

Effect of Perceived Organizational Support on Employee Retention – The Mediating Role of Organizational Commitment

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Abstract

The study aims to analyze the relationship of perceived organizational support and employee retention with mediating role of organizational commitment in Hayatabad Industrial estate Peshawar. The study is cross-sectional in nature. A total of 200 questionnaires were randomly distributed among lower and middle managers of plastic manufacturing industrial units. Volunteer enumerators from the industrial units were trained for data collection. Process Macro method was used for regression and mediation effect. Perceived organizational support (POS) has positive effect on employee retention while, POS significantly effects organizational commitment. Moreover, OC mediates POS and employee retention relationship. The research is unique as it gives an insight regarding organizational commitment, perceived organizational support and employee retention in Pakistani context and would pay ways for future research

Key words: *Retention, organizational support and organizational commitment*

1. Introduction

Organizations strive to acquire and retain productive and talented workforce with an aim to achieve the broader organizational goals of productivity and profitability (Tlaiss et al., 2017). Recent globalization has pressed the need to effectively manage demand and supply of skilled human capital (Ployhart, 2006) to remain competitive in the global market (Catteuw et al., 2007). The demand for highly skilled and productive employees has led to the competition among employers by employing headhunting strategy (Srivastava & Bhatnagar, 2008). Consequently, the competition among employers triggered the need for acquisition of talented employees that can be possible through integrated strategic approach (Herger, 2007). Employer branding (EB) is a viable technique for attraction and retention of employees in this regard (Michaels et al., 2001). EB is evolved from several organizational elements such as organizational communication, image and cultural branding (Maheshwari et al., 2017;

Sivertzen et al., 2013). EB at times contributes to the competitive advantage of the organizations and consequently accomplish the employees' expectations from the organizations. Resultantly, commitment and performance of the employees are improved (Kaiser & Regjepaj, 2019). This suggests that organizations should focus on the retention of employees to fulfill their expectations. For an employee to achieve the organizational strategic goals, HR strategies are focused to engage and retain the employees in the organizations (Minchington, 2010). Studies suggest that work on employer branding have been conducted in different geographical and organizational contexts (Khan, 2017; Maheshwari et al., 2017; Chhabra and Sharma, 2014). However, these studies are based on EB techniques and relationship with other variables such as organizational commitment (Kaiser & Regjepaj, 2019).

Studies (Iqbal & Hashmi, 2015) suggest that work on relationship of perceived organizational support and employees' retentions lacked the attention of researchers in organizational context in Pakistan. Further, studies (Arasanmi, & Krishna, 2019 & Iqbal & Hashmi, 2015) also asserted that these relationship lacked possible mediators such as employees' commitment. Hence, the current study aims to fulfill the research gap identified by Arasanmi, & Krishna (2019) and Iqbal & Hashmi (2015), the study investigates the impact of perceived organizational support and employees' retentions Plastic industry of Hayatabad industrial estate in Pakistan. Furthermore, the research elaborates the intervening effect of organization commitment on the relationship of organizational support and employee retention.

The research is unique in terms of finding the relationship of Perceived Organizational Commitment and Employee retention with mediating effect of Organizational Commitment in Pakistani context.

2. Literature Review

Employee retention is the resolve of employer to retain its talented workers in the organizations. It is opined that human resource is an integral factor of production for any organization (Minchington, 2010). Retention of skilled workforce is imperative for organizations to chalk out effective branding strategies. Such strategies provide psychological, economic and operational payback to employees. Resultantly, employees are attracted and retained.(Irshad & Afridi, 2007, Khan, 2017; Maheshwari et al.,2017; Sivertzen et al., 2013). Lack of retention measures at times leads the human capital flight (Afridi & Baloch, Q. B. 2015; Afridi & Afridi, 2016). Branding is significant for promotions of the firms among all key stakeholder and brings repute (Backhaus and Tikoo, 2004; Chhabra and Sharma, 2014). It is also considered to be positively related with the intention of applicants for applying jobs (Khan, 2017). Organizational support is a management practice which aims to highlight the affirmative aspect of the firm. It implies that how organization cares its employees provide help to its employees and value them in day to day dealings such as supervisory support, management behavior, and congenial atmosphere. Ultimately, the overall performance of the employees enhanced. (Noe and Wilk, 1993). Organizational support has positive association with employee retention (Eisenberger et al., 2001; Macey and Schneider, 2008). Organizational commitment is also included as a mediating variable affecting the relationship of organizational satisfaction and employee retention.

3. Theoretical Model and Development of Research Hypotheses

Social Exchange theory (Blau, 1964) provides theoretical grounds to this research. It states that social exchange contains reinforcement and conditional connections on reciprocal basis. Social exchange includes the personal inputs such as energies, time and efforts for some gains. The recent research highlights that employees who recognise the organizational values show positive behaviour towards the organizations and work its betterment (Tsarenko et al., 2018). Hence, social exchange theory is applicable in the context of employee retention. Similarly, perceived organizational satisfaction as employer branding strategy predicts organizational commitment and retention in a firm.

3.1 Perceived Organizational Support (POS) and Employee Retention

POS is the perception of employees towards organization that organization pay weightage to their services, efforts and inputs resultantly organization would compensate their needs (Eisenberger et al., 2001). POS is assessment of the employees in terms of help, cooperation they receive from the organization (Lamm et al., 2015). Hence, POS provide support to the commitment and retention of employees (Eisenberger et al., 2001).

H1. POS has a positive relationship with employee retention.

Organization support is considered to be associated with employee performance (Park et al., 2018). Studies confirmed that employee's commitment increased due to organizational support (Rhoades et al., 2001). The above suggests;

H2. Perceived organizational support has a positive association with organizational commitment.

3.2 Organizational Commitment (OC) and Employee Retention

OC is the emotional association of employees with the organization (Allen, 1997). An employee committed to organization shows his/her loyalty and devotion when achieving organizational goals (Bulut & Culha, 2010). It is confirmed from past studies that committed employees through their commitment enhanced the organizational performance (Chhabra, 2015; Mahal, 2012). The research studies states that organizational commitment positively affects employee retention (Premalatha, 2011; Chhabra, 2015; Mahal, 2012). Based on above discussion the hypothesis developed as;

H3. Organizational commitment significantly affects employee retention.

It is evident from the literature that organizational support leads to employee retention and the relationship is affected by organizational commitment.

H4. Organizational commitment mediates the POS and employee retention relationship.

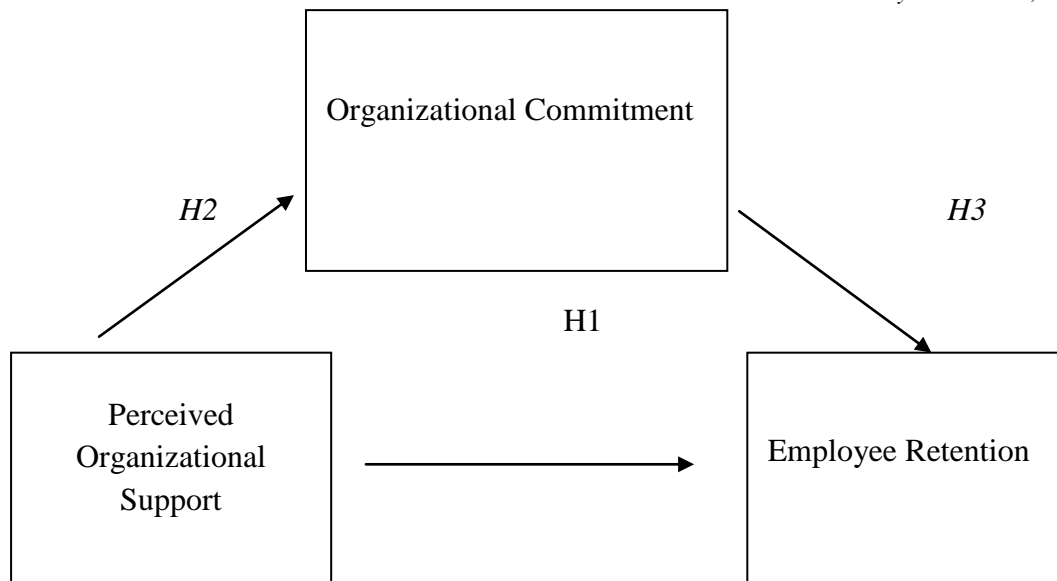


Figure 1: Theoretical Model

4. Research Methods

4.1. Procedures

The data were collected from the employees of plastic industry of Hayatabad Industrial State. A total of 200 questionnaires were distributed among the random sample of lower and middle management level employees working in those plastic manufacturing firms. The questionnaires were distributed in hard form through volunteer enumerators. The enumerators were trained prior to assigning the task. It took almost two months to complete the survey i.e, mid of June to mid of September 2019. Out of 200 questionnaires, 162 were returned back and completed in all aspects. The total response rate was 81%. SPSS 23 Process Macro (Hayes, 2013) was used for mediating analysis among the variable due to its efficiency, accuracy and sophistication.

4.2 Research instrument

Variable were measured through adapted questionnaires. The scales used were 5 point Likert scale with responses (5= Strongly Agree and 1= Strongly Disagree)

Perceived organizational support: For POS the scale was adapted from Rhoades et al. (2001) with reliability $\alpha = 0.906$.

Organizational commitment: The scale for POS adapted from Meyer and Allen (1991) with reliability $\alpha = 0.803$.

Employee retention: The scale used for employee retention was adapted from Kyndt et al. (2009) with $\alpha = 0.881$. The psychometric properties of the instruments are given below in Table.1

Common Method Bias

Common Method Bias (CMB) usually occurred due to variation in responses due to the instrument in cross-sectional data, from the same respondent on same time. CMB can only not affect the data if the cumulative variance is less than 50% (MacKenzie, & Podsakoff, 2012).

Table 1: Component Matrix

Item	OC	POS	ER	Cronbach’s Alpha	AVEs
OC2	0.912			0.803	0.73
OC4	0.874				
OC3	0.843				
OC6	0.792				
OC1	0.761				
POS		0.920		0.906	0.78
POS1		0.884			
POS4		0.816			
POS6		0.783			
ER4			0.921	0.881	0.81
ER6			0.893		
ER1			0.842		
ER2			0.791		
ER3			0.740		
KMO	0.854	0.851	0.774		
Df	6	6	15		
Sig	0.000	0.000	0.000		

4.4 Model Statistical Test

The data was subjected to KMO test for sampling adequacy and Bartlett test of sphericity. The value of KMO should be equal or more than 0.70 at sig level of 0.05 (Field, 2015).

4.5 Reliability and validity

The Cronbach's Alpha reliability of Organizational Commitment, Perceived Organizational Support and Employee Retention was 0.803, 0.906 and 0.881 respectively.

4.6 Data Analysis

SPSS Process (Hayes, 2013) was for data analysis due to its advance nature. It sophisticatedly calculates mediation, moderation and regression analysis.

4.7 Results of the Regression Analysis

The hypothesis H1, H, H3 and H4 were statistically tested. H1 when tested showed that a significant positive relationship existed between POS and retention. Four hypotheses were tested in this study. H1 hypothesized a relationship between POS and employee retention ($\beta = 0.583$, $t = 11.21$, $p = 0.05$). H2 was tested and proved that POS and OC had a significant positive relationship ($\beta = 0.533$, $t = 10.44$, $p = 0.05$). H3 was tested and found that OC and employee retention had a positive relationship ($\beta = 0.671$, $t = 9.31$, $p = 0.05$). Hence, H1, H2 and H3 were confirmed. The regression analysis R^2 was 0.741 for employee retention that implied that POS and OC had 74.1% change in regression.

4.7. Mediation Results

The mediation analysis states that POS has direct effect on employee retention ($\beta = 0.314$, $t = 4.71$, $p = 0.01$). It shows partial mediation effect i.e., OC mediates POS and Retention

5. Discussion

The results show that H1, H2, H3 and H4 are confirmed. POS has significant positive relationship with Employee retention, POS has significant effect on OC, OC has significant on Employee retention and finally OC mediates the relationship of POS and retention. Our findings are in line and consistent with past researches (Ghosh and Sahney, 2011; Kundu and Lata, 2017; Ghosh et al., 2013). The results also confirm (Tsarenko et al. (2018) and (Kaiser & Regjepaj, 2019) that positive feedback, support and cooperation leads to employee retention. It also implies that employee commitment and satisfaction can only be ensured if management establishes a favorable work environment (Luthans et al., 2008).

5.1. Managerial Implications

The research study is imperative as far as its practical implications are concerned. It helps the organizations to establish a conducive environment through chalking out strategies, policies which helps the employees to attract, retain and grow in order to achieve the strategic organizational goals. It also helps the HR executives to devise favorable and employees' centric policies that in long run help the existing skilled workforce to retain and engaged. Resultantly the retention of human capital would give a competitive edge to the organization. All these may boost up the employer branding among its competitors and all stakeholders.

5.2. Limitations and future direction

The result has several limitations which can be overcome through future researcher. First the sample size was small for the study; hence, large sample size should be selected. Second, the study was based cross sectional data so future study may be longitudinal. The mediating and moderating effecting of other relevant variables should be analyzed on POS and retention relationship.

6. Conclusion

The study aims to analyze the mediating affect of OC on the relationship of POS and employee retention. It was found that OC positive mediates the relationship of POS and retention and also confirmed that POS and retention has a positive relationship.

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