

## **Effect of Employee Commitment on Organizational Performance: Analysis of Northern Iraq Private and Public Banks**

**Fatih Cura**

Ishik University, Erbil, Iraq, Email: fatih.cur@ishik.edu.iq

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**Abstract:** Commitment is one of the key factors that affects organizational performance. In this study, I tried to analyze relationship between employee commitment and organizational performance. A 17 items questionnaire with demographic questions was used to test the model. The survey was delivered to private and public banks in Erbil. I found out that there is a positive relationship between employee commitment and organizational performance. Furthermore public bank employees' commitment level was higher than that of private bank.

**Key Words:** Commitment, Organizational Performance, Northern Iraq, Banks

### **Introduction**

Day by day organizations will get new challenges to go through for reaching their objectives and goals, and these challenges are various in their kinds each has its difficulties. But none of the organizations in the world can go through these challenges and pass through them unless if they have a committed workforce who they work loyally for their organization and think of it as if it is their own organization, because when employees are committed to their organization, they feel that they are trusted and they will do everything to make their organization the most successful in the area. Employee commitment can be achieved through many ways but the most important factor, which is the key factor, is to build a trust relationship between employees and their supervisors and managers. Because when the employees feel they are trusted and appreciated, they will be more committed to their organization and this will affect the monitoring and evaluating costs.

Also commitment can be achieved by providing the employees with many types of incentives which make them stay with the organization and be more committed to it, and one of the incentives is commissions and bonuses on their great work and their effort spent for their organization to achieve its goals and objectives. Providing the employees with training and sending them to other places to get trained is another way to get committed employees, since they feel they are important and appreciated by their organization, so they will be more committed and work harder for their organization to show their loyalty towards it. Sometimes it is a good idea to give employees authority and some power to take decisions to feel they are important and the organization cares about them, so they will be more committed and see the organization as their own, but the authority which is given to employees should be limited and controlled not to be misused against the organization's benefit. On the other hand, the

employee commitment will affect the organizational productivity and organizational performance, the more they are committed, the more the productivity and the higher performance, since the committed employees contribute more to their organization and try harder to achieve the organization's goals and objectives.

In this research I have explained the effect of employees' commitment on organizational performance, and I chose bank employees in Erbil city in Iraq as a sample. Employee commitment concept was evaluated as independent variable and organizational performance was taken as dependent variable. Data is collected through close-ended questionnaire and statistically analyzed through SPSS 20 software program.

## **Review of the Literature**

### **Employee Commitment**

Employee commitment is when an employee remains with an organization for a long period of time and wants to continue his career life with the same organization. This statement always had been the subject of many researches. At last as it was resulted, the employees who are committed to their organizations stay with their organizations for a longer period of time than those who are less committed to their organizations. (O'Reilly & Chatman, 1986) define employee commitment as "The extent to which employees identify with their organization and managerial goals, show a willingness to invest effort, participate in decision making and internalize managerial values". And (Mowday, Porter, & Steers, 1982) define it as "relative strength of an individual's identification with, and involvement in, a particular organization". Also (Bateman & Strasser, 1984) define commitment as "multidimensional in nature, involving an employee's loyalty to the organization, willingness to exert effort on behalf of the organization, degree of goal and value congruency with the organization, and desire to maintain membership". According to (Buchanan, 1974) most scholars define commitment as being a bond between the employee and the organization, though his own definition of commitment. (Tolentino, 2013) found that the employees who have strong desire to stay in their organization, which could signify less probability of employee turn-over. Also (Steers, 1977) says that "employee commitment is directly related with the company turnover". And (Boulian, Porter, Steers, & Mowday, 1974) talks about the strong relationship between employee commitment and turnover as he says: "Some evidence exists that a stated intention to remain with the organization, a component of commitment, is strongly and inversely related to turnover". So when an employee is committed to his job and organization his probability of leaving the job or quitting is becoming less and the organization's turnover rate will decrease when its employees are more committed to their organization. (Schuler & Jackson, 1996) stated that stronger could result in less turnover and absenteeism, also increasing an organization's productivity. (Chughtai & Zafar, 2006) say that "highly committed employees are likely to continue their association with their current organizations, and at the same time, they are likely to put more effort on behalf of their respective organizations and thereby perform at higher levels than their uncommitted counterparts". Also (Mishra, 2005) found in his research the same result as the others before him, the employees and managers that are committed to their organization are less likely to leave their organization than their counterparts who are less committed to their organization, their quitting probability is more. Some researchers define

commitment as it is when the goals of the organization and the employee are the same and overlap so the employee becomes more committed to the organization and tries harder to achieve the goals of the organization since they became his/her goals as well. "The process by which the goals of the organization and those of the individual become increasingly integrated or congruent" is commitment (Hall, Schneider, & Nygren, 1970) . According to (Meyer & Allen, 1997) Commitment is "a psychological state that characterizes the employees' relationship with the organization and has implication for the decision to continue membership in the organization." Of course when an employee is committed to an organization he/she has some reasons behind that (Boulian, Porter, Steers, & Mowday, 1974), (Wadhwa, Deka, Verghese, Sharma, & Wadhwa, 2011) and (Mishra, 2005) talk about these factors: "a) A strong belief in and acceptance of the organizations' goals and values. b) A willingness to exert considerable effort on behalf of the organization. c) A strong desire to maintain membership in an organization.". Commitment of the employees to their organization is very important, and it has effects on many other concepts, (Sutanto, 1999) says "Committed employees give a big contribution to organizations because they perform and behave on achieving organization's goals. Furthermore, workers who are committed to their organizations are happy to be members of it, believe in and feel good about the organization and what it stands for, and intend to do what is good for the organization." The employees who are committed to their organization are valuable factors used by their managers to achieve the organizational goals and objectives, so they can be accounted as the organization's competitive advantage to achieve its goals with. (Dessler, 1993) says: in today's environment, the future is those managers' who can manage change in the best way, but for change management you need to have the best committed employees, since they will have the same goal as the organization's.

There are many ways to create commitment among employees to their organization to get a high productivity and performance, for that case (Becker, 1992) gives a suggestion that increasing commitment of employees to their supervisor's goals and objectives can be done through leadership training, socialization, and team building. And (Sutanto, 1999) explains these factors in his journal article "Leadership training should be the role of managers. Managers as a leader need to be role models for their subordinates, by being committed. Also, they need to empower subordinates in their jobs and roles. Intense socialization results in increased commitment to the success of the company, willingness to work long hours, and decreased absenteeism and turnover. Team building, a common method of improving relationship within a group, is similar to process consultation except that all members of a group participate together to try to improve their work interactions. For example, group members discuss with a change agent who is trained group facilitator the quality of the interpersonal relationship between team members and between the members and their Supervisor". One of the most important factors of creating commitment in an organization is training. Some people think that training only supposed to increase the skills and knowledge of the employees, but that is not correct as researches and studies have proven that. An example of these researches is the one that was done in Nigeria on a sample of Financial Firm's managers and employees by (Owoyemi, Oyelere, Elegbede, & Gbajumo-Sheriff, 2011), they found that; the more training given to employees, the more committed they will be to their organization. When an organization trains its employees, there will be more chances to increase its performance, and this is because the employees think that their organization is committed to them and cares about them, so they will appreciate it and show their commitment to their organization too, also try to achieve its goals and

objectives. "When an organization communicates honestly and openly, builds a trusting relationship, and offers a sense of belonging to the employee, the organization will increase the likelihood of retaining a morally committed employee" (Zangaro, 2001). Also he says that the managers should ask what their employees' needs and wants are and should educate them about organizational needs, also the manager should be mentors for their employees in order to increase their commitment to the organization. (Dessler, 1993)

### **Organizational Performance**

Organizational performance is the results of the organization and its outputs, whether good or bad. It is also the way that an organization tries to achieve its goals and objectives efficiently and effectively. (Mahapatro, 2010) defines organizational performance as "the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable." There are three indicators of organizational performance which are: financial performance, market performance and shareholder value performance (and in some cases, production capacity performance might be analyzed too).

A continuous high performance is the goal of any organization, because only through performance organizations are able to grow progress and maintain in the market. Performance was defined in many ways in the past, as (Gavera, Ilies, & Stegeman, 2011) states them according to decades passed. (Georgopoulos & Tannenbaum, 1957) says "the extent to which organizations, viewed as a social system fulfilled their objectives" this was in the fifties where organizational performance was evaluated and measured by working, labor force and organizational structure. (Yuchtman & Seashore, 1967) Define it as "an organization's ability to exploit its environment for accessing and using the limited resources". In the eighties and nineties managers realized that organizational objectives are more complex than were thought of before. They realized that the organizations that achieve their goals effectively by using minimum amount of resources efficiently are more close to high performance.

Then (Lebans & Euske, 2006) defined performance as "a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results" So organizational performance has a lot of definitions and can be defined according to the elements characteristics to each area of responsibility. And to be able to evaluate and measure performance of an organization, you need to quantify the results of the organization.

### **The Relationship between Employee Commitment and Organizational Performance**

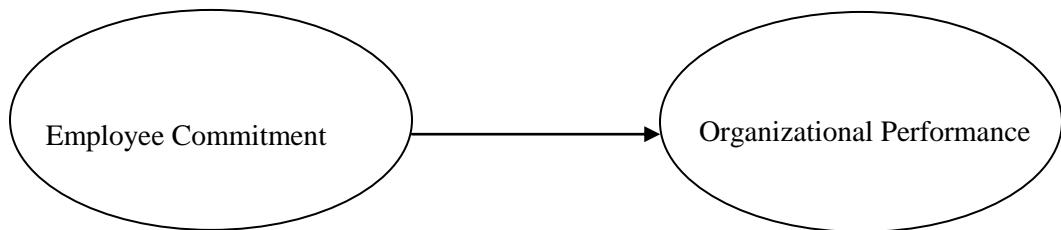
The employees who are committed to their organization contribute more to the organization through performing better and spending more effort to achieve and attain the organization's goals and objectives, and they are happy and proud to be the members of the organization. (Fink, 1992) says that employee commitment is one of the many factors that affect organizational performance, but it is a key factor. He also says that when managerial system is good, there will be a good reward system and employee

commitment, and when there is an effective reward system will result in employee commitment and a great organizational performance, at last the key factor which is employee commitment results in organizational performance.

Employees might be committed to their organization, job, colleagues, supervisors and managers. (Becker, 1992) states that employees who are committed to their supervisors are the most contributors to the organizational performance, more than other types of commitment targets. (Benkhoff, 1997) found in her research that the organizational performance in terms of sales target met and profits increased in a bank is positively related to employee commitment, also commitment to supervisors has the strongest impact on organizational performance than other commitment targets. (BinDost, Ahmed, Shafi, & Shaheen, 2011) Also found the positive and strong relationship between employee commitment and organizational performance. (Boxall & Macky, 2009) and (Purcell, Kinnie, Hutchinson, & Rayton, 2003) all prove by their researches and studies that there is a strong and positive relation between employee commitment and organizational performance.

### **Research Model and Hypothesis**

I developed the model with two variables, employee commitment and organizational performance. The conceptual model is presented in figure 1.



**Figure 1:** Hypothesized Model

I formulated the research questions as;

- Is there any relationship between employee commitment and organizational performance?
- Is there any difference in the level of commitment of private and public banks in Erbil?
- Is there any difference between level of commitment of male and female employees in the banks.

### **Hypotheses**

H1: Employee commitment is an important factor affecting organizational performance.

H2: There is a direct relationship between employee commitment and organizational performance.

H3: The commitment level of employees in public banks is higher than the private banks in Erbil.

H4: There is a difference between private and public banks in Erbil in the level of employee commitment.

## Method

### Sampling Method

Convenient sampling was used for data collection. Totally 157 questionnaires were distributed and 135 of them collected after being filled out completely from 15 public and private bank employees in Erbil city, the capital of Kurdistan Region of Iraq.

### Instrument

The questions' part consisted of 17 close-ended questions. Based on Likert scale of 5 scales (from strongly disagree to strongly agree) the first 5 were measuring commitment and the remaining 12 were measuring performance. I used (Bakiev, 2011)'s questionnaires about commitment that he got them from (Nyhan, 2000) (Porter & Smith, 1970). The remaining 12 question about organizational performance were adopted from (Sahin, 2010) which he took them from (Brewer & Selden, 2000).

### Sample Demographics

The research involved 110 employees and managers in 15 banks, 10 of the banks were private and the remaining 5 were public banks. The majority of the respondents were female employees and the minority is males. The number of the female respondents was 63 which equals 57.27% of the total 110 respondents. On the other hand, 47 male respondents constitute 42.72% of the total employees.

## DATA ANALYSIS AND RESULTS

### Demographic Variables

Variable	Frequency	(%)
<b>Age</b>		
20-30	63	57.27
31-40	34	30.9
41-50	9	8.1
50+	4	3.6
<b>Gender</b>		
Female	63	57.27
Male	47	42.72
<b>Education Level</b>		
Primary School	0	0
High School	16	14.54
University	80	72.72
Post Graduate	14	12.72

<b>Marital Status</b>		
Married	51	46.36
Single	49	44.54
Divorced	10	9.09
<b>Job Experience</b>		
1-5	44	40
6-10	33	30
11-15	20	18.18
16-20	6	5.45
20+	4	3.63
<b>Job Title</b>		
General Manager	15	13.63
Division Manager	32	29.09
Regular Employee	63	57.27

**Table 1:** Demographic Variables **n=110**

The distribution of the respondents over the demographic variables is shown in Table 1. The respondents of the survey questionnaires were 110 employees and managers in 15 banks, 10 of the banks were private and the remaining 5 were public banks. The table shows that the majority of the respondents were female employees and the minority is males. The number of the female respondents was 63 which equals 57.27% of the total 110 respondents. On the other hand, 47 male respondents constitute 42.72% of the total employees. For the distribution of the respondents in terms of age, 63 employees were relatively young with, 20-30 years old, and the next largest group, 34, was 31-40 years old. These two groups account for 57.27% and 30.9% respectively of the total participants. The respondents who were aged 41-50 were 9 constitutes 8.1% of the survey participants and the smallest age group was those who were 50 years old and above, they were only 4 people and they made only 3.6% of the total 110 respondents.

The participants' education level was normal as no one was a primary school graduate and only 16 (14.54%) of them had high school certification, but the majority of them respondents had bachelor degree who were 80 respondents making 72.72% of the total, about the post graduate certification holders, they were only 14 people constitute 12.72% of the total participants which most of them were general managers.

The marital status of the employees who responded to the questionnaires was as follows: 51 (46.36%) married, 49 (44.54%) single and 10 (9.09%) were divorced. In terms of respondents' work experience at banks, the majority of them were beginners, as their years of experience was 1-5 years working at banks and they made 40% of the total respondents, 44 of 110, and the second group according to size was those who had experience 6-10 years and they were 33 people (30%), the third group was making 18.18% of

the total which they were 20 people, they had 11-15 years of experience. For those who had 16-20 years of bank job experience, they were 6 people (5.45%). And the last group was consisting of employees or managers who have 20 years of experience or more, they were only 4 people and they were all the general managers constituting 3.63% of the total respondents. The last grouping was about the job titles of the respondents in their organizations which were banks in our study.

The top managers made the smallest group, which were only 15 general managers and making 13.63% of the total people who responded to our survey questionnaires. The second smallest group was the group of division managers. They were 32 people (29.09%). Lastly the majority of the respondents group, the regular employees, they made 57.27% of the total respondents and they were 63 employees.

### **Data Analysis**

The data was collected through questionnaires then entered into Statistical Package for Social Sciences (SPSS) version 20. I found out the reliability test shows that the Cronbach's Alpha is 0.9 which makes the questionnaires highly reliable which is shown results of reliability test at **Table 2**. I found out the relationship between Employee commitment and Organizational performance, as it is shown in **Table 3**, there is a positive correlation between them ( $p<0.001$ ). I made the correlation analysis to show the relationship between organizational performance and employee commitment and found that there is a positive relationship between them and it is a strong relationship as the Pearson Correlation is 0.694 which is very close to 1.00.

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.900	.901	17

**Table2.** Reliability Test

		Commitment	Performance
Commitment	Pearson Correlation	1	.694**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	1965.055	1899.909
	Covariance	18.028	17.430
	N	110	110
	Pearson Correlation	.694**	1
Performance	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	1899.909	3815.818
	Covariance	17.430	35.008
	N	110	110

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

**Table3.** Relationship between Organizational performance and Employee commitment

Dependent Variable	R <sup>2</sup>	Independent variable	B	Beta	T	Sigma
Performance	.481	Commitment	.477	.694	10.013	.000

**Table4.** Regression analysis of Performance and Commitment

	Mean	Std. Deviation	N
Public banks	3.94	.86694	26
Private banks	3.79	.79974	84

**Table5.** The commitment level of private and public banks

As a result of this the hypothesis 1 is proved right that says, employee commitment is an important factor affecting organizational performance. Also hypothesis 2 is proved right by the results mentioned before that says; there is a direct relationship between employee commitment and organizational performance. **Table4** illustrates that (in organizational performance) employee commitment explains 48% of total variance. By looking at the private banks employees' commitment answers of the questionnaires separately, I realized that the level of commitment of private bank employees in Erbil is lower than the public bank employees by looking at the mean of their answers in which in the private banks the mean is 3.79 and the public banks the mean is 3.94 which is higher than the private banks. By this the hypothesis 3 is also accepted since it says the employee commitment is higher in public banks, and the hypothesis 4 is approved, since it says there is a difference between private and public banks in Erbil in the level of commitment .

## Conclusion

The primary purpose of the research was to find that if there is any relationship between employee commitment and organizational performance in the private and public banks of Erbil. The results of the study show that there is a direct relationship between employee commitment and organizational performance. By the results I could approve all the hypothesis. Furthermore I could analyze from the results that, the commitment level among public bank employees is more than of private bank employees, and that might be because of the public banks being more relaxed and working less so that they are more committed to their organization not to lose the opportunity of working there.

In contrast the private bank employees might be more tired and busy with their job and might not be satisfied with their salary according to their being tired and spending effort, so that they might want better jobs in better organizations with better salaries and less work.

In conclusion, our findings and results of the research were consistent with the previous studies about the same topic, that there is a strong and direct positive relationship between Employee commitment and Organizational performance and Employee commitment affects on Organizational performance positively (Kashefi, Mahjoub, Rahimi, Hesabi, Keshavarz, & Nadimi, 2013), (Sutanto, 1999), (BinDost, Ahmed, Shafi, & Shaheen, 2011) and (Mishra, 2005).

Yet, there was not a single paper measuring the commitment level of banks employees in Northern Iraq, and this study has significance to encourage other researchers to do more paper about similar issues in this region.

### **Discussion and Limitation of the Research**

In this research we used the questionnaires to take only one factor into consideration that affects organizational performance, which is employee commitment. Further study could also be done on the other factors that may have direct or indirect impact on organizational performance, which are employee satisfaction, pay satisfaction, organizational learning, burnout and some more other concepts. In this research we could only reach 15 banks from private and public in Erbil city due to the time limitation and the employee banks are very busy doing their job, they couldn't specify a lot of time to answer the questionnaires.

This subject is a very broad subject; many researches can be done about it. For better ones researchers can include personal interviews with the managers to know the level of commitment of their employees and the performance of the organization they work for. Also they can visit more banks to make the measurement of the sample more general, since if the sample is bigger and the number of respondents is higher, you can generalize your findings more (Saunders, Lewis, & Thornhill, 2009).

Significance of the paper lies in, being the first of its sample to be done in the region and it is attracting and creating awareness about the development and understanding the factor of commitment in the success of the organizations.

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