

Impact of Affective, Normative and Continuous Commitment on Organizational Performance: A Study of Private Banks

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Abstract

Current study was carried out to find out the relationship of three types of organizational commitment and its impact on organizational performance in private banks operating in Peshawar district. The study considered employees of private sector banks of Peshawar as population. Based on the methodology of Krejcie and Morgan (1970) proposed for determining sample size, the current study took 234 employees as a sample from total of 640 employees for data collection. Data were collected through closed ended questionnaires from the employees of the said organizations. Reliability was checked through Cronbach Alpha. Convergent and discriminant validity was also confirmed by obtaining the value of AVE > .50, and discriminant validity was establish, hence there is no greater value of square correlation from the value of AVE. Regression analysis was performed to check the effect of the predictor variables on the outcome variable. The result reveals that all the three types of organizational commitment have positive and significant effect on organizational performance.

Introduction

The central focus of every organization and management is employee commitment. A committed employee is a great source for organization, because committed employees contributes to the achievement of organizational goals (Robinson, 2009). Employees' commitment shows their positive attitude towards work and organization. Commitment is defined by Mowday, Steers and Porter (1979) as "the relative strength of an individual's identification with and involvement in a particular organization" (p.225). Commitment means employees sincerely committed and loyal to organization goals (Drucker, 2011). In today's competitive business environment it is the essential focus of every organization to retain their employees and creating committed employees. Commitment is an important aspect to understand its impact (Dixit & Bhati, 2012). Brown, Mchardy, McNabb, and Taylor, (2011) argue that employees commitment contributes to overall business performance. In view of John and Elyse (2010) committed employees

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never leave the organization. In view of Maugo (2013) for organization competitive advantage employees are the vital factor. The most powerful driving force behind success is commitment. Once got committed, a person pursues the completion of the task by overcoming any obstacle hindering his way. It is commitment that compels him to face challenges.

Research Questions

1. Does Affective Commitment contribute to organizational Performance?
2. Did Normative Commitment contribute to Organizational Performance?
3. Does Continuous Commitment contribute to Organizational Performance?

Objectives

1. To find out the relationship between organizational commitment and Organizational Performance
2. To find out the effect of three level of organizational commitment on Organizational Performance.

Literature review

Organizational Commitment

O'Reilly (2008) states that an organization gains success due to employee's commitment and participation. She further states that retention rate of employees and their performance improve with commitment while operating cost decrease in it. An employee's loyalty is gets by his constant effort to stay in organization and his agreement with organizational values (Tolentino, 2013).

Meyer and Allen (2004) asserts that the employees should work hard for achieving organization goals, employees need to be committed to organization with strong dedication. (Allen & Meyer, 1990) proposed three components model of commitment that is; affective, normative and continuance commitment. These have three mindsets; desire or emotional; obligation; and costs. Continuance commitment is continuing with the organization to escape losses and reap the profits of extended employment.

Affective Commitment: Affective commitment refers to emotional attachment with organization and shows employees' positive attitude towards their firm (Riaz, Akram, & Ijaz, 2011). Affective commitment of an employee towards organization arises as a result of policies and activities that aim at promoting positive relations with the

work group (Liaous, 2008; Meyer & Allen, 1997; Riaz, Akram, & Ijaz, 2011).

Normative Commitment: Normative commitment is continuing with the organization due to burden of moral obligations (Manion, 2004; Meyer & Allen, 2004). It also reflects the extent to which an employee's perceptions are aligned to the basic values of an organization. A convincing relation exists between normative commitment and Performance (Meyer & Allen, 2004).

Continuance Commitment: Continuance commitment is based on costs and employees don't turn over due to the fear of losing pay and pension. They continue working with organization because they need to continue for economic reasons (Allen & Meyer, 1990). This type of commitment is based on the benefits that employees' get from an organization. Employee work hard to avoid losing anything of value (Meyer & Allen, 2004).

Organizational Performance

Organizational Performance is measured differently according to the context and objectives of the studies. Often it is measured with financial performance. Organizational performance in the current study means the financial performance of the firms, involving parameters of return of assets (ROA), return of investment (ROI), growth (deposits & advances for banks), premium, products offered and value of the firm. These parameters were adopted in various studies (see Channar, Talreja, & Bai, 2015; Alrawabdhi 2014). Organizational performance depend on individual performance (Miller, 2016). Organizational performance was used as dependent variable by majority of the studies (Singh & Gupta, 2016). The current study also used organizational performance as a dependent variable for measurement.

Organization essentially needs to keep increasing its productivity. For the achievement of this, three factors are required like, human work force, financial investment and effective strategy. Among the three, human resource is the most important. Without committed and skilled human resource, the achievement of organization goals is not possible (Ting et al., 2009).

Past literature has reported that organizational commitment is consistently related to organizational Performance. For example it was found in Indian auto component industry that commitment was linked to sustain Performance of the firms (Dixit, & Bhati, 2012). Another recent study found out that affective commitment mediated the relationship

between perceived organizational support and work outcomes (Gupta, Agarwal, & Khatri, 2016). Commitment is related to favorable behaviors which finally contribute to the organizational success (Devece, Palacios-Marques, & Alguacil, 2016).

The relationship of organizational commitment can be explained with the help of the theory of social exchange (Cropanzano, Anthony, Daniels, & Hall, 2017). Exchange theory suggests that employees and organizations are the two parties in achieving organizational objectives. Employees' or organizations cannot run effectively without each other (Selen, 2000). It was proposed that when the hygiene and motivators are properly addressed in a justified environment employee will reciprocate relationally by becoming committed to the organization. This will eventually culminate in organizational performance.

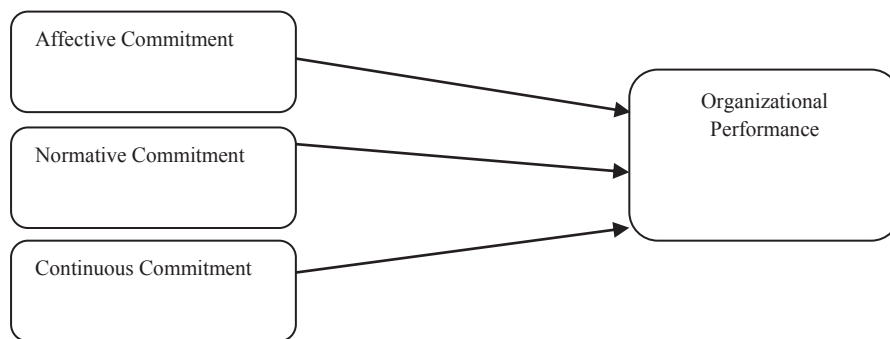
Hypotheses

H₁: Affective commitment has significant effect on Organizational Performance

H₂: Normative commitment has significant effect on Organizational Performance

H₃: Continuous commitment has significant effect on Organizational Performance

Theoretical Framework



Research Methodology

The current study fits into in the descriptive and correlative research design. Primary data were collected through closed ended questionnaires. A survey strategy was followed, to collect information from the respondent through questionnaires. Reliability statistics was

used to check the reliability of the variables for the data collection. The standard value of Cronbach Alpha in this regard is .70 means 70% reliability. Convergent validity was confirmed, as the statistical value of AVE is greater than the standard value .50 (Fornell & Larker, 1981). Further for discriminant validity the correlation matrix was used to check the inter correlation of the factors, further the discriminant validity was established, hence there is no greater value of square correlation from the value of AVE. The target population of the current study was Employees of Private Banks operating in Peshawar. Allied, HBL, Meezan, MCB, Alfalah and NIB banks were considered as sample using purposive sampling techniques. Total numbers of employees working in the selected firms were 640; a sample of 234 employees was taken using Krejcie & Morgan (1970) method of determining sample size from the total number of population. Correlation and Regression analysis was performed to find the relationship of variables and to check the effect of one variable on the other.

Analysis & Findings

Correlation

		AC (N=234)	NC (N=234)	CC (N=234)	Org Prod (N=234)
Affective Commitment	Pearson Correlation	1			
	Sig. (2-tailed)				
Normative Commitment	Pearson Correlation	.468**	1		
	Sig. (2-tailed)	.000			
Continuous Commitment	Pearson Correlation	.591**	.202**	1	
	Sig. (2-tailed)	.000	.001		
Org; Performance	Pearson Correlation	.334**	.756**	.362**	1
	Sig. (2-tailed)	.001	.000	.001	

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

“Correlation” was used to compute the relationship of variables, Affective Commitment, Normative Commitment, Continuous Commitment and Organizational Performance. There was positive correlation between AC and OP, $r = .334$, $n = 234$, $p = 0.001$. There was a positive and significant correlation between NC and OP, $r = .756$, $N = 234$, $p = .000$. Further “Pearson Correlation” of CC and OP assess that

there was a positive correlation between these variables, $r = .362$, $N = 234$, $p = 0.001$. Overall, all the three types of commitments, AC, NC, CC and Organizational Performance was positive and significantly correlated.

Regression Analysis

Model Summary^b

Model	R	Adjusted R Square	Std. Error of the Estimate	Change in R Square	F	df1	df2	Sig.	Durbin-Watson
1	.780 ^a	.608	.12365	.608	43.503	3	84	.000	2.280

a. Predictors: (Constant), CC, NC, AC

b. Dependent Variable: Organizational Performance

Coefficients^a

Model	Unstandardized Coefficients			t	Sig.	
	B	Std. Error	Beta			
	(Constant)	2.262	1.151	-	19.988	.000
1	AC	.634	.128	.210	14.61	.001
	NC	.758	.132	.251	15.34	.000
	CC	.780	.138	.258	10.98	.000

a. Dependent Variable: Organizational Performance

Regression analysis was performed to find out the effects of Organizational Commitment on organizational performance. Regression analysis reveals that predictor variable, Organizational Commitment has significant effect on organizational performance, $R^2 = .608$, $F(1,233) = 43.503$, $p = .000$ sig. The results of regression analysis reveal 60 percent variance in the organizational performance by Organizational Commitment. The p-value of the model is .001 which means that the chosen model for the findings the effects is significant. The f-value shows the statistical significance of the model which has 4 as a standard value.

Furthermore, the analysis shows significant effects of predictor variable “Affective Commitment (AC)” on organizational performance, ($b = .634$, $t = 14.61$), the coefficient of the Affective Commitment is .634 which means that the organizational performance will be changed by .63 units when affective commitment is change by 1 unit OR when affective commitment shows change, organizational performance will show 63 percent change in the same direction.

The results shows significant effects of “Normative Commitment (NC)” on organizational performance, ($b = .758$, $t = 15.34$), the coefficient of the Normative Commitment is .758 which means, if NC change by 1 unit than organizational performance will be changed by .75 units or organizational performance will show 75 percent change in the same direction.

The results regression analysis for “Continuous Commitment (CC)” on organizational performance also confirmed significant effect, ($b = .780$, $t = 10.98$), the coefficient of the Continuous Commitment is .780 which means a 1 unit change in CC will changed organizational performance .78 units or organizational performance will show 78 percent change in the same direction.

Conclusion

Based on the results of correlation and regression analysis of the current study, it is concluded that there is a positive relationship between the three types of commitment and organizational performance. Further it was also confirmed that these three types of commitment has significant effect on that of organizational performance. The results of the current study disclose that Affective commitment has 63 percent effect on organizational performance which were low in contrast of Normative (75%) and Continuous commitment (78%), The results of Tolera (2018) reveal the same result for Affective commitment in his study. In current study Normative and Continuous commitment were more positive and significant effect on organizational performance. Result of the current study supports the studies of Tolera (2018); Gul (2015) and Anjani (2014). Committed employees contribute more to organizations; such employees willing work for their institutes and enhance their own capability and have positive impact on organizational performance. As the study of Anjani (2014) concluded that committed employees bring positive change and favorable impact on organizational performance.

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