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Employee Participation、Trust and Affective Commitment

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ABSTRACT: Human capital enhances corporate competitiveness. In order to retain talent within organization, employee attitude becomes a critical issue. This study investigates the relationship between employee participation, trust and affective commitment. We take path analysis and find out that both perceptions of financial participation and degree of non financial participation are positively associated with affective commitment. Also, the relationship between financial participation and affective commitment was mediated by trust. However, trust doesn't have complete mediation effects on the relationship between non financial participation and affective commitment. The result is offered to corporation officers for the reference of making human capital retention decisions.

1. INTRODUCTION

Human resource management has become a critical issue in management. Compare to the traditional resources, such as accounting assets, there is no physical substance of human capital. Roos, Pike, & Fernström (2005) define human capital as all people related characteristics which cannot be replaced by machine or be recorded by words, including capability, skills, tacit knowledge and human networks. Human capital triggers the value creation process of business so it becomes important to retain human capital in the business.

To involve human capital in the organization process, we argue that employee participation, trust and affective commitment are the three critical functions. Kaler (1999) defined participating as a form of sharing among employees of business. Organizations could express its grace by sharing power and benefit with employee, which may increase employee trust to managers and organization.

Trust is a willing that one would increase its resource investment to other entity based on positive interaction between the two parties (Tzafrir & Dolan, 2004). There is relatively little research discussing the relationship between participating and trust. For example, Coyle-Shapiro, Morrow, Richardson, & Dunn (2002) considered financial participating and the trust between employee and manager. We will expand the aspects of participating and includes the non-financial participating in this research.

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Lastly, Meyer & Herscovitch (2001) defined commitment as a power that glues the related action guidelines between on entity to other entities. Employee commitment makes organization retain valuable employee. When employee commitment exists, it represent that employee would like to contribute his or her efforts to the organization. Business devote in gaining commitment from valuable employee may lead better performance.

This research is developed for a local company which had hard time to maintain its human capital in the organization. The target company is an old family owned business. Its brand and customer loyalty are the two major competitive advantages that help it to make a well over the industry average profit every year. Although the operating of the company is quite stable, however, the turnover rate of the employee is all time high. And this situation results in the human capital retention problem. After several conversations with the corporate officer, we decide to look at the relations among employee participation, trust and commitment due to the culture of the company.

2. LITRTATURE REVIEW

(1) Employee Participation

Researchers classify employee participation as financial participation and participation in decision making (Bakan, Suseno, Pinnington, & Money, 2004; Wilson & Peel, 1991). Kaler (1999) classified participating into two parts- financial participation and operational participation. Operational participating includes delegatory, informatory and consultative. For delegatory participation, managers hand over the running of certain areas to the workforce, such as quality circles. Informatory is what employee sharing in something relating to the business, namely information, which is essential to the process of running it. It is not just participation, but a specifically operational form as well. Consultative is not joint decision making in any straightforward sense. It is an opportunity for employees to influence decision making through persuasion. Combined with the three characteristics, there are so called co-determinatory. The co-determinatory can be identified by degree (partial or full), level (procedure or strategic), mode (direct or indirect), and weighting (Kaler, 1999).

(2) Financial Participation

Vaughan-Whitehead (1995) defined financial participating as employee incentives from all plans that proportioned to business performance but excluded from salary. It

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can be classified as "Gain sharing", "Profit sharing" and "Workers share -ownership". In "gain sharing", a gain is calculated by a pre-determined formula and the purpose is to encourage individual employee to make improvement on corporate performance. "Profit sharing" considers the contribution from all employees and can be deferred or paid in cash. "Workers share-ownership" is an incentive plan for organization to offer its own capital stocks to employee at a bargain price or at no cost. In the research, "workers share-ownership" indicates cash and stock bonus to employee, employee stock options, treasure stock transfer and preemptive right of employee.

(3) Non financial Participation

Non financial participation is defined as during the decision process, people make contributions not because their position but according to their ability. More precise information is communicated through an open channel (Mitchell, 1973).

Based on previous research (Dachler & Wilpert, 1978), Cotton, Vollrath, Froggatt, Lengnick-Hall, & Jennings (1988) illustrates that employee non-financial participation has (1) Participation in work decision. (2) Consultative participation. (3) Short-term participation. (4) Informal participation and (5) Representative participation. This paper uses these characteristics to classify participation.

(4) Trust

Trust is considered as the conclusion of different characteristics of trustee judged by someone (Dietz & Hartog, 2006). Also, trust behavior is formed after the trustee satisfied specific requirements (Tzafrir & Dolan, 2004). Considered these characteristics of trustee, we can know why trust occurred and measure the level of trust (Mayer, Davis, & Schoorman, 1995). Or understand which characteristics trigger the trust (Burke, Sims, Lazzara, & Salas, 2007).

Mayre, et al (1995) concluded those characteristics into three criteria: ability, benevolence and integrity. Dietz & Hartog (2006) extended Mayre's research and add predictability as the forth criteria. In our research, we consider manager as the trustee and the whole organization.

(5) Commitment

Brown (1996) defines commitment as an obliging force to keep the promise. For years, researchers have developed ways to conceptualize and measure organization commitment (Meyer, Allen, & Gellatly, 1990). And organization commitment can be divided into affective commitment, continuance commitment and normative

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commitment (Allen & Meyer, 1990; Meyer & Allen, 1984, 1991). Affective commitment is employee's feeling attachment to the organization. Employee "wants to" stay in the organization. Continuance commitment makes the employee "needs to" stay in the organization because of the separation cost. Normative commitment is employee's feeling of obligation to stay in the organization and makes the employee "should to" stay in the organization. However, based on the empirical study (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002), only affective commitment has positive correlation to organization performance. So we adopt affective commitment only as a variable in our research.

3. METHODOLOGICAL PRODURE

(1) Research Structure and Propositions

Based on the literature, we construct the research framework as follows:

<Insert Figure 1>

We set four propositions in the research, they are:

H1: Employee participation positively affects affective commitment

H1a: Financial participation positively affects affective commitment

H1b: Non financial participation positively affects affective commitment

H2: Employee participation positively affects trust to managers

H2a: Financial participation positively affects trust to managers

H2b: Non financial participation positively affects trust to managers

H3: Trust to managers positively affects affective commitment

H4: Trust has mediation effect between employee participation and affective commitment

H4a: Trust has mediation effect between financial participation and affective commitment

H4b: Trust has mediation effect between non financial participation and affective Commitment

(2) Questionnaire and Sample

In our research, we use questionnaire developed by Pendleton, Wilson, & Wright (1998) for financial participation, questionnaire developed by Cotton, et al (1988) for non financial participation. We also modify the questionnaire developed by Dietz & Hartog (2006) and Mayer & Davis (1999) for the test of trust between employee and managers. Finally, affective commitment questionnaire is adapted from the Allen &

Meyer (1990) questionnaire. We use Likert 5 point scale for research questions to investigate the degree of response.

Pretest was taken to adjust questions. After that, we distributed 370 copies of questionnaire to the sample company employees we described earlier, 330 copies are collected. After eliminate 49 copies of invalid questionnaire, 281 valid copies are remained for analysis. In the final The KMO value for employee financial participation, non-financial participation, trust and affective commitment are 0.860, 0.835, 0.955 and 0.769 respectively. The Cronbach's α for each perspective is 0.807, 0.925, 0.956 and 0.807.

(3) Research Method and Result

We adopt questionnaire investigation method and use statistical software SPSS 12.0 in the research. Regression and path analysis are performed to exam the relationship between perspectives. The results are showing in Figure 2 and Figure 3.

In figure 2, we can observe that both financial and non financial participation has positive and significant influence on affective commitment, which support proposition 1. We can also find that the non financial participation has greater influence on affective commitment compare to financial participation.

<Insert Figure 2>

In figure 3, we add trust as a mediator variable to test the relationship between participation and affective commitment.

<Insert Figure 3>

Figure 3 shows that both financial participation and non financial participation have significant influence (0.101* and 0.31***) on trust, the empirical result supports proposition 2, 2a and 2b. The significant influence from trust to affective commitment (0.305***) also support proposition 3. Finally, after we add trust as the mediator variable, the direct effect of financial participation to affective commitment becomes 0.071 and is not significant. Thus proposition 4a is supported. However, although the direct effect of non financial participation to affective commitment is significant, but it is lower (0.174***<0.269***) after we put trust as a mediator variable in the framework. The result suggests that trust has only partial mediation effect to non financial participation and affective commitment. Proposition 4b is partial supported as well as proposition 4.

4. DISCUSSION AND CONCLUSION

Based on the empirical evidence, we found trust is a mediator variable to financial participation and affective commitment, but does not have full mediation effect for non financial participation and affective commitment. To maintain human capital in the corporation, we suggest that:

(1) Although financial participation is adopted in the sample company, however, trust should be cultivated between employee and manager to gain affective commitment.

(2) We suggest the sample company to design activities or create atmosphere that help the construction of trust between employee and manager. It also helps to enhance the connection between non financial participation and affective commitment. Also trust may reduce turnover rate and maintain human capital in the corporation.

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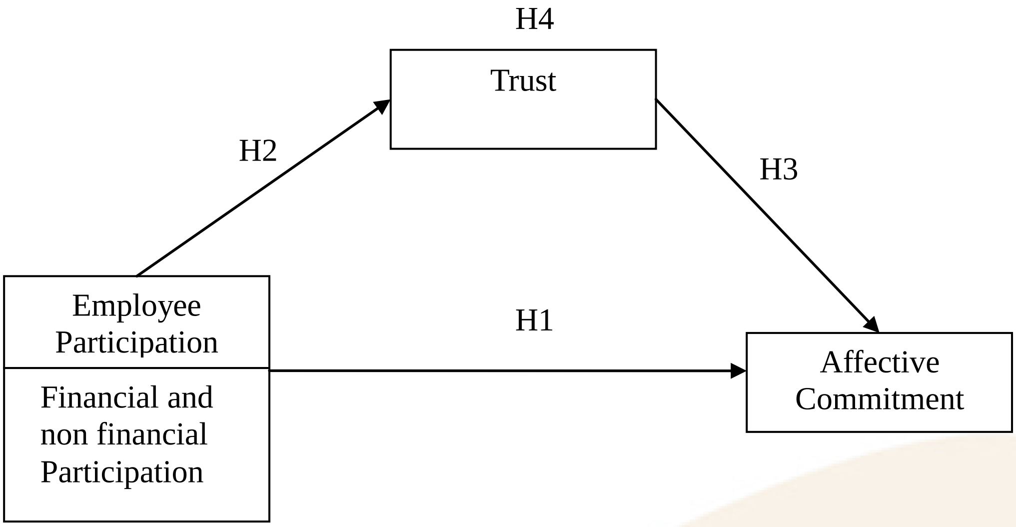

Figure 1: Conceptual Framework

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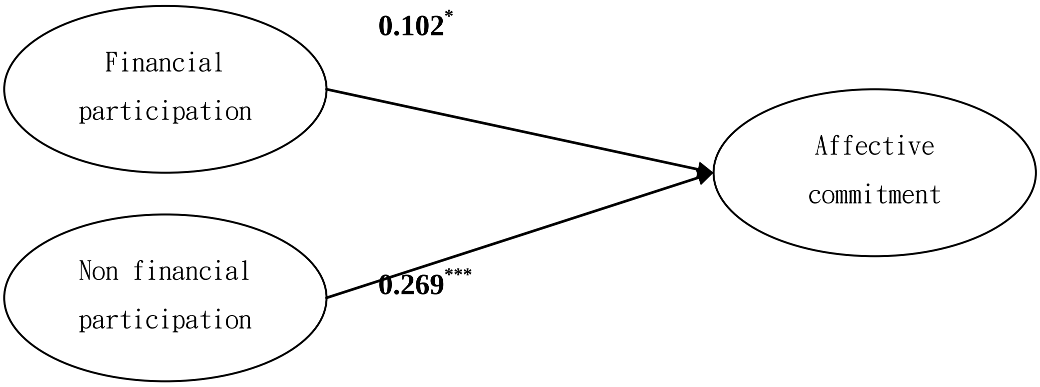

P< 0.01***, P<0.05**, P<0.1*

Figure 2: Path analysis for participation and affective commitment

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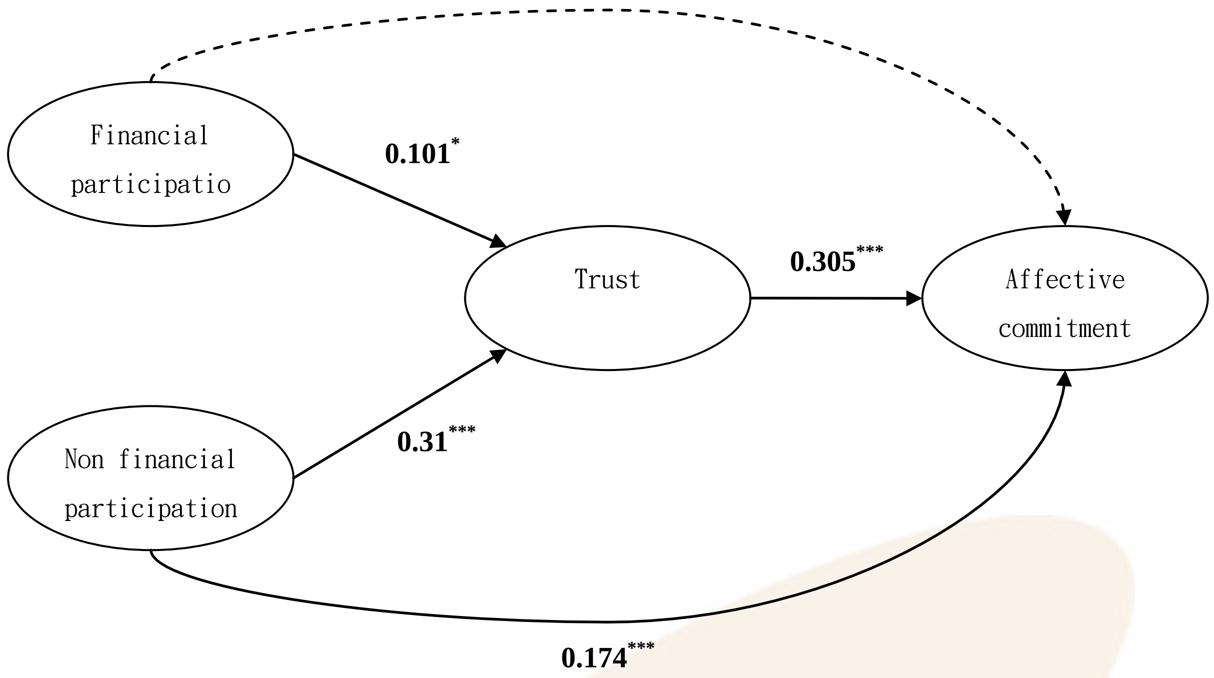

P< 0.01***, P<0.05**, P<0.1*

Figure 3: Path analysis for participation, trust and affective commitment