Moderating impact of organizational culture on the relationship between Leadership behaviour and Organisational Commitment in Automobile Industry in Sri Lanka

H.M. Nishanthi
Department of Human Resource Management, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka

K.S.U. Perera
Department of Human Resource Management, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka

Abstract: The purpose of this exploratory study was to identify the moderating effect of organizational culture on the relationship between leadership behavior and the organizational commitment of the executive level employees in automobile industry, Sri Lanka. The concepts, organizational commitment and leadership behavior were tested in an individual level while organizational culture was assessed at an organizational level. The studies which analyzed data from a multi-level in Sri Lankan context tend to be rare. Further, researchers did not find any study relating to the automobile industry which addressed this matter in detail. Study was conducted by selecting a sample of 100 executive grade employees while primary data were collected using an pre tested self-administered questionnaire which met accepted levels of validity and reliability. Data were analyzed by using SPSS version 20 where simple regression analysis was used to test the direct relationship and multilevel linear regression analysis was used to test moderating impact of organizational culture on the above mentioned relationship. Results of the study revealed that there was a strong positive impact of the leadership behavior on the employee commitment. Further, it was also found that there is a strong impact of organizational culture on the employee commitment, whereas impact of leadership behavior was weak. No moderating impact of organizational culture on the relationship between leadership styles and employee commitment was found.

Key words: organizational commitment, leadership behaviour, organizational culture

I. Introduction

For today’s business leaders, it is inevitable to face many unpredictable challenges due to the changes in customer preferences (Earle & Estrin, 1996). In order to address those dynamic customer preferences maintenance of a committed workforce is of greater importance. According to Earle and Estrin (1996), to face this challenge along with the challenge of being profitable, organisations require committed leaders as well to drive the organisation towards the path of success. Mathieu and Zajac (1990) also noted that an organization’s effectiveness, profitability or even the survival may even depend on the level of employee commitment. Apart from this, Koch and Straten (1997) highlighted that, if there is very supportive culture within the organization, the company leaders automatically act as very supportive and flexible leaders within the organization which is then replicated in employees. Thus, organisations can retain committed and effective employees.

There is abundant literature available on the concepts of organizational culture, leadership behaviors, and employee commitment. Several authors assessed the impact of leadership style on employee commitment (e.g., Yousef, 2000; Yting & Ahmad, 2009; Williams & Hazer, 1986). The relationship between culture and employee commitment has also been researched by scholars such as (Brewer, 1993, 1994; Brewer and Clippard, 2002; Lok and Crawford, 2001; Trice and Beyer, 1993). Nishanthi and Kailasapathy (2017) had also looked in to assess employee commitment in Sri Lankan context with reference to organizational socialization and protean career orientation. Ajay (2015), in his study explored voluntarism and organizational culture related to employee commitment and citizenship behaviors in public sector organizations in India. Abduland Ibrahim (2002), also studied the influence of corporate culture and employee commitment to performance in public sector organization’s managers in Malaysia. There were few empirical studies which highlight the relationship between leadership behavior, organizational culture and the employee commitment together. For example, Hickman & Silva, 1984; Lee, 2008; Smith & Peterson; Li, 2004).
According to Anthony, Cohen, Farkas and Bachrach (1990), leadership is the ability to influence an individual behavior or organization to achieve organizational targets and goals effectiveness. Bernard and Bass (2003) identified that leader’s behavior is positively related to the employee commitment. The findings of Hansen and Werner (1989), revealed that organizational culture plays an influential role in determining employees’ goals and their level of effectiveness in task execution and resource allocation. Deal and Kennedy’s (1982), findings also justified effect of organizational culture on job performance and employee commitment. Hence, it is worthwhile to assess the link of employee commitment to organizational leadership as well as culture in Sri Lankan context.

Through the pilot surveys and informal discussions with automobile industry managers, researchers were able to identify that this industry suffers from high labour turnover due to the dissatisfaction on managerial leadership behavior as well as due to the mismatch with the organizational culture. Accordingly, the researchers were curious to assess whether there is an impact of leadership and culture on employee commitment. Hence, the main objective of this study was to identify the moderating effect of organizational culture on the relationship between leadership behavior and employee commitment. The main importance of this study is that researchers have focused on all three concepts together and conduct a multi-level analysis on organizational culture, leadership behavior and employee commitment. According to the authors’ knowledge, there are no such multi-level studies conducted in the Sri Lankan context specifically in the automobile industry and that void in research is expected to be addressed to a certain extent through this study.

II. Literature Review

2.1 Employee commitment

Employee commitment has direct link with the overall organization (Meyer & Allen, 1990). It is identified as a direct linkage factor with organizational outcomes of job performance (Chen et al., 2006; Yousef, 2000), employee satisfaction (Meyer et al., 2002; Yousef, 2000), and turnover (Meyer et al., 2002; Powell & Meyer, 2004). According to Leonard (1988), normally employees are highly concerned of their job security and rewards. If there is increased job stress and reduced career advancement in the organisation, they may decide to leave the organization. Further, long-term employee commitment may enhance creative thinking, leading to group stalesness. According to Leonard (1988), employee commitmentis define in different ways with little consensus. Most definitions recognize that commitment is a psychological relationship between the individual and the organization (Leonard, 1988). That bond includes such concepts as the ability to enhance energy, loyalty and work toward the organization's goals, the unwillingness to leave the organization because of the rewards, a sense of belonging to the organization, a positive evaluation of the organization, accept and understand about the organization's values and goals.

According to Meyer & Allen (1990), employee commitment is a psychological state which highlights the association of employee with his/her organisation, as well as the decision to continue or discontinue membership in the organization. According to their model, there are three main components of commitment called affective, normative, and continuance commitment. Among commitment models of Allen and Meyers, affective commitment is the widely used by many researchers to test levels of commitment of employees. The reason is, affective commitment is the most powerful and most consistent element of organizationally desired outcomes (Allen et al, 2003; Meyer & Smith, 2000; Rhoades et al, 2001). According to the Allen and Meyer (1990), affective commitment described as an emotional bond with the organization, to remain employee within the organization.

Then next component of Allen and Meyer’s commitment model is the continuance commitment. Accordingly, employees may decide to remain with the organisation due to high opportunity cost involved in leaving it. Meyer and Herscovitch (2001), defined continuance commitment as the perception that it would be costly to discontinue a course of action. Continuance commitment has direct linkage with what employees have given to their organization in the past time. Employees’ previous behavioral acts make them committed to the organization. Further, employees may think that they will be entitled for more and more benefits if they stay with and organization reducing the risks associated with leaving it. They may enjoy benefit such as high pay rate, other job related facilities, job seniority as well as job security. If they move to another organization, they might loose these benefits. This would result in greater commitment towards the current organisation (Allen & Meyer, 1990; Powell & Meyer, 2004).

Then, normative commitment helps to remain an employee within the organization, because of the sense of obligation (Allen & Meyer, 1990). Meyer and Herscovitch (2001); Meyer and ParfyonoVa (2010), stated that normative commitment has two aspects namely (1) moral duty (2) indebted obligation. Normative commitment arises when employees feel that morally, staying with the organisations is the right thing to do (Colquitt et al., 2010; Meyer & Allen, 1990).
2.2 Leadership behavior

Machiavelli (1992) stated that the leader should be an intelligent and obedient person to take the support of the people. Accordingly, authors identify leadership as a description of personal quality. Stogdill (1950), described leadership as the process of influencing the activities of an organized group in its efforts toward goal setting and goal achievement. According to Daft (2005), leaders can be autocratic, democratic or permissive based on the degree of centralization of authority. The leader who follow directive style encourage their subordinates to do the exact expected by the leader (Mehta et al, 2003). Further, this leader always provide directions to do employees working activities effectively. Supportive leaders always concern about their subordinates’ well-being and their personal needs. This leader is very open, friendly and treat every employee in equal way (Mehta et al, 2003). Participative leader always provides consultations. He encourages employees participation to make decisions within the organization. (Mehta et al, 2003).

Bass (1985), further explained another three leadership behaviors named, transformational, transactional and laissez - faire based on the result of his full range leadership model. According to Yukl (1998), Laissez-faire is the opposite side of effective leadership. This leader avoids providing directions to his followers as well as he doesn’t contribute to the well-being and growth of his followers. Further, laissez - faire leader doesn’t give any feedback to their followers, he never gives rewards to them. According to Politis (2002), transactional leaders describe the roles of their followers and clarify what they should do to achieve the desired outcomes. Bass et al. (2003) also stated that transactional leadership provide the contribution to effective leadership and it is important to take successful performance from their employees. The transactional leadership process builds on exchange. That type of leaders gives rewards or the punishments for the employees based on their expected performance and rate of completion (Bass & Avolio, 1991). Followers may comply to orders given by this type of leaders but might not result in employee affective commitment (Bass, 1985).

According to Bass (1985), transformational leaders motivate their subordinates to do more than the expected level. Bass identified that transformational leaders can achieve that by providing guidelines and describing the importance and the value of the task for their followers, by encouraging their subordinates to go beyond their own self-interest as well as they encourage employees to increase the level off employees needs. Furthermore, transformational leadership understands the value of responding to the employees, encouraging and valuing their subordinates (Stone, Russell, & Patterson, 2004).

2.3 Organizational culture

According to Schein (1992), organizational culture has three main levels called artifacts, underneat artifacts lie values and basic assumptions. Assumptions are the beliefs about real life and human nature. Values are the social principles, philosophies, goals, and standards which helps to achieve intrinsic worth. Artifacts are known to be the things that visible, tangible results of the activities based on values and assumptions. Schein (1992), identified the culture as the pattern of basic assumptions that a given group has invented, developed in learning to cope with its problems of external adaptation and internal integration. According to Utta (1983), organizational culture is most important elements in each and every organization. Utta (1983) defined culture as a system of beliefs, assumptions and shared values which control how people behave within the organization. These following shared values have a the strong impact on the people within the organization as well as it define that how people dress, act and perform their jobs. Utta’s research on corporate culture vultures identified that perception of organizational culture may differ from one person to another.

Robbins (2005) identified seven primary characteristics in an organizational culture. They are; capacity to innovate and take risks, attention to detail, orientation towards output, orientation towards people, orientation towards teams, aggressiveness and stability. Based on these factors organizational culture differs from one organization to another basing on the subjective perceptions of employees (Robbins, 2005). Wallach (1983, as cited in Huey Ying, 2008), categorized an organizational culture in to three as bureaucratic, innovative a supportive. An organisation might be a combination of these three forms which can be assessed through the Organizational Culture Index (OCI). Wallach (1983) in further description states that innovative culture is a creative, results-oriented, inspiring work environment. It is characterized as being entrepreneurial, ambitious, stimulating, driven and risk-taking. According to Knoop et al (2013), in this culture no one celebrates anyone’s failure. But they do celebrate every successful innovation as a team. In an organisation driven by innovative culture always encourage employees to introduce new ideas, innovations to the organizations which further facilitates openness and freedom for innovation.

A supportive culture, which is the culture where teamwork and people-orientation is valued to the maximum Wallach (1983). This culture always looks at the views of people than earning profits. A supportive culture also encourages and facilitate employees to do new things and trust their employees. Hence, employees tend to be highly motivated. Supportive cultures has also open, trusting, safe, equitable, sociable environment as well as it also relationships-oriented, humanistic, collaborative, and likened as a family (Wallach, 1983).
Based on his findings, Wallach (1983) identified that an employee can be more effective in his or her current job, and realizes his or her best potentials, when there is a match between the individual’s motivation and the organizational culture.

III. Hypotheses Development

2.1 Direct relationship between leadership behavior and employee commitment

Many scholars as specified in the literature review, empirically have identified the link between leadership behavior on employee commitment and organizational culture. Among these researchers higher number of past researches provided evidences showing a positive linkage between leadership style and employee commitment. As an example, Yousef (2000), examined the linkages between leadership behavior and employee commitment and he found that there was a significant positive relationship between the same. He identified that employees were highly committed to their organizations, they were very satisfying with their jobs, and showed high level of job performances when they work under the supervision of leaders who adopt consultative or participative leadership behavior (Yousef, 2000). The study of Yiing and Ahmad (2009), also showed that there is a high positive impact of leadership behaviors on employee commitment. Accordingly, the first hypothesis of the study could be raised as:

H₁: There is an impact on leadership behavior on employee commitment.

2.2 Direct relationship between organizational culture and employee commitment

Many scholars including Rashid et al. (2005) have also supported the relationship between organizational culture and commitment. Some studies have also portrayed organizational culture influence on employee commitment at various levels (Ginsberg & Freedman, 1998; Laschinger et al., 2004). Many studies, in diverse industries and countries show that innovative and supportive cultures had strong positive impact on commitment while bureaucratic cultures had a negative impact on employee commitment towards the organization. (Brewer and Clippard, 2002; Kratrina, 1990; Lok and Crawford, 2p2001; London and Larsen, 1999; Silverthorne, 2004; Trice and Beyer, 1993; Wallach, 1983). Accordingly, second hypothesis of the study could be raised as:

H₂: There is an impact of organizational culture on employee commitment.

2.3 Moderating impact of organizational culture

A Taiwan study by Li (2004), found that the impact of leadership behaviors on employee commitment was different based on the difference of organizational culture. However, Lee (2008), found that there was no moderating impact of organizational culture on the relationship between leadership behavior and employee commitment. Considering these evidences following hypothesis 03 is formulated.

H₃: There is a moderating impact on the relationship between leadership behavior and employee commitment.

IV. Methods

4.1 Research design

The study is quantitative in nature and an explanatory study as it attempts to explain relationships between variables. Furthermore, this study is a cross sectional study. Primary data were collected using a well-structured questionnaire which comprised of validated scales for the tested variables. The unit of analysis of this study would be at the individual level, comprising individual executives working in the automobile industry in Sri Lanka.

4.2 Population and sample

Out of the total population of executive level employees in the automobile industry, researchers selected a sample of 100 executives from selected five companies in automobile industry in Sri Lanka using simple random sampling technique.

4.3 Data collection

Data were collected through a self-administrated, pre tested, standard questionnaire which met the relevant standard of validity. This questionnaire consisted of four sections including demographics. Section 01 consisted of 24 items to measure organizational cultural characteristics (OCI/Organizational culture Dimensions) developed by Wallach (1983). In section 02 leadership behavior was measured using 13 item scale developed by House (1971) and Harris and Ogbonna (2001). Section 03 was dedicated to measure employee affective commitment adapted from Allen and Meyer (1990) where section 04 collected data on demographics. Before collecting data, researchers took approval from each company and assured the confidentiality of the data collection. Within 2 months’ time researchers were able to collect data.

In order to gather the sample of 100 executives, researchers distributed 30 questionnaires (altogether 150 questionnaires) to each organization. These 30 questionnaires were divided among all department level executives who were selected randomly. Ultimate effective response rate was 75%. Collected primary data were analyzed by using Statistical Package for Social Sciences 20. (SPSS). Data were check to make sure normality, linearity, validity, reliability, multicollinearity as well to ensure absences of common method biasness.
V. Data Analysis

5.1 Sample description
Majority of the respondents of the sample males (57%) and also majority were married (58%). Majority (52%) of executives were in the age group of 20-29 years. Apart from that majority of the executives (77%) were qualified having a degree or above qualifications from reputed universities. Further, most of the executives (36%) were working for their company for more than three years.

5.2 Descriptive Statistics
Following table 01 summarizes the descriptive statistics related to three main variables of the model tested.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Employee commitment</th>
<th>Leadership behavior</th>
<th>Organizational culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>5.00</td>
<td>5.04</td>
<td>2.88</td>
</tr>
<tr>
<td>Median</td>
<td>5.00</td>
<td>5.08</td>
<td>2.94</td>
</tr>
<tr>
<td>Variance</td>
<td>1.12</td>
<td>1.26</td>
<td>.27</td>
</tr>
<tr>
<td>Std Deviation</td>
<td>1.06</td>
<td>1.12</td>
<td>.51</td>
</tr>
<tr>
<td>Skewness</td>
<td>-.33</td>
<td>-.53</td>
<td>-.08</td>
</tr>
<tr>
<td>Ktosis</td>
<td>-.21</td>
<td>.45</td>
<td>-.14</td>
</tr>
<tr>
<td>Cronbach alpha</td>
<td>0.86</td>
<td>0.99</td>
<td>0.92</td>
</tr>
</tbody>
</table>

Source: Survey data

Nunally & Bernstein (1994), stated that acceptable standard of reliability analysis must be exceeded of 0.70. According to Cronbach alpha values depicted in Table 1 concludes that all the measures used are reliable.

5.3 Correlation analysis
Pearson’s correlation coefficient between employee commitment and leadership behavior is 0.629, relationship between employee commitment and organizational culture’s Pearson’s correlation coefficient is 0.564 and Pearson’s correlation coefficient between leadership behavior and organizational culture is 0.511.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Employee commitment (EC)</th>
<th>Leadership Behaviour (LB)</th>
<th>Organizational Culture (OC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LB</td>
<td>0.629**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>OC</td>
<td>0.511**</td>
<td>0.564**</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Survey data, *p < 0.05, **<0.01

5.4 Hypotheses testing
Three hypotheses established were tested using the data collected and entered in SPSS version 20. The primary method of analyses was simple and multilevel linear regression analysis.

5.4.1 Regression 01- there is an impact of leadership style on employee commitment

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership Behaviour</td>
<td>0.629</td>
<td>10.546</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R² 0.532
Adjusted R² 0.527
ΔF 111.217
Sig. ΔF 0.000

Source: Survey data

DOI: 10.9790/487X-2210072028
According to regression results, there is a strong significant impact of leadership style on employee commitment. Leadership behavior explains 53.2% variations ($R^2$) in employee commitment according to table 02. Results further indicate that leadership behaviour has a positive strong correlation ($\beta = 0.629$) to employee commitment at a significance level of 0.01. Thus, $H_1$ of this study is supported.

### 5.4.2 Regression 02- there is an impact of organizational culture on employee commitment

<table>
<thead>
<tr>
<th>Table 03-testing $H_2$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable</strong></td>
</tr>
<tr>
<td>Independent variable</td>
</tr>
<tr>
<td>Organizational Culture</td>
</tr>
<tr>
<td>$R^2$</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
</tr>
<tr>
<td>$\Delta F$</td>
</tr>
<tr>
<td>Sig. $\Delta F$</td>
</tr>
</tbody>
</table>

Source: Survey data

According to results presented in Table 03 there is strong significant impact of organizational culture on employee commitment. 26.1% of variance ($R^2$) in employee commitment is explained through organizational culture. Further as standardized Beta ($\beta = 0.511$) is a positive value, it is concluded that there is a moderate positive association between organisational culture and employee commitment. Thus $H_2$ of this study is supported.

### 5.4.3 Regression 03- there is a moderating impact of organizational culture on the direct relationship between leadership behavior and employee commitment

According to Baron & Kenny (1986), a moderator analysis is used to understand a relationship between two variables which depends on the value of moderator variable. In order to test the moderating effect of organizational culture on the relationship between leadership and commitment, researchers used multi level linear regression model. According to the Field’s guidelines (2009), primarily the predictor variables of organizational culture and leadership behavior are centered to combat multi co-linearity among these two variables. Interaction term is computed by multiplication of the centered variable scores of moderator variable and independent variable.

<table>
<thead>
<tr>
<th>Table 04-testing $H_3$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$\beta$</strong></td>
</tr>
<tr>
<td>Intercept</td>
</tr>
<tr>
<td>Centered LB</td>
</tr>
<tr>
<td>Centered O.Cu interaction</td>
</tr>
<tr>
<td>CLBxCOC</td>
</tr>
</tbody>
</table>

Source: Survey data
According to the output of multilevel linear model, shows in table 4, which is developed based on fixed effect which was told the significance of the predictors of this study and regression coefficient describe the way of those coefficient highlights the relationship between this predictor and the outcome. Finally, covariance parameter describes the random effect. T – Statistics of the interaction term in the output of multilevel linear model, is not significant ($p = .344 ≥0.05$). Therefore, it indicates that there is no moderating effect of organizational culture, on the relationship between leadership behavior and employee commitment. By considering covariance values the intercepts for leadership behavior and employee commitment is vary insignificance ($p = .414 ≥0.05$) among different organizational cultures in the study. Because researcher could identify there is no moderating effect on the relationship between leadership behavior and employee commitment. Thus, hypothesis 03 of the study is rejected.

VI. Implications

There are a number of important theoretical and practical implications of the research findings, which are discussed below.

The study identified that there was an impact of leadership behavior on employee commitment as well as an impact of organizational culture on employee commitment. The Study of Mathieu and Zajac (1990), also identified this positive impact between these two variables. But Lee (2008) stated that there was no any significant impact of leadership behavior on employee commitment. The study of Williams and Hazer (1986) highlighted that leadership played an important role in generating employee commitment towards the organization. Employees who are highly committed to their organization, and are more willing to put a considerable effort to the organization success. This supports the findings of the current study. Apart from that, there were many previous studies that had supported the relationship between organizational culture and commitment (Rashid et al., 2004). As well as some studies showed that culture influence on commitment at various levels (Ginsberg & Freedman, 1998; Laschinger et al., 2004). Organizational culture also, plays an important role to enhance commitment (Lok & Crawford, 2001; Peters & Waterman, 1982). Many studies highlighted the fact that there is greater contribution to enhance employee commitment through innovative and supportive culture where bureaucratic culture had a negative impact on the same (Trice & Beyer, 1993; Wallach, 1983).

Li (2004) found that the impact of leadership behaviors on employee commitment was different based on difference in organizational culture. As well as the study of Lee (2008) also found out that there was no moderating impact of organizational culture on the relationship between leadership behavior and employee commitment justifying the results of the current study. In the current study it was clearly visible that organizational culture can effect employee commitment as a single variable, but as a moderating variable organizational culture had no influence on the relationship between employee commitment and leadership behavior.

This study was very important to various business organizations to elaborate some recommendations and analyze their problems. As well as this study provided information to review and revise the leadership behavior and organizational culture within the company in order to achieve high employee commitment. Finally, this study provided more theoretical and practical level knowledge for the business society.

VII. Limitations

The size of the sample was a major limitation of this study. The researchers selected only five automobile companies for the study. Therefore, a small sample size might limit the study findings. As well as data collection method also limited the study. By using observation methods such as conducting interviews, holding focus group discussions, authors could have triangulated data. But in this study researchers used questionnaire method for collecting data. Biasness in responses might be visible in that case.

VIII. Suggestions for further research

Researchers incorporated only selected companies in the industry. Future researchers could have improved by increasing number of the companies and the sample size. Besides, researchers can combine more than one industry and do a comparative study among them. Also, it is recommended to increase the numbers of variables and do a dimension wise analysis also.

References

Moderating impact of organizational culture on the relationship between Leadership behaviour...


[27]. Li, Y. C. 2004, “Examining the effect of organization culture and leadership behaviours on employee commitment, job satisfaction, and job performance at small and middle-sized firms of Taiwan”, *Journal of American Academy of Business*, vol. 5 no. 1/2, pp. 432-8.


