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# The Relationship between Structural Compensation and Organizational Effectiveness of Distribution Industry\*

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## Abstract

**Purpose:** The purpose of this study is to identify the maximum organizational effectiveness of compensation systems in the distribution industry. It is to identify the relationship between structural compensation and organizational effectiveness. It also aims to clarify whether distributive justice plays as a controlling variable between two variables. **Research design, data and methodology:** This study was conducted on distribution industry employees. The questionnaire was collected through self-subscription. A total of 209 questionnaires were collected during the month of April 2021, of which 203 were used as valid samples. **Results:** Structural compensation have been shown to have a positive impact on two sub-factors of organizational effectiveness. In the verification of the controlling effect of distributive justice, perceived fairness has a control effect on the relationship between extrinsic compensation and organizational effectiveness but it does not show a controlling effect on the relationship between intrinsic compensation and organizational effectiveness. **Conclusions:** Structural compensation has a positive effect on organizational effectiveness. The distribution industry should aware of the compensation and the perceived fairness. The fairness of distribution plays a role in identifying the recognition of compensation and organizational feasibility, identifying motivations of employees, and mediating proper strategies to enhance job satisfaction.

**Keywords:** Structural Compensation, Extrinsic Compensation, Intrinsic Compensation, Organizational Effectiveness, Perceived Fairness, Distributive Justice

**JEL Classification Code :** D23, J33, M52

## 1. Introduction

Advanced information technology development in the 4th industrial era is also making a big difference in the distribution industry. The distribution industry is diversifying not only offline but also online sales channels, and this change in the environment is creating competition in the distribution industry. As competition in the distribution industry intensifies, customers' needs and standards are diverse and increasing. As a result, the importance of human resources in the distribution industry is

increasing. The role of employees in the rapidly changing market and infinite competition in the distribution industry is changing. Strengthening employees' capabilities is becoming an essential requirement for efficient management of distribution-related areas. In order to overcome the limitations of the distribution sector in a fierce market, enthusiasm for the work of employees is needed, and research such as management and evaluation factors of employees based on capabilities and relationship with corporate performance is very necessary. There is also growing importance on compensation issues to motivate

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them to maximize their capabilities. Management managers in the distribution industry control human resources management in line with management strategies and design major programs to achieve corporate goals. The goal of a distribution company is to maintain competitiveness, secure competitive advantage, and provide employees with value for their work.

Motivation for employees is driven by external rewards such as salary and promotion, and internal rewards such as performing meaningful tasks. Prior studies have shown that both types of rewards affect outcomes such as engagement, job satisfaction and organizational immersion (Thomas, Ambrosini, & Hughes, 2019). Employees' emotional state of the company directly affects the company's performance. For this reason, distribution companies implement compensation systems as a way to satisfy employees and maintain good talent. While studies on compensation have mainly been conducted on extrinsic compensation, studies on human resources have recently been conducted together with intrinsic compensation as well as extrinsic compensation. By introducing both external and intrinsic rewards, various systems are being introduced to motivate employees to work satisfaction and organizational immersion.

In this study, unlike previous studies, studies have been conducted on the direct effect of compensation schemes on organizational validity. Compensation management in the distribution industry has long been used as a motivation to promote job satisfaction and maintenance of the workforce. However, the relationship between these variables is not clearly defined in the distribution industry due to the lack of empirical research.

Therefore, the study will identify the relationship between the two variables because at this point, the distribution's compensation system can maximize employee immersion and job satisfaction, and the higher satisfaction with the compensation system, the better it will adapt to its job and become immersed in the organization (Greguras & Diefendorff, 2009).

In addition, the study was conducted in consideration of the recognition of distribution fairness as regulatory variables in the above two variable relationships. Fairness in compensation to employees is a sensitive issue, and the importance of compensation is great because it is the price of providing and receiving one's own labor. Studies that view distribution fairness as a role of regulatory variables were mainstream until the 80s, in terms of fairness in wage distribution and fairness in terms of work-related distribution. Since the mid-80s, many studies on fairness have also shown that distribution fairness is an important basis for assessing organizational fairness, increasingly emphasizing the importance of distribution fairness recognition (Mosquera, Soares, & Oliveira, 2020).

Distributive justice is an important matter of how fairly

employees perceive the compensation system in the implementation of compensation. If employees are perceived as unfair by comparing compensation with themselves and others, they may cause dissatisfaction with the organization, which may lead to negative effects on organizational immersion and job satisfaction. In the end, employees' positive state of mind about work, pride and unity in the organization, and the relationship of trust between companies and employees depending on their perception of how fair compensation is. Although this recognition of justice is recognized to be important to an organization, there has been no study at all that modulates justice recognition in the relationship between compensation and organizational validity in the distribution industry. Therefore, we believe that there is a need for research on regulatory effects based on prior research, as there are various variables that make up organizational validity.

The purpose of this study is to assess the role of both the satisfaction with the extrinsic and intrinsic rewards of distribution workers in compensation paid to distribution workers in exchange for work. It is intended to understand how it affects organizational validity through fair and distributive justice implementation. In addition, we would like to establish a mechanism to control the relationship between distribution workers' extrinsic rewards, intrinsic rewards and organizational validity, which have not been addressed in previous studies, as distribution justice awareness and consider the organizational contribution of employees.

## **2. Theoretical Background**

### **2.1. Structural Compensation**

Compensation is an important factor for businesses and employees in organizational management. For an organization, it is also a key element necessary to achieve its goals as a means of motivating its members to achieve high performance (Wang, Craighead, & Li, 2014). The compensation for wages, benefits, satisfaction of physiological needs, and self-realization through the organization is called compensation. It is a comprehensive concept in which a worker invests time, effort, technology, etc. for an organization and receives such activities as an economic consideration. In other words, reward means all attractive or positive forms of payment given to the actor for a particular action (Allen & Kilmann, 2011).

In an organization, employees who plan for changes in the organization's corporate objectives and support its changing efforts share ways in which the company moves toward the goal, allowing them to experience meaningful organizational life (Stephen, Stumpf, Tymon, & Richard, 2013). Nicolai

(2010) argued that organizational rewards are divided into foreign and intrinsic rewards and that extrinsic rewards are visible, such as salaries and bonuses, and that they are non-material rewards such as empowerment and presentation of possibilities. Milkovich, Newman, and Gehart (2011) stated that the definition of compensation refers to the financial compensation and actual services and benefits those workers receive in employment relationships, and that, depending on the form of compensation, payments received directly in cash, such as direct compensation and incentives, or indirect compensation through services, pension and health insurance.

According to Greckhamer (2011) research on the difference between compensation levels and compensation inequalities, extrinsic compensation includes identity security, remuneration, promotion, performance benefits and benefits, for example, it can be predicted that a promotion will have a positive impact on job performance. He argued that intrinsic rewards include a sense of achievement, fun, opportunity for ability development, self-realization, and participation in decision-making, and that if intrinsic rewards continue, employees will have a strong task force, which can have a positive impact on the achievement of individual work performance as well as the organization's goals.

There are various factors that make employees experience organizational rewards in their work. Allen and Kilmann (2001) said that organizational rewards are divided into intrinsic and external rewards, including non-monetary rewards from the sense of satisfaction, achievement, recognition and encouragement given to individuals after they perform their duties, and wages, bonuses, promotions, and praise from others. Organizational managers need to think about what kinds of rewards are effective for employees and establish a system to provide compensation accordingly. The level of performance varies depending on the type of reward, so organizations will need to have a reward system in place to provide appropriate compensation (Hwang & Jung, 2018).

The study comprises two sub-concepts: material extrinsic compensation and employee support for effort and employee authority permitted by managers to support change. The study was conducted by measuring extrinsic compensation with five factors: salary, promotion, benefits, incentives, qualifications, and opportunities for performing tasks, performance authority, sense of achievement, recognition, and self-realization.

## 2.2. Organizational Effectiveness

Organizational validity is the result of strategic management. In other words, the extent to which companies realize their goals for human resource management. Organizational validity can contribute positively to all aspects of an enterprise's overall success, market share, profitability,

growth rate and innovation.

The positive result of organizational validity is increased competitive advantage and solid performance. As such, organizational validity can also be said to be the ability of an entity to meet the needs of its employees to achieve its objectives (Prayitno, Waluyo, & Suhana, 2020).

In the 1950s, financial position or economic index became the basis for organizational validity. Since then, it has developed a tendency to analyze the social index of employees, including psychological inner thoughts. Koy (2001) shows that organizational validity was studied as three factors: turnover intent, job satisfaction, and organizational civic behavior. Ferreira (2015) studied organizational validity classifying it as job satisfaction, goal orientation, growth, profitability and productivity. Job satisfaction is a state of abstract and subjective emotion about jobs. Personal satisfaction with a job or job involves attitudes or perceptions of job-related factors (Kim & Kim, 2020).

The high organizational immersion of employees in the organization will be linked to high performance, low turnover of employees, and low levels of absence from work. This organizational immersion will determine satisfaction with the job (Lyu & Yang, 2013) also is a continuing process of employee commitment to the organization. If an organization can increase organizational immersion, it means job satisfaction is triggered (Martono, Khoiruddin, Wijayanto, Ridloah, Wlansari, & Udin, 2020). Organizational immersion shows how hard employees work in the organization and want to remain part of the organization. Individuals with the consistency and ability to work optimally for an organization are an important factor in helping the organization grow (Prayitno, Waluyo, & Suhana, 2020).

Organizational attachment to the distribution company, accept and believe in organizational goals and values is becoming an important factor in improving organizational effectiveness. Distributors also need to be willing to provide efforts for the organization and remain loyal to the organization.

Therefore, based on prior research, this study aims to measure organizational validity in two dimensions: job satisfaction and organizational immersion. Job satisfaction was defined as a pleasant and positive emotional state resulting from the evaluation of an individual's job or job experience. Organizational immersion measures the attachment to the organization's goals and values, the willingness of the members to strive for the organization, and the desire to remain a member of the organization.

The measurement tools of Allen and Meyer (1990), which were heavily utilized in the study of organizational validity, were modified and used to suit the target distribution company employee. The organization validity measurement was made up of 5 job satisfaction questions and 5 organizational immersion questions, totaling 10 questions.

### 2.3. Distributive Justice

It is not easy for all employees to be satisfied with the compensation because the organization's resources are limited. Organizational justice recognition is an area that studies the response of employees regarding unfairness by connecting problems with limited resources to organizations. Research on fairness recognition is evolving because it focuses on empirical studies on fairness recognition (Salman, 2013).

Bartol and Srivastava (2016) noted that recognition of fairness in organizational compensation is an important factor in the trust and development of organizations and will be useful in improving their work effectively in team work. Justice awareness has a high impact on members' behaviors and attitudes, and the organization strives to increase the level of recognition and perception of justice recognized by members through various methods and means, including wage schemes and promotion schemes (Greenberg & Lind, 2000)

Justice has been discussed in terms of procedural fairness, distribution fairness, and interaction fairness, but distributive justice has the most influence on relationship quality among various fairness dimensions. The performance-oriented compensation system, which has been drawing attention recently, is representative of the annual salary system and the performance allocation system. Distributive justice, especially in relation to compensation, affects the role and activities of members of the organization (Schminke, Ambrose, & Cropanzano, 2000).

Early studies on distributive justice suggested that organizational members accept the final distribution as justice regardless of the disadvantage if the organization's decision-making process is seen fairly. It is said that when members' perception of justice is high, they work with a high level of enthusiasm to be equitable (Saks, 2006). In the hospitality industry, distributive justice has been shown to contribute greatly to improving organizational performance as a positive influence factor on members' job satisfaction (Zohbi-Manrique-de-Lara & Ding, 2017).

Folger and Konovsky (1989) defined distributive justice to the extent that it recognizes how fair distribution is in determining the total amount of compensation. The higher the perception of distributive justice of organizational members, the more enthusiastic they are about their work, aware of the organization's values and goals, become attached to the organization, and enthusiastically participate in organizational activities. When compensation feels more than the sum of various input factors such as effort, responsibility, and experience, employees become aware of justice.

In this study, distributive justice was defined to the extent that employees are given compensation compared to what they have invested in the organization. Based on these prior

studies, 6 questions were to be displayed on the Likert 5-point scale by modifying the organization's compensation scheme to suit the distribution company circumstances.

## 3. Research Methodology

### 3.1. Model

A research model such as <Figure 1> was presented to examine the relationship between extrinsic compensation, intrinsic compensation of distribution workers with organizational effectiveness, and to examine the controlling effect of distributive justice.

The subjects of this study were two large discount marts, E-Mart and L-Mart in Seoul and Gyeonggi Province, and two large department stores, S Department Store and H Department Store, which were collected through self-subscription in March 2021. A total of 209 questionnaires were collected. E-Mart and L-Mart have the largest distribution channels in Korea and the largest number of employees, so they were selected as the most appropriate for generalization. It was also selected as the largest and largest S department store in Korea and two H department stores.

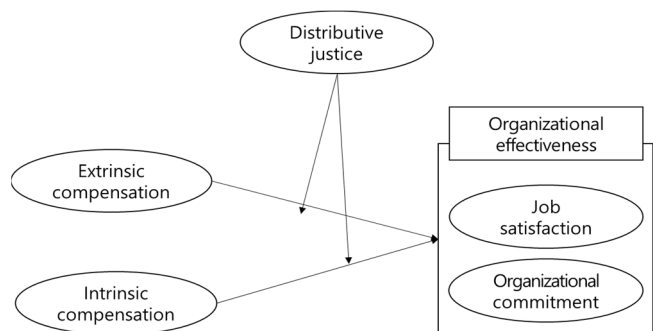


Figure 1: Research Model

### 3.2. Hypothesis

#### 3.2.1. Relationship between Structural Compensation and Organizational Effectiveness

Williams, McDaniel, and Ford (2007) conducted an analysis of compensation satisfaction in a prior study to understand the multiple dimensions of compensation satisfaction, indicating that the relationship between wages, benefits and job satisfaction has a positive (+) relationship. A study between compensation and organizational effectiveness in Mosquera, Soares, and Oliveira (2020) showed that both extrinsic and intrinsic compensation had a positive effect on job satisfaction. In addition, extrinsic compensation has been

shown to have a stronger effect on job satisfaction. Satisfaction with compensation and job satisfaction are negatively related to the intention to change jobs, which has been shown to regulate the relationship between satisfaction with compensation and intent to change jobs.

If organizational rewards in the distribution industry can transparently form an understanding and consensus among the members, they will be able to become much more satisfied and immersed in the organization, including dedicated and voluntary performance with attachment and loyalty to the organization. This study established the following H1.

**H1:** Structural compensation will be related to organizational effectiveness.

**H1-1:** Extrinsic compensation will be related to job satisfaction.

**H1-2:** Intrinsic compensation will be related to job satisfaction.

**H1-3:** External compensation would be related to organizational immersion.

**H1-4:** Intrinsic compensation would be related to organizational immersion.

### 3.2.2. Relationship between Distributive Justice Recognition and Organizational Effectiveness

According to the results of Thanh and Toan (2018) study, distributive justice shows that individuals receive valuable results in groups when they feel their work is being used to perform clearly distinguished tasks. When justice is perceived negatively, it is said that favorability to the organization will decrease. It also motivates employees to make greater efforts and contribute to the organization.

If distributive justice is based on individual subjective judgment, procedural justice is likely to be induced into collective action, including treatment from all members. Consequently, perceived distributive justice has a significant impact on members' attitudes, including job satisfaction, organizational immersion and organizational trust (Colquitt, Scott, Rodell, Long, Zapata, Conlon, & Wesson, 2013). Poon (2012) argued that distributive justice recognition, in a study of the coordination effects between employee organizational obligations and organizational immersion, found that high levels of distributive justice fully regulate the relationship between organizational obligations and organizational immersion and has side effects on organizational commitment in the absence of distributive justice.

Park (2020) shows that airline compensation justice and organizational effectiveness, procedural justice has a positive impact on job satisfaction and organizational immersion, so the level of contribution that is a key factor in determining the level of compensation should be objective and reflected.

Based on prior research considerations, this study established H2 as follows in view of the distributive justice recognition will be controlled by external compensation of distribution workers and the relationship between intrinsic compensation and organizational effectiveness.

**H2:** Recognition of distributive justice will have control effect the relationship between structural compensation and organizational effectiveness.

**H2-1:** Recognition of distributive justice will have control effect the relationship between extrinsic compensation and job satisfaction.

**H2-2:** Recognition of distributive justice will have control effect the relationship between intrinsic compensation and job satisfaction.

**H2-3:** Recognition of distributive justice will have control effect the relationship between extrinsic compensation and organizational immersion.

**H2-4:** Recognition of distributive justice will have control effect the relationship between intrinsic compensation and organizational immersion.

## 4. Results

### 4.1. The Demographic Characteristics

Prior to hypothesis verification in this study, the demographic characteristics of the valid 203 samples were shown in Table 1.

### 4.2. Feasibility and Reliability of Data

In this study, the composition feasibility of the measurement tool was evaluated through the validity of the intensive feasibility discrimination law, and internal consistency was evaluated based on the Cronbach's  $\alpha$  coefficient to assess whether the measurement tool's reliability was secured. For this configuration feasibility and reliability, we conducted a verifiable factor analysis using AMOS 18.0 and a reliability analysis using SPSS 18.0. The results of the confirmatory factor analysis are shown in Table 2. For the fit of the analysis model, the  $\chi^2$  value is 439.719 (df=289, p=.000) indicates nonconformity. This diagnoses the suitability considered incremental and simplicity indices along with absolute suitability indices, as the significance alone cannot be determined due to the sensitivity of the sample size and the number of observations. The model's goodness-of-fit results showed that the AGFI and NFI figures were below the baseline, but overall, they were considered acceptable ( $\chi^2/df=1.708$ , RMR=.059, GFI=.907, AGFI=.875, NFI=.841, TLI=.940, CFI=.954, RMSEA=.059).

In addition, the standardized factor load values for all

measurement items were 0.5 or higher, and the mean variance extraction (AVE) and conceptual reliability (CCR) proposed by Fornell and Larker (1981) both met the criteria of AVE > 0.5, CCR > 0.7, and the measurement items in this study were

considered to have sufficient concentration feasibility. The Cronbach's  $\alpha$  coefficient for all composition concepts was very high above 0.9 and the reliability of the measurement items selected in this study was also secured.

**Table 1:** Demographic Characteristics of the Respondents

Classification		Frequency (person)	Percentage (%)	Classification		Frequency (person)	Percentage (%)
Gender	male	62	30.5	Marriage	Single	105	51.7
	female	141	69.5		Married	98	48.3
Age	21~ 30 years	51	25.1	Service Period	Less than 3 years	24	11.8
	31~ 40 years	102	50.2		Less than 3-6 years	68	33.5
	41~ 50 years	33	16.3		Less than 6-10 years	62	30.5
	over 50 years	17	8.4		Over 10 years	49	24.1
Academic Background	Graduate of college	35	17.2	Position	general employee	135	66.5
	College diploma	133	65.5		assistant manager.	42	20.7
	Graduate school	23	11.3		section manager	26	12.8
	Graduate school graduation	12	5.9				

**Table 2:** Verification Factor Analysis

Measurement		Standardization factor loading value	Std. error	C. R.	p	AVE (CCR)	Cronbach's $\alpha$
Extrinsic Compensation	Extrinsic Compensation1	.697	-	-	-	.567 (.867)	.784
	Extrinsic Compensation2	.726	.161	6.996	***		
	Extrinsic Compensation3	.783	.160	7.433	***		
	Extrinsic Compensation4	.812	.177	7.640	***		
	Extrinsic Compensation5	.742	.166	7.126	***		
Intrinsic Compensation	Intrinsic Compensation1	.723	-	-	.579	.508 (.838)	.739
	Intrinsic Compensation2	.697	.134	6.815	***		
	Intrinsic Compensation3	.772	.148	7.438	***		
	Intrinsic Compensation4	.656	.152	6.064	***		
	Intrinsic Compensation5	.712	.149	6.952	***		
Job Satisfaction	Job Satisfaction1	.646	-	-	-	.535 (.851)	.766
	Job Satisfaction2	.792	.193	6.899	***		
	Job Satisfaction3	.767	.207	6.759	***		
	Job Satisfaction4	.674	.176	6.149	***		
	Job Satisfaction5	.766	.213	6.752	***		
Organizational Immersion	Organizational Immersion1	.733	-	-	-	.586 (.876)	.795
	Organizational Immersion2	.794	.135	7.800	***		
	Organizational Immersion3	.829	.142	8.071	***		
	Organizational Immersion4	.771	.132	7.615	***		
	Organizational Immersion5	.692	.143	6.917	***		
Distributive Justice	Distributive Justice1	.746	-	-	-	.617 (.906)	.839
	Distributive Justice2	.801	.138	8.367	***		
	Distributive Justice3	.815	.135	8.500	***		
	Distributive Justice4	.827	.143	8.612	***		
	Distributive Justice5	.801	.131	8.370	***		
	Distributive Justice6	.715	.139	7.521	***		

$\chi^2=439.719(df=289, p=.000)$ ,  $\chi^2/df=1.708$ , RMR=.059, GFI=.907, AGFI=.875, NFI=.841, TLI=.940, CFI=.954, RMSEA=.059

\*\*\*:  $p < .001$

**Table 3:** Verification of Discriminant Feasibility and Legal Feasibility

	Mean	S.D	Extrinsic Compensation	Intrinsic Compensation	Job Satisfaction	Organizational Immersion	Distributive Justice
Extrinsic Compensation	3.092	.681	.567 <sup>a</sup>	.477 <sup>b</sup>	.331 <sup>b</sup>	.233 <sup>b</sup>	.428 <sup>b</sup>
Intrinsic Compensation	3.468	.672	.691	.508 <sup>a</sup>	.406 <sup>b</sup>	.306 <sup>b</sup>	.303 <sup>b</sup>
Job Satisfaction	3.229	.725	.575	.637	.535 <sup>a</sup>	.372 <sup>b</sup>	.472 <sup>b</sup>
Organizational Immersion	3.656	.724	.483	.553	.610	.586 <sup>a</sup>	.227 <sup>b</sup>
Distributive Justice	3.068	.765	.654	.550	.687	.476	.617 <sup>a</sup>

a: AVE, b: R<sup>2</sup>

Finally, the relationship between all potential variables is below the absolute value of 0.7 as shown in Table 3. The AVE values of all latent variables were found to be greater than the square values of the correlations between the latent variables. Therefore, it was judged that the validity of the discrimination between the concepts of each composition was established. It was also evaluated that the directionality of the relationship between each compositional concept appeared as a positive relationship consistent with the hypothesis direction established in this study, resulting in the establishment of law validity. Consequently, the compositional validity of the measurement tools of this study was sufficient.

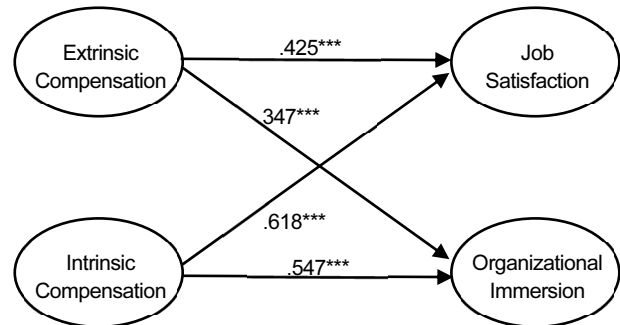
**4.3. Hypothesis Verification**

**4.3.1. The Relationship between Structural Compensation and Job Satisfaction**

The results of the analysis of the structural equation model for hypothesis verification in this study are shown in Table 4. The goodness of fit for this study is that the  $\chi^2$  value is 310.609 (df=165, p=.000) was indicating nonconformity. This cannot be determined by its significance alone, as it is sensitive to sample size and number of observations. In addition to the absolute goodness-of-fit index, the incremental goodness-of-fit index and the simplicity-of-fit index were diagnosed and the NFI levels were found to be below the threshold, but overall, they were determined to be acceptable models.

Hypothesis 1 demonstrates the effects of extrinsic compensation as a subfactor of organizational compensation,

intrinsic compensation as a subfactor of organizational effectiveness, job satisfaction, and organizational immersion. Hypothesis 1-1, The standardized path coefficient of extrinsic compensation on job satisfaction is .425, t=4.034 (p=.000) and had a positive impact. Accordingly, H1-1 'Extrinsic compensation will be related to job satisfaction.' was adopted. Standardized path coefficient of H1-2 is .618, t=4.575(p=.000) and has a positive effect. Therefore, H1-2 'Intrinsic compensation will be related to job satisfaction.' was adopted. H1-3 Extrinsic compensation appears to have an effect as standardized path coefficients of .347, t=3.754 (p=.000) on organizational immersion. Therefore, H1-3 'External compensation would be related to organizational immersion.' was adopted. H1-4 Intrinsic compensation was shown to have an effect as a standardized path coefficient of .547, t=4.728 (p=.000) of the effect on organizational immersion. Therefore, H1-4 'Intrinsic compensation would be related to organizational immersion.' was adopted.



**Figure 2:** Structural Equation Model Analysis Results

**Table 4:** Structural Equation Model Analysis Results

Path			Std.factor	Std.error	t-value	p-value	SMC <sup>a</sup>	
H1	Extrinsic Compensation	→	Job Satisfaction	.425	.095	4.034	***	.419
	Intrinsic Compensation			.618	.119	4.575	***	
	Extrinsic Compensation	→	Organizational Immersion	.347	.106	3.754	***	.563
	Intrinsic Compensation			.547	.129	4.728	***	
$\chi^2 = 310.609(df=165, p=.000)$ , $\chi^2/df=1.882$ , RMR=.063, GFI=.940, AGFI=.905, NFI=.864, TLI=.943, CFI=.960, RMSEA=.066								

\*\*\* p<.001, a: Squared Multiple Correlations

### 4.3.2. Verification of the Controlling Effect of Distributive Justice

H2 verifies the controlling effect of distributive justice. Based on the average value of distributive justice, distributive justice was divided into with high group and low group. We conducted a comparison of the variations in the values of  $\chi^2$  according to the degree of freedom between the constraint and the non-restraint models for each path. The results of comparing the path coefficients of potential factors between groups of distributive justice are shown in Table 5.

The validation in H2-1 showed that among the sub-factors of structural compensation, the path coefficient of the distributive justice high group was .296 for job satisfaction among the sub-factors of organizational effectiveness, with C.R=2.424 ( $p=.015$ ), indicating that extrinsic compensation affects job satisfaction. In addition, the path coefficient of the distributive justice low group was shown as .092, with C.R=.635 ( $p=.525$ ), extrinsic compensation do not affect job satisfaction for low groups. On the other hand, the difference in  $\chi^2$  values between models constrained by the relationship between extrinsic compensation and job satisfaction was 4.018, which is higher than the  $\chi^2$  threshold of 3.84, for the degree of freedom 1 variation, indicating significant differences among distributive justice groups. Therefore, H2-1 'Recognition of distributive justice will regulate the relationship between extrinsic compensation and job satisfaction.' was adopted. Empirical analysis of H2-2 shows that the path coefficients of the distributive justice high group are .536, C.R=3.108 ( $p=.002$ ) in the effect of intrinsic compensation on job satisfaction among the sub-factors of organizational effectiveness. Intrinsic compensation has been shown to have a positive effect on job satisfaction in the high group. In addition, the path coefficients for distributive justice low groups are .528, C.R=2.773 ( $p=.006$ ). Intrinsic compensation has been shown to affect job satisfaction in low groups. On the other hand, the difference in  $\chi^2$  values between models constrained by intrinsic compensation and job satisfaction were 3.125, which is lower than the  $\chi^2$  threshold of 3.84, for the degree of freedom 1 variation, indicating no

significant difference among distributive justice groups. Consequently, H2-2 'Recognition of distributive justice will regulate the relationship between intrinsic compensation and job satisfaction' was rejected.

According to the analysis of H2-3, the path coefficient of distributive justice high group in the effect of extrinsic compensation on organizational immersion among the sub-factors of organizational effectiveness is .403, C.R=2.612 ( $p=.009$ ). Extrinsic compensation has been shown to have a positive effect on organizational immersion in the high group. Also, the path coefficient for distributive justice low groups is .140, C.R=.691 ( $p=.489$ ) that extrinsic compensation did not affect organizational immersion for low groups. On the other hand, the difference in  $\chi^2$  values between models constraining the relationship between extrinsic compensation and organizational immersion is 4.118, which is higher than the  $\chi^2$  threshold of 3.84, for the degree of freedom 1 variation, indicating significant differences among distributive justice groups. Therefore, H2-3 'Recognition of distributive justice will regulate the relationship between extrinsic compensation and organizational immersion' was adopted.

As a result of empirical analysis of H2-4, the path coefficient of the distributed fairness high group in the effect of intrinsic compensation on organizational immersion among the sub-factors of organizational effectiveness .458, C.R=2.853 ( $p=.004$ ) for high groups, intrinsic compensation have been shown to have a positive effect on organizational immersion. In addition, the path coefficient of the distributive justice low group is .795, C.R=3.351 ( $p=.000$ ). Intrinsic compensation for low groups has been shown to affect organizational immersion. On the other hand, the difference in  $\chi^2$  values between models constraining the relationship between intrinsic compensation and organizational immersion is 2.168, which is lower than the  $\chi^2$  threshold of 3.84, for the degree of freedom 1 variation, indicating no significant difference among distributive justice groups. Therefore, it was rejected that H2-4 'Recognition of distributive justice will regulate the relationship between intrinsic compensation and organizational immersion'.

**Table 5:** Controlling Effect of Distributive Justice

Path		Non-Std. factor	Std.error	t-value	p-value	$\Delta\chi^2$ (df)		
Distributive Justice(H)	Extrinsic Compensation	→	Job Satisfaction	.296	.122	2.424	.015	4.018(1) > 3.84
Distributive Justice(L)				.092	.145	.635	.525	
Distributive Justice(H)	Intrinsic Compensation	→	Job Satisfaction	.536	.172	3.108	.002	3.125(1) < 3.84
Distributive Justice(L)				.528	.190	2.773	.006	
Distributive Justice(H)	Extrinsic Compensation	→	Organizational Immersion	.403	.154	2.612	.009	4.118(1) > 3.84
Distributive Justice(L)				.140	.203	.691	.489	
Distributive Justice(H)	Intrinsic Compensation	→	Organizational Immersion	.458	.161	2.853	.004	2.168(1) < 3.84
Distributive Justice(L)				.795	.237	3.351	***	

\*\*\*:  $p < .001$



## 5. Conclusion

The results of this study extended existing literature studies on compensation satisfaction and organizational effectiveness of distribution company workers into the context of recognition of compensation justice. Through research, the government intends to apply the perception of extrinsic compensation and intrinsic compensation to employees in the distribution industry and the recognition of justice in compensation to practical practice.

The theoretical implications of the study are as follows. H1 shows that both extrinsic and intrinsic compensation are related to job satisfaction, and verification of the impact of organizational immersion. In the relationship between extrinsic and intrinsic compensation and organizational immersion, both extrinsic and intrinsic compensation have a positive effect on organizational immersion.

As a result of verifying the regulatory effect of distributive justice in H2, it was found that distributive justice recognition adjusted the relationship between external compensation and job satisfaction, organizational immersion, but distributive justice recognition did not regulate the relationship between intrinsic compensation and job satisfaction.

The practical implications of the study are as follows: First, as seen in the results of H1-1 and H1-3, extrinsic compensation have a positive impact on both job satisfaction and organizational immersion. These results mean that employees are motivated to do their best when compensation for salaries, promotions, incentives, etc. is properly paid, which leads to their capabilities.

As shown in the results of H1-2 and H1-4, intrinsic compensation also has a positive effect on job satisfaction and organizational immersion. This means that giving employees a sense of opportunity, authority, and psychological accomplishment can contribute positively to every aspect of the company's overall success, profit, and growth.

The validation of H2 shows that recognition of distributive justice has a control effect on the relationship between extrinsic compensation and organizational effectiveness, but not on the relationship between intrinsic compensation and organizational effectiveness. In the case of extrinsic compensation, employees feel that it is justified because tangible factors such as employee performance or positional incentives and salaries are strong, which affects employee attitudes. When fairness is perceived negatively, favorability for the organization will decrease. Therefore, distributive justice should be considered so that individuals feel their work is being used to perform clearly distinguished tasks so that they can motivate employees to make greater efforts and contribute to the organization.

On the other hand, the relationship between intrinsic

compensation and organizational effectiveness has been shown to have no control effect. It means that the level of contribution, a key factor in determining the level of compensation, should be made objectively and that specific criteria for determining the level of contribution should be established and reflected through a reliable evaluation process. Since the organizational compensation of distribution company workers plays a role in organizational immersion and job satisfaction, the problem of compensation and the perception of justice should be considered. Compensation officers in the distribution industry should play a mediating role between recognition of compensation and the relationship between organizational effectiveness to identify employee needs and motivations and implement appropriate strategies to promote job satisfaction.

In the distribution industry that conducts planned organizational-related programs, it is important to apply these studies to practice. Organizational efforts are needed to promote meaningful awareness of employees.

Furthermore, it is necessary to make careful efforts to convey value as a positive feedback so that the compensation provided by the company are accepted as a means of controlling members' behavior and thus do not impair the perception of individual competence and self-determination.

The complementary points considered in this study are as follows. Conditional compensation has been largely divided into tangible and intangible compensation, but more granular classifications are possible. For example, even extrinsic compensation may have different effects on monetary compensation such as incentives and non-monetary compensation such as promotions. Increasing salaries for promotions will not directly compensate for the money will not be recognized. It is necessary to study the effects of more specific characteristics on this compensation. Compensation, the causative variable, may have different values of compensation felt by the younger and older generations. In subsequent studies, studies that can compare these differences will need to be supplemented.

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