

# Investigating Relationship of Performance Appraisal, Employee Empowerment and Financial Benefits on Employee Commitment in Bangladesh Ready-Made Garments Industry

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**Abstract:** Employee commitment is priority of every organization. Only committed employees get talented in the companies and deliver the desired results. This study investigates the relationship of Performance Appraisal, Employee Empowerment and Financial Benefits on Employee Commitment in Bangladesh Garment Industry. To achieve this got response of 100 employees of the readymade garments industry of Bangladesh through a survey. After analysis of data using SPSS 23 version, we have concluded that all variables have a significant positive relationship with the employee commitment. Performance appraisal has very large impact employee commitment. Surprisingly, employee empowerment has a very weak relationship with the employee commitment. It has been observed that in garment sector customers don't expect least empowerment because in production standard Operating Procedures are followed. This study is very useful for the practitioners in garment industry in Bangladesh.

**Keywords:** Garments, Performance Appraisal, Employee commitment, financial benefits

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Date of Submission: 25-07-2018

Date of acceptance: 06-08-2018

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## I. Introduction

Employee commitment is the best competitive advantage a firm can have. It can have different shapes. Most often it is used as a HR variable to measure the employee's performance, their satisfaction by the company or predict their stay in the company. The background, course and development of commitment, as well as the extent to which commitment influences behavior can result in confusion and debate. Commitment is the bond of employees. That means, employees who are committed to their company generally feel a relation with their organization, feel that they fit in and, feel they understand the goals of the organization. The added worth of such employees is that they tend to be more resolute in their work, show relatively large productivity and are more proactive in offering their support. Most of the two terms employee engagement and commitment are perceived as the same factor. But ideally these two definitions and concepts are different.

At Effectors International, we're often asked to explain the difference between employee engagement and commitment. Engagement is an intrinsic attitude that denotes an employee's enthusiasm for his or her job. Commitment, on the other hand, denotes an employee's enthusiasm for the company he or she works for. "Engaged employees are engaged in their work, but not committed to the organization. Committed employees are committed to the organization, but not engaged in their work. How to increase employee commitment?"

The description above is a very good indicator of employee commitment, but does only offer a broad description. In their article "Three component model of commitment" John Meyer and Natalie Allen<sup>8</sup> discuss commitment in great detail.

## Objectives of the Research

In this research paper we will discuss the employee commitment in point of view of Mayer and Natalie. Hence objective of our research is

- Investigating Relationship of Performance Appraisal with employee commitment
- Investigating Relationship of Financial benefits with employee commitment
- Investigating Relationship of Employee empowerment with employee commitment

## II. Literature Review

Passionate commitmentrelays to how much employees want to stay at theorganization. If an employee is passionately committed to their organization, it means that they want to stay at their company. They typically detect the organizational goals, feel that they are suitable in the company and satisfied with their job. Employees who are affectively committed feel valued, act as an envoy for thecompany and are generally great assets for the company. There is additional form of commitment which is normative commitment: Normative commitment relates to how much employees feel they should stay at their organization. Employees that are normatively committed generally feel that they should stay at their organizations. Normative committed people feel that leaving their organization would have catastrophic consequences, and feeling guilty about the opportunity of leaving.Landy and Trumbo (1980) reported know-how with many companies in which available performance ratings were not submitted to employees, partially because of logistic complications for one supervisors employee interviewing all subordinates, and partly out of superiors' feeling that the ratings served not in real use.

A few correlated literature reviews suggest that most of the study on Readymade Garments (RMG) industries, organizational culture includes performance appraisal policies as part of organizational political views. However, a limited research has detected on performance appraisal politics exclusively (Bhattacharya and Rahman, 1999). Hence, the current study would enlarge the literature on performance appraisal policy and its organizational outcomes in RMG industry. This study will help the entire RMG industry to gain a further understanding of their employees' awareness of performance appraisal process, job satisfaction, organizational commitment and employees' retention in perspective of garments employees.

Readymade garments companies are need to deal with issues of performance appraisal process in order to remain competitive in the international market. The above information leads us to develop an empirical study to explore the current situation of RMG sector's organizational climate. A number of international scholar discussed 'Performance appraisal' as a distinct, proper, organizationally authorized event, usually not occurring more often than once in a year, which has obviously stated performance dimensions and criteria that are used in the evaluation process (DeNisi and Pritchard, 2006).

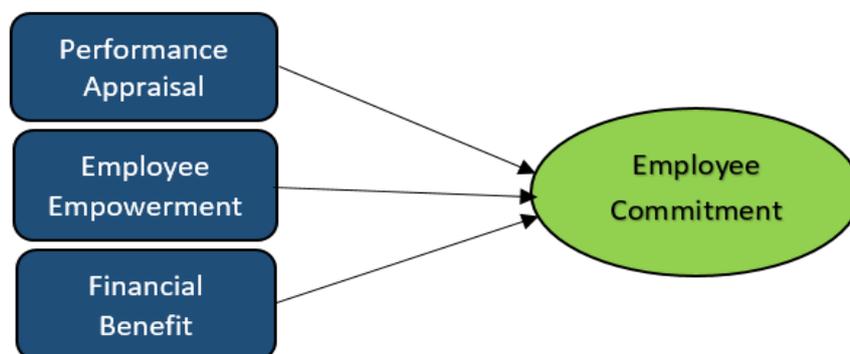
'Performance management' is a set of activities aimed at improving employee performance (DeNisi and Pritchard, 2006). Although performance appraisal information provides input for the performance management process, performance management focuses on ways to motivate employees to improve their performance. Again, the goal of the performance management system is performance improvement, initially at the level of the individual employee, and ultimately to the company. The definitive goal of performance appraisal to provide the information that will best enable managers to develop employees' performance. Thus, preferably, the performance appraisal provides information to help managers manage in such a way that employee performance improves.

Hence based on the literature we have concluded following hypothesis.

H1: Performance Appraisal has a significant positive relationship with employee commitment

H2: Financial benefits has a significant positive relationship with employee commitment

H3: Employee empowerment has a significant positive relationship with employee commitment



**Figure 1:** Conceptual framework of research variables and their relationship

## III. Methodology

### Demography

From the questionnaires, normal descriptive statistics were calculated to describe the distribution of the data. The respondents consisted of 6% from Management Level 70% from Initial Level; 24% Mid-career employees.

**Table 1: Demographic information of the study variables**

<b>Variables</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<i>Junior Employees</i>	70	70%
<i>Middle Management</i>	24	24%
<i>Senior Management</i>	6	6%
<b>Education</b>	—	—
<i>High School</i>	20	20%
<i>Bachelor</i>	30	30%
<i>Masters</i>	50	50%
<b>Work Experience</b>	—	—
<i>Equal to or less than 5</i>	70	70%
<i>Above 5</i>	30	30%
<b>Marital Status</b>	—	—
<i>Married</i>	80	80%
<i>Single</i>	20	20%
<b>Gender</b>	—	—
<i>Male</i>	75	75%
<i>Female</i>	25	25%

For the work experience less than and equal to 5 years 70% and above 5-year experience 30%. In terms of marital status 80% were married and 20% single respondents covered in this study. Participants were 75% male and 25% female in various garment companies. In terms of educational qualifications participants were 20% high school (20), 30% Bachelor degree (30) and 50% Master degree (50) respectively.

**Research design**

To select the participants, non-probability sampling has been used. Type of non-probability sampling which has been used is suitable sample. For this study, RMG industry in were selected as sample. A survey was used in 2018 for data collection. Senior, middle and junior level managers were requested to respond our survey. Survey all measurements were adapted from the sources given in table-2

<b>Measured Variables</b>	<b>Sources</b>
Performance Appraisal (PAP)	Operationally defined by the questionnaire of political consideration in performance appraisal developed by Tziner, Latham, Price, and Haccoun ( 1996 ).
Organizational Commitment (OC)	Operationally defined by Mowday, Steers, Porter (1979)
Employee commitment (EC)	Adapted from definitions developed by Carmeli
Financial Benefit (FB)	Adapted from definitions developed by Miah et al.,2003

**IV. Results**

*Employees’ performance appraisal:* For the purpose of identification of the basic dimensions for performance appraisal process there were five variables cited in Poon (2004). Cronbach's alpha for this scale was found to be .80 (See Table 2). *Employees’ job satisfaction:* For the job satisfaction measure, participants indicated the extent to which they were satisfied with their present job, all things considered. For the purpose of identification of the basic dimension for Job Satisfaction in this research there were six variables. Cronach’s alpha for this scale was found to be .73 (See Table 2). *Employees’ organizational commitment:* It will be measured by a several-item short form of the OCQ developed by Mowday *et al.*, (1979). Each item is cast on a 5-point Likert scale. Cronbach’s alpha for this scale was found to be .80. *Employees’ Retention Rate in this Company:* A 6-item (5-point Likert) scale by merging three items from Carmeli (2003) and three items from Chiu and Francesco (2003) has been used in this research. Cronbach’s alpha for this scale was found to be .8

It is found that as predicted in the hypothesis 1, there is no significant relationship between perception of performance appraisal process and employees’ job satisfaction in context of garment industries. From the table 4 it is also found that ( $\beta=.95, p<.001$ ) employee retention in the organization affects positively performance appraisal process which supports the hypothesis 2.

Again, the regression table demonstrates that organizational commitment has produced positive impact ( $\beta=.02$ ,  $p<.n.s$ ) which supports the hypothesis 3 partially but not significantly making relationship between perception of performance appraisal process and organizational commitment in garment industries.

**Table 4: Regression results on manager’s perception of performance appraisal process**

Variables	Unstandardized Coefficient		Standardized Coefficient		Sig.
	B	S. Error	B	t	
Performance appraisal	.43	.032	.45	23.6	.00
Employee Empowerment	.021	.021	.03	1.21	.05
Financial benefits	0.32	.030	.01	1.98	.00
F	270				
R	.51				
R <sup>2</sup>	.49				
Adjusted R <sup>2</sup>	.54				

Following are the results of the hypothesis

**Hypothesis Results**

Hypothesis	Supported?
H1: Performance Appraisal has a significant positive relationship with employee commitment	Yes
H2: Financial benefits has a significant positive relationship with employee commitment	Yes
H3: Employee empowerment has a significant positive relationship with employee commitment	No

**V. Conclusion and Discussion**

Objective of our study was identifying the impact of performance appraisal, employee empowerment and financial benefits on employee commitments. It has been concluded that performance Appraisal has a significant positive relationship with employee commitment; financial benefit has a significant positive relationship with employee commitment; employee empowerment has a significant positive relationship with employee commitment. Companies have to focus on the employee appraisal system. There should be 360 employee appraisal system to get just let the employee realize the organization is taking care about them.

It has been concluded that employee empowerment does not have a significant impact on the employee behavior. Usually garment factories are small factories. There employees have defined standard operating procedures. Everyone’s role is clear so the chance of requirement of the empowerment requirement is less.

After appraisal, financial benefits are second most important variable in employee commitment. Appraisal has a direct link because with employee commitment as the employees have the expectations. Where there is gap between expectation and reality then they feel they should leave the company. Performance appraisal is also associated with the financial benefits. If some employee is already getting a good salary for him its good satisfaction factors. Managers should make sure that employee appraisals and net benefits are kept private.

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Md. Kamrul Hasan., "Investigating Relationship of Performance Appraisal, Employee Empowerment and Financial Benefits on Employee Commitment in Bangladesh Ready-Made Garments Industry." *IOSR Journal of Business and Management (IOSR-JBM)* 20.8 (2018): 07-11.