

# Enhancing Organizational Performance: An Investigation of the Impact of Employees' Commitment

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**Abstract**—The purpose of this study is to investigate the impact of employee commitment on organizational performance in a paper manufacturing industry in Melaka, Malaysia. Organizations often face a dilemma in preserving employee commitment who are able to contribute to the success of the organizations. Three components of employee commitments (Affective Commitment, Normative Commitment and Continuance Commitment) were identified as the independent variables and organizational performance as the dependent variables. The data was collected using a survey from 150 employees of the paper manufacturing company. Statistical Package for Social Science (SPSS) was used to analyze the data collected from the respondents. Correlation and regression analysis were performed to determine the association between the dependent and independent variables. The research findings revealed that affective and continuance commitments have effects on organizational performance while normative commitment has no significant effect on organizational performance. These results are significant in guiding top management in deciding the actions that they can take which could have a great impact on the organizational performance. Therefore, top management could focus more on building affective commitment and continuance commitment within the organization to enhance organizational performance.

**Keywords**—*employee commitment; affective commitment; normative commitment; continuance commitment; organizational performance*

## I. INTRODUCTION

**B**UILDING commitments among employees is important. Without committed employees, organizations will have difficulty in achieving their goals [1]. Organizational performance has a significant relationship with the levels of personnel dedication [2]. Worker commitment would convey a positive impact on an employer, by increasing productivity and decrease the chance of turnover [3]. The excessive-level commitment will help to increase manufacturing output and attain a sustainable advantage [4]. The concept delivered by Meyer, Allen, & Smith [5] is the most popular among employees' commitment theories. In this theory, employees are dedicated to three multidimensional components i.e. affective commitment, normative commitment and continuance commitment. However, studies on the relationship between these three constructs and organizational performance are scarce especially in manufacturing companies in Malaysia. Therefore, this study intends to examine if affective employee commitment, normative employee commitment and continuance employee commitment have a significant relationship over the organizational performance in the paper manufacturing companies in Melaka, Malaysia. This study also intends to discover which one of the three component of commitments has the strongest relationship with organizational performance.

### A. Research Objectives

This study is carried out in order to identify and understand the relationship between employees' commitment and organizational performance. The followings are the research

objectives that attempted to be achieved at the end of the study:

- i. To determine the relationship between affective commitment and organizational performance.
- ii. To determine the relationship between normative commitment and organizational performance.
- iii. To determine the relationship between continuance commitment and organizational performance.
- iv. To determine the most important component of employee commitment that affects organizational performance.

## **II. LITERATURE REVIEW**

### *A. Employee Commitment*

In the current competitive business environment, every organization including manufacturing firms believe that retaining committed employees is crucial for developing the firms' growth [6], [7]. Maintaining loyal employees who are capable and willing to do their best in achieving organizational goals has been one of the problems faced in most organizations [8]–[10]. Therefore, it is important for an organization to have loyal and committed employees to keep its business running.

According to Ongori [11], employee commitment is an effective response to the entire corporation and the level of attachment or loyalty personnel feels closer to the agency. Akintayo [12] stated that employee commitment is the level to which the employee feels devoted to their enterprise. Weibo, Kaur, & Wei [13] describe employee commitment as an employee's attitude in the direction of the business enterprise. The definition of employee commitment is wide due to the fact that worker's attitude encompasses numerous elements.

Employees who are faithful to their employers will assist the business enterprise to grow output, increase productiveness, and gain competitive benefits [14]. Previous studies have shown that committed employees will stay longer in an organization. Therefore, management in any organizations usually gives more attention to factors that could

increase employees' work commitment. This is because; the committed employees have the determination to perform their job more than the management expectation [14]. As such, employees' dedication is vital because it determines whether the employees would improve their overall performance, stay longer, or leave the organization.

Steers [15] points out that the more committed employees will less likely want to leave the organization. The employees who are committed to the organization will have a high willingness to stay in the organization and they would strive to accomplish their tasks that will reach the goal of the organization. Meyer et al. [5] establish a model that explains employee commitment to an organization. The model has three components namely affective commitment, normative commitment and continuance commitment. These multidimensional components explain employees' perception towards the organization that they are working.

### *B. Affective Commitment*

Affective commitment is a strong emotional attachment that an employee has towards an organization. This type of commitment often related to positive working surroundings and relationships with other co-workers. According to Meyer et al. [5], affective commitment is "the worker's emotional attachment to, identification with, and involvement within the company". Emotional commitment is visible as an emotional attachment of a person with an organization and its standards and concepts [16].

The sincerity towards the organization increased by emotional attachments of employees that accept and follow the roles of company and effectively accomplished the organization goal. Affective commitment has a strong relationship with employee performance [17]. Similarly, Budihardjo [18] argues that affective commitment has a positive correlation with the company's performance. Given this argument, we formulated a hypothesis as follows:

### Hypothesis 1:

H1: There is a significant relationship between affective commitment and organizational performance.

#### *C. Normative Commitment*

The second component of employee dedication is normative commitment. Normative commitment can be defined as "a feeling of obligation to retain employment" [19]. Employees who have a normative commitment will stay with an organization, as they believe that it is the right thing to do. Therefore, such employees are believed to have a high degree of normative commitment, as they are obliged with the organization where they work.

Lee & Chen [20] mentioned that employee commitment would reach a higher stage as they feel connected with the organization, and companies recognized them as a part of the company. This feeling of a sense of belonging that the employees' experience will increase their extent of commitment as well as their productivity levels. In many cases, employees will display a sense of attachment, display a high level of responsibility, and feel they should remain in the organization as the organization has rewarded them in advance or has invested money or time for the employees.

As normative commitment argues that employees will stay with a corporation for an extended period, increase performance, and job satisfaction, we suggested a second hypothesis as follows:

### Hypothesis 2:

H2: There is a significant relationship between normative commitment and organizational performance.

#### D. Continuance Commitment

The final type of the tri-dimensional model of employee commitment is continuance commitment. Allen & Meyer [19] define continuance commitment as a cost associated with organizational turnover. Continuance commitment is an investment from an employee in the organization. This means that their money, energy, time, and seniority will be considered as cost if they want to leave the

company. These losses are crucial because individuals understand or weigh the cost and risks of leaving the company.

Continuance commitment can be visible as an instrumental addition to the enterprise, in which the affiliation from individuals with the corporation is primarily based on an assessment of the economic benefits obtained. Organizational contributors increase a commitment to a corporation due to effective external rewards via bargaining efforts, without figuring out the organization's aims and values. As continuance commitment argues that employees often weigh up pro and cons before leaving an organization in terms of monetary and non-monetary losses hence might affect organizational achievements, we propose a third hypothesis as follows:

### Hypothesis 3:

H3: There is a significant relationship between continuance commitment and organizational performance.

#### *E. Organizational Performance*

Richard et al. [21] indicate that the performance of business enterprise may be measured through the overall performance of economic, return to the shareholder and product marketplace overall performance. Prosperity is decided through the performance of a business enterprise.

Employee dedication and experience affect the performance of the organization. Rizov & Croucher [22] recommended that the overall performance of organization include quality service, degree of productivity, profitability, product-to-market time, and charge of innovation. Integrity has been recognized for employees who are dedicated to their works that lead to better overall performance for the organization, for example; [23] & [24]. Daud [25] commented that the overall performance of an organization is associated with growth, profitability, and worker retention.

#### F. Effect of Employees' Commitment on Organizational Performance

Organizational overall performance covered the actual output or results of an organization as measured in opposition to its expected outputs

or goals [21]. The overall performance of an organization includes the repetitive activities to set up organizational goals, monitor progress towards the goal, and make modifications to gain the targets more effectively and efficiently. The impact of employee dedication on organizational overall performance can be pondered in worker turnover, employee productivity, and company social responsibility.

The results of a study on employee commitment and organizational performance in Eravurpatru Divisional Secretariat in the district of Batticaloa, Sri Lanka reveal that there is a strong correlation between the three commitments (affective, normative and continuance) and organizational performance [26]. Irefin & Mechanic [9] conduct a study on the effect of employee commitment on organizational performance in Coca Cola Nigeria Limited Maiduguri, Borno State. The study reveals that there is a relatively high relationship between employee commitment and organizational performance in the company. Dinku [6] performs a cross-sectional study on 261 employees of Arjo Didessa Sugar Factory to examine the connection between employee commitment and organizational performance. The study depicted that affective commitment has a moderate correlation with the organizational performance while normative and continuance commitments have a strong correlation with organizational performance. Shore, Barksdale, & Shore [27] perform a study on 231 managers and 339 subordinates in multinational organizations in the United States and discover that affective commitment is positively related to job performance. However, they also discover that normative commitment and continuance commitment are negatively related to job performance. Therefore, as there are mixed results in previous studies of the relationship between the three models of employee commitments and organizational performance, this study attempts to examine the effect of the commitment models on organizational performance in the paper manufacturing industry.

### G. Research Framework

Based on the literature review above, a research framework has been constructed as in Figure 1 to show that there are three independent variables, which are affective commitment, normative commitment and continuance commitment. Meanwhile, the dependent variable is organizational performance. These three commitments will be tested to determine whether they will affect the organizational performance.

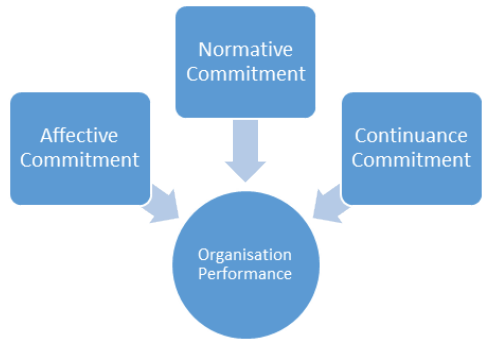


Fig. 1. Research Framework – The Importance of Employee Commitment on Organizational Performance (Source: Meyer & Allen, 1997)

### III. RESEARCH METHODOLOGY

This study employed quantitative method where data were collected using a survey method. The samples of this study were the employees of 2 medium sized paper manufacturing companies in Cheng a district in Melaka, Malaysia which were randomly selected. 150 respondents were randomly selected to answer the questionnaire. The small sample size covered in this research helps to reduce the cost and time of collecting information that related to the employee's commitment.

In this study, the questionnaires were filled out by the respondents. The questionnaire was developed based on the selected independent and dependent variables. The survey method was employed due to its low cost and privacy. Furthermore, respondents have ample time to answer the survey questions and able to put a deep thought before attempting to answer each question.

Five Likert scales which ranging from "strongly disagree" to "strongly agree" was

used in this study as per Table I. The 5 scales ranging from 1 to 5 where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. Respondents can select one of the scales based on their perception of the questions.

TABLE I. LIKERT SCALES VALUE THAT REPRESENT THE LEVEL OF AGREEMENT (MINGLE, 2015)

Scale	1	2	3	4	5
Level of Perception	Strongly disagree	Disagree	Neutral	Agree	Strongly agree

The total rating of variables was collected, calculated and analyzed into the result of this questionnaire. Statistical Package for Social Science (SPSS) is used as a statistical tool to analyze the data and information collected.

#### IV. RESULTS

The findings revealed that 100% of the questionnaires that were administered to the participants were returned to the researcher. The descriptive analysis indicated that 82 (54.7%) of the respondents are male and females' respondents accounted for 68 (45.3%). It is also indicated that majority of the respondents (44%) are 24 years old and below, whereas 38 (25.3%) came under the age group which ranges from 25 - 34 years old, while 19 (12.7%) respondents are aged between 35 - 44 years old. Additionally, those aged 45 - 54 years old and 55 years old represent 18(12%) and 9(6%) of the respondents respectively. On academic education profile, the highest group of respondents having degree level is 49% or 74 respondents. Meanwhile, there are 46 respondents with high school qualification, accounted for 46(30.7%) of the respondents. Respondents who hold a diploma or Pre-U certificates are 21(14%) in frequency. The lowest group of the respondents are master or PhD qualification which consist of 9(6%) respondents. This study also found that the average working experience of the respondents are 5 years.

Reliability test was used to measure the consistency, accuracy, and stability of each item tested in the independent variables of the study. The Cronbach's Alpha coefficient was tested along with reliability test to test and determine

the strength of the items in questionnaire.

TABLE II. CRONBACH'S ALPHA

	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
Affective Commitment (IV 1)	0.887	0.887	5
Normative Commitment (IV 2)	0.877	0.880	5
Continuance Commitment (IV 3)	0.847	0.846	5
Organization Performance (DV)	0.870	0.872	5

Table II above is the Cronbach's alpha value of all the employee commitment and organizational performance in the actual test. The above information stated that the affective commitment, normative commitment, continuance commitment and organizational performance by using Cronbach's Alpha system to analyze the reliability of the data collected. The results showed Cronbach's Alpha value of 0.887 for Affective Commitment construct, 0.877 for Normative Commitment construct, 0.847 for Continuance Commitment construct and 0.870 for Organizational Performance as the dependent variable. These Cronbach's Alpha values are good in research study according to Pallant [28] as they indicate that the questionnaires for all the constructs are acceptable in the research.

Hypothesis testing was used to determine whether the constructed hypothesis in this research are either accepted or rejected. Hypothesis testing was done by using multiple regression analysis. Multiple regression analysis was used to study the relationship between the dependent variable and two or more independent variable.

**TABLE III. COEFFICIENT**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.055	.970		7.275	.000
Affective Commitment	.396	.076	.449	5.181	.000
Normative Commitment	.128	.080	.160	1.606	.110
Continuance Commitment	.193	.068	.225	2.845	.005

*A. Affective Commitment*

H<sub>1</sub>: There is a significance relationship between affective commitment and organizational performance.

From table III above, the significant value of affective commitment  $0.000 < 0.05$ . The appropriate basis for decision making in the regression analysis can be concluded that the affective commitment has significant relationship on the organizational performance. Therefore, hypothesis is accepted.

*B. Normative Commitment*

H<sub>1</sub>: There is a significance relationship between normative commitment and organizational performance.

Table III shows that the significant value of normative commitment  $0.110 > 0.05$ . The appropriate basis for decision making in the regression analysis can be concluded that the normative commitment has no significant relationship on the organizational performance. Therefore, the hypothesis is rejected.

*C. Continuance Commitment*

H<sub>1</sub>: There is a significance relationship between continuance commitment and organizational performance.

From Table III, the significant value of continuance commitment  $0.005 < 0.05$ . The appropriate basis for decision making in the regression analysis can be concluded that the continuance commitment has significant relationship on the organizational performance. Therefore, the hypothesis is accepted.

**TABLE IV. SUMMARY OF HYPOTHESIS RESULT**

Hypothesis	Result
H1: There is a significance relationship between affective commitment and organizational performance.	Accepted
H2: There is a significance relationship between normative commitment and organizational performance.	Rejected
H3: There is a significance relationship between continuance commitment and organizational performance.	Accepted

**V. CONCLUSION**

The purpose of this study is to investigate the link between employee commitments and organizational performance. The results show that affective commitment and continuance commitment have significant relationship with organizational performance while normative commitment has no significant relationship with organizational performance. The most significant construct is affective commitment, where it shows the highest value of 0.449 in Standardized Coefficients (Beta).

The first objective of this study is to determine the relationship between affective commitment and organizational performance. In the multiple linear regression analysis, the results of the analysis show that affective commitment has a significance relationship with organizational performance. This finding is consistent with the study by Andrew [26], Budihardjo [18] and Shore et al. [27] which depicted those organizational members, who are committed to an organization on an affective basis, continue to work for the organization because they want to link closely with the same organization. Members who are committed on an affective level will remain in the organization because they view their personal employment relationship as consistent with the goals and values of the organization.

The second objective is to determine the relationship between normative commitment and organizational performance. The multiple linear regression analysis shows that normative commitment has no significance relationship with organizational performance. This result supports finding by Shore et al. [27] which concludes that normative commitment is not

significant with employee performance which subsequently affects organization's productivity. However, this result contradicts with finding of Andrew [26] which suggests that normative commitment has significant relationship with organizational commitment. In addition, Hafiz [17] also discovers that normative commitment has significant relationship with employee performance which consequently lead to better organizational performance. Therefore, finding from this study contradicts with previous two findings on the same construct.

The third objective is to determine the relationship between continuance commitment and organizational performance. The result of the multiple linear regression analysis indicates that there is a significance relationship between continuance commitment and organizational performance. This result supports [6] and [26] finding which depicted that continuance commitment has significant impact on organizational performance. Nevertheless, this result is inconsistency with studies by Shore et al. [27] which illustrate that continuance commitment has no relationship with employee performance.

The results showed that affective commitment and continuance commitment had the significance relationship with organizational performance while normative commitment had no significance relationship with organization performance. The most significant factors were the affective commitment, it showed the highest value, which was 0.449 in Standardized Coefficients (Beta). Nevertheless, relating employee commitment to organizational performance can be very complex as it is hard to determine if satisfying attitude will lead to organizational achievement. Despite the complexity, it is still worth to undertake necessary actions from the empirical evidence produced by studies in the area.

This study will provide guidance to top management as in which component of commitments that an organization should focus on in order to enhance organizational performance. Building upon current empirical evidence, it is recommended that the top management in paper manufacturing industry

to focus on the method to increase affective and continuance commitment compared to normative commitment.

## **VI. LIMITATIONS AND FUTURE DIRECTIONS**

This research was conducted on Melaka, which is one of the states in Malaysia, with small sample size, but future studies can be conducted on large samples and other states of Malaysia for generalization of results. Moreover, this framework can be replicated on other industries and cultural settings.

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