

# The Effect of Compensation Strategy Implementation on Knowledge Sharing through Affective Commitment and Psychological Contracts

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## ABSTRACT

It is important for a company to have human resource (HR) assets that are highly competitive in the face of an increasingly sharp competition between companies that provide engineering technology for efficient machines. It is known that Knowledge Sharing is one of the keys for companies to be able to survive in this competition. Knowledge Sharing is organizational knowledge consisting of data and information that is managed and created by individuals and businesses through company rules and procedures. There are several factors that influence Knowledge Sharing, namely Compensation Strategy Implementation, Affective Commitment and Psychological Contracts. This study aims to analyze the effect of Compensation Strategy Implementation on Knowledge Sharing directly and indirectly through Affective Commitment and Psychological Contracts. The sample members in the study were taken and determined using purposive sampling technique, with the results of the sample totaling all employees of PT. Agro Teknik Wijaya Surabaya except for the warehouse staff of 35 people. This research is also known to use a quantitative approach research type and uses Partial Least Square (PLS) analysis techniques through path analysis which is part of Structural Equation Modeling (SEM) in testing the direct effect. Meanwhile, in testing the indirect effect or examining the nature of the mediating variables using the Sobel Test.

**Keywords:** Compensation Strategy Implementation, Affective Commitment, Psychological Contract, Knowledge Sharing, Industrial growth, Quality Job

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## INTRODUCTION

Human resources (HR) are the main driver for industrial growth and in improving business performance. Facing increasingly sharp competition between companies providing engineering for appropriate technology machines, both in the manufacture of agricultural machines and industrial machines, it is important for companies to have highly competitive human resource assets. Manufacturing companies in Indonesia are able to achieve high profits while being competitive. For example, PT. Agro Teknik Wijaya earned a profit of Rp. 6.5 billion in 2015, besides that there is also PT. Maksindo machines which earned a profit of IDR 10 billion in 2015 ([www.tokomesin.com](http://www.tokomesin.com)). Considering that increasingly competitive profitability encourages companies to manage every asset they have as best as possible, one of which is the human resources they have.

One of the strategies to improve the quality of human resources is to promote knowledge sharing between employees. In addition to human resources, knowledge is also considered the most strategic resource and competitive advantage for organizations, and knowledge management is considered very important and critical for the success of a group or organization (Yao *et al.*, 2019). Because according to Mustika *et al.*, (2020) managing knowledge is an important thing and must be done by an

organization if the organization wants to have a competitive advantage. So, it can be said that organizations that already have unique and interesting knowledge will have the opportunity to enter the competitive industrial market. Knowledge sharing is a form of knowledge management. Knowledge sharing is considered an inseparable part of knowledge management. This is consistent with the view that knowledge management systems depend on successful knowledge sharing (Rohman *et al.*, 2020). Knowledge sharing can also be interpreted as transferring knowledge from a person, group or organization to something else which is an important area in knowledge management (Yao *et al.*, 2019). Knowledge sharing can occur when someone is able and willing to help others, as well as learn from other individuals. So, it implies that the act of knowledge sharing makes knowledge available to others in the organization. The creation of knowledge sharing among employees related to a number of factors, including affective commitment, psychological contract and compensation strategy implementation set by the company (Anvari *et al.*, 2014). The affective commitment felt by employees, where employees will feel they must be in the organization Meyer & Allen, (1996) will have an effect on being more motivated and have a strong desire to contribute and performance to the organization. Affective commitment

refers to an individual and organizational psychological involvement, where individuals will be very committed to the organization and be involved in organizational activities and enjoy activities within the organization (Koentjoro & Eliyana, 2015). This means that someone will commit to remain in an organization because he feels very needed, and they are willing to stay in the organization as a form of commitment influenced by certain factors. Affective commitment can encourage a positive attitude towards knowledge sharing (Anvari *et al.*, 2014). Because employees with a high level of organizational commitment tend not to leave the organization, and are more likely to be willing to give extra effort according to their ability to behave or in general are more willing to share knowledge within the organization (Anvari *et al.*, 2014).

Another factor related to knowledge sharing behavior in the work environment is psychological contracts (Anvari *et al.*, 2014). According to Patrick (2008), the psychological contract initially only described the relationship between leaders and employees. According to (Robinson & Rousseau, 1994) in Anvari *et al.*, (2014) that the psychological contract is an individual trust, regardless of the terms and conditions. Psychological contract is a very important aspect where one can see how the exchange of mutual promises and obligations between employees and the company, which has an impact on motivation and discretionary behavior that is not explicitly recognized by the formal reward system (Rezania & Gurney, 2016). Psychological contract refers to a perception of employees and employers about their work relationship, and refers to employees' perceptions that the organization delivers what has been promised (Idrees *et al.*, 2019). Psychological contracts have a relationship with knowledge sharing, in which the fulfillment of employees' psychological contracts towards leaders will encourage employees to help each other and show the image of the organization in (Yuan *et al.*, 2017).

The last factor related to knowledge sharing behavior in the work environment is the compensation strategy (Anvari *et al.*, 2014). Compensation is all income in the form of money, direct or indirect goods received by employees in return for services provided to the company (Febriandika, 2020). According to Das *et al.*, (2016) the fairness level of compensation refers to the perceptions that employees have about equity in company practices which include internal compensation, external compensation, and allowances. Compensation can mean different things between different people. Compensation strategy is an important factor in increasing affective commitment, psychological contract and developing knowledge sharing within the organization. Compensation strategy according to Armstrong *et al.*, (1999) is to use a strategic approach to human resource management (eg compensation) can make strong changes within the company, with how employees compensate. Design of compensating employers to employees to win competition with other companies (Milkovich and Newman, 2008: 37). For some employees, the hope of getting a salary is the only reason to work, but others argue that money is just one of many needs that are met through the work done. According to Gibson, (1996) one of the company's goals to provide employees with welfare is to provide compensation to keep employees in work.

This research will be conducted at PT. Agro Teknik Wijaya, which is a private company engaged in manufacture. PT. Agro Teknik Wijaya set a work target of "Progressive Machinery", as part of the newest service of PT. Agro

Engineering Wijaya. Progressive machinery will be a solution to support the needs of Indonesian society for agriculture, plantations and industry. PT. Agro Teknik Wijaya realizes the need for Indonesian people to service appropriate technology machines, and applies methods that are resource-efficient, easy to maintain and have a minimal pollutant impact compared to mainstream technologies, which generally emit a lot of waste and pollute the environment. PT. Agro Teknik Wijaya is committed to providing the best service for the Indonesian people both in the agricultural and industrial communities because the company is supported by experts in their fields and has 18 years of experience in engineering Appropriate Technology machines. So that PT. Agro Teknik Wijaya also needs to pay attention to human resource management and knowledge management in his company in order to improve the quality of the right and best work. Because through good quality work will make the company PT. Agro Teknik Wijaya can improve its industry and achieve a competitive advantage. It is also supported by a statement through Gope *et al.*, (2018) which states that human resource management (HRM) and knowledge management (KM) are two valuable and interdependent drivers. HRM concerns the practices, policies, and systems that affect the behavior, attitudes and performance of employees, thus enabling the effective use of people in an organization to achieve organizational goals. Whereas KM will aim to create or discover knowledge, manage the flow of knowledge and also ensure that knowledge is used effectively and efficiently for the long-term benefit of the organization.

PT. Agro Teknik Wijaya is targeting 1000 Progressive Machinery customers for the next 3 years. Such a challenging target needs to be supported by the participation of all employees. Regarding the size of the target set, PT. Agro Teknik Wijaya applies a compensation strategy. An important compensation strategy encourages affective commitment, psychological contracts and the development of knowledge sharing within the organization (Anvari *et al.*, 2014). The form of compensation strategy provided by PT. Agro Teknik Wijaya in the form of payroll based on competitive performance in accordance with applicable laws and regulations and periodically carry out benchmark market prices. Based on the performance of compensation performance at PT. Agro Teknik Wijaya consists of Weekly Salary, Monthly Salary, Overtime Wages, Bonuses, Health Insurance, Joint Holidays, Working Facilities, Family Allowances and Holiday Allowances. The compensation strategies provided will form an affective commitment and psychological contract so as to encourage employees to make extra efforts according to their abilities and be more willing to share knowledge.

Meanwhile, Knowledge sharing conducted by PT. Agro Teknik Wijaya is in the form of unified communication, regular meetings, periodic surveys and personal workbooks. Knowledge sharing in this research needs to be studied because it has a positive impact on PT. Agro Teknik Wijaya, but until now there has been no previous research that examines the factors that encourage knowledge sharing at PT. Agro Engineering Wijaya. These facts make this research an urgent value to do. The application of knowledge sharing brings positive changes to the company, one of which is the acceptance of PT. Agro Teknik Wijaya by many people. PT. Agro Teknik Wijaya requires a variety of agricultural machinery manufacturing specifications and methods for the

manufacturing process of agricultural machines. Machines produced by PT. Agro Teknik Wijaya has the same production standard but has different specifications. The existence of knowledge sharing makes it easier for workers to finish working on the machine until the final stage. Every month PT. Agro Teknik Wijaya produces various machine specifications, of course, requires knowledge sharing. So, if there is no knowledge sharing, the business process cannot be carried out.

## LITERATURE REVIEW

### Theoretical Basis

#### *Compensation Strategy Implementation*

Compensation is all income in the form of money, direct or indirect goods received by employees in return for services provided to the company (Febriandika, 2020). Compensation can be divided into two, namely: direct compensation in the form of salary, wages and incentive payments, while indirect compensation can be in the form of employee welfare. According to Das *et al.*, (2016) the fairness level of compensation refers to the perceptions that employees have about equity in company practices which include internal compensation, external compensation, and allowances. Compensation can mean different things between different people. Basic compensation is necessary to maintain a decent employee lifestyle. However, compensation can also provide a real measure of individual value for an organization (Silaban & Syah, 2018). Compensation payment is a strategic function of human resources that has a significant influence on other human resource functions. According to Dessler (2009) types of compensation are divided into, first: first direct money payments in the form of salaries, wage incentives, commissions and bonuses, second: indirect payments in the form of benefits such as insurance, entertainment at company costs, third: non-financial rewards that are not easy. measured such as challenging work environments, flexible working hours and prestigious offices.

Compensation is an important factor that must be given to employees in return for the work and responsibilities they give to the company (Mathis and Jackson, 2010). Milkovich & Newman (2008) explain the compensation strategy as a form of compensating employers to employees to win competition with other companies. Companies will use a strategic approach to compensation because they realize the need to meet the objectives of providing compensation to employees (Anvari *et al.*, 2014). In addition, Armstrong *et al.*, (1999) concluded that compensation strategy implementation is a company strategy in providing all forms of financial remuneration and services to employees in their company as part of a work relationship, and as a strategic approach in human resource management.

#### *Affective Commitment*

Organizations really need employees who have high organizational commitment so that the organization can continue to survive and improve the services and products it produces. According to Setiawan *et al.*, (2019) employees who have high organizational commitment are employees who are more stable and productive who can benefit the organization. Measurement of organizational commitment based on the opinion of Meyer & Allen, (1996) quoted by Syabarrudin *et al.*, (2020) consists of: affective commitment, which is defined as emotional attachment, identification and involvement in the organization because of one's own will, and affective commitment can occur in employees when they want to be

part of the company based on the emotional bond that the employee has. Then there is continuance commitment which means individual commitment based on considerations of what must be sacrificed if leaving the organization and reflects individual awareness of the costs or sacrifices that must be borne if the individual leaves the organization. Finally, there is normative commitment, which means individual beliefs about responsibility for the organization, and emerges from the awareness held by employees that an employee has an obligation to commit and continue working in the company.

Affective commitment refers to an individual and organizational psychological involvement, where individuals will be very committed to the organization and be involved in organizational activities and enjoy activities within the organization (Koentjoro & Eliyana, 2015). This means that someone will commit to remain in an organization because he feels very needed, and they are willing to stay in the organization as a form of commitment influenced by certain factors. In addition, Naeem *et al.*, (2019) stated that affective commitment is a relationship that connects employees with their organizations because these employees will be more willing to put extra effort into completing their tasks and have a low tendency to be absent at work, as a result of which these employees will be involved. in organizational citizenship behavior. According to Lan *et al.*, (2020) a high level of affective commitment has a positive role in promoting employee innovation, organizational citizenship behavior and so on, while a low level of affective commitment can cause employees to deliberately commit certain detrimental behaviors.

#### *Psychological Contract*

Psychological contract is a very important aspect where one can see how the exchange of mutual promises and obligations between employees and the company, which has an impact on motivation and discretionary behavior that is not explicitly recognized by the formal reward system (Rezania & Gurney, 2016). Psychological contract refers to a perception of employees and employers about their work relationship and refers to employees' perceptions that the organization delivers what has been promised (Idrees *et al.*, 2019). A psychological contract consists of an obligation that employees will believe that their organization owes them something and an obligation for employees to believe that they owe their organization in return (Robinson & Rousseau, 1994). When employees feel that their psychological contract has been fulfilled by the organization, they may try to retaliate by increasing their contribution to the organization.

Psychological contracts consist of a set of unwritten and mostly nonverbal beliefs held by the transacting parties about their respective prerogatives and obligations (Cai *et al.*, 2019). Robinson & Morrison (1995) show two aspects of that belief as what the other party is obliged to provide and how well the other party fulfills that obligation. So, it can be stated that the fulfillment of the psychological contract will reflect a cognitive evaluation of how well the other party has fulfilled its promise. According to Puspa & Wijaya, (2018) psychological contracts also allude to the creation of mutual bonds that are owned by employees of the organization outside of the established formal contracts. Thus, it can increase the feeling of membership in the organization that is felt through a psychological contract that fosters trust in the employees.

### *Knowledge Sharing*

Knowledge is a combination of several elements, consisting of contextual information expertise, insights, experiences, and values that provide a framework for evaluating and incorporating new skills and information, [Mustika \*et al.\*, \(2020\)](#). Knowledge sharing is described as an individual's willingness to share knowledge with others in the organization ([Rutten \*et al.\*, 2016](#)). According to ([Rohman \*et al.\*, 2020](#)) knowledge sharing is a method of social interaction that involves the exchange of knowledge, expertise and skills between employees across departments or organizations. So that it will lead the opinion that sharing information is actually an operation of social interaction between human subjects in sharing knowledge, experiences and skills that a person has. So that this knowledge can be disseminated and used to obtain potential improvements for each individual.

Knowledge sharing can also be interpreted as transferring knowledge from a person, group or organization to something else which is an important area in knowledge management ([Yao \*et al.\*, 2019](#)). Knowledge sharing can occur when someone is able and willing to help others, and learns from another individual. So, it implies that the act of knowledge sharing makes knowledge available to others in the organization. Knowledge sharing conveys two-way knowledge ([Intezari \*et al.\*, 2017](#)). That is, sharing knowledge is not only limited to providing knowledge to others but also about seeking, finding, and absorbing knowledge. In other words, knowledge sharing can be conceptualized as employee participation in the exchange of knowledge, skills and valuable experiences with other organizational members ([Naim & Lenka, 2017](#)). Knowledge sharing can build competence when an individual is willing to share and obtain knowledge from others as appropriate.

### **Hypothesis Development**

#### *Compensation Strategy Implementation and Knowledge Sharing*

In [Gope \*et al.\*, \(2018\)](#) it has been found that compensation, training, selection, and development serve as a driving force to orient employee behavior and motivation, thereby influencing their learning attitudes to help organizations achieve their best performance, which in turn will also contribute to knowledge sharing in the organization. Because through these factors will affect employee behavior and produce a positive effect on individual performance through increasing knowledge, skills and abilities, with a positive effect which will also refer to the processes that develop and use knowledge resources within the company. So that it is likened to an employee who has received compensation will be willing to participate in knowledge sharing. Then through knowledge sharing, employees will participate in exchanging valuable knowledge, skills and experiences with other members of the organization ([Naim & Lenka, 2017](#)).

Compensation strategy implementation and knowledge sharing are two important components for organizations. According to [Yao \*et al.\*, \(2019\)](#) knowledge sharing behavior must be appreciated and compensation must depend on the results of the group or organization level rather than the individual level. This is also supported by the statement of [Intezari \*et al.\*, \(2017\)](#) which states that compensation and organizational rewards are positively related to knowledge management. The lack of a mechanism that recognizes individual and collective performance related to knowledge is known to hinder the

knowledge process, including hindering knowledge sharing. Organization members are more likely to share their knowledge with their peers if they are rewarded (can be in the form of compensation) in terms of sharing and utilizing their knowledge. Because compensation will be used as a matter to encourage employees to be involved in sharing, creating and utilizing knowledge. In addition, due to the proper compensation strategy implementation it can motivate employees to apply their skills, encourage them to work harder and improve their work processes ([Aggarwal & Bhargava, 2009](#)).

#### *Compensation Strategy Implementation and Affective Commitment*

[Armstrong \*et al.\*, \(1999\)](#) also stated that compensation strategy implementation helps organizations achieve their goals in increasing employee affective commitment. Compensation will be important for employees because the amount of compensation reflects the value of their work among the employees themselves, their families, and the community ([Febriandika, 2020](#)). On the other hand, the compensation program itself is also important for the company because it reflects the company's efforts in maintaining human resources or in retaining employees to have a high commitment to the company. Compensation will affect the attitude and behavior of employees; they tend to be more loyal and is a sign of commitment. Compensation strategy implementation will make them feel valued in their company and make employees confident about doing the tasks assigned by the organization, willing to accept organizational goals, which can make them bring greater affective commitment to the organization ([Das \*et al.\*, 2016](#)). A company is said to be able to provide the best service for what is produced, one of which depends on the ability of employees to contribute, because indirectly the compensation aspect applied by the company makes employees motivated to provide maximum work results, so that the company can understand what is expected. employees are able to empower properly so that it is in line with the commitments that each employee has ([Febriandika, 2020](#)).

The appropriate and fair compensation strategy implementation will have an impact on the affective commitment of employees so that employees feel like staying in the organization because they find that their personal values match organizational values ([Anvari \*et al.\*, 2014](#)). According to [Wulandari, \(2013\)](#) commitment is an effective motivator and employees will do their job well when they are committed even though they receive less monetary persuasion. The right compensation will motivate employees to stay in the organization and unconsciously foster a sense of belonging to the organization where they work ([Silaban & Syah, 2018](#)). This will affect the affective commitment because employees have referred to emotional involvement in the form of their love for the organization.

#### *Affective Commitment and Knowledge Sharing*

The tendency of employees to share their knowledge with other colleagues does not only depend on the implementation of proper HRM practices, but there are several psychological components including affective commitment which plays an important role in predicting employee extra role behavior, namely knowledge sharing ([Naeem \*et al.\*, 2019](#)). Committed employees will show more desire to remain loyal to their organization and perform jobs skillfully not only in role behavior but also in extra role behavior (knowledge sharing) for



organizational progress. Therefore, affective commitment is of significant interest for academics and practitioners because of its relevance to the development of knowledge-intensive companies, which depend more on the creation and use of knowledge held by committed employees (Dey & Mukhopadhyay, 2018). Employees with a feeling of belonging to the organization through affective commitment tend to voluntarily share knowledge to achieve common goals. So that the affective commitment will generate positive attention for the organization, which stimulates workers' desire to achieve organizational success not only through work-related performance, but also by releasing self-interest with their valuable knowledge sharing.

Camelo-Ordaz *et al.*, (2011) stated that affective commitment is a relationship that connects employees with their organization because employees are more willing to put extra effort into completing their tasks, which as a result is involved in knowledge sharing behavior. Knowledge sharing is not just the transfer of individual information from source to recipient, but involves a willingness to learn, assimilate and apply (Naim & Lenka, 2017). Employees who are involved in the affective commitment will encourage learning and expanding their competence. Because affective commitment will arise through the willingness to support change and a positive attitude contributing to the organization (Malik & Garg, 2017). These employees will perceive their company as a place of learning opportunities, knowledge sharing structures and can share their opinions, ideas and concerns.

#### *Affective Commitment mediates Compensation Strategy Implementation on Knowledge Sharing*

According to Olson *et al.*, (2018) that "the company's human resources, including all the knowledge, skills, experience, and commitment of company employees," can provide a source of competitive advantage for the company. Affective commitment, which is defined as emotional attachment, identification and involvement in the organization due to self-desire that comes from within the individual, and affective commitment can occur when employees become part of the company based on the emotional bonds that employees have (Syabarrudin *et al.*, 2020). So that the company should give an award in the form of compensation. However, compensation can also provide a real measure of individual value for an organization (Silaban & Syah, 2018). Compensation payment is a strategic function of human resources that leads to compensation strategy implementation in providing a significant influence on other human resource functions. It has been stated by Intezari *et al.*, (2017) that it is clear that compensation and organizational rewards are positively related to knowledge management. Furthermore, through this situation, employees will be motivated to share knowledge. According to (Rohman *et al.*, 2020) knowledge sharing is a method of social interaction that involves the exchange of knowledge, expertise and skills between employees. Anvari *et al.*, (2014) stated that the compensation strategy implementation as a form of strategic HRM will ensure the level of commitment and ability to encourage knowledge sharing which will make knowledge management successful. Some experts have suggested that compensation should be designed to achieve an affective commitment to employees (Martocchio, 2009).

#### *Compensation Strategy Implementation and Psychological Contract*

The reward system such as compensation is an important aspect of the personnel strategy. An important part of compensation is effective communication to employees about the rewards they receive from their work (Idrees *et al.*, 2019). Employees are often less aware of the non-financial benefits such as development and learning available to them than direct financial compensation. The research shows that effective personnel strategies shape the fulfillment of supervisors and employees' promises, lead to institutional and individual performance and are linked to psychological contracts. Psychological contracts consist of a set of unwritten and mostly nonverbal beliefs held by the transacting parties about their respective prerogatives and obligations (Cai *et al.*, 2019). Thus, each award category such as compensation will generate a psychological contract by creating the belief that the company always manages deferred and monthly compensation.

According to Rezanian & Gurney, (2016) compensation can help establish a positive psychological contract. Compensation can also be in the form of career development opportunities such as those carried out by organizations and this has been fulfilled (Ahmad & Zafar, 2018). Then arises the idea of 'getting into debt' which consists of voluntary actions taken by each party in the belief that the other will retaliate in return. When employees feel that their psychological contract has been fulfilled, they will be possible to retaliate by increasing their contribution to the organization. According to King, (2000) that the implementation of human resource management strategies in the form of compensation can affect psychological contracts. Compensation is an important impetus of the exchange process between employers and employees. Compensation has been recognized as an important element of the central psychological contract for the relationship between employers and employees (Anvari *et al.*, 2014).

#### *Psychological Contract and Knowledge Sharing*

Psychological contracts are known to offend the mutually binding feelings that employees have with their organizations outside of formal contracts, so that they can increase the sense of organizational membership in these employees (Luu, 2016). The perceived organizational membership through the psychological contract will foster trust in the employees. Because trust and voluntary action will be closely related which can influence trust in building a positive attitude towards enhancing the intention of knowledge sharing. In research Cai *et al.*, (2019) have validated the importance of fulfilling psychological contracts with employees when encouraging their knowledge sharing behavior. Psychological contracts can provide a perspective that concentrates on individual decision making. Since individuals are the ones who will make the decisions about sharing knowledge or not, as well as how much to share, the psychological contract will also offer an appropriate perspective for dealing with the perceptual and cognitive nature of decision making.

According to Lan *et al.*, (2020), a psychological contract is the terms and conditions promised by a mutual agreement for exchanges between employees and superiors. This means that a psychological contract will arise when employees believe that the company's obligations to employees will be proportional to the obligations that employees have given to the company. Puspa, (2015) found that psychological contracts encourage a person's thinking process to determine the form of behavior decisions towards their organization, including in terms of

knowledge sharing between individuals in an organization. When this relationship is achieved properly, the knowledge sharing process will run well without any problems, it can even increase several things such as loyalty, high job satisfaction and so on (Heisig *et al.*, 2016) *Psychological Contract mediates Compensation Strategy Implementation on Knowledge Sharing*

Psychological contract refers to a perception of employees and employers about their work relationship and refers to employees' perceptions that the organization delivers what has been promised (Idrees *et al.*, 2019). The essence of justice in the psychological contract increases the contribution of members to become worthy members in the organization (Luu, 2016). Meanwhile, according to Rezanian & Gurney, (2016) compensation is a transactional signal that has a strong influence on the fulfillment of psychological contracts between participants. So, the psychological contract will be related to employee compensation. It is also supported by a statement

regarding compensation strategy which is known to identify that pay for performance is one of the obligations in the contract between management and employees (Robinson & Rousseau, 1994). According to King (2000) in Anvari *et al.*, (2014), strategic human resource management practices including employee compensation that affect psychological contracts. This can be established because compensation is an important impetus in the process of exchanging knowledge between leaders and employees. compensation has been recognized as an important element of the psychological contract for the relationship between management and employees. Psychological contracts were found to have a significant positive effect on knowledge sharing (Anvari *et al.*, 2014). Previous research has shown the effect of strategic compensation strategy implementation on knowledge sharing is mediated through a psychological contract (Anvari *et al.*, 2014).

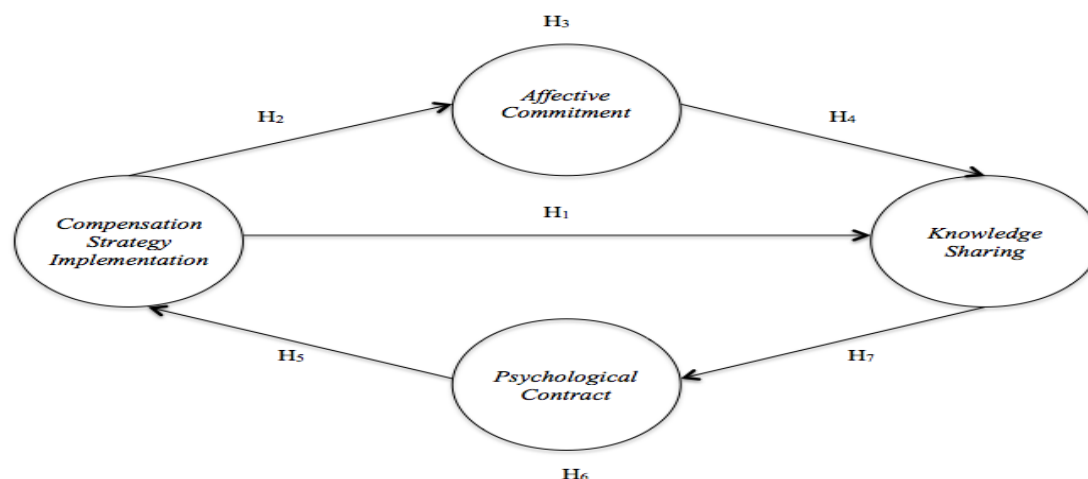


Figure 1. Thinking Framework

**RESEARCH METHODS**

**Research Approach**

This study uses a quantitative approach. The independent variable in this study is Compensation Strategy Implementation (X). The dependent variable in this study is Knowledge Sharing (Y). Meanwhile, in this study, the mediating variables are Affective Commitment and Psychological Contract (Z). The Compensation Strategy Implementation (X) variable, the Affective Commitment variable and the Psychological Contract (Z) variable and the Knowledge Sharing (Y) variable were measured by a Likert scale (1-5). The scale levels were as follows: Strongly agree (Score 5), Agree (Score 4), Neutral (Score 3), Disagree (Score 2), and Strongly disagree (Score 1).

**Measurement**

*Compensation Strategy Implementation*

Compensation Strategy Implementation is the embodiment of PT. Agro Teknik Wijaya in providing all forms of financial remuneration and services to its employees as part of a work relationship, which is considered a strategic approach in human resource management. The compensation strategy implementation indicator refers to the compensation strategy implementation indicator from Mathis and Jackson (2010: 362).

*Affective Commitment*

Affective Commitment is an employee's emotional bond to PT. Agro Teknik Wijaya to remain in the organization. An indicator of affective commitment according to Meyer & Allen, (1996).

*Psychological Contract*

Psychological contract is defined as an implicit contractual relationship between leaders and employees of PT. Wijaya's Agro Teknik comes from a series of assumptions from the leadership and employees of the company about the nature of their relationship, and not only at the beginning of the work process but at the time the work is carried out until the end of the job. Indicators of the Psychological Contract according to Patrick (2008).

*Knowledge Sharing*

Knowledge Sharing is a knowledge sharing activity between employees of PT. Agro Teknik Wijaya to assist other colleagues in developing new ideas, solving problems, or implementing organizational policies. The indicators used according to Lin (2007).

**Data and Sample Collection Techniques**

The population in this study were all employees of PT. Agro Teknik Wijaya Surabaya in the division of operational management, financial management, marketing management, production staff, product purchasing staff, delivery staff, sales staff except for warehouse staff with a total of 35 people who are based in Bronggalan Sawah

Gang 5 G Number 35, Kec. Tambaksari, Surabaya, East Java 60132, Indonesia. While the members of the sample in the study were taken determined using purposive sampling technique. So that the samples in this study are all employees of PT. Agro Teknik Wijaya Surabaya except the warehouse staff totaling 35 people.

**Data Analysis Technique**

The analysis in this study is based on data obtained from internal company sources and distributed questionnaires.

The analysis technique in this study uses the Partial Least Square (PLS) technique through path analysis which is part of Structural Equation Modeling (SEM).

**Data Analysis**

This research will be conducted in two stages, namely the measurement model test (testing the validity and reliability of the constructs of each indicator), and the structural model test (knowing whether there is influence between variables / correlations between constructs).

**Table 1**

N=35		Frequency	Percentage	Total (%)
Gender	Male	32	91,4%	91,4
	Female	3	8,6%	100
Age	< 25 years old	10	28,6%	28,6
	25 - 40 years old	21	60%	88,6
	40 years old	4	11,4%	100
Last education	Graduates Junior High School	8	22,9%	22,9
	Graduates Senior High School	22	62,9%	85,8
	Graduates Diploma	1	2,9%	88,7
	Graduates Bachelor	1	2,9%	91,6
Marital Status	Others	3	8,6%	100
	Single	8	22,9%	22,9
Working Period	Married	27	77,1%	100
	< 1 years old	9	25,7%	25,7
Working Period	1 - 3 years old	7	20%	45,7
	4 - 10 years old	12	34,3%	80
	> 10 years old	7	20%	100

Note: Five demographic variables were coded in the data as (1) gender, (2) age, (3) recent education, (4) marital status, and (5) working period.

**Table 2**

Variables	Code	Factor Loading			α	CR	(AVE)
Compensation Strategy Implementation	ISK1	0,758			0,891	0,914	0,573
	ISK 2	0,869					
	ISK 3	0,763					
	ISK 4	0,812					
	ISK 5	0,724					
	ISK6	0,656					
	ISK7	0,836					
	ISK8	0,599					
Affective Commitment	KA1		0,721		0,895	0,915	0,575
	KA2		0,722				
	KA3		0,793				
	KA4		0,707				
	KA5		0,775				
	KA6		0,781				
	KA7		0,780				
	KA8		0,734				
Psychological Contract	KR1			0,893	0,935	0,944	0,570
	KR2			0,930			
	KT1			0,903			
	KT2			0,943			
	KPK1			0,925			
	KPK2			0,928			
	KKP1			0,935			
	KKP2			0,943			
	HPK1			0,863			
	HPK2			0,947			
	HPK3			0,770			
	HKP1			0,942			
	HKP2			0,958			
	Knowledge Sharing	KS1					
KS2				0,880			
KS3				0,905			

	KS4				0,718			
	KS5				0,769			

Note: ISK (*Compensation Strategy Implementation*), KA (*Affective Commitment*), KR, KT, KPK, KKP, HPK, HKP (*Psychological Contract*), dan KS (*Knowledge Sharing*).

Based on Table 2, it will produce a Validity Test which shows all indicators have met the research requirements. So, it is stated that all indicators in this study affect the

latent variables. Because these results have met the validity and reliability requirements for the research conducted.

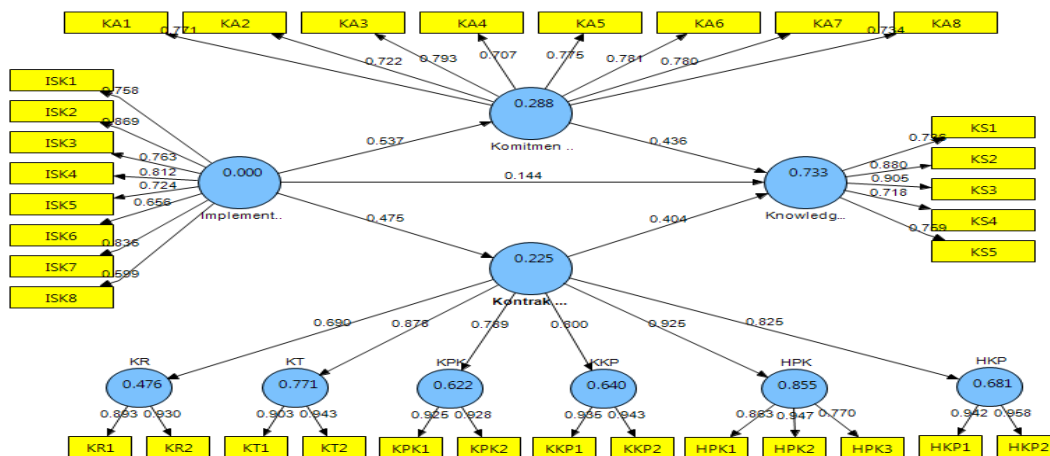


Figure 2. Outer Model Results

Table 3

Results Analysis Description

Indicator	Mean	Category
<b>Compensation Strategy Implementation</b>		
My organization delivers salaries on time.	4,37	High
My organization works to provide the amount of overtime pay as promised.	4,17	High
The organization I work for provides a clear breakdown of the monthly work bonus.	4,03	High
My organization works to provide health insurance every month.	4,26	High
My organization works on vacation together once every two years to involve all employees.	4,43	High
My organization works to provide facilities such as office desks and chairs or safety equipment that can help employees while working.	4,11	High
My organization works to provide family allowances on time every month.	4,31	High
My organization works to give THR annually to all employees.	3,94	High
Mean Total	<b>4,20</b>	<b>High</b>
<b>Affective Commitment</b>		
I like to spend the rest of my working time until I retire at my organization.	3,69	High
I enjoy talking about my organization working with people outside the organization.	3,71	High
I feel that the problems my organization faces are also my problems.	3,86	High
It is difficult for me to change jobs in companies other than the organization I work for.	3,77	High
I feel like part of the extended family of my organization to work.	4,09	High
I feel happy to be working in the organization I work for.	3,94	High
Working in my organization means a lot to me.	3,89	High
I feel like I belong to the organization I work for.	3,83	High
Mean Total	<b>3,84</b>	<b>High</b>
<b>Psychological Contract</b>		
I don't do more than I'm told to get my job done.	3,77	High
I want to contribute 100% to get benefits during work.	3,63	High
I work only for a salary.	3,86	High
I don't want to work beyond the stipulated working hours.	3,97	High
My leader is very concerned about my personal well-being at work.	3,91	High
Leaders provide security guarantees during work.	3,74	High
I want to make sacrifices for the organization I work for.	3,74	High
I got a job assignment that will improve my personal skills.	4,00	High



I feel trust in the leadership of my organization working to keep my job going.	4,03	High
My leaders trust the results of the work I do.	4,06	High
I was given a job that was too light while working for the organization I worked for.	3,54	High
I can count on my boss in the organization I work for.	3,66	High
I feel that I will get a good future as long as I am led by my current leader in the working organization.	3,71	High
Mean total	<b>3,82</b>	<b>High</b>
<b>Knowledge Sharing</b>		
When I learn to solve problems related to my work, I will tell other colleagues.	4,06	High
Sharing knowledge about work processes is a habit in my organization.	4,20	High
I have no qualms about sharing my knowledge of the work process with my colleagues, when they ask.	4,14	High
The leaders of my organization work willing to share knowledge about work processes when I ask for help.	4,29	High
The leaders of my organization work willing to share skills about work processes when I ask for help.	4,23	High
Mean Total	<b>4,18</b>	<b>High</b>

Note: Shows a description of the respondent's answer to the Compensation Strategy Implementation, Affective Commitment, Psychological Contract, and Knowledge Sharing variables which have high categories.

**Table 4**

R-Square Test

Variable	R-Square
<i>Affective Commitment</i>	0,288
<i>Psychological Contract</i>	0,225
<i>Knowledge Sharing</i>	0,733

Note: It is known that the Affective Commitment and Psychological Contract have an R-Square value of > 0.20 which means they are included in the medium model. Knowledge Sharing has an R-Square value of > 0.50 which means it is a good model.

Q-Square Test

In assessing the model with PLS, it starts by looking at the Q-Square. Predictive relevance will show a value that measures how well the value of the observation is generated by the model and also its parameter estimates. How to calculate the value of Stone - Geisser square test with the following formula:

$$Q^2 = 1 - (1 - R_1^2) \cdot (1 - R_2^2) \cdot (1 - R_3^2)$$

Referring to this formula to find out how much the analysis model can reflect the conditions of observation in the field, it can be calculated:

$$Q^2 = 1 - (1 - R_1^2) \cdot (1 - R_2^2) \cdot (1 - R_3^2)$$

$$Q^2 = 1 - (1 - 0,288) \cdot (1 - 0,225) \cdot (1 - 0,733)$$

$$Q^2 = 1 - (0,712 \cdot 0,775 \cdot 0,267)$$

$$Q^2 = 1 - 0,147$$

$$Q^2 = 0,853 \times 100\% = \mathbf{85,3\%}$$

Based on the results of the above calculations, it can be seen that the Q-Square value has a value of 85.3%, it shows that the model in this study has a good predictive relevance value.

*Goodnes of fit test*

Goodnes of fit is a test of the suitability of a certain observation result (frequency of observation) and the frequency obtained based on the expected value (theoretical frequency). How to calculate the AVE and R2 values with the following formula:

$$GoF = \sqrt{AVE \cdot R^2}$$

Referring to this formula to find out how much the analysis model can reflect the conditions of observation in the field, it can be calculated:

$$GoF = \sqrt{7,434325 \cdot 1,2459999}$$

$$GoF = \sqrt{0,7434325 \cdot 0,4153333}$$

$$GoF = 0,556 \times 100\% = \mathbf{55,6\%}$$

This calculation shows that the higher the AVE and R2 values lead to 100%, it can be said that the goodness of fit value is getting better. The better the level of goodness of fit means that the analysis model that has been built can reflect the conditions of observation in the field.

**Table 8**

*Path Coefficient Result*

Variable	<i>Original Sample (O)</i>	<i>T-Statistics ( O/STERR )</i>	Information
<i>Compensation Strategy Implementation -&gt; Knowledge Sharing</i>	0,144257	0,874405	Not significant

Compensation Strategy Implementation Affective Commitment	0,537080	5,630252	Significant
Compensation Strategy Implementation -> Psychological Contract	0,474696	3,138603	Significant
Affective Commitment -> Knowledge Sharing	0,436139	2,454229	Significant
Psychological Contract -> Knowledge Sharing	0,404450	2,380979	Significant

Note: If based on the value of T-statistics, then the requirement for T-statistics > 1.96 (significance level 5%) can be concluded that the relationship between the variables being tested is stated to have a significant effect.

Table 9

Sobel Test Result

Input:	Test statistic:	Std. Error:	p-value:
a 0.537080	Sobel test: 2.24978054	0.1041175	0.02446288
b 0.436139	Aroian test: 2.22054076	0.10548851	0.02638208
s <sub>a</sub> 0.095392	Goodman test: 2.28020667	0.1027282	0.02259543
s <sub>b</sub> 0.177709	Reset all	Calculate	

Input:	Test statistic:	Std. Error:	p-value:
a 0.474696	Sobel test: 1.89691633	0.10121205	0.05783898
b 0.404450	Aroian test: 1.83860723	0.10442187	0.06597298
s <sub>a</sub> 0.151244	Goodman test: 1.96114985	0.09789706	0.04986155
s <sub>b</sub> 0.169867	Reset all	Calculate	

Note: Comparing the Sobel statistical value with a p-value of less than 5% indicates that the mediating effect is valid or significant in the model tested.

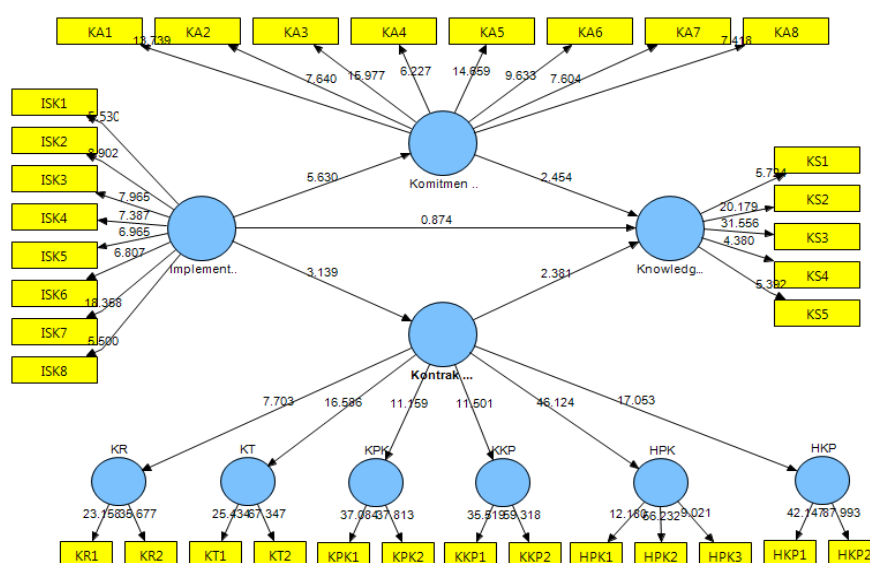


Figure 2. Inner Model Results

RESULTS AND DISCUSSION

Discussion

Compensation Strategy Implementation and Knowledge Sharing

In this study, after being processed and analyzed, the results show that the compensation strategy implementation has no significant effect on knowledge sharing which can be seen with the T-statistics value of

0.874405 <1.96, and the original sample of 0.144257. Thus, it can be stated that hypothesis 1 is rejected. So, it can be concluded that the compensation strategy implementation cannot affect knowledge sharing at PT. Agro Engineering Wijaya. This finding is different from the study by [Anvari \*et al.\*, \(2014\)](#) which states that an appropriate and fair compensation strategy implementation will have an impact on employee knowledge sharing within the organization. The results show that compensation strategy implementation does not create an impression that motivates employees to apply their skills, encourages them to work harder and improves their work processes. Strategic human resource management practices including compensation at PT. Agro Teknik Wijaya is not proven to have a close relationship with efforts to retain employees to be able to share knowledge. This can happen, as in [Intezari \*et al.\*, \(2017\)](#) which states that the lack of a mechanism that recognizes individual performance (such as compensation strategy implementation) can hinder the knowledge process, including hindering knowledge sharing. Employees of PT. Agro Teknik Wijaya is more likely to share their knowledge with their colleagues without any influence or based on personal desire.

#### *Compensation Strategy Implementation and Affective Commitment*

In this study, after being processed and analyzed, the results show that the compensation strategy implementation has a significant effect on affective commitment which can be seen with the T-statistics value of  $5.630252 > 1.96$ , and the original sample of 0.537080. Thus, it can be stated that hypothesis 2 is accepted. So, it can be concluded that the compensation strategy implementation can affect the affective commitment to PT. Agro Engineering Wijaya. Supported and in line with [Anvari \*et al.\*, \(2014\)](#), which states that the implementation of the compensation strategy implementation will help organizations achieve their goals in increasing employee affective commitment. Through compensation will affect the attitude and behavior of an employee of PT. Agro Teknik Wijaya, they tend to be more loyal and is a sign of commitment. Compensation strategy implementation will make PT. Agro Teknik Wijaya feels valued in his company and makes them confident about doing the tasks assigned by the organization, willing to accept organizational goals, which can make them bring greater affective commitment to the organization.

#### *Affective Commitment and Knowledge Sharing*

In this study, after being processed and analyzed, the results show that affective commitment has a significant effect on knowledge sharing which can be seen with the T-statistics value of  $2.454229 > 1.96$ , and the original sample of 0.436139. Thus, it can be stated that hypothesis 3 is accepted. So, it can be concluded that the affective commitment can affect knowledge sharing at PT. Agro Engineering Wijaya. Supported by the statement of [Anvari \*et al.\*, \(2014\)](#) regarding employees who have high organizational commitment tend not to leave, may be more willing to give extra effort in making decisions or actions individually and are generally more willing to share knowledge within the organization. Employees of PT. Agro Teknik Wijaya who is committed will show more desire to remain loyal to their organization and do jobs skillfully not only in role behavior but also in extra role behavior (knowledge sharing) for organizational progress. Therefore, the affective commitment is a significant interest for PT. Agro Teknik Wijaya because of its

relevance to the development of knowledge-intensive companies, which depend more on the creation and use of knowledge possessed by employees of PT. Agro Teknik Wijaya who is committed.

#### *Affective Commitment mediates Compensation Strategy Implementation on Knowledge Sharing*

In this research, after being processed and analyzed, it shows that the affective commitment can mediate the compensation strategy implementation on knowledge sharing at PT. Agro Teknik Wijaya by comparing the Sobel statistical value with a p-value of less than 5%. This shows that the mediation effect is valid and significant in the model tested. Thus, it can be stated that hypothesis 4 is accepted. The findings of this study indicate that the affective commitment mediates the relationship between compensation strategy implementation on Knowledge Sharing at PT. Agro Engineering Wijaya Surabaya. Full mediation is shown by the results of research which show that compensation strategy implementation (X) has no significant effect on Knowledge Sharing (Y), compensation strategy implementation (X) has a significant effect on affective commitment (Z1), and affective commitment (Z1) also has a significant effect on Knowledge Sharing (Y). Implementation of Compensation Strategy for employees of PT. Agro Teknik Wijaya will encourage employees to do Knowledge Sharing even though the effect is insignificant. Compensation strategy implementation will have a real impact on the emergence of Knowledge Sharing through affective commitment. This means that when the employees of PT. Agro Teknik Wijaya feels the compensation strategy implementation is good, so these employees have the opportunity to take Knowledge Sharing actions, but with an affective commitment, the employees of PT. Agro Teknik Wijaya will be increasingly motivated to share knowledge and skills in the work environment. Affective commitment can occur to employees of PT. Agro Teknik Wijaya when he became part of the company based on the emotional ties the employee had. Compensation payments to employees of PT. Agro Teknik Wijaya is a strategic human resource function that leads to compensation strategy implementation in giving a significant influence on other human resource functions. Compensation and organizational rewards are positively related to knowledge management. Furthermore, through this situation the employees of PT. Agro Teknik Wijaya will be motivated to share knowledge.

#### *Compensation Strategy Implementation and Psychological Contract*

In this study, after being processed and analyzed, the results show that the compensation strategy implementation has a significant effect on psychological contracts which can be seen with the T-statistics value of  $3.138603 > 1.96$ , and the original sample of 0.474696. Thus, it can be stated that hypothesis 5 is accepted. So, it can be concluded that the compensation strategy implementation can affect psychological contracts at PT. Agro Engineering Wijaya. Supported by a statement according to [Rezania & Gurney, \(2016\)](#) which states that compensation can help establish a positive psychological contract. An important part of compensation is effective communication to employees of PT. Agro Teknik Wijaya regarding the awards they receive from their work. This shows that an effective personnel strategy forms the fulfillment of the promises of superiors and employees of PT. Agro Teknik Wijaya, which leads to institutional and individual performance and is related to psychological

contracts. When employees of PT. Agro Teknik Wijaya feels that their psychological contract has been fulfilled, they will be possible to reciprocate by increasing their contribution to the organization.

#### *Psychological Contract and Knowledge Sharing*

In this study, after being processed and analyzed, the results show that psychological contracts have a significant effect on knowledge sharing which can be seen with the T-statistics value of  $2.380979 > 1.96$ , and the original sample of 0.404450. Thus, it can be stated that hypothesis 6 is accepted. So, it can be concluded that psychological contracts can affect knowledge sharing at PT. Agro Engineering Wijaya. Supported by a statement from Luu, (2016) who found that psychological contracts encourage a person's thinking process to determine the form of behavior decisions towards their organization, including in terms of knowledge sharing between individuals in an organization. The perceived organizational membership through the psychological contract will foster trust in the employees of PT. Agro Engineering Wijaya. Due to the trust and voluntary actions of the employees of PT. Wijaya's Agro Engineering will be closely related which can influence the trust to build a positive attitude towards enhancing the intention of knowledge sharing. Psychological contracts can provide a perspective that concentrates on employee decision making at PT. Agro Engineering Wijaya. Because employees of PT. Wijaya's Agro Teknik will make decisions about knowledge sharing or not, as well as how much to share, psychological contracts will also offer the right perspective to handle perceptual and cognitive characteristics of PT employees' decision making. Agro Engineering Wijaya.

#### *Psychological Contract mediates Compensation Strategy Implementation on Knowledge Sharing*

In this study, after being processed and analyzed, the results show that the psychological contract can mediate the compensation strategy implementation of knowledge sharing at PT. Agro Teknik Wijaya by comparing the Sobel statistical value with a p-value of less than 5%. This shows that the mediation effect is valid and significant in the model tested. Thus, it can be stated that hypothesis 4 is accepted. The findings of this study found that psychological contracts fully mediate the relationship between compensation strategy implementation and Knowledge Sharing, however, it finds empirical evidence that psychological contracts mediate the relationship between compensation strategy implementation and Knowledge Sharing at PT. Agro Teknik Wijaya Surabaya significantly. Full mediation can be indicated from the results of research which show that compensation strategy implementation (X) has a significant effect on Knowledge Sharing (Y). Compensation strategy implementation (X) has a significant effect on psychological contracts (Z2). psychological contract (Z2) also has a significant effect on Knowledge Sharing (Y). During the compensation strategy implementation, the employees of PT. Agro Teknik Wijaya is running well, it will have an effect on increasing knowledge sharing among employees of PT. Agro Teknik Wijaya though not for real. psychological contract that arose from the implementation of a good compensation strategy implementation in the PT. Agro Teknik Wijaya has tested a small opportunity to be able to find knowledge sharing behavior among employees of PT. Agro Engineering Wijaya. Compensation is a transactional signal that has a strong influence on the fulfillment of psychological contracts among employees of

PT. Agro Engineering Wijaya. So, the psychological contract will be related to the compensation of employees of PT. Agro Engineering Wijaya. This can be established because compensation is an important impetus in the knowledge exchange process between leaders and employees of PT. Agro Engineering Wijaya.

## CONCLUSIONS AND SUGGESTIONS

### Conclusions

Based on the analysis and discussion that has been carried out in this study, the conclusion that can be drawn is that Compensation Strategy Implementation has a positive and insignificant effect on Knowledge Sharing at PT. Agro Teknik Wijaya Surabaya, Compensation Strategy Implementation has a significant positive effect on Affective Commitment at PT. Agro Teknik Wijaya Surabaya, Affective Commitment has a significant positive effect on Knowledge Sharing at PT. Agro Teknik Wijaya Surabaya, Affective Commitment fully mediates the relationship between Compensation Strategy Implementation and Knowledge Sharing at PT. Agro Teknik Wijaya Surabaya significantly, Compensation Strategy Implementation has a significant positive effect on Psychological Contract at PT. Agro Teknik Wijaya Surabaya, Psychological Contract has a significant positive effect on Knowledge Sharing at PT. Agro Teknik Wijaya Surabaya, and Psychological Contract fully mediate the relationship between Compensation Strategy Implementation and Knowledge Sharing at PT. Agro Teknik Wijaya Surabaya is not significant. It is also supported by a statement through Gope *et al.*, (2018) which states that human resource management (HRM) and knowledge management (KM) are two valuable and interdependent drivers. So that PT. Agro Teknik Wijaya is also able to pay attention to human resource management and knowledge management in the company through the variables of Compensation Strategy Implementation, Affective Commitment, Psychological Contract, and Knowledge Sharing in order to improve the quality of the right and best work. Because through good quality work will make the company PT. Agro Teknik Wijaya can improve its industry and achieve a competitive advantage.

### Suggestions

The results of this research can be used as a recommendation by the management of the company regarding the effect of the compensation strategy implementation on knowledge sharing through the affective commitment and psychological contract at PT. Agro Engineering Wijaya Surabaya. This can affect employees in fostering compensation strategy implementation, fostering affective commitment by creating work programs that can foster a sense of love for the organization, fostering psychological contracts, for example by encouraging employees to contribute, fostering knowledge sharing by clearly communicating the intentions of a knowledge sharing culture. in front of employees, and in order to produce the best quality work in order to be the main driver for industrial growth and in improving business performance. In addition, seen through the average results on the variable knowledge sharing, the lowest is 4.06 and it is the employees of PT. Agro Teknik Wijaya stated that when they learn to solve problems related to their work, they will tell their other colleagues. Although it is still in the high category, these results show the smallest average. So that every employee is needed to voluntarily and comfortably, conduct knowledge sharing behavior with other colleagues. This



can help the success of the organization through the performance of all employees.

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