

Job Satisfaction and Employee Organizational Commitment in Small and Medium Enterprises: An Empirical Study

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Abstract

The need for high organizational commitment is an important issue in any organization. This is because an employee who is highly committed towards his or her organization can be said to be productive, stable, and always strive towards fulfilling their organization's needs as opposed to those who are less committed. The organizational commitment of employees is an intangible asset for an organization to derive a strategic advantage over the competitors.

Commitment influences sustainable growth and development of manufacturing organization. Organizational commitment indicates a psychological link between an employee and an organization. On the other hand a lack of commitment could result in Poor or underperformance of employees as well as the organization. Although the success of an organization depends on the competitiveness of its product offerings, it cannot deliver value to its customers unless every employee exhibits a high level of commitment towards attaining the organizational objectives.

This study was conducted to understand employee's organizational commitment in a small enterprise. The main focus of the research is to find out whether there is any relation between employees organizational commitment and their job satisfaction. By this research we are also trying to find that is there any association between various demographic factors of the employees and their commitment. This research is valid and important as a large number of small and medium enterprises (SMEs) are operating in the country giving employment to a vast section of the society and are suppliers for bigger industries.

Introduction

Small and Medium Enterprises (SMEs) play a pivotal role in the overall industrial economy of India. It is estimated that in terms of value, the sector accounts for about 39% of the

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manufacturing output and around 33% of the total export of the country. Further, in recent years the SME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises and the labour intensity in the MSE sector is estimated to be almost 4 times higher than the large enterprises

The need for high organizational commitment is an important issue in any organization. This is because an employee who is highly committed towards his or her organization can be said to be productive, stable, and always strive towards fulfilling their organization's needs as opposed to those who are less committed. Organizational commitment of employees is an intangible asset for an organization to derive a strategic advantage over the competitors. Commitment influences sustainable growth and development of manufacturing organization. Organizational commitment indicates a psychological link between an employee and an organization.

A lack of commitment could result in Poor or underperformance of employees as well as the organization. Although the success of an organization depends on the competitiveness of its product offerings, it cannot deliver value to its customers unless every employee exhibits a high level of commitment towards attaining organizational objective.

Organizational Commitment in Multidimensional Models

<p>Angle and Perry (1981)</p> <ul style="list-style-type: none"> • Value commitment • Commitment to stay 	<ul style="list-style-type: none"> • Commitment to support the goals of the organization • Commitment to retain their organizational membership
<p>O'Reilly and Chatman (1986)</p> <ul style="list-style-type: none"> • Compliance • Identification • Internalization 	<ul style="list-style-type: none"> • Instrumental involvement for specific extrinsic rewards • Attachment based on a desire for affiliation with the organization. • Involvement predicated on congruence between individual and organizational values.
<p>Penley and Gould (1988)</p> <ul style="list-style-type: none"> • Moral • Calculative • Alienative 	<ul style="list-style-type: none"> • Acceptance of and identification with organizational goals • A commitment to an organization which is based on the employee's receiving inducements to match contributions • Organizational attachment which results when an employee no longer perceives that there are rewards commensurate with investments; yet he remains due to environmental

	pressures.
Meyer and Allen (1991) <ul style="list-style-type: none"> • Affective • Continuance • Normative 	<ul style="list-style-type: none"> • The employee's emotional attachment to, identification with, and involvement in the organization. • An awareness of the costs associated with leaving the organization • A feeling of obligation to continue employment.
Mayer and Schoorman (1992) <ul style="list-style-type: none"> • Value • Continuance 	<ul style="list-style-type: none"> • A belief in and acceptance of organizational goals and values and a willingness to exert considerable effort on behalf of the organization • The desire to remain a member of the organization.
Jaros et al (1993) <ul style="list-style-type: none"> • Affective • Continuance • Moral 	<ul style="list-style-type: none"> • The degree to which an individual is psychologically attached to an organization through feelings such as loyalty, affection, warmth, belongingness, pleasure etc. • The degree to which an individual experience a sense of being locked in place because of the high costs of leaving • The degree to which an individual is psychologically attached to an organization through internalized of its goals, values and missions

Source: Adapted from Meyer & Herscovitch (2001:320)

Literature Review

Studies relating to employees' commitment have been extensively conducted by various scholars. Various definitions have been given for employee's commitment.

Employee's Commitment is.....

- "a stabilizing force that acts to maintain behavioral direction when expectancy/equity conditions are not met and do not function"(Scholl, 1981)
- "a force that stabilizers individual behavior under circumstances where the individual would otherwise be tempted to change that behavior" (Brockman, 1987)
- "an obliging force which requires that the person honor the commitment, even in the face of fluctuating attitudes and whims" (Brown, 1996)
- "the relative strength of an individual's identification with and involvement in a particular organization" (Mowday et al, 1979)

- *"the psychological attachment felt by the person for the organization, it will reflect the degree to which the individual internalizes or adopts characteristics or perspectives of the organization"* (O'Reilly & Chatman, 1986)
- *"a psychological state that binds the individual to the organization"* (Allen & Meyer, 1990).

Organizational Commitment of employees is an intangible asset for an organization to derive a strategic advantage over the competitors. The success of any organization's future business strategy depends a great deal on its employees' commitment levels. It is for the organizational leadership to attract, motivate and retain committed people for future business objectives. Organizational leadership needs to create the understanding that it is only an employee's total commitment that will get translated into greater productivity and a very high level of quality service, which ultimately affects the bottom line. Organizational commitment study is one of the important areas of HR research. Reviewing the literature we find that there is no consensus in meaning, measurement, and manipulation of organizational commitment.

Organizational commitment of employees is a strong force for organizational effectiveness. Organizational commitment, also known as employee's loyalty to organization, is the degree to which an employee identifies with the organization and wants to continue actively and meaningfully participating in it. Like a strong magnetic force attracting one metallic object to another, organizational commitment is a measure of the employee's willingness to remain with the organization in the future. It often reflects the employee's belief in the mission and goals of the organization and his willingness to expend effort in their accomplishment and intentions to continue working there. Organizationally committed employees usually have good attendance records; demonstrate a willing adherence to organizational policies, and have lower turnover rates.

The first emphasizes an emotional bonding between individual and organizational. This is what we refer to as affective definition of organizational commitment and it encompasses a strong belief in, and acceptance of, the organization's goals and values, willingness to exert consideration effort on behalf of the organization and strong desire to maintain membership of the organization. The second is the exchange form of organizational commitment referred to as continuance commitment. This definition views organizational commitment from a sociological perspective. From the exchange perspective, work rewards are the key determinants of organizational commitment. The third has its roots in the theory of cognitive

dissonance, which describes the desire of individuals to reconcile internal inconsistencies and to maintain uniform behavior. The fourth focuses on the normative pressures, which make employees to feel committed to their organizational.

The concept of employment commitment lies at the heart of any analysis of Human Resource Management. Indeed, the rationale for introducing Human Resource Management policies is to increase levels of commitment so positive outcomes can ensue. Such is the importance of this construct. Yet, despite many studies on commitment, very little is understood of what managers mean by the term 'commitment' when they evaluate someone's performance and motivation. The literature defines commitment as an employee's level of attachment to some aspect of work. Various authors have been instrumental in identifying types of employee commitment as critical constructs in the attitudes and behaviour of employees in an organization.

Organizational commitment is the relative strength of an employee's attachment or involvement with the organization where he or she is employed. Organizational commitment is important because committed employees are less likely to leave for another job and are more likely to perform at higher levels. There are three dimensions of organizational commitment:

- **Affective commitment** is a feeling of emotional attachment. For example, "I work here because the people are great and the work is fun."
- **Normative commitment** is a feeling of obligation. For example, "I work here because they hired me when I needed a job so I owe it to them."
- **Continuance commitment** is a feeling that the costs of leaving are too high or it is too much trouble to go somewhere else. For example, "I'd leave if I knew I could get another job that paid as much."

It may be surmised that an employer wants valuable employees to feel affective commitment, and normative commitment is acceptable as well, but continuance commitment may not be desirable.

Typology of Employee Commitment

It includes:

1. **Work/Job Commitment:** refers neither to the organization nor to one's career, but to employment itself.

2. Professional/ Career Commitment: Career commitment refers to identification with, and involvement in, one's occupation.
3. Organizational Commitment

Job Satisfaction

Job satisfaction is in regard to one's feelings or state-of-mind regarding the nature of their work. Job satisfaction can be influenced by a variety of factors, e.g., the quality of one's relationship with their supervisor, the quality of the physical environment in which they work, degree of fulfillment in their work, etc.

The term job satisfaction consists of two words "JOB" and "SATISFACTION" having different meanings. Simply stated, the term 'job' refers to work or a piece of work and the term 'satisfaction' mean being satisfied. Job satisfaction is the mental feeling of favorableness which an individual has about his job. Different researchers have given different definitions of the word Job Satisfaction. Some of the definitions are as follows:

Du. Brins has defined Job satisfaction in terms of pleasure and contentment as *Job Satisfaction is the amount of pleasure or contentment associated with a job.* If you like your job intensely you will experience high job satisfaction and if you dislike your job intensely you will experience job dissatisfaction.

According to E. A. Locke, "*Job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. Job satisfaction is in regard to one's feeling or state-of-mind regarding the nature of their work.*"

Effect of Job Satisfaction on Performance

This is a condition of job satisfaction becoming independent variable of. Some o these are given below:

- a) **High Productivity:** In the past it was said "a happy worker is a productive worker." However, subsequent studies have not validated this finding especially at lower level employees. This correlation is more at higher level employees. In fact, some studies have proved other way round viz. High productivity increases job satisfaction

- b) **Low Absenteeism:** This correlation is the order of 0.4. We have seen research which has proved attendance is poor for dissatisfied employees. However, absenteeism has many other factors influencing it; job satisfaction is only one among them.
- c) **Low Turn Over:** Satisfaction is also negatively related to turn over but correlation is stronger compared to absenteeism. Here also there are many factors such as labour market conditions, alternative job opportunities or service which influence turn over. Satisfaction is only one factor among them. Secondly, good performers are encouraged with better rewards, whereas poor performances are encouraged to leave the organization. Hence, it is not conclusively proved that job satisfaction control influence turn over by itself.

Research Methodology and Design

Objectives of the Study

- to study the employees organizational commitment
- to study the various factors that affect the employees organizational commitment
- to study the effect employees job satisfaction on employees organizational commitment
- to study the effect of the nature of organization on employees commitment

Sample and Sampling Design

The study is descriptive and conclusive in nature. It is based on a single organization. Primary data for the study was collected from the employees working in the two units of the same organization coming under the category of small scale sector. Simple random sampling technique was adopted to reduce the biasness, where each and every item of the population has an equal chance of inclusion in the sample. The organization has 80 employees i.e., the size of the population working in the organization. The sample taken is 40 (50% of 80) employees. Out of 40 questionnaires distributed, only 31 were returned on time. So the sample size for all calculations is taken as 31.

Data Sources

There are two sources from which data can be collected i.e., primary sources and secondary sources.

Instruments Used

For the purpose of collecting the primary data, Employee's Organizational Commitment Scale developed by Meyer and Allen (1986) and Intrinsic Motivation and Job Satisfaction Scale

developed by Udai Pareek were used. The Organizational Commitment is measured with 16 items in a five point likert scale. The job satisfaction scale measures with 14 items. Certain statements were negatively worded and their scores were reversed so that all items became unidirectional. The highest value for Employees Commitment is 80 and lowest value is 16. The highest value for Job Satisfaction is 70 and the lowest value is 14.

Hypothesis 1

Ho- There is no significant relation between Employees Organizational Commitment and their Job Satisfaction in SME

Hypothesis 2

H_{o1}- There is no significant association of Age on Employees Organizational Commitment

H_{o2}- There is no significant association of Education on Employees Organizational Commitment

H_{o3}-There is no significant association of Experience on Employees Organizational Commitment

H_{o4}- There is no significant association of pay on Employees Organizational Commitment

Profile of the Organization – Precision Stampings

Precision Stampings was set up in 1971 at Faridabad, the satellite industrial township, 20 km from New Delhi. With an annual turnover of Rs.2 billion and a utilized capacity of 25,000 tonnes, the unit turns over a large variety of stampings and laminations for a host of rotating machines. A sophisticated tool room that takes care of all captive tool requirements in the manufacture of stampings and laminations is a major strength of the unit. Manned by over 1000 skilled workforce and engineers, the company boasts of a high degree of professionalism in manufacturing and marketing.

The parent company Gupta Machine Tools Ltd. was a pioneering venture in early 60's with its first unit Precision Tools & Instruments, Calcutta manufacturing gauges, gear cutting tools, steering worms, etc. The unit was essentially a sophisticated tool room and machining centre. Precision Stampings came up next.

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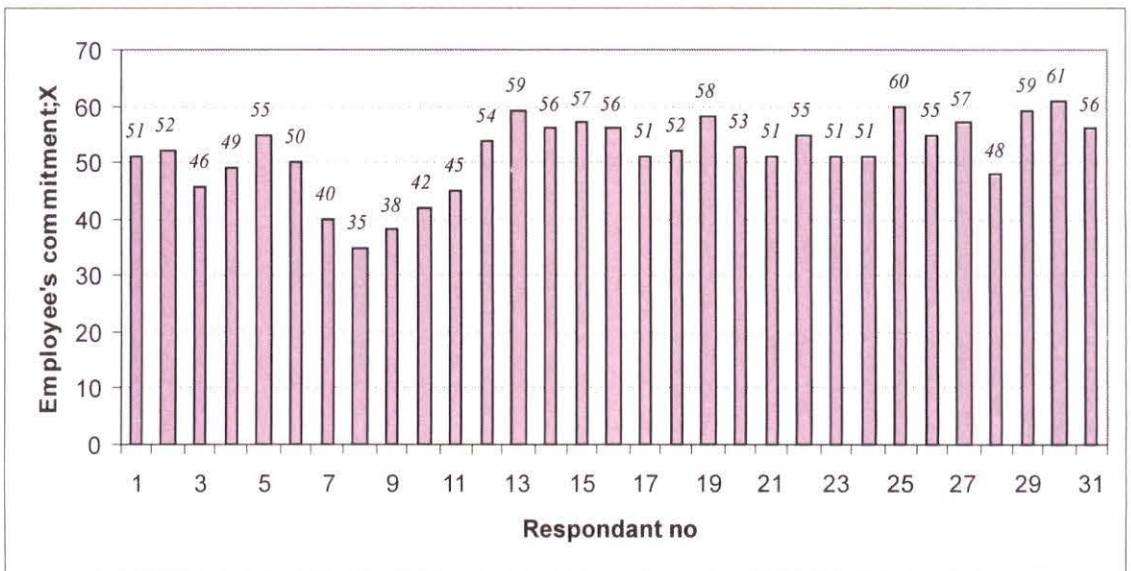
In the year 2000, the company set up another unit called Precision Stampings Unit No. II located at Faridabad for the manufacture of Electrical Stampings and Laminations. This plant has been set up on the most modern automatic lines with a number of high speed presses that doubled the capacity of the existing unit.

In the year 2004 the company set up a new greenfield project at Sanaswadi (Pune) to manufacture laminations (Precision Stampings Unit 3). The company also has a sister unit by the name of Goa Precision Stampings (Pvt.) Ltd in Goa which produces wound stators and rotors for fans. In 2007 - 08, the company invested in a new factory for export that is now fully operational.

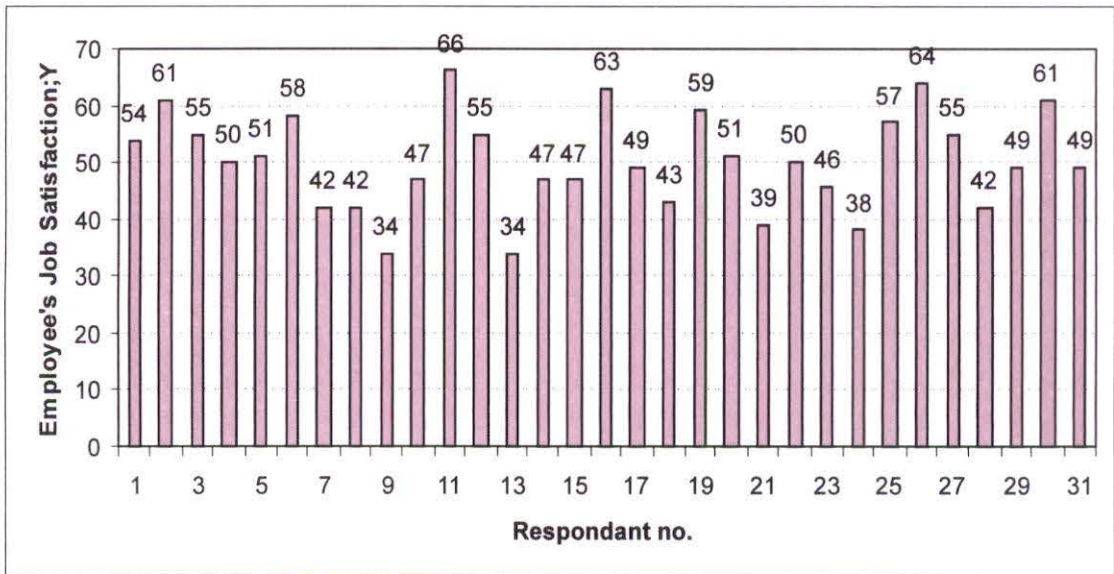
In 2009, the company started a new shaft manufacturing company by the name of Precision Shafts Pvt. Ltd. This new enterprise has been setup to support motor manufacturing industry in India as well as overseas customers. Precision Stampings has received many awards from its esteemed customers like Siemens, LG, Honda, ABB, etc. Recently, the company received the Best Vendor Award from Siemens.

Data Analysis

Fig 1 - Organizational Commitment and Job Satisfaction among Employees



Out of the 31 respondents most of the scores (23) are above 50 where the range of scores is from 16 for lowest or no commitment to 80 for highest level of commitment. Hence we can say that most of the employees are moderately committed towards the organization as the highest score is 61 and lowest is 35

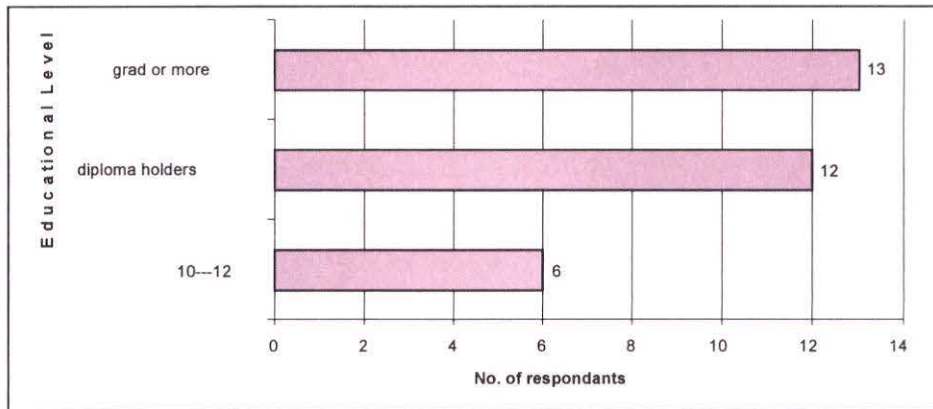


The minimum possible score is 14 and maximum possible score is 70. Out of the 31 respondents most of the scores (23) are above 45. Hence we can say that most of the respondents are showing a good level of job satisfaction.

Table 1 - Educational Level of Respondents

Education	No. of Respondents	Percentage
10---12	6	19
diploma holders	12	39
grad or more	13	42
Total	31	100

Figure 1 - Educational Level of Respondents

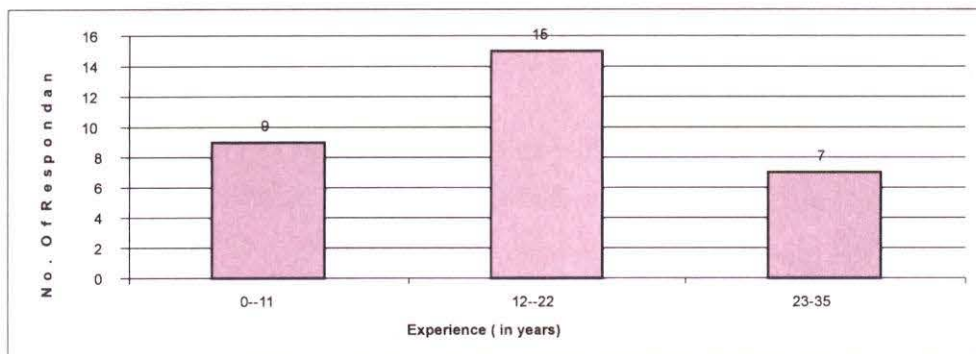


Out of the total 31 respondents only 6 employees have an educational qualification upto class 12th, 12 are diploma holders (either after 10th or 12th) and 13 employees are having a graduate degree or more.

Table 2– Years of Experience of Respondents

Experience	No. Of Respondents	Percentage
0--11	9	29
12--22	15	48
23-35	7	23
Total	31	100

Figure 2 - Educational Level of Respondents

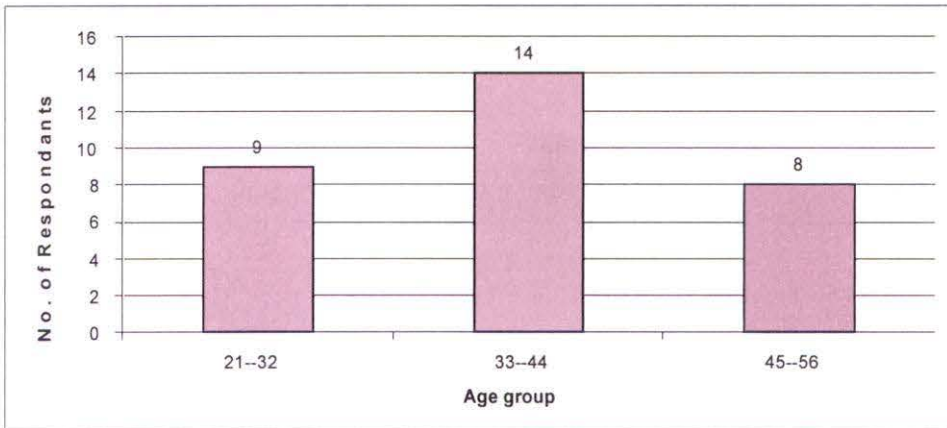


Out of 31 respondents, 9 respondents fall in the experience group of 0 to11 years, 15 employees fall in the experience group of 12 to 22 years and only 7 employees fall in the experience group above 23 years.

Table 3 - Age Groups of respondents

Age Groups	No. of Respondents	Percentage
21--32	9	29
33--44	14	45
45--56	8	26
Total	31	100%

Figure 3 - Age Groups of respondents



Out of 31 respondents, 9 are between the age group 21to 32 years, 14 respondents are between the age group 33 to 44 years, and 8 are in the age group of 45 and above.

Hypotheses

This study was focused to find the relation between the commitment of their employees and their job satisfaction. To explore this, the following null and alternative hypothesis were framed for the study.

Hypothesis 1 – To find out the extend of correlation between Organizational commitment and Job Satisfaction

H₀- There is no significant relation between Employees Organizational Commitment and their Job Satisfaction in SME

H₁ – There is a positive relationship between Employees Organizational Commitment and their Job Satisfaction in SME

The Karl Pearson Correlation coefficient (r) was calculated to find the correlation between Employees Commitment and Employees Job Satisfaction.

Hypothesis 2 – To find out the association of various demographic features on organizational commitment

H₀₁- There is no significant association of demographic factor Age on Employees Organizational Commitment

H₀₂- There is no significant association of demographic factor Education on Employees Organizational Commitment

H₀₃- There is no significant association of demographic factor Experience on Employees Organizational Commitment

H₀₄- There is no significant association of demographic factor pay on Employees Organizational Commitment

Hypothesis Testing: Chi Square test was used to test the hypothesis.

RESULTS

Hypotheses -1

Karl Pearson's Correlation Coefficient = 0.347191

The value of Correlation Coefficient between X (Employee Commitment) and Y (Job Satisfaction) comes out to be 0.347191, which is less positive but a positive correlation exist but the degree of correlation is very less. Hence null hypothesis got rejected and accept alternate hypothesis.

Hypotheses - 2

For the purpose of testing the second hypothesis, Chi-Square test is used. Chi square test is a non parametric test which is used to check the independence. This test is used to compare the given observed frequencies with the corresponding expected frequencies of an assumed

theoretical distribution to draw the conclusion about whether or not the given data follow the assumed distribution. Here the degrees of freedom are also calculated to find the standard value of chi square and then compare it with the calculated value (using the formulae). This test will determine whether there is an association or impact of various demographic factors on Employees Commitment.

(a) H_{o1} - There is no significant association of Age on Employees Organizational Commitment
Calculated Value for Chi Square is **16.2018**

Table value for Chi Square is 9.45 with 4 degree of freedom and 95% significance level.

Since Calculated Value for Chi Square is more than Table value hence we reject null Hypothesis H_{o1} and accept alternate Hypothesis H_{a1} and hence infer that there is a significant association of age with organizational commitment

(b) H_{o2} - There is no significant association of Education on Employees Organizational Commitment

Calculated Value for Chi Square is **14.1180**

Table value for Chi Square is 9.45 with 4 degree of freedom and 95% significance level.

Since Calculated Value for Chi Square is more than Table value hence we reject null Hypothesis H_{o2} and accept alternate Hypothesis H_{a2} and hence infer that there is a significant association of employees' education level with organizational commitment

(c) H_{o3} - There is no significant association of Experience on Employees Organizational Commitment

Calculated Value for Chi Square is **32.3509**

Table value for Chi Square is 9.45 with 4 degree of freedom and 95% significance level.

Since Calculated Value for Chi Square is more than Table value hence we reject null Hypothesis H_{o3} and accept alternate Hypothesis H_{a3} and hence infer that there is a significant association of employees' experience with the particular organization on organizational commitment

(d) H_{o4} - There is no significant association of pay on Employees Organizational Commitment

Calculated Value for Chi Square is **0.8804**

Table value for Chi Square is 9.45 with 4 degree of freedom and 95% significance level.

Since Calculated Value for Chi Square is less than Table value hence we accept null Hypothesis H_{04} and reject alternate Hypothesis H_{a4} and infer that there is no significant association of employees pay with organizational commitment.

Summary of Chi Square Test for Hypothesis 2

Chi sq	Calculated	Tabulated	D.o.F.	Level of Sig	Reject	Accept
Education	14.12	9.5	4	95%	H_{01}	H_{a1}
Age	16.2	9.5	4	95%	H_{02}	H_{a2}
Experience	32.35	9.5	4	95%	H_{03}	H_{a3}
Pay	0.88	9.5	4	95%	H_{a4}	H_{04}

FINDINGS

1. Most of the employees are moderately committed towards the organization as the highest score is 61 and lowest is 35 (Range 16-80). Each employee has its own set of factors which might affect his level of commitment.
2. Most of the respondents show a good level of job satisfaction as most of them have scored above 45 (Range 14-70). Each employee has his/her own set of factors which might affect his/her level of job satisfaction.
3. According to Karl Pearson coefficient of correlation (0.34), there is a positive correlation between the employee's organizational commitment and employee's job satisfaction although it is very low.
4. There was found an association between the demographic factors of age, experience and educational qualification on Employees Organizational Commitment.
5. The research found out that no association exists between pay and employees organizational commitment. These associations are based on the data collected and grouping.

CONCLUSION

An organization can enhance the commitment of its employees by improving the job satisfaction level. The results of the study are significant in relation to organizational commitment. The results with respect to Precision Stamping, an SME where the study was conducted, show that job satisfaction is related to organizational commitment. This study

reveals a positive relation of job satisfaction on organizational commitment. This study also revealed that pay/reward mechanism does not have association with organizational commitment. It can be concluded that majority of employees fall under the category of long term association with the enterprise. The implication of this study is that employee commitment cannot be enhanced without increased job satisfaction.

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