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In Selected Commercial Effect of Employee Commitment and Organization Performance Banks in Uasin Gishu County, Eldoret, Kenya

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Abstract:

In recent years, it has become necessary for every organization to have control of its employee commitment in order to have outstanding performance on long term basis. 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. Therefore, the main purpose of the study was to determine the effect of employee commitment and organization performance in selected commercial banks, in Uasin-Gishu County, Eldoret, Kenya. Explanatory research design was used in this study. The target population was 748 employees drawn from 25 commercial banks within Eldoret town and a sample size of 261 was selected. The study used stratified sampling technique to select the employees where a respondent was picked from. The study used questionnaires as a tool for data collection. The study findings showed that affective commitment Continuance commitment and normative commitment has a positive and significant effect on organization performance. The study concludes that employee commitment is determinant for firm performance which can be further enhanced by incentives. Thus, there is need for the organization to ensure that employees feel as though they are valued so that they can form a positive perception towards the organization. It is also advisable for employees to remain committed to an organization that has a conducive environment for the purpose of career advancement. Furthermore; more research is needed in this subject area to fully establish the effect of affective commitment, continuance commitment and normative commitment since employees were undecided on a number of factors.

Keywords: *Affective commitment, continuance commitment, normative commitment and organization performance*

1. Introduction

Performance of banks has long been at the center of academic research and has received a substantial amount of attention. A high performance in the banking system can contribute to greater financial stability, product innovation, and access by households and firms to financial services, which can in turn improve the prospects for economic growth. Most managers aim at improving the performance of their financial firms, and policy makers, whose task is to assess the effects of market structure on performance and, therefore, to safeguard the stability of the financial system (Berger and Mester, 2007).

Committed employees are valuable factor managers use in order to achieve organizations' goals (Tumwesigye, 2010). Therefore, employee commitment could be determinants for organization performance. Akintayo (2010) noted that one of the reasons why commitment has attracted research attention is that organization depends on committed employees to achieve superior organizational performance. Studies by Hunjra, *et al.*, (2010) suggest that many organizations increase their employees' commitment thus reducing costs and improving employee job performance and therefore enhance their high commitment. However; there are less empirical studies which link employees' commitment on organizational performance. Employers are sometimes baffled when their highly-rated employees under-perform and others resign and leave the organization.

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 can be costly if employees are not committed in their jobs, and if they lack the motivation to exercise their full potentials. This has led to development of this study using incentives as a moderator. The Most important human resource management issue nowadays is incentives structure (Hunjra, 2010). Due to global competition and environmental uncertainty most banks have shifted from traditional way of incentive structure and design them on the basis of performance (Lawler, 2000) which enhances employee commitment (Milkovich & Newman, 2008). Their proper implementation results in improved firm performance (Ziauddin & Ramay, 2010). In addition, providing incentives not only to managers but also to lower level of employees may result to long time organizational performance. Another perspective on employee commitment is the exchanged-based definition or side-bet theory (Becker, 1960; Alluto,

Hrebiniak & Alonso, 1973). This theory holds that individuals are committed to the organization as far as they hold their positions, irrespective of the stressful conditions they experience. This is behavioral aspect whereby employees remain committed to an organization and this in turn may lead to improved organizational performance.

Over the last few 5 years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region, automation of a large number of services, and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Players in this sector have experienced increased competition resulting from increased innovations among the players and new entrants into the market (CBK, 2013). The banking sector is expected to register improved performance in the future compared to previous years on the backdrop of employee commitment.

Past studies like Liu *et al.*, 2007'; Bogler and Somech, 2004; Lo, 2009; Zheng, 2010; Ajila and Awonusi, 2004) have produced mixed results regarding the effect of employee commitment on bank performance. Zheng, 2010 and Ajila & Awonusi, 2004 in their studies concluded that financial continuous and affective commitment had least effect on organization performance, while Lo (2009) and Liu *et al.*, 2007'concluded that normative commitment had significant contribution to bank performance. It is at the center of such mixed conclusions that created and necessitated the need to carry out a study from a Kenyan context to establish the effect of employee commitment on commercial banks' performance.

2. Literature review

2.1. Affective Commitment

Past studies, describe the term commitment as an affective orientation of the employees toward the organization. Employees with affective commitment continue working with organization because they want to do so. Davis, (2000) describes cohesion commitment as the attachment of an individual's found of affectivity and emotion to the group. Davis (2000) describes affective approach as the relative strength of an individual's identification with and involvement in a particular organization.

Therefore, an individual who is affectively committed or emotionally attached to the organization, believes in the goal and values of the organization, works hard for the organization and intend to stay with the organization thus helping to improve organization performance. Meyer & Allen (1996) correlates affective commitment with work experiences where employees experience psychologically comfortable feelings such as approachable managers, increasing their sense of competence such as feedback. The development of affective commitment involves recognizing the organization's worth and internalizing its principles and standards (Beck & Wilson 2000).

Employee commitment, especially affective commitment, has been studied extensively in the organizational sciences. Previous studies have linked affective commitment to its antecedents that is perceived organizational support, employee empowerment and consequences like absenteeism, turnover and performance. For instance, organizational support is found to be positively related to affective commitment hence improved organization performance (Aubé, Rousseau, & Morin, 2007; Lee & Peccei, 2007).

Previous studies concentrated on investigating two, three, four, or more constructs at a time. Vandenberghe, Bentein, Michon, Chebat, *et al.*, (2007) studied four constructs; perceived organizational support, affective organizational commitment, commitment to customers, and service quality. Ugboro (2006) focused on job redesign, employee empowerment, intention to quit, and affective commitment. Although numerous studies investigated the antecedents and consequences of affective commitment, no studies have tested the relationship among the following five constructs at the same time: affective commitment, organization's commitment to employees, employee empowerment, job satisfaction, and employee perceived service quality.

Hunter (2007) examined the relationship between affective commitment and job performance by studying 419 sales employees in the banking industry. They measured performance by combining the mean monthly financial products sold certificates of deposit, annuities, and investments accounts and mean monthly revenue points. Vandenberghe *et al.*, (2004) measured nurses' job performance based on the supervisor-rated performance appraisals on the following criteria: quality of care, quality of contacts with patients, work-related helping behavior directed toward colleagues, and work-related helping behavior directed toward the head nurse. Ratings were provided using a 10-point scale anchored extremely poor and outstanding.

Meyer and Allen (1997) identified three major sources for the development of affective commitment: organizational characteristics, personal characteristics, and work experience. Although studies have shown that gender, tenure, and other personal characteristics have been correlated with organizational commitment, organizational commitment in those studies was not measured as a multi-dimensional construct but rather as a simplistic one.

- H₀₁: Affective commitment has no significant effect on organization performance

2.2. Continuance Commitment

Employees with high levels of continuance commitment also have increased levels of role conflict and role ambiguity, as well as low withdrawal cognitions (Meyer *et al.*, 2002). In such a scenario, which must be regarded as lose-lose for employee and organization alike, the continually committed employee remains in an uncomfortable position out of need or lack of alternatives. Since the employee continues to work in a position only out of need, he or she may potentially contaminate the work group. Such potential consequences support the proposition advanced by Meyer and Allen (1991) that the effectiveness of an organization depends on much more than just a stable workforce.

When employees enter into the organization, they are bound to maintain a link with the organization or committed to remain with the organization because lack of alternative opportunity or awareness of the costs associated with leaving the organization. The cost associated with leaving includes attractive benefits, the threat of wasting the time, effort spends acquiring, disrupt personal relationship. Continuance commitment develops on the basis of two factors: number of investment side bets individuals make in their current organization and perceived lack of alternatives. This investment can be anything that the individual considers valuable such as pension plans, organization benefits, status etc. that would be lost by leaving the organization, which makes them stay with their current employers (Meyer, 2002). Meyer and Allen (1991) also specified that an individual whose most important connection with the organization is based on continuance commitment stay with the organization simply because they have no choice. Whereas affective commitment is, where individuals remain with an organization because they want to and because they are familiar with it and they have emotional attachment with it.

Employee commitment continues to be a major focus of inquiry given its predicative power on employee, and organizational, relevant outcomes (Meyer *et al.*, 2002). In a traditional employer-employee relationship, employee perceptions of human resource (HR) practices of their employing organization influence their commitment to the organization (Kinnie, *et al.*, 2005), which, in turn, influences their organizational citizenship behaviour (Van Dyne *et al.*, 1994; Bowen & Ostroff, 2004). However, recent years have seen the emergence of new forms of employment relationship (Coyle-Shapiro & Morrow, 2006; Coyle-Shapiro *et al.*, 2006; Rubery *et al.*, 2002), such as Public Private Partnerships and particularly the Retention of Employment (RoE) Model within the public sector. Within this, whilst staff remains employees of the organization, their management is transferred to a private sector third party who is subsequently also involved in the recruitment and management of other employees for the public sector (nominal) employer. Such employee transfers represent a form of legal secondment to the private sector organization (Prowle, 2006).

Employee commitment in such atypical work arrangements has been subject to relatively limited theoretical and empirical investigation (Gallagher & McLean Park, 2001; Van Breugel *et al.*, 2005; Walsh & Deery, 2006). Whilst the transfer of employees' management to a management company inevitably entails change to the employment relationship, the extent to which employees' experiences and perceptions of the transfer influence their commitment to the management company is unclear. In addition, while the employing organization remains the nominal employer, it is the management company that is directly responsible for day-to-day task allocation, monitoring, performance evaluation and feedback, and provision of training and support. This suggests that employees' commitment to the management company is also likely to impact upon their job performance. Continuance commitment describes an individual's need to remain with the organization resulting from her/his recognition of the costs (tenure, pay, benefits, vesting of pensions and family commitment.) associated with leaving the organization (Meyer & Allen, 1984, 1991). Continuance commitment refers to employees' perception of costs that employees have to pay when they leave the organization.

- H₀₂: Continuance commitment has no significant effect on organization performance

2.3. Normative Commitment and Organization Performance

Normative commitment develops on the basis of earlier experiences influenced by, for example family-based experiences parents that stress work loyalty or cultural experiences (sanctions against job-hopping (Allen & Meyer, 1996). Normative commitment can increase through beliefs that the employees have that employers provide more than they can give. The normative aspect develops as individuals' perception of their moral obligation to remain with a specific organization, irrespective of how much status improvement or fulfillment the organization gives the individual over the years. So normative commitment/obligation seen as a result of the receipt of benefits which encourages a feeling that one should reciprocate, and/or acceptance of the terms of a psychological contract. Normative commitment relaxes on employees' compulsory feelings towards management; people stay because they think an obligation to perform so (Ahmadi & Avajian, 2011). Employee commitment and loyalty are optimistically connected with higher level of place of work performance (Sarah, Jolian, *et al.*, 2011).

Individuals in relational agreement naturally obtain advantage from the developmental perspective and individual uphold, they collect from the organization, and do not express a focus on an evaluative wisdom of what they would get or lose by parting. Normative commitment is sensation of responsibility. Well behaved and faithful employees can do work better having fewer opportunity, considering themselves employees of the organization (Green, 2008). Employees are the vital resource in any organization and any society (Newstrom, 2007). Organizations have to care for employees fairly in order to catch the attention of and support good employees (Newstrom, 2007). Individual and collective action affects the organizational commitment, term intention, and eagerness for efforts of the Indian and Irish workers. Indians reveal more keenness to use attempts than the employees of Irish (Nagarajan *et al.*, 2007).

Individual and collective action affects the organizational commitment, term intention, and eagerness for efforts of the Indian and Irish workers. Indians reveal more keenness to use attempts than the employees of Irish (Nagarajan *et al.*, 2007). Individuals with higher level of organizational attachment will be more willing to work for the organization and to stay as a member of the organization, which brings about higher levels of productivity in the organization (Nedim & Emine, 2009).

Normative commitment is universal worth of faithfulness and sense of duty. Weiner, (1982) organizational commitment functionally, it is dynamic naturally to attract the employee's faithfulness and eagerness to expose attempt to the organization, for achieving the level and importance of the organization's goals and want to maintain relation with organization (Mowday, Steers, & Porter, 1979). He recognized that commitment brings changing in feelings and actions of the employees (Porter *et al.*, 1974). NC is the new phase of the organization's commitment that tells the employees' duty at

workplace and their faithfulness to the organization (Bolon, 1997). Normative commitment is general worth of faithfulness and responsibility (Weiner, 1982). Normative commitment is a sensation of duty (Meyer *et al.*, 1991).

- H₀₃: Normative commitment has no significant effect on organization performance

3. Methodology

Explanatory research design was used in this study. The total population was 748 employees drawn from 25 selected banks within Eldoret town. From the target population of 748, Taro Yamane (1973) sample size formula and modified by Kent (2008) was used to select a sample size of 261 employees. A stratified random sample was a useful blend of randomization and categorization, which enabled both a quantitative and qualitative process of study to be undertaken (Cohen, 2003). The study used a questionnaire in data collection. The Cronbach's coefficient alpha was applied on the results obtained to determine how items correlate among them in the same instrument. Cronbach's coefficient Alpha of more than 0.7 was taken as the cut off value for being acceptable which enhanced the identification of the dispensable variables and deleted variables.

4. Analysis of the Results

The study conducted initial data analysis using simple descriptive statistical measures such as, mean, standard deviation and variance to give glimpse of the general trend. However, correlation analysis was used to determine the nature of the relationship between variables at a generally accepted conventional significant level of P=0.05 (Sekaran, 2003). In addition, multiple regression analysis was employed to test the hypotheses. Multiple regression analysis is applied to analyze the relationship between a single dependent variable and several independent variables (Hair *et al.*, 2005). The study also utilizes variable inflation factor (VIF) to handle the issue of Multi-collinearity. The beta (β) coefficients for each independent variable generated from the model, was subjected to a t-test, in order to test each of the hypotheses under study. The regression model used to test is shown below:

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \varepsilon$$

Where;

Y = organization performance

α = Alpha (constant)

$\beta_1... \beta_3$ = the slope representing degree of change in independent variable by one-unit variable

X₁ = affective commitment

X₂ = continuance commitment

X₃ = normative commitment

ε is error term (represents all other factors which influence the dependent variable other than the independent variables in the study)

All the above statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 20. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$

4.1. Factor Analysis

Factor analysis is a multivariate statistical technique used to identify the factors underlying the variables by means of putting together related variables in the same factor. Table 1.0 shows the factor loading for each item, they are sorted by size. Any item that fails to meet the criteria of having a factor loading value greater than 0.5 was dropped from the study (Liao *et al.*, 2007; TohTsu Wei *et al.*, 2008). Kaiser recommends accepting values >0.5 as acceptable. The study requested that all loading less than 0.5 be suppressed in the output, hence providing blank spaces for many of the loadings. Thus, from the findings all values for all the factors were more than 0.5 reflecting the accepted value of factor loading.

Component	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.45	22.241	22.241	6.45	22.241	22.241	5.646	19.469	19.469
2	5.471	18.864	41.105	5.471	18.864	41.105	5.023	17.319	36.788
3	4.104	14.153	55.258	4.104	14.153	55.258	4.071	14.038	50.826
4	2.664	9.185	64.444	2.664	9.185	64.444	3.949	13.618	64.444

Table 1: Total Variance Explained

Source: (survey data 2015)

To check the adequacy of the data for extraction of principal components, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett's test of sphericity were used. Consequently, a value of 0.6 and above for the KMO statistic and a significant measure of sphericity were acceptable as suggested by Tabachnick and Fidell (2001).

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.714
Bartlett's Test of Sphericity	Approx. Chi-Square	8648.616
Degree of freedom	Df	406
Significance	Sig.	0.000

Table 2: KMO and Bartlett's Test
Source: (Survey Data 2015)

4.2. Correlation Statistics for Linear Relationship between Variables

Pearson's measures the strength and direction of the linear relationship between variables. From the results, the most significant relationship exists between. Table 3 showed that affective commitment was positively and significantly correlated with organization performance ($r=.458$) thus affective commitment is highly correlated with organization performance at 45.8%. Additionally, continuance commitment is positively and significantly correlated with organization performance ($r=.576$) thus continuance commitment has 57.6% positive relationship with organization performance. The findings also showed that a low correlation exists between normative commitment and organization performance ($r=.348$). Thus, normative commitment has 34.8% positive relationship with organizational performance.

The findings provided enough evidence to suggest that there was linear and positive relationship between affective, continuance, normative commitment and incentives with organization performance. This paved way for multiple regression analysis.

	Organization Performance	Affective Commitment	Continuance Commitment	Normative Commitment	Incentives
organization performance	1				
Affective commitment	.458**	1			
Continuance commitment	.576**	.258**	1		
Normative commitment	.348**	0.051	.149*	1	

Table 3: Correlation Results

** Correlation Is Significant at the 0.01 Level (2-Tailed)

* Correlation Is Significant at the 0.05 Level (2-Tailed)

Source: (Survey Data 2015)

4.2.1. Multiple Regression Analysis and Hypothesis Testing

4.2.1.1. Model Summary

The results from Table 4 indicate a coefficient of determination adjusted R square of about 0.496. This means that 49.6% variation of organization performance is predicted by joint contribution of normative commitment, affective commitment and continuance commitment.

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.709a	0.502	0.496	0.35127	1.822

Table 4: Model Summary

a. Predictors: (Constant), Normative Commitment, Affective Commitment, Continuance Commitment

b. Dependent Variable: Organization Performance

Source; (Survey Data 2015)

4.2.1.2. ANOVA Model

Table 5 reveals that the F-value of 77.66 with a p value of 0.00 significant at 5% indicate that the overall regression model is significant, hence, the joint contribution of the independent variables was significant in predicting organization performance.

	Sum of Squares	df	Mean Square	F	Sig.
Regression	28.747	3	9.582	77.66	.000b
Residual	28.503	231	0.123		
Total	57.251	234			

Table 5: ANOVA Model

a. Dependent Variable: Organization Performance

b. Predictors: (Constant), Normative Commitment, Affective Commitment, Continuance Commitment

4.3. Hypothesis Testing

4.3.1. Hypothesis 1

Hypothesis 1 (H_{o1}) revealed that affective commitment has no significant effect on organization performance. From the findings in multiple regression, as presented in Table 6 revealed that affective commitment has a positive and significant effect on organization performance with ($\beta_1 = 0.328$ (p -value = 0.000 which is less than $\alpha = 0.05$). Therefore the hypothesis was rejected and it is accepted that for each unit increase in affective commitment there is 0.328 increase in organization performance. VIF values and Tolerance also shows that multi collinearity does not exist between the variables since the VIF was less than 4 and tolerance more than 0.2. In this study, multi-collinearity was assessed by means of Variance Inflation Factor (VIF) and its reciprocal tolerance. The test results for this study revealed that there was no problem of multi-Collinearity among any set of independent variables (Field, 2009).

4.3.2. Hypothesis 2

Hypothesis 2 (H_{o2}) stated that continuance commitment has no significant effect on organization performance. The results of Table 6 showed that the standardized coefficient beta and p value of continuance commitment were positive and significant ($\beta_2 = 0.452$, $p < 0.05$). Thus, H_{o2} was rejected hence the study concluded that, continuance commitment has a positive and significant effect on organization performance. The values shown by tolerance 0.933 and VIF =1.093 indicate that multi collinearity does not exist between the variables. Therefore, for each unit increase in continuance commitment, there is 0.452-unit increase in organization performance.

4.3.3. Hypothesis 3

Hypothesis 3 (H_{o3}) stated that normative commitment has no significant effect on organization performance. The findings reveal that normative commitment has a positive and significant effect on organization performance ($\beta_3 = 0.264$ (p -value = 0.000 as shown in table 4.13. Therefore, the study rejects the null hypothesis and concludes that normative commitment has a positive and significant effect on organization performance. Consequently, for each unit increase in normative commitment, there is 0.264-unit increase in organization performance. VIF and Tolerance also indicate that multicollinearity does not exist between the variables.

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	1.656	0.131		12.625	0.000		
Affective commitment	0.261	0.038	0.328	6.823	0.000	0.933	1.071
Continuance commitment	0.277	0.03	0.452	9.313	0.000	0.915	1.093
Normative commitment	0.153	0.027	0.264	5.623	0.000	0.978	1.023

Table 6: Multiple Regression Analysis
a. Dependent Variable: Organization Performance
Source; (survey data 2015)

5. Discussion and Conclusion

The study sought to determine the effect of affective commitment on organization performance. Affective commitment as a component of commitment is positively associated with organization performance. This implies that employees who have strong affective commitment continue to work in the organization because they want to; they understand the vision and objectives of the organization and work towards achieving them. Such employees feel proud to identify themselves with the organization and they make efforts to perform better. In a nutshell, if employees feel emotionally attached to the organization and feel a strong sense of belonging, they tend to reciprocate with positive attitudes toward the organization, including affective bonds and improved work performance.

The study has also established that continuance commitment among employees positively influences their organization performance. Continuance commitment among employees is as a result of lack of job alternatives. Employees perceive that it would be more costly for them to seek another job elsewhere other than remaining within the organization. This implies that such employees are driven by necessity rather than desire to work in the organization. Despite the aforementioned positive association between continuance commitment and organization performance, continuance commitment could in the long run be detrimental to performance.

The study also sought to assess the effect of normative commitment on organization performance. Normative commitment which is the commitment that a person believes that ethically they have to work within the organization is positively related with organization performance. Perhaps, employees with high level of normative commitment are more willing to work for the organization which brings about higher levels of productivity within the organization. Further, they identify with the role attached to the job; they become committed to doing the job and behave according to the expectation of the job.

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