Relative Importance of Pay Level Satisfaction, Career Development Opportunities, and Supervisor Support in Perceived Organizational Support

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Abstract

This paper presents the relative impact of supervisor support, pay level satisfaction & career growth opportunities on the development of perceived organizational support (POS) of employees. Survey data were collected from banking sector professionals working in the branches of four major private commercial banks of Pakistan in Hazara Division. The findings of this study highlighted that “career growth opportunities” is a stronger predictor of POS than supervisor support and pay level satisfaction. The results suggest that organizational leaders must adequately address employee needs through the effective use of different human resource practices including fair rewards, effective leader-member relationship and proper career growth opportunities. These programs bring about perceived organizational support which in turn can lead to positive organizational outcomes.

Keywords: Perceived Organizational Support, Pay Level Satisfaction, Career Growth Opportunities, Correlation, Pakistan

1. Introduction

Nowadays, perceived organizational support (POS) has been recognized as an important construct in study of employees’ attitudes and behaviors. Organizations are working to increase employees’ commitment to the organization, but employees focus on the organization’s commitment to them. For employees, the organization serves as an important source of socio-emotional support, such as self esteem, recognition and other tangible benefits, like pay etc. Employees therefore are actively concerned with different forms of treatments they receive from the organization. Perception of employees about different organizational practices play vital role in determining their job attitudes and behaviors.

Since Eisenberger and colleagues’ formative work on POS, a number of researchers have studied its effects on a variety of work related outcomes. (e.g. Eisenberger et al, 1986, 1990; Settoon et al, 1996; Wayne et al, 1997). However, few have examined the relativity of the factors that lead to POS. Similarly, as human
resource management plays an important role in developing and maintaining the exchange relationship between the employees and the organization (Tsui et al, 1995; Tsui et al, 1997), existing work presents little insight in identification of appropriate human resource practices and highlighting the relative importance of these practices. Human resource practices can be useful in developing higher levels of POS, which in turn, lead to positive work related attitudes and behaviors. As Dawley et al (2008) in his study found that among all other variables, POS has most significant effect on organization commitment and employees behavior. In this paper an attempt has been made to investigate the relative impact of different human resource practices on development of POS.

2. Literature Review

POS is a key concept of organizational support theory (Eisenberger et al, 1986 & 1997; Rhoades & Eisenberger, 2002), which is defined as employees’ perceptions about the degree to which the organization cares about their well-being and values their contribution. In the POS literature, Shore and Tetrick (2006) identified two types of practices that are critical to the development of higher POS: discretionary practices that involve organizational caring but are not mandated by company policy or union contract, and HR practices that symbolize organizational recognition of the employee’s contribution.

HR practices present a way through which organization can show its concern for the employees and recognize their contributions and theories of motivation are important in guiding this effort. Alderfer’s (1972) ERG theory conceptualizes three elements of human needs that are relevant to organizations: needs that are based on human existence, which are mainly physiological or basic needs (existence); needs that are associated with interpersonal relationships in the workplace (relatedness); and needs that are related to the development of human potential and capabilities (growth).

Norm of reciprocity, which explains the employee-employer relationship also play key role in organizational support theory (Gouldner, 1960). It suggests that employees who receive favorable treatment from their organizations, would feel an obligation that they should also care about the organization’s benefits and work for the achievement of organizational goals.

POS may have several different types of antecedents (Rhoades & Eisenberger, 2002). The existing research focused on the role of HR practices in enhancing human capital. Snell & Dean (1992) argued that the primary means by which firms invest in their employees is HRM practices and these include practices that affect employees’ skills and ability; motivation; and structure of the work (Delaney & Huselid, 1996). Uhl-Bien et al (2000) stated that HR practices that do not consider relationships and the social perspectives in its application may have some potential problems. It is argued that the way individuals interact within organizations through interpersonal relationships consists of social capital, and this is critical to improve organizational performance through human capital.
Alderfer (1972) theory of motivation and phenomenal work of different researchers have identified some practices that are relevant to POS. Eisenberger et al (1997) suggested that higher levels of POS would meet individuals’ needs for appreciation, respect, social identity, acknowledgment, and intrinsic rewards. Shore et al (2006) argued that organizational actions that are taken by the employee as symbol of recognition, and discretionary rewards are more likely to contribute to POS. Monetary rewards, meet basic needs or needs for existence; career development opportunities meet employee growth needs, high levels of Leader-Member relationship (LMX) satisfies need for relatedness in the workplace.

Organizational rewards help to satisfy employees’ physiological needs, but employees also have a desire to develop their capabilities in organizations, it means that they tend to satisfy their needs for growth and development (Alderfer, 1972).

HR practices can also influence employees’ beliefs and create higher POS through the provision of adequate growth opportunities that would meet their personal developmental needs. Providing potential career growth opportunities shows that organization has high level of concern for its employees and recognizes their importance and contributions (Rhoades and Eisenberger, 2002). Similarly, Eisenberger et al (1999) also suggested that these opportunities of recognition and promotion have positive impact on the POS.

Moreover, Shore & Wyne, (1997) in his study concluded that training provided by the organization has positive impact on employees’ POS. Wayne et al (1997) found that developmental experiences and promotions both have significant positive impact on employees’ perceptions of organizational support. Similarly, Meyer and Smith (2000) also detected a positive relationship between career development and perceived support from the organization. On the basis of above evidences, it is assumed that employees’ belief about the availability of career growth opportunities in an organization could lead to a higher level of POS.

Since the supervisor often acts as an agent of the organization and can direct discretionary rewards, the treatment that employee receives from the supervisor tends to contribute to employee perceptions of the support he or she receives from the organization (Eisenberger et al, 1986; Wayne et al, 1997). Thus, it is believed that the leader-member exchange (LMX) or supervisory support has a positive relationship with POS (Rhoades & Eisenberger, 2002; Wayne et al, 1997). Wayne et al (1997) concluded that the quality of leader-member exchange had greater influence on POS.

Similarly, Eisenberger et al (2002) conducted a study to examine the relationship between supervisor support and POS. This research confirmed organizational support theory’s conceptualization that a better relationship with the supervisor contributes to higher levels of employee POS.

In addition, the positive relationship between LMX and POS is also consistent with ERG theory (Alderfer, 1972). According to ERG theory, employees also try to satisfy the need of relatedness in an organization. Therefore, in
evaluating the organizational support, employees would consider their work relationships with supervisor. If the employee has a positive relationship with the supervisor, he or she would feel that the organization has contributed to satisfying his or her need for relatedness, and thus, perceive that the organization cares about his or her well-being. Thus, it can be assumed that better exchange relationship between the employees and their supervisor will lead to the higher level of POS.

From the above review, it seems obvious that pay level satisfaction, career growth opportunities and supervisor support are all effective ways to improve employees’ perception about organizational support. The research question is to examine which form of support matters most in the development of employees’ perception about overall organizational support.

3. Methodology

Data were collected randomly from a sample of banking professionals working in the branches of four major private banks of Pakistan in Hazara division through a survey. Limiting the participants to private sector banking professionals constrains sources of variance associated with employees in different environmental settings that may confound the effects of the independent variables, and thus allows better drawing of causal inferences. They indicate whether or not they agree with the given statements about the different aspects of POS. In addition, they also provided information regarding their tenure in the organization, education level and gender. The survey is completed through personal visits of the different branches of selected banks. About 100 questionnaires were distributed among the middle management level employees. Among these employees, 76 responded, yielding a response rate of 76 percent.

The unit of analysis for this study is the individual employee. Although human resource practices are examined as antecedents of POS, however, it is individual employees’ perceptions that how these practices are implemented and influenced their beliefs in POS.

In this study, a working definition of HR practices is used that incorporates an emphasis on both human capital and social capital. The HR practices are defined as the set of HR practices adopted by an organization to utilize its human capital and social capital by developing their knowledge and skills, increasing their motivation, and nurturing effective social interactions. As development of POS beliefs is based on individual employees’ perceptions of the HR practices implemented by the organization, participants were asked to evaluate their level of satisfaction with pay level, perceived career development opportunities, and perceived supervisor support.

As discussed in Alderfer’s (1972) ERG theory, reasonable pay is necessary for meeting individuals’ basic or existence needs. Growth needs can be fulfilled by sufficient career development opportunities that help
employees develop their capabilities. And, HR practices that provide social support, such as supervisor support, helping employees maintain friendly work relationships and develop positive exchange relationships between employer and employee can be helpful in fulfilling employees’ need for relatedness. Unless otherwise noted, all the variables were measured by a 7-point Likert-type scale (1 = strongly disagree, 7 = strongly agree). For negatively worded questions respondents’ rating was reversed. The detail of all the variables along with reliabilities (Cronbach’s alpha) for the scales in respondents is provided in Table 1. In data analysis descriptive statistical techniques are used to describe the data and the research question was tested via Spearman Correlation.

Table 1: Variables Used in the Study

<table>
<thead>
<tr>
<th>S.No</th>
<th>Variables</th>
<th>Sample item</th>
<th>Cronbach’s Alpha</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Satisfaction with rewards</td>
<td>The organization is unconcerned about paying me what I deserve. (a negatively worded question)&quot;</td>
<td>0.95</td>
<td>Henaman &amp; Schwab (1985). Used by Bordia &amp; Blau (2003)</td>
</tr>
<tr>
<td>3</td>
<td>Supervisors Support</td>
<td>I feel confident even I don’t have much knowledge about the task at hand, as my supervisor can guide me.</td>
<td>0.96</td>
<td>Graen and Scandura’s (1987) Lapierre et al (2006)</td>
</tr>
<tr>
<td>4</td>
<td>Perceived Organizational Support</td>
<td>My organization really cares about my well-being.</td>
<td>0.96</td>
<td>Eisenberger et al, 2001; Lynch et al, 1999; Rhoades et al, 2001</td>
</tr>
</tbody>
</table>

As shown in Table 1, the degree to which employees were satisfied with their current pay level was measured by selected items from the pay level satisfaction scale developed by Henaman & Schwab (1985). Bordia & Blau (2003) also used this scale in their study. The Cronbach’s alpha for this scale was 0.95 as shown in Table 1.

To measure employees’ perceptions of opportunities they have for career development, a four-item scale was used in this study that is based on prior work, for example, (Mayer & Smith, 2000). These items are also consistent with the six-item scale used by Kuvaas (2008) to evaluate employees’ perception about career development opportunities. The Cronbach’s alpha for this scale was 0.92.
To examine the quality of exchange relationship between the employees and their leaders, Graen and Scandura’s (1987) LMX-VIII scale was used to measure leader-member exchange. Lapierre et al (2006) in his research used LMX-VI scale but LMX-VIII is more comprehensive and covers most of the items of LMX-VI. The Cronbach’s alpha for this scale was 0.96.

Following research on POS (e.g. Eisenberger et al, 2001; Lynch et al, 1999; Rhoades et al, 2001), three high-loading items from the Survey of Perceived Organizational Support (SPOS; Eisenberger et al, 1986) were selected to measure employees’ perceived organizational support. Moideenkutty et al (2001) also used these three items of the original survey to evaluate employees POS on a 7-point likert scale. Although, Kuvaas (2008) in his recent study used eight items of the survey but the validity of the scale used in this study has been confirmed by previous research (e.g., Eisenberger et al, 1990; Shore & Wayne, 1993). Therefore, as Rhoades and Eisenberger (2002) suggested that for practical reasons, many studies have used shortened versions of the original SPOS scale, this practice is not problematic. The Cronbach’s alpha for this scale was 0.96.

4. Results & Discussion

Following the approach taken by previous researchers (e.g., Eisenberger et al, 2001), to test the research question, data were described through descriptive statistical techniques and the interaction effects were tested via Spearman Correlation.

The population in this study included the middle and lower management staff of the private commercial banks. They were representing four major private commercial banks, i.e. Muslim Commercial Bank, Bank Alfalah, Askari Commercial Bank and Allied Bank Limited. Almost equal numbers of respondents were contacted from each organization.

Of the respondents, the majority of the employees, 78 percent were male and 22 percent were females. In the targeted respondents, the age group (20-30 years) forms 51.3 percent of the total respondents whereas the age group (31 to 40) is 38.2 percent and the group above 40 years of age is 10.5 percent. The data shows that more than half of the participants were between 20 and 30 years of age. Therefore majority of respondents are relatively young. They are the early career or mid career employees hired by the private sector banks after the growth of information and communication technologies in the banking sector of Pakistan.

Table 2, summarizes the means, standard deviations, and inter-item reliabilities for all the variables. As shown in the table, the scale reliabilities (α) for all these variables exceed the value of .80. Thus, the instruments used in this study provide reliable measures of the variables of interest.
Table 2: Means, Standard deviation and inter-item reliabilities

<table>
<thead>
<tr>
<th></th>
<th>Reliability Analysis (α)</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Level Satisfaction</td>
<td>.923</td>
<td>1</td>
<td>7</td>
<td>5.17</td>
<td>1.723</td>
</tr>
<tr>
<td>Supervisor’s Support</td>
<td>.961</td>
<td>1</td>
<td>7</td>
<td>4.80</td>
<td>1.721</td>
</tr>
<tr>
<td>Career Development</td>
<td>.960</td>
<td>1</td>
<td>7</td>
<td>4.79</td>
<td>1.907</td>
</tr>
<tr>
<td>Opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Organizational Support</td>
<td>.954</td>
<td>1</td>
<td>7</td>
<td>4.64</td>
<td>1.985</td>
</tr>
</tbody>
</table>

As the responses were recorded on a 7-point likert scale the maximum value is 7 and minimum is 1. This shows the range of data i.e. 6. Similarly the means and standard deviations are also shown in the table. The mean of the measure “Pay level Satisfaction” is highest i.e. 5.17 while the variable “POS” has the lowest mean i.e. 4.64. The variable “POS” has the highest standard deviation among all the variables, i.e. 4.64, the variable “supervisor support has the lowest standard deviation, i.e. 1.72 as shown in Table 2.

Table 3 shows the Correlation Matrix of Pay level satisfaction, supervisor’s support & career development opportunities with Perceived Organizational Support (POS).

In this study, it was hypothesized that employee perception of a set of HR practices are important contributors to the evaluation of POS. The correlation results, in combination, supported this proposition. Pay level satisfaction, supervisor’s support & career development opportunities are all significant predictor of POS though to different degrees.
Table 3: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Pay Level Satisfaction</th>
<th>Supervisor's Support</th>
<th>Career Development Opportunities</th>
<th>POS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Level Satisfaction</td>
<td>5.17</td>
<td>1.723</td>
<td>1</td>
<td>.771(** )</td>
<td>.754(** )</td>
<td>.712(** )</td>
</tr>
<tr>
<td>Supervisor's Support</td>
<td>4.80</td>
<td>1.721</td>
<td>1</td>
<td>.881(** )</td>
<td>.830(** )</td>
<td></td>
</tr>
<tr>
<td>Career Development Opportunities</td>
<td>4.79</td>
<td>1.907</td>
<td></td>
<td>1</td>
<td>.843(** )</td>
<td></td>
</tr>
<tr>
<td>Perceived Organizational Support</td>
<td>4.64</td>
<td>1.985</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

As shown in Table 3, the correlation coefficient for Pay Level Satisfaction and POS was significant at 0.712. Supervisor’s support and POS have a significant relationship with a correlation coefficient of 0.830. While the variable, “Career development Opportunities”, was found as positively correlated with POS with a coefficient of 0.843. Career development Opportunities was found to have the highest correlation coefficient in its relationship with POS among all other variable while Pay level satisfaction has the lowest.

Eisenberger et al (1986) suggested that organizational support, that shows organizational care for employees and recognition of the employee contribution, is generally the outcome of different variables. Organizations mainly rely on HR practices in treating their employees. As found in this study, that employee perception of a set of HR practices is important contributor to the evaluation of their POS. The correlation results, in combination, supported our assumption, the relationship between these precedent HR practices and POS was positively significant.

Employees pay level satisfaction was found as positively associated with their POS. However, although this relationship was significant but is the lowest among all other precedents. This finding suggests that while evaluating the degree to which the organization supports them, the employees consider their pay level. Although it gives the impression that pay level satisfaction is relatively playing lower role in influencing their decisions but still it is an important measure of employees’ satisfaction.
If we consider this result in the light of theories of need (Maslow, 1954; Alderfer, 1972) it can be concluded that while pay mainly satisfies the employees’ physiological needs, which are lower level needs, the organization needs to go beyond meeting these basic needs to express its support.

In this study, the participants are relatively well-paid banking professionals, for whom other factors, such as meeting growth needs and social needs, may be more important. It is possible that for employees who have much lower salary levels and have difficulties meeting their basic physiological needs, pay level satisfaction may be a more significant contributor of POS. Bordia & Blau (2003) in their study also highlighted the importance of maintaining an attractive reward package for the valued employees of an organization. They also found a positive association between pay level satisfaction and positive work outcomes.

Similarly, perception of career development opportunities was found to have highest significant positive relationship with POS. It is suggested, on the basis of this finding, that organizations that provide career growth opportunities to the employees are likely to be viewed as more supportive and caring about employees’ well-being. Employees consider these opportunities as a source of personal development. This result is consistent with the results of some previous studies (Meyer & Smith, 2000; Allen et al, 2003; Kuvaas, 2008).

Furthermore, it is also found that there is a positive significant relationship between leadership and POS. The role of supervisor or a leader is very important factor in the development of employees’ perception about organizational support. HR policies often guide the implementation of HR practices but leaders have some discretionary power in administrating and allocating rewards, resources, and opportunities. They exercise their power on the implementation of these HR practices for specific employees (Settoon et al, 1996; Wayne et al, 1997). Thus, the quality exchange relationship between the employee and the leader is an important component in implementing HR practices that may contribute to employee perceptions of organizational support.

The findings on the positive influence of supervisor’s support on POS highlight the need for organizations to help employees maintain good working relationships. This can be especially beneficial for the banking sector professionals who often work in a stressful environment.

In summary, this study further highlighted the importance of HR practices in developing positive perception of the employees that could, in turn, lead to positive work related attitudes and behaviors. Mainly HR research focuses on how HR practices help to achieve organizational goals by influencing employee attitudes and behaviors. (Jackson et al, 1989) Strategic HR literature suggests that adoption of progressive HR practices aimed at influencing employee motivation and skills create strategic advantage for the firm and improves firm performance (e.g., Arthur, 1994; Snell & Dean, 1992). However it is believed that HR practices do not directly lead to firm performance (Wright & McMahan, 1994). There is a mechanism underlying the HR practices-firm...
performance relationship. As it was found in this study that employee perceptions of certain HR practices would influence their perceptions of organizational support, which in turn, contributes to employee attitudes and behaviors beneficial for the organization. This finding may help to understand the “black box” between HR practices and firm performance.

The organization, which is implementing the HR practices that show its cares for the employees’ well-being, is likely to be perceived as offering high levels of support for the employees as compared to the other organizations. Along with the identification of these HR practices as antecedents of POS, this study mainly highlights their relative importance in the development of employees POS.

5. Conclusion & Implication

This study provides some insight in the process of effective management of employees in general, and banking professionals in particular. First of all, organizations should find ways to promote higher POS beliefs among employees, as higher levels of POS are related to a variety of positive work outcomes. Results of this study can help in this endeavor by analyzing the different factors that could lead to positive POS and identifying the relative importance of each. Since HR practices seem to be important antecedents of POS, organizations should install caring HR practices that can bring higher levels of POS. These HR practices help employees meet their needs at different levels, and thus can lead to positive employee attitudes and behaviors that are indispensable for successful performance of an organization.

More importantly, organizations should realize that in their effort to harness the intellectual capital of these banking sector professionals, they need to not only provide proper reward opportunities but should also focus on the provision of sufficient career developmental opportunities. Similarly it should also care about the individuals as human beings by assisting them maintaining good leader-member relationships. This is especially true for the commercial banks where there exist a very high demand for the proper training and development opportunities because of rapidly occurring change in technology. They can improve their performance by developing positive POS which in turn could lead to positive attitudes and behaviors such as reduced absenteeism and turnover rate.

In conclusion, this study has further developed the insight of the concept of POS. It provides guidance on how organizations can foster high levels of perceived support via implementation of appropriate HR practices and at the same time it highlights the relative importance of different HR Practices.
References


