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## Impact of Organizational Culture on Employee Commitment: An Empirical Investigation in Steel Industry of India

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**Abstract:** The basic aim of this paper was to analyze the impact of organizational culture on employees' commitment in one of the largest steel plant of India, Rourkela Steel Plant. The primary data collection was made for research study, which was done by questionnaire survey of executive and non-executive employees of Rourkela Steel Plant. There were 150 numbers of sample employees selected from the population of study by convenience method. After collecting respondents' opinion, data analysis was made applying regression analysis and structural equation modeling. Findings of this investigation gave the idea of existence of strong effect of organizational culture on employee commitment.

**Key words:** Organizational culture, Organizational Commitment, Rourkela Steel Plant, Structural Equation Modeling, India.

**JEL Classification Codes:** M54, C39

### INTRODUCTION

Today organization can easily change their material, needs, goods and services to other organizations or to other countries. But the only one resource which is non-substitutive is human resources. Thus one of the assured assets of the organization which can be interchangeable is the human resources. It is therefore the need of the hour when each and every business organizations want to be successful to have continuous progress. In this highly competitive and organized era irrespective of size, technology, private and public all the employees are facing retention challenges. To counter these obstacles the organizations should maintain a improved strong bonding between the employees and other organizations. The most central

part of any organizations are human resources or the human assets and so they are to be influenced for fulfillment of tasks. The organizations now design different strategies to increase the performance of the organizations to win the competitors. Many organizations have realized now that if the organization's human assets are focused then only they can lead to a big success. None of the organizations can achieve success unless and until the organizations employees are satisfied, motivated and encouraged.

The business to be successful needs the committed employees. Every business has competent and committed employees. Every business has competent and committed employees who are the bedrock of every business. In this 21<sup>st</sup> century, organizational culture has now evolved utmost importance as it has a lot of impact on employee performance and commitment. Robbins (2000) postulates that culture as a concept has had a long and chequered history. At the workplace culture is powerful entity as it can be sustained and passed on to the new employees joining the organization. Organisational culture can lead to a greater productivity and profitability, generating commitment to the values and philosophies of the organization (Kottler and Heskett, 1992). Culture plays an integral part that holds the organization together (Mullins 1999) defines organizational culture as the collection of traditions, values, beliefs, policies and attitudes that constitute a pervasive context for everything one does and thinks in organization.

An organizational culture can also assist in projecting positive image (Want, 2003). Organisational culture is shaped by the management philosophy and practices and has profound impact on the way employees approach problems, serve the customers and relate it to the changing environment. During 1970's and 1980's organizational culture has emerged as one of the most exploring concepts in management research and practice.

Organisational culture in an organization has different value system those help to run itself successfully (Schneider and Reicher, 1983). Organizational culture is shaped by the management philosophy and practices and has profound impact on the way employees approach problems, serve customers and relate it to the environment.

Deal and Kennedy (1982) defines organizational culture as a set of values that underline how we do our duties around here. The organizational culture which when developed has to support to an organization and it is important for progress which has an impact on organizational commitment and employee's retention as well. Harrison *et al.* (1992), states that organization culture refers to a system of standard meaning held by members that distinguish one organization from others. The dimensions of organization culture by Hofstede *et al.* (1990) include employee oriented, result oriented, open system of organization culture.

In Employee oriented culture, employees are taken care of and work life balance and personal life. Here employee's personal problems are considered and important decisions are cohesively done. Result oriented culture is mainly concentrates on management results or outcome rather than on processes and techniques used to achieving those outcome. Result oriented culture is one in which management focuses on result or outcome rather than on the techniques and processes used to achieve those outcome. In result oriented cultures people perceive themselves as comfortable in unfamiliar situations and put in a maximal effort which each day is felt to bring new challenges (Hofstede *et al.*, 1990).

Open system culture focuses on identifying and classifying the styles commonly used within the organization for internal and external communications and the ease with which outsiders and new comers

( new employees) are admitted and integrated into the organization. It is revealed that culture did have an imprint on communication and that communication among all work levels improved dramatically as information flow increased to employees at every level and function.

According to Lock and Crawford, 2004 organizational culture remarkable effect on employee commitment, performance. An employee is committed when he stays in the organization in tough conditions and tries to achieve organizational goals.

The three types of organizational culture was taken for analysis was employee oriented, result oriented and open system ( Hofstede *et al.*, 1990) and the three types of component framework by Allen & Meyer (1990) of Affective, Continuance and Normative commitment was used to measure the commitment in primary research.

For every organization to have committed employee it is very important for an organizational effectiveness. According to Silverthorne, 2004 organizational culture and commitment has strong relationship but organizations with negative organizational culture faces lack of employee commitment. Nyström (1993) in his study also observed that a significant correlation exist between organizational culture and employees organizational commitment.

Handy (1985) describe task culture as being best suited to groups, project team or task forces which are formed for specific purposes.

In the 21<sup>st</sup> century organizational culture has a lot of importance as it has a lot of impact on employee job satisfaction and performance. To impact the overall operations of the organization there should be a good organizational culture which depends on the employees' success and failure.

The main objective of the research was to know the impact of organizational culture on organizational commitment of employees of Rourkela Steel Plant. One among the three integrated steel plants, Rourkela Steel Plant is the first steel plant to be set up by Government of India in 1959. Rourkela Steel plant was set up in collaboration with leading steel makers of Germany. The first temple and the pride of Odisha is Rourkela Steel Plant. The steel plant has carved its niche in entrepreneurial brilliance in Odisha. Rourkela Steel Plant the pioneer in the production of sophisticated steel products. On 3<sup>rd</sup> February 1959, the then President of India, His Excellency Dr. Rajendra Prasad lighted off the first Blast Furnance 'Parvati' with this lighting up there began the production of hot metal.

In order to overcome technological obsolescence and to continue to remain competitive in the market place, RSP sent for further modernization in 1988. The modernization of the plant was completed in two phases from 1994 to 1999. RSP was the first plant in India to incorporate LD Technology of steel making. To meet the present and future manpower needs, Personnel Department of RSP makes strategic personnel planning and ensures induction of competent personnel in the organization. In order to encourage the employees to maintain constantly high levels of performance, Personnel department facilitates the introduction and implementation of various financial and non-financial motivational schemes and awards. Rourkela Steel plant is today on the threshold of such as epoch making era. The main advantages of RSP include increased economy of scale, enlarged customer base, enhanced quality, reduced cost of production, better market compatibility, improved labor productivity, adherence to environment norms, superior technoeconomics etc.

## LITERATURE REVIEW

Culture is not tangible and it plays a very important role to the success of any business enterprise. According to Lahiry (1994) various researchers have found that organizational culture affects the commitment of employees. Newstrom and Davies (2002) define employee commitment as the degree to which an employee recognizes himself with the organization and wants to carry on participating in it.

Schein (1992) has identified three levels of culture i.e. artifacts which are shared by members of an organizational group which are tangible aspects. They include variable verbal, behavioural and physical attributes. The other things included symbols and ceremonies, language, rituals, myths and stories and technology and art used by an organization. The next level is exposed values that are generally determined by the leader and later become assimilated into the organization. At this level it as refers to norms, ideologies, characters and philosophies that are the construct in the organization. Values will become assumptions as time passes by and they are perceived to lead to success. The third level is assumptions. They are found in deepest level of the organization. Culture end are the hardest for an outside observer to identify. They have been taken for granted as reality and are no longer challenged. They determine perceptions, behaviours and thought processes.

Saffolds (1988) proposed measuring culture using two general groups. They are measures of 'cultural dispersion' and measure of 'cultural potency' to replace the notion of the strength of organizational culture. Cultural dispersion measure to understand the extent of art-factual, sociological, psychological penetration of various cultural aspects including the internalization of values.

The second measure is cultural potency which determines the extent to which the cultural paradigm influences behavior and aligns strategically with organizational goals. It measures the symbolic potency, ability to change as well as elemental coherence.

Strong commitment is found in employees who work for and stay in the organization for longer period of time and among employees who had experienced personal success in the organization. Allen and Meyer (1990) have proposed three components of organizational commitment. They are affective, continuance and normative components. Employees can develop varying degree of all the above three forms of commitment with each component developing from different experiences and having different implications in the work environment. The three components of commitment is affective commitment-involves the employees association and identification in the organization and their emotional attachment. Continuance commitment involves commitment based on the incurring of the investment that the employees are attached while leaving the organization and normative commitment is based on the obligation of the employees to stay within organization.

It has been asserted that organizational performance and profitability can be increased through organizational culture and organizational commitment (Angle & Perry, 1981; Deal & Kennedy, 1982; Kotter & Heskett, 1992). It has been found that an increased organizational commitment has led to a reduced turnover of employees (Lee & Ashford, 1992). It has been found that a positive correlation exists between organizational commitment and certain types of organizational cultures (Lahiry, 1994, Lok & Crawford, 2003). This would indicate that there are particular types of organizational commitment that are better suited to certain types of organizational culture. Meyer *et al* (1991) stressed further that the three types of organizational commitment that cannot be mutually exclusive.

Some of the demographic factors such as gender, age and length of service have significant relationship between employees organizational commitment. Organizational culture influenced the internal organizational policies and it also effect goals and values of the committed employees. So employee commitment is defined as achieving the organizational goals, when the employees' involvement and dedications in the organization when the employees are not satisfied at workplace they become less committed and quit the job. Organizational culture is important infostering employee commitment in organizations (O' Reilly, 1989).

According to Lathery (1994), no significant relationship was found between normative commitment and an organization's culture. This is contrary to O'Reilly *et al.* (1991) who indicated that normative commitment is related has a strong and positive relation to strong culture in the organization. According to Rashid *et al.* (2003) for the various types of organizational culture, there is an appropriate type of organizational commitment.

O'Reilly (1989) proposes linking the existing values and norms to the strategic objectives of the organization by identifying norms that would aid and those that would hinder the organization's objective. The desire norms can then be rewarded and developed in the organization. A number of rationale exist why it is difficult to change organizational cultures and sustain that change, these include: poor communication in creating a compelling reason for change and a lack of senior management support ( Kotter & Heskett, 1992, Smith, 2003).

Martin and Siehl (1983) argue that cultures cannot be actualized or constitute prevail and managers need to exploit on the positive aspects while minimizing the negative ones.

Schein (1986) has a more conciliatory tone when he states that 'one cannot change pieces of a stable culture without creating potentially massive anxiety'. Schein (1986) proposes using Lewin's unfreezing and refreezing concept as a possible method to achieve culture change, together with strong leadership. Schein (1986) argues further that culture plays a different role during the different phases of an organization's life. During the primeval stage, the organization is under the guidance of its founders. It requires the inception of a strong and clear culture that forms a source of identity and strength to overcome competitors. Mid-life organizations have developed a culture which would reflect functional or geographical organizational differences and had to be managed by encouraging subcultures that reflect the organizations long term strategy (Schein, 1986). Declining organizations have to recognize that their basic assumptions have the urge to be changed to remain competitive (Schein, 1986).

Employers need to understand that the level of employee involvement and commitment will not be uniform for all times. There would be phases when a number of employees will feel low and it will impact their productivity but that is natural.

A committed employee is far superior than the one who promises but never delivers because there is a huge difference between promise and commitment. Committed employees always help to shape a healthy corporate image. Commitment is a two way process and one must go the extra mile to create and maintain it. The commitment, trust and empowerment conjointly placed. It is probably the exclusive way to achieve true corporate excellence (Vohra, 2003).

Mullins (1999) concludes that a remarkable employee commitment denote readiness to work for the organization's benefit but that its continuation depends on the complementary commitment by the



organization to its members. In the current industrial climate, there needs to be concern not only for producing goods or services but also for the encouragement of innovative, exploratory and creative ideas that go beyond what can be prescribed for the job and for the application to work of intuitive as well as explicit knowledge. These multiple objectives can only be achieved if managers consider with care, exactly what kinds of commitment they are aiming for and design strategies and methods accordingly.

There is strong affiliation between organizational culture and commitment; however the bureaucratic work practices often result in adverse employee commitment while supportive work environment could result in greater commitment and involvement amount employees (Brewer, 1993). Hofstede et al. (1990) and Hofstede & Peterson (2000) argue that societal cultures are differentiated by values whereas organizational cultures are differentiated by practices.

Organizational culture and employee commitment advance over time through the proliferation phases of industry life cycle; it also is dependent on external factors such as employee market, economic circumstances and economic wellbeing of the offspring industry's clients.

The benefits of having committed employees is articulated by Simpson(2006) who states that commitment rather than compliance should be engendered, for when people operate from true commitment; they feel a enlightened personal ownership and obligation for the success of the organization and for attaining its strategic direction. They recognize the convincing link between their personal needs and aspirations and those of the organization. They know that giving their best will serve and benefit everyone involved, so they spontaneously offer their best aligned behaviour. In true collaboration, people's actions are consistently focused and purposeful. They demonstrate high levels of commitment and teamwork for long term sustainable success. They communicate sincerely, coordinate seamlessly and respond collectively in quest of shared goals.

In this context, the following research hypothesis was formulated based on previous literature survey.

**H<sub>1</sub>:** *Organization culture of RSP based on their employees' attitude strongly affects their commitment level.*

## METHODS AND DESIGN

The research study was primarily based on field survey and exploratory in nature. Most of the data were primary and collected through one tailor-made questionnaire. However, few secondary sources were also referred like company's annual reports. The data for the study were collected through a structured questionnaire from 150 RSP employees covering all levels, during the year of 2017. While choosing the employees, the method of convenient sampling was followed and the respondents were approached personally. Initially 200 samples were planned, but because of less accessibility to few of all employees, unwillingness of the company management to provide data, time and budgetary constraints restricted the sample size to 150. A questionnaire for employee survey was designed keeping the broad parameters in mind, which was pre-tested before finalization. The data were collected for organization culture and employee commitment, in a 7-point Likert scale, ranging from 1 indicating strongly disagree response category to 7 indicating strongly agree response category. The questionnaire containing all the items related to organization culture (Bös Bernhard, Dauber Daniel, Springnagel Mario, 2011; Nadaraj Naicker, 2008; Human Factor International, 2011) and employee commitment was developed with minor modifications, which was used for employee survey and administered keeping the broad objectives in mind. Apart from this, some other

type of data like demographic background of RSP employees, was also collected. The data collected through measurement instrument were entered into an MS Excel work sheet and then transferred to SPSS statistical software for further processing. Cross tabulations and regression analysis were made to understand the underlying relationships among the variable under study. Finally, for structural equation modeling purpose, Amos-17 software package was used. Structural models were developed and tested on the basis of Confirmatory Factor Analysis (CFA), after studying measurement models.

## RESULTS AND DISCUSSION

The demographic backgrounds of the sample respondents in five parameters are presented in Table 1 to understand the employee profiles i.e., age, marital status, position, qualification, and annual salary.

**Table 1**  
**Employee Profile**

<i>Parameters</i>	<i>Level</i>	<i>Frequency</i>	<i>Percentage</i>
Age	25 to 29	20	13.3
	30 to 34	34	22.7
	35 to 39	20	13.3
	40 to 44	10	6.7
	45 to 49	30	20.0
	50 to 54	27	18.0
	55 & above	9	6.0
Marital status	married	125	83.3
	unmarried	25	16.7
Position	Asst. Manager	44	29.3
	Deputy Manager	25	16.7
	Sr. Manager	38	25.3
	AGM	39	26.0
	DGM	4	2.7
Educational qualification	Diploma / certificate	4	2.7
	Bachelor's degree	30	20.0
	Post-graduate degree	22	14.7
	Professional degree	94	62.7
Annual salary	2.5 to 3 lakhs	5	3.3
	3.5 to 4 Lakhs	10	6.7
	Above 5 Lakhs	135	90.0

Simple linear regression analysis was applied to know the impact of Organizational Culture on Organizational commitment of employees of RSP. Therefore, Organizational Culture was taken as independent variable and employee commitment was taken as dependent variable. From the regression analysis output, it was seen that organizational culture explains 10.7% of total variance of employee

commitment of RSP, which is also significant at 1% level of significance (table 2). Further, referring to table 2, it was also found that the unstandardized regression coefficient of organizational culture was 0.431, which was also significant at 1% level.

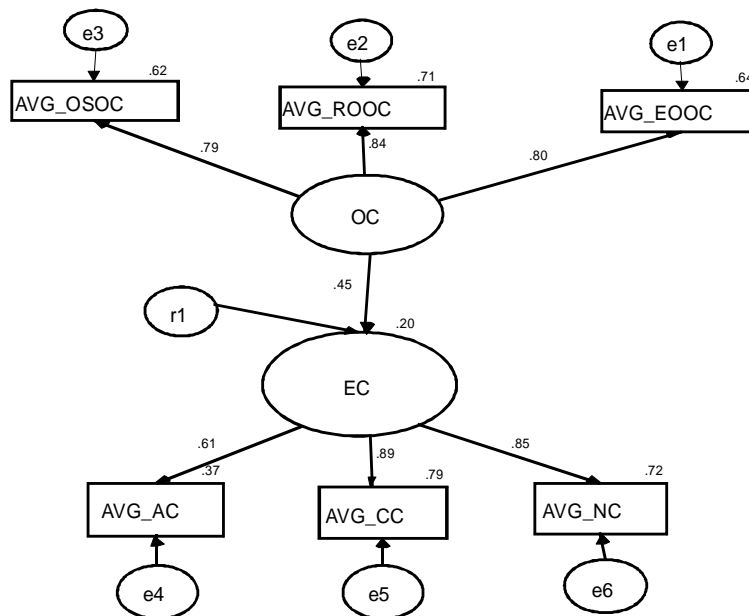
**Table 2**  
**Regression Analysis Showing the Impact of Organizational Culture on Employee Commitment in RSP**

Relationship Path	Indices of Simple Linear Regression Analysis					
	R <sup>2</sup>	F	B (Unstandardized Coefficient)	Std. Error	t	Remarks
OC → EC	0.107	8.865**	0.431	0.145	2.977*	H <sub>1</sub> supported

\*\* p < 0.01, \* p < 0.05

Hence, the hypothesis which was taken earlier that, there exists a significant impact of organization culture on employee commitment of RSP employees got accepted.

Further, to assess the probable relationships of perceived organization culture of RSP employees with their commitment level simultaneously, structural equation modeling (SEM) was used to validate the formulated hypothesis (H<sub>1</sub>). AMOS (v.17) software was employed to carry out SEM path analysis. As seen in Figure 1, there were three dimensions of organization culture (OC), namely, Employee Oriented Organization Culture (EOOC), Result Oriented Organization Culture (ROOC), and Open System oriented Organization Culture (OSOC) (Bös Bernhard, Dauber Daniel, Springnagel Mario, 2011; Nadaraj Naicker, 2008; Human Factor International, 2011), which were taken as observed variables of the construct of OC. Again, for the construct employee commitment (EC), another three measuring items were taken (Affective commitment, Continuance commitment and Normative commitment) as shown in Fig 1.



**Figure 1: Structural Equation Model linking OC with EC**



Table 3 shows the model fit indices of SEM as found in the empirical investigation. Based on this table, (Chi-square = 42.001, DF = 8,  $p < .01$ ); (CFI = 0.991); (RMSEA = 0.069); (NFI = 0.989); (TLI = 0.977). These model fit indices provided evidence towards the validity of the empirical model (Hair *et al.*, 2006).

**Table 3**  
**Fit Indices of SEM**

<i>Chi-square</i>	42.001 (DF= 8)**
CFI	0.991
NFI	0.989
TLI	0.977
RMSEA	0.069

Note: \*\* $p < .01$

### MANAGERIAL IMPLICATIONS AND CONCLUSION

Maintaining suitable organizational culture and achieving employee commitment is at the heart of modern HR policy and procedure, which is a major focus area of both policy makers and administration in steel industry of India. The existing culture of organization can be the outcome of company's well defined vision and values. The derived outcome of this study may encourage the top management of RSP to improve employees' acceptance of organization culture as the determinant of their commitment level. Research clearly showed that there is a strong link between organization culture and employee commitment. A steel company that enhances organization culture will likely see an improvement in employee commitment. Moreover, stronger commitment may lead to higher degree of employee retention, and stronger employee morale. The research study could find the empirical evidence and structural equation model for all these simultaneous relationships showed good indices of model fit also.

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