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Does Organizational Commitment Mediate the Relationship between Employee Relationship Management and Bank Performance? The Case of Banks in Ethiopia

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ABSTRACT

The study concentrated on how organizational commitment mediates the relationships between employee relationship management and bank performance in selected commercial banks in Ethiopia, with organizational commitment playing a mediating role. The theoretical and empirical review of related literature has been used to construct the hypotheses and frame the study variables. Simple random sampling, purposive sampling, and multistage sampling techniques were used to select 336 samples from selected branches of commercial banks operating in two regions of Ethiopia: in Gambella town of Gambella region and Jimma town of the Oromia region. Questionnaires, interviews, and observation were used to collect data, and the Structural Equation Modeling was mainly used to see the relationship between employee relationship management and organizational performance moderated by organizational commitment using AMOS software. The result indicated that employee relationship management has a positive relationship with organizational performance, with organizational commitment playing a moderating role. The effect of employee relationship management on bank performance in Ethiopia is shown to be insufficient without organizational commitment as a moderating role. As a result, Ethiopian policymakers are advised to take into account both the employees' dedication and relationship management to enhance the performance of commercial banks in Ethiopia. This outcome is believed to be explainable in terms of the Human Capital Theory and the Human Relations Approach.

This study explores the mediating function of organizational commitment in the link between employee relationship management and bank performance within the setting of Ethiopia's banking sector. Through the analysis of this link, the study fills a major vacuum in the literature and adds new information and insights. Ethiopia's banking sector has seen significant expansion and change in recent years (Hendri, 2019; Pratama et al., 2022). Employee relationship management becomes increasingly crucial as the industry grows (Van Waeyenberg, 2022). The term "employee relationship management" refers to the methods, procedures, and guidelines that businesses use to build a good rapport with their workforce (Eliyana & Ma'arif, 2019). It consists of components including dedication, motivation, employee involvement, and satisfaction (Cherif, 2020; Grego-Planer, 2019).

According to Alkahtani et al. (2021) and Pratama et al. (2022), research on the effects of employee relationship management on organizational results is expanding, but few of these studies have a special emphasis on Ethiopia's banking sector. Research has shown that there is a negative correlation between bank performance and employee relationship management when it comes to organisational commitment. This is because poor communication between management and staff can exacerbate low organisational commitment (Hassen-Yimam, 2023). Employees may lose interest in and commitment to the organization's objectives if they believe that their opinions are not valued or that their problems are not taken seriously (Alemayehu, 2021). Ahad et al. (2021) stated that excessive workloads, lengthy hours, and rigid work schedules might have a detrimental effect on employees' loyalty to the company.

Stress and a weakened sense of loyalty to the company might result from a bad work-life balance (Deressa et al., 2022). Employee commitment can be undermined when they are not given a voice in decision-making or when their perspectives are not respected. Organisational commitment can be weakened by dissatisfaction with aspects of the job, such as pay, benefits, working environment, or job design (Eliyana & Ma'arif, 2019). This study attempts to bridge this gap by examining the association between employee relationship management and bank performance in Ethiopia (Eliyana & Ma'arif, 2019). Organisational commitment is the psychological bond, allegiance, and sense of self that a person has with the company they work for (Geta et al., 2021). It is believed to have a major effect on the performance and behaviour of employees (Hassen-Yimam, 2023).

The term "organisational commitment" describes a worker's sense of psychological loyalty and attachment to their employer. It shows that the worker accepts and believes in the mission and core values of the company. According to Grego-Planer (2019), Employee Relationship Management (ERM) is a strategic strategy that aims to establish and preserve a good rapport between the organisation and its workforce. Conversely, a bank's entire financial and operational success is referred to as its performance. It includes a number of factors, such as market share, profitability, efficiency, and customer happiness (HassenYimam, 2023).

Organisations understand the importance of their personnel in accomplishing organisational goals, which makes the relationship between ERM and bank performance an essential subject of research (Redondo et al., 2021). Organisations seek to improve employee engagement, productivity, and ultimately the performance of the organisation by cultivating positive relationships with their workforce (Alemayehu, 2021). Employees are essential to the banking industry's ability to provide services, cultivate client connections, and promote organisational

success. Understanding the elements that affect employee performance and commitment is essential given the reliance on human resources (Bacha & Kosa, 2022).

Ethiopia's banking sector is very competitive, with several banks participating in the market. In order to attain a competitive edge, financial institutions must proficiently oversee their workforce and devise tactics that augment staff dedication and output (Ahad et al., 2021). In Ethiopia, there is a prevalent problem with high employee turnover in the banking sector. Customer happiness, general efficiency, and organisational performance may all suffer as a result of this turnover. Analysing organisational commitment's mediating function can shed light on how ERM procedures might reduce staff attrition and the expenses that go along with it (Alemayehu, 2021).

Ethiopia possesses a distinct cultural environment that could affect how employees think and act. Researchers and practitioners can benefit greatly from an understanding of the relationship between ERM, organisational commitment, and bank performance in this particular environment (Eliyana & Ma'arif, 2019). The study aims to provide a thorough understanding of how ERM procedures might favourably influence bank performance in the Ethiopian banking industry by examining the mediating function of organisational commitment. The results can help banks create and put into practice efficient staff management plans that increase loyalty, lower attrition, and eventually boost productivity.

This study attempts to give a deeper understanding of the mechanisms via which employee relationship management improves bank performance by examining the mediating function of organizational commitment. The results will add to the body of knowledge already available on the subject and provide a context-specific understanding of the Ethiopian banking sector (Hendri, 2019). This research's additional value is found in its grasp of the Ethiopian banking industry. The paper puts the issue in perspective by stressing the distinctive qualities, difficulties, and dynamics of Ethiopia's banking sector (Pratama et al., 2022). This contextualization is important since it acknowledges that the study's conclusions and consequences could not match those of studies carried out in other nations or sectors (Cherif, 2020).

Additionally, this study fills a research gap in the Ethiopian banking sector, offering policymakers and bank management insightful information. The results of this study have the potential to improve bank performance through the creation and application of employee relationship management methods that are specifically suited to the Ethiopian setting.

Literature Review

The connections between organizational commitment, employee relationship management, and bank performance have been the subject of several empirical investigations. On the other hand, there is a clear lack of information in the literature about the particulars of the banking sector in Ethiopia. The goal of the current study is to close this knowledge gap and advance existing understanding by investigating this setting. An analysis of the literature shows that earlier research has contributed significantly to our understanding of the specific connections among organizational commitment, employee relationship management, and bank performance. Research has indicated a favorable correlation between organizational commitment and employee relationship management strategies, including employee engagement and satisfaction (e.g., Alemayehu, 2021; Bacha & Kosa, 2022; Cherif, 2020; Grego-Planer, 2019;

HassenYimam, 2023; Redondo et al., 2021). But according to other studies, numerous performance outcomes, such as job performance and organizational commitment, have been insignificant relation to organizational commitment (e.g., Ahad et al., 2021; Alemayehu, 2021; Eliyana & Ma'arif, 2019; Zagenczyk et al., 2021).

Nevertheless, even though these interpersonal ties are well-established, little study has been done to examine how organizational commitment, specifically in the Ethiopian banking sector, mediates the relationship between employee relationship management and bank performance. Organizational commitment is thought to operate as a mechanism via which employee relationship management strategies transfer into enhanced bank performance, this gap in the research is critical. To set itself apart from other research, this study looks at this mediating role in the particular setting of Ethiopian banks. In doing so, it will offer insights unique to the banking sector in Ethiopia and illuminate the elements that propel organizational commitment, which in turn affects bank performance in this specific context.

Concept and Components of Employee Relationship Management (ERM)

The methodical strategy used by businesses to establish and preserve a good rapport with their workforce is known as employee relationship management, or ERP (Pratama et al., 2022; Redondo et al., 2021). It includes a range of tactics, procedures, and programs designed to raise worker commitment, engagement, and satisfaction (Bryant & Merritt, 2021). ERM creates a positive work atmosphere, encourages candid communication, and synchronizes individual ambitions with company objectives (Ahad et al., 2021). The idea of ERM cannot exist without the following elements:

Communication: The cornerstone of employee relationship management is communication. Management and staff may more easily share ideas, information, and comments when there are open and transparent lines of communication (Ahad et al., 2021). Employees who receive effective communication are guaranteed to be aware of company objectives, standards, and updates (Amri & Ramdani, 2021; Deressa et al., 2022).

Strategic Leadership: An essential element of ERM is strategic leadership (Purwanto et al., 2021). It entails visionary leadership that motivates staff to match their efforts with strategic goals and establishes a clear course for the company. Empowering workers, fostering a sense of purpose, and cultivating a healthy work culture are all attributes of strategic leaders (HassenYimam, 2023; Redondo et al., 2021).

Shared Goals and Values: ERM places a strong emphasis on the necessity of creating common values and goals between the company and its workforce (Zagenczyk et al., 2021). Employees gain a sense of commitment and ownership when they recognize and share the organization's goal, vision, and values. Employee motivation and engagement are increased when personal ambitions are in line with company aims (HassenYimam, 2023; Redondo et al., 2021).

Conflict Management: Good conflict resolution is essential to preserving good working relationships among employees (Awoke, 2021). Conflict is an unavoidable component of any workplace. Proactive conflict resolution techniques that encourage candid communication, understanding, and compromise are crucial, according to ERM (Alemayehu, 2021). Organizations may stop tensions from rising and lessen their harmful effects by handling issues fairly and quickly (Alemayehu, 2021; Bacha & Kosa, 2022).

Organizational Commitment (OC)

Zheng et al. (2010) defined the term "organizational commitment" which describes a worker's sentimental bond and allegiance to their employer. It stands for the worker's identification, participation, and emotional dedication to the organization's objectives and core values. According to Akintayo (2010), one of the most important factors affecting employee behavior, productivity, and retention is organizational commitment. Three components make up Allen and Meyer (1990) model of organizational commitment. These components are as follows:

1. Affective Commitment: This is the term used to describe an employee's sentimental bond and sense of belonging to the company (Zheng et al., 2010). Ali et al. (2010) manifested that it is predicated on good emotions like pride, devotion to the organization, and a sense of belonging.

2. Continuance Commitment: This refers to the amount of money that is thought to be involved in leaving the company (Gossaye, 2018). It represents a worker's dedication to the company as a result of things like money worries, a dearth of other employment options, or the impression that perks are being lost (Asefa & Kant, 2022).

3. Normative Commitment: A sense of duty or moral responsibility to stick with the organization motivates normative commitment (Shiferaw, 2022). It is predicated on a worker's conviction that they have moral and ethical duties to uphold the organization and carry out their perceived responsibilities (Geta et al., 2021; Hassen-Yimam, 2023; Redondo et al., 2021).

Organizational Performance (OP)

The degree to which an organization accomplishes its strategic goals and objectives is referred to as organizational performance (Garuma & Kant, 2023; Negeri et al., 2023). It is a multifaceted idea that includes several facets of the efficiency, effectiveness, and results of an organization. A variety of indicators or proxies are frequently used to quantify organizational performance in order to evaluate various performance parameters. One popular framework for strategic management that offers a thorough method of gauging organizational performance is the Balanced Scorecard (BSC) (Panigrahi et al., 2022). The Balanced Scorecard states that four major views, each with a set of proxies, may be used to assess organizational performance are Financial Perspective, Customer Perspective, Internal Process Perspective, and Learning and Growth Perspective (Redondo et al., 2021).

Theoretical Frame Work

Numerous related theories may be used to analyze the mediating function of organizational commitment between ERM and bank performance. Demands-Resource Theory, Equity Theory, Human Capital Theory, Human Relations Approach, and Mary Parker Follett's Theory help us comprehend this relationship. A summary of these theories is presented in Table 1.

Human Relations Approach: This method places a strong emphasis on the value of fostering goodwill among coworkers and ensuring that employees are happy in their jobs (Amri & Ramdani, 2021). This strategy contends that firms that engage in ERM procedures that promote helpful connections, candid dialogue, and worker participation see increases in employee engagement and happiness (Bryant & Merritt, 2021). Bank success is ultimately impacted by organizational commitment, which in turn affects staff behavior and performance (Redondo et al., 2021).

Mary Parker Follett's Theory: This theory highlights the value of cooperation and teamwork within organizations (Cherif, 2020). As per her theoretical framework, the adoption of ERM practices by organizations that encourage empowerment, participation, and shared decision-making cultivates a feeling of ownership and commitment among the workforce (Bryant & Merritt, 2021). The link between ERM and bank performance is mediated by organizational commitment, which affects worker engagement, motivation, and output (Eliyana & Ma'arif, 2019).

Human Capital Theory: According to this theory, an employee's productivity and the success of the company are influenced by their knowledge, abilities, and experiences (Amri & Ramdani, 2021). Organizations' human capital is improved in the context of ERM when they invest in the training, career development, and nurturing of their workforce. This in turn has a favorable effect on organizational dedication, which raises staff performance and eventually affects bank performance.

Equality Theory: This theory asserts that people want equality and justice in their interpersonal interactions. Employee engagement with the company is increased when they believe they are being treated fairly in all of their contacts with it, especially with regard to ERM procedures (Amri & Ramdani, 2021). Through its impact on staff motivation, happiness, and loyalty, this commitment acts as a mediator in the link between ERM and bank performance (Pratama et al., 2022).

Demands-Resource Theory: This theory postulates that the equilibrium between job demands and available resources affects employees' performance and well-being (Redondo et al., 2021). ERM procedures that allow workers the tools, encouragement, and independence to oversee their jobs improve employee dedication and well-being. Employee performance, job happiness, and overall bank success are all impacted by organizational commitment (Redondo et al., 2021).

Table 1

Theories Relevant to the Study

Theory	Theoretical Contribution
Human Relations Approach	Emphasizes employees and their relationship with managers in organizations.
Mary Parker Follet Theory	Union of dynamic social relationships emerging through the joint responses of individuals
Human Capital Theory	Creation of organizational structures that encourage the knowledge-creation, knowledge-acquisition, and knowledge-sizing processes.
Equity Theory	Treating employees equally influences the decision in order to stay or leave the organization.
Demands-Resource Theory	Helps to explain and understand employee engagement, job satisfaction, and organizational commitment.

Empirical Literature Review and Hypothesis Synthesis

Employee's Relationship Management and Organizational Performance

Employee engagement and satisfaction may be raised by ERM procedures that encourage candid communication, acknowledgment, and participation. Employees who are happy and engaged at work are more likely to be driven, devoted, and committed to their jobs (Adula et al., 2023). This eventually adds to increased organizational effectiveness by increasing productivity and enhancing job performance (Gobena & Kant, 2022). Effective ERM procedures improve employee loyalty and dedication while also fostering a good work environment. Employee retention is higher in organizations when there is a sense of worth, support, and positive connections with supervisors and coworkers. Lower turnover enables

businesses to have a steady staff, hold onto important knowledge and skills, and save money on hiring and onboarding new hires (Kant & Assefa, 2022).

Good employee interactions, cooperation, and collaboration are fostered by effective ERM processes. Positive working connections increase the likelihood of information sharing, project collaboration, and mutual support among employees. As a result, there is an increase in efficiency and coordination as well as greater teamwork and overall performance (Pratama et al., 2022). ERM procedures that promote employee empowerment, engagement, and idea exchange may foster creativity and innovation inside the company. Employees are more inclined to provide creative solutions, suggest enhancements, and promote organizational growth when they feel free to voice their opinions and have a sense of ownership. This may enhance the organization's capacity for competitiveness, adaptation, and improved performance results (Cherif, 2020).

H₁: *Employee's relationship management has a significant relation with organizational performance.*

Employee's Relationship Management and Organizational Commitment

According to Bacha and Kosa (2022), organizational trust is fostered by ERM practices that place a high priority on assistance, open communication, and openness. Employee confidence in the company is increased when they feel that their issues are taken seriously, that their opinions are heard, and that they are supported by their managers and coworkers. Higher levels of organizational commitment are a result of this trust since it makes workers feel appreciated, respected, and supported (Eliyana & Ma'arif, 2019). Organizational commitment may be increased by ERM procedures that acknowledge and recognise workers' accomplishments and efforts. Employees' perception of worth inside the company is strengthened when they are given credit for their work and get commendations, promotions, or cash incentives. This system of incentives and recognition encourages employees to be more dedicated to accomplishing company objectives (Adula et al., 2023).

Organizational commitment is better when ERM processes provide workers chances for professional development, skill enhancement, and career promotion. Organizations demonstrate a long-term commitment to their workers' professional development when they provide training programmes, mentorship, and demanding tasks. Workers are more likely to become more devoted to the company if they see such prospects (Alemayehu, 2021). Higher levels of organizational commitment may be fostered by ERM practices that allow workers to participate in decision-making, support their autonomy, and enable them to contribute to the organization's goals. Employees are more likely to be dedicated to the success of the company and feel more a part of its goal when they feel that they have ownership and control over their jobs (Eliyana & Ma'arif, 2019).

H₂: *Employee's relationship management has a significant relation with organizational commitment.*

Organizational Commitment and Organization Performance

Employees who are committed to their jobs are often more driven, involved, and goal-oriented. They are prepared to put in time and energy to accomplish organizational objectives (Redondo

et al., 2021). When workers are more productive, the organization performs better because they are able to accomplish goals more quickly and effectively. According to Bacha and Kosa (2022), job performance and organizational commitment are directly related. Higher degrees of job satisfaction, job participation, and organizational citizenship behaviours are more likely to be displayed by committed employees (Pratama et al., 2022). They strive for perfection, fulfil deadlines, and take pleasure in their work. Quality, customer happiness, and efficiency are three organizational performance measures that are positively impacted by this increased job performance (Hassen-Yimam, 2023).

Cherif (2020) proposed that a commitment from the organization raises employee engagement levels. Employees who are committed to the company have a deep emotional bond with it, its principles, and its objectives. They put in voluntary effort, show discretion, and actively look for methods to further the success of the company (Pratama et al., 2022). Enhanced worker involvement stimulates creativity, teamwork, and problem-solving, which improves overall performance (Adula et al., 2023). A healthy organizational culture is fostered by organizational commitment. Dedicated workers set an example for others by influencing their peers and encouraging a culture of hard work, devotion, and high standards for achievement. This culture of positivity fosters a helpful atmosphere that boosts cooperation, collective effort, and employee happiness, all of which improve organizational success (Cherif, 2020).

H3: *Organizational commitment has a significant effect on organizational performance.*

Organizational Commitment Mediates between ERM and Organisational Performance

Employee engagement levels are raised by effective ERM practices including involvement, open communication, and recognition. Workers who are emotionally invested in their work, have a purpose in life and are prepared to put in extra effort are said to be engaged (Redondo et al., 2021). ERM-driven higher engagement results in better organizational commitment (Alemayehu, 2021). Employee behaviour, especially the desire to make a discretionary effort, is influenced by organizational commitment. Employees who are committed are more likely to go above and beyond the call of duty, offer creative solutions, and take initiative in ways that advance the company (Cherif, 2020). The performance of the organization is directly impacted by this additional work and initiative, as shown in the rise in efficiency and productivity (HassenYimam, 2023).

Performance on the job is positively impacted by organizational commitment. Employees who are committed typically exhibit greater levels of loyalty, work satisfaction, and drive. They are more likely to aim for job satisfaction, fulfill responsibilities, and hit performance goals. Enhanced productivity on an individual basis enhances the overall effectiveness of the organization (Bacha & Kosa, 2022).

Discretionary actions that go above and beyond official work obligations and enhance the general efficiency and effectiveness of the organization are referred to as organizational citizenship behavior, or OCB (Eliyana & Ma'arif, 2019). Employees who are committed are more likely to participate in OCB, which includes lending a hand to colleagues, offering to take on extra work, and supporting organizational goals. These actions improve cooperation,

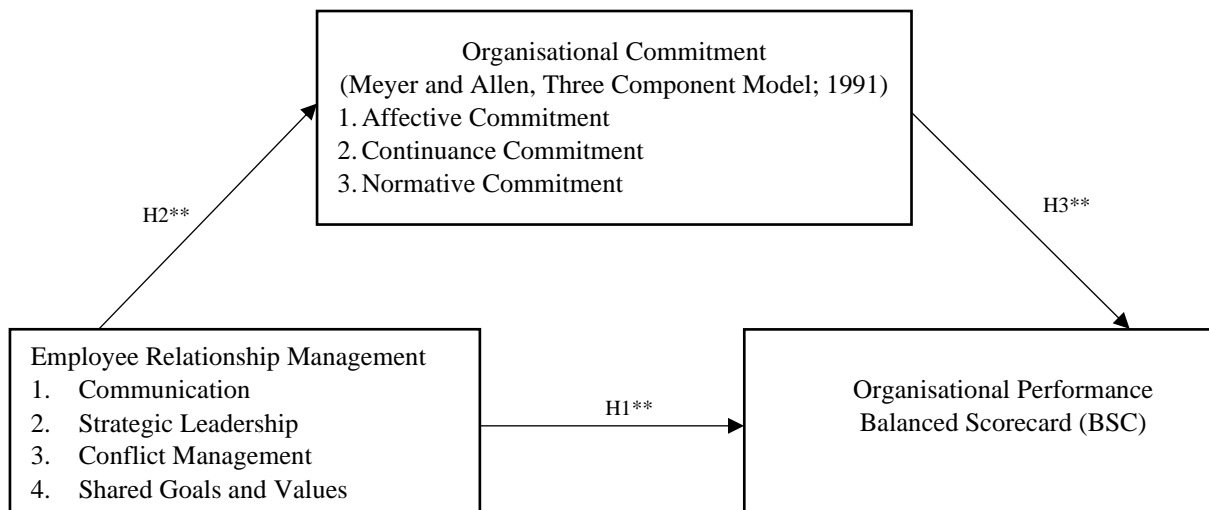
coordination, and organizational efficacy, which in turn affect performance results (Alemayehu, 2021).

H4: *Organizational commitment has a mediation relationship between Employee relationship management and organizational performance.*

The conceptual framework presented in Figure 1 provides a schematic illustration of the link or relationship between the study's variables.

Figure 1

Schematic Model



Method

Description of the Study Area

Currently, 28 banks are operating in Ethiopia of which Commercial Bank of Ethiopia is state-owned and has significant transactions being carried out through the bank. In addition, the National Bank of Ethiopia has the authority to license, oversee, and control the activities of banks, insurance companies, and other financial organizations in Ethiopia.

Research Design

This study has employed an explanatory research design and a quantitative research approach. An explanatory research design aims to explain the causal relationships between variables, which aligns with the study's objective. By employing a quantitative research approach, the study can collect numerical data and analyze it statistically to determine the strength and direction of the relationships between variables. The explanatory research design is well-suited for investigating causal relationships. It allows researchers to examine the extent to which changes in one variable (employee relationship management) cause changes in another variable (organizational commitment), which in turn affect bank performance. By using a quantitative research approach, the study can establish causal links by analyzing data using statistical techniques such as regression analysis to control for confounding factors and establish the directionality of relationships.

Data Collection

Due to the multidimensional nature of the majority of the constructs employed in the study, the Likert scale is considered to be suitable for detecting latent constructs in fundamental phenomena and will allow respondents to score a wide range of assertions. Besides, the logic behind the Likert scale approach is that the scale is designed to improve participant comprehension of the available answer possibilities and to make it simple for the respondent to comprehend the scale's intended purposes.

Sample

A population is a full set from which a statistical sample is taken, and it typically possesses a few widely observed characteristics. Commercial bank branches operating in Gambella and Jimma towns are considered the population for this study. As presented in Table 2, out of the total 1140 CBE branches at the time this data is collected, 12 branches are in the Jimma town of Oromia, and 8 branches are operating in Gambella town, from which the researcher selected 9 branches from Jimma Town and 3 CBE branches from Gambella to make the total research population for the study, resulting in a sample population of 336 drawn from 12 CBE branches.

Table 2

List of selected CBE branches/Target Population

No	Commercial bank	Establishment Year	Region/branch location	Employees (No.)
1	CBE Jimma main branch	1947	Oromia, Jimma town	53
2	CBE Abajifaar branch	2010	Oromia, Jimma town	23
3	CBE Hirmata branch	1967	Oromia, Jimma town	43
4	CBE Jerene branch	2012	Oromia, Jimma town	22
5	CBE Awetu branch	2017	Oromia, Jimma town	16
6	CBE Genjio Gudur branch	2014	Oromia, Jimma town	24
7	CBE Shenen Gibe branch	2013	Oromia, Jimma town	20
8	CBE Mentina branch	2017	Oromia, Jimma town	20
9	CBE Gambella main branch	1942	Gambella town	50
10	CBE Openo branch	2012	Gambella town	29
11	CBE New land branch	2015	Gambella town	14
12	CBE Ferenj Arada branch	2014	Oromia, Jimma town	22
	Total			336

Source: Jimma district CBE, 2022

A simple random sampling of the probability sampling technique that provides an equal chance of being selected is employed for the investigation. It is used to get a representation of the chosen CBE branches and a sample of 336 respondents, giving each participant in the study an equal chance.

In order to pick a representative sample of 336 participants for the study, the researcher used the sampling choice formula proposed by Dillman (2000). The sample size is calculated as follows:

$$n = [(N) (p) (1-p)] / [(N-1) (B/C)^2 + (p) (1-p)]$$

The permissible level of accuracy or sampling error is specified at .05. The degree of confidence that 1.96 equates to is 95%. Since there are 2600 employers in the Jimma area, employing 0.05 resulted in a larger sample size than using .03. Utilizing the sample size equation, it can obtain a sample of 385 by assuming that $p = .05$, $d = .05$, and $Z = 1.96$. However, since the population is smaller than 5000, the sample size needs to be adjusted, as indicated by the formula $n = nf / (1 + n/N)$, which yields a final participant count of $385 / (1 + 385/2600) = 336$.

Instruments

The questionnaire was founded on verified and standardized constructs used by previous models and studies as depicted in [Table 3](#). Questionnaire items were measured by using a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5) to record the respondents' responses. Items were checked for reliability by Cronbach's Alpha value and for validity through factor loading.

Table 3

Measurement and Reliability of the Instruments

Determinants used in study		Model Used	items	Adopted from	Reliability (Cronbach's Alpha)	Validity (Factor loading)
Employee relationship management	Communication	ERM theory by Mayo (1933)	6 items	Pratama et al., 2022; Bryant & Merritt, 2021; Ahad et al., 2021; Redondo et al., 2021	.88	.44 to .67
	Conflict Management		6 items		.87	.62 to .77
	Strategic Leadership		6 items		.87	.59 to .74
	Shared Goal		6 items		.88	.64 to .76
Organizational commitment	Affective Commitment	Meyer and Allen's three-component model	4 items	Meyer and Allen's developed Likert scale (1990)	.87	.84
	Normative Commitment		5 items		.88	.64
	Continuance Commitment		5 items		.87	.76
Organizational performance	Employee Satisfaction	balanced scorecard (BSC) model	4 items	Key performance indicators (KPI) in BSC by Kaplan and Norton (1992)	.88	.73
	Efficiency		4 items		.88	.77
	Effectiveness		4 items		.89	.53

Items Validity was measured through factor loading during confirmatory factor analysis ([Figure 2](#) and [Figure 3](#)). All items' factor loading was found to be more than .40, which demonstrated construct validity.

Based on Cronbach's alpha values provided in [Table 3](#), the internal consistency (reliability of scale) of most of the constructs in the present study appears to be good. Generally, a Cronbach's alpha value above .70 is considered acceptable for research purposes. The communication construct in the present study exhibits good internal consistency, as indicated by a Cronbach's alpha of .88. The conflict management construct also demonstrates good internal consistency, with a Cronbach's alpha of .87. The strategic leadership construct shows good internal consistency, as evidenced by a Cronbach's alpha of .87. The shared goal construct exhibits good internal consistency, with a Cronbach's alpha of .88. The affective commitment construct demonstrates good internal consistency, as indicated by a Cronbach's alpha of .87.

Overall, Cronbach's alpha values also for organizational commitment and performance suggested that the constructs in the present study have fair internal consistency, indicating that the items within each construct are measuring the same underlying concept consistently. This provides some evidence of the reliability of the present measurement scales.

Results

Validity And Reliability

Constructs' component structure and convergent validity are evaluated by using Confirmatory Factor Analysis (CFA) ([Figure 2](#)). Whether the observable variables (items) load on their corresponding latent components (constructs) as predicted was ascertained with the use of CFA

with the help of Table 5. Researchers evaluated the discriminant validity of constructs using correlational analysis, or CFA, as shown in Table 6. In order to demonstrate that the constructs are unique from one another, it was observed that the correlations between the constructs differed noticeably from 1.0.

Cronbach's alpha was used to evaluate the internal consistency of the constructs. Each construct's item dependability is measured using Cronbach's alpha measure. As shown in Table 4, the reliability analysis showed that the values are more than .70, which denotes strong internal consistency. A statistical test called the "Kaiser-Meyer-Olkin (KMO) test" was used to determine whether or not data are appropriate for factor analysis. This evaluation establishes if sampling is sufficient for each individual parameter and the overall model. This statistic suggests that there may be some comparability in the variance across the parameters.

Table 4

Sampling Adequacy and Internal Consistency of the Constructs

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.87
Bartlett's Test of Sphericity	Approx. Chi-Square	1897.32
	Df	45
	Sig.	.000

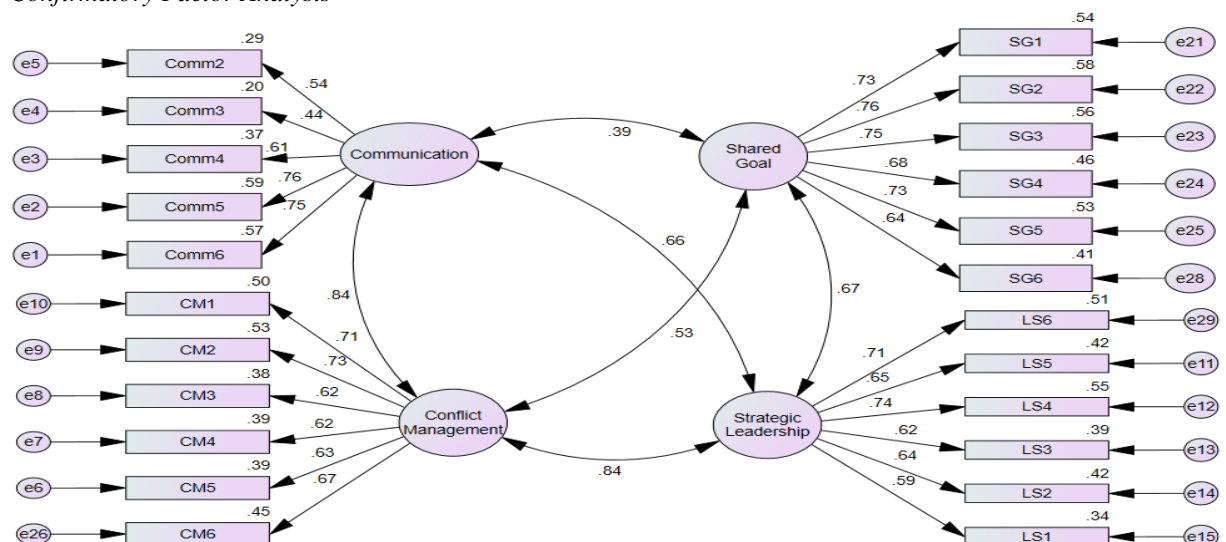
All relevant data is evaluated simultaneously by researchers using the KMO and Bartlett tests. A KMO value established over .50 and Bartlett's test implication threshold established lower than .05 imply there is a significant correlation in the data. How closely one variable correlates with other variables is known as variable collinearity.

Confirmatory Factor Analysis

An unobservable construct is sometimes referred to as a "factor" in a CFA, which is a statistical approach that examines how effectively the indicators you use represent those unobserved constructs and if those unobserved constructs are distinctively distinct from one another. The loading factor of all constructs in the CFA analysis was near .50 (Hair et al., 2013). Therefore, all observed items are able to explain the behavior of relative latent variables. The loading factor manifested in Figure 2, for each component was more than .40. The behavior of the relative latent variable thus is explained by all observed elements.

Figure 2

Confirmatory Factor Analysis



It is estimated that the communication and shared goal covariance depicted in Table 5 is .15. The standard error of the covariance estimate (.15) is roughly .02. The covariance estimate is therefore 5.64 with standard errors higher than zero. The likelihood of obtaining a crucial ratio with an absolute value of 5.64 is less than .001. In other words, at the two-tailed .001 level, the covariance among communication and shared goals is considerably distinct from zero. It implies that communication has a statistically significant and positive relationship with a shared goal.

In accordance with the estimates presented in Table 5, there are .29 connections between communication and conflict management. The standard error of the covariance estimate, which is .29, is roughly .03. The likelihood of obtaining a crucial ratio with an absolute value of 8.36 is less than .001. In other words, at the .001 level (two-tailed), the covariance between communication and conflict management differs considerably from zero. Under reasonable presumptions, these claims are roughly true for large amounts of data. It implies that communication and conflict management have a statistically significant and positive relationship.

As presented in Table 5, the communication and strategic leadership correlation is .25. The standard error of the covariance estimate (.25) is roughly .03. The covariance estimate, in other words, is 7.40 standard errors above zero. Less than .001 percent of the time, a crucial ratio with an absolute value of 7.40 was obtained. In other words, at the .001 level (two-tailed), the covariance among communication and strategic leadership differs considerably from zero. It implies that communication and strategic leadership have a statistically significant and positive relationship.

Based on projections presented in Table 5, there are .27 connections between conflict management and strategic leadership. The standard error of the covariance estimate which is .27, is roughly .03. The covariance estimate, in other words, is 7.67 standard deviations below zero. Less than .001 percent of the time, a crucial ratio as great as 7.67 in absolute terms will occur. In other words, at the .001 level (two-tailed), the correlation between conflict management and strategic leadership differs meaningfully from neutrality. It implies that conflict management and strategic leadership have a statistically significant and positive relationship.

Table 5

Covariances

	Covariance		Estimate	Error (Std)	Critical Ratio	Sig.	Outcome
Communication	<-->	Shared Goal	.15	.02	5.64	***	Sufficient
Communication	<-->	Conflict Management	.29	.03	8.36	***	Adequate
Communication	<-->	Strategic Leadership	.25	.03	7.40	***	Adequate
Conflict Management	<-->	Strategic Leadership	.27	.03	7.67	***	Adequate
Conflict Management	<-->	Shared Goal	.17	.02	6.76	***	Adequate
Strategic Leadership	<-->	Shared Goal	.24	.03	7.81	***	Adequate

Information on the discriminant's validity is depicted in Table 6. A number of statistical measures are shown in Table 5, including the inter-construct correlations, Composite Reliability (CR), Average Variance Extracted (AVE), Maximum Shared Variance (MSV), and maximum redundant (heterotrait-monotrait) square root (MaxR(H)).

The construct's internal consistency or reliability is gauged by CR or composite reliability. Better dependability is indicated by higher values. As an illustration, the CR values for SLd, Com., SG, and CFM are .82, .76, and .82, respectively. The amount of variation captured by the concept in relation to the measurement error is indicated by the acronym AVE (average variation extracted). Better convergent validity is indicated by higher values. The AVEs for SLD, Com., SG, and Cfm are .66, .64, and .64, respectively.

The amount of variance shared between constructs is measured by MSV or maximum shared variance. Better discriminant validity is indicated by lower values. For instance, the MSVs of SLd, Com., SG, and Cfm are .70, .71, and .45, respectively. The MaxR(H) statistic, which stands for Maximum Redundant (Heterotrait-Monotrait) Square Rooted, measures how much a construct shares its variance with other constructs compared to its own. Better discriminant validity is indicated by lower values. MaxR(H) values for SLd, Com., SG, and Cfm are .83, .79, .86, and .82, respectively.

Convergence validity was achieved because the AVE for all determinants of ERM is higher than .50. Also, discriminate validity was addressed since the AVE for all determinants of ERM is higher than the MSV. There is no single problem with discriminant validity because the square root of the AVE for all determinants of ERM was reported to be greater than the absolute value of the correlations with another component.

Table 6

Discriminant Validity

	CR	AVE	MSV	MaxR(H)	SLd	Com.	SG	Cfm
SLd	.82	.66	.70	.83	.66			
Com.	.76	.64	.71	.79	.65	.63		
SG	.86	.51	.45	.86	.67	.39	.71	
Cfm	.82	.64	.71	.82	.83	.84	.52	.66

Note. Com.= Communication; SG=Shared Goal; Cfm=Conflict Management; SLd=Strategic Leaderships

Model fitness in [Figure 2](#) seems to be generally excellent based on the fitness indices given in [Table 7](#). The likelihood ratio test evaluates the model's overall fit. The observed data appears to be extremely consistent with the suggested model, as indicated by a p-value of .000, which indicates a good model fit. The difference between the observed data and the values predicted by the model is assessed using the chi-square value (CMIN). Given the complexity of the model, the value 178.3 indicated that there may be some difference, but it is not surprising.

After adjusting for the number of degrees of freedom, the CMIN/DF ratio quantifies the degree of difference between the model and the data. A fit of 4.82 is seen as rather excellent, with a value of 5 or below often regarded as acceptable. Values nearer to 1 in the Goodness of Match Index indicate a better match between the model and the data. With a rating of .89, the fit appears to be rather excellent. The number of degrees of freedom in the model determines how the adjusted goodness of fit index modifies the GFI. A rating of .89, which takes into consideration the complexity of the model, indicates a fairly good match. The suggested model's fit is contrasted with a baseline model in which all variables have no correlation using the Comparative Fit Index. While numbers closer to 1 imply a better match, a score of .86 indicates a pretty decent fit.

A measure of how well the model fits the data is provided by the root mean square error of approximation; smaller numbers correspond to a better fit. A well-fitting model is suggested by a value of .05. The difference between the expected values of the model and the observed data

is measured by the root mean squared residual. A relatively good match is indicated by a value of .02. The average difference between the model's anticipated and observed covariances is evaluated by the standardized root mean squared residual, .04, indicates a rather excellent fit. The model in Figure 2 fits the data rather well overall, according to the fitness indices. Present model fit indices are assessed in light of the particular research situation as well as theoretical factors.

Table 7

Model Fitness of Figure 2

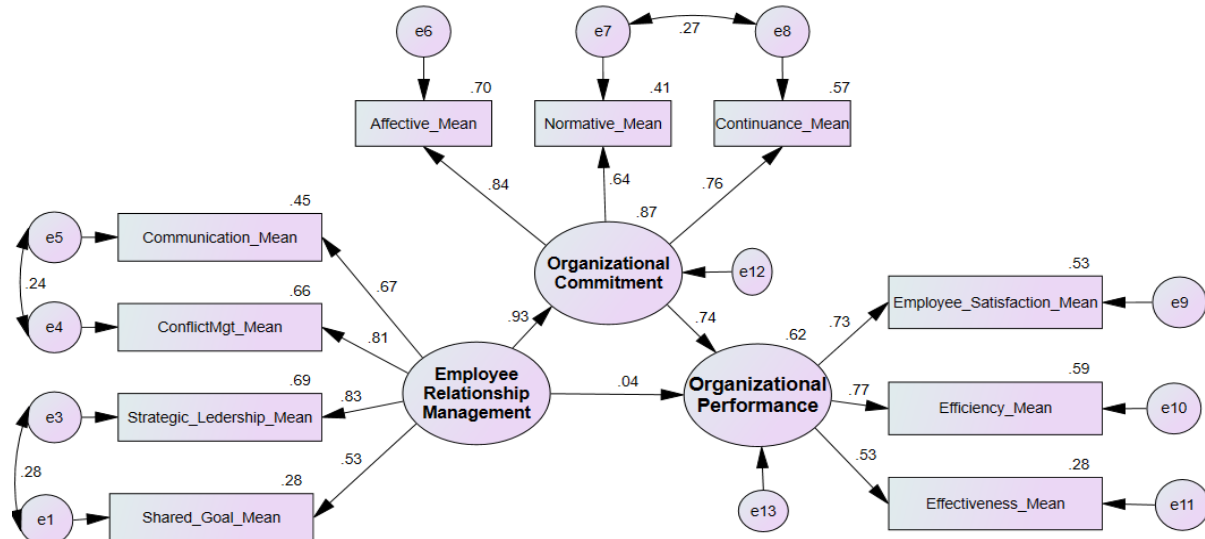
Short Form	Exposition	Result	Fitness
Likelihood Ratio	"P-value"	0.00	Excellent
CMIN	"X2 (Chi-square)"	178.3	Fine
CMIN/DF	"Chi-square/Degree of Freedom"	4.82	Good
GFI	"Goodness of Fit Index"	0.89	Fine
AGFI	"Adjusted Goodness of Fit Index"	0.89	Fine
CFI	"Comparative Fit Index"	0.86	Fine
RMSEA	"Root Mean Square Error of Approximation"	0.05	Well
RMR	"Root Mean Squared Residual"	0.02	Fine
SRMR	"Standardized Root Mean Squared Residual"	0.04	Fine

Structure Equation Model (SEM)

Researchers employed structural equation modeling as a multivariate statistical evaluation tool to examine structural correlations. This approach combines component analysis and multiple regression analysis to look at the structural relationship between measured variables and latent constructs.

Figure 3

Structure Equation Model



Based on the regression weights provided in Table 8, hypothesis tests were conducted to examine the relationships between the variables. For H1, with a standard error (S.E.) of .34, the regression weight estimate for the link between employee relationship management and organizational performance is .05. The p-value is .88, and the critical ratio (C.R.) is .14. We are unable to reject the null hypothesis (H0) since the p-value is higher than the significance level, which is typically set at .05. Consequently, it may be concluded that there is no meaningful correlation between employee relationship management and organizational performance, rejecting Hypothesis 1.

For H2, the regression weight estimate for the association between organizational commitment and employee relationship management is .93, with a standard error (S.E.) of .17. The critical ratio (C.R.) is 5.47 (***) signifies significance at $p < .001$, and the p-value is less than .001. Since the p-value is less than the significance level, the null hypothesis (H0) is not accepted. Consequently, it is decided to accept Hypothesis 2, which demonstrates a robust association between employee relationship management and organizational commitment.

For H3, organizational commitment and organizational performance have a regression weight estimate of .74 and a standard error (S.E.) of .19, 3.89 is the critical ratio (C.R.), and .01 is the p-value. We reject the null hypothesis (H0) since the p-value is smaller than the significance level. As a result, it is decided to accept Hypothesis 3, which shows that organizational commitment and performance have a substantial correlation. In summary, based on the regression weights and hypothesis tests, hypotheses 1 and 2 are rejected, while hypothesis 3 is accepted.

A crucial ratio with an absolute value of 3.89 has a .01 chance of occurring. In other words, at the .05 level (two-tailed), the regression weight for organizational commitment in the prediction of organizational performance differs significantly from zero. It implies that employee relationship management does not have a direct statistical relationship with organizational performance because the p-value was found to be .88, which is more than the threshold precision level of .05.

Table 8

Regression Weights

			Estimate	SE	CR	p	Hypothesis	
Organizational Commitment	<---	Employee Relationship Management	.93	.17	5.47	***	H ₂	Accepted
Organizational Performance	<---	Employee Relationship Management	.04	.34	.14	.88	H ₁	Rejected
Organizational Performance	<---	Organizational Commitment	.74	.19	3.89	.01	H ₃	Accepted

Holland Model

In their four-step method, it is suggested that do many regression analyses and assess the significance of the coefficients at each stage. The first direct path needs to be accessed in the Baron and Kenny model. But as we see in the above SEM, a direct path is not possible because the p-value between ERM and OP was greater than .05 and alternatively, researchers used the model.

As per the outcomes of Table 9, organizational commitment increases by 1.68 when employee relationship management increases by 1, and the regression weight estimates for 1.68 and .50 have standard errors of .17 and .04, respectively. The regression weight estimate is thus 9.89 with standard errors above zero. Less than .001 percent of the time, a crucial ratio as great as 9.89 in absolute value will occur. In other words, at the .001 level (two-tailed), the regression weight for employee relationship management in the prediction of organizational commitment differs significantly from zero. Under reasonable assumptions, these claims are roughly true for large samples. It implies that employee relationship management has a statistically significant and positive relationship with organizational commitment.

Organizational performance increases by .50 for every increase in organizational commitment of 1. The regression weight estimate is, therefore, 11.13 standard errors above zero. Less than .001 percent of the time, a crucial ratio as great as 11.13 in absolute value will occur. In other words, at the two-tailed .001 level, the regression weight for organizational

commitment in the prediction of organizational performance differs significantly from zero. It implies that organizational performance and organizational commitment have a statistically significant and positive relationship.

Table 9

Regression Weights

			Estimate	SE	CR	p
Organizational Commitment	<---	Employee Relationship Management	1.68	.17	9.89	***
Organizational Performance	<---	Organizational Commitment	.50	.04	11.13	***

As per the results of [Table 10](#), the determinants of organizational commitment are thought to account for 86.9% of its variance. In other words, the organizational commitment error variance is about equal to 13.1% of the organizational commitment variation. According to estimates, 61.9 percent of the variance in organizational performance was accounted for by its predictors. To put it another way, the error variance of organizational performance accounts for about 38.1% of the variance of organizational performance as a whole. It implies that affective commitment, continuance commitment, and normative commitment proxies taken as an observed variable are able to explain organizational commitment by 86.9%. Similarly, learning and growth, business processes, customers, and finance proxies taken as observed variables were able to explain the organizational performance by 61.9%.

Table 10

Squared Multiple Correlations

	Estimate
Organizational Commitment	.86
Organizational Performance	.61

The model fit sheet as per the results of [Table 11](#) offers an overview of the SEM model adequacy results together with their approved values. Researchers discovered that the model fitness was represented by the Chi-Square (CMIN), Goodness of Fit Index (GFI), Initial Comparisons in Model Fit, Parsimony-Adjusted Indicates Root Mean Square Error of Estimation (RMSEA), Standardized Root Mean Squared Regression Residual, Comparative Fit Index, and Critical N values when they contrasted the SEM model fit indices with the uniformed values. Therefore, the model was fit.

Table 11

Indices for Model Fitness

Short Form	Exposition	Result	Fitness
Likelihood Ratio	“P-value”	0.06	Fine
CMIN	“X2 (Chi-square)”	143.4	Fine
CMIN/DF	“Chi-square/Degree of Freedom”	1.90	Fine
GFI	“Goodness of Fit Index”	0.93	Fine
AGFI	“Adjusted Goodness of Fit Index”	0.93	Fine
CFI	“Comparative Fit Index”	0.87	Fine
RMSEA	“Root Mean Square Error of Approximation”	0.03	Fine
RMR	“Root Mean Squared Residual”	0.01	Fine
SRMR	“Standardized Root Mean Squared Residual”	0.03	Fine

The information on the mediation impact of Employee Relationship Management (ERM) on Organizational Performance is depicted in [Table 12](#). Three main elements are shown in [Table 12](#): the kind of impact, the value that goes along with it, and the type of relationship. The table

indicates that Organizational Performance and Employee Relationship Management are not correlated. This implies that a direct effect alone is insufficient to account for the influence of ERM on performance.

According to [Table 12](#), there is an indirect effect of ERM on organizational performance (.73). This suggests that Organizational Commitment acts as a mediator in the link between ERM and performance. Stated differently, ERM affects Organizational Commitment, which in turn affects Organizational Performance. Including the direct and indirect impacts, the overall impact of ERM on organizational performance is .73. This suggests that the connection between ERM and organizational performance is fully mediated by organizational commitment. Stated differently, the impact of Enterprise Risk Management (ERM) on Organizational Commitment fully explains its effect on performance.

Table 12

Mediation Effect

	Effect	value	Relation
Employee Relationship Management → Organizational Performance	Direct Effect	.00	No direct relation
Employee Relationship Management → Organizational Commitment → Organizational Performance	Indirect Effect	.73	Indirect relation
	Total effect	.73	Full mediation

Discussion

The study illustrated the full mediating function of organisational commitment on the effect of employee relationship management on organisational performance. Research indicated that the association between employee relationship management and organisational performance was not very strong. But the organization's dedication makes it possible. This suggests that employee relationship management enhances the organization's sense of obligation and affection by exhibiting organisational commitment. If the first hypothesis is correct, then the employee-employer relationship has very little impact on the organization's success.

Research indicates that, especially in the service sector, an organization's performance cannot be achieved solely by managing employee relationships and behaviours (Amri & Ramdani, 2021). In this scenario, employee commitment to the organisation can enhance performance (HassenYimam, 2023). Pursuing the second hypothesis, employee commitment to work is positively influenced by employee relationship management within the organisation. The literature advances the theory that an employer-employee connection increases both an organization's performance and workers' commitment (Bacha & Kosa, 2022). Scholars highlighted that communication has an impact on organisational performance. For instance, Ahad et al. (2021) indicated the relationship between communication and shared goals, Hassen-Yimam (2023) the relationship between communication and conflict management, and Redondo et al. (2021) also indicated the existence of a relationship between communication and style of leadership. In a similar way, Alemayehu (2021) and Bacha and Kosa (2022)) also showed the existence of a relationship between conflict management and strategic leadership. Their result was supported by Ahad et al.'s (2021) study which confirmed the relationship between employee relationship management and organizational commitment which, in turn, determines the fate of organisations.

According to the literature, employees' commitment to the company may improve their performance and level of happiness at work by helping with business support and internal dispute resolution. Affective commitment among employees is said to be motivated by

companies that foster positive employee interactions (Redondo et al., 2021). Acceptance of the fourth hypothesis, on the other hand, indicates that employee dedication completely mediates the connection and maximises organisational success.

Relationship management techniques are acknowledged in the literature as a way to increase workers' dedication to the company. The research claims that when this employee connection is adequately handled, it improves the performance of the organisation overall (Alemayehu, 2021; Grego-Planer, 2019). In the current study, employee relationship management was examined as an independent variable, and it was discovered that organisational commitment played a complete mediating function in organisational performance. Organisational commitment fully mediates employee relationship management in the single model in which all variables are examined. The present study adds to organisational behaviour studies and new research in the area of employee relationship management and employees' commitment, which are less studied in the literature, by showing how employees' relationship management is reflected in the organisation in terms of employees' organisational commitment and teamwork behaviours in organisations.

In general, when faced with a behavioural decision, employees can ask their supervisors and coworkers for assistance and support, as per the Human Relationship Approach (Pratama et al., 2022). According to Human Capital Theory, this also makes it feasible for the company to create the kinds of organisational structures that promote goal-sharing, strategic leadership, and employee relationships, all of which enhance corporate performance via devoted workers.

Conclusion

In conclusion, the purpose of this study was to investigate, within the context of Ethiopian banks, the mediating function of organizational commitment in the link between employee relationship management and bank performance. The study's conclusions have a number of significant ramifications and add to the body of information already known in the area. The study's empirical results showed that organizational commitment and employee relationship management in Ethiopian banks had a favorable relationship. These findings offer empirical evidence in favor of the beneficial effects of efficient employee relationship management techniques on encouraging employee commitment.

The current study explores the mediating role of organizational commitment in the link between employee relationship management and bank performance. The study concluded that employee commitment mediates the relationship between employee relationship management and organizational performance. The results demonstrate that employee relationship management has a considerable positive impact on organizational commitment ($p < .001$). According to this study, Ethiopian banks that apply effective employee relationship management strategies foster a sense of loyalty among their workforce. This result is consistent with other research that emphasizes the role that positive employee-employer relationships play in increasing commitment.

The study further evaluates both the direct impact of employee relationship management on bank performance and the indirect impact of employee relationship management on bank performance mediated by organizational commitment and the result indicated a full mediation function of the organizational commitment. The results add to the body of knowledge available on, organizational commitment, employee relationship management, and organizational

performance. Employee relationship management has a favorable impact on organizational commitment, which validates the social exchange theory and the reciprocity standard. These theories contend that when businesses engage in effective relationship management strategies, staff members feel appreciated and grow to have a reciprocal commitment to the company, which boosts organizational commitment.

The notion of organizational commitment states that a crucial element in transforming the advantages of employee relationship management into improved bank performance is employee commitment to the organization. This outcome is in line with earlier research that emphasizes the role organizational commitment plays in inspiring employees to improve performance, engage in optional activities, and contribute to the overall success of the business. The study's applications are equally noteworthy. The results highlight how crucial it is that Ethiopian banks have effective employee relationship management practices. Banks could improve employee loyalty to the organization and foster strong relationships in order to boost performance. This highlights how important it is to provide funding for programs that promote employee engagement, enjoyment, and loyalty. These strategies could be providing opportunities for career advancement, maintaining open channels of communication, recognizing and rewarding employees' achievements, and promoting a work-life balance.

Limitations

Only commercial banks operating in the banking industry are included in the study. It gives information on managing employee relationships by increasing employees' commitment to the firm, which is especially useful for managers, leaders, and organisational specialists. Organisations should, in particular, build a relationship-based organisational culture by aligning their commitment with common objectives, communication, and strategic leadership. Because of this, banks that put an emphasis on managing employee relationships will see an improvement in organisational performance as a result of their employees' dedication (Amri & Ramdani, 2021).

Declarations

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