Commitment and Business Relationships: Evidences from Small Scale Industries

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Abstract

The paper flashes on the eminent role that commitment portrays in business enthusiasm. The research divulges empirical results on the foundation of data collected from 44 small scale industries functioning in District Udhampur of J&K State. The primary data so collected were subjected to factor analysis in order to reduce the unwanted statements. The KMO and Cronbach Alpha values revealed significance of the construct. The results of CFA confirmed all the statements so obtained from EFA. The results of hierarchical linear regression revealed that commitment among business partners ensures timely performance of business activities, commitment paves way for business success and commitment leads to development of trust & cooperation among business parties. The upcoming monsoon season might bring a whole new set of problems as the particular problem could again play a critical role in damaging profits.

Keywords: Commitment, Business, Relationships, Small Scale Industries (SSIs)

Introduction

Commitment in simple words is a promise ensured to other person/party/ member/patron for doing a particular job/work at a specified date and time. It may take the form of mere words of utterance of one party for another. It acts as a basis for determining the person's personal values, the urge for fulfillment of promised work, the internal intensity & consciousness for performing the task(s), staying with the words so committed. Commitment is to deliver as promised. Commitment binds/ associates/ links/ connects the business parties thus assisting them in formulating & establishing sound business relations. The essence of commitment is that it abets in assessing the creditworthiness of the individuals working in name of business dresses. Commitment is a bond that promotes trust, coordination, and cooperation (Manoj, Jyoti, & Priya, 2015). It's a foundation for developing business relationships. It is an ocean which aspires for all the streams to fall into it.

Commitment however means "an implicit or explicit pledge of relational continuity between exchange partners" (Dwyer, Schurr, & Oh, 1987) and suggests a future orientation in which a firm attempt to build a relationship that can be sustained in the face of unanticipated problems (Fynes & Voss, 2002). Many scholars, researchers, experts, academicians like Teas and Sibley (1980), Anderson and Weitz (1992), and Wilson (1995) hold the viewpoint that commitment consists of a set of factors including desire, willingness, sacrifice behaviour, expectation of continuity, belief and importance of the relationship (Doney & Cannon, 1997; Morgan & Hunt, 1994; Smith, Carroll & Ashford, 1995). Gounaris (2005) and Gao, Sirgy, & Bird (2005) also prove that both commitment and trust have stimulated a relational bond between the business members which facilitates the establishment of productive collaborations and reduces uncertainty in their purchase decisions & behaviours (Singh, 2015). Thus, commitment expresses an enduring desire to maintain a valued relationship. Therefore, their viewpoint should be appraised that commitment is the core of exchange relationships between a firm and each partner.

Commitment can be seen as a benchmark for the business in which every business put in its hard efforts to reach there. Though it has no physical appearance, but its existence can be felt/realised much more than an expensive asset of the business. Commitment is core of a business which attracts consumers like a magnet. It has a strong pooling power which assures happy and satisfied consumers. Commitment is just like climax of movie in which the hero throws out all the villains from the scene.

Review of Literature

The various studies reviewed before proceeding for hypotheses formulation are discussed below.

Kwon and Suh (2004) evaluated the factors affecting the level of trust and commitment in supply chain management based on the survey in four supply chain practicing organisations namely American Production and Inventory Control Society (APICS), American Society of Quality (ASQ), the Council of Logistic Management (CLM) and The Institute of Supply Management (ISM). 1800 members were contacted for survey in theses organisations and the effective response rate was 9.5 percent. Results of the study indicated that a firms trust in supply chain partner was highly associated with both sides; specific asset investments (positively) and behavioural uncertainty (negatively). It was also found that information sharing reduces the level of behavioural uncertainty, which in turn improves the level of trust. A partner reputation in the market had a strong positive impact on the trust building process, whereas a partner's perceived conflict creates a strong negative impact on trust & commitment.

Clegg and Crawford (2004) evaluated the impact of trust & commitment on business networks and acquisition of knowledge through networking. A 200 items questionnaire eliciting qualitative and quantitative information was sent to 29 different business networks located in New-South Wales, Australia. The study found positive correlation between decision involvement of members in networks and level of trust & commitment, finances, copyrights etc. The higher the level of conflict, lower the trust/ commitment. The research suggested that network in a business is a sound way of building on and amplifying existing trust/ commitment relations and indicates the centrality for success in contemporary business world.

Morris and Carter (2005) explored Key Mediating Variables (KMV) model represented by acquiescence, propensity to leave, cooperation, commitment, functional conflict and uncertainty on supplier logistics performance. A mail survey was administered on 1,116 US respondents representing fabricated metal products, industrial machinery & equipment and electronic equipment firms having a relatively high level of sourcing from overseas. The response rate was 24.7 percent. The result of full structural equation model indicated that cooperation, commitment and uncertainty have positive and negative relationship respectively with supplier logistics performance, while acquiescence have no significant relationship with performance. Propensity to leave & functional conflicts were rejected as they contribute nothing towards logistics performance. Buyer-supplier cooperation, joint solution to problems, concern, on-time deliveries and shorter lead times were considered to be key performance areas.

Lei Xu and Beamon (2006) evolved a framework for selecting the appropriate supply chain coordination, commitment and cooperation mechanisms based on relative costs and the characteristics of their specific environment. According to them, the four step coordination/ commitment mechanism selection process involves: i) analysis of the firm's operating environment on the basis of three factors, interdependence between organisations, uncertainty, and information technology; ii) coordination selection is based on four attributes: resource sharing structure, decision style, level of control, and risk/reward sharing; iii) generating possible methods to implement coordination/commitment mechanism; and iv) selecting best method that meets the desired coordination/ commitment mechanism attributes. Implementation of coordination/commitment mechanisms considers market pricing, quick response and Supplier Managed Inventory (SMI) and selecting the best coordination mechanism is a tactical decision. The study suggested Supplier Managed Inventory (SMI) the most appropriate coordination/ commitment mechanism. The study is restrictive and ignores specific mechanisms to implement SMI for a given situation.

Research Hypothesis

The following hypotheses were proposed in the present research:

Hyp 1: Commitment among business partners ensures timely performance of business activities.

Hyp 2: Commitment paves way for business success.

Hyp 3: Commitment leads to development of trust & cooperation among business parties.

Objective of the Study

The main objective of the study is to throw light on accredits which are accrued to committed business parties for having a distinguished business identity.

The Methodology of Research

The research framework of the present study is enlisted below:

Sampling and Data Collection

There are 49 small scale firms operating under DIC in District Udhampur, J&K State. Out of total 49 units operating in District Udhampur under SIDCO & SICOP, 44 owners/managers responded thus emulating an effective & excellent response rate of 89.79%.

Sampling Technique Applied

For obtaining data from managers for the study, census was applied. The manufacturing units were sub-divided into ten lines of operation representing cement (8), pesticide (3), steel (3), battery/ lead/ alloy (5), menthol (2), guns (2), conduit pipes (2), gates/ grills/ varnish (5), maize/ atta/ dal mills (3), and miscellaneous (11). The miscellaneous category includes small scale units namely M/s Supertech Industry, M/s Luxmi Electronics Works, Shaj Nath Vanaspati Ltd., M/s Aditiya Cables, Poles and Transformers, Shankar Lime Industry, M/s Unique Carbon Industries, M/s B.S Traders, M/s Vijay Candles, Everest Health Care Products, M/s J.K Petro Chemicals, and M/s Ajay Ice Factory.

The Survey Instrument

A self-developed questionnaire was prepared after consulting academicians, industrialists, experts and extensive review of literature. Questionnaire composed of general information and 11 statements of commitment. Statements in the questionnaire were in descriptive form, ranking, dichotomous, open ended and five -point Likert scale, where 1 stands for strongly disagree and 5 for strongly agree.

Collection of Data

Three to four visits were adhered for collecting primary response from respondents (managers). Secondary information was approached by visiting libraries and Internet in order to surf information. The main journals taken into consideration were Journal of Marketing Science, International Journal of Supply Chain Management, International Journal of Logistics Management, Nice Journal of Management etc. Various multivariate tools such as mean, standard deviation, hierarchical linear regression were used to test hypotheses and coming to significant inferences.

Reliability and Validity of the Instrument

Reliability

The alpha reliability of the factor so obtained came to be (0.778) which is in accordance with the criteria of 0.77 specified by Gordon and Narayanan (1984) indicating excellent & satisfactory internal consistency (Table 1).

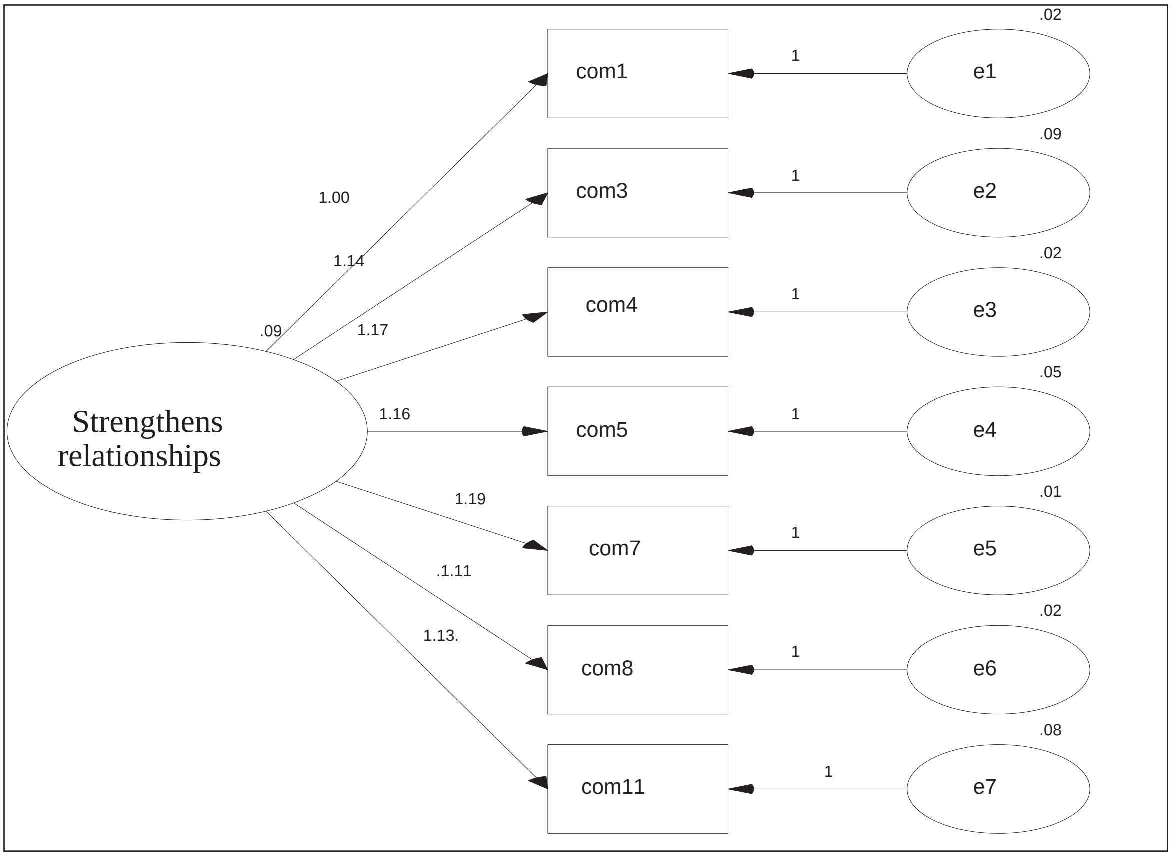
Validity

The factor obtained alpha reliability higher to 0.50 and satisfactory KMO value at 0.756, indicating significant construct validity of the construct (Hair, Anderson, Tatham, & Black, 1995).

Data Analysis and Interpretation

For arriving at possible significant results, data analysis with the assistance of factor analysis was performed in order to deduct or to remove the unreliable or unwanted statements. The primary data so collected from the managers of small scale firms were subjected to factor analysis and with the assistance of anti image the statements having least values and the overlapping statement were deleted. The first round did not give any KMO value but after subsequently applying data analysis though KMO value appeared but it was not so significant. The appropriate KMO came out to be .756 in the third round. The BTS (Bartlett's Test of Sphercity) came out to be 3122.438 and (p-value = 0.000), indicating sufficient common variance and correlation matrix (Dess, Lumpkin, & Covin, 1997; Field, 2000). The Principal Component Analysis (PSA) with Varimax Rotation came out with 7 statements out of 11 statements initially developed and presented in the construct/domain of commitment. The significance of the construct was revealed with the assistance of KMO value and Bartlett Test of Sphercity which were acceptable and significant values. The factor loadings also emerged consistent with conservative criteria, thereby ensuring good factor solution using Kaiser Criteria (i.e. eigen value ≥1) with 30.82% of the total variance explained. The communality for 7 items ranged from 0.643 to 0.869, indicating high degree of linear association between the variables. The factor loadings ranged from 0.607 to 0.837 and the

Fig. 1: Measurement Model of Commitment



cumulative variance extracted is 30.82%. The factor and its statements emerged is demonstrated in the Table 1. A brief description of factor and its statements emerged are as under:

Factor (Strengthens Relationships)

The only factor emerged with qualitative seven statements which were quoted as "Commitment ensures timely

Table 1: Results Showing Factor Loadings and Variance Explained after Scale Purification (Rotated Component Method) for Commitment (Managers' Perceptions)

Factor-wise Dimensions	Mean	S.D	F.L	Eigen Value	Variance Explained %	Cumulative Variance %	Comm-unality	α
STREHGTHENS RELATIONSHIPS	3.82	.536		13.210	30.825	30.825		.7785
1. Ensures timely performance	4.16	.485	.837				.869	
2. Vital for maintaining valued chain relationships	3.50	.620	.630				.688	
3. Commitment paves way for business success	4.00	.450	.810				.847	
4. Develops trust and cooperation	4.07	.461	.814				.853	
5. Promotes valuable customers	3.85	.592	.659				.700	
6. Staying ahead of competitors	4.01	.453	.811				.850	
7. Fulfillment of promises	3.19	.686	.607				.643	

Footnotes: KMO Value =.756; Bartlett's Test of Sphercity = 3122.438, df = 271, Sig. =.000; Extraction Method Principal Component Analysis; Varimax with Kaiser Normalisation; Rotation converged in 5 iterations; 'FL' stands for Factor Loadings, 'S.D' for Standard Deviation and 'α' for Alpha.

Table 2: Results of CFA Fit Indices

CONSTRUCT	CMIN/DF	GFI	AGFI	CFI	NFI	TLI	RMSEA
Information	2.321	0.918	0.807	0.951	0.927	0.910	0.090

Table 3: Regression Model Summary

Model	R	R^2	AdjustedR^2	Std. Error of Estimate	F value ANOVA	Sig. level	β	t	Sig. level
1.	.781	.647	.621	.3588	41.254	.000	.315	7.616	.007

a. Predictor: (Constant), Ensures timely performance

b. Dependent Variable: Commitment

Table 4: Regression Model Summary

Model	R	R^2	AdjustedR^2	Std. Error of Estimate	F value ANOVA	Sig. level	β	t	Sig. level
1.	.729	.620	.601	.4021	39.218	.000	.301	6.982	.011

a. Predictor: (Constant), Paves way for business success

b. Dependent Variable: Commitment

Table 5: Regression Model Summary

Model	R	R^2	AdjustedR^2	Std. Error of Estimate	F value ANOVA	Sig. level	β	t	Sig. level
1.	.771	.639	.617	.3701	40.357	.000	.311	7.103	.008

a. Predictor: (Constant), Develops trust and cooperation

b. Dependent Variable: Commitment

performance of activities", "Commitment is vital for maintaining valued chain relationships", "Commitment paves way for business success", "Commitment develops trust & cooperation", "Commitment promotes valuable customers", "Commitment ensures staying ahead of competitors", and "Commitment leads to fulfillment of promises". The mean values for all the statements lied within 3.19 – 4.16 representing significant response. The factor loadings ranges between .607 - .837. The factor loadings for each statement is: Commitment ensures timely performance of activities (.837), Commitment is vital for maintaining valued chain relationships (.630), Commitment paves way for business success (.810), Commitment develops trust & cooperation (.814), Commitment promotes valuable customers (.659), Commitment ensures staying ahead of competitors (.811), and Commitment leads to fulfillment of promises (.607). The statement "Commitment ensures timely performance of activities" emerged with highest factor loadings and the statement "Commitment leads to fulfillment of promises" emerged to be the weakest among all with low factor loading. The communalities varied from .643 - .869 indicating significant values and high degree of linear association among the variables. The communalities for each statement is: Commitment ensures timely performance of activities (.869), Commitment is vital for maintaining valued chain relationships (.688), Commitment paves way for business success (.847), Commitment develops trust & cooperation (.853), Commitment promotes valuable customers (.700), Commitment ensures staying ahead of competitors (.850), and Commitment leads to fulfillment of promises (.643). For commonality again, the statement "Commitment ensures timely performance of activities" enriched with highest communality and the statement "Commitment leads to fulfillment of promises" emerged to be the weakest. Overall, It could be proclaimed that commitment really acts as a tool for judging the reliability on other person and for determining the relationship viability.

Confirmatory Factor Analysis

CFA was applied on commitment construct, which consisted of seven indicators, viz., Commitment ensures timely performance of activities, Commitment is vital for maintaining valued chain relationships, Commitment paves way for business success, Commitment develops trust & cooperation, Commitment promotes valuable customers, Commitment ensures staying ahead of competitors, and Commitment leads to fulfillment of promises. This model has been found to have a good fit (RMSEA=.090, GFI= .91, AGFI= .80, CFI=.95, NFI=.92 and TLI=.91) (Table 2). All regression weights are above 0.50, thus it becomes clear that all measured variables are the significant contributors of this construct.

Regression Analysis

Table 3 positions out the outcome from regression analysis for acknowledging the impact of commitment (dependent variable) on ensures timely performance (predictor). The linear regression model summary (Table 3) revealed the values of R, R^2, Adjusted R^2, Standard error of estimate, ANOVA, Beta, t value and significance level. The model summary explained:

R = .781 i.e. 78% association between commitment and ensures timely performance.

R^2 = .647 i.e. 64% of variation in commitment can be explained from ensures timely

performance.

Adjusted R^2 = .621 i.e. if another independent variable is added, the value of R^2 will

increase.

β = .315 i.e. significant relationship of independent variable (ensures timely performance)

with dependent variable (commitment).

F = 41.254 i.e. significant at 5% confidence level.

t = 7.616 i.e. acceptable & significant value.

Significance level = .007 i.e. $p < .05$.

Hypothesis = accepted i.e. "Commitment among business partners ensures timely

performance of business activities".

In Table 4 the p value (.011) discloses the significant value and thus an impetus on the formulated hypothesis that *"Commitment paves way for business success"*. In the table the dependent variable is commitment and the predictor is "Paves way for business success". The output from regression analysis divulges the value of R as .729 which connotes good, positive and strong correlation (72%) between commitment and paves way for business success. T value of 6.982 approved its significance and acceptance as it determines the acceptance region of hypothesis. The value of R-Square divulges to be .620 ensuring that 62% of difference in commitment can be explained from the independent variable (paves way for business success). Adjusted R square value .601 implied that if anytime another independent variable or statement(s) is/are added to existing replica, the value of R-square will enhance. The beta value .301 is acceptable and significant that reveals significant relationship of independent variable with dependent variable. F-value 39.218 is significant at 5% confidence level. Thus, the hypothesis is accepted as represented by its significance level $p < .05$.

In Table 5 the relationship between the dependent variable (Commitment) and the independent variable (develops trust & cooperation) is depicted by the R value which is .771 signifying 77% of strong & positive association between commitment and develops trust & cooperation. Further the t value 7.103 and the p value (.008) divulges significant values thus acknowledging the sign of accepting the formulated hypothesis i.e. "*Commitment leads to development of trust & cooperation among business parties*". R-Square value in this case is .639 stating that 63% of difference in commitment can be explained from the independent variable (develops trust & cooperation). Adjusted R square value .617 connotes that if anytime another independent variable or statement(s) is/are added to existing case, R-square value will improve. .311 stood to be the beta value which is adequate and portrays significant relationship of independent variable with dependent variable. F-value 40.357 is also significant at 5% confidence level. Thus, the hypothesis is accepted as $p < .05$.

Conclusion

The paper puts emphasis on the new emerging and well to do paradigm of commitment. The committed world of today is rather different from the earlier committed world where it was put into practice that: you take our lives but we will not let ourselves to break promises so promised. The contemporary world is somewhat different but those who perform their commitments survive longer in business perspectives than the other ones. The present research conducted in 44 small scale industries puts an impact of commitment and accepts the formulated hypotheses that commitment among business partners ensures timely performance of business activities, commitment paves way for business success and commitment leads to development of trust & cooperation among business parties. So, commitment fosters huge & numerous accredits to the business parties and in general.

Limitations of the Research

The study so conducted is limited to small scale industries working in Udhampur district so results cannot be appreciated in the place having dissimilar business environment.

Practical Implications/ Suggestions

To foster the level of commitment among business partners or supply chain partners, the study suggested the development of a new breed of decision makers whose visions are more towards enterprise optimisation than functional outcomes. Further, the study suggested that managers should invest limited and valuable resources for reducing uncertainty, increasing commitment and cooperation rather than attempting to reduce the propensity to leave or increasing supplier acquiescence.

Future Research

Future research can be conducted by taking into preview the same perspective the evidences from medium and large scale industries.

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