

Factors Affecting Employees' Organizational Commitment—A Study of Banking Staff in Ho Chi Minh City, Vietnam

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Abstract—Commitment-based organizations believe that staff's organizational commitment contributes to workforce stability and better customer service, hence increase business performance. This study explores the factors affecting employees' organizational commitment in banks in Ho Chi Minh City, the biggest commercial city in Vietnam. A quantitative survey of 201 banking staff in 11 banks in this city, selected according to convenience sampling method, confirmed the impact of a set of high-performance human resources managerial practices on staff's organizational commitment. The study also indicated job satisfaction as a pathway to bridge this set with organization commitment. The pathway from human resources practices to organizational commitment, mediated by job satisfaction, has never been statistically tested in banks in Vietnam before. The findings again recommend commitment-based organizations continue and reinforce organizational support for their staff.

Index Terms—organizational commitment, job satisfaction, human resources practices

I. INTRODUCTION

Banking performance in Vietnam has been assessed to be very weak in managing loans in recent years. Non-performing loan rate in Vietnam's banks in 2013 is at the warning level [1]. Restructuring the banking sector is priority objective of Vietnam's government for the years to come. This difficulty may cause workforce transition from banking sector to more profitable industries. In hard times, organizations want their experienced and talented staff to stay on to share difficulties and possess strong commitment to serving customers for the business interest. Therefore, committed staff is valuable human capital for the banks. To specify the factors to improve staff's organizational commitment would be an important focus in the human resources strategies of commitment-based banks.

II. LITERATURE REVIEW

The most popular conventional motivation theories in human resources management include two-factor

Hertzberg theory of motivation [2]. This theory determines factors in work content and context affecting employees' satisfaction and dissatisfaction. Recent human resources models include human capital and commitment as follows.

Human capital and commitment models: The key argument for this model is psychological contract between employer and employees. In this engagement, employees and employer are committed to each other. On the side of employer, by investing in improving skills and knowledge for employees, they would better serve customers who would come back to use the services of the business, hence improve organizational performance [3], [4]. In addition to skill enhancement, organizational support climate such as career development, teambuilding activities also plays an important role in enhancing business performance as employees have conditions to do their best for the business interest [5]. It may be referred to as a psychological contract between employer and employees. On the side of employees who receive investments in capacity enhancement, which is a signal from their employer's long-term commitment, they know that their organization takes care of their livelihood and in return for it the employees will be more committed to the organization.

In the retail banking sector, employees' perceptions of human resource practices (i.e. skills, opportunity to participate, incentives) are positively correlated with bank branch performance [4], [6].

Three-component model of organizational commitment: Normative commitment, continuance commitment, affective commitment are three constructs of organizational commitment [7].

As employees are satisfied with their job, they tend to have higher affection towards their workplace. Samad [8] found the impact of job satisfaction on organizational commitment and staff retention rate among Malaysian employees. Nawab [9] studied the influence of compensation for staff on job satisfaction in the educational sector.

Conceptual framework: As discussed above, previous studies regarded career development (skill training) and compensation as predictors for organizational

commitment but they did not explain the causal relationship between the set of work context and content (working relationship with management, workplace conditions, career development, teamwork spirit and compensation) and organizational commitment. Also, there was no study to examine job satisfaction as a pathway to connect that set to organizational commitment. Below are my proposed hypotheses.

H_1 : Banking employee job satisfaction is positively affected by human resources practices (relationship with management, working environment and conditions, career development, teamwork spirit, and compensation)

H_2 : Banking employee organizational commitment is positively affected by human resources practices (relationship with management, working environment and conditions, career development, teamwork spirit, and compensation)

H_3 : Employee organizational commitment is positively affected by job satisfaction.

III. METHODOLOGY

A. Sample and Population

To test the hypotheses, a quantitative study of banking staff was conducted using convenience sample of 11 among 42 commercial banks in Ho Chi Minh City, the largest commercial city in Vietnam. We were able to contact the human resources department of these banks thanks to personal relationships and have them distribute the survey questionnaires to banking staff of all departments. I receive a total of 201 responses. According to sampling method recommended by Comfrey and Lee [10], "the adequacy of sample size might be evaluated very roughly on the following scale: 50-very poor; 100-poor; 200-fair; 300-good". Therefore, the size of 201 of this study is adequate for processing.

B. Instrumentation

Human resource practice variables: Table I indicates the variables in my model and their measurements.

Job satisfaction variables: The factor of job satisfaction is measured on 9 variables in five-point Likert scale as follows. TS1: I'm satisfied with the work load and job assignment; TS2: I'm satisfied with the work record system in the company; TS3: I'm satisfied with company promotion and career development; TS4: I'm satisfied with my job decision; TS5: I'm satisfied with the employee and employer in the company; TS6: I'm satisfied with the management in the company; TS7: I'm satisfied with my current income and benefits; TS8: I'm satisfied with the working condition in the company; TS9: I'm satisfied with the colleague relationship in our company.

Employees' organizational commitment variables: Adopting the variables in the previous studies, I redesigned the variables for commitment with five-point Likert measurement scale as follows. EC1: I feel attached to this company; EC2: I'm eager to change the way I do

my job if this change has positive effect for my company; EC3: my life will have trouble if I leave this company at this time; EC4: the reason I like the company more is that it brings belief and values to my life; EC5: I intend to work for this company for long time; EC6: I am proud of being a member of this company; EC7: my current company is the best place for me to work.

TABLE I. THE LIST OF HUMAN RESOURCES PRACTICE VARIABLES

Factors	Number of Variables	Author/Source	Type of Scale
Relationship with management (REWIMA)	6	Adapted from Eisenberger et al [11]	Five-point Likert Scale
Working Environment and Conditions (WORENCON)	5	Narrative	Five-point Likert Scale
Career Development (CARDEV)	4	Bartel [4] Tsui, Pearce, Porter and Tripoli [5] Becker and Gerhart [3]	Five-point Likert Scale
Teamwork Spirit (TEWOSPI)	5	Cappelli and Rogovsky [12]	Five-point Likert Scale
Compensation (COMPEN)	3	Nawab [9] Farrel [13]	Five-point Likert Scale

C. Data Analysis

To test the Hypothesis 1, I regressed the employee satisfaction on the human resources practice set of 5 independent variables including REWIMA-Working relationship with management, WORENCON-Working Environment and Conditions, CARDEV-Career Development, TEWOSPI-Teamwork Spirit, COMPEN-Compensation.

To test the Hypothesis 2, I developed a multi-variate regression model with the dependent variable of organizational commitment and the human resource practice set of 5 independent variables including REWIMA-Working relationship with management, WORENCON-Working Environment and Conditions, CARDEV-Career Development, TEWOSPI-Teamwork Spirit, COMPEN-Compensation.

To test the Hypothesis 3, I regressed the organizational commitment on job satisfaction.

We therefore test job satisfaction as mediator between human resources practices and the organizational commitment. If the coefficient on the human resources practices becomes insignificant when job satisfaction is added to commitment equations, this result can be taken to suggest that the human resources practices influence organizational commitment through their effect on job satisfaction.

IV. FINDINGS AND ANALYSIS

A. Reliability Test

For testing consistency among multiple measurements

of a variable, Cronbach's alpha coefficient was calculated. Table II and III show that these coefficients for all factors are greater than 0.8, which is good for scale reliability according to Nunnally and Bernstein [14].

TABLE II. SUMMARY OF INDEPENDENT VARIABLES WITH RELIABILITY COEFFICIENTS

Given Names		Number of Items	Cronbach Alpha
Factor 1	Relationship with management (REWIMA)	6	.910
Factor 2	Working Environment and Conditions (WORENCON)	5	.871
Factor 3	Career Development (CARDEV)	4	.871
Factor 4	Teamwork Spirit (TEWOSPI)	5	.843
Factor 5	Compensation (COMPEN)	3	.809

TABLE III. SUMMARY OF DEPENDENT VARIABLES WITH RELIABILITY COEFFICIENTS

Given Names		Number of Items	Cronbach Alpha
Factor 1	Employee Organizational Commitment (EMORGCOR)	7	.897
Factor 2	Employee Job Satisfaction (EMJOSATIS)	8	.864

B. Statistics and Analysis

Table IV shows that the variables are highly correlated at the significance level of 0.01. Due to the high correlations between the variables, I tested the multi-collinearity in the commitment model that includes both human resources practices and job satisfaction as independent variables by examining variance inflation factors (VIF). Evidence of multi-collinearity exists if the VIF is larger than 10. As no VIF result is greater than 10, no multi-collinearity exists.

C. Regression Analysis

The impact of human resources practices on staff's organizational commitment: The adjusted R-squared coefficient for this multi-variate regression model is 0.598,

meaning that 59.8% of organizational commitment variation is explained by independent variables. ANOVA test results show the significance level is less than 0.05 indicating that the independent variables as a whole influence organizational commitment. However, two independent variables, CARDEV and COMPEN should be removed from the model because p-value is greater than significance level of 0.05 (Table V).

The impact of human resources practices on staff's job satisfaction: The adjusted R-squared coefficient for this multi-variate regression model is 0.547, meaning that 54.7% of staff's satisfaction variation is explained by human resources practice variables. ANOVA test results show that the significance level is less than 0.05 indicating that the independent variables as a whole influence satisfaction. However, two independent variables, CARDEV and COMPEN should be removed from the model because p-value is greater than significance level of 0.05 (Table VI). This removal confirms that the deletion of the two independent variables in the previous model is supported.

The impact of staff's satisfaction on their organizational commitment: The adjusted R-squared coefficient for this multi-variate regression model is 0.467, meaning that 46.7 % of staff's organizational commitment variation is explained by their satisfaction with their work (Fig. 1). Table VI shows there is a strong causal relationship between job satisfaction and organization commitment (p-value <0.05).

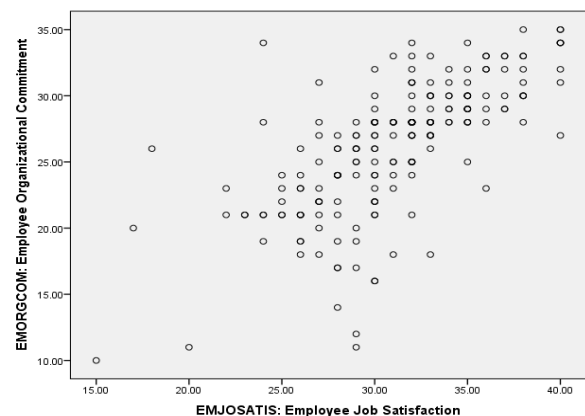


Figure 1. Correlation between job satisfaction and organizational commitment.

TABLE IV. VARIABLES' CORRELATIONS OF THE EMPLOYEE ORGANIZATIONAL COMMITMENT MODEL

	EMORGCOR	1. REWIMA	2. WORENCON	3. CARDEV	4. TEWOSPI	5. COMPEN
1. REWIMA	.677**					
2. WORENCON	.586**	.609**				
3. CARDEV	.545**	.676**	.465**			
4. TEWOSPI	.707**	.620**	.573**	.564**		
5. COMPEN	.506**	.575**	.438**	.616**	.497**	
6. EMJOSATIS	.685**	.677**	.610**	.497**	.622**	.405**

TABLE V. HUMAN RESOURCES PRACTICES AND STAFF'S ORGANIZATIONAL COMMITMENT MODEL

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.323	1.598		-.202	.840
REWIMA: Relationship with Management	.343	.084	.293	4.106	.000
WORENCO: Working Environment and Conditions	.214	.090	.141	2.367	.019
CARDEV: Career Development	.019	.107	.012	.174	.862
TEWOSPI: Teamwork Spirit	.667	.103	.405	6.496	.000
COMPEN: Compensation	.135	.121	.067	1.121	.264

Dependent Variable: EMORGCOR: Employee Organizational Commitment

TABLE VI. HUMAN RESOURCES PRACTICES ON JOB SATISFACTION

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	8.647	1.537		5.624	.000
REWIMA: Relationship with Management	.425	.080	.401	5.288	.000
WORENCO: Working Environment and Conditions	.330	.087	.240	3.792	.000
CARDEV: Career Development	.006	.103	.004	.060	.952
TEWOSPI: Teamwork Spirit	.397	.099	.266	4.019	.000
COMPEN: Compensation	-.119	.116	-.065	-1.024	.307

Dependent Variable: EMJOSATIS: Employee Job Satisfaction

After removal of two variables CARDEV and COMPEN, the revised conceptual model is suggested in Fig. 2.

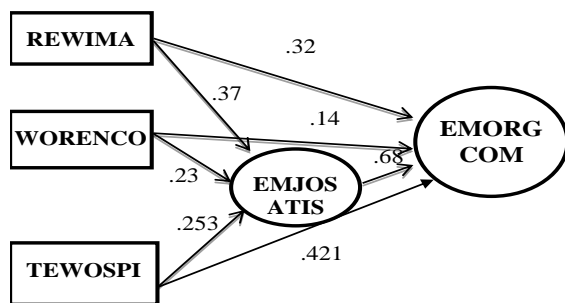


Figure 2. A revised conceptual model (all coefficients in the model is significant at the 0.05 level).

V. CONCLUSIONS

Employee engagement to their organization is vital to commitment-based organizations. Some human resource scholars have emphasized the concept of psychological contract in that increasing knowledge, skills, communication frequency and quality are signals of long-term commitment from management and in return staff will demonstrate their commitment. Other motivation theorists have believed that high compensation levels can lead to higher satisfaction level, though little literature

shows a causal relationship between satisfaction levels and staff's long-term commitment to their management and workplace. This study tests an integrated model of the two above theories by refining a new set of high-performance human resource practices (teamwork, working relationship with management, work conditions) in the commitment model and the test results show this set is predictor for staff's organizational commitment. Furthermore, the findings also show how these high-performance human resource practices influence organizational commitment by means of job satisfaction.

This study also discloses that career development and compensation, opposite to our conventional thinking, are not predictors for organizational commitment. Interestingly, teamwork spirit plays the most influential role in predicting commitment. Another surprising discovery is the more satisfied staff is with workplace, the higher commitment to organization they will make. This can be understood as affective orientation rather than income orientation (normative commitment) and benefit (continuance commitment).

For commitment-based banks, the study findings are contributory in several points in human resources strategies and policies. If they used to focus too much on compensation and career development, they should pay more attention to psychological aspects in designing jobs and managing people, because this study recognizes supervisor-staff communication and relationship, teamwork spirit as significant factors, neither compensation nor career development path, in creating staff's commitment to the banks. Needless to say, staff commitment results in at least two positive organizational outcomes, firstly greater customer service for the interest of their organization which satisfies and attracts customers and secondly intention to stay on, which would lessen turnover rate hence reduce recruitment and training costs.

In recent years, Vietnam's banks have faced serious problems such as high non-performing loans however being scrutinized these problems almost drop on mismanagement and leadership, not due to staff. Experienced and capable banking staff are investments of the banks in career development and they are human capital who can satisfy customers the best attracting customers. They are also potential for future bank development. Currently Vietnam's commercial banks are assessed to be very weak in providing services. To retain them for future activities is less costly than to recruit and train new staff.

Future research should explore the relationship between employees' satisfaction and their individual performance, between staff's organizational commitment and business performance, which is a limitation of this study.

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