

## **Impact of Employee Commitment on Organizational Development**

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The current study was undertaken for the purpose of exploring the impact of employee commitment on organizational development. The population of this research study was comprised of middle level managers of all telecommunication companies of Khyber Pakhtunkhwa province of Pakistan. Primary data was collected from 370 managers. Simple random sampling method was used for the selection of respondents. Questionnaire was administered to collect Primary data. Organizational development and employee commitment were taken as dependent and independent variables respectively. Analysis of data was carried out by applying SPSS 20. Correlation and regression analysis tests were carried out to establish link between employee commitment and organizational development, and also to find out the predictor of organizational development. The study revealed a high degree of correlation between employee commitment and its factors and organizational development. Regression analysis confirmed that employee commitment is predictor of organizational development. This study has great value for the managers and academicians as it will help them in designing an integrated and comprehensive system for creating commitment among the employees for improving performance of organization

**Keywords:** Performance management. Training and development, Employee commitment, Reward system and organizational development

In today's fast changing business environment and tough global competition, organizations are finding it difficult to function at optimum level. Employee commitment is now considered a natural process for effective performance of individuals and organizations (Armstrong 2005). Organizations are striving hard to induce commitment in their employees. They are using different means and method to enhance employee's commitment. It is not surprising that employee commitment is a fundamental activity for the success of an organization. Every employee has a desire to reach his self-actualization motivational level (Dorenbosch & Veldhoven, 2006). Therefore employee must be given opportunities to improve his knowledge, skills and abilities. Employee development programs provide chances for promotion and career growth. Such like activities in an organization create commitment in employees, which is a basic requirement for effective functioning of organization

In today's competitive environment, preparing and retaining committed employees is imperative for organizational development (Ivancevich, 2010), as committed employees work harder and perform their tasks with devotion and dedication. The objective of organizational development is to improve the capacity of organization to increase its efficiency for achieving strategic objectives. Building the capacity of the organization is possible when every employee realizes his responsibility and accountability for outcomes related to his performance.

The importance of this study can be realized from the fact that in the last one decade many researchers have dealt with this subject, still there is much to be done for understanding the mechanism and role of employee commitment as it has strong influence on efficient functioning of organization. (Latham, Borgogni & Petitta, 2008). Due to this problem there is a need for conducting the study for establishing any association between employee commitment and organizational development. This study will make an important addition to the existing knowledge as it will provide answers to the following questions:

- a) In what ways employee commitment influences organizational development?
- b) Have reward system, training & development and performance management any impact on employee commitment?

## **Literature review**

### **Employee commitment**

Commitment is considered to be psychological immersion of an individual with his institute through sense of belonging, ownership of organizational goals and being ready to accept challenges (Dolan, Tzafir, & Baruch, 2005). Creating commitment among employees is important because without this it will become difficult for an organization to achieve strategic goals. (Brisco & Claus, 2008; Fugate, et al., 2009). Organizational commitment mean the involvement of an employee to perform his work with zeal and excitement (Dorenbosch & Veldhoven, 2006). Performance of an organization is directly related to commitment level of employees (Ivancevich, 2010). Committed employees will be able to perform their jobs more than management expectations (Bragg, 2002). High level commitment is indispensable for increasing output and obtaining sustainable competitive advantages (Whitener, 2001).

### **Training and development**

Training and development has direct bearing on performance of an individual and functioning of the organization (Apospori, Nikandrou, Brewster, & Papalexandris, 2008). Not that it motivates an employee but it also create job satisfaction. Training and development programs help an organization to function effectively and efficiently. (Moorman, Niehoff, & Organ, 1993).Universally all business organizations are making efforts to improve the productivity of individuals and organizations by effectively implementing training and development programs (Aguinis & Kraiger, 2009). It is important for every organization to make investments in the training and development programs for the successful accomplishment of its goals (Bassanini & Scarpetta, 2002). Training and development of an employee is an important function of every organization which marks valuable impact on effective functioning of the organization (Adeniyi, 1995).

### **Reward systems**

The reward system of an organization affects the motivation and employee satisfaction level (Ray tone, 2006). A fair reward system plays dominant part in raising moral of employee and efficient functioning of the organization. The concept of reward systems is based on the assumption that if you raise the employee morale and the commitment level through the fair reward systems, better organizational functioning will follow (Armstrong, 2012). A fair compensation package is considered as a key tool for building employee commitment and organizational success. Reward system of an organization is an important factor for evoking the employee commitment (Youndt, & Snell, 2004). Organizational reward systems are the most important motivational tools managers have at their disposal.

### **Performance management**

Performance management system is a comprehensive and organized approach for efficient functioning of an organization. It enhances the employees' commitment and motivation by providing clear direction and objective feedback on performance (Armstrong, 2009). The concept of performance management is grounded on the belief that organization performance is dependent on employee's performance.

Performance management is a basic action to control the activities of work force (Pradhan and Chaudhary, 2012). Armstrong (2010) opines that the performance management system has positive influence on commitment level of employees. The availability of opportunities for development, advancement growth, and recognition will greatly increase the motivational level among employees. Performance management provides data for manpower planning. Explicitly the capacity record is gathered through employee performance management system of an organization. Performance management embeds strategic goals in individual goals.

### **Organizational development**

Organizational development is a well thought out developmental plan which is based on improving employees well-being and organizational effectiveness (Robbins and Judge (1998). Ogundele (2012), states that expansion and growth of organization can be used interchangeably because growth cannot be achieved without expansion. Development has a direct link with expansion. Robbins and Judge (1998) argue that organizational effectiveness can be measured through its capacity to survive, adapt and maintain itself as a growing organization. For development and growth, organization needs to have a long term plan to improve its capacity through the effective use of its workforce.

Human resource management theory is established on the assumption that employees and organization coexist mutually through exchange relationship (Selen, 2000). They are reliant on each other. None of them can function effectively lacking the sustenance of the other party. Both parties mutually

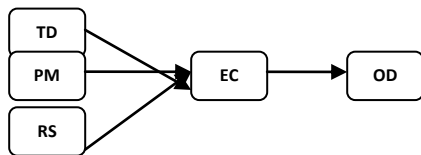
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coexist by supporting each other for their efficient functioning. (Levine, 2001). Simpson (2009) has stated that this type of relationship is due to two factors, first is the inducement by the organization and the second is the employee contribution. The employee's contributions to the organization is based on the employee's commitment, his performance and participation in all important decisions relating to the work of the organization.

Following theoretical model has been developed for the study.

Figure 1.

Theoretical framework of the research study



TD: Training and Development  
PM: Performance Management  
RS: Reward System  
EC: Employee Commitment  
OD: Organizational Development

### Hypotheses

The current study attempts to test the following hypotheses:

H1: performance management, Training and development, and reward systems are significant predictors of employee commitment.

H2: Employee commitment has strong correlation with organizational development.

### Method

#### Sampling

Mid-level employees of telecommunication companies, was population of this study. The telecommunication companies were selected for this study due to the two reasons, first, these companies are expanding at a faster pace and secondly they are investing a huge amount for the development of their employees to enhance employee commitment. The committed employees will try to capture market share and will ensure the growth of business. The samples were designated through simple random sampling method. The instrument was delivered to 370 Managers, out of which 311 respondents returned the completed questionnaires.

#### Instrument and analysis tools

Primary data was gathered through a questionnaire. There were 43 statements in the instrument. 33 statements on employee commitment and its factors, 10 ten statements on organization development. The scale of Armstrong (2012 with some adjustment was used. Cronbach's alpha result was .85 which is high enough for establishing the validity of the instrument. The data was analyzed by applying Correlation and regression tests. SPSS (v 20.0) was used for data analysis.

### Results and discussion

#### Reliability Analysis

The reliability of the instrument was tested by Cronbach's alpha test. The overall result was 0.85. The scores of alpha for training and development, performance management, reward system, employee commitment and organizational development are 0.854, 0.931, 0.882, 0.892 and 0.921 respectively. The result is given in table 1.

**Table 1**  
*Reliability Analysis*

Variables	Cronbach's Alpha	No of Items
Training and development	0.854	7
Performance Management	0.931	6
Reward system	0.882	5
Employee commitment	0.892	15
Organizational development	0.921	10
Overall	0.851	43

### Demographic Profile

The table of demographics shows that the most of the employees fall in bracket of 26 – 30 years of age, which is 45.9 percent of the total respondents. Male respondents were 94.1 percent of the total sample whereas female respondents were 5.9 percent of the respondents.

Table2  
Demographics

Demographics	Description	Percentage
Age	21 – 25	27.3
	26 – 30	43.9
	31 – 35	25.2
	36 – above	3.6
Gender	Male	94.1
	Female	5.9
Education	Bachelors	31.2
	Masters	66.7
	MS	2.1
Experience	1 – 5	27.7
	6 – 10	52.1
	10 – above	20.2

.67% of the respondents are holding a master's degrees and 33 are holding bachelor's degrees. In terms of experience, 52.1 percent had experience from 6 – 10 years and 27.7 percent had experience from 1 – 5 years.

### Descriptive Statistics

Descriptive statistics is shown in Table 3. Mean indicates the average response and the standard deviation shows the average deviation from the mean of each response related to each variable.

Table3  
Descriptive Statistics

Variable	Mean	Standard Deviation
TD	3.460	0.807
PM	3.721	0.822
RS	3.441	0.781
EC	3.641	0.833
OD	3.523	0.833

### Correlation

Employee commitment is positively associated with organizational development. The correlation of employee commitment with all variables is positive and statistically significant. Training and development has correlation coefficient of  $r = .556$  ( $p \leq 0.05$ ), performance management  $r = .687$  ( $p \leq 0.01$ ) and reward system  $r = .657$  ( $p \leq 0.01$ ). Training and development is positively correlated with performance

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management  $r = .666$  ( $p \leq 0.01$ ) and reward system  $r = .668$  ( $p \leq 0.01$ ). Reward system has a positive and significant relationship with performance management  $r = .675$  ( $p \leq 0.01$ ).

**Table 4**

Correlation between independent variable its factors and dependent variable

OD	EC	TD	M	RS	
OD	1				
EC	.724**	1			
TD	.654**	.556*	1		
PM	.547*	.687**	.666**	1	
RS	.746**	.657**	.668**	.675**	1

\*. Correlation is significant at the 0.05 level (2-tailed).

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

### Regression analysis

**Hypothesis 1:** performance management, Training and development, and reward systems are significant predictors of employee commitment.

The regression results of first hypothesis are given in table- 5.

**Table 5**

Regression analysis of Hypothesis 1

	Un-std Coefficient		Std Coefficient	t	p
	B	Std. Error	Beta		
(Const)	.768	.277		2.640	.007
TD	.662	.191	0.330	2.791	.001
pm	.535	.114	0.241	3.165	.002
RS	.478	.142	0.343	2.367	.000
R	0.730;				
R <sup>2</sup>	.671				
Adj. R <sup>2</sup>	0.681;				
F	28.392 (0.000)				

Dependent Variable: EC.

The first hypothesis is that performance management, Training and development, and reward systems are significant predictors of employee commitment. The results of the regression analysis indicated the B value for training and development was 0.662 at  $t = 2.791$  ( $p$ -value  $\leq 0.01$ ), for performance management Beta values 0.535 at  $t = 3.165$  ( $p$ -value  $\leq 0.01$ ) and for reward system Beta value is 0.478 at  $t = 2.367$  ( $p$ -value  $\leq 0.01$ ). The model R Square value is 0.681, indicating that 68.1% variance in employee commitment. This shows that training and development, performance management and reward system have significant impact on employee commitment at 99% confidence level. According to Apospori, Nikandrou, Brewster, & Papalexandris, (2008). Training and development results in the improvement of individual performance and job satisfaction, helps the organizations to increase the skill and knowledge of employees. It facilitates accomplishment of business objectives (Simpson, 2009). Armstrong (2010) opines that performance management system has positive impact on the commitment level of employees. The provision of opportunity for growth, positive feedback and recognition greatly increases the motivational level among employees.

**Hypothesis 2:** Employee commitment has strong correlation with organizational development.

Second, regression analysis was conducted by taking organizational development as dependent variable and employees' commitment as independent variable.

**Table 6**  
*Regression analysis of Hypothesis 2*

	Un-std		Std		<i>t</i>	<i>p</i>
	Coefficient					
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			
<b>Const</b>	0.889	0.027			54.0	0.00.0
<b>EC</b>	0.786	0.039	0.692		19.2	
<b>R</b>	0.688;					
<b>R<sup>2</sup></b>	0.657;					
<b>Adj. R<sup>2</sup></b>	0.655;					
<b>F</b>	20.641 (0.000)					

Dependent Variable: OD.

The regression analysis result shows that B estimate value of employee commitment is 0.786 at  $t = 19.2$ , ( $p$ -value  $\leq 0.01$ ). This indicates that employee commitment has statistically significant impact on organizational development at 99% confidence level. Value of F for this model is 20.641 ( $p$ -value = 0.000) which shows that the employee commitment has significant effect on the organizational development. Employee commitment is significant and essential for the effective functioning of an organization. The employee commitment plays an important role the successful accomplishment of organizational goals (Brisco & Claus, 2008; Fugate, et al., 2009).

#### **Conclusion**

The current research study has explored the link between employee commitment and organizational development. Organizations can change the attitude and behavior of their employees through the application of the employee commitment factors i.e. performance management, training and development, and fair reward systems. These determinants surely increase level of the employee's commitment which ultimately results in organization effectiveness. The results of the study brings out the fact that employee commitment is predictor of organizational development. Enhancing of employee commitment is vital for effective functioning of an organization, and to make the organization grow and expand at a faster pace. Organization are required to integrate all the determinants of employee commitment in a way that should lead to high productivity and profitability.

#### **Future line of study**

I have made an attempt to carry out a detailed study on establishing the correlation between employee commitment and organizational development but some important factors such as leadership style, organizational culture and motivation have not been considered in this study, due to the scope of this study. These factors must be considered in any future study on employee commitment and organizational development.

#### **Recommendations**

As a result of this study following recommendations are offered:

- Organizations should prepare a comprehensive and integrated system of performance management for building the employee commitment.
- Training and development programs should be designed in such way that they enable employees to gain knowledge and skill for present job and for the next higher job as well.
- A fair and transparent reward system should be developed and implemented to build trust and loyalty among employees and management

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