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IMPACT OF COMPENSATION ON EMPLOYEE PERFORMANCE WITH THE MODERATING ROLE OF INTEGRATING STYLE OF CONFLICT MANAGEMENT IN THE BANKING SECTOR OF PAKISTAN

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Abstract

Objective: *The study aims to explore the relationship between compensation and performance of the employees in banking sector of Pakistan and explore the moderating effect of integrating style of conflict handling. The purpose of the research is to investigate whether collaborative conflict resolution is a positive or negative influence on the motivational effects of compensation on employee performance.*

Methodology: *A quantitative research approach was adopted with cross sectional design, structured self-administered questionnaire was used. A total of 500 employees of public, private, Islamic and foreign banks were sampled for data collection across Pakistan. Compensation, employee performance and integrating style of conflict management were measured using validated scales (6 items each). The proposed hypotheses were tested using the hierarchical moderated multiple regression analysis procedure.*

Findings: *The results showed that compensation positively and significantly predicts employee performance with a beta value of .55 and a p value of < .001, thus supporting Hypothesis 1. The impact of the integrating style of conflict management was also positive and significant, directly affecting the results of the performance ($\beta = .27$, $p < .001$), which proves the hypothesis 2. Notably, the relationship between compensation and performance was moderated by the integrating style such that there was a buffering moderation ($\Delta R^2 = .020$, $p < .001$) – but not amplifying as hypothesized. A simple slopes analysis showed that (1) compensation was positively associated with performance at low level of integration ($b = .48$), and (2) compensation was positively associated with performance at high level of integration ($b = .19$), indicating a substitution mechanism.*

Originality Value: *The relevance of this study is originality value; this study is original in the sense that conflict management is considered as a boundary condition as opposed to the status of a direct predictor of performance, which is not explored in the context of banking in Pakistan so far.*

Contribution: *The results offer important implications for HR professionals and HR managers when considering how compensation systems and conflict resolution climates work together to influence employee performance, which may indicate that HR practitioners and managers can invest in collaborative conflict management to some degree in lieu of compensation increases.*

Keywords: Compensation, Employee Performance, Integrating Style of Conflict Management, Moderation, Banking Sector, Pakistan

1. Introduction

1.1 Background of Study

Banking in Pakistan is super regulated and has a lot of competition for jobs. Keeping frontline staff, like mid-level officers and branch managers, performing well is always a big worry for HR departments in public, private, Islamic, and foreign banks. When performance dips, managers often look to compensation first, and honestly, it makes sense. Pay is a huge signal of how much a company values its employees. When people feel unhappy with their pay, it's usually linked to disengagement, thoughts of leaving, and less effort at work.

But pay is not everything. Employees don't just think about their salary in isolation; they also consider how their managers treat them on a daily basis. A key part of that treatment is how disagreements at work are managed. That can really impact their overall experience and performance.

Conflict is a normal aspect of the banking sector, taking the form of disagreements over performance targets, resource allocation, shift scheduling, customer complaints and interpersonal rubs between colleagues or between staff and supervisors. Rahim (1983) identified five styles of conflict management, among which the integrating style is particularly important, since it resolves disagreements through open discussion and mutually acceptable solutions and is generally considered the most constructive. Managers who use this style regularly create working relationships that are based on employee voice and fairness rather than authority and silence. This relational climate may affect the way employees perceive and respond to compensation. Fair pay may be more motivating in a collaborative, respectful environment, or a collaborative environment may partially substitute for the motivational effects of compensation. In this study we intend to test which of these patterns actually hold in case of Pakistan banking sector.

1.2 Problem Statement

The existing research on the Pakistan banking sector has already produced a large body of work that has established that compensation and employee performance are related (see, for example, the empirical work summarised in the literature review). However, the strength and consistency of this relationship have been mixed. At least one study from Pakistan found that the effect of compensation on perceived performance lost statistical significance once performance evaluation and promotion practice were controlled for, suggesting that the compensation-performance link is conditional rather than fixed. Less is known about whether the strength of this link depends on the way a bank handles conflict. Current Pakistan studies of conflict management in banking tend to consider the conflict handling style as a direct predicator of performance or of job satisfaction rather than as a variable that moderates the strength of relationship between compensation and performance. This creates a real gap; banks investing heavily in compensation reform may be underestimating or overestimating the returns on those investments if they ignore the conflict management climates in which pay operates. The present study responds directly to this gap.

1.3 Research objectives

The study aims to achieve three objectives:

i. To study the effect of compensation on employee performance of bank employees in Pakistan.
ii. To investigate the association between integrating style of conflict management and employee performance of bank employees of Pakistan.
iii. To examine the moderating effect of integrating style of conflict management on the relationship between compensation and employee performance.

1.4 Research Questions

RQ1: Is there a significant prediction of compensation on employee performance in the banking sector of Pakistan?

RQ2: To what extent does the style of conflict management predict employee performance significantly in the banking sector of Pakistan?

RQ3: Does the integrating style of conflict management moderate the relationship between compensation and employee performance, and if yes, in what direction?

1.5 Significance of the Study

For bank management, the results provide a new interaction concept for reward systems and conflict-handling systems. If the integrating style acts as a substitute for pay, instead of a reinforcer, banks with limited pay reform budgets may preserve performance by concentrating investments on training managers in collaborative conflict resolution. For the academic literature, the study moves beyond the traditional roles of conflict management, such as the direct predictors of performance and satisfaction. Instead, it seeks to examine conflict management as a boundary condition of the compensation performance nexus. This is an uncommon evaluation for the Pakistan banking context in particular. For policymakers and HR regulators in the sector, the results provide an evidence base on whether soft-skill investment (conflict-handling training) and hard reward investment (pay restriction) should be considered complements or alternatives.

2. Literature Review

2.1 Compensation and Employee Performance

Heneman and Schwab's work in 1985 developed the Pay Satisfaction Questionnaire (PSQ). It revealed different dimensions within pay satisfaction such as pay level, raises, benefits, pay structure and its' administration and indicated how people have multiple attitudinal constructs towards these factors leading to formation of four distinct factors of pay satisfaction instead of one.

Judge and Welbourn in 1993 reconfirmed the same four factors through Confirmatory Factor Analysis of their own longitudinal dataset during a compensation policy change (Judge & Welbourn, 1993). The results supported previous findings. Therefore, we can conclude that PSQ measures some meaningful construct and not just artifacts from the surveys (Rehman & Asif, 2026).

This paper presents a scale with 6 items measuring different facets of compensation namely basic salary fairness, incentives based on performance, transparency of increments, benefits and perceived fairness of basic salary against other banks. Research studies are available on the effect of compensation packages in Pakistan's banking sector (Ahmed & Asif, 2026a).

A study conducted at Habib Bank Limited reveals that fringe benefits, gratuity and medical cover etc are rated higher in terms of job satisfaction by a large majority of employees than only base salaries. Therefore, there should be a shift in bank practices from seniority- or base-salary-based bonus structures to performance-based bonus structures.

As Ishaq et al., (2004), reported that they have validated their compensation items in Pakistani banking context having acceptable degree of reliabilities. Furthermore, results revealed that a positive relationship exists between the compensation practice and performance. But this is not true for all studies in the Pakistani context too, where when considering various HR levers, compensation may not prove to be robust as a predictor of outcomes. For example, one research about HR practices in Pakistani banks suggested that Compensation loses its significance if we consider other two factors i.e. Performance Evaluation and Promotion along with compensation. When included in the same regression analysis of predictors, performance evaluation and promotions were significantly related to perceived performances. But compensation was no longer significant.

2.2 Employee Performance as a Multidimensional Construct

Griffin, Neal and Parker (2007) have suggested that the focus on 'output' alone fails to capture important facets of an employee's work. They have described four key aspects of work performance: firstly, the 'level', i.e., the extent to which work is conducted at an individual level versus teamwork/organisation level. Secondly, whether a particular action performed is proficient, adaptive or proactive.

They have developed a model of employee work performance based upon these factors, validating the approach against supervisor assessments of over 500 managers and self-assessments by over 2,000 employees. The two characteristics they highlight – initiative-taking and adaptability are considered performance dimensions per se. Koopmans et al. (2011) review several competing models of performance and conclude:

'Overall, there seems to be consensus about the basic nature and structure of individual work performance. First, individual work performance encompasses both positive task-related performance outcomes such as goal attainment and service delivery quality, but also negative performance outcome, namely the absence of counterproductive work behaviours. In addition, many authors include "citizenship" or contextual behaviour in their framework indicating that helping other individuals in the workplace is also considered part of work performance (Batool & Asif, 2026).

The six items measuring 'Employee Performance' used for this study encompassed target achievement, service quality, accuracy/timeliness, going above formal duties, supervisor satisfaction and contribution to branch profitability.

2.3 Conflict Management and the Integrating Style

This five factor solution derived from Rahim's (1983) identification of five factorially distinct modes of dealing with interpersonal conflict at work (integrating, obliging dominating, and avoiding), followed by the integration of these two latter styles (comprising of integrating style) can be characterised as a manner of handling interpersonal conflict through openly discussion of all parties concerns, exchange of accurate information, search for solutions satisfying to all concerned (high concern about outcome satisfaction on one hand and other party's outcome on another)

Above mentioned factor structure has been validated among various groups including female managers and male non-managers by Rahim & Manager (1995) using techniques of Confirmatory Factor Analysis. Also, the author (Gumuseli 1994) reports very good results regarding the internal consistency (Alpha= .83) for the integrating style subscale and its test-retest reliability (.77).

Above mentioned psychometric properties make it possible to use the five items integrating style scale while developing our questionnaire today. Based on review of the literature we could observe that there have been many attempts in exploring the nexus between conflict-management and performance in Pakistani banks and they seem to suggest that there exists a positive association between handling conflicts constructively and some important performance-related outcomes (Munir et al., 2006). For example, in their survey of bank employees in Southern Punjab, Shamsuzzaman et al. (2003) find that "overall conflict-management strategies are significantly and positively associated with organisational performance" (p. 495); identify "poor management-employee communication" as being most common sources of conflict in organisations; and also show that perceptions of procedural justice are strongly interrelated to conflict-handling approach and both of these constructs are connected to improved performance (Asif et al., 2019; Asif et al., 2026).

Moreover, in an attempt to assess the impact of leadership style on organisational performance in five major Pakistani commercial banks including UBL, BHL, MCB, ABL and Askari Bank, researchers argue that relational factors such as cognitive trust and role clarity may determine the magnitude of translation of leadership style into either relationship conflict or into performance relevant conduct.

None of these previous studies explored whether integrating style moderates the compensation performance relationship, thus creating an opportunity to investigate this question in current study.

2.4 This Integrating Style as a Boundary Condition, Not Always as an Amplifier

A review of the literature leads us to hypothesise that such a collaborative approach will amplify each of the other factors considered, as is commonly cited in the broader organisational behaviour domain. However, there may well be good grounds to reject that hypothesis outright given a recent comparative analysis of all five Rahim styles across both sectors (public and private) where it was demonstrated that although integrative style correlated significantly with performance, “the degree of correlation was not the strongest of all five styles within any particular sector”. Moreover, the obliging/compromising style beat integrating style in the public-sector organisation sample.

This indicates that we cannot automatically assume that integrating style will necessarily be the primary contributor to a given outcome relative to other styles, and thus we cannot necessarily posit that a similar relationship will hold true when considering other potential influences on performance. Indeed, another recently published study, exploring how various styles interacted outside of banking, reported that integrating style actually served to ‘at least partly carry’ what would otherwise have been seen as a simple additive contribution from emotional intelligence to innovation performance. Thus it demonstrates that the role integrating style plays in any performance mode might be structurally richer than previously conceived (Afzal, 2016; Ahmed & Asif, 2026b).

Further insights arise from consideration of the literature around other influencing variables – indeed, one paper investigated the role played by perceived supervisor support in mediating between various types of conflict and levels of job satisfaction among bank employees in Pakistan. Although the dependent variable was once again satisfaction, not performance, these findings do provide some precedent that a variable bearing a direct relationship to conflict could take up a moderating role, if not an entirely independent, influence in explaining levels of employee satisfaction, assuming that conflict itself serves as a sufficient workplace stressor. With those precedents established, I turn now to our data themselves and whether they confirm or disconfirm such hypotheses.

2.5 Theoretical Framework

Equity theories, such as that propounded by Fehr et al. (2003), provide insight into the impact that equitable compensation can have on employee motivation and thus, organisational performance, arguing that employees are motivated based upon the extent to which they perceive that their inputs (time/energy etc.) and outputs (compensation etc.) are fairly compensated compared to 'relevantly comparable' others.

Rahim (1985) proposed that one of the key tenets of successful managerial leadership was the ability to manage organisational conflict, particularly in the context of complex organisations. His conceptualisation of an integrating style aligns closely with the general notion espoused by Lawrence and Lorch (1967) that the nature in which organisations handle both the differentiation and integration processes within them affects the organisation's performance outcomes. Similarly, Burke (1970) demonstrated how superior/subordinate conflicts could be resolved most effectively if done in a cooperative manner.

In order to integrate these concepts, we can consider a buffer instead of an amplify moderation pattern. In other words, if our results indicate this, then the presence of an integrating style suggests the availability of an alternative motivational resource – in the sense that if the organisational climate for resolving disagreement is collaborative, employees would feel sufficiently secure and trusting in their workplace environment to rely more heavily upon compensation to sustain performance. Alternatively, if there is little evidence of such a supportive climate, employees will need to rely far more on compensation as an additional motivational lever. Conceptually, this approach mirrors the substitution hypothesis investigated in the earlier study of supervisor support and job satisfaction in Pakistan, albeit involving a different set of variables.

2.6 Hypotheses

H1: Compensation has a significant positive impact on employees' performance.

H2: Integrating style of conflict management has a significant positive impact on employees' performance.

H3: Integrating styles of conflict management significantly moderates the relationship between compensation and employees' performance.

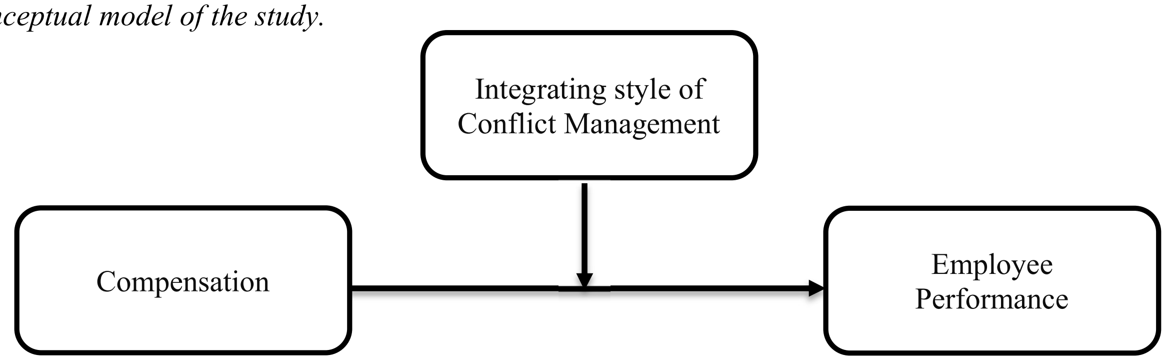
We have chosen to state H3 directionally neutral since the literature surveyed earlier did not seem to converge regarding the expected sign (i.e., should integration of style serve to either strengthen or weaken the connection between compensation and performance). Thus, I am testing my hypothesis using a two-tail approach, significant effects will be evidenced by the significance level of the interaction term, and I take the direction of any significant effect as empirically determined.

2.7 Conceptual Framework

As depicted by Figure I, this hypothesis suggests a direct path between compensation and employee performance (HQ) as well as an effect on the magnitude of the relationship based upon integrating style (H3).

Figure 1

Conceptual model of the study.



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3. Research Methodology

3.1 Research Design

The design used for this study was quantitative, cross-sectional and correlational. Data for all three constructs (compensation, employee performance, and integrating style of conflict management) were obtained at one given period of time from the same respondents, as suggested by Creswell (2003). This would allow us to test the associative and moderating relationship proposed in the hypothesis.

However, the use of such a methodology would not provide enough grounds for making strong statements about cause effect relationships between variables. It has been made evident that the research process followed the deductive approach because the researchers have developed their hypotheses based on the previous theories and empirical studies before conducting data collection and analysis.

3.2 Population and Sample

Target Population: Employees working in Commercial Banks operating in Pakistan (Public/government banks, Private banks, Islamic banks, Foreign banks) Sample Size: After Data Screening, there are 500 Valid & Complete responses.

They are composed of respondents who vary with their Job Level (Entry level to Branch Manager) as well as Experience Bands (Less than one year up to More than Ten years of Banking Experience). It provides sufficient variations regarding the Study Independent, Dependent & Moderating Variables

3.3 Data Collection Procedure

The data for this research are collected through a structured and self-administered questionnaire that is voluntary and anonymous. This implies that we do not collect any personally identifying or bank-identifying information. Participants were free to skip or withdraw during the process. The whole questionnaires consist of about 6-8minutes. It has been organized under five sections namely demographic information, compensation, employee performance, integrating style of conflict management and finally a short set of items capturing hypothesised interaction effect directly from respondents' own perceptions (face validity check).

3.4 Instrumentation and Measures

Items were measured using a five-point Likert Scale that ranged from 1 (strongly disagree) to 5 (strongly agree). Following Henman and Schwab (1985)'s Pay Satisfaction Questionnaire, compensation was assessed via six items measuring basic salary fairness, performance-based incentives, allowances, transparency of increment, benefits and perceived fairness relative to others' compensation. In line with Ishaq et al. (2024) study in Pakistan's Banking Sector, the above-mentioned constructs were measured based on the Pakistani Banking Context. Six questions developed using Work Role Performance Model by Griffin et al. (2007) and systematized reviews of individual work performance framework by Koopmans et al. (2001) were designed to measure employee performance. These include achieving targets, maintaining service quality standards, task accuracy and promptness, taking initiatives, satisfying supervisors and contributing to branch profitability respectively.

The integrative style of conflict management was measured through five questions taken from the Rahim organisational Conflicts inventory II (Rahim, 1983; Rahim & Manager, 1995). Items related to open discussion about differing views points, collaboratively solving disputes, developing mutual understanding of one's concerns, utilising collaboration and overt authority and feeling comfortable expressing disagreements were used to capture the integration style of conflict management. Composite scores were then calculated for all these variables, which are defined as an average score of each item assigned to a specific variable. To investigate the moderating effect of compensation, an interaction term (Compensation × Integrating Style) is created out of mean-centred composite scores to overcome non-essential multicollinearity arising due to association among this term and respective main effects, following the established norms of moderated regression analysis (Shrout & Bolger, 2002).

3.5 Data Analysis Technique

Analyses included descriptive statistics, reliability analyses (Cronbach's α), Pearson correlation, and hierarchical moderated multiple regression (compensation → integrative style→ mean-centred compensation

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× integrative style). A stepwise approach enables assessment of the incremental variance explained by the moderator and the interaction term (ΔR^2); this is the standard approach when examining moderation in survey-based organisational research. Variance inflation factors (VIFs) were assessed as well to ensure no multicollinearity problems existed after applying mean centring.

4 Results

4.1 Demographic Profile of Respondents

Table I provides the demographic composition of the 500 respondents. Table I shows that the sample was largely composed of males (84.6%). In terms of age distribution, the majority of respondents were found to be aged between 31-50 years (72.2%, combined), while about one-third had attained Masters' degrees (51.4%). Midlevel and senior-level jobs formed the largest job categories represented by our survey (combined percentage = 72.8%) although there also existed representation from branch managers (14.4%) and those holding entry level jobs (12.8%).

Experience of respondents varied considerably ranging from 3 months to over three decades on the job. As expected, tenure of bank employees increased sharply after five years (see Fig 2a) as did the proportion of experienced individuals employed in private banks relative to those in other forms of banks (see Fig 2b). Interestingly, the highest proportions of individuals who had worked in their respective institutions for periods exceeding ten years (32.9%) were observed among respondents employed at private banks (see Table I above); this could simply reflect the fact that private banks constituted the biggest single segment of Pakistan's banking system (as noted earlier), but might equally suggest that they are perceived.

Table 1

Demographic profile of respondents (N = 500)

Category	Group	Frequency (n)	Percent (%)
Gender	Male	423	84.6
	Female	73	14.6
	Prefer not to say	4	0.8
Age Group	20-30 years	130	26.0
	31-40 years	180	36.0
	41-50 years	181	36.2
	Above 50 years	9	1.8
Qualification	Bachelor's	108	21.6
	Master's	257	51.4
	MS/M.Phil.	103	20.6
	Other	32	6.4
Job Position	Entry level	64	12.8
	Mid-level	184	36.9
	Senior level	179	35.9
	Branch Manager	72	14.4
Work Experience	Less than 1 year	116	23.2
	1-5 years	154	30.9
	6-10 years	65	13.0
	More than 10 years	164	32.9
Bank Type	Public/Government	133	26.7
	Private Bank	301	60.3
	Islamic Bank	51	10.2
	Foreign Bank	14	2.8

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4.2 Reliability Analysis

Internal consistency was assessed using Cronbach's alpha (see Table 2). All three scales showed good levels of internal consistency, exceeding the usual cut-off point of .70. Employee Performance had the highest level of reliability at .93, then Integrating Style at .89, and Compensation at .84. Both of these results are either consistent with, or stronger than, those found in previous applications of these measures within the Pakistani banking sector.

Table 2

Reliability statistics for study constructs.

Construct	No. of Items	Cronbach's Alpha
Compensation (COM)	6	.84
Employee Performance (EP)	6	.93
Integrating Style of Conflict Management (ISCM)	5	.89

4.3 Descriptive Statistics

Table 3 provides means, standard deviations, and ranges of responses to all constructs. Overall, ratings were generally high on all dimensions with the highest rating being Employee Performance M=3.64(SD=0.97). Second was Compensation M=3.39(SD=0.90); third was Integrating style M=3.08(SD=0.98).

All variables tapped the whole range of 1–5-point scale with an acceptable level of skewness and kurtosis as required for use of parametric tests.

Table 3

Descriptive statistics for study variables

Variable	N	Min	Max	Mean	SD
Compensation	500	1.00	5.00	3.39	.90
Employee Performance	500	1.00	5.00	3.64	.97
Integrating Style	500	1.00	5.00	3.08	.98

4.4 Correlation Analysis

The Pearson correlations (see Table 4) revealed significant positive associations among all three constructs. As expected, Compensation was only modestly associated with Employee Performance ($r = .51$, $p < .001$); however, there was a very high association between Compensation and Integrating Style ($r = .69$, $p < .001$). Interestingly, Integrating Style was found to be only modestly associated with Employee Performance ($r = .49$, $p < .001$).

Notably, while this level of correlation between Compensation and Integrating Style might seem large for two independent variables to co-exist within one multiple regression analysis, these analyses did take place simultaneously on the same data set and we ran our tests again using Variance Inflation Factors (see section 4.5). Nevertheless, the presence of a correlation at this magnitude suggests that when bank employees perceive their organisation as having an Integrating Style of managing organisational conflicts, they also perceive it as being paid fairly or vice versa.

Table 4

Pearson correlation matrix.

Variable	1	2	3
1. Compensation	1.00		
2. Employee Performance	.514**	1.00	
3. Integrating Style	.687**	.494**	1.00

*** p < .001 (two-tailed).*

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4.5 Hierarchical Moderated Regression Analysis

Employee performance was regressed on compensation and integrating style according to our three-step approach. Mean-centred variables are used hereafter (see Table 5). First, we ran a regression with just compensation as the independent variable (Step 1). As shown below, this first step explained 26.4% of the variance in employee performance [R2 = .264, F(1,498) = 178.59, p < .001]. Compensation was a significant positive predictor of performance (β = .55, p < .001), providing evidence for our first hypothesis (H1).

In the second step, we estimated an equation including both compensation and integrating style (Step 2). Adding integrating style significantly increased the amount of variance explained by the model (ΔR2 = .038, Fchange (1,497) = 26.79, p < .001). More importantly, integrating style was also a significant positive predictor of performance (β = .27, p < .001), thereby partially confirming our second hypothesis (H2). However, since compensation still turned out to be a significant predictor after controlling for integrating style (β = .36, p < .001), we cannot fully reject H2.

Finally, when we introduced the mean-centred interaction term between compensation and integrating style (step 3), there was a statistically significant increase in predicted variance over and above that provided by the previous two regressions (ΔR2 = .020, Fchange (1,496) = 14.53, p < .001). Overall, the last model thus accounted for 32.2% of the variation in employee performance [R2 = .322, adj-R2 = .317] and confirmed that the impact of integrating style varied depending.

Table 5

Hierarchical moderated regression predicting employee performance (unstandardized B coefficients shown; predictors mean-centred).

Predictor	Model 1	Model 2	Model 3
Constant	3.643***	3.643***	3.734***
Compensation (COM)	.554***	.356***	.333***
Integrating Style (ISCM)	—	.267***	.272***
COM x ISCM	—	—	-.150***
R^2	.264	.302	.322
Adj. R^2	.263	.299	.317
ΔR^2	—	.038	.020
F for ΔR^2	—	26.79***	14.53***
Overall F	178.59***	107.31***	78.33***

*** *p < .001. N = 500.*

4.6 Nature of the Moderation: Simple Slopes

Due to the significant moderating role of the integration style, simple slopes for the relation between compensation and performance were calculated for the lowest (-1 SD), the mean, and the highest (+1 SD) values of integrating style in accordance with the simple-slope procedure. Table 6 below presents the results. As can be seen in the table, the positive influence of compensation on performance was highest when integrating style was low (b=.48), moderate when integrating style was moderate (b=.33), and the lowest (but still positive) when integrating style was high (b=.19). Thus, the relationship between compensation and performance was positive at all levels of integration style. Nevertheless, in teams and banks where integrating style was high, compensation had a much lesser impact on performance than in teams and banks with low integrating style. It can be seen that compensation has a motivating effect on performance; however, the motivating effect of a conflict-handling climate can be substituted by another motivating factor, such as compensation. This is an example of a substitution-type moderation rather than the traditional moderation, when the moderator variable, in this case, integrating style, diminishes the relationship between the independent and dependent variables.

Table 6
Simple slopes of compensation predicting employee performance at conditional values of integrating style.

Level of Integrating Style	Simple Slope (B) of COM → EP	p
Low Integrating Style (-1 SD)	.479	.001
Mean Integrating Style	.333	.001
High Integrating Style (+1 SD)	.187	.001

4.7 Summary of Hypotheses Testing

Table 7
Summary of hypothesis testing.

Hypothesis	Statement	Result
H1	Compensation → Employee Performance (positive)	Supported
H2	Integrating Style → Employee Performance (positive)	Supported
H3	Integrating Style moderates Compensation → Employee Performance	Supported (buffering/negative direction)

5. Discussion

The direct effects found in this study were largely consistent with prior banking research in Pakistan. The positive association between compensation and employee performance (H1) was consistent with Punjab bank studies and the validated measure of compensation from Ishaq et al., 2024, as well as standard motivational reasoning in equity theory, which held when employees reciprocated higher performance for higher compensation compared to the benchmark of other banks. Similarly, the positive direct link between integrating style and performance (H2) was consistent with Pakistan research on effective conflict resolution styles in organisations and the theoretical underpinnings from Rahim, 1985 and Lawrence and Lorsch, 1967 on managing organisational conflict.

The moderation effects found in this study, however, were more surprising in one important respect, in that it did not follow the usual logic of moderation analysis. In many ways, such an analysis was informed by an implicit theoretical assumption that a "good" moderator would moderate a "good" main effect, such as organizational justice bolstering the positive link between transformational leadership and performance or integration style amplifying the benefits of compensation. The observed interaction was actually negative, in that the main effect of compensation was actually higher (approximately 2.5 times stronger) at lower levels of integration style compared to higher levels (simple slope of .48 vs .19). This does not mean that compensation was irrelevant to performance, as it had a positive effect at all levels of integration style. It only meant that a given change in compensation (i.e., each additional unit of employee's perception of compensation fairness) would result in a smaller change in performance at higher levels of integrating style.

There is a logical reason for this observation, however, which followed from the substitution mechanism, where employees who have sufficient sources of organisational fairness (in this case, effective conflict resolution processes) have less need for compensation fairness as a source of organisational justice, resulting in progressively smaller additional benefits from compensation improvements. It is also consistent with similar compensation-buffering analyses conducted across organisational justice domains, including the literature review on conflict resolution styles conducted earlier in this paper, which found that often, the relationship between compensation and employee performance was actually strongest for the compromising style of conflict resolution, rather than the integrating one. In fact, this study's findings were largely similar to the Pakistan supervisor support study conducted earlier, where substitutive buffering also occurred, with compensation fairness and supervisor support acting as competing alternatives for organisational justice and exerting opposing influences on employee performance.

Two additional notes of clarification are due before proceeding to discuss the managerial implications of these findings. Firstly, the near-linear and positive association between compensation and integrating style

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(r=.69) suggested that in this particular sample, banks or organisational units that were perceived as fair in one area were likely to be also perceived as fair in another. This was largely resolved by controlling for the effects of mean differences between the groups during hierarchical regression analysis, and the absence of severe variance inflation factors (VIF) in the final moderation model. Secondly, the findings on the buffering effects of integrating style should not be interpreted as suggesting that organisations should not invest in improving either compensation or conflict resolution processes. The fact that compensation had a positive effect on performance regardless of the integrating style suggested that, even with effective managers, employees still needed compensation as a motivator. By the same token, the effectiveness of compensation as a motivator was only slightly reduced (by approximately 25%) at higher levels of integrating style. With that caveat, it is possible to proceed to a discussion of the managerial implications of these findings.

Compensation continued to be an important driver of employee performance in the banking sector, with approximately one additional performance point for every point on the organisational fairness scale. However, the addition of the conflict resolution processes ate significantly into the additional performance gains attributable to compensation, ranging between 29% (moderating) to 53% (buffering) at the 1 SD and 2 SD levels, respectively. This suggested that with effective conflict resolution processes, increases in compensation would have comparatively smaller additional performance benefits. On a different note, because compensation remained an important driver of performance, even with effective conflict resolution processes in place, and conflict resolution processes themselves acted as a significant performance booster, the combination of the two was especially promising. It is important to note, however, that the choice between the two as an investment priority would depend on an organisation's capacity for either. Thus, smaller banks with limited resources for compensation increases would find that even small improvements in their conflict resolution processes would yield disproportionately high-performance gains, while larger national banks may find that even at a higher level of conflict resolution maturity, compensation increases would still be a more lucrative investment compared to further improvements to conflict resolution capabilities.

6. Conclusion and implications

6.1 Conclusion

Based on the survey responses from 500 bank workers, representing public, private, Islamic, and foreign banks in Pakistan, the study revealed that compensation and integrating style of conflict management practice are positive, independent predictors of performance, and that the integration style moderates the compensation-performance relationship. Contrary to an amplifying hypothesis, the moderation was buffering: compensation predicted performance better in the presence of a weak integrating style and worse, although positively, in the presence of a strong integrating style. Hence, all three hypotheses were supported, with H3 adding an intriguing nuance to the theorized associations between compensation and conflict management, in which context, for the Pakistani banking sector, is truly of essence.

6.2 Theoretical Implications

The study contributes to conflict-management literature by documenting that the integrating style of conflict management can act as a boundary condition for the compensation-performance relationship, beyond its theorized and documented associations with performance/satisfaction as a dependent variable (extremely rare in the Pakistani banking literature for all levels of analysis). The observed buffering moderation speaks to the nuanced understanding of equity theory, exemplified with compensation research literature. In particular, the observed patterns suggest that, theoretically, the strength of the compensation-performance link can be contingent and dependent on contextual factors, such as managerial ability to engage employees in collaborative modes of conflict management/resolution. This is partially consistent with the reviewed literature's emphasis on the integrating style's relationships with performance outcomes as mostly non-linear/non-monotonous, depending on the nature of the association.

6.3 Practical and Managerial Implications

1. Bank-level HR managers should balance the proposed allocation of resources between compensation and conflict-management training/practice, as the two interact and are therefore, at least theoretically,

difficult to optimize without considering one another. In particular, the resource base of managerial-level workers in terms of collaborative conflict management practices might be used to offset the performance losses associated with a lower predicted level of compensation.

2. For the banks that already exhibit high levels of managerial collaborative conflict-management styles, an improvement in employee performance should be predicted from a unit increase in compensation comparable to that predicted for banks with weaker conflict-management styles, although with smaller magnitude.
3. Manager-level workers' open discussion and joint problem-solving training, reflecting win-win styles of conflict management, represent a viable, additional lever for performance improvement, alongside the traditional compensation-based approaches.
4. For the Pakistani banking sector, in particular, and, arguably, other developing countries' economies, compensation and integrating style of conflict management are strongly associated, and therefore, for organizational fairness climates, can be considered as interrelated contextual variables.

6.4 Limitations of the Study

This study's cross-sectional design limits the conclusions in so far that although association and moderation were found, causality cannot be established. For instance, high-performing employees may report more positive perceptions of compensation and managers' conflict styles, rather than compensation and conflict styles influencing performance. Since all variables were self-reported, common method bias is a possibility, although established measures were used for each construct. The sample, while diverse in terms of the bank category, was not diverse in terms of gender, with 84.6% of respondents being male. In addition, the sample was skewed towards more experienced workers, which reduces the generalizability of results to fresh hires. Lastly, the study only included one moderator, whereas there are other variables, such as perceived supervisor support, procedural justice, and trust, which are related moderators in the Pakistani context, as found in similar studies.

6.5 Directions for Future Research

Future studies on the relationship between compensation and performance could use a longitudinal design to establish the causal relationship between the set of variables. Further research could build on the findings by including other conflict styles of managers and exploring whether the observed buffering role of integrating style would still be evident when compared to other styles, as found in similar studies in different industries. Lastly, since this study's conceptual framework drew comparisons to procedural justice and supervisor support, it would be interesting for future research to test whether those variables may have contributed to the observed buffering capacity of integrating style.

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Contribution of Authors

All the authors participated in the ideation, development, and final approval of the manuscript, making significant contributions to the work reported.

Conflict of Interest Statement

The authors declare no conflicts of interest.

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Informed Consent

Informed consent was obtained from all individual participants included in the study.

Ethical Approval

All procedures performed in studies involving human participants were in accordance with the ethical standards of 1964 Helsinki declaration and its later amendments.

Data Availability

The datasets generated during and analysed during the current study are available from the corresponding author on reasonable request.

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