

FOSTERING COMMITMENT IN SMES IN BOSNIA AND HERZEGOVINA: FACTORS INFLUENCING AFFECTIVE CONTINUANCE AND NORMATIVE COMMITMENT

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Abstract

Rewards play a crucial role within the framework of exchange theory, serving as a vital component. By acknowledging and rewarding employees, organizations convey appreciation, fostering an environment conducive to teamwork, heightened productivity, and the attraction of talented professionals. This study delves into the intricate interplay between employees' perceptions of rewards and their impact on the three fundamental components of organizational commitment. Conducted through a survey of small and medium enterprises in the Federation of Bosnia and Herzegovina, this research aims to scrutinize the influence of extrinsic rewards on organizational commitment among employees in this region. The study's core objective is to analyze whether extrinsic rewards play a substantial role in shaping affective, normative, and continuance commitment among employees within Bosnia and Herzegovina's small and medium-sized enterprises (SMEs). The empirical evidence derived from this research substantiates the proposed hypothesis, underscoring the pivotal role of extrinsic rewards in nurturing and sustaining affective, normative, and continuance commitment within SMEs in Bosnia and Herzegovina. Additionally, this investigation sheds light on the precursors contributing to the development of each commitment component. By advancing our understanding of the intricate dynamics between rewards and commitment, this research makes significant contributions to the realms of human resource management (HRM), as well as the interconnected domains of rewards and commitment. Furthermore, the practical implications of these findings are noteworthy, offering valuable insights for practitioners and serving as a practical guide for small and medium-sized enterprises in cultivating a workforce characterized by sustained commitment.

Keywords: Rewards, Commitment, Small and medium enterprises, Job design, HRM practices.

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1. INTRODUCTION

The concept of organizational commitment has always been interesting for not only researchers but also company managers. Its popularity has significantly grown in the past two decades in the literature on

organizational psychology and organizational behaviour (Mathieu & Zajac, 1990). Commitment is really hard to define since it is a multidimensional concept. Commitment has been researched a lot, and it still “remains one of the most challenging and researched in the fields of management, organizational behavior and HRM (human resource management)” (Cohen, 2007). Researchers and managers have focused on organizational commitment since it has been demonstrated to be a predictor of significant organizational outcomes like absenteeism, tardiness, and turnover (Angle & Perry, 1981; Cohen, 1993). Since individuals make up every organization, getting their services, developing their skills, motivating them to meet high-performance standards, and ensuring their continuance commitment to the organization are critical to attaining its objectives (DeCenzo & Robbins, 1996a).

Considerable attention in the literature is given to the rewards allocation and its relation to the attitudes of company employees, along with organizational commitment. The reward system is defined as a main, integrated feature of the approach to human resource management (Torrington et al., 2002). This system can freely be defined as a system that relates to cash, goods and services that employees get from their employer in exchange for the job done, which is strictly defined. Then again, the reward system in the extensive sense includes also a system for the evaluation of the performance of employees, since the grading system frequently plays an important role in determining various rewards. There are plenty of benefits that a properly designed reward system has for all employees in the company. It is of huge importance to the employees as it influences their living standards directly, and maintains the working atmosphere and good interpersonal relationships within the organization (Samardzic et al., 2016). Equitable rewarding employees for finished work is the main objective of reward management in an organization. In business organizations, reward management includes non-financial incentives like employee recognition, training and development, and increased work responsibility in addition to financial incentives like salary. In an organization, reward management pertains to the development, implementation and maintenance of reward practices aimed at enhancing the improvement of the business organization's performance (Brown & Duguid, 2001).

As mentioned before, one of the most used practices in human resource management is the reward system. Therefore, organizations consider rewarding systems to provide significant advantages such as enhanced organizational performance as a result of better employee motivation and commitment (Armstrong & Murlis, 2007). This research examines the influence of extrinsic rewards on organizational commitment in small and medium enterprises in the Federation of Bosnia and Herzegovina. Armstrong & Armstrong (2012) accentuate that employee commitment is the attachment and loyalty that employees have in an organization and it is linked with their feelings about the institution.

Small and medium enterprises make up most businesses globally, which makes them a key factor in employment creation and overall global economic growth. Because of this, it is crucial to have well-organized HR processes in those businesses to have satisfied and motivated employees. The Agency for Statistics of Bosnia and Herzegovina provided the data, which shows that as of 2020, small businesses with 10–49 employees accounted for 96.7% of all businesses, while medium-sized businesses with 50–249 employees accounted for 1.3% (Agencija za statistiku Bosne i Hercegovine, 2021). On the grounds of that, this research was conducted in small and medium enterprises in the Federation of Bosnia and Herzegovina to examine the influence of extrinsic rewards on organizational commitment.

1.1 Research objectives

The objectives of this study are the following:

1. To determine are employees in small and medium enterprises in Bosnia and Herzegovina satisfied with the extrinsic rewards their employer can provide them, including working conditions, pay satisfaction, benefits satisfaction, promotional opportunities, supervision and team support on affective, continuance and normative commitment.
2. To determine the influence of extrinsic rewards on three types of organizational commitment: affective, continuance and normative.

1.2 Contribution of the Study

Besides theoretical, this study also has practical contributions. First of all, it merges two theoretical approaches by many scholars: organizational commitment (Angle & Perry, 1981; Cohen, 2007; DeCenzo & Robbins, 1996b; Heery & Noon, 2008; Mathieu & Zajac, 1990) and reward management (Armstrong & Murlis, 2004; C. C. Chen et al., 1999; Kalleberg, 1977), with focus on intrinsic rewards. Even though these are very popular topics among researchers, not many examined the relationship between extrinsic rewards on three types of commitment: affective, continuance and normative. If we add to this the fact that the focus is on small and medium companies from all branches, this number will be even smaller. Therefore, we can say that this research will extend earlier studies on organizational commitment influenced by rewarding management.

In terms of practical contribution, this research advances our knowledge and future development of the relationship between employee rewards and organizational commitment. Since rewards are factors over which the company has apparent control, they can be allocated differently, following their needs. Practically, it can help all companies to improve their business by improving their employee commitment.

Different kinds of rewards influence organizational commitment in different ways, which can be the key to understanding the problems the company is dealing with and helping to solve them.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The question of whether human resource management in organizations should replace personnel management has been discussed. In this context, researchers such as Armstrong & Armstrong (2012) view human resource management as "old wine in new bottles". Human resource management, according to D. E. Guest (1987) argues that HRM is distinct from personnel management rather than a replacement. In real terms, this means that human resource management is primarily focused on administrative duties like hiring, reward systems, promotions, etc. In the development of a skeleton theory of human resource management, D. Guest (1989) has identified reward management as one of six fundamental policies which should underpin the application of human resource management even though positive outcomes for the organization may prove difficult to achieve. Companies are investing tremendous amounts of money on reward programs and practices in an effort to attract, keep, and motivate employees.

According to Storey (1995), human resource management is "a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques"; while, on the other side, Byars & Rue (2004) see human resource management as "activities designed to provide for and coordinate the human resources of an organization." However, D. E. Guest (1987) proposed four essential components of human resource management, which are as follows:

- **Commitment:** It is expected of employees to identify the interests and goals of the organizations and be aligned and committed to achieving these goals.
- **Flexibility:** Employees are expected to adapt willingly to change within the organizational structure, without any strife or prejudice.
- **Quality:** High levels of performance attainment of an organization depend on the quality of members of staff and management of such an organization.
- **Integration:** It involves the matching of human resources strategies to the needs of the business strategy.

One definition of organizational commitment is a person's psychological bond with the organization. According to studies, being committed to an organization means believing in it, adopting its objectives and values, being eager to work hard on its behalf, and having a strong desire to remain a member (L. W. Porter et al., 1974). The basic definition of organizational commitment defines it as a person's psychological link to the organization. However, Still (1983) expanded it to include attachment and interest

in the organization in addition to a person's job or career. Organizational commitment is made up of three distinct elements: affective, continuance, and normative. An individual's attachment to, identification with, and participation in an organization is known as affective commitment. Employees who are effectively committed to the organization want to stay in it (J. Meyer & Allen, 1997) and therefore can be considered a great asset to the organization. The level of commitment that is developed depends on how positive one feels about the organization and how much one wants to strengthen their emotional bond to it (Manion, 2004; Mowday et al., 1979).

Conversely, continuance commitment is determined by socioeconomic circumstances and reflects employees' perceptions of the relative rewards associated with remaining with or leaving a business (Swales, 2002). Employees who have developed a continuance commitment might only work as much as is necessary to maintain their positions. There is no connection between continuance commitment and performance (J. Meyer & Allen, 1997). Normative commitment is a reflection of how closely an individual's values and beliefs align with those of the organization and arises from that individual's sense of obligation toward the organization (Manion, 2004; J. Meyer & Allen, 1997). An individual is more likely to accept a group's norms and authority as appropriate when the group's beliefs and aims align. Performance is positively impacted by normative commitment, though not as much as by affective commitment (Karrasch, 2003).

Considering all the above, it is certain that organizational commitment should be highly appreciated in all kinds of organizations.

A reward strategy has to be developed to make sure that employees' contribution to achieving team and organizational goals is recognized, valued and rewarded if an organization wants to achieve a highly committed business environment, and by that, it is a business goal (Armstrong & Armstrong, 2010). Within companies, human resource management is used to recruit, manage, and direct people. It deals with issues related to salaries, organization progress, safety, rewards, benefits, employee motivation, training, and others.

2.1 Rewards management

Establishing and putting into practice policies and strategies to reward employees in a fair, equitable, and consistent manner by their value to the company is known as reward management (Armstrong & Murlis, 2004). All things that business organizations use to draw the attention of potential workers to their business, which includes wages, bonuses, benefits, incentive pay and promotional opportunities, are elements of reward management inside a business organization. Developing a reward management system inside the organization brings many advantages, particularly in small and medium enterprises in

which managers ought to have a good relationship with workers. It is proved that reward programs are noticeably motivating employees and are increasing the performance of an organization as a whole in turn.

2.2 Different forms of rewards

Financial and non-financial benefits that an employee receives as a result of working for an organization are referred to as organizational rewards (Malhotra et al., 2007). Extrinsic and intrinsic rewards are the two types of rewards found in organizations. Employees are receiving extrinsic rewards from the organization or an external partner. Extrinsic reward is usually of monetary value. Non-monetary rewards that are innate to the nature of a job are known as intrinsic rewards. Therefore, those benefits can be understood as the positive emotional gratifications that an employee receives as a result of their hard work (L. Porter & Lawler, 1968). They are therefore comparable to what Kalleberg (1977) referred to as intrinsic job satisfaction. Extrinsic non-monetary rewards are external social rewards associated with the job, like supportive supervisors, good relationships with coworkers, and verbal commendation from them (Malhotra et al., 2007). Rewards are categorized as intrinsic non-monetary (INMR), extrinsic non-monetary (ENMR) and extrinsic monetary (EMR) (Figure 1).

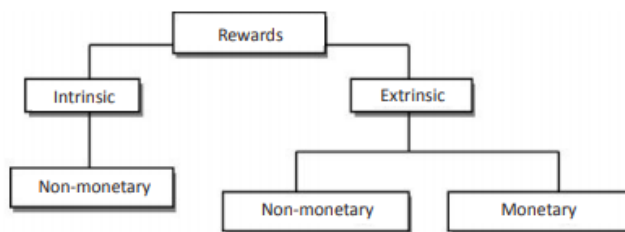


FIGURE 1. REWARDS
Source: Author's research

Intrinsic and extrinsic rewards are very different. While intrinsic rewards concentrate on the work and the job itself, extrinsic rewards are unrelated to the job and the work that surrounds it. A sense of accomplishment, growth opportunities, status, satisfaction, appreciation, challenge, self-esteem, autonomy, and responsibility are examples of intrinsic rewards (Mahaney & Lederer, 2006). Extrinsic rewards are external to the job itself. They consist of elements such as pay, job security, fringe benefits, promotions and the social environment. According to Mahaney & Lederer, 2006, extrinsic rewards include pay raises, competitive salaries, bonuses, and other indirect forms of payment as compensatory time off. Employers can increase productivity by giving wage premiums to workers, or a wage that is higher than what other employers are willing to pay for comparable work. This can improve productivity by enhancing nutrition, increasing morale, boosting commitment to organizations goals, attracting exceptional workers, inspiring employees to maintain greater effort and reducing quits and the disruption caused by turnover (Goldsmith et al., 2000).

2.3 The importance of different types of extrinsic rewards

According to Hayes & Ninemeier (2009), referenced by Zainal (2012), extrinsic rewards are any kind of monetary compensation, tangible services and benefits that employees receive in exchange for services performed. Base salary and both, short and long-term incentives, make up financial returns, whilst tangible benefits and services are made up of components such as insurance, paid vacation and sick leave, pension and employee discounts. As stated by Ivancevich & Konopaske (2013) there are two main forms of extrinsic or financial rewards, namely direct financial and indirect financial compensation.

2.3.1 Working conditions

According to research by Rust et al. (Rust et al., 1996), working conditions have a significant impact on how employees feel about their jobs. In any case, there is limited research evidence regarding the three-component model. Employee commitment surely can be increased by providing reasonable and fair working practices. It is found that good working conditions are necessary to nurture employee's organizational commitment (Ali & Zilli, 2015). Daud (2010) examined the relationship between employees' organizational commitment and the quality of their work in Malaysian firms, and the results showed that there was a relationship among them. Hence, the following hypotheses are suggested:

H1a: Working conditions have a positive impact on affective commitment.

H1b: Working conditions have a positive impact on normative commitment.

H1c: Working conditions have a positive impact on continuance commitment.

2.3.2 Pay satisfaction

Pay satisfaction is the level of contentment with one's salary relative to the amount paid in comparable organizations as well as the amount one receives for the amount of work completed. Pay satisfaction has been found to have a significant impact on job attitudes (Loscocco, 1990). In any case, the organizational commitment study produced a variety of results. Research has indicated that pay satisfaction can have a (Loscocco, 1990; Mottaz, 1988; Tsai et al., 2005) or negative (Eby et al., 1999) positive impact on organizational commitment. Based on prior research, it is hypothesized that:

H2a: Pay satisfaction has a positive impact on affective commitment.

H2b: Pay satisfaction has a positive impact on normative commitment.

H2c: Pay satisfaction has a positive impact on continuance commitment.

2.3.3 Benefits satisfaction

Satisfaction with the benefits package that the organization is offering, both in comparison to what their organization offers and generally in comparison to what other similar organizations offer. Benefit

satisfaction has been shown to have a fundamental impact on organizational commitment (Grover & Crooker, 1995; J. P. Meyer & Smith, 2009). Therefore, it is hypothesized that:

H3a: Benefits satisfaction has a positive impact on affective commitment.

H3b: Benefits satisfaction has a positive impact on normative commitment.

H3c: Benefits satisfaction has a positive impact on continuance commitment.

2.3.4 Promotional opportunities

In terms of the organization's promotion policy and the options available for progress, frontline employees' perceptions of their degree of satisfaction and sufficiency are referred to as promotional opportunities. Opportunities for advancement and professional improvement are essential because they form a core component of HRM practices intended to foster employee commitment to the organization (J. P. Meyer & Smith, 2009). Following previous literature, we develop the following hypotheses:

H4a: Promotional opportunities have a positive impact on affective commitment.

H4b: Promotional opportunities have a positive impact on normative commitment.

H4c: Promotional opportunities have a positive impact on continuance commitment.

2.3.5 Supervision

Supervision alludes to the degree to which employees see their director to be obliging, and are happy with him or her. The literature proposes that workers who have superiors that are respectful of others and are happy with them will be more dedicated to their organization than the individuals who don't have such superiors (DeCotiis & Summers, 1987; Mottaz, 1988; Wang, 2004). This suggests the testing of the following hypotheses:

H5a: Supervision has a positive impact on affective commitment.

H5b: Supervision has a positive impact on normative commitment.

H5c: Supervision has a positive impact on continuance commitment.

2.3.6 Team support

Team support is a social reward that frontline employees demonstrate by being helpful and encouraging peers who collaborate as a team to provide clients with high-quality support. Research indicates that team support affects attitudes toward the job (Katzenbach & Smith, 2015; Sergeant & Frenkel, 2000), especially when it comes to employees' organizational commitment (Mottaz, 1988). Hence, the following hypotheses are posited:

H6a: Team support has a positive impact on affective commitment.

H6b: Team support has a positive impact on normative commitment.

H6c: Team support has a positive impact on continuance commitment.

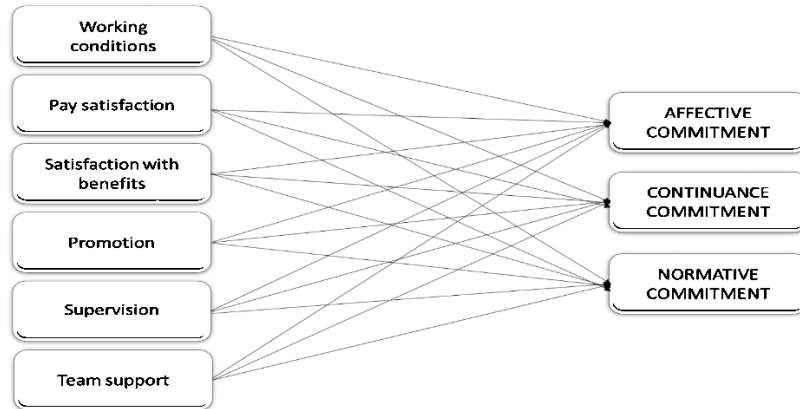


FIGURE 2. RESEARCH MODEL
Source: Author's research

3. METHODOLOGY

3.1 Sample and data collection

Data for this study was gathered via an online survey that was given to employees of Bosnian and Herzegovina's small and medium-sized enterprises (SMEs). The focus of this research was 24 small and medium-sized enterprises in the Federation of Bosnia and Herzegovina. Selected companies are privately owned companies found on the "Company register" on the official website of the Foreign Trade Chamber of Bosnia and Herzegovina. Small and medium enterprises have a huge role and importance in every economy, and they represent the main source of development of national economies. Classification of companies is done based on several factors, and one of the main factors is the number of employees; small enterprises are those that have max. 50 employees, while medium enterprises can have 250 employees at most. According to data from 2017, 70% of SMEs in Bosnia and Herzegovina are located in the Federation of Bosnia and Herzegovina, of which 23% are located in Sarajevo. Surveys were sent to respondents online and 207 answers were collected. All employees within the enterprises could respond, regardless of their position in the company. The aim was to investigate overall employee commitment at all levels in the companies.

Before the analysis, the information gathered was prepared. The dataset was checked for outliers and missing information. The "outlier labelling rule" was utilized for this. Outside the determined range, all values were viewed as outliers (Hoaglin and Iglewicz, 1987). The information was then examined by the statistical software SPSS.

In Table 1, the demographic information of participants is summarized. The response rate from males and females slightly differs (52.2% male to 47.8% female). Most of the participants were aged from 25 to 34 years old, to be exact 54.6% of them. When it comes to the level of education, the response rate for the three categories is almost the same; 30.4% with a high school diploma, 31.9% with a bachelor's degree and 30.9% with a master's degree. The majority of respondents, 36.2% of them, are in managerial positions in the company and have worked in the organization from one to three years (53.6%).

TABLE 1. SAMPLE CHARACTERISTICS

Variable	Demographics	Number	Valid percent
Gender	Male	108	52.2%
	Female	99	47.8%
Age	18-24 years old	52	25.1%
	25-34 years old	113	54.6%
	35-54 years old	35	16.9%
	55 years and more	7	3.4%
Education level	PhD	11	5.3%
	Master	64	30.9%
	Bachelor	66	31.9%
	High school diploma	63	30.4%
	Other	3	1.5%
Position	CEO	14	6.8%
	CFO	27	13.0%
	CMO	32	15.5%
	Manager	75	36.2%
	Other	59	28.5%
Job experience (current position)	1-3 years	111	53.6%
	4-10 years	73	35.3%
	11-20 years	18	8.7%
	21 years and more	5	2.4%

Source: Authors' research

3.2 Research design and instrumentation

Most of the questions used in the survey were first tested and used in previous studies with similar topics. The questionnaire was divided into three parts. The first part was made of demographic questions. In the second part, the focus was on rewards, and questions were grouped based on different subcategories of extrinsic rewards within the company (working conditions, pay satisfaction, benefit satisfaction, promotional opportunities, supervision and teamwork). All questions in the third part of the questionnaire were 5-point Likert scaled and were related to organizational commitment. Every question was obligatory and every answer was confidential.

A two-item scale that was developed by Malhotra et al. (2007) to measure working conditions was used in this study. A three-item scale that was also created by Malhotra et al. (2007) was used to measure pay satisfaction. In this study, the Job Satisfaction Survey created by Spector, (1997) and a scale previously

used by Boshoff & Allen (2000) were used to measure extrinsic job satisfaction. The operationalization and measurement of satisfaction with fringe benefits was conducted using a two-item scale derived from the Spector (1997) Job Satisfaction Survey.

A two-item scale operationalizing promotional opportunities was used, with the items selected from scales used by Mottaz (1988) and Young et al. (1998).

An adapted scale based on House & Dessler (1974) was used to operationalize supervision, which had earlier been tested by Teas (1981) and Singh (1993). Items for team support were taken from the (Mottaz, 1988) scale, which measured coworker support and satisfaction, and the (Berry et al., 1990) scale measuring teamwork.

Dependent variables including all three types of commitment: affective, continuance and normative were measured by the revised 18-item scale of J. P. Meyer et al. (1993). This scale has proven to be valid and highly reliable, and it has been widely utilized in numerous research (Jacobsen, 2000; McDonald & Makin, 2000) to measure the three-component model of commitment.

TABLE 2. RESEARCH VARIABLES SCALES

Variable	# of item scale	References
Working conditions	2 items scale	Malhotra et al. (2007); Hadziahmetovic & Dinc, (2017); Newman & Sheikh, (2012)
Pay satisfaction	3 items scale	Malhotra et al. (2007); Boshoff & Allen (2000); Spector (1997)
Satisfaction with benefits	2 items scale	Spector (1997); Hadziahmetovic & Dinc, (2020)
Promotional opportunities	2 items scale	Mottaz (1988); Young et al. (1998); (Hadziahmetovic & Dzambić, 2021)
Supervision	6 items scale	House & Dessler (1974); Teas (1981); Sinhg (1993)
Team support	4 items scale	Berry et al. (1990); Mottaz (1988);
Affective commitment	6 items scale	J. P. Meyer & Allen, (1991);Hadziahmetovic & Dinc, (2023)
Normative commitment	6 items scale	J. P. Meyer & Allen, (1991);Jacobsen, (2000); McDonald & Makin, (2000)
Continuance commitment	6 items scale	J. P. Meyer & Allen, (1991); Jacobsen, (2000); McDonald & Makin, (2000)

Source: Authors' research

4. RESULTS

The most popular method for evaluating the internal consistency of research measures is Cronbach's coefficient alpha analysis. While a low coefficient suggests that the sample items have not been able to capture the construct, a strong alpha coefficient shows that the sample items are well correlated with the true scores. According to Cortina (1993) and Kline (2000), values significantly less than 0.7 indicate an unreliable construct, while values around and above 0.7 (0.65 to 0.84) are acceptable. All of the items in Table 3 below have Cronbach's alpha coefficients greater than the normal value of 0.70, indicating that they are all reliable.

TABLE 3. FACTOR LOADINGS AND COEFFICIENT ALPHA FOR EXTRINSIC REWARDS

Items	Factor Loading	Cronbach's Alpha
Working conditions		0.724
Working conditions are adequate	0.409	
Satisfied with the working conditions	0.893	
Pay satisfaction		0.837
Satisfied with the amount of money	0.825	
Content with my salary in comparison to other companies.	0.844	
Compensated appropriately for the tasks I perform	0.776	
Satisfaction with benefits		0.790
Content with additional perks and benefits.	0.823	
The perks are comparable to those provided by other entities.	0.742	
Promotion		0.722
The policy for promotions is commendable.	0.544	
Ample opportunities for career progression are available.	0.725	
Supervision		0.927
Manager is approachable	0.849	
The presence of a manager enhances the job experience.	0.910	
The manager treats every employee with equality.	0.839	
Content with the proficiency of my manager.	0.722	
Pleased with my manager's leadership skills.	0.604	
Satisfied with how my manager aids in achieving my objectives.	0.673	
Team support		0.853
My colleagues play a crucial role in accomplishing my tasks.	0.888	
Content with the assistance provided by my colleagues.	0.880	
Each individual contributes to the collective team endeavor.	0.499	
The team collaborates more frequently than engages in competition.	0.638	

Source: Authors' research

TABLE 4. FACTOR LOADINGS AND COEFFICIENT ALPHA FOR COMMITMENT

Items	Factor Loading	Cronbach's Alpha
Affective Commitment		0.739
I would find satisfaction in dedicating the remainder of my professional life to this organization	0.727	
I lack a profound sense of connection to my organization.	0.686	
There is a lack of emotional attachment between me and this organization.	0.818	
I don't feel like an integral part of the organizational family.	0.797	
This organization holds significant personal meaning for me.	0.717	
Normative Commitment		0.759
Currently, my continued association with the organization is both a necessity and a choice.	0.582	
Leaving my organization at this point would pose significant challenges, even if I desired to do so	0.585	
Exiting my organization now would result in considerable disruption to various aspects of my life	0.733	
I perceive a limited number of alternatives, making the prospect of leaving the organization difficult.	0.761	
Having invested a substantial part of myself in this organization, I might contemplate working elsewhere if not for that commitment.	0.712	
The scarcity of viable alternatives is one of the few drawbacks of leaving this organization.	0.891	
Continuance Commitment		0.794
I don't sense a duty to stay with my current employer.	0.402	
Even if it were beneficial, I don't believe it would be ethical to depart from my organization at this moment.	0.419	
There would be a sense of guilt if I were to leave my organization now.	0.691	
This organization merits my loyalty.	0.757	
I wouldn't consider leaving my organization currently due to a sense of obligation to its people.	0.455	
There would be a sense of guilt if I were to leave my organization now.	0.691	

Source: Authors' research

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Based on Tables 3 and 4, we can conclude that the factor loadings for all dependent and independent variables are considered significant since all values are ± 50 or higher. According to rules of thumb, the reliability test for independent variables is as follows: working conditions ($\alpha=.724$) – acceptable, pay satisfactions ($\alpha=.873$) – good, satisfaction with benefits ($\alpha=.790$) – acceptable, promotion ($\alpha=.722$) – acceptable, supervision ($\alpha=.927$) – excellent, team support ($\alpha=.853$) – good. Results for dependent variables are as follows: affective commitment ($\alpha=.739$) – acceptable, normative commitment ($\alpha=.759$) – acceptable, continuance ($\alpha=.794$) – acceptable.

4.1 Hypothesis testing

Respondents were asked if there is an influence of extrinsic rewards they receive on affective, normative or continuance commitment. It was necessary to determine whether sufficient data was producing a linear relationship before running a linear model. Therefore, the hypotheses were tested with Pearson's *r* (Ashton Lee, 2009). Based on Pearson's correlation test, a positive ascending relation of all categories of claims with claims related to norms was established. Most have moderate connectivity values. Staying in the company has a positive ascendance in all categories other than working conditions. It was also found that the emotional association with the company and colleagues does not have a significant correlation with the working conditions. With other categories, there is a weak positive ascending correlation.

Regression analysis is a conceptually simple method for examining functional relationships between variables, according to (Chatterjee & Hadi, 2015). It can be used in many different areas of application, including finance, economics, business, law, education, history, and many others.

TABLE 5. MEAN, STANDARD DEVIATION, AND CORRELATIONS

Variables	Mean	STD	1	2	3	4	5	6	7	8	9
(1) WOC	3,8671	,84070	1								
(2) PS	3,6618	,93157	.596**	1							
(3) SB	3,5845	1,01151	.540**	.765**	1						
(4) PO	3,5773	1,02579	.497**	.585**	.651**	1					
(5) SU	3,6836	,92219	.518**	.569**	.594**	.598**	1				
(6) TS	3,8140	,80792	.459**	.452**	.449**	.495**	.554**	1			
(7) AC	3,1266	,83446	.317**	.340**	.384**	.336**	.438**	.241**	1		
(8) CC	3,5427	,73675	.054	.221**	.189**	.238**	.149*	.209**	.037	1	
(9) NC	3,2770	,81022	.356**	.547**	.497**	.468**	.454**	.349**	.480**	.477**	1

Source: Authors' research

As mentioned before, the primary goal of this research is to investigate the influence of extrinsic rewards on organizational commitment, including all three types of commitment: affective, continuance and normative. This section covers the statistical testing of the study's hypotheses and interpretation of the results.

4.1.1 Working conditions

TABLE 6. REGRESSION ANALYSIS

Dependent variable	R	R Square	Adjusted R Square	Std. error of the estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
AC	.317 ^a	.100	.096	.79341	.100	22.867	1	205	.000
CC	.054 ^a	.003	-.002	.73748	.003	.591	1	205	.443
NC	.356 ^a	.127	.122	.75899	.127	29.747	1	205	.000

a. Predictors: (Constant), Working conditions

From Table 6, we can see that hypotheses H1a ($\alpha < .000$) and H1c ($\alpha < .000$) are statistically significant, while H1b ($\alpha < .4439$) is not. Therefore, it can be concluded that affective and normative commitment are influenced by working conditions; affective commitment can be defined with working conditions at 31.7%, and 35.6% is the extent to which normative commitment can be defined by working conditions. Continuance commitment, on the other hand, cannot be defined by working conditions.

4.1.2 Pay satisfaction

TABLE 7. REGRESSION ANALYSIS

Dependent variable	R	R Square	Adjusted R Square	Std. error of the estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
AC	.340 ^a	.116	.112	.78651	.116	26.885	1	205	.000
CC	.221 ^a	.049	.044	.72026	.049	10.540	1	205	.001
NC	.547 ^a	.300	.296	.67971	.300	87.702	1	205	.000

a. Predictors: (Constant), Pay satisfaction

There are three hypotheses (H2a, H2b and H2c) related to pay satisfaction. In this section, the impact of pay satisfaction on the commitment is tested. Since the $\alpha < .05$ for all of the hypotheses, we can conclude that all of them are statistically significant, and by that, all of them are accepted. Also, based on the findings shown in Table 7, we can see that normative commitment can be defined mostly by pay satisfaction – 54.7%.

4.1.3 Satisfaction with benefits

TABLE 8. REGRESSION ANALYSIS

Dependent variable	R	R Square	Adjusted R Square	Std. error of the estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
AC	.384 ^a	.147	.143	.77253	.147	35.352	1	205	.000
CC	.189 ^a	.036	.031	.72517	.036	7.633	1	205	.006
NC	.497 ^a	.247	.244	.70457	.247	67.416	1	205	.000

a. Predictors: (Constant), Satisfaction with benefits

As predicted by hypotheses H3a, H3b and H3c, there was a significant positive impact of satisfaction with benefits on the organizational commitment. The level of significance for all dependent variables is $<.05$; meaning that hypotheses H3a, H3b and H3c are accepted. Even though satisfaction with benefits influences all three types of commitment, normative commitment can be mostly defined by it, 49.7%.

4.1.4 Promotional opportunities

TABLE 9. REGRESSION ANALYSIS

Dependent variable	R	R Square	Adjusted R Square	Std. error of the estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
AC	.336 ^a	.113	.109	.78782	.113	26.116	1	205	.000
CC	.238 ^a	.057	.052	.71731	.057	12.319	1	205	.001
NC	.468 ^a	.219	.215	.71791	.219	57.385	1	205	.000

a. Predictors: (Constant), Promotional opportunities

Promotional opportunities are another important factor when analyzing organizational commitment. Results from this research show that promotional opportunities are influencing all types of commitment. From the results in Table 9, it can be seen that $\alpha < .001$ in all cases, meaning that all three hypotheses (H4a, H4b and H4c) are accepted. Also, from those findings, we can see that normative commitment can be defined with promotional opportunities at 46.8%. Other types of commitment can also be defined by promotional opportunities: affective commitment 33.6% and continuance commitment 23.8%.

4.1.5 Supervision

TABLE 10. REGRESSION ANALYSIS

Dependent variable	R	R Square	Adjusted R Square	Std. error of the estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
AC	.438 ^a	.192	.188	.75202	.192	48.646	1	205	.000
CC	.149 ^a	.022	.017	.73035	.022	4.628	1	205	.033
NC	.454 ^a	.206	.202	.72379	.206	53.141	1	205	.000

a. Predictors: (Constant), Supervision

There are also three hypotheses related to supervision, as an independent variable, in this research. Since the level of significance is $<.05$ for all of them, it can be said that all hypotheses (H5a, H5b and H5c) are supported. Hence, we can conclude that supervision has a positive impact on affective, continuance and normative commitment. Also, findings from this research show us that normative commitment can be defined by supervision for 45.4%, while affective commitment can be defined by it for 43.8%, which is shown in Table 10. We can conclude, based on this, that supervision is impacting employees' commitment to the organization significantly.

4.1.6 Team support

TABLE 11. REGRESSION ANALYSIS

Dependent variable	R	R Square	Adjusted R Square	Std. error of the estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
AC	.241 ^a	.058	.054	.81176	.058	12.683	1	205	.000
CC	.209 ^a	.044	.039	.72222	.044	9.375	1	205	.002
NC	.349 ^a	.122	.117	.76118	.122	28.400	1	205	.000

a. Predictors: (Constant), Supervision

Based on the results from the Table 11, three hypotheses (H6a, H6b and H6c) are accepted, since the level of significance for H6a and H6c is <.000 and for H6b is <.005. This implies that team support positively influences employee commitment. From the results we can also see that R is the highest for normative commitment, meaning it can be defined by team support by 34.9%.

5. DISCUSSION

In this study, the influence of extrinsic rewards on organizational commitment is examined. Extrinsic rewards that were used in this research included working conditions, pay satisfaction, satisfaction with benefits, promotional opportunities, supervision and team support. On the other side, there were three types of commitment: affective, normative and continuance. The Federation of Bosnia and Herzegovina's small and medium-sized enterprises were the study's primary focus. It is found that all types of commitment are positively influenced by extrinsic rewards, except continuance commitment which is not influenced by working conditions.

This research adds to theory as well as practice. Firstly, examining the impact extrinsic rewards have on affective, continuance, and normative commitment, contributes to the literature of research in HRM.

The influence rewards have on employees has been interesting for many researchers. It has therefore been found in numerous studies. Influence of rewards on workers' performance in an organization (Ajila & Abiola, 2004), the influence of extrinsic rewards on intrinsic motivation (Murayama et al., 2016), as well as the influence of intrinsic and extrinsic rewards, influence on job satisfaction and job performance (Nisar et al., 2016), are a few examples of studies that looked into the impact of rewards on workers' performance in an organization. The study's findings demonstrate that nearly every independent variable affects each of the three categories of commitment. Among all extrinsic rewards that are included in this study, only working conditions do not influence continuance commitment.

The study findings show us, conversely, that continuance commitment is impacted by pay satisfaction, satisfaction with benefits, promotional opportunities, supervision and team support. Among all those

variables, we can say that promotional opportunities are the most important since results show us that continuance commitment can be defined as 23.8%.

Also, the results of this study show that working conditions, pay satisfaction, satisfaction with benefits, promotional opportunities, supervision and team support are influencing affective commitment significantly. These results are consistent with those from previous findings. Numerous other researches have demonstrated that working conditions have an impact on affective commitment. (Angle & Perry, 1983; Frenkel, 1999; Hadziahmetovic & Dinc, 2017; Malhotra et al., 2007; Mottaz, 1988). Also, literature has found that pay satisfaction plays an important role in employees' commitment to the organization. According to a study (Newman & Sheikh, 2012b), affective commitment and pay satisfaction are positively correlated. Further, scholars have shown that an important role in employees' affective commitment toward the organization play satisfaction with benefits (Grover & Crooker, 1995; Haar & Spell, 2004; Loscocco, 1990; Miao et al., 2013; Mottaz, 1988; Newman & Sheikh, 2012b; Williamson et al., 2009).

Furthermore, the study findings show that when there are sufficient promotional opportunities within their organizations, employees become more committed (Loscocco, 1990; J. P. Meyer & Smith, 2009; Mottaz, 1988; Young et al., 1998). Even though some researchers found that supervision does not influence affective commitment (Malhotra et al., 2007), which can be explained by the sample group's type of job, supervision is found to have a strong influence on commitment. This is supported by several previous studies as well (De Cotiis and Summers, 1987; Meyer and Allen, 1991; Mottaz, 1988; Wang, 2004). Supervision is found to be the most significant extrinsic reward when speaking of influence on affective commitment. Loyalty to a supervisor seems to be the most important which is coherent with the idea that to Bosnian people, loyalty to an individual (supervisor) is more important than commitment to a system (in this case, an organization). Additionally, those results agree quite well with those of previous studies (Becker et al., 1996; Z. X. Chen et al., 2002; Gregersen, 1993).

As predicted, team support strongly affects job attitudes (Katzenbach & Smith, 1993; Sergeant & Frenkel, 2000), especially employees' organizational commitment (Mottaz, 1988).

Results support the hypotheses we formulated regarding normative commitment. As predicted, working conditions, pay satisfaction, satisfaction with benefits, promotional opportunities, supervision and team support all have a beneficial impact on normative commitment. Prior research has also indicated a noteworthy positive impact of extrinsic rewards on normative commitment. (Nazir et al., 2016).

Based on previous studies (Becker et al., 1996; Becker & Kernan, 2001) it is found that compared to overall organizational commitment, commitment to supervisor had a stronger correlation with performance. Loyalty to supervisor and its effects on employee outcomes may be an etic phenomenon. This suggests that the relationships between supervisors and employees are a major factor in affective commitment in small and medium-sized businesses in the Federation of Bosnia and Herzegovina. This can benefit small

and medium-sized enterprises (SMEs) as research indicates that employees with supervisor assistance are more likely to have better performance, job satisfaction and higher organizational commitment (Sparrowe et al., 2006).

On the other hand, working conditions, which were found to influence affective commitment (Angle & Perry, 1983; Frenkel, 1999; Hadziahmetovic & Dinc, 2017; Malhotra et al., 2007; Mottaz, 1988) in this study did not show noteworthy influence on affective commitment. Also, pay satisfaction (Eby et al., 1999), satisfaction with benefits, and promotional opportunities (Malhotra et al., 2007; Young et al., 1998) which in some previous studies had a strong positive impact on affective commitment did not have a significant effect in Bosnia and Herzegovina's small and medium-sized enterprises.

Besides supervision, we can conclude that none of the extrinsic rewards: working conditions, pay satisfaction, satisfaction with benefits, promotional opportunities and team support; have a significant influence on affective commitment.

Although several earlier studies revealed that extrinsic rewards had a strong impact on continuance commitment (Malhotra et al., 2007; Mathieu & Zajac, 1990); and there is empirical evidence which supports this theory (Allen & Meyer, 1990), the results from this study do not side with this. None of the extrinsic rewards is found to have a significant effect on the continuance commitment of small and medium-sized enterprises in the Federation of Bosnia and Herzegovina.

The results of this study indicate that normative commitment is influenced by several extrinsic rewards significantly. Contrary to earlier research findings that pay satisfaction positively impacted continuance commitment (Malhotra et al., 2007), the results of this research have shown that it influences normative commitment as well.

Also, this research found that satisfaction with benefits, promotional opportunities and supervision enhance the normative commitment of employees towards their company. Employees of an organization may also see it as the organization's fulfilment of the infamous "psychological contract" (Kotter, 1973). Employees feel more obligated to stick with the organization as a result.

Theoretical and practical implications

This research has some practical implications, in addition to theoretical ones. The current study's findings highlight the significance of extrinsic rewards, which may be used to foster employee commitment in the Federation of Bosnia and Herzegovina by fostering each of the three components. This current study makes multiple contributions to the organizational commitment literature. Employers are continually challenged to develop an environment which will grow commitment toward the organization among their employees. One of the most popular HRM practices to improve organizational performance through increased employee motivation and commitment is the reward system. (Armstrong & Murlis, 2007).

Therefore, the findings of this study can be a helpful tool that company management uses to provide solutions to dissatisfaction brought on by a poor reward system.

Limitations and future directions

This study is limited to the Federation of Bosnia and Herzegovina only due to time and scope constraints. It is important for further studies to incorporate a larger number of respondents, as well as mirroring the study to different regions and industries. We might have a better picture of all the variables influencing employees' commitment by doing that. The aforementioned limitations impose limitations on the generalizability of the study's findings.

6. CONCLUSION

The results of the study emphasize the significance of extrinsic rewards in developing affective, normative, and continuance commitment in the Federation of Bosnia and Herzegovina's small and medium-sized enterprises. As a result, these rewards can be used to pinpoint the preconditions for the development of each type of commitment. Motivated and loyal workers are the company's best asset. Many factors influence an employee's commitment toward the organization he/she works in. In light of the findings of this study, we can conclude that most of the previously mentioned types of extrinsic rewards (working conditions, pay satisfaction, satisfaction with benefits, promotion, supervision, team support) have an influence on commitment (affective, normative, continuance). There is one factor by which affective commitment is affected the most – supervision. On the other hand, most of the extrinsic rewards are influencing normative commitment significantly: pay satisfaction, satisfaction with benefits, promotional opportunities and supervision.

This study aims to determine how much organizational commitment in small and medium-sized enterprises (SMEs) in the Federation of Bosnia and Herzegovina is influenced by extrinsic rewards. Obtained results could be very helpful to local companies if they want their business to grow. In increasing the level of employees' commitment, rewards play a very important role. Levels of commitment have a positive impact on employees' desire to contribute more to the company's performance.

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