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What is Organizational commitment, why should managers want it in their workforce and is there any cost effective way to secure it?

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ABSTRACT

"Unless commitment is made, there are only promises and hopes; but no plans"
Peter F. Drucker

Organizational Commitment is highly valuable. Studies have highlighted that commitment has a great impact on the successful performance of an organisation. This is because a highly committed employee will identify with the goals and values of the organization, has a stronger desire to belong to the organization and is willing to display greater organizational citizenship behaviour i.e., a willingness to go over and beyond their required job duties. And if human resources are said to be an organization's greatest assets, then *committed* human resources should be regarded as an organisation's competitive advantage.

This paper will analyze the concept of organizational commitment, what it means and why it is so relevant to organizations. In fact, vast numbers of studies have found positive relationships between organizational commitment and employee behaviours such as a greater effort exerted by the employee in performing tasks, higher employee retention, better work attendance, increased willingness to engage in citizenship behaviour and higher delivery of service quality. In essence, this shows an all-round higher employee performance effectiveness. Moreover, in today's fast paced and dynamic business environment, organizations can no longer guarantee "a job for life" which has made the notion of organizational commitment even more pertinent. It is therefore in the organization's best interest to elicit this kind of behaviour. Various means of securing organisational commitment, in a cost effective way, are also highlighted in this paper.

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What is organisational commitment, why should managers want it in their workforce, and is there any cost-effective way to secure it?

The concept of organisational commitment has attracted considerable attention over recent years and has become a central objective of human resource management.[1] As Guest, 1987 indicated, HRM policies are designed to *"maximise organisational integration, employee commitment, flexibility and quality of work"*[2]. For the topic in question our focal interest refers to "*Commitment*" which can be described as attachment and loyalty. Individuals can display this attachment and loyalty at a variety of levels: their job, profession, department, boss or organisation. Realistically then, commitment may therefore be diverse and divided between any of these. More specifically, organisational commitment has been defined by Mowdray, 1992 as consisting of three components: *"an identification with the goal's and values of the organisation, a desire to belong to the organisation and a willingness to display effort on behalf of the organisation."*[3] This essay will therefore analyse the notion of organisational commitment, and consider its strengths and weaknesses in determining why managers would want it in their workforce. In addition this essay will also highlight whether there is any cost-effective way to secure commitment.

The term commitment can be defined in various ways. For example O'Reilly et al, focus on the *"psychological bond that ties the employee to the organisation"*.[4] This bond has three forms; compliance, identification and internalisation. Similarly Meyer & Allen have proposed a three-component model, which highlights affective commitment *(individuals want to be attached to the organisation)*, continuance commitment *(individuals feel they need to be attached to the organisation)* and normative commitment *(individuals feel they ought to remain with the organisation)*. These various types of commitment will have varying effects on the organisation's performance and a person can display aspects of all of them.

There are two schools of thought of HRM, which have had a significant effect on the importance and development of commitment. The first one highlights the "*hard*" school of HRM, which has its

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[1] Organisational Commitment: A Longitudinal Study of Attitudinal and Behavioural Commitment Among United Kingdom Graduates, **Henley Management College**, 1994 by Helen Lydka

[2] Armstrong, Michael, **A handbook of Personnel Management Practice**, pg.319

[3] Armstrong, Michael, **A handbook of Personnel Management Practice**, pg.319

[4] Taken from the presentation handouts on **"Commitment"** dated 6/11/00

origins in Taylorism. Up until the 1980's the main concerns of management were the organisation's strategy and structure with an emphasis on the technical aspects of work. People were seen as a resource to be spent like any other.[5] Contrary to this view is the "*soft*" school of HRM. This view recognises that people are motivated by a complex set of factors that are interrelated, such as money, the need for affiliation or achievement and the desire for meaningful work. This view focuses on employees as potential talents and it is management's responsibility to learn how best to attract and retain these resources.

A shift in the thinking and values of managers during that period was coupled with various writers emphasising the importance of commitment i.e., such as the article written by Walton *"From control to commitment".*[6] Walton saw a commitment strategy as a more rewarding approach to HRM in contrast to the traditional control strategy. He suggested that workers respond best not when they are tightly controlled by management, placed in narrowly defined jobs and told what to do but instead when they are given broader responsibilities and encouraged to participate. Similarly, other writers such as Peters & Waterman, 1982, (the culture-excellence approach) focused on 8 attributes, which they said, were necessary for companies to *"get their culture right"*. Their main focus was an emphasis on productivity through people.

In today's dynamic world and increased job insecurity, the *"job for life"* is no longer existent. One can therefore question whether the concept of organisational commitment is now becoming redundant?[7] People constantly fear their jobs and loose their motivation and commitment to work. For example, since October, 2008, thousands of job cuts have been announced across all sectors of the UK economy. These include companies such as BAE Systems, Lloyds Banking Group, Japanese electronics firm Toshiba, Royal Bank of Scotland, insurance giant Norwich Union, Telecoms Company Nortel and many more. [8]

Employees need to be reassured that their jobs are secure; otherwise they won't exert as much effort in achieving organisational objectives. A study by the International Survey Research revealed that British staff are the most dissatisfied in the EU, with only 22% feeling secure in their jobs. This insecurity is the root of lack of feel good factor[9].

Furthermore commitment also conflicts with the notion of flexibility. Numerical flexibility has been a predominant feature of recent years, with 'downsizing' and 'delayering' being an obsession of many large companies. A climate of fear has been created for those people

[5] Hollinshead, Nicholls, Tailby, **Employee Relations**, Pitman Publishing, 1999, UK, pg.556
[6] Walton, R., **From Control to Commitment in the Workplace**, Harvard Business Review, March-April, 1985
[7] Meyer & Allen, **Commitment in the Workplace-Theory, Research & Application**
[8] **The Telegraph,** dated on 18/105/2009, written by Jamie Dunkley
[9] Training & Consultancy **www.eoc.co.uk** by David Brown

remaining. However one must consider that even if organisations are moving towards *"the flexible firm"*[10], nevertheless there will always be a core group of workers and it is important to retain their commitment to the organisation. In addition, organisations are increasingly relying on "outsourcing" to meet their labour force requirements, by hiring temporary workers or independent contractors.[11] This highlights further complexities, concerning which company the employee is committed to i.e., whether it is the organisation they were originally employed by or the place they are currently working.

In general, writers have cited various reasons why an organisation would want to increase the level of commitment among its members.[12] It has been argued that having a committed workforce is seen as the *key factor in achieving competitive performance.*

Research has found that the more committed the employee is to the organisation, the greater the effort exerted by the employee in performing tasks. Highly committed employees wish to remain associated with the organisation and advance organisational goals, and are therefore less likely to leave (employee retention is seen to be highest with all forms of commitment). This highlights a positive relationship between the level of organisational commitment and job tenure[13], which ensures a return on the investment in careful selection, training and development. However having a low labour turnover is not always a positive factor. For example in times of change some turnover is desirable to bring in new people, new ideas, and more diverse thinking. In addition, if employees with continuance commitment are staying in the organisation because they are not able to get jobs elsewhere this won't help the productivity of the organisation.

Furthermore Meyer & Allen have illustrated a positively correlated relationship between affective commitment and work attendance. In particular "suspicious type" absences were lower i.e., a committed worker will be more eager about their job and more motivated to dedicate a lot of time and effort to accomplish the tasks required. However one must bear in mind how reliable these questions are, that simply ask the employee whether they were off work for voluntary or involuntary reasons?

In-role job performance has been reported to be higher for employees with strong affective commitment. The underlying assumption is that they will work harder at their jobs and perform them better than those with weaker commitment. This has been positively correlated to self-reported measures of work effort and to adherence to organisational policy. However in the presence of other studies,

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[10] Atkinson, J. & Meager, N**. Changing Working Patterns**, NEDC, ch.1
[11] Baron, James & Kreps, David, **Strategic Human Resources-Framework for General Managers,** chapter 18
[12] Steers & Porter, **Motivation & Work Behaviour.** pg 290
[13]Tuned Out And Turned Off: Two Thirds Of Employees In Britain's Biggest Organisations Lack Both Strong Commitment And Understanding, 24th September 1998, Marketing & Communication Agency

these results may appear conflicting. Research undertaken by DeCotis & Summers, 87 displayed no correlation between performance dimensions and manager's affective commitment.[14] Thus we can postulate that the association between performance and affective commitment is neither very strong nor is the effect on performance very large.[15]

Hence, there seems to be a stronger association with extra-role behaviour and affective commitment. Employees with strong affective commitment are more willing to engage in citizenship behaviour than those with weaker affective commitment. Committed workers can be expected to exercise responsible autonomy or self-control, removing the need for supervisory staff and producing efficiency gains. Therefore commitment in the workforce moves away from the traditional psychological contract of a *"fair days work for a fair day's pay"* and instead to a contract, which implies that employees will go that extra mile for the company.[16]

On the personal level, there are benefits for strong affective commitment i.e., working in an environment in which one is positive about has implications for reduced stress levels. Alternatively, affective commitment could lead to negative consequences for life beyond the organisation. However Meyer & Allen have refuted this claim.

Further research has investigated the link between organisational commitment and the delivery of service quality. Even though the link between them is not very strong, it is found that organisational commitment is strongly tied to role ambiguity and teamwork as antecedents of the service delivery gap[17].

Therefore obtaining affective and normative commitment from employees may have positive effects for the organisation, even though some of the magnitudes of the findings are not very high. Further, one must take into consideration that in times of organisational change, employees with affective commitment may be a barrier to change. This is because they are committed to a single set of values and goals and won't be able to cope with prevalent uncertainties and as a result may resist this change.

However organisations can increase employee commitment by providing them with fair and reasonable working practices in a rather cost-effective way.

To stay committed, employees should feel valued and recognised by management. A current survey highlighted that the majority of employees in Britain's biggest organisations feel undervalued and

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[14] Meyer & Allen, **Commitment in the Workplace-Theory, Research & Application**
[15] Taken from the Lecture Notes on **Commitment**, dated 30/10/00 (Week 4) by Ray Richardson
[16] Steers & Porter, **Motivation & Work Behaviour**, pg 290
[17] Leyland, Pitt Susan & Bromfield, Derek **Organizational Commitment & Service Delivery: Insights From An Industrial Service Environment**, 1994 – www.britannica.com

uninvolved. The key findings showed that only 9% strongly agree that their views and participation are valued by their organisation and that only 27% are strongly committed to help their organisation succeed. It also shows that low levels of commitment are portrayed across all levels of staff: managers are only slightly more committed than non-managers to organisational goals, and show no more understanding of goals than their staff. [18] These are startling results, because if managers lack commitment how can they possibly be expected to manage and motivate others?

Good communication and feedback between management and employees is a means to reduce these problems. Kevin Thomson quotes: *"With the one-way process of communication failing in many UK companies, it is hardly surprising that our respondents feel unvalued."[19]*. A positive relationship between communication and commitment was detected highlighting the importance for management to ensure that communication channels remain open to allow for better transmission of information[20].

Other HR practices, such as recruitment and selection, also play an important role in gaining employee commitment (Meyer & Allen). By providing realistic job previews and accurate information, applicants are better able to determine whether the job is appropriate for them. If they are aware of the available choices, applicants will be more dedicated to the organisation that they opt for. Similarly, selection procedures try to identify those individuals who are likely to be committed to work. This is done through various methods such as psychometric testing. However all individuals vary in their propensity to become committed, due to personal characteristics, pre-entry expectations or organisational choice variables.

After the initial recruitment of an employee, induction training and socialisation are carried out, which are vital in gaining employee commitment. It is essential to reinforce a sense of self-worth within newcomers, which can be achieved through a supportive environment. According to Tannenbaum, 1991[21], training is an important part of the socialisation process. He found a strong positive correlation between commitment and employee's motivation for training. Training should be continuous to give employees a sense of recognition and the feeling that their development is valued by the organisation.

Job satisfaction is said to have the largest effect on commitment. Therefore, this factor should be increased to improve an employee's commitment to an organisation.

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[18] Tuned Out And Turned Off: Two Thirds Of Employees In Britain's Biggest Organisations Lack Both Strong Commitment And Understanding, 24/10/1998, **Marketing & Communication Agency**

[19] Tuned Out And Turned Off: Two Thirds Of Employees In Britain's Biggest Organisations Lack Both Strong Commitment And Understanding, 24/10/1998, **Marketing & Communication Agency**

[20] Internet: www.britannica.com,- Discussion on Organisational Commitment - "Job satisfaction"

[21] Meyer & Allen, **Commitment in the Workplace-Theory, Research & Application**

This can be done by providing performance appraisals, reward systems or benefits, which are perceived as fair and satisfactory. Since there is a positive relationship between satisfaction with performance appraisal and commitment[22], management need to ensure that their performance appraisal systems is perceived by employees to be fair before they can expect higher commitment from them. In terms of assessment and promotion, the fairness in the decision making process is crucial for commitment. The organisation should communicate clearly how decisions are made and why some people and not others did get promotions.

Compensation programmes such as ESOP's can create a sense of commitment within the organisation. Companies, which are undertaking this method, are United Airlines (which is 55% owned by its employees), British Petroleum, (which is 100% owned by its employees) and Pfizer.[23] This method positively affects employee motivation and makes them feel owners of the company. Research suggests that companies, which have implemented ESOP's, tend to boost employee productivity and sales growth.[24] However ESOP's can also decrease affective commitment, because they require employees to stay for a period of time to receive their contribution, increasing costs to the organisation. In terms of pursuing a cost-effective method, consideration needs to be given to these schemes.

It is therefore possible for organisations to influence their employees' commitment through HRM policies and practices. However the difficulty with these policies is that they don't operate in isolation and need to be compatible with the overall business strategy.   But if done effectively they can produce positive results. For example, Huselid's use of *"High Performance Work Practices"* indicates a decrease in turnover and higher levels of productivity and corporate financial success.

Research undertaken by John E. Finnigan[25], indicates that perception of the organisations' values is the strongest predictor of employee commitment.   This emphasises the importance for organisations to display fairness across all their practices and policies.

In conclusion, it's easy for organisations to say that people are our most important assets or the source of our competitive advantage. But it's much more difficult to provide evidence, especially at a time when downsizing is so prevalent. However by placing organisational commitment at the core of the definition of HRM is an attempt to *"win the hearts and minds of the workforce".* [26] We must bear in mind that the focus of commitment *"goes further than simple compliance:*

[22] Internet: www.britannica.com,- Discussion on Organisational Commitment - "Job satisfaction"
[23] Robbins, Stephan, **Organisational Behaviour**, Prentice Hall International Inc., 1996 pg.262
[24] Robbins, De Cenzo, **Human Resource Management**, 6th edition, 1999 pg.118
[25] Journal of Occupation & Organisational Psychology 73, **The impact of person and organisational values on organisational commitment**, Printed in GB, 2000 pg.164
[26] Storey, John, **Human Resource Management-A critical Text**, pg.113

it is an emotional attachment to the organisation"[27].   Therefore the way people are managed has a major impact on their commitment and on organisational performance. Advantages of gaining employee commitment have been perceived to be lower labour turnover, extra role behaviour, better product quality and employee flexibility leading to the firms' competitive advantage. Thus, given the contribution that a highly productive trained employee can make to organisational productivity, keeping such an employee should be a high priority to the organisation. Organisations can secure this commitment by engaging in fair HR practices such as procedural justice, good communication, increased participation, more supportive management and reasonable rewards.

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[27] Internet: www.britannica.com,- Discussion on Organisational Commitment - "Job satisfaction"

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