

An Examination Of The Organisational Commitment Of Financial Planners

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This paper sets out to determine whether the demographic variables of age, gender, length of service can be shown to be related to the organisational commitment (OC) of financial planners in Australia. The financial planners were surveyed using an instrument derived from established questionnaires. It was mailed nationally to 312 financial planners. A response rate of 36% was achieved, equating to 113 useable responses. The analyses revealed statistically significant results at the 95% confidence level ($p=0.05$), that female respondents demonstrated a statistically significant higher level of OC than did their male counterparts. Such findings contribute to our understanding of the organisational commitment of Financial Planners, and have implications for employers in terms of hiring and retention of employees. The analyses are also important from a public policy perspective in an era of increasing attention given to, and likely increased regulation of, the financial planning industry.

Key Words: Profession; Organisational Commitment; Professional Commitment; Financial Planning.

Field of Research: Finance

1. Introduction

The Financial Planning Association was established in 1992, and committed itself to the development of financial planning as a profession in Australia. Currently there are over 12000 members (both individuals and businesses) that collectively manage the assets of more than 5 million Australians whose investments are valued at \$6 billion (www.fpa.asn.au).

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Financial planners and their role within the industry are under increasing scrutinyⁱ and stakeholders, including government and industry regulators, as well as investors in superannuation and other financial products, show growing concern for a possible conflict of interest for financial planners when advising clients on investment product choice, the type of which may not be in the best interests of the client.ⁱⁱ Such circumstances may result in a personal dilemma for the financial planner that subsequently affects their level of commitment to their organisation or to the mission of their profession generally.

The relationship between employee attitudes and behaviour and their work environment has received much attention from behavioural scientists. During the past thirty years for instance, Jauch *et al.* (1978) and Mowday *et al.* (1974) examined the relationship between highly committed employees and performance. On the other hand, Porter, *et al.* (1974) discussed relationship factors between organisational commitment and employee turnover and job satisfaction. Focusing on the organisation *per se*, Steers (1977) and Schein (1970) investigated the relationship between organisational commitment and the overall effectiveness of an organisation.

Despite all that has been written (across disciplines) on employee attitudes to work and organisational commitment, the role and contribution of financial planners has seemingly been overlooked in the literature. Three of the present authors have conducted a study into job satisfaction among Australian financial planners, which demonstrated relatively high job satisfaction among a sample of both employed and self-employed planners (Petzall, Clayton and Margret, 2006).

In some circumstances a strong commitment to a particular organisation and its goals may lead to personal *vis a vis* ethical dilemmas that tend toward job *dissatisfaction* that in turn, are likely to increase numbers of staff turnover within the organisation. This study investigates the organisational commitment of a sample of financial planning professionals with a view to identifying whether the independent variables of Age; Gender and Length of job tenure influence the organisational commitment of financial planners.

2. Theoretical Background and Hypotheses

For the purpose of this study, organisational commitment (OC) is defined as the relative strength of identification with, and involvement in, an organisation; acceptance of its goals and willingness to exert effort to remain in that organisation. This definition is consistent with that of prior research (Aranya and Ferris, 1984; Mowday *et al.*, 1982). The form of commitment discussed here is attitudinal commitment, as opposed to “calculated” commitment, which involves employees having “sunk costs” such as a stake in a pension plan such that they cannot afford to separate themselves from the organisation (Mathieu and Zajac 1990, p. 172). Additionally, strong belief in and acceptance of the organisation’s goals and values, and a willingness to exert considerable effort on behalf of the organisation characterises high levels of commitment to the organisation (Nouri, 1994, Angle & Perry, 1981, Porter *et al.*, 1974).

Extensive research has been carried out on accountants' attitudinal commitment to their organisation. Their level of commitment has been found to be strongly associated with job turnover, job satisfaction, performance, personality and motivation (Gregson, 1992). Consequently, attitudinal and behavioural implications of an individual's organisational commitment remains an important area of study (Kalleberg and Reeve, 1992). An individual's attitude to the organisation is inferred with regard to loyalty to the firm and identification with its values, therefore an individual's attitude may connect with the organisation based primarily on economic motivators. The behavioural component of commitment reflects a person's willingness to expend effort on the organisation, as well as his or her intention to remain in the organisation.

The results of prior studies imply that individuals with low organisational commitment are primarily interested in pursuing self-interest, while those with high commitment to the organisation view the pursuit of organisational goals as important (Nouri and Parker, 1996). Hence, an individual's performance has been shown to be affected by OC (Porter *et al.*, 1974), whereas OC, in turn, has been shown to be affected by many variables such as job role (Keller, 1997), financial pressure (Brett *et al.*, 1995), and personality (Colarelli & Bishop, 1990).

There has been little research on financial planners' commitment to the organisation for which they work or their commitment to its goals. Hence, an examination of financial planners' OC may well be of interest to employer organisations. Consider that in similar studies of accountants' OC, it was found that personnel retention represented a significant problem facing public accounting firms (Aranya & Ferris, 1984). With increasing public attention on financial planners, their qualifications, professional behaviour, attitude to clients and investment expertise, a similarly focused study on financial planners is warranted. Furthermore from a public policy perspective, in an era of longevity and escalating media, government and societal attention generally on, for instance, superannuation savings and investment advice, such a study is essential.

3. Hypothesis Development

Demographic relationships with Organisational Commitment

3.1 Age

An analysis of a large number of studies suggests a positive correlation between age and attitudinal OC, probably because older workers have greater job satisfaction, enjoy better positions and have "cognitively justified" remaining in an organisation (Mathieu and Zajac, 1990, p.7); (Meyer and Allen 1984).

However, not all studies have confirmed this correlation (Kwon and Banks, 2004). A study of academics by Winter *et al* (2000, p. 290) found a curvilinear relationship between age and OC, with academics in the 30-49 age group demonstrating significant levels of OC, while those in the 25-29 and 60-64 age groups demonstrated

much lower levels of commitment. A study of Israeli social workers concluded that OC was significantly related to age for professionals, but not for non-professionals (Mannheim and Papo 2000, p.128).

H 1: Financial Planners' Commitment to the Organisation is Positively Related to their Age

3.2 Gender

An analysis of studies suggests that women tend to be more committed to organisations than men, although the statistical relationship is not strong (Mathieu and Zajac 1990, p.7). An explanation offered for this finding is that women have to overcome more barriers than men to gain membership of organisations (Grusky 1966), though this problem is probably receding. A more recent study of internal auditors (Kwon and Banks, 2004) confirmed the greater commitment by females compared with their male counterparts to their organisation. They hypothesise the reason as a difference in perceived alternative employment opportunities between genders.

H 2: Financial Planners' Commitment to the Organisation is Positively related to their Gender

3.3 Tenure

An analysis shows a weak positive relationship between tenure and OC. Position tenure has been shown to be more positively related to attitudinal commitment, while organisational tenure was more positively related to calculative commitment. An explanation offered is that years spent in a particular position tend to increase an employee's psychological attachment to an organisation, while extended tenure also increases their stake in terms of benefits such as pension plans (Mathieu and Zajac, 1990, p.8); (See also Colbert and Kwon 2000). Mannheim and Papo (2000,p.130) found a weak relationship between length of service and OC for professionals, but not for non-professionals. However, Kwon and Banks (2004) found no significant relationship between tenure and OC.

Thus, based on the above body of literature we propose a demographic hypothesis as follows:

H 3: Financial Planners' Commitment to the Organisation is Positively Related to their Length of Tenure

4. Research Method

A survey of financial planners was carried out during the period November-December, 2004. The purpose of the survey was to examine the extent of the organisational commitment (OC) of these financial planners, and to identify whether

the independent variables of Age, Gender and Length of tenure were related to their organisational commitment.

Details of the questionnaire are provided and discussed below. The content of the questionnaire was approved by the Ethics Committee of Deakin University where three of the authors are employed. It was pilot tested on 10 financial planners in the region of Geelong, Victoria, Australia. Subsequently, the questionnaire was mailed nationally to 312 financial planners, as identified above. A response of 113 useable questionnaires was received, representing a 36% response rate, which is satisfactory for a mailed, anonymous questionnaire.

5. Research Instrument

Based on a thorough literature review, an appropriate research instrument was designed to test the effect of the variables identified from that review (the independent variables) on the organisational commitment of the respondents (the dependent variables).

Among the questions on organisational commitment, the questionnaire asked for respondents' age, gender and length of employment with current employer.

Section two of the questionnaire related to organisational commitment and was derived from the Organisational Commitment Questionnaire, (OCQ) that has been used extensively in previous studies as the basis for measuring OC. It originated from the definition of OC developed by Porter *et al.*, (1974).ⁱⁱⁱ

Respondents could mark their response on a 7 point scale with 1 representing definitely yes, 4 representing undecided and 7 representing definitely no. For questions 3,7,9,11,12 and 15 the codes were reversed. In other words 7s became 1s, 6s were recoded to a 2 and so on. In this way *all* responses marked a 1 indicated a tendency towards the respondent being committed to the organisation.

6. Statistical Methods

The data was analysed using Minitab and SPSS. Significant tests were carried out using a 10% significance level. Minitab and SPSS were used to generate output for determining conclusions for significance tests.

7. Data Analysis and Results

The hypotheses were examined by t-tests, and the results of each hypothesis is set out and discussed individually below.

Hypothesis 1

Table 2 sets out the statistical analysis.

The sample was divided into two age groups, those over 35 and those under 35. T-tests of the sample showed that, at a 5% significance level, there was no statistically significant difference between the OC of the older group and the OC of the younger group (under 35). This finding is at odds with the hypothesis developed above however, as discussed above, there is other research which concluded that while OC was significantly related to age for professionals, but not for non-professionals (Mannheim and Papo 2000, p.128).

It could therefore be that given that financial planning is a new profession, the ethos of professional behaviour still needs time to permeate the members, and currently, the finding relating to non-professionals may be a more appropriate comparison.

Table 1
Results of a t-test of Organisational Commitment and Age

Variable, Group	Mean	S.D.	t
Organisational Commitment			
Age < 35 (n=54)	3.63	1.09	1.84*
Age > 35 (n=59)	3.25	1.11	

- Not Significant at .05 level ($p=0.07$)

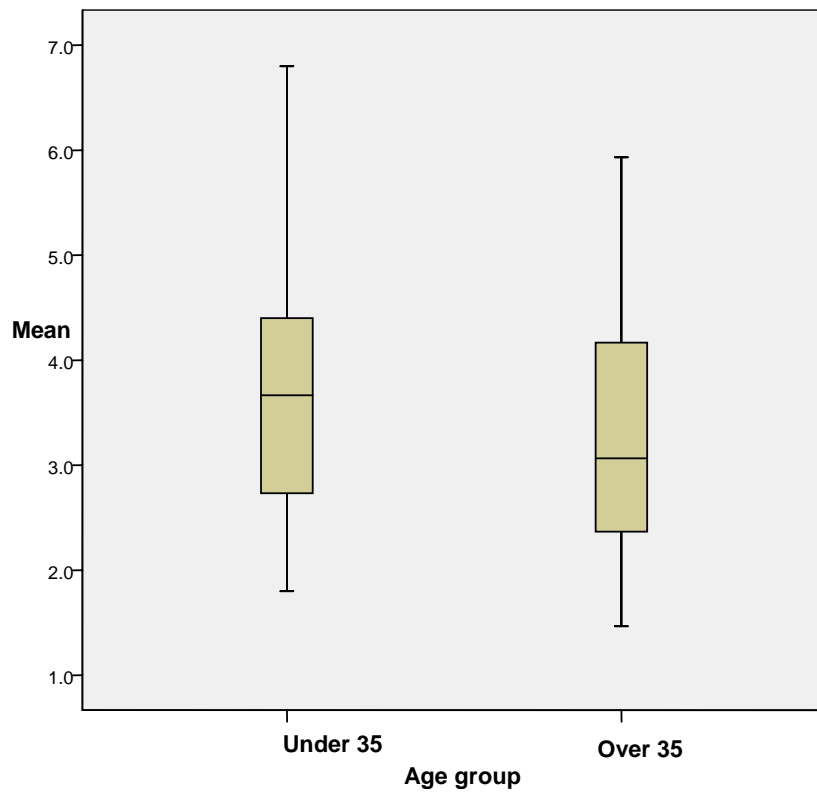


Figure 1: Distribution of Organisational Commitment by Age Group

Hypothesis 1 is therefore not supported.

Hypothesis 2

Table 3 sets out the statistical analysis.

The sample was divided into males and females. T-tests of the sample showed that, at a 5% significance level, the females showed a statistically significant higher level of OC than did their male counterparts.

Table 2
Results of a t-test of Organisational Commitment and Gender

Variable, Group	Mean	S.D.	t
Organisational Commitment			
Male (n=72)	3.61	1.13	2.42*
Female (n=41)	3.11	1.01	

* Significant at .05 level (p=0.02)

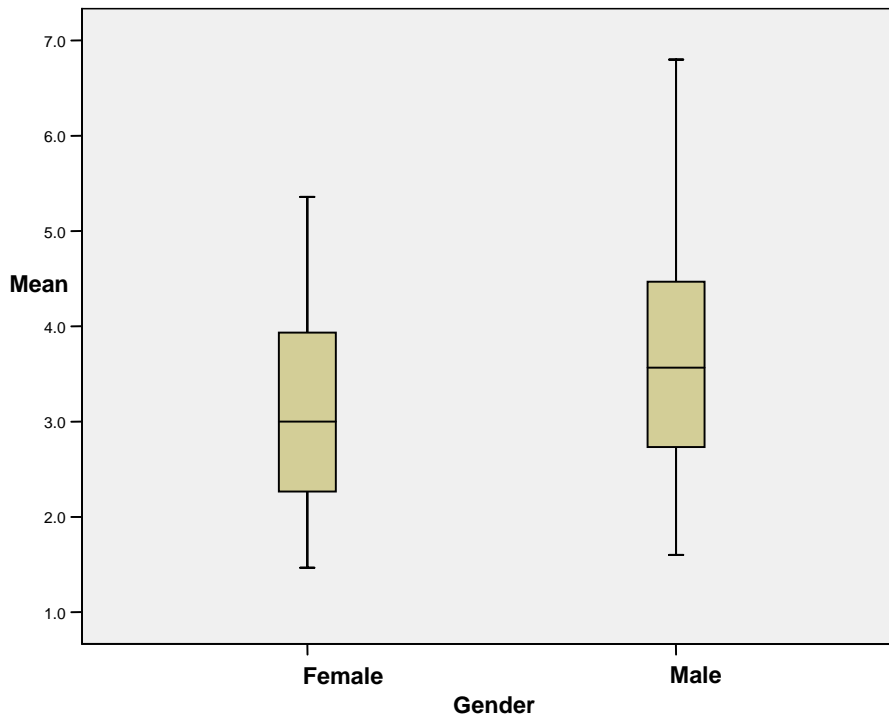


Figure 2: Distribution of Organisational Commitment by Gender

Hypothesis 2 is therefore supported.

Hypothesis 3

Table 4 sets out the statistical analysis.

The sample was divided into those respondents with of tenure with the employer of less than 3 years, and those with length of tenure with their employer of more that 3 years. T-tests of the sample showed that, at a 5% significance level, there was no

statistically significant difference between both the OC of these two groups of respondents.

Table 3
Results of a t-test of Organisational Commitment and Length of Employment

Variable, Group	Mean	S.D.	t
Organisational Commitment			
Length of employment < 3 years (n=52)	3.35	1.03	-0.71*
Length of employment > 3 years (n=61)	3.50	1.18	

* Not Significant at .05 level (p=0.48)

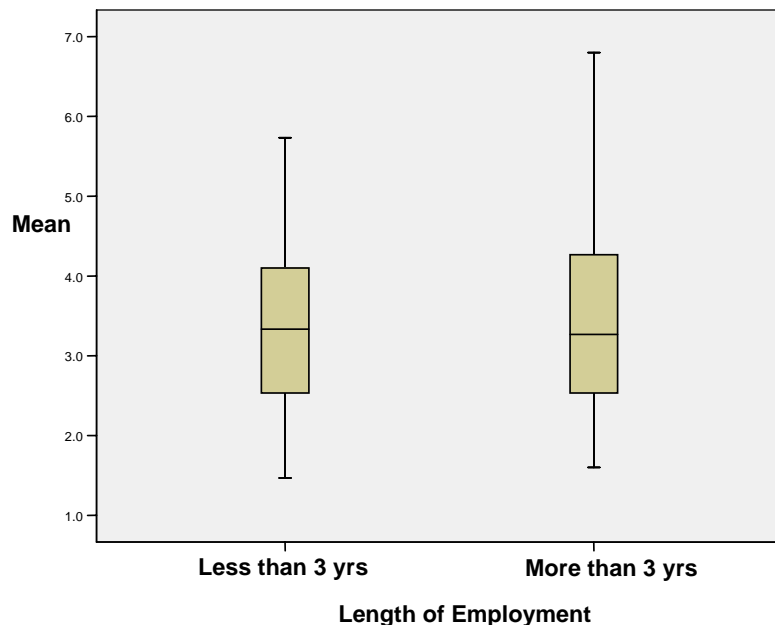


Figure 3: Distribution of Organisational Commitment by Length of Employment

Hypothesis 3 was therefore not supported.

8. Discussion and Conclusion

The findings about age and OC do not support those of Mathieu and Zajac (1990) discussed above, and it is suggested that the reason may be because financial planning is a relatively new profession, and that its members may well be more correctly compared to non-professionals at this early stage in the history of the profession. The findings about gender and OC support those in the literature

surveyed above. However, no statistically significant relationship was found between length of tenure and OC, in respect of financial planners employed, respectively for less and more than 3 years. Taken at face value, these findings might suggest that employers should concentrate, as their first priority, on hiring and retaining female and older employees. Overall the findings do suggest that financial planners in the sample have relatively high levels of OC, subject to the demographic differences discussed above.

Previous studies have explored the importance of both organisational commitment, with most studies finding higher levels of OC in the accounting profession. It was suggested that this compatibility was possibly a function of the nature of the accounting profession (Aranya and Ferris, 1984). Goode (1969), suggested that it was possible that the “technical-scientific” professions (eg., accounting, engineering) are more compatible with organisations than are “person” professions (eg., law, medicine, the ministry and university teaching), and this proposition is consistent with the results obtained by Hastings and Hinings (1970), and Tuma and Grimes (1981).

Whilst financial planners have a good measure of both the “technical-scientific” and the “person” professions, it is suggested that they have more in common with the “person” professions, as the main function of a financial planner is to be the link between the client and either the product or other professionals, and not to be the technical expert per se. Of course, it is true that many financial planners have an accounting background, but it is likely that a self-selection process occurs, with those who are more “people-oriented” choosing to specialise in financial planning rather than traditional accounting functions. As such, it might be expected that financial planners might have lower levels of OC than traditional accountants, but this is speculative. A comparative study, using similar research instruments could shed more light on this.

Another issue for future research is whether there is any conflict between OC and professional commitment (PC) in the financial planning profession. As in many other professions, it might be expected that possible conflicts could occur, where the organisation demands that planners recommend particular products to clients which planners may not see as being in the best interests of their clients.

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ⁱ For example refer to the contributions of Peter Mair (2006) in the *Australian Financial Review* on "Financial Planners".

ⁱⁱ Ibid.

ⁱⁱⁱ See for instance: Clayton and Hutchinson (2002); Gregersen and Black (1992) and Mathieu and Farr (1991).