

# THE IMPACT OF EXECUTIVE LEVEL EMPLOYEES' COMMITMENT ON EMPLOYEE PERFORMANCE (Evidence from Sri Lankan public limited company)

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**Abstract** — This research was carried out by the researchers to measure the impact of employee commitment on performance of executive level employees in a Sri Lankan public limited company. Here theoretical concept of employee commitment and performance were illustrated. The relationship between employee commitment and performance and the impact of employee commitment on performance have been clearly discussed throughout the study. Researcher has selected 100 executive level employees as respondents of this study. Data is mainly collected through a structured questionnaire. Collected data were fit with the model created. Reliability of the model was tested using a reliability test (Cronbach's Alpha). Correlation and regression analysis are used for data analysis. The findings of this research show that Employee commitment is having reasonably high impact towards employee performance ( $R^2=61\%$ ) and affective commitment is the only one variable which shows a statistically significant relationship with employee performance. Based on the findings valuable suggestions were provided to the management of organizations to create a higher commitment in their organizations to achieve sustainable competitive advantage through human resource.

**Index Terms** — Affective commitment, Continuance commitment, Normative commitment, Work confidence.

## I. INTRODUCTION

Current international human resource management research has a strong focus on how organizations can improve the commitment of employees (Malhotra et al, 2007). The study of commitment and employees' job performance is very important to top level management in an organization. While a highly committed person will probably see himself or herself as a true member of the organization, overlook minor sources of dissatisfaction, and see himself or herself remaining a member of the organization, a less committed person is more likely to see himself or herself as an outsider (Reichheld, 1993). Effective and efficient performance of

employees is a greater source of an organizational success. On the other hand, human resource is the main asset of any organization. Hence, organizations are interested in

identifying variables that influence to job performance. Today, work environment or success of every organization depends on efficient use of human resource based on behavioral science for certain. This discloses the need of more comprehensive recognition of concepts and structures related to human resource and its specific tools (Hersey and Blanchard, 1998). Employee commitment is a distinct concept that relates to an employee's desire to remain with an organization with the sense of loyalty, emotional attachment and financial need (Meyer, Allen et al, 1993). According to the Hunjra (2010), committed employees who are very much motivated to contribute their time and energy to achieve organizational goals are increasingly acknowledged to be the primary asset available to an organization.

Nowadays many researchers identify that employee commitment become one of the major concepts in the world. As well as many industries identify employee commitment improve the employee's performance. A committed employee is one who stays with the organization under any favorable or unfavorable circumstances affecting the organization (Meyer and Allen, 1997). Because of the high competition, each and every organization is facing new challenges regarding competitive organizational performance and creating committed workforce (Addae HM, Wang, 2006). Looking at the contemporary organizational working environment together with its challenges, it is clear that not all the employees are equally committed to their work and; therefore, managers need to be aware of the individual and situational factors that build employee commitment for achieve optimal organizational performance (Hossein et al, 2012). Management fail to understand why some employees are not committed to the organization even though they have proactively implemented fair compensation policies and human resource (HR) practices to motivate and retain them. It could be costly if employees are not committed in their jobs, and if they have lack of motivation to exercise their full potentials. For this reason, management should act to increase

the commitment of employees in an organization. There are many factors affecting the performance, but employee commitment plays vital role on the performance of employees. Successful organizations depend on high performance of their employees to meet their objectives. In order to achieve their strategic aims and keep their competitive advantage, their employees must perform at high levels (Dessler 2011). Moreover, organizations need to understand that employees have their own requirements and personal wishes that should be addressed since it determines whether an employee feels positive or negative about the organization and ensures that their needs are treated individually. (Schermerhorn 2010).

The selected public limited company is registered under the Companies Act No.07 of 2007 and under the Finance Companies Act No.78 of 1988. The Company is also have registered under the Finance Leasing Act No. 56 of 2000. Because of the ethical aspects belongs to the researchers the company profile details or the profiles of the respondents are not disclosed in this publication. So, this point onwards company name has mentioned as "ABC PLC". ABC PLC managers have big challenge to determine exactly how they will attain optimum commitment from their employees which would be important in optimizing the organization's performance. Managers have tried to achieve commitment from their employees by using methods that were successful in other places in the world and have failed, the reason being that the failure to apply common practices as it is for their particular company and researches were not directly relevant to their own staff. Therefore, this study aims to identifying the impact of employees' commitment towards employee performance of ABC PLC.

## II. LITERATURE REVIEW

The term "commitment" can be defined as the willingness of social actors to give their energy and loyalty to a social system or an effective attachment to an organization except for the completely instrumental worth of the relationship (Buchanan, 1974). According to Porter et al. (1974) commitment has been defined as having a strong belief in an organization's values and goals, such that a person desires to maintain a part of the organization and is willing to provide considerable effort for the organization. According to Zheng, (2010), employee commitment is employees' attitude towards organization. Akintayo (2010) has identified employee commitment as the degree to which the employee feels dedicated to their organization. Ongori (2007) has stated employee commitment as an effective response to the whole organization and the degree of attachment or loyalty employees feel towards the organization. According to Jaw & Liu (2004) employee commitment is that relationship employees have with their organizations. Based on some studies, organizational commitment can be defined as an

attitude in the form of an attachment that exists between the individual and the organization, and is reflected in the relative strength of an employee's psychological identification and involvement with the organization (Mowday et al., 1979). Porter et al (1974) argued by mentioning that employee commitment emerges prior to any other attitudes of a job or a career.

Meyer and Allen's (1991) have noted three-component model of commitment, prior research indicated that there are three "mind sets" and they suggest that there are three types of commitment as Affective commitment, Continuance commitment & Continuance commitment.

Affective commitment is described as the desire to be emotionally involved in a particular organization. Affective commitment involves employees' long-term feelings towards their jobs. Employees with a strong affective commitment continue with their organization because they want to do so (Meyer and Allen, 1991). Effective communication is an important component in achieving organizational commitment (Zangaro, 2001). This hinders the idea that both employee and organization should understand and value each other goals and needs. Further, the researcher stated that employee's commitment to an organization will increase the likelihood of retention, consistent attendance and increase productivity. Moreover, Moss and Ritossa (2007) have mentioned that transformation leaders raise their subordinates' emotions instead of depending on rational process to motivate them. Furthermore, some scholars are suggesting that affective communication involved and individual's emotional attachment formed due to the employee's identification with the organization's goals and employee's willingness to assist in the accomplishment of these goals (Qureshi et al., 2011). Macey and Schneider (2008) have proved that leaders will have positive effects on their subordinates by creating a sense of attachment to the job, being fair, and recognizing good performance.

Normative commitment in the field of management has been described as the obligation to remain in a particular organization (Bryant et al., 2007; Meyer and Allen, 1991). Employees who are having this type of commitment are wish to remain with their organization because they feel that they should to do so for moral reasons, not because they want or need (Meyer and Allen, 1991). In case of some employees intentionally leave their organizations to make them suffer, while some employees do not accept leaving their organizations if they are in dire need to them. According to the Meyer et al. (1989) have concluded that in most cases committed employees are wish to remain with the organization and strive towards the organization's mission, goals and objectives. Dunham et al. (1994) realize that employees are less likely to leave an organization if their values indicate that are inappropriate to do so.

The third one is continuance commitment. Meyer and Allen (1991) described continuance commitment as perceived costs

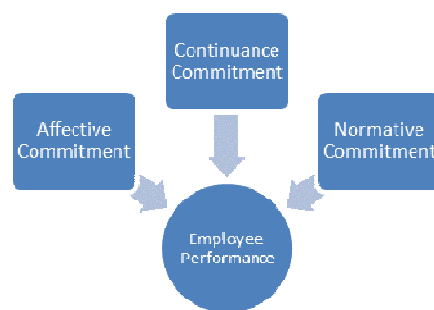
associated with leaving the organization. That means, when employees bear higher cost of leaving organization, they are more committed to their organizations not because they want to, but because they have to. And, they may believe that the threat of losing attractive benefits is one of the perceived costs of leaving an organization. Employees who have a remarkable position in their organization do not want to lose due to the high payment they get; thus, they do not leave their organizations easily due to the higher amount of benefit they lose in case of resigning their job. Furthermore, employees who have few opportunities for alternative employment that offer better packages, certainly, remain with their current organization because they have to remain. However, continuance commitment can be increased when organization has a clear root for a promotion (Shouksmith, 1994), a good reward system, an obvious plan for career development (Akhtar and Tan, 1994). Accordingly, Meyer and Allen (1997) suggest that one can reach a better understanding of an employee's relationship with an organization when all three forms of commitment are considered together.

The connection between commitment and performance has been tested by more researchers for a longtime. Huge attention has been put on the relation between job commitment and task performance. It is obviously known that there is a strong relationship between performance and employee commitment. Highly committed employees will try to give their full effort and perform better in their work than less committed employees (Mowday, porter and Dubin, 1974). According to Dansereay, F. Jr, (1975), better employee performance was correlated with more role clarity, higher satisfaction and stronger commitment. Habib, (2010) has searched the interdependency of job satisfaction and job performance, effect of employee commitment and attitude towards work on performance and has concluded that employees having greater employee commitment perform well and employees having good attitude towards work are highly satisfied as compared to employees who are less motivated towards their work. Chen, et al (2006) who studied the relationship between organizational commitment, and job performance found that there was a positive relationship between organizational commitment and job performance. Their study concluded that companies need to strengthen their employees' commitment towards organization in order to enhance organizational performance. Early research seemed to support a positive relationship between organizational commitment and desirable outcomes such as low turnover, low absenteeism, and enhanced job performance. Therefore, it can be concluded that stronger causal relationship goes from satisfaction to commitment.

### III. METHODOLOGY

In this research, researchers intend to carry out a study in related to a finance company. This is one of the leading

finance company in Sri Lanka. There are around 200 employees. Among them, there are 110 executive level employees and researchers have selected 100 out of them by using random sampling method for the study. Based on the discussed literature, researchers have identified commitment as the main independent variable and three proxies as affective commitment, continuance commitment & normative commitment are used in the case of measuring independent variable. Researchers have identified employee performance as the dependent variable and employees' work confidence is used as the proxy for measuring dependent variable. According to that, researchers have developed following conceptual framework (figure 01).



**Figure 1: Conceptual Framework (Authors Constructed)**

Researchers have followed up the study of Meyer and Allen's (1991). Structured questionnaires are used to collect data and researchers collected 100 responses from executive level employees. Pearson's correlation analysis and multiple regression analysis are used in analyzing the collected data. Following model was developed and regression analysis was conducted in order to measure the impact of employee commitment on employee job performance.

$$EP = \beta_0 + \beta_{AC} + \beta_{CC} + \beta_{NC} + \varepsilon$$

Where,

EP = Employee performance

O = Other variables

AC = Affective commitment

CC = Continuance commitment

NC = Normative commitment

$\varepsilon$  = Errors

### IV. DATA ANALYSIS

In order to ensure the internal consistency and reliability of the sets of questions in the research questionnaire, one the most commonly used technique, Cronbach alpha was used. For confirming the internal consistency and reliability of the scale, Cronbach alpha has to be above 0.70. The results of reliability analysis of all constructs of the study are higher than 0.7 (Generally accepted level). The summary of the results of reliability test has been presented in below. So, researchers have statistically proved the internal consistency of the used questionnaire.

**Table 1: Results of Reliability test**

Variable name	Number of items	Cronbach's Alpha
Affective commitment	15	0.725
Normative commitment	6	0.742
Continuance commitment	5	0.718
Employee performance	13	0.807

Correlation analysis has been performed to identify the relationships among the variables of this study. Below table 02 shows the correlation matrix.

**Table 2: Correlation Matrix**

		Affective Commitment	Normative Commitment	Continuance Commitment	Employee performance
Affective Commitment	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	100			
Normative Commitment	Pearson Correlation	.313**	1		
	Sig. (2-tailed)	.002			
	N	100	100		
Continuance Commitment	Pearson Correlation	.275**	.496**	1	
	Sig. (2-tailed)	.006	.000		
	N	100	100	100	
Employee performance	Pearson Correlation	.258**	.192	.037	1
	Sig. (2-tailed)	.010	.056	.717	
	N	100	100	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

According to the above table 02, there is a significant weak positive relationship between affective commitment and employee performance at 0.01 level (confidence level 99%)

and normative commitment & continues commitments are not shown any significant relationship with employee performance.

Further, output of the regression analysis is showing that adjusted R2 value as 0.61 (see below table 03). That means the independent variables of this study is defining 61% of the dependent variable. That means there is a reasonably high impact from these independent variables towards dependent variable.

**Table 3: Model Testing Summary**

Model	Predictors	R	R square	Adjusted R square	Estimated error
01	AC, NC, CC	.300 <sup>a</sup>	.90	.61	.25532
a Dependent variable – Employee performance					

According to the below table 04 (ANOVA results), the significant value is 0.000 in this model respectively and it is less than 0.01 thus this model is statistically significant in predicting how employee commitments are affected towards employee performance.

**Table 4: ANOVA results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.838	8	.105	9.719	.000b
	Residual	2.447	227	.011		
	Total	3.286	235			

## V. CONCLUSION

According to these analyses, Employee commitment is having reasonably high impact towards employee performance and affective commitment is more influenced on the performance of employees. Meyer & Allen (1997) also concluded the importance of affective commitment by explaining that employees with strong affective commitment would be motivated to higher levels of performance and make more meaningful contributions than employees who expressed continuance or normative commitment. As well as in this research, normative and continuance commitment less likely influence on the performance of employees. Because employees do not commit with the organization for the friendship, expenses spending by organizations for training or other related factors.

The study was conducted based on one selected financial company. Therefore, it may not reflect the views, behaviors and practices of other organizations. Hence, it is required to conduct further studies based on other organizations to test the impact of commitment on performance to ensure whether there is validity of the results.



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