they have been proven to be accurate and effective in diagnosing organizational cultures with robust quality of instrument.

3.5. Data Collection Procedure

The present authors were able to collect the real data concerning main factors (employees' competencies and cultures) from both production department employees (product design & development, quality control and factory workers) and customer service department employees in the manufacturing industry between 3 October 2019 and 15 December 2019, distributing questionnaires in person or sent online. We allowed considerable time (15 days) for participants to answer the questions to ensure that participants who answer the survey provide trustable data. We also took significant time and effort to obtain trustable data from each participant, assuring study participants that this survey is an anonymous survey whereby all responses will remain confidential and be analyzed at an

aggregate for the academic purpose, as suggested by multiple studies [86–88]. In addition, a cover letter was attached to the survey to inform all invited participants the following: they were absolutely free to decline to answer any particular questions they do not wish to answer for any reason and could also terminate their involvement at any time during the process, emphasizing their participations are entirely voluntary. This made it much more likely that the responses of the participants are honest [89].

3.6. Data Analysis Tool

The statistical processing and analysis methods to achieve the purpose of this study are as follows. First, in order to verify the reliability of measuring tools for competency and culture values, internal consistency was examined through Cronbach's α value. Second, a confirmatory factor analysis was conducted to measure the validity of the measurement model composed of variables of competency and culture while confirming the suitability of this structural equation research model. Lastly, a structural equation model analysis (Path analysis) was conducted to examine the structural relationship between competency and culture to measure a hypothesis for this research. The statistical processing of collected data was analyzed as follows using IBM SPSS statistics 24 and AMOS 24.0 programs. The 'Likert scale' ranging from 1 to 7 (1 = extremely strongly disagree, 7 = extremely strongly agree) was used to measure the relationships between main factors through the structural equation analysis.

4. Findings

4.1. Information of Obtained Real Data

Before analyzing the obtained data through statistical analysis, as suggested by Nazarian [80], all researchers should screen the collected raw data, checking missing data. Missing data is one of the most important issue in data analysis and the careful investigation of missing data at the primary level helps to ensure data accuracy in the subsequent stages of data analysis [90]. In this study, the result of data collection showed that a total of 930 sets (100%) of questionnaires were distributed to respondents on 3 October 2019, out of which 604 sets (64.9%) were returned by 15 December 2020. However, 184 sets of questionnaires had to be discarded because more than 20% of the questions in the questionnaires were not answered by the participants [80]. Additionally, 19 participants who did not enter their demographic information at all and 16 participants who entered illogical responses (ex: entering same numbers for whole survey questions) were also eliminated in final dataset. Thus, total 219 (184 + 19 + 16) sets were discarded. As a result, usable questionnaires for data analysis were 385 sets, reflecting 41.4% valid response rate. Discarded data was not replaced by new participants because this study was designed to obtain over 300 responses from participants and collected dataset was 385 sets even if considering discarded data sets. Table 2 shows the information of total collected data and Table 3 indicates the breakdown information of data collected per department. And Table 4 presents the demographic characteristics for final sample.

Table 2. The information of total collected data.

	Total	Percentage (%)
Questionnaires Distributed	930	100
Uncollected Questionnaires	326	35.1
Collected Questionnaires	604	64.9
Discarded Questionnaires	219	23.5
Usable Questionnaires	385	41.4

Table 3. The breakdown information of data collected per department.

	Quality Control Department	Product Design Department	Factory Worker	Customer Service	Total
Distributed Questionnaires	227	241	219	243	930
Collected Questionnaires	152	146	161	145	604
Discarded Questionnaires	48	48	69	54	219
Usable Questionnaires	104	98	92	91	385

Table 4. Demographic Characteristics for Final Sample.

Profile	Frequency	Percentage (%)
Gender		
Male	207	
Female	178	58.6
Total	385	
Job level		
Non-managerial	245	
Managerial	140	
Total	385	100
	Mean	Std. Deviation
Age	41.39 (Max 72, Min 19)	11.46
Total years working	15.64 (Max 48, Min 1)	10.32

4.2. Descriptive Statistics

To summarize large sets of quantitative (numerical) information is the purpose of using descriptive statistics. The follow was included in the descriptive analyses: (1) mean (2) mode (3) median (4) standard deviation (5) range (minimum and maximum scores). As already mentioned, all variables of main factors are evaluated based on a seven-point Likert scale. On this scale, the mean value of clan culture and market culture for total 385 observations are at 24.6 and 24.2, respectively. Regarding employee competencies, the mean values for all participants are at 26.7 (Proactive competencies), 16.8 (Customer orientation competency), and 12.9 (Result orientation competency). (See the details the Table 5). Separating the final sample into two different categories to investigate descriptive statistics, the mean value of the first group of participants who comprised of employees of product design & development and employees of quality control showed higher mean values on clan culture and proactive competencies than market culture and result and customer orientation competency. In contrast, the mean value of second group participants (factory workers and employees in the customer service department) indicated higher mean scores about market culture, customer, and result orientation competency than scores of clan culture and proactive competencies.

Table 5. Descriptive Statistics for Total 385 Participants.

Main Factors	Mean	Median	Mode	Range (Max–Min)	Std. Deviation
Proactive Behavior	26.7	27	32	36 (42–6)	8.12
Result Orientation	12.9	13	26	18 (21–3)	4.43
Customer Orientation	16.8	17	19	24 (28–4)	6.18
Clan Culture	24.6	26	23	36 (42–6)	8.39
Market Culture	24.2	26	24	36 (42–6)	8.26

The Tables 6 and 7 showed detailed descriptive statistics for both groups and as being expected by the current authors, employees of Product Design & Development and Quality Control who indicated a high score regarding proactive behavior competencies also revealed a high score of clan culture. However, factory workers and employee in the customer department showed a high degree of possession with market culture.

Table 6. Descriptive Statistics for Employees of Product Design & Development and Quality Control.

Main Factors	Mean	Median	Mode	Range (Max–Min)	Std. Deviation
Proactive Behavior	33.1	30	31	36 (42–6)	5.11
Result Orientation	9.9	13	9	18 (21–3)	4.13
Customer Orientation	12.6	15	10	24 (28–4)	5.33
Clan Culture	30.4	31	34	36 (42–6)	4.56
Market Culture	17.2	18	12	36 (42–6)	6.48

Table 7. Descriptive Statistics for Factory Workers and Employees in the Customer Service Department.

Main Factors	Mean	Median	Mode	Range (Max–Min)	Std. Deviation
Proactive Behavior	19.2	19	16	36 (42–6)	7.43
Result Orientation	15.2	15	18	18 (21–3)	4.22
Customer Orientation	22.7	13	33	24 (28–4)	4.14
Clan Culture	18.5	20	32	36 (42–6)	7.62
Market Culture	32.8	34	30	36 (42–6)	6.77

4.3. Findings (Reliability Statistics)

Based on the collected final dataset ($N = 385$), to measure the reliability of employee competency variables and organizational culture variables, Cronbach's alpha value was used to measure of internal consistency. It is considered a measure of scale reliability, and a generally accepted rule is that usually, α of 0.6–0.7 indicates an acceptable level of reliability, and 0.8 or greater an exceptionally good level. Table 8 indicates the result of analyzing the question composition and reliability of the measuring tool for employee competencies. All three five-factors of employee competency had Cronbach's α values of 0.8 or higher. Therefore, it can be confirmed that each sub-factor of the SSC has internal consistency. Also, all two subfactors of organizational culture had Cronbach's α values of 0.8 or higher (See the Tables 8 and 9).

Table 8. The results of reliability analysis for employee competencies.

Sub-Factors	Question Number	Cronbach's α
Proactive Behavior (Innovation, Technical Expertise, and Adaptability)	1–6	0.842
Result Orientation	7–9	0.878
Customer Orientation	10–13	0.854

Table 9. The results of reliability analysis for organizational cultures.

Sub-Factors	Question Number	Cronbach's α
Clan Culture	1–6	0.877
Market Culture	7–12	0.894

4.4. Findings (Confirmatory Factor Analysis)

The current study also conducted a confirmatory factor analysis (CFA) to measure a conversion validity and confirm whether competency and culture's measurement variables reasonably explained the latent variables. Conversion validity tries to investigate the measurement items consistently measure the constituent concept and can be known as the factor load between the latent variable and the observed variable, and usually, if the factor is 0.5 or more, it can be checked that there is a proper validity. Table 10 shows that the value of average variance extracted (AVE) is more than 0.5, which means that all measurement variables regarding competency and culture can be regarded as having conversion validity since they revealed more than the corresponding reference value (0.5).

Table 10. The results of Confirmatory factor analysis.

Items	Unstandardized Factor Loadings	Standardized Factor Loadings	S.E.	C.R.	AVE	Construct Reliability
PB-Innovation	1.00	0.88				
PB-Technical.E	0.91	0.65	0.05	14.23 ***	0.754	0.912
PB-Adaptability	1.04	0.84	0.05	19.95 ***		
OC(Clan)	1.00	0.83			0.748	0.892
OC(Market)	0.87	0.79	0.05	18.62 ***		1

*** $p < 0.001$.

4.5. Findings (Path Analysis)

To determine the research model's fit, χ^2 , RMR, TLI, GFI, CFI, and RMSEA were used as indicators. For model fit, the absolute fit (χ^2 , RMR, GFI, RMSEA, etc.) and incremental fit (TLI, CFI, etc.) were used. Statistical results of the final analysis indicated both hypothesis 1 and 2 are in expected direction and the present authors could accept all hypotheses (see the Tables 11 and 12, and Figure 2 in detail).

Table 11. The results of Path analysis (clan culture and competencies).

Path	Unstandardized Coefficients	Standardized Coefficients (β)	S.E.	T
Clan \rightarrow PB competencies	0.42	0.41	0.06	5.55 ***
Clan \rightarrow R competency	−0.37	−0.36	0.07	−6.76 ***
Clan \rightarrow C competency	−0.28	−0.31	0.05	−6.11 ***

$\chi^2 = 246.25$ (df = 95, $p < 0.001$), RMR = 0.016, GFI = 0.956, TLI = 0.947, CFI = 0.987, RMSEA = 0.053 (90% CI: 0.048–0.067), *** $p < 0.001$.

Table 12. The results of Path analysis (market culture and competencies).

Path	Unstandardized Coefficients	Standardized Coefficients (β)	S.E.	T
Market \rightarrow PB competencies	0.39	−0.35	0.08	4.83 ***
Market \rightarrow R competency	−0.27	0.30	0.06	−6.34 ***
Market \rightarrow C competency	−0.46	0.45	−0.06	−4.51 ***

$\chi^2 = 222.39$ (df = 95, $p < 0.001$), RMR = 0.018, GFI = 0.935, TLI = 0.966, CFI = 0.973, RMSEA = 0.057 (90% CI: 0.048–0.067), *** $p < 0.001$.

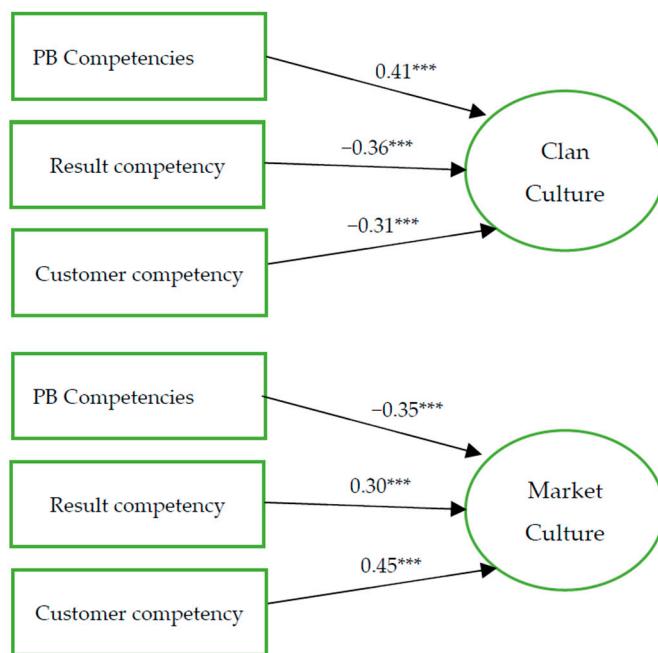


Figure 2. The verification diagram of the employees' competencies and cultures. *** $p < 0.001$.

5. Discussion and Recommendation

5.1. Discussion

The present study may prove significant for Human Resources (HR) practitioners. This study advocates the strong connections between organizational culture, employee competencies and compensation schemes in consideration of the close relationship between organizational elements (competencies and cultures) and compensation systems and synthesize the results of this study and existing researches [6,23]. As previously mentioned, human resource practitioner, Aon Hewett, suggests that as many as 90% of U.S. companies use individual PFP practices, up from 50% in the past twenty years [91], and proves that there is tremendous pressure to adopt PFP compensation schemes as a 'best practice.' This study suggests that following the crowd might not be the most effective alternative for current organizations, and learning precisely which competencies and cultures are significant to the strategy of the organization might be critical touchstones.

First, while not as predominate as PFP in commerce, the current authors insists that the employees' competencies of proactive behavior such as innovation, technical expertise and adaptability are positively associated with clan cultural attributes and SBP compensation system according to the findings of two previous studies [6,23] and the present study which used 385 American workers in the manufacturing sector as a sample. That an SBP reward system encourages employees to acquire new knowledge and skills, fostering proactive behaviors that are supportive of the activities inherent in innovation, adaptability, and technical expertise competencies may be the reason that this is true [6]. Where attitudes and behaviors are difficult to observe and where tasks are not standardized it might be correct to base compensation systems on an individual's skills. However, since the competencies of customer orientation and results orientation are easier to observe and monitor in addition to being more attuned to standardized procedure, they are more appropriately matched with a PFP compensation system. This, then, implies that the tendency to apply skills and knowledge to generate measurable results that are easily assessed [6] is associated with the result and customer orientation.

From the perspective of the relationship between clan culture and an SBP reward system, a clan culture is characterized by the following: a long-term commitment between organizational members and the organization, an interdependent relationship between members and supervisors based on mentorship and development, a sense of collective

collegiality, and resting on mutual interests and shared fate. Relatively frequent promotions include tenure and often motivated by the individual's need for development through exposure to new functional areas. The implication is that a clan culture might be associated with an SBP reward system that emphasizes security and salary, with salary increases coming from supervisory assessments that focus on tenure and mostly subjective, qualitative factors including cooperative, rather than competitive, member behavior [23]. Therefore, rather than strict evaluation of performance, assessment feedback is oriented toward employee development. Concentrating on corporate performance rather than individual performance, this indicates that bonuses are a relatively small portion of total compensation. Thus, the cultural values of employee development, cooperative interdependencies, and a long-term relationship between the organization and its members might be associated with an SBP reward system. Moreover, with its ability to incentivize and reward employee growth and development, it seems reasonable to suggest that an SBP compensation system appears to be most compatible with a clan culture.

The present study conducted the structural equation analysis and discovered a configurational frame between proactive behavior competencies and clan culture. This might be due to clan culture supporting employee growth and development and providing a sense of psychological safety, leading to likely increase employee propensity to propose new ideas [92]. In addition, the organizational encouragement inherent in a clan culture was found to be conducive to creativity [93]. Thus, the clan culture concentrates on fostering the accumulation of knowledge within the organization, and within this culture, human resource development is strongly consistent with the intention to be innovative [94]. In line with technical performance and adaptability capability, as innovative thinking can be considered to achieve those goals, this indicates that the focus on employee development means that organizational members prefer the goals of growth and resource acquisition [94]. According to Chuang and colleagues [95], employees might associate the organizational emphasis on the ability to modify manufacturing technology with the culture of employee development.

Consequently, an organization's ability to utilize the clan culture's ability to encourage knowledge creation through employee development might derive proactive behavior as an employee competency. For this reason, the current authors reasonably suspect that clan culture seems to be associated with three employee competencies of proactive behavior which is matched properly by a SBP reward program when corroborating previous research and the findings of the present study.

Second, PFP compensation practice is associated with the circumstances such as result and customer orientation competencies and market culture, as asserted by the current study. Earlier studies [6,23] points to a weaker connection with the SBP compensation system and clan culture in the customers' skills and results from orientation. The explanation for this may be that it is easier to track and monitor workers' performance associated with both these competencies than with the competencies of constructive conduct to make it possible for both abilities to be better balanced by a compensation system [6]. Competency in the outcome orientation is mainly linked to the tendency to use skills and expertise for concrete outcomes that can be easily measured [59]. In addition, an employee's individual PFP compensation scheme needs an objective method of measuring such observable results. This indicates a correlation between a PFP compensation system and the effect of a person who can see how his or her work success directly relates to his/her compensation [96]. Employees who succeed optimize their success work towards achieving the desired results of their policies and programs. Likewise, companies determine how employees should be linked to their customers to sell amounts. These organizations have a way of measuring if their customers are pleased with their employees' success [6,56]. Therefore, the priority for workers with customer orientation skills is the recognition of customer needs [56]. Furthermore, customer attention skills success can be calculated easily because employees' sales can be assessed [6]. As sales-related commissions or incentives facilitate

and encourage customer-focused results, workers must also be reimbursed by individual performance-based compensation [6,82].

Because of the more observable nature of activities that require more results orientation and a customer orientation than innovation, technical expertise, and adaptability, it is, therefore, quite reasonable that organizations might be expected to use PFP compensation system when they encourage a greater extent the result and customer orientation. Kerr and Slocum [23] went on to contrast a clan culture with a market culture as it pertains to the relationships between PFP compensation system and market culture. A market culture is characterized by the following: mutual short-term commitments between the organization and its members, elevated levels of member independence, supervisors as negotiators and resource allocators, a sense of individual initiative and ownership, and resting on self-interest, competition and utilitarianism. Thus, individuality in which everyone pursues their own interests is encouraged by the market culture. Further, relative to a clan culture, promotions are infrequent and the exception rather than the norm, being motivated primarily to fill a vacancy rather than foster employee development.

Because a PFP plan (1) bases reward on evaluative rather than developmental criteria that is quantitatively defined and (2) explicitly links rewards to short-term individual performance, Kerr and Slocum [23] recommended a PFP compensation system to match a market culture. With the potentially generous size of bonuses communicating the value of the 'Star' performer, there is, therefore, little doubt bonuses are a significant part of compensation and based on the individual managers' performance outcomes. That demonstrates that salary boosts are impacted by the external labor market, the cost of living, in addition to elements of performance. Consequently, to match a clan culture, PFP compensation schemes, which are associated with values of employee independence, individual initiative and risk-taking, and the short-term, transactional nature of the relationship between the organization and its members does not seem to be a reasonable option, while a market culture's focus on goal attainment of specified metrics might make PFP compensation models a more compatible choice [23].

As previously discussed, the present study established positive connections between result and customer orientation competency and a market culture. Since the competitive and individualistic nature of the market culture might be associated with a result and customer orientation, as would a PFP compensation program, these findings would seem to be reasonable. Kerr and Slocum [23] defined what might be called a market culture. Individual and organizational capabilities are continually assessed for fit through a rigorous measuring and reporting of results, and a focus on measurable priorities, aligning with the quantitative, competitive, and individualistic nature of assessment is typical of a market culture which involves an alignment of individual talent and organizational needs [23,78].

Necessarily required to use quantifiable performance metrics to evaluate employees' performance, result and customer orientation competency might be consistent with market-based culture. According to Cameron and his colleagues [97], it is also consistent with the idea that an important norm in a market culture is meeting short-term performance targets and delivering results. Thus, it stands to reason that an individual's poor performance would signal a misalignment causing the organization to reassign or terminate the employee, considering the relationship between employees and the organization in a market culture is short-term and transactional [23]. In conclusion, result and customer orientation as an employee competency may be developed from an organization's capability to utilize the market culture's strength in encouraging more result-oriented employees than those more oriented to behaviors. Relying on prior studies and the findings of this study, the current authors reasonably suspects that market culture seems to be associated with the employee competency of result and customer orientation which is matched properly by a PFP reward program.

5.2. Limitation and Reccomendation

As mentioned in previous sections, this study analyzed the relationships between employee skills and organizational cultures to resolve the gaps in compensation literature and found statistical results that show that different corporate cultures could combine with unique employee skills. These findings are consistent with the authors' expectations outlined in the last section, which means all beta coefficients between skills and cultures were in the expected direction without any unexpected results. Thus, these statistical results of the present study contradict the current investigations on compensation programs/organizational culture and employee competencies [6,23]. They indicate that different compensation programs may be related to other modes of work for potential researchers and practitioners. They also support existing research and suggest that the present study adds to the HR compensation literature by synthesizing and applying existing studies to new statistical findings. Thus, promoting the company's compensation policy should not be excluded as an aspect of consideration by its workers' organizational cultures.

Nevertheless, the limitations provided by this study should be remembered by future researchers and practitioners. The results of this study may not be significant for other industries except manufacturing. However, the sample of participants for this study was sufficient for empiric research. The response rates were highly reasonable, given that those findings are focused solely on the produced field. Furthermore, since only the USA was based on this study's geographical area, this study's results might not be necessary for employees from other countries. As for future studies, the authors intends to consider using additional existing instruments other than the Nazarian [80] and Díaz-Fernández et al. [6] research instruments used in this study. For this reason, any future studies will use additional tools to determine whether ties between competence, culture, and compensation will produce similar results to the results of the present study to reinforce the relationship between the three factors. In several areas of culture, expertise, balance, and the copying of existing instruments, many resources, such as publishing company databases, newspaper articles, and book anthologies have been produced, and copies can be found directly from the author, such as the testing, measurements and survey questionnaire.

Next, it can reasonably be said, as a previous research study have shown [6] that it is a cumulative process which needs time for the acquisition and development of employees' competencies before the results can be shown in an assessment of competence. This suggests that HR practitioners will take a longer timeline to search for the more accurate skill that affects the link between the compensation system, employee competence, and the organization's culture. For this explanation, it can present a substantial competency evaluation scale, which is a methodology for assessing the know-how, qualifications, and ability of an employee, to examine the precise competence effect and point out that skill management has an important influence on improving the overall quality of the final product. Furthermore, this study suggests future research to examine whether the methods of compensation used by competencies and cultures vary within the business. Therefore, the prospective study may decide whether a wide number of organizations can generalize clear ties between rewards, skills, and culture. In the future research, different kinds of jobs ought to be examined with a focus on the perceptible differences in employees' competencies within the same organization. This indicates that future studies should be analyzed to check whether employees' competencies are controlled by job position as a strategic aspect and whether the compensation methods that are used according to competencies and cultures differ throughout the company, perhaps by job level or department. As a result, future research might be able to determine if the strong connections between compensation, competency, and culture, checking out the generalizability to the broad spectrum of organizations.

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