

## **EMPLOYEE LOYALTY AND ORGANIZATIONAL COMMITMENT IN PAKISTANI ORGANIZATIONS**

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**ABSTRACT:** *Employee loyalty can be defined as employees being committed to the success of the organization and believing that working for this organization is their best option. The aim of the study was to find the impact of organizational commitment on employee loyalty in Pakistani organizations. This study also finds out the relationship between financial benefit, manager attitude and organizational commitment. At last, the factors affecting employee loyalty was also determined. To achieve the aim of the study questionnaire survey was used. The results show that there is a positive and significant impact of organizational commitment on employee loyalty in Pakistani organizations.*

**KEYWORDS:** *Employee loyalty, financial benefit, manager attitude, organizational commitment, Pakistan.*

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### **INTRODUCTION**

Employees are a vital resource for nearly all organization, especially since they represent a significant investment in term of locating, recruiting, training let alone salaries, healthcare, plans, bonuses etc. The management of many organizations develops their training programmers, benefit packages, performance appraisal and work system based on their company policies. Usually these policies are aimed at developing loyal employees because this leads to a more lengthy tenure. The longer an employee works for a company the more valuable they become. Loyalty is the kind of faithfulness and trueness. Organizational commitment is the field of organizational behavior. In general sense the employee's psychological attachment or loyalty to the organization. Employees and organizations have reciprocal responsibilities and mutual commitments both stated and define their relationship. Sometimes managers persuade employees to adopt new strategy it is unrealistic for managers expected high to their employees. There are three main dimensions compacts in all companies. These are formal, psychological and social.

Loyalty, as a general term, signifies a person's devotion or sentiment of attachment to a particular object, which may be another person or group of persons, an ideal, a duty, or a cause. It expresses

itself in both thought and action and strives for the identification of the interests of the loyal person with those of the object (Britannica, 1998). Organizational commitment has been defined as multidimensional in nature and involving an employee's loyalty to the organization. Also identify the attitude and behavior of the employees. Loyalty of employee cannot be determined through direct questioning no one can assume whether employees today work effectively. We know loyalty and a commitment is more than simple behavior it's all just like customer loyalty and commitment (Jeffrey M. Stanton et al., 2003).

According to (Northcraft, 1996), commitment is an attitude reflecting an employee's loyalty to the organization, and an ongoing process through which organization members express their concern for the organization and its continued success and well being. Organizational commitment is the degree to which an employee identifies with a particular organization and its goals, and wishes to maintain membership in the organization (Robbins, 2005). (Yousef, 2001) identify three types of commitments. Normative commitment is defined as organizational commitments. Affective commitments are defined by emotional attachments, identification, and involvement to achieve the goal of organization. Continuance commitment is the willingness to remain in an organization because of different investments.

#### **Aims and Objectives of study:**

My objective is to determine the problem occur in employee's loyalty and organizational commitments and it can be determined by how hard really they have to work? What financial reward will they get for his efforts? Which type of job Security Company will give? What I supposed to do for the organization? How and when will my performance evaluate? Employees often misunderstand or ignore the strategy of change for their individual commitments to the company. All these questions have been well addressed in foreign contexts in a well defined way. But, the area has been neglected in Pakistani contexts. So, the purpose here is to fill this gap in Pakistani contexts.

#### **LITERATURE REVIEW**

Organizational commitment is the field of organizational behavior. In general sense the employee's psychological attachment or loyalty to the organization. Employees and organizations have reciprocal responsibilities and mutual commitments both stated and define their relationship. Sometimes managers persuade employees to adopt new strategy it is unrealistic for managers expected high to their employees. There are three main dimensions compacts in all companies. These are formal, psychological and social. Employee's familiar relationship between employees to employee is also important because basic task and performance is job description and agreements. According to US corporation research many companies lose half of their employees due to some reasons (J.Kreisman, 2002).

Organizational commitment has been defined as multidimensional in nature and involving an employee's loyalty to the organization. It also identifies the attitude and behavior of the employees. Loyalty of employee cannot be determined through direct questioning no one can assume whether employees today work effectively. It is commonly know that loyalty and a commitment is more than simple behavior it's all just like customer loyalty and commitments (Angle, 1983).

Meyer, (1997) identifies three types of commitments. Normative commitment is defined as organizational commitments. Affective commitments are defined by emotional attachments, identification, and involvement to achieve the goal of organization. Continuance commitment is the willingness to remain in an organization because of different investments.

Jawahar (2006) found that Performance appraisal played a role in the relationship between employee satisfaction and employee loyalty in this study. Performance appraisal is an important element of loyalty because it is positively related to organizational commitment and negatively related to turnover intentions. Job satisfaction and organizational commitment fall into a broader definition of loyalty. Yousef (2001) examined the associations between job satisfaction, organizational commitment, and turnover intention among temporary employees. The results, based on structural equation modeling, provide support for nearly all of the hypothesized associations in the model. They found positive associations between job satisfaction and organization commitment. According to Northcraft and Neale (1996), commitment is an attitude reflecting an employee's loyalty to the organization, and an ongoing process through which organization members express their concern for the organization and its continued success and well being. Organizational commitment is "the degree to which an employee identifies with a particular organization and its goals, and wishes to maintain membership in the organization" (Robbins, 1998, p. 142). Walker (2005) states organizational 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".

Career commitment refers to identification with, and involvement in one's occupation. Much literature refers to similar or related concepts: occupational commitment, professional commitment, career salience, the local distinction and professionalism. Common to all these is the critical notion of being committed to one's career, or occupation, rather than to the organization which employs one (Fosam, 1998).

Work commitment refers neither to the organization nor to one's career, but to employment itself. Persons committed to work hold a strong sense of duty towards their work, and place intrinsic value on work as a central life interest. This form of commitment relates terms like work motivation, job involvement, work as a central life interest and work involvement Organizational Commitment (Jawahar, (2006)).

In last 10 to 15 years, most organizations eliminated many middle class positions. Today's managers have additional individual responsibilities and have very few time to effectively make the emotions tie with their subordinates that is really very effective. To effectively motivate and retain employees a manager needs to deal with each person one at a time by asking questions of, listening to, and working together one-to-one. A good manager is one who helps talented people find satisfaction in their work and satisfaction is the key an employee's decision to stay or leave an organization (Bakalis, 2006).

The concept of organizational commitment has attracted considerable interest as an attempt to understand the intensity and stability of employee dedication to work organizations. Two major

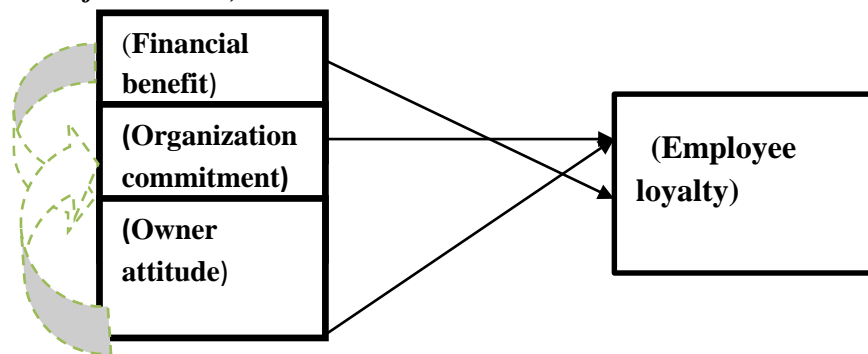
views of employee dedication focus on affective attachment and calculative involvement, respectively which are usually considered to be conceptually and empirically distinct. Affective attachment, as assessed by the seminal Organizational Commitment Questionnaire (OCQ) is influenced by personal characteristics, job features, and work experiences (Meyer, 1997).

In recent years researchers have turned their attention to multiple commitments in addition to the organization as a focus of commitment, some other focus have been suggested, which include occupations, top management, supervisors, co-workers, work unit and customers. In any organization, regardless of the extent of institutionalism a supervisor may still be psychologically and physically to employees than the impersonal system. In turn, employees' attitude towards a supervisor will have stronger impact on employees' performance than employees' attitude towards the organization (Rose, 2005).

## THEORETICAL FRAMEWORK

The independent variables of the study are organization commitment, financial benefit and owner attitude. And the dependent variable is employee loyalty. The independent variable (organization commitment, financial benefit and owner attitude) affects the dependent variable (employee loyalty). Higher the organization commitment higher will be the employee loyalty. The operational definition of these variables is discussed here: The following model has been developed on the bases of research conducted by (C. Padmavathy et al., 2012):

*(Figure 1: theoretical framework)*



### Relationship between employees' loyalty, organizational commitment and financial benefits

(J.Kreisman, 2002) found that financial benefits enhance the employee loyalty and organizational commitment. He argued that financial benefits play a positive role in employees' loyalty enhancement. (Bakalis, 2006) also found that organizational commitment and employees' loyalty can be increased with financial benefits and rewards. On the basis of this discussion, the present study hypothesized that:

*H1: There is a positive relationship between employee loyalty and organizational commitment and financial benefit in Pakistani organizations.*

**Relationship between employees' loyalty and managers' attitude**

(C. Padmavathy et al., 2012) concluded in his paper that if manager's attitude is not positive towards its employees. It can never create employee loyalty and organizational commitment. It would assert adverse affect and organizational productivity may suffer. (Locke, 1976) examined that a manager's positive attitude leads towards employee loyalty and bad attitude may affect productivity adversely. On the basis of this discussion, the present study hypothesized that:

*H2: There is a negative relationship between the employs loyalty and managers attitude in Pakistani organizations.*

**Research Methodology:**

The research is based on primary data. Data was collected through self-designed questionnaire. The questionnaires on 5-point (Likert) scale were prepared to evaluate manager attitude, financial benefit, organizational commitment and employee loyalty consisting 4, 2, 5 and 4 items respectively. In this study, Judgmental (non probability) sampling technique was used. Sample of 200 employees were taken. It took almost one week to collect the data for this study.

**Data Analysis Method**

The research study used SPSS software for analysis of data which is effect of organization commitment and employee loyalty with the help of independents and dependent variables. To measure the sample characteristics, mean, median, mode, standard deviation, were used. Linear regression model was applied in this paper to measure the relationship between dependent, independent variables.

**FINDINGS OF THE STUDY****Reliability**

Instrument used in the study was reliable with cronbach's alpha value 0.791 shown in table 2.

**Table:1**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.791	15

**Descriptive statistic**

Mean, standard deviation and variance of gender type are 1.5%, 49% and 24% respectively. From table 1, it is clear that a large number of respondents fall in the age category of 30 or less.

**Table: 2**

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
GENDER TYPE	200	1.00	2.00	1.5600	.49889	.249
AGE	200	1.00	4.00	2.0600	.48866	.239
Valid (listwise)	N 200					

**Correlations**

Employee loyalty and financial benefit leader shows a negative and significant relationship at 0.984 significant levels with a correlation value of -0.02. Organization commitment has a positive and significant relationship with employee loyalty with correlation value 0.163 at 0.105 significant levels. Manager attitude has also a positive and significant relationship with correlation value 0.070 at .489 significant levels as shown in table

**TABLE:3****Correlations**

		EMPLOYEE LOYALTY	financial benefit	organization commitment	manager attitude
EMPLOYEE LOYALTY	Pearson Correlation	1	.702	.463	.370
	Sig. (2-tailed)		.001	.005	.009
	N	200	200	200	200
financial benefit	Pearson Correlation	.702	1	.306	.250
	Sig. (2-tailed)	.001		.010	.012
	N	200	200	200	200
Organization commitment	Pearson Correlation	.463	.306	1	.393
	Sig. (2-tailed)	.005	.010		.008
	N	200	200	200	200
manager attitude	Pearson Correlation	.370	.250	.393	1
	Sig. (2-tailed)	.009	.012	.008	
	N	200	200	200	200

Correlation is significant at the 0.05 level (2-tailed).

**Regression:**

Regression table measures the amount of total variation in dependent variable due to independent variable. The value of R square in table 4.1 is 0.631. This value indicates that there is almost 63% variation in dependent variable (employee loyalty) due to one unit change in independent variable (financial benefit) as shown in table-4. And in table-5, the value of R square is .527, which shows that there is almost 52.7% total variation in dependent variable (employee loyalty) due to one unit change in independent variable (organization commitment). . Similarly, in table-6, the value of R square is .505, which shows that there is almost 50.5% total variation in dependent variable (employee loyalty) due to one unit change in independent variable (organization commitment).

**Table: 4.****Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.691 <sup>a</sup>	0.631	.601		.062

a. Predictors: (Constant), financial benefit

**Table:5****Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.463 <sup>a</sup>	.527	.521		.046

a. Predictors: (Constant), organisationcommitment

**Table:6****Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.470 <sup>a</sup>	.505	.501		.051

a. Predictors: (Constant), manager attitude

**CONCLUSION**

The main objective of this study is to identify the impact of organization commitment, manager attitude and financial benefit on employee loyalty and his/her follower. Two hypotheses are considered in this study and they both are accepted Findings of the study revealed that organization commitment plays an important role in the employee loyalty. Secondly, financial benefit has



negative and significant relationship with employees' loyalty. Organization should responsible that to give benefit and incentive their employee so that they can improve their behavior and must loyal with their organization. The findings of the research conclude that there is a significant impact of organizational commitment on employee loyalty. All of the two hypothesis have been accepted in this study that there is a positive relationship between employee loyalty, organizational commitment and financial benefits. And, there is a negative relationship found between owner's attitude and employee loyalty in Pakistani organizations

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**APPENDIX:**

The purpose of this questionnaire is to identify the effect of **Organizational Commitment** on the **Employee Loyalty**. We hope that you would cooperate with us and fill this questionnaire honestly. We will be very thankful for your cooperation.

1. Gender

- a) Female      b) Male

2. Age (years)

- a) Less than 20    b) 21-30    c) 31-40    d) 41-50

➔ **Employee loyalty:**

		Agree	Strongly agree	Neutral	Strongly disagree	Disagree
1	Employs loyalty effect by usually over time?					
2	Job security is impact on employee loyalty					
3	Attractive salary package increase employee loyalty					

4	Fewer opportunities for promotion					
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➤ **Financial benefit:**

5	Frequency and amount of bonuses					
6	Bonuses in the form of share will result high level of loyalty					

➤ **Manager attitude:**

7	Your supervisor management capabilities					
8	Your supervisor active involvement in your career development?					
9	Your overall relationship with your supervisor					
10	Do you think, manager have a good leadership qualities					

➤ **Organization commitment:**

11	I would be very happy to spend the balance of my career with my current organization.					
12	I enjoy discussing my Organization with outsiders.					
13	I do not feel a strong sense of Belonging to my organization.					
14	I do not feel like "part of the family" at my organization.					
15	I do not feel emotionally attached to my organization					