



THE EFFECT OF ORGANIZATIONAL COMMITMENT ON FIRM PERFORMANCE: INTERGENERATIONAL DIFFERENCES

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Abstract:

The main purpose of this research is to determine the effects of the sub-dimensions of organizational commitment (affective, continuance, and normative) on the concept of firm performance. Another aim of the study is to determine whether the sub-dimensions of organizational commitment differ in intergenerational. Within the scope of this aim, employees in banking sector were identified as "population". This survey was applied to 209 employees in the banking sector in April 2021. Survey results were analyzed by the SPSS-20 program. As a result of the analysis, it was determined that affective commitment does not have a significant effect on firm performance. It has been shown that continuance commitment has a negative and significant effect on firm performance. Also, normative commitment has a positive and significant effect on firm performance. Finally, it was concluded that there was no difference in the affective commitment, continuance commitment, and normative commitment levels of bank employees belonging to the X and Y generations.

Keywords:

Organizational Commitment, Firm Performance, Intergenerational Differences

1. Introduction

Today's technological development and competitive environment have made the concept of organizational commitment very important in the sustainability of organizations and in the ability to take steps towards the future. Employees need to keep up and adapt to the economic, political and cultural reforms that are taking place rapidly in the banking sector or other sectors. In such an environment, the concept of organizational commitment, which has an effect on the behavior and values of employees, becomes more important.

The concept of organizational commitment is one of the concepts that researchers show the most interest and relevance among contemporary managerial concepts. This concept has been the subject of research in many countries, especially in the United States. Nowadays, Turkish researchers have done many studies on this concept. In these studies, the topic of organizational commitment has often been associated with another concept. In this study, firm performance and intergenerational differences concepts were examined along with the concept of organizational commitment. In this context, the effect of the sub-dimensions of organizational commitment (affective, continuance, and normative) on firm performance was examined in the banking sector. It was also determined whether the concept of organizational commitment differed in intergenerational.

2. Basic Concepts Related to Organizational Commitment

2.1. Organizational Commitment Concept

Organization is defined as "a union formed by institutions or persons who have come together to achieve a common goal or work" in the dictionary of the Turkish Language Association (TDK Sözlükleri, 2020). According to another definition, organization is expressed as social units established to achieve certain goals (Etzioni, 1964).

Commitment means "to feel affection, respect, closeness, and loyalty towards someone" in the dictionary of the Turkish Language Association (TDK Sözlükleri, 2020). It is also defined as an obligation to show commitment to a

person, a thought, an institution, something that we see as greater than ourselves (Ardıç and Çöl, 2008). According to Salancik (1977), commitment is the identification of one's own behavior with another person. Organizational commitment is expressed as an individual's approach to an organization based on their psychological state (Allen and Meyer, 1990). According to another statement, organizational commitment is expressed as the attitude of the employee towards his / her organization. Also, it is said as the integration of the organization and the employee (Sheldon, 1971; Hall et al., 1970).

3. Basic Concepts Related to Firm Performance

3.1. Firm Performance Concept

The concept of firm performance is often encountered in studies related to management. This concept is mostly preferred as the dependent variable in the models of theses. Although it is a concept that has been emphasized too much in the literature, there is no consensus on its definition and measurement (Taouab and Issor, 2019).

Firm performance is defined as the achievement of the economic targets of the enterprises (Venkatraman and Ramanujam, 1986). According to another definition, firm performance is the ability to achieve goals determined as a result of the effective and efficient use of inputs (Tül and Çemberci, 2019).

Firm performance measurements help to show the degree to which predetermined goals are being approached. It also reveals what businesses need to be sustainable and competitive (Griffin, 2003).

4. Basic Concepts Related to Intergenerational Differences

4.1. Generation Concept

The generation is defined as “the community of people who were born in approximately the same years and who shared the conditions of the same age, thus similar troubles and destinies” in the Philosophical Sciences Dictionary of the Turkish Language Association (TDK Sözlükleri, 2020). This concept also is expressed as “individuals who form approximately 25–30 years age groups: cluster, belly, generation and abdomen” in the social science dictionary of the Turkish Language Association (TDK Sözlükleri, 2020).

Nowadays, it is accepted that there are five generations with different characteristics. These generations in the literature; It has been named the Silent Generation, Baby Boomers, Generation X, Generation Y, and Generation Z. It is stated that these generations work together in organizational environments in literature. However, it is said that many of the representatives of the Silent Generation and Baby Boomers retire due to their aging. Also, it is stated that members belonging to Generation z are not present in organizations due to their young age.

5. Methodology

5.1. Population and Sampling

The population of the research is those working in the banking sector in Turkey. According to the data announced by the Banks Association of Turkey in September 2020, the number of people working in the banking sector in Turkey is 186.654. In this context, the population of the research is 186.654 workers. The sample of the study was determined to be at least 196 people with a 95% confidence interval and 7% margin of error, based on 186 thousand 654 employees, which are considered as the population.

213 people participated in the survey. But the survey of 4 participants was deemed invalid. The participation of 209 people in the sample, which was determined as at least 196 people, makes the sample reliable.

5.2. Model and Hypothesis

The model of the research consists of three independent and one dependent variable. Affective commitment, continuance commitment, and normative commitment are the independent variables, while firm performance is the dependent variable. The model of the research is shown in Figure 1 below.

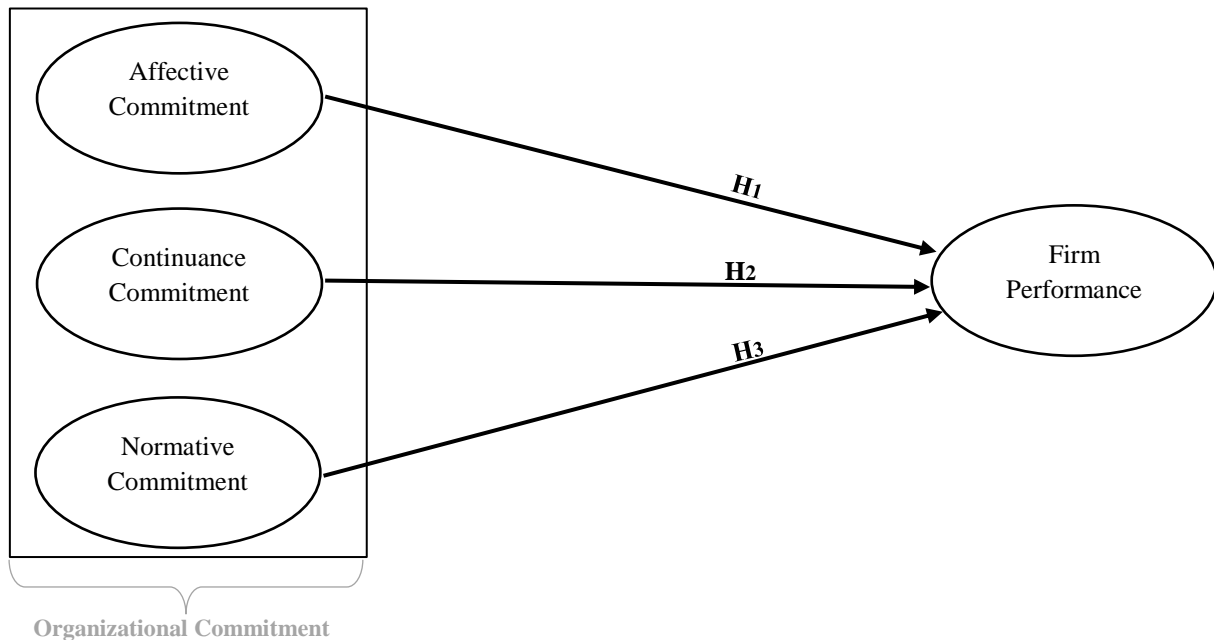


Figure 1 Model of Research

The research is based on three main hypotheses:

H1: Affective commitment has a negative effect on firm performance.

H2: Continuance commitment has a negative effect on firm performance.

H3: Normative commitment has a positive effect on firm performance.

5.3. Data Analysis Techniques

The demographic information of the employees was determined by frequency analysis. Factor analysis was conducted to determine the factors of the scale. Cronbach's alpha method was used to determine the reliability levels of the factors. The arithmetic mean and standard deviation of each factor were taken to determine the participants' approach to the questions. Independent sample T-test tests were conducted to test whether affective commitment, continuance commitment, and normative commitment levels differ on the X and Y generations. Multiple regression method was used to determine the effect of organizational commitment on firm performance. (Note: Analyzes were made in the SPSS-20 program.)

6. Results of Statistical Analysis

In this section, the statistical analysis of the data obtained from the survey has been made. While doing the analysis, it was made in line with the references in the literature. Frequencies analysis, factor analysis, reliability analysis, descriptive statistics, independent-sample t-test, and multiple regression were applied, respectively. They are explained below:

6.1. Frequencies Analysis

Frequency analysis is a statistical analysis technique that shows the observation frequency and percentage distribution of data. Demographic characteristics and survey items can be evaluated by frequency analysis (Bayrak, 2019). Accordingly, Frequency analysis was performed that the demographic characteristics of the participants such as gender, year of birth, education, experience in the industry, and length of service at his current organization. The results are in Table 1 below:

Table 1 Demographic Characteristics of the Participants

		Frequency (N)	Percent (%)
Gender	Female	40	19,1
	Male	169	80,9
	Total	209	100,0
Year of Birth	1965-1980 (Gen X)	31	14,8
	1981-1999 (Gen Y)	178	85,2
	Total	209	100,0
Education	High School	10	4,8
	Associate degree	1	0,5
	Bachelor's degree	149	71,3
	Master's/Doctor's degree	49	23,4
	Total	209	100,0
Experience in the Industry	Less than 1 year	7	3,3
	1-5 years	44	21,1
	6-10 years	62	29,7
	11-15 years	79	37,8
	More than 16 years	17	8,1
	Total	209	100,0
Length of Service at His Current Organization	Less than 1 year	12	5,7
	1-5 years	50	23,9
	6-10 years	66	31,6
	11-15 years	66	31,6
	More than 16 years	15	7,2
	Total	209	100,0

6.2. Factor Analysis

KMO and Bartlett's test was used to test whether the variables in the survey are suitable for factor analysis. As KMO coefficient approaches 1, it means that the data obtained are suitable for factor analysis. Besides, when KMO coefficient is 1, it means that the survey is quite suitable for factor analysis. According to Erkasap (2020) if the KMO coefficient is greater than 0,60 and the significance level of Bartlett complies with the $p < 0,05$ rule, it means that the data in the survey are suitable for factor analysis.

As a result of the analysis, the KMO value was found to be 0,866 and the significance level of Bartlett to be 0,000. The KMO coefficient was higher than the given reference value and Bartlett's level of significance was lower than $p < 0,05$. In this context, the scale of this research is accepted to be suitable for factor analysis. After determining the suitability of the data for factor analysis, Varimax with Kaiser Normalization factor analysis was performed. While

obtaining the result of factor analysis, principal component analysis was used as extraction method and Varimax with Kaiser Normalization was used as rotation method.

The fact that the value of each item obtained from factor analysis is above 0,50 indicates that the scale is a reliable scale (Erkasap, 2020). However, as a result of the analysis, the value of 5 items in the scale was less than 0,50, so these five questions were removed from the survey and after that factor analysis has been done again.

As a result of the factor analysis, it was observed that there were 4 factors. These factors are firm performance, normative commitment, continuance commitment, and affective commitment respectively. In addition, as a result of the factor analysis, firm performance, normative commitment, continuance commitment and affective commitment factors explain 66,896% of the total variance.

6.3. Reliability Analysis

Cronbach's Alpha coefficient is accepted as a measure of the internal consistency of the items in the scale and is used to question or interpret the homogeneity of the items in the scale (Yıldız and Uzunsakal, 2018). The results of Cronbach's Alpha test are given in Table 2 below:

Table 2 Results of Cronbach's Alpha test

Factor	Cronbach's Alpha	N of Items
Firm Performance	0,951	13
Normative Commitment	0,791	4
Continuance Commitment	0,799	5
Affective Commitment	0,893	3

As seen in Table 2, Cronbach's Alpha Coefficient was found to be 0,951 for firm performance, 0,791 for normative commitment, 0,799 for continuance commitment, and 0,893 for affective commitment. In this context, firm performance and affective commitment factors were accepted as "highly reliable". Normative commitment and continuance commitment factors were accepted as "reliable".

6.4. Descriptive Statistics

In this section, the mean and standard deviation of each sub-dimension were calculated to determine the levels of the factors. The mean and standard deviation of firm performance, normative commitment, continuance commitment and affective commitment factors are given in Table 3 below:

Table 3 Mean and standard deviations of the factors

Factor	Mean	Standard deviation	N of Items
Firm Performance	2,97	0,91	13
Normative Commitment	3,39	0,94	4
Continuance Commitment	3,24	0,98	5
Affective Commitment	3,65	1,27	3

6.5. Independent Sample T- Test

In this part of the study, the independent sample T-test was used to examine whether the factors of normative commitment, continuance commitment, and affective commitment differ on generations X and Y.

Levene's test is used to test the homogeneity of variances in the independent sample t-test. H0 hypothesis means there is no difference between variances, and Ha hypothesis means that there are differences between variances. If $p < 0,05$, the H0 hypothesis is rejected. But if $p > 0,05$, the H0 hypothesis is accepted, so we can conclude that the variances are homogeneous (Tirendaz Akademi, 2019).

When you do the independent sample t-test, you should look at the significance (2-tailed) part to learn the result of the analysis. If the significance (2-tailed) > 0,05, the averages obtained in the sample groups are considered to be equal to each other. However, if the significance (2-tailed) < 0,05, it is accepted that the averages obtained in the sample groups are not equal to each other (Arslan, 2020).

In this context, the results of the independent sample t-test are given in the table 4 below:

Table 4 Results of Independent Sample T-Test

Factor	Levene's Test for Equality of Variances	T-test for Equality of Means
	Sig.	Sig. (2- tailed)
Normative Commitment	,125	,058
Continuance Commitment	,232	,644
Affective Commitment	,237	,649

According to results of Levene in Table 4, It was accepted that variances were homogeneously distributed in the levels of normative commitment, continuance commitment and affective commitment.

According to results of T-Test in Table 4, It has been concluded that there is no difference in normative commitment, continuance commitment and affective commitment levels among bank employees belonging to the X and Y generations.

6.6. Multiple Regression and Hypothesis Tests

Multiple regression analysis was conducted to test the hypotheses of the research. Effects of the independent variables on the dependent variable were examined in the regression analysis. Affective commitment, continuance commitment, and normative commitment are the independent variables, while firm performance is the dependent variable. The results of the regression analysis are given in Table 5 below:

Table 5 Results of Regression Analysis

Independent variables	β	Sig.
Affective Commitment	-,047	,333
Continuance Commitment	-,127	,050
Normative Commitment	,341	,000
Dependent variable: Firm performance, F= 8,704 Sig= ,000 R² = 0,113		

According to the regression results in Table 5, it is accepted that the model is significant as a whole (F = 8,704, sig < 0,05). The firm performance variable of affective commitment, continuance commitment, and normative commitment variables explain 11,3% (R² = 0,113).

As a result of the analysis, it was determined that affective commitment does not have a significant effect on firm performance (β = -,047, sig. = ,333). It has been determined that continuance commitment has a negative and significant effect on firm performance (β = -,127, sig. = ,050). Normative commitment has a positive and significant effect on firm performance (β = ,341 sig. = ,000). In this context, while H2 and H3 are supporting, there is no evidence for the accuracy of H1.

Table 6 Results of Hypotheses

Hypotheses	Results
H1: Affective commitment has a negative effect on firm performance.	Not Accepted
H2: Continuance commitment has a negative effect on firm performance.	Accepted
H3: Normative commitment has a positive effect on firm performance.	Accepted

7. Conclusions

The aim of the research is to examine the effect of organizational commitment on firm performance in the banking sector. Another aim of the research is to determine whether organizational commitment differs generations. Also, it is to examine demographic variables such as gender, education level, experience in the industry and length of service. The independent sample T-test was used to examine whether the factors of normative commitment, continuance commitment, and affective commitment differ on generations X and Y. As a result of the independent sample T test, it was concluded that there is no difference in the levels of normative commitment, continuance commitment and affective commitment among bank employees belonging to the X and Y generations.

Multiple regression method was used to determine the effect of organizational commitment on firm performance. As a result of the analysis, it was determined that affective commitment does not have a significant effect on firm performance, and it shows that continuance commitment has a negative and significant effect on firm performance. Finally, normative commitment has a positive and significant effect on firm performance.

There are many studies on the concepts of organizational commitment, firm performance and intergenerational differences in the literature, but there was no study that examined all these concepts in the banking sector. Therefore, it is believed that the results obtained in this study will shed light on future studies on the concept of organizational commitment, firm performance and intergenerational differences. In addition, the generation Z will begin business life in the near future, and the researchers will conduct research on the organizational life of the Z generation. It is thought that comparing the results obtained from future research with the findings obtained from this research will help us see to what extent generations have changed.

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