Impact of Salary Structure, Employee Perception and Working Conditions on the Organizational Commitment in SME

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Abstract
The main purpose of the present study is to statistically check the organizational commitment (OC) in the selected SME sector. The relationship between the Working Conditions (WC), Employees’ Perception (EP), Salary Structure (SS) and the Organizational Commitment is investigated in the present paper. Quantitative data through questionnaires is collected and analyzed in SPSS. 129 responses out of 200 questionnaires were received, which were dispatched to employees of the SME (textiles and schools) for data collection; It was found that all three variables are positively related to organizational commitment. This paper’s findings are important for one of the ignored area of Pakistan in HR practices. The data was only collected from two SME sectors. In future further studies can be done to understand the relation between the variables more deeply.

Keywords: Working Conditions, employees’ perception, salary structure, Organizational Commitment

INTRODUCTION:
Organizational commitment can be defined as the employee's psychological contract with the organization. It is one of the attitudes of Job, other being job Satisfaction, defined as over all feeling of an employee about the job, and Organizational Identification, taken as a ‘sense of attachment with their organization. Small and medium enterprises (SME) are one of the most important part of economy of a country. For them to remain competitive and productive they require high skilled labor. The skilled labor if retained by good HR practices of the company can gain added competitive advantage in the industry. One of the best tools for HR managers to retain its skilled employees is to make them highly committed to the organization. Committed employees are less likely to leave the organization. It has been seen that less committed employees are more absent from work than the committed ones.

The area of commitment is very important to all the organizations, also for SME are which the current issue of this paper is. SME’s are one of the main agents for the economic growth of a country. It plays a role of a change agent especially in a country like Pakistan whose economy is on a growing pattern. In almost all the countries especially in Europe the absence of the SME’s is considred the greatest cause of unemployment and slow development of a country.

In Pakistan as the SME sector is still being ignored at all levels. It is not being given the kind of attention it requires. The are no HR practices seen which ultimately cause high turnover, more absenteeism and low productivity. All these factors lead the organization to a poor performance and slow growth of profits. Human assets are one of the most important assets to remain in the competitive line of the industry.

In Pakistan SME’s are not as productive as in other countries. The main reason is the dissatisfaction of the employees which lead to low OC, Feather and Rauter (2004), Aizzat et al. (2003). Many scholars also argued that OC mainly depend on the pay of the worker, work type and a method of supervision, Modays (1979). Level of OC is also dependent on various factors like demographic characteristics, ” background and employees” and job satisfaction level.

Employees’ OC is a valuable thing for any organization. OC is force behind the productivity, quality of products and performance of the organization. Much evidence of the relation between the job commitment and job satisfaction has been offered. All such findings were of the view that the level of job commitment is also effected by many factors such as, pay and demography of a co-workers, For example, “I work here because the people around here are great and the work here is fun.

OC is divided into the following two kinds.

Normative organizational commitment means the feeling of obligation with the organization. For example, “I like to work in the organization because it hired me when no other organization was hiring me. So I owe the organization my being here.

Continuance organizational commitment is related to the cost of switching the organization. Employees do not leave the organization because it cost them very high to leave the organization.

According to model of Attitude Bagozzi's (1992), the paper proposes that work environment represents an appraisal of many facets of the employee commitment. OC is often regarded as the emotional reflection of the appraisal in a positive manner about the work environment. If the employees is commited it will eventually going to add up to the greater customer satisfaction.

Highly committed women are the ones who believe that their organization provide better facilities and flexible working hours. Women having family responsibilities also show positive organizational commitment.
due to flexible work hours.

Supervisors who are helpful for the subordinates can build employees commitment more effectively than the ones who are less helpful. (Formalization's imperative conflicts with a salesperson's autonomy in a negative way. So, formal structures lead to negative attitudes like higher role stressors (i.e., role ambiguity and role conflict), that effect the commitment of employees.

It is very important that organizations must prevent such negative attitudes to occur as they can result into undesirable behaviors. For example, employees with less commitment are more likely to leave their jobs [Johnston et al. 1990] and employees likely trust the organization and do not leave the job because are committed to the work they are doing in the organization, [Moch 1980]. If an employee develops negative attitudes, they can resist their organizations from achieving the desired goals. Organizational management needs to understand the relationships between formalization and its effects on all kinds of attitudes. This knowledge also clarifies that formalization is a design of organization's decision making that is within an organization's control. No or very little attention was given to experiences of flexible conditions especially the SME’s in Pakistan.

LITERATURE REVIEW:
This research aims to explore the level of organizational commitment among employees of SME’s. The results will provide the essential information how to improve the relationship between the employer and employee. The literature about the current issue is reviewed which gives various dimensions and aspects of organizational commitment. The literature reviewed for this paper give in-depth understanding and explanation of the concept of OC. It also highlights the different views and experiences that experts have given in their researches.

Morris, Lydka and O'Creevy (1993) concluded that a little consensus exists with respect to the exact meaning of the term “commitment”. London and Howat (1979) define commitment in terms of the “identification with organizational set goals”, involvement with the work one is doing or the given work role, and a feeling of loyalty to the organization. Mowday, Porter and Steers’ (1982) defined the term as, “the relative association of an employee’s identification with particular Organization” (p. 27). According to this definition there are three characteristics of commitment i.e. ;(a) a strong belief and acceptance of set goals and objectives; (b)a willfulness to exert effort on behalf of or for the organization; and (c) a sound wish to remain a member of the organization (Mowday et al., 1982, p. 27).

Nijhof, de Jong and Beukhof (1998) define commitment, as “loyalty to the organization or the identification of one’s goals with the organizational goals” (p. 243) organizational commitment is termed as, acceptance of organizational core values and pure willingness to stay with it, (Gallie & White, 1993).

Four types of employee commitment on the basis of the attitude towards the organization can be seen: (a) “Want to commit”, (b) “have to commit”, (c) “ought to commit” and (d) “Un commit” (Bragg et al, 2002). The first type, describes the volunteer type, employees who wants to be committed to the organization. They are dedicated to the organization and always do their best for employers and the organization. They like to accept new responsibilities just for the sake of serving their employer. They depict positive behaviors and keep good perceptions towards everything related to the work they do. These types of employees are the best employees for an organization. In the second type employees feel obliged to have commitment to their organization. They feel trapped or entangled emotionally or otherwise to forces themselves to be committed to the work and the organization. Most of the times these employees do not have any other option to switch the organization because of certain reasons, so they are left with the option to carry on with the organization they are working in. This normally keeps them under stress during the work, which can lead to the feeling of high dissatisfaction, very low productivity and a negative workplace behaviors. They become trouble sum for the organization and the supervisors. The third type of committed employees are those who feel the obligation for the organization as they were helped by the organization when they were going through a bad patch. These types of employees mostly feel that they have an obligation, whatever is being asked by their employer. The fourth type is of employees that are not committed to their organization at all. They have no attachment with the organization. Usually contractual employees or employees that are outsourced by the organization.

Variables are used to identify the relation and impact on the organizational commitment. Individual’s background, organization, employer, work, and job satisfaction are the most important ones. Findings by scholars like Aizzat et al. (2003) showed that marital status of employees (unmarried), educational qualification (degree level) and pay/salary structure have negative impact on employees’ commitment to their organization.

Committed employees perform well and behave according to the required behavior; hence they are more productive for the organization, (Sutano, 1999). Further the commitment to organizations has also been seen to be positively associated to various organizational outcomes like, job satisfaction, motivation and attendance (Bennett & Durkin, 2000). On the other hand turnover and absenteeism are negatively related to the organizational commitment. (Bennett & Durkin, 2000). Oliver (1990) explained the relationship between the
employee and the organization in terms of exchange of principle. Higher the job satisfaction level higher will be the organizational commitment, which will lead to low absenteeism, high efficiency, high productivity, low termination employees, (Price 1977, and Mobley et al. 1979).it is necessary to define the term commitment clearly if one has to determine factors related to organizational commitment. by Porter et al. (1974) defined the term which is commonly being used to define organizational commitment. In their definition, commitment related three factors are identified, i.e. (a) a strong belief by the employee in the organization's set goals and values, a willfulness to work hard for the organization, and a strong wish to remain a member of the organization. An organizational commitment questionnaire (OCQ) consisting of fifteen-item was developed and tested to measure organizational commitment based on the above definition.

Allen and Meyer (1990) gave three dimensions of organizational commitment: 1. Affective (deals with the employee's emotional attachment to the organization), 2. Continuance (deals with the commitment based on the costs employee will have to incur with leaving the organization) and normative, (deals with the employee's feelings of obligation to remain the member of the organization). Allen and Meyer (1990) a twenty-four-item scale were developed to measure these three components of organizational commitment.

Various researches, including different variety of areas like research scientists and engineers (Steers, 1977), employees in nursing departments of hospitals (Curry et al., 1986), clergy (Baack et al., 1993), and police officers (Dunham et al., 1994), have shown the relation of a wide range of variables to organizational commitment. These variables include organizational characteristics, job characteristics, and demographic characteristics. A detailed review of these variables allowed to specifically considering those that may be related to the organizational commitment of employees with lower levels of authority in the SME sector of Pakistan focusing the textile and the schools with more than 20 employees.

RATIONALE AND SIGNIFICANCE OF STUDY
This study is significant in studying the term commitment of employees in SME. The term is defined and elaborated in the study. The factors which are responsible for organizational commitment are also discussed in the study.

SME are the stepping-stone for labor to gain some new skills and experience to sharp the overall productivity of the firm. Companies undergo low productivity and high loses due to the lose of the skilled human resource. The influence of various factors such as reasonable salary, medical facilities, perks offered by the organizations, work-life balance environment for female are primarily discussed. It is emphasized how these factors increase organizational commitment which ultimately results in customer satisfaction. Organizational commitment ensures the progress and prosperity of an organization. Studies regarding OC have regularly shown different definitions of OC. Firstly defined as the positive response of an employee towards the structure of the organization (Martin & Bennett, 1996). OC is defined as an attitude which can reflect an individual’s reaction towards his or her organization (McCaul et al. 1995). Referring to the study of Mowday et al. (1979), there are three types of commitments. (a) belief and acceptance of organization’s set goals and values, (b) willingness to work hard for the development of organization (c) willingness to remain loyal to the organization.

The core objective of the research is to explore and critically examine in a descriptive and analytical manner the influence of various factors on organizational commitment and how it affects the performance of employees and helps the organization to prosper. The study would also emphasize that how organizational commitment provides with a competitive advantage to the organization in comparison to its competitors.

The other aim of this research is to investigate the relationship between employee perceptions of their immediate supervisors’ and organizational commitment.

OBJECTIVES OF THE STUDY
The sole purpose of the research is to explore and critically examine in a descriptive and analytical manner the factors on which the commitment of employee’s depends in SME’s of Pakistan. It would be focused and discussed in detail how the various factors affect the commitment of employees in SME’s also the type of relation among them.

Following are the aims of the present papers.
a) To define and elaborate the term "Commitment of employees in SME’
b) To understand the relationship between commitment of employees and the progress of the organization.
c) To study the factors responsible for increasing commitment of employees in an organization.
d) "Commitment of employees" at present in organizations would be studied.
e) Commitment of employees and its relation to customer satisfaction will be focused.

CONTRIBUTION
This study would underline the factors which contribute in the "organizational commitment”. It would contribute a clear idea to different organizations how employees can be committed to an organization. What are the factors
which would help in training employees which would help in providing with competitive advantage to the employers of the organization? This study would also help in unveiling the actual level of organizational commitment in SME with which most of the organizations are not aware. In light of past studies Organizational commitment in different organizations would be studied and analyzed to reveal the actual facts.

THEORETICAL FRAMEWORK
After completing a literature survey and defining problem statement a theoretical framework is developed. The theoretical framework is a conceptual model to make a logical connection between the variables and the effects of each independent variable on the OC. All the factors identified in the problem statement are seen logically. The important variables are constructed in the form of a network to find relation between them. The framework gives the base on which the whole research is built. It is logically developed, to described and clearly explain the network of associations between the variables which are considered important and relevant to the current problem regarding SME’s of Pakistan. A sound theoretical framework also identifies and labels the essentials variables of the current situation. It built a logically description of the interconnections of these variables. The hypothetical relationship of the dependent and the independent variables are given in the theoretical framework. The diagrammatical representation of the variables clearly shows the effective relation among them.

VARIABLES

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<th>Dependent Variable:</th>
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<tr>
<td>Salary structure</td>
<td>Organizational Commitment</td>
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<tr>
<td>Employees’ perception</td>
<td></td>
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<tr>
<td>Working Conditions</td>
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</table>

KEY QUESTIONS/ HYPOTHESIS TO BE INVESTIGATED
The key questions being posed or hypothesis tested in the thesis. In this study we are going to frame the following hypothesis:
H1: It is expected that conducive work environment increases organizational commitment (OC).
H2: Good salary package is relative to organizational commitment.
H3: It is expected that employee’s perception about the organization is relative to organizational commitment.

RESEARCH DESIGN
A survey based primary data is used to examine the commitment of the employees of SME’s, progress of the organization and productivity. It also examines the impact of commitment towards individual participation. The study will be conducted in two phases with independent sample. Phase 1 consists of try out or pilot study in which screen out the potential respondents is done, while phase 2 constitute the main study and consist of hypothesis testing. The instrument is designed to collect data on employees’ commitment. The working definition of SME and the employees’ commitment is carefully framed in line with the small and medium enterprise development authority (SMEDA) Pakistan.

INSTRUMENT
Questionnaires is used and administrated to the respondents directly. The available instrument concerning related variables is explored for proper reliability and validity and is developed indigenously. This guided us to promote horizontal and vertical relationships in accordance with organizational commitment and improve access to employee training and development services.

METHODOLOGY
Population
It is a quantitative and hypothesis testing type of study conducted on employees of SME (textile & Schools). A total of 200 respondents were contacted and 129 responses were received. The rate of response was 64.5 %. The sample is taken from Lahore and Sheikhpura cities from textile and schools with 20-250 employees. The inclusion criterion was based on the following: every organization at least has 20 employees; which showed profit growth for the last two years, and providing employment at least 2-4 people annually. All companies
selected were considered to be successful in their sectors.

**Measurement**

This study focused on commitment profile, including following facets; work environment, salary package and employees perception about the organization. These concepts were measured as follows:

**Work Environment:** Work environment consists of various components like group cohesiveness of employees, autonomy given by the organization, and communication. For this purpose we referred to Campbell, Lawler, & Weick, (1970) in which six items were used for the measurement. In this scale the rating options were categorized as.

1= strongly agree 2= agree 3=neutral 4=disagree 5= strongly disagree.

Respondents scored **0.744 alpha on this motive.**

**Salary Package:** For salary package we used (Meyer and Allen 1997; Treiman and Hartman 1981) in which five items were used for the questionnaire.

In this scale the rating options categorized as 1= strongly agree 2= agree 3=neutral 4=disagree 5= strongly disagree.

Respondents scored **0.707 alpha on this motive.**

**Employees’ perception:** For employee perception, the related items are taken from a study by Mowday et al. (1979) which were also used by Aizzat et al. (2003).

In this scale we used rating options categorized 1 = strongly agree 2 = agree 3 = neutral 4 = disagree 5 = strongly disagree.

Respondents scored **0.713 alpha on this motive.**

**DATA ANALYSIS**

After data collection and coding, the appropriate data analytical techniques including descriptive and multivariate analysis will be carried out keeping in view the objectives of study by using latest available version of SPSS.

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Operationally, reliability is considered adequate if 0.70 or higher is attained Nunnally (1979).,

**TABLES OF RELIABILITY OF DATA**

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**EP TABLE**

Reliability Statistics

| Cronbach's Alpha      |
| N of Items            |
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| 4                    |
TABLES: ANALYSIS: INDEPENDENT SAMPLE TEST
MEAN TABLE  T-TEST

**WE- TABLE**

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### EP-T-TEST

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**DISCUSSION:**

The study is based on a logical theoretical framework on employee’s organization commitment in SME. It is an empirical study in the milieu of Pakistani SME. It drew 129 content analyzed with commitment of employees in SME with three motives:

These were Work Environment, Salary package and perception of employee about the organization.

All the variables have been compared with one and another with each of the respondent. For each group total of three factors were identified.

**H1:** In present study our hypothesis on work environment of the employee was confirmed and work environment was established to be a strong factor in organizational commitment of the employee. The mean in table 1 shows that employees agreed that conducive work environment increases organizational commitment. Respondents scored 0.744 alpha on this motive.

**H2:** In present study our hypothesis on salary package of the employee was confirmed and it was established to be a strong factor in organizational commitment of the employee. The mean in table 2 shows that employees agreed that good salary package increases organizational commitment. Respondents scored 0.707 alpha on this motive.

**H3:** In present study our hypothesis on positive perception of the employee was confirmed and it was established to be a strong factor in organizational commitment of the employee. The mean in table 3 shows that employees agreed that positive perception of the employee is relative to organizational commitment. Respondents scored 0.713 alpha on this motive.

**CONCLUSION**

After applying T-test we reached to the following conclusion: our first hypothesis on work environment of the employee was confirmed and work environment was established to be a strong factor in organizational commitment of the employee. The mean in table 1 shows that employees agreed that conducive work environment increases organizational commitment.

Our second hypothesis on salary package of the employee was confirmed and it was established to be a strong factor in organizational commitment of the employee. The mean in table 2 shows that employees agreed that good salary package increases organizational commitment.

Our third hypothesis on positive perception of the employee was confirmed and it was established to be a strong factor in organizational commitment of the employee. The mean in table 3 shows that employees agreed that positive perception of the employee is relative to organizational commitment.

At the end on the bases of this research we can say there is a relationship between employees’ organizational commitment is related to employees conducive work environment, good salary package and employees’ positive perception about the organization.

In the light of this study we can say that if the work environment is conducive, salary package is good...
and employees have positive perception about the organization, the commitment of employees to their organization is high.

IMPLICATION
This results of the study are going to be invaluable in SME sector of Pakistan, where findings of this research can be used to increase the organizational commitment of employees. One of the important implications of the study is that through this study we found out how organizational commitment in employees can be increased, and it can be used to make employees more committed to their organization. This study will help the employers in SME of Pakistan to deal with the less committed employees to make them committed to the organization.

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