

IMPROVING ORGANIZATIONAL CLIMATE PERCEPTIONS THROUGH ORGANIZATION'S RETENTION STRATEGY. THE MODERATING ROLE OF ORGANIZATIONAL HIERARCHY

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ARTICLE INFO	ABSTRACT
<p><i>Article History:</i> Received: 12 Aug 2019 Revised: 25 Dec 2019 Accepted: 10 Mar 2020 Available Online: 15 Sep 2020</p> <hr/> <p><i>Keywords:</i> Perceived Organizational Support; Organizational Climate; Intent to Stay; Organizational Hierarchy</p> <hr/> <p><i>JEL Classification:</i> D23, L22</p>	<p>A positive organizational climate can enhance the organizational success of the organization. Several factors may affect an organization's climate, especially those that directly relate to the perceptions the employees hold about the organization. Especially the perception of those employees who intend to stay with the organization. So, organizations should consider retention as a strategy to create a compassionate climate within the organization. Moreover, such perceptions may vary at different hierarchical positions employees hold in an organization. This study examines a conceptual model that tests the mediating role of intention to stay between organizational support and organizational climate with an overarching role of organizational hierarchy among the bank managers. Structural equation modeling is used to test the model through multi-group analysis. The results indicate differences in the intent to stay among higher-level managers compared to the lower and middle-level managers. Furthermore, the results show similar perceptions of managers working at all managerial positions relating to perceived organizational support and organizational climate. The findings reveal that no matter how much the organization is supportive, the managers' willingness to stay or leave may differ based on their position and may not necessarily alter their perceptions about the bank's climate.</p>

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1. INTRODUCTION

Organizational Climate (henceforth, OC) refers to the perceptions that employees hold regarding the procedures, policies, and practices set out by their respective organizations. Past studies highlight the significance of organizational climate as a means to shape up employees' perceptions relating to their respective organizations. Moreover, creating a productive organizational climate (OC) is a challenging task for human resource managers. Huseynov (2016) shares his experience that around 70 % of staff dissatisfaction is related to organizational climate. He further asserts that it is essential to improve an organization's climate as business targets are directly related to it. This study attempts to examine OC differently on the premise that if organizations do not provide support to their employees, then they tend to work only for financial rewards and will be willing to leave the organization anytime. So it is essential to consider employees as critical players in gaining competitive advantage. Moreover, due to their importance to achieve organizational goals, we can infer that employees behold the organization's whole environment. Therefore, due to this importance that employees possess in the organizations, it is essential to provide value. Such a value, in turn, induces employees to reciprocate positively and assist in creating a positive environment that supports the process adopted in an organization. Moreover, valuable insights can be gained by observing employees' attitudes and behaviors based on organizational hierarchy. James and Jones (1976) define organizational hierarchy as 'the enduring characteristics of an organization reflected by the distribution of units and positions within the organization and their systematic relationships to each other.' To understand an employee's behavior within an organizational setting, it is essential to observe the intersection of demographics that may display differing behavioral standards. For instance, Corley (2004) reveals that every hierarchical managerial level provides a differing idea of an organization's identity, environment, and characteristics. Moreover, Cole and Bruch (2006) indicate a significant difference in employees' turnover intentions across hierarchical groups.

Furthermore, we can infer that organizational structure can affect the employees' overall attitudes and behaviors at the workplace; but the argument is continuing (Lu, Lu, Gursoy, & Neale, 2016). Therefore, this study proposes to assess the mediating effect of intentions to stay as a strategy to create a link between the organizational support and organizational climate through an overarching role of the organizational hierarchy. Several studies provide valuable insights relating to the differences in individual attitudes and behaviors built on the bases of an organizational hierarchy (James & Jones, 1976; Kang & Busser, 2018). Herman, Dunham, and Hulin (1975) highlight the importance of considering the employees' task demands based on demographic characteristics, as this may help to identify similar patterns of behavior. Moreover, Corley (2004) suggests that every hierarchical level may reveal different perceptions of an organization's nature and characteristics. Similarly, Cole and Bruch (2006) show significant variability in turnover intentions across hierarchical groups. Uitzinger, Chrysler-Fox, and Thomas (2016) conducted a study in South Africa on human resource professionals that highlighted the importance of employee retention to be assessed as a strategy through different organizational factors such as performance management, leadership style, etc. The study provides a future direction to conduct studies in various organizations or sectors and identify other factors that may help retain employees, which is considered a strategy to improve the organization's overall climate. Besides this, such a mechanism can be evaluated through the lens of organizational hierarchy. As there is a dearth of literature that may identify differences in the perceptions that employees at different managerial levels in the banking sector hold relating to their intentions to stay if they are provided with the support from their employing organization and may resultantly provide a difference in their perceptions relating to the overall climate of the organization.

2. THEORY FORMULATION AND HYPOTHESIS DEVELOPMENT

The present study posits to observe the means through which a productive organizational environment can be created. Moreover, to examine such a process, it is essential to observe the antecedents that can help shape an organization's overall climate. So this study is based on the Organizational Support Theory (henceforth, OST) that deals with employees' beliefs of care and well-being about their organization. This theory also provides the bases of perceived organizational support (POS) introduced by Eisenberger in 1986, who suggests it as a critical factor that may create a positive belief among the employees by identifying the needs of employees and exert efforts to fulfill their needs. Such identification and fulfillment of needs by the organizations for their employees can create a feeling of organization support. Besides this, when employees working at different levels of hierarchy believe that the organization cares about their well-being, they tend to stay in an organization and resultantly perceive positively about the organization's overall climate. Therefore, this study focuses on examining the effect of POS on OC through the mediation of ITS. So to explore such a relationship, the hypothesis is as follows:

H₁: Organizational hierarchy moderates the mediating role of intention to stay between the relationship of perceived organizational support and organizational climate.

3. RESEARCH METHODOLOGY

The present study follows a post-positivistic world view suggested by (Creswell & Creswell, 2018). This worldview advocates a quantitative approach to gather empirical data. For gathering practical information, a questionnaire was used to gather data. Multi-Phase sampling is used to select a sample from the population. Initially, a list of all the banks operating in Pakistan is taken from the website of State Bank of Pakistan. Further, each bank's branches in capital cities of different provinces and the center were identified through their respective websites. Five main cities, i.e., Islamabad, Peshawar, Lahore, Karachi, and Quetta, were chosen on the premise that all banks are operational in these cities. The bank branches operating in the chosen cities were randomly chosen, and the employees in each branch were administered a questionnaire on the bases of convenience sampling. Since the total number of branches of all banks operating in 5 main cities in Pakistan was 3080, a sample of 342 branches at 95% confidence level and 5% margin of error was determined through sample size formula. Each branch was administered two questionnaires were administered on a convenience basis. In this way, a total of 684 questionnaires were distributed with a response rate of 87%. The questionnaire consisted of items taken from well-established instruments developed by various researchers. The items relating to all the variables were recorded on a 5-point Likert scale. The items relating to POS were adopted from the scale developed by Eisenberger, Huntington, Hutchison, and Sowa (1986), while the items relating to OC organizational climate and ITS are taken from Patterson et al. (2005) and Hom and Griffeth (1991) respectively.

4. DATA ANALYSIS

Hair, Ringle, Hult, and Sarstedt (2013) suggest calculating the Cronbach's Alpha or composite reliability (CR), average variance extracted (AVE), and outer loadings to calculate the convergent validity of the instrument. Table 1 below depicts the calculated values of CR, AVE, and factor loadings to assess the convergent validity.

Table 1. Source, Reliability, and Convergent Validity of the Instrument Items

Constructs	Outer Loadings	CR	AVE
Perceived Organizational Support		0.886	0.416
<i>POS1</i>	0.635		
<i>POS2</i>	0.515		
<i>POS3</i>	0.642		
<i>POS4</i>	0.711		
<i>POS5</i>	0.607		
<i>POS6</i>	0.635		
<i>POS7</i>	0.708		
<i>POS8</i>	0.615		
<i>POS9</i>	0.649		
<i>POS10</i>	0.697		
<i>POS11</i>	0.654		
Organizational Climate		0.917	0.786
<i>OC1</i>	0.523		
<i>OC2</i>	0.605		
<i>OC3</i>	0.594		
<i>OC4</i>	0.575		
<i>OC5</i>	0.621		
<i>OC6</i>	0.631		
<i>OC7</i>	0.705		
<i>OC8</i>	0.699		
<i>OC9</i>	0.516		
Intent to Stay		0.841	0.40
<i>ITS1</i>	0.865		
<i>ITS2</i>	0.883		
<i>ITS3</i>	0.910		

Convergent validity establishes when AVE's calculated values, the outer loadings, and CR are greater than the values of 0.50, 0.60, and 0.70, respectively (Hair, Hult, Ringle, & Sarstedt, 2017). Moreover, the value of AVE should not be less than 0.40, as recommended by Giamantopoulos and Sigauw (2000). Table 1 above indicates that the convergent validity is also proven as AVE, CR, and the outer loadings fall within the acceptable region range. Moreover, discriminant validity is established to check whether every construct in the structural model reveals a different concept or construct. Henseler, Ringle, and Sarstedt (2015) recommend using a Heterotrait-Monotrait ratio (HTMT) to test the discriminant validity instead of applying Fornell and Larcker (1981) technique. So Table 2 below shows the discriminant validity of the constructs.

Table 2. Discriminant Validity of the Constructs

Sr. No	Constructs	1	2	3
1	Organizational Climate			
2	Perceived Organizational Support	0.801		
3	Intentions to Stay	0.499	0.527	

Henseler et al. (2015) suggest that the HTMT Ratio should be less than 0.90 to establish discriminant validity. Table 2 above indicates that the calculated values of HTMT are lower than 0.90 which indicates that the discriminant validity is established.

5. FINDINGS

To examine the proposed hypotheses bootstrapping procedure with 2000 iterations were used by testing it through Smart PLS-SEM 3.2. The PLS bootstrapping procedure is a nonparametric technique that examines the statistical significance of the structural model. Moreover, the bootstrapping technique also tests the standardized root

mean square's value to assess the model fitness. The value of Standardized Root Mean Square SRMR ranges from 0 to 1, and less than 0.08 is considered a perfect fit (Hooper, Coughlan, & Mullen, 2008). Since SRMR is 0.068, it proves that the proposed model perfectly fits the actual collected data. Figure 2 below displays the structural model by applying a bootstrapping technique.

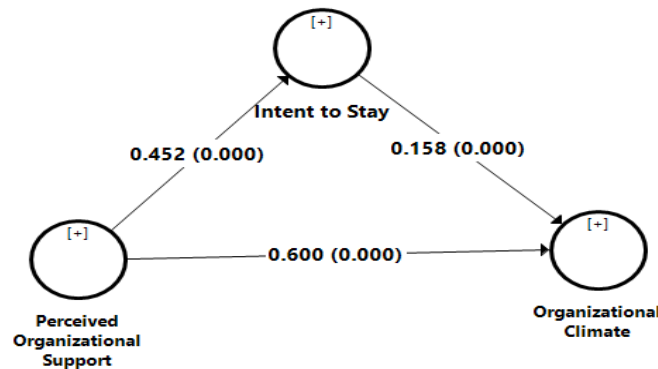


Fig. 2. PLS-SEM Structural Model

Figure 2 above shows the direct and indirect effects of POS on OC with a mediation of ITS. The model was extracted through bootstrapping technique shows that the hypothesis proposed is accepted as POS (independent variable) shows a positive and highly significant effect on the dependent variable (OC, $\beta = 0.600$, $p\text{-value} = 0.000 < 0.01$) and mediating variable (ITS, $\beta = 0.452$, $p\text{-value} = 0.000 < 0.01$). Moreover, ITS (mediating variable) shows a highly significant and positive impact on the dependent variable (OC, $\beta = 0.158$, $p\text{-value} = 0.000 < 0.01$). Furthermore, ITS shows supplementary partial mediation between the relationship between POS and OC as the path coefficients of indirect effect ($\beta = 0.071$, $p\text{-value} = 0.000 < 0.01$) is less than the direct effect ($\beta = 0.600$, $p\text{-value} = 0.000 < 0.01$).

5.1 Mediated moderation

Meanwhile, a Multi-Group Analysis (MGA) was employed to test the variance in managers' opinions at different managerial levels regarding the indirect effects of POS on OC through the mediation of ITS. Table 3 below shows the results of mediated moderation extracted through PLS MGA.

Table 3. Results of PLS Multi-Group Analysis

Path	PLS MGA	Direct Effect			Indirect Effect ^a		
		Lower versus Middle-Level Manager	Lower versus Top Level Manager	Top Level Manager	Lower versus Middle-Level Manager	Lower versus Top Level Manager	Top Level Manager
POS -> OC		0.123	0.140		0.052	0.047	
POS-> ITS		0.082	0.098				
ITS -> OC		0.128	0.119				

^a Indirect Effect: POS -> ITS -> OC

Table 3 above shows no significant difference among the managers working at different hierarchical positions about the perception regarding the indirect effect of POS on OC through the mediation of ITS. The results of PLS-MGA implicate that the role of POS remains the same irrespective of the management level.

5.2 Predictive Accuracy

The bootstrapping procedure estimates the R^2 , which is the predictive accuracy of the hypothesis recommended in this study. The value of R^2 is also termed as the "coefficient of determination," which represents the degree of combined variances, explained by the exogenous variables on an endogenous variable. In this study, the endogenous variables, i.e., ITS and OC, have the values of R^2 as 0.205 and 0.405, respectively. For cross-validating, the predictive accuracy of the endogenous variables (i.e., R^2), the values of Stone-Geisser Q^2 (Geisser, 1974) are calculated. Table 3 below discusses the calculated values of predictive accuracy (R^2). The values of R^2 can be cross-validated through values of predictive relevance (Q^2). The values of Q^2 for ITS and OC are 0.152 and 0.159, respectively. Since most of the values of Q^2 are > 0 , the results indicate that the predictive relevance of the proposed model is established. Besides this, the Q^2 values range between small effect size to medium.

Table 4. Values of Predictive Accuracy (R^2) and Predictive Relevance (Q^2)

Construct	R^2	Q^2	Effect Size ^a
Organizational Climate	0.470	0.159	Medium
Intent to Stay	0.205	0.152	Small

^a Effect sizes: Small = $0 < Q^2 < 0.15$; medium: $0.15 < Q^2 < 0.35$; large: $Q^2 > 0.35$

6. DISCUSSION

The present study aimed to address whether those managers who perceive their organizations to be supportive and tend to stay within the organization view positively towards the overall organizational climate. Moreover, such a perception may vary among the managers working at different hierarchical levels. The results reveal a partial mediation of intent to stay between perceived organizational support and organizational climate. This means that those employees who perceive that their organizations appreciate their opinions and work for the well-being are more likely to stay with the organization and, consequently, think high about the organization's climate. Similarly, the employees also perceive that their organization enriches their nature of jobs, tends to stay with the organization, and considers the organization's climate to be innovative and flexible. Moreover, those employees who perceive that the organization is sensitive about their well-being are more likely to remain with the organization and consider the organization as welfare-oriented. Based on the above results, the organizations need to create an environment of support that can create employees' willingness to stay in the organization. Such a workforce that intends to stay within the organization will ultimately perceive differently about the organization's overall climate. Interestingly, if the same relationship is observed through an overarching view of the organization's hierarchical structure, the results reveal differences in opinions among the managers working at different managerial levels in terms of their intentions to stay. These results are consistent with the findings of Cole and Bruch (2006). While the perceptions of managers relating to the POS and OC remain the same, this finding suggests that even if organizations provide support to its employees, the intentions to stay or leave in organizations will be dependent on the position an employee holds in the organization.

Moreover, no matter if the managers intend to stay or leave the bank, the view about the bank's climate remains the same. These results implicate that no matter whether the organization is supportive or not, the higher-level managers think more to leave their job than middle-level managers. In contrast, lower-level managers have the least intention to leave the organization. Similarly, higher-level managers actively search for new posts and are more likely to leave if they find a new position elsewhere. Based on the above discussion, we can infer that those managers who work at the top level are lesser concerned about how the bank is supportive. Moreover, due to a broader job market and better employment opportunities in the banking sector in Pakistan, the turnover intentions are higher among the higher-level managers in the organizational structure than lower or middle-level managers. The reason may be due to the availability of better opportunities elsewhere within the banking sector for such higher-level managers that may induce them to switch banks and assume critical positions. Although the present study provides a fair understanding of the dependency of turnover intentions among managers who work at different managerial positions and which is different from what they perceive about the support and environment the organization gives, still, the study has few limitations. The study used a self-reporting instrument for data collection that may involve self-reporting bias. The research only focuses on the perceptions about the organizational factors and does not consider other factors that may be prevalent outside organizations, such as the availability of better employment opportunities in the banking sector. Moreover, there may be a factor of self-actualization that may induce the managers to leave the organization no matter how high a higher-level manager perceives his current employing bank.

7. CONCLUSION

This study provides insight into the fact that employees' perceptions to stay or leave the organizations may vary even if they perceive that their organizations are supportive and possess a favorable climate. Moreover, this study provides an understanding that retaining employees in the organization requires employing banks to rethink what is missing in the social practices that may help them retain their higher-level managers in a high job market within the banking sector.

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