

AN EMPIRICAL INVESTIGATION ON THE FACTORS INFLUENCING EMPLOYEE COMMITMENT LEADING TO RETENTION IN AUTOMOBILE FIRMS IN CHENNAI

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ABSTRACT

Organizational commitment could be defined as the bond which employees develop with their organization and which ultimately leads to their retention. It is the feeling of being connected with their organization thereby making them feel as though they fit well into the system and fully understand the goals which their organization strives to achieve. It should however, be noted that organizational commitment develops gradually stage by stage. The expected outcome of this research shows the following interesting relationships such as employees tend to prioritize among the satisfying Human Resource variables such as compensation and benefits, interpersonal relations, career management and work-life integration. This study also helps employers to understand the ignored trivial needs of the employee. It would also help in understanding whether the focus of the employee is on job-related practices or personal related practices from his own perspective and the perspective of family and wellbeing.

KEYWORDS: *Employee, Organizational Commitment, Intention to Stay*

INTRODUCTION

Organizational commitment could be defined as the bond which employees develop with their organization and which ultimately leads to their retention. It is the feeling of being connected with their organization thereby making them feel as though they fit well into the system and fully understand the goals which their organization strives to achieve. It should however, be noted that organizational commitment develops gradually stage by stage.

When employee experience a high level of organizational commitment it can be seen they easily accept the values, identify themselves with the organization and are even willing to give their best to the organization with a strong desire to continue serving the organization. Thus it can be stated that willingness to stay is a moral commitment associated with the normative dimension of commitment.

REVIEW OF LITERATURE

Researchers have tried to conceptualize the concept of organizational commitment in various ways. As early as 1991 Meyer and Allen defined it as an inner condition which helps to connect employees with their organization. Thus they perceived it to be a psychological connection which binds employees with their organization. It should be noted that this psychological connection is characterized by a strong sense of desire to contribute productively to the achievement of the organization's objectives.

O'Reilly and Chatman (1989) have suggested that such a psychological connection which an individual has towards his or her organization gives them a strong sense of being engaged at work which in turn makes them devote attention and accept the values of the organization.

According to Miller and Lee (2001) organizational commitment is seen as a state of existence in which employees feel obliged by behaviors and beliefs which helps to that sustain their involvement and participation in the achievement of organization's goals.

Statement of the Problem

Organizational commitment can exert either a positive or negative impact on the employees. Positive impact means the level of organizational commitment is high and a negative impact shows that the level of organizational commitment is low. When employees are able to sense a high level of organizational commitment they tend to be highly productive and are dedicated at work. Thus organizational commitment is viewed as "work dysfunction characterized by either under-commitment or over-commitment.

Employees who are committed voluntarily contribute in a positive sense to the organization which may not be true of employees who are less committed. It cannot be denied that organizational commitment as exhibited by employees can result in stability in the functioning of the organization and also make it more productive which in turn could make it more profitable. It provides scope for committed employees to display their creativity thereby contributing to the attainment of the overall objectives of the organization.

OBJECTIVES

Specific Objective

- To find the effect of employee organizational commitment on employee retention in Automobile units in Chennai

Secondary Objectives

- To identify the HR variables that affect employees' organizational commitment in Automobile units in Chennai.
- To develop a model to establish the relationship between HR variables, organizational commitment and retention of employees

Conceptual Model Used for Testing in this Study

Review of literature on HR variables and organizational commitment leading to retention has demonstrated the relationship between HR variables, organizational commitment and retention. This study attempt to include more number of HR variables as shown in the Figure below to study the relationship between HR variables and organizational commitment leading to retention.

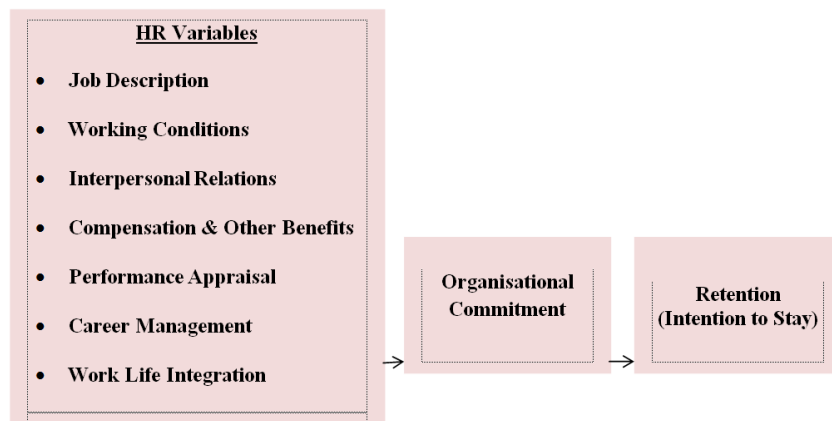


Figure 1: Conceptual Model of HR Variables Influencing Organizational Commitment Leading to Retention

METHODOLOGY

The study was empirical in nature based on primary data collected through a non-disguised structured questionnaire. As no validated research instrument has been developed to test the impact of HR variables on organizational commitment thereby leading to retention, the present study also uses a non-validated research instrument. However due care was taken to ensure the validity and reliability of the instrument used. Repeated discussions with Research Supervisors and Managers of the organization and the pilot study helped in checking the validity of the instrument. The Cronbach’s Alfa was calculated to ensure the reliability of the instrument and was found to be as follows:

Table 1 Reliability Statistics

Variable	Cronbach's Alpha
Job description	.735
Working conditions	.677
Interpersonal relations	.784
Compensation and other benefits	.673
Performance appraisal	.736
Career Management	.757
Work life integration	.,661

The stratified random sampling method was used. However, for the analysis, 420 responses complete in all respects were included. The data collected were analyzed using SPSS 16 as follows, based on the research objectives:

ANALYSIS & FINDINGS

Multiple Regression Analysis of Organizational Commitment Factors

Regression is the determination of the statistical relationship between two or more variables. In simple regression two variables are used. One variable (independent) is the cause of the behavior of another one (dependent).

When there are more than two independent variables the analysis concerning relationship is known as multiple correlations and the equation describing such a relationship is called the multiple regression equation.

Regression analysis is concerned with the derivation of an appropriate mathematical expression which is derived for finding values of a dependent variable on the basis of the independent variable. It is thus designed to examine the relationship of a variable Y to a set of other variables X₁, X₂, X₃,.....X_n. the most commonly used linear equation in

$$Y = b_1 X_1 + b_2 X_2 + \dots + b_n X_n + b_0$$

Here Y is the dependent variable, which is to be found. X_1, X_2, \dots and X_n is the known variables with which predictions are to be made and b_1, b_2, \dots, b_n are the coefficient of the variables.

In this study, the independent variables are Job Description, Working Conditions, Interpersonal Relations, Compensation and other Benefits, Performance Appraisal, Career Management and Work-Life Integration.

Dependent Variable: Organizational Commitment (Y)

Independent Variables

- Job Description (X_1)
- Working Conditions (X_2)
- Interpersonal Relations (X_3)
- Compensation and other Benefits (X_4)
- Performance Appraisal (X_5)
- Career Management (X_6)
- Work Life Integration (X_7)

Multiple R Value : .775(a)

R Square Value : .601

F Value : 88.488

P Value : <0.001**

HYPOTHESIS I

Null Hypothesis: To verify if all the independent variables in the model neither considered together, have no causal effect on the dependent variable (Organizational Commitment); in which case the model that relates these independent variables to the dependent variable does not exist.

Table 2: Variables in the Equation (Organizational Commitment)

Variables	Unstandardized Coefficients		Standardized Coefficients	t Value	P Value
	B	Std. Error	Beta		
Constant	4.457	1.579		2.823	.005
X1	.199	.077	.113	2.599	.010
X2	.221	.111	.098	1.997	.046
X3	.067	.077	.049	.876	.381
X4	.104	.079	.065	1.328	.185
X5	.615	.094	.376	6.510	<0.001**
X6	.198	.079	.120	2.497	.013
X7	.120	.109	.080	1.102	.271

Note: **P is significant at 1% level

In this stepwise regression model, the variables entered are Job Description (X_1), Working Conditions(X_2), Interpersonal Relations(X_3), Compensation and other Benefits (X_4), Performance Appraisal (X_5), Career Management (X_6) and Work- Life Integration(X_7)

The value of $R^2 = 0.601$ simply means that about 60% of the variation in the organizational commitment is explained or accounted for by estimated independent variables namely:

- Job Description (X_1)
- Working Conditions(X_2)
- Interpersonal Relations(X_3)
- Compensation and other Benefits (X_4)
- Performance Appraisal (X_5)
- Career Management (X_6)
- Work-Life Integration(X_7)

This regression model is significant at 1% level. The multiple regression equation of this model is:

$$Y = 4.457 + 0.199X_1 + 0.221X_2 + 0.067X_3 + 0.104X_4 + 0.615X_5 + 0.198X_6 + 0.120X_7$$

Since P-value is less than 0.01, the Null Hypothesis is rejected at 1% nag Work-Life Integration (X_7)

Multiple Regression Analysis of Talent Retention Factors

In this study, the independent variables are Job Description, Working Conditions, Interpersonal Relations, Compensation and other Benefits, Performance Appraisal, Career Management, Work-Life Integration and Organizational Commitment.

Dependent Variable: Talent Retention (Y)

Independent Variables

- Job Description (X_1)
- Working Conditions(X_2)
- Interpersonal Relations(X_3)
- Compensation and other Benefits (X_4)
- Performance Appraisal (X_5)
- Career Management (X_6)
- Work-Life Integration(X_7)
- Organizational Commitment (X_8)

Multiple R Value : .852(a)

R Square Value : .726

F Value : 135.881

P Value : <0.001**

HYPOTHESIS II

Null Hypothesis: To verify if all the independent variables in the model neither considered together, have no causal effect on the dependent variable (Retention); in which case the model that relates these independent variables to the dependent variable does not exist.

Table 3: Variables in the Equation (Retention)

Variables	Unstandardized Coefficients		Standardized Coefficients	t Value	P Value
	B	Std. Error	Beta		
Constant	5.796	1.040		5.575	<0.001**
X1	.398	.050	.289	7.913	<0.001**
X2	.337	.073	.190	4.640	<0.001**
X3	.116	.050	.108	2.319	.021
X4	.088	.051	.070	1.714	.087
X5	.162	.065	.126	2.507	.013
X6	.137	.052	.106	2.632	.009
X7	.153	.071	.130	2.145	.033
X8	.197	.032	.251	6.141	<0.001**

*Note: ** P is significant at 1% level*

In this stepwise regression model, the variables entered are Job Description (X_1), Working Conditions (X_2), Interpersonal Relations (X_3), Compensation and other Benefits (X_4), Performance Appraisal (X_5), Career Management (X_6), Work-Life Integration (X_7) and Organizational Commitment (X_8).

The value of $R^2 = 0.601$ simply means that about 60% of the variation in the organizational commitment is explained or accounted for by estimated independent variables namely:

- Job Description (X_1)
- Working Conditions (X_2)
- Interpersonal Relations (X_3)
- Compensation and other Benefits (X_4)
- Performance Appraisal (X_5)
- Career Management (X_6)
- Work Life Integration (X_7)
- Organizational Commitment (X_8)

This regression model is significant at 1% level. The multiple regression equation of this model is:

$$Y = 5.796 + 0.398X_1 + 0.337X_2 + 0.116X_3 + 0.088X_4 + 0.162X_5 + 0.137X_6 + 0.153X_7 + 0.197X_8$$

Since P-value is less than 0.01, the Null Hypothesis is rejected at 1% of significance for the variables X_1 .i.e., Job description, X_5 .i.e., Working conditions, X_3 .i.e., Interpersonal relations and X_8 .i.e., Organizational Commitment. There is no significant difference in the opinion of respondents with respect to the other independent variables.

Structural Equation Model

The variables used in the structural equation model are:

I Observed, Endogenous Variables

- Organizational Commitment
- Talent Retention

II Observed, Exogenous Variables

- Working Conditions
- Interpersonal Relations
- Compensation and Other Benefits
- Performance Appraisal
- Job Description
- Work-Life Integration
- Career Management

III Unobserved, Exogenous Variables

- e1: Error term for Organizational Commitment
- e2: Error term for Talent Retention

Hence Number of Variable in the SEM Are

Number of variables in model:	11
Number of observed variables:	9
Number of unobserved variables:	2
Number of exogenous variables:	9
Number of endogenous variables:	2

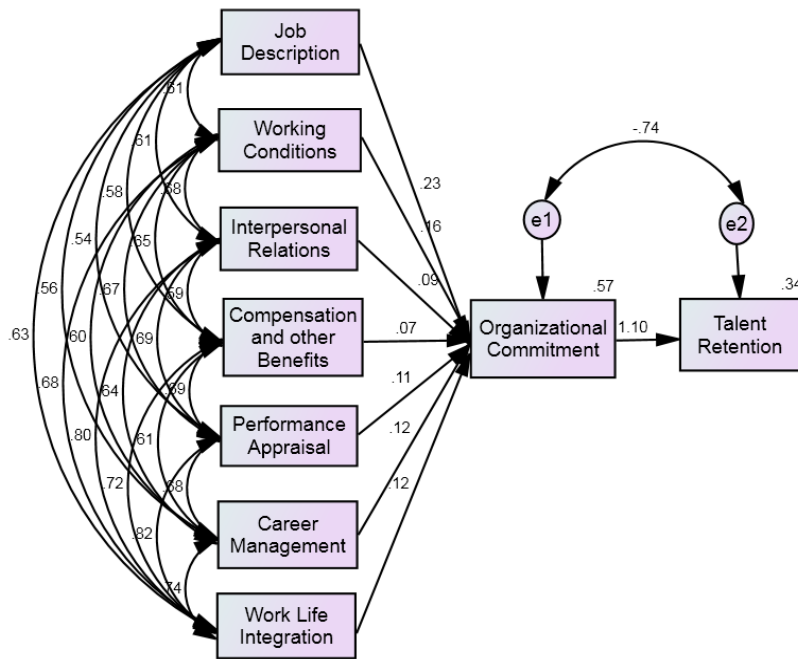


Figure 2: Structural Equation Model on Organizational Commitment Leading to Talent Retention

Table 3: Variables in the Structural Equation Model Analysis

Variables		Unstand-ardized Co-efficient	S.E	Standard-ized Co-efficient	t Value	P Value
Organizational Commitment	←	Working Conditions	.366	.078	***	4.725 <0.001**
Organizational Commitment	←	Interpersonal Relations	.122	.053	0.022	2.290 <0.001**
Organizational Commitment	←	Compensation & Other Benefits	.118	.054	0.03	2.172 <0.001**
Organizational Commitment	←	Performance Appraisal	.174	.066	0.008	2.661 <0.001**
Organizational Commitment	←	Job Description	.402	.054	***	7.390 <0.001**
Organizational Commitment	←	Work Life Integration	.201	.055	***	3.650 <0.001**
Organizational Commitment	←	Career Management	.176	.076	0.02	2.324 <0.001**
Talent Retention	←	Organizational Commitment	.867	.041	***	20.975 <0.001**

Note: ** denotes significance at 1% level

The coefficient of working conditions of 0.366 represents the partial effect of working conditions on organizational commitment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that organizational commitment, would increase by 0.366 for every unit increase in working conditions and this coefficient value is significant at 1% level.

The coefficient of interpersonal relations of 0.122 represents the partial effect of interpersonal relations on organizational commitment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that organizational commitment, would increase by 0.122 for every unit increase in interpersonal relations and this coefficient value is significant at 1% level.

The coefficient of compensation and other benefits of 0.118 represents the partial effect of compensation and other benefits on organizational commitment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that organizational commitment, would increase by 0.122 for every unit increase in compensation and other benefits and this coefficient value is significant at 1% level.

The coefficient of performance appraisal of 0.174 represents the partial effect of performance appraisal on organizational commitment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that organizational commitment, would increase by 0.174 for every unit increase in performance appraisal and this coefficient value is significant at 1% level.

The coefficient of the job description of 0.402 represents the partial effect of job description on organizational commitment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that organizational commitment, would increase by 0.402 for every unit increase in the job description and this coefficient value is significant at 1% level.

The coefficient of work-life integration of 0.201 represents the partial effect of work-life integration on organizational commitment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that organizational commitment, would increase by 0.201 for every unit increase in work-life integration and this coefficient value is significant at 1% level.

The coefficient of career management of 0.176 represents the partial effect of career management on organizational commitment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that organizational commitment, would increase by 0.176 for every unit increase in career management and this coefficient value is significant at 1% level.

The coefficient of organizational commitment of 0.867 represents the partial effect of organizational commitment on talent retention, holding the other variables as constant. The estimated positive sign implies that such effect is positive that talent retention would increase by 0.8687 for every unit increase in organizational commitment and this coefficient value is significant at 1% level.

Table 4: Model Fit Summary of Structural Equation Model

Indices	Value	Suggested value
Chi-square value	4.559	-
P value	0.472	>0.05 (Hair et al., 1998)
GFI	0.958	>0.90 (Hu and Bentler, 1999)
AGFI	0.926	>0.90 (Hair et al. 2006)
CFI	0.949	> 0.90 (Daire et al., 2008)
RMR	0.076	< 0.08 (Hair et al. 2006)
RMSEA	0.058	< 0.08 (Hair et al. 2006)

From the above table, it is found that the calculated P-value is 0.472 which is greater than 0.05 which indicates perfectly fit. Here GFI (Goodness of Fit Index) value and AGFI (Adjusted Goodness of Fit Index) value is greater than 0.9 which represent it is a good fit. The calculated CFI (Comparative Fit Index) value is 0.949 which means that there is an almost perfect fit and also it is found that RMR (Root Mean Square Residuals) and RMSEA (Root Mean Square Error of Approximation) value is 0.058 which is less than 0.10 which indicates that perfect fit.

CONCLUSIONS

The expected outcome of this research shows the following interesting relationships such as employees tend to prioritize among the satisfying Human Resource variables such as compensation and benefits, interpersonal relations, career management and work-life integration. This study would also help employers to understand the ignored trivial needs of the employees. It would also help in understanding whether the focus of the employee is on job-related practices or personal related practices from his own perspective and the perspective of family well-being.

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