

**Online Publication Date: 15<sup>th</sup> August 2012**  
**Publisher: Asian Economic and Social Society**



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**Citation:** Sadia Majeed, Hassan Mujtaba, Nawaz Saleem, Saba Saleem, Tariq Aziz, Muhammad Usman (2012) “The Influence of Corporate Culture on Organizational Commitment of Pakistani Banks An Empirical Study” International Journal of Asian Social Science Vol. 2, No. 8, pp. 1370-1377.



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## **The Influence of Corporate Culture on Organizational Commitment of Pakistani Banks an Empirical Study**

### **Abstract**

The purpose of this study is to examine the influence of four dimensions of corporate culture on employees' organizational commitment in the banking sector of Pakistan. Correlation and Regression analysis are employed to test the research hypothesis. The results revealed that all of the four dimensions that are teamwork, communication, reward and recognition, and training and development have significant and positive impact on organizational commitment. The study shows that communication is professed as a dominant dimension of corporate culture that is highly correlated to employees' organizational commitment. This study contributes to a better understanding of the influence of corporate culture on organizational commitment among employees of banks.

**Keywords:** Corporate culture, Organizational commitment

### **Introduction**

Corporate culture (CC) has been in research in management from recent decades, because it can affect the performance of organizations as well as individuals. There are indications that corporate culture is to keep as a portent of many research workers (Sheridan 1992).

Becker (1960) defined commitment in term of consistent lines of activity. Organizational commitment (OC) is an attitude at work that is positively associated to employee contribution and their commitment with the organization (Mathieu and Zajac 1990). Organizational commitment is very important for organizations because the desire to retain talented employees is always there. Employees with high Organizational commitment spend more attention during job for the organization. In this way they retain with organization and will not

remain in search of other job (Bret, Corn and Slocum, 1995)

This research evaluates the application of corporate cultural dimensions and their effect on the OC. The review of relevant literature on the theory of corporate culture and OC and their relationship is discussed in the next section. The criticism will be tested in this study in the development of hypotheses. Further the results and restrictions in the study and future research recommendations and the practical implications of research work are discussed.

### **Review of Literature**

#### **Organizational Commitment (OC)**

Becker (1960) in "side-bets" theory defined commitment as consistent activities. It is an attitude at work that is coupled with employee contribution and their aim to work with the organization (Mathieu & Zajac 1990).

Organizational commitment is an important psychological construct that has been under consideration for more than four decades (Alqurashi 2007). Considerable work has been done on OC by researchers who are in the field of organizational behavior during last few decades (Mathieu and Zajac 1990; Benkhoff 1997).

### **Corporate Culture (CC)**

Lawson and Shen (1998) defined corporate culture as social expectations, norms, values and beliefs that people carried out in the organization.

In business and management there is large variety of literature that examined the relationship between corporate culture and organizational performance and identified various dimensions of CC (Meyer and Allen, 1990, 1991; Meyer et al. 2002; Lau and Idris 2001). These dimensions include training and development, risk taking for creativity, Communication, effective decision making, rewards and recognition, consistency in management practices proactive planning, teamwork and fairness and innovative (Ricardo and Jolly, 1997). Among these various dimensions, four are promoted that are training and development (Karia and Ahmad, 2000; Acton and Golden, 2002), teamwork (Osland, 1997; Karia and Ahmad, 2000; Karia and Ashari, 2006), rewards and recognition (Allen and Helms, 2002) and communication (Nehers, 1997).

### **Training and Development (T&D)**

Poh (2001) defined T&D as procedure of providing employees with specific expertise and to eliminate shortcomings in their work. Many researchers have found evidences that T&D help to develop skills and increase OC (Karia, 1999; Acton and Golden, 2000; Karia and Ahmad, 2000).

A study was conducted by Karia and Ahmad (2000) on the relationship of teamwork and OC and found strong link between the variables. This confirms the results of a previous study by Kaira (1999) on the association of T&D and OC. Bartlett (2001) worked on the relationship of employee attitudes towards training and commitment. He concluded that perceived

access, social impact and perceived paybacks of training are positively associated with OC.

Ahmad and Abu Bakar (2003) investigated the association between OC and training and concluded that this work on this relationship is on initial stage even though there have been many studies are conducted in European countries. This study explored the links between training and a variety of features of OC. Five training variables were considered in this study namely, training availability, support for training, learning motivation environment of training and benefits associated with training and they examined that environment of training and benefits of training are considerably correlated with continuance commitment.

Burn (2007) finds that training helps the employee to recognize with the company and shortens the employment choices that in turn boost the employee commitment toward organization. Training is a tool that can facilitate organizations to create better and more productive work as a good training program can create high commitment and reduce turnover of staff.

Bulut and Culha (2010) study investigate the relationship between organizational training on workers commitment towards their companies in Turkey. The outcomes exposed that all variables of training (training motivation, access to training, perceived benefits of training and training support) positively influence the commitment of employees.

### **Reward and Recognition (R&R)**

R&R are benefits like increase in salary and promotion and performance bonuses (Juran and Gryna, 1993). Herzberg (1996) defined recognition as a motivator that can enhance the employee commitment. Employees in organization value the R&R so they can be motivated by using these tools if they are properly carried on (Zhang, 2000).

### **Organizational Communication (COM)**

Brunetto and Farr-Wharton (2004) define communication as a process in which people interact in various ways and in various fields to achieve the goals of the organization. It means if the organizational objectives and employee

roles are conveyed to staff greatly it will affect OC.

Goris et al. (2000) also concluded that communication is crucial for greater employee commitment and better performance. Robbins (2001) proposed relationship between the communication management among employees and their commitment and motivation. Another study by Martin et al. (2010) recognizes the interpersonal communication skills that boost the commitment in the companies of Iran.

### **Teamwork (TW)**

The model of TW is vital for organizational productivity and employee engagement in the modern workplace (Stough et al. 2000). Team working makes possible the affiliation needs within the organization and is positively associated to OC (Karia and Asaari, 2006).

Karia and Ahmad (2000) investigated the influence of TW on employees in Malaysian companies and concluded that companies who work in teams have greater commitment of their employees.

### **The linkage between Corporate Culture (CC) and Organizational Commitment (OC)**

There is a considerable correlation between CC and OC (Sambasivan and Johari, 2003). Many researchers have investigated the relationship between CC and OC (Karia and Ahmad, 1999, 2000; Ooi and Arumugam, 2006). Boon and Arumugam (2006) also examined the impact of CC on employees' OC within Malaysian semiconductor industry and find that T&D, TW, R&R, and CM are directly related with employees' commitment.

Boon, Safa and Arumugam (2006) investigate the influence of the five features of Total Quality Management (TQM) on employees' affective commitment within manufacturing companies of Malaysia and conclude that TW, COM and organizational trust are directly related with affective commitment. In 2006 Ooi and Arumugam also find that T&D, R&R, TW and COM considerably affect organizational outcomes. But, this study is restricted to a semiconductor manufacturing industry.

Zain, Ishak and Ghani (2009) examined the relationship between these same four dimensions of culture (T&D, R&R, TW and

COM) and OC. The outcomes of their study show that all four dimensions positively affect OC. A recent study by Khan et al. (2011) explored that companies with job involvement culture have more committed workforce than those who lack such culture. Research results of a study by Ahmad et al. (2011) indicate that organizational culture is strongly and significantly related with employee's OC.

In brief, literature review concludes that above four dimensions significantly participate in employee motivation and thus employees are highly committed with organization.

## **Research Methodology**

### **Sample size and sampling technique**

This study concentrates on banking industry. The sampling frame of this study was obtained from the database of State Bank of Pakistan (SBC Bank) Bahawalpur, which showed that there are 116 branches of 25 Banks in Bahawalpur district (Pakistan). As there are 116 branches of banks in Bahawalpur district, so the target population is 600 and the sample size according to the table of Krejcie and Morgan's (1970) is 234. The respondents are selected randomly.

### **Measures**

A questionnaire booklet is assembled containing 4 scales. The questionnaire is adapted for the study by Boon and Arumugam (2006) with regard to measure the dimensions of CC and OC in the context of this study. The instrument tested for reliability by using Cronbach's Alpha. The value of Cronbach's Alpha is 0.923 which is indicating that instrument is highly reliable.

### **Data Collection**

Data is collected through personally administered questionnaires filled from different public and private banks. Two hundred and thirty four questionnaires were dispersed to the banks staff in all sub divisions of Bahawalpur district. Each branch was distributed 5 questionnaires. The researchers personally met the respondents at their relevant branch. The respondents were requested to respond on the spot. Total 234 questionnaires were distributed and 189 filled questionnaires

(response rate of 80%) were returned. All responses were taken on scale of 4, starting from strongly agree to the strongly disagree. Representation of these measures is as under:

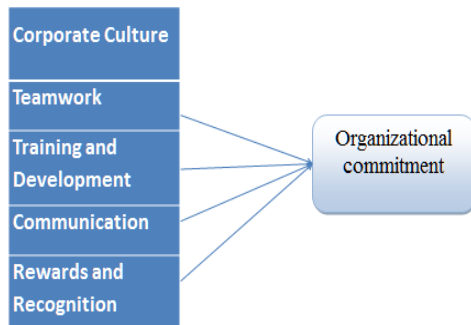
“1” for “Strongly Agree”, “2” for “Agree”, “3” for “Disagree”, “4” for “Strongly Disagree”

**Conceptual Model and Hypotheses**

**Conceptual Model**

The conceptual framework conceives that CC could affect OC. These four dimensions of CC are chosen on the basis of perception that these are likely to have strong relationship with employees’ behavior (Lau and Idris, 2001; Zain, Ishak and Ghani, 2009). The four dimensions of CC are considered the independent variables for this study.

Lau and Idris (2001) suggest that OC could be affected by CC as it replicates the relative strength of employees involvement with the company, Consequently, OC is the dependent variable in this study.



**Hypothesis**

- H1: Training and development has significant influence on OC
- H2: Rewards and recognition has significant influence on OC
- H3: Communication has significant influence on OC
- H4: Team work has significant influence on OC

**Research Questions**

This research study is providing answers to the following questions:

- Does corporate culture have any effect on employee commitment?
- In what way does corporate culture have impacts on organizational commitment?

**Results and Discussions**

**Descriptive statistics**

Table 1 contains the descriptive values of the study that includes the mean values and the standard deviations of all variables separately.

**Table-1:** Descriptive Statistics

Variables	Mean	Std. Deviation
Training and Development	1.6667	0.34305
Reward and recognition	1.9709	0.43727
Communication	1.7597	0.43770
Team Work	1.8289	0.43690
Organizational Commitment	1.8286	0.31459

Training & Development has 1.6667 mean value and 0.34305 standard deviation. Reward and recognition has the highest mean value of 1.9709 and its standard deviation is 0.43727. Communication has the highest value of standard deviation that is 0.43770. OC has the lowest value of standard deviation that is 0.31459.

**Pearson’s Correlation and Regression Analysis:**

Table 2 provides the results of the relationship between variables. It shows that there is strong relationship between the COM and OC that is 0.741 that is greater from all other considered dimensions of corporate culture. The relationship between the T&D and OC is 0.493 that is significant at 0.01 level. The relationship between the R&R and OC is 0.561 that is also significant. TW and OC also have the significant and positive relationship of 0.276.

**Table-2:** Correlation Matrix

	T&D	R&R	COM	TW	OC
T&D	1				
R&R	.705**	1			
COM	.439**	.673**	1		
TW	.367**	.540**	.392**	1	
OC	.493**	.561**	.741**	.276**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Predictors: (Constant), Team Work (TW), Training & Development (T&D), Communication (COM), Rewards & Recognition (R&R)  
 Dependent Variable: Organizational Commitment (OC)

**Table-3:** Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	sig
.766	.587	.578	.20427	0.000

R value (0.766) shows a strong relationship between the organizational commitment and the corporate cultural dimensions. The value of R-Square shows the variation in the dependent variable explained by independent variables. The R-Square of this study model is 0.587 which shows fitness of the model.

**Table-4:** Hypothesis Results

Variables	R	F-Sig	Hypothesis	Results
T&D	0.493	0.000	H1	Accept
R&R	0.561	0.000	H2	Accept
COM	0.741	0.000	H3	Accept
TW	0.276	0.000	H4	Accept

Table 4 provides the results of hypotheses tests of the relationship between variables. The significance test is the Regression analysis which represents significant at  $p < 0.01$ . It shows that the variables of CC have positive influence on the organizational commitment.

The results show that there is a significant ( $p=0.000$ ) association between T&D ( $R=0.493$ ) and R&R ( $R=0.561$ ) and OC so the hypothesis 1 and 2 are accepted that imply that the organizations that make improvement in these two would experience high organizational commitment in employees.

The results also show that communication has a strong impact ( $R=0.741$ ) on OC. This implies that the contribution level of this attributes in banking culture is high to attain the commitment of employees. Results also show that there is significant but weak association between TW and OC ( $p=0.000$ ). The results point out that TW is vital in facilitating workers' ability to work together in completing a task

**Discussion and Conclusion**

The purpose of this work is to examine the impact of four dimensions of corporate culture on employees' commitment with their organization. The results of this study revealed that all the four dimensions of CC are positively associated with employees' commitment to the organization. The results specify that communication is supposed as a main dimension of corporate culture due to its strong relationship with OC. The results of this study are consistent with previous study of Boon & Arumugam (2006) which concluded that COM is significant for improvement in employee commitment toward organization.

However, the results also point out the significance of T&D, R&R, and TW for predicting OC. For instance, TW is found to be positively related with employees' organizational commitment. The findings entail that corporate culture recognizes and emphasizes the importance of TW in facilitating workers' ability to work together in completing a task. The findings confirm the conclusions of Osland (1997), who concluded that employee attitude can be improved by working together within a production area.

The study found that R&R significantly contribute toward OC. This implies that R&R help organization to motivate employee at workplace. The findings are consistent with the

results of study conducted by O'Driscoll and Randall (1999) which found that reward offered to employees have positive and significant effect on OC . Proper T&D to employees saves time and enables staff to work effectively at first attempt, thereby enhance the productivity and efficiency, which leads to employee commitment (Karia, 1999). Our findings are consistent with the results of Karia and Asaari (2006), who concluded that T&D can help to increase employee satisfaction and commitment.

Additionally, the regression analyses confirmed that OC is significantly and positively associated to perceptions of corporate culture dimensions so that OC is sustained at high levels.

The limitations of the study are that the data is taken from Bahawalpur district that is the area of Pakistan under development and the jobs availability is low so the people are more committed towards their jobs. The behavior of people is different from the rest of the country about job rotation that may affect the study results.

### **Managerial Implications and Future Research Directions**

The practical implication of this study is that Pakistani bankers, who are so desirous of enhancing organizational commitment among their subordinates, should pay more attention to training programs, reward system, communication and team work. Implications are available for researchers and practitioners in the field of HR as how to use the corporate culture factors to enhance employees' organizational commitment.

It is also recommended that research should be conducted by using similar model in other types of organization in the developing countries.

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