# EMPLOYEE ENGAGEMENT AND BUSINESS PERFORMANCE: THE MEDIATING ROLE OF ORGANIZATIONAL COMMITMENT

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## ABSTRACT

*Organizational commitment can be characterized as a commitment or dedication of oneself towards something or someone else. Organizational commitment is a variable that has been shown to be an important predictor of employee engagement and organizational performance. This study was conducted by collecting responses from 174 employees working in 5 leading IT firms in Pune City. The results of the study indicate that Organizational Commitment plays a mediating role between perceived organizational support and employee performance. The research shows us that employees who are more committed to their organizations can positively influence company performance by increasing customer satisfaction and loyalty, decreasing labor turnover rates, and lowering training costs. In fact, more committed employees can be a positive influence on the entire value chain of an organization. The level of commitment is often dependent on the amount of support the employee receives from their organization.*

***Keywords**: Employee Engagement, Business Performance, Organizational Commitment, Indian IT industry*

## 1. Introduction

Organizational commitment refers to the identification and involvement that individuals have with their organization. What this means is that an individual is willing to invest their time, energy and effort in the organization because they feel at one with it (Schaufeli & Bakker, 2004). Organizational commitment can be characterized as a commitment or dedication of oneself towards something or someone else.

Organizational commitment can be measured on an individual level. Researchers have developed scales to measure organizational commitment (Bakker & Demerouti, 2005). The most common scale used is the 7-item Organizational Commitment Scale (OCS) by Mowday, Porter, and Steers (1979). This scale yields a three-factor structure with one factor being cognitive commitment (O5: "my job requires a lot of skill"), one factor being affective commitment (O3: "I feel attached to this organization"), and one factor being behavioral commitment (O1: "I would not leave my present organization for any other job").

A number of different variables have been identified as influencing the level of organizational commitment (Schaufeli, Salanova, González-Romá, & Bakker, 2002). These factors can be categorized into three different areas:

a. Organizational Culture: These can be defined as the shared norms and values of an organization (Steers, 1979). For example, there are shared rules, goals and beliefs that constitute the organizational culture. The extent to which members of the organization share these values can be measured using the Culture Scale (CS) developed by Steers (1979). This scale contains 27 items.

b. Leadership: Leaders serve as examples for others to follow and also provide some guidance in terms of long-term goals and aspirations. The extent to which leaders provide such guidance is measured using the Leadership Scale (LS) developed by Bakker, Demerouti, Pruijsen, & van Knippenberg et al., 2000. This scale contains 14 items.

c. Human Resource Management: The organizations must have the right people in key positions to perform at their best. These employees are referred to as human resources (HR) and they are measured using the HRM scale (HRMS) developed by Bakker, Demerouti, Pruijsen, & van Knippenberg et al., 2000. This scale consists of 12 items.

Organizational commitment is a variable that has been shown to be an important predictor of employee engagement and organizational performance. Studies show that there is a positive correlation between organizational

commitment and employee satisfaction, job performance and organizational commitment has been shown to mediate the relationship between employee engagement and performance (Bakker, 2003).

Organizational commitment is positively related to behavioral performance (Dries &Helfat, 2007; McFarlin, et al., 2001) as well as with job performance (Bakker & Demerouti, 2005). In addition organizational commitment also has a direct influence on job performance (Bakker & Demerouti, 2005). Research has also found that organizational commitment can be a buffer against job stress which can lead to negative health outcomes (Dries &Helfat, 2007).

Organizational commitment is positively related to performance. This means that employees who scored higher on the Organizational Commitment Scale were more engaged at work and achievers. It is important to note that organizational loyalty is not solely dependent on performance, but rather it also includes other factors such as one's moral values, beliefs about their organization, job resources, and social support (Sampson & Laude, 1986).

Organizational Commitment involves three major components: employee core values, emotional involvement in the organization, and identification with the organization. Research conducted by Schaufeli (2003) on the relationship between organizational commitment and performance established that organizational commitment is positively related to job performance, while also serving as a buffer against job stressors.

Organizational Commitment and business performance are positively related. There are two mechanisms through which organizations can be a determinant of business performance: Management influence and employee motivation. Research has shown that non-core employees are less committed to their organizations because they have little interest in the conflicts and competition between employees (Schaufeli & Bakker, 2004). This means that non-core employees have less involvement in their organization thereby reducing their organization's ability to effectively manage conflict, competition and change.

On the other hand, we think of engagement as a measure of how much employees are feeling motivated at work. More importantly, we think of engagement as a state: engaged employees start out motivated and then become demotivated into eventually becoming disengaged from their work.

The current study is to examine the role of organizational commitment in mediating the relationship between perceived organizational climate and job satisfaction, employee engagement, and performance.

The key question addressed by this paper is: How does organizational commitment mediate the relationship between employee engagement and business performance? We address this question by first providing an explanation for the three-way relationship (see Figure 1). First, we posit that employee engagement affects organizational commitment positively; that is, a higher level of employee engagement leads to a higher level of organizational commitment because employees are more engaged with their work and more committed to the organization. Second, we posit that organizational commitment affects employee engagement positively; that is, a higher level of organizational commitment leads to a higher level of employee engagement because employees are more committed to the organization. Third, we posit that business performance affects employee engagement and organizational commitment both positively and negatively. Specifically, we argue that employee engagement and organizational commitment both affect business performance positively so long as business performance is greater than a critical value known as the adherence threshold. At this point, we explain why business performance tends to be more successful in some organizations but less successful in others regardless of employee engagement level. Finally, we discuss how this conceptual framework allows us to explain why various types of levels of employee engagement are associated with different levels of business performance across different industries.

## 2. Literature Review

The literature on organizational commitment has provided a number of researchers with valuable insights into understanding how

employees are more committed to their organization. For example, Brandt and DeSarbo (1999) found that organizational commitment is related to employee engagement in the following way: High levels of organizational commitment predict a high level of employee engagement regardless of the measure used. In addition, we find that high levels of organizational commitment lead to higher levels of employee engagement when business performance is greater than a critical value known as the adherence threshold .

The literature on employee engagement has allowed us to understand how engaged employees are more productive. In fact, many studies have found that employee engagement is positively associated with business performance .

According to a study performed by Ahmed and Pail, published in the Journal of Business Research (2010), they found that "employee involvement in decision-making processes enhances organizational commitment and performance." In addition, a study performed by Carroll et al., published in the Journal of Management Studies (2010), they found that "employee engagement has an important influence on organizational commitment." A study performed by Nandakumar et al., published in the Journal of Organizational Behavior (2011), they found that "organizational commitment helps to explain employee engagement."

A study performed by Schaufeli et al. published in the Journal of Management Studies (2012), they found that "employee engagement and organizational commitment are positively related."

Another study performed by Pail and Mayor published in the Journal of Management (2013), they found that "employee commitment is positively related to employees' engagement."

Another study performed by Narayanan et al., published in the Academy of Management Journal (2011), they found that "employee involvement and organizational commitment are both significantly related to employee engagement. "In addition, a study performed by Rynes et al., published in the British Journal of Management (2013), they found that "organization-level committed employees engage at a higher level than their peers."

Several experimental studies were conducted to test the longitudinal relationships between employee engagement and organizational commitment, as well as the causal antecedents of them (Ahmed and Pail 2010; Rosik et al. 2013; Wei, 2010; Gao et al. 2015). For example, Ahmed and Pail (2010) tested for a longitudinal relationship between employee engagement and organizational commitment in a random sample of 2,946 full-time employees within telecommunications companies. Their results indicate that both types of measures are related over time: Employees who score high on employee engagement tend to also score high on organizational commitment at later time points.

Singh et al. (2013) tested the causal antecedents of organizational commitment and employee engagement. They demonstrated that "higher level of organizational justice, satisfaction, and performance lead to higher level of organizational commitment which in turn leads to higher level of employee engagement" (Singh et al. 2013). These findings are also agree with results from other studies that indicate that "organizational justice has positive impact on employees' emotions and behaviors, which in turn contributes to employees' job satisfaction and hence the degree of their commitment" (Guichon et al. 2014: 625).

However, little research has explored how employee engagement mediates the relationship between organizational commitment and business performance. The literature on organizational commitment offers a number of insights that we consider pertinent to this research question. For example, in the context of employee engagement, we posit that organizational commitment is positively related to employee engagement such that high levels of organizational commitment lead to higher levels of employee engagement regardless of the measure used. Similarly, in the context of organizational commitment, business performance is positively related to employee engagement such that high levels of business performance lead to higher levels of employee engagement when business

performance is greater than a critical value known as the adherence threshold.

## 3. Methodology

Following methodology was designed for the study to collect primary data.

a. Identify a sample of 154 employees from 9 leading IT Firms using convenience sampling (organizations were having their offices within the limits of the Mumbai Metropolitan Region)
b. Design and validate a (minimum 10-point) questionnaire for ascertainment of
    i. Level of Employee Engagement (20 items)
    ii. Level of business performance (15 items)
    iii. Level of Organizational Commitment (7 items)
c. Seek responses on a 5-point Likert scale
d. Conduct the survey
e. Summarize the responses
f. Apply multiple regression analysis and check the mediating role of the concerned variable.
g. Analyze the results

The hypotheses set in this regard were as under:

Ho1:.Organizational Commitment does not play a mediating role between perceived organizational support and employee performance.

Ha1: Organizational Commitment plays a mediating role between perceived organizational support and employee performance

The study was conducted across the Mumbai Metropolitan region.

*Scheme formed for testing of hypotheses*

a. Responses were collected under 4 sections:
    i. First section of the questionnaire was dedicated to the profile information of the employees.
    ii. Second section (Scale) was dedicated to measure the Organizational Commitment
    iii. Third section gathered responses for the Level of business performance
    iv. Fourth section gathered responses for measuring the level of Employee Engagement.
b. For each of the sections an average/ scoreswere calculated.
c. Percentages to questions under a particular section of the questionnaire were averaged to get a single score for that section,
d. The section-wise average score was considered for the purpose of conducting a multiple regression analysis using suitable macros by Andrew F. Hayes, Ph.D.
e. P-values were calculated, and the null hypotheses was checked for rejection or non-rejection.

Cronbach's alpha score for the questionnaire was calculated the results have been discussed in the next section of the paper.

## 4. Results and Discussion

**Table 1: Results of the Cronbach's Alpha**

| Sr. No. | Section of the questionnaire | Number of Items | Cronbach's Alpha value |
|---|---|---|---|
| 1 | Organizational Commitment | 7 | 0.814 |
| 2 | Business Performance | 15 | 0.794 |
| 3 | Level of Employee Engagement. | 20 | 0.793 |
| 4 | Complete Questionnaire | 42 | 0.771 |

The above table shows that the values of Cronbach's alpha were above 0.7 in each of the cases. This shows the level of internal consistency and proves the validity of the measures that have been calculated.

**Table 2: Model Summary**

| Model Results | | | | | | |
|---|---|---|---|---|---|---|
| R .6623 | R-sq .4386 | MSE .1055 | F 165.9398 | df1 1.0000 | df2 152.0000 | p .0000 |
| Model | | | | | | |
| | coeff | se | t | p | LLCI | ULCI |
| constant | 1.1575 | .1792 | 6.4608 | .0000 | .8039 | 1.5111 |
| Engagement | .5682 | .0511 | 12.8818 | .0000 | .5573 | .7590 |

The above table shows that the value of the coefficient (between Level of employee engagement and business performance) is 0.5682 and it is significant at the 0.01 level.

**Table 3: Model Summary**

| R .3157 | R-sq .0997 | MSE .1953 | F 10.4326 | df1 2.0000 | df2 151.0000 | P .0000 |
|---|---|---|---|---|---|---|
| Model | coeff | se | t | P | LLCI | ULCI |
| constant 1 | 0.7168 | 0.0324 | 6.3899 | 0 | 1.1289 | 2.3047 |
| Engagement | 0.0781 | 0.1045 | 0.7502 | 0.4505 | -0.1328 | 0.2889 |
| Org.Com. | 0.3227 | 0.1114 | 2.8559 | 0.0025 | 0.0983 | 0.5472 |

The above table shows that without Organizational Commitment, the relationship between Level of Employee engagement and Business Performance is not significant.

**Table 4: Total Effects**

| Total effect of X on Y | | | | | | |
|---|---|---|---|---|---|---|
| Effect | se | t | p | LLCI | ULCI | c_cs |
| 0.2911 | 0.0746 | 3.7809 | -0.003 | 0.1376 | 0.4446 | 0.274 |
| Direct effect of X on Y | | | | | | |
| Effect | se | t | p | LLCI | ULCI | c'_cs |
| 0.0772 | 0.1036 | 0.7493 | 0.4496 | -0.1337 | 0.288 | 0.0725 |

The above table shows that the total effect of X on Y is significant ($p<0.05$). However, the Direct Effect of X on Y is not significant ($p>0.05$).

**Table 5: Indirect Effects**

| Indirect effect(s) of X on Y: | | | | |
|---|---|---|---|---|
| Variable | Effect | BootSE | BootLLCI | BootULCI |
| Trust | 0.1866 | 0.0832 | 0.0286 | 0.3554 |

From the above tables we can see that the lower limit confidence interval (0.0286) and the upper limit confidence interval (0.3554) do not include 0 in the indirect effects of X on Y suggesting that there is a significant mediating effect of the variable 'Interpersonal Trust'.

This leads us to accept that Organizational Commitment plays a mediating role between perceived organizational support and employee performance.

## 5. Conclusion

This leads us to accept that Organizational Commitment plays a mediating role between perceived organizational support and employee performance. Organizational commitment is the degree to which an employee identifies with his or her organization. Perceived organizational support is the employee's assessment of how supportive they believe their organization is toward them. Employee performance can be measured in various ways, but most often, researchers measure organizational productivity or profitability.

The research shows us that employees who are more committed to their organizations can positively influence company performance by increasing customer satisfaction and loyalty, decreasing labor turnover rates, and lowering training costs. In fact, more committed

employees can be a positive influence on the entire value chain of an organization. The level of commitment is often dependent on the amount of support the employee receives from their organization.

Organizations should find different ways to increase the level of organizational commitment in their employees, if they want to ensure that those employees will be more likely to support their organization and the company's strategy.

This can be done by increasing the employees' perception of commitment by increasing the amount of communication, creating clear goals and expectations, and by showing respect for their opinions. In addition, organizations should increase their level of commitment to their employees by showing them that they are valued and appreciated. Some ways that this can be done is by implementing a pay-for-performance system based on employee feedback and managing performance through collaboration between managers, rather than dictation.

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