

# Organisational Support and Employee Commitment in Sri Lanka

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## Abstract

*This study explores employees' perceptions of organisational support, commitment, job satisfaction and turnover intentions in Sri Lanka Telecom (SLT). Organisational support involves the provision of valued financial benefits along with employees' perceptions of support from supervisors and co-workers, and procedural fairness in decision-making. We found strong evidence that high levels of organisational support lead to employee reciprocity via increased affective commitment and job satisfaction and reduced turnover intentions. We also found evidence, albeit weaker, of a positive relationship between economic exchange and continuance commitment, where employees may be dissatisfied but stay because they have too much invested in firm specific knowledge and skills. The firm provided above average compensation and benefits and with limited alternative job opportunities in the formal economy in Sri Lanka the costs of leaving the organisation are likely to have outweighed the costs of staying.*

**JEL Codes:** L63; M12; M54; N75

## Keywords

*Affective commitment; continuance commitment; job satisfaction; perceived organisational support; social and economic exchange; Sri Lanka.*

## Introduction

The article explores employees' perceptions of organisational support (POS) in one large telecommunications firm in Sri Lanka, Sri Lanka Telecom (SLT). Perceptions of organisational support represent employees' subjective assessment of the benefits that they received, that may be either financial or socio-economic in nature and include generous compensation and benefits, opportunities for learning and skills development, increased job autonomy, promotion and career

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development, or access to family friendly policies (Eisenberger et al. 1997; Guzzo, Noonan, and Elron 1994; Rhoades and Eisenberger 2002). How their coworkers are treated by supervisors provides further indications to employees of the level of organisational support likely to be available (Aselage and Eisenberger 2003; Witt 1991). This study focuses on how employees' perceptions of organisational support (POS) influenced their levels of commitment, job satisfaction and turnover intentions.

## **Perceptions of Organisational Support and Exchange Relationships at Work**

Social exchange theory sees reciprocal relationships as more likely to emerge where employees perceive their employment relationship as long term and open-ended. They are more likely to emerge where employees exchange effort and loyalty for socio-emotional benefits (such as esteem and approval) and tangible resources (in the form of pay and fringe benefits) (Bateman and Organ 1983; Eisenberger et al. 1986). Social exchange relationships therefore involve a cycle whereby both parties provide valued resources and undertake beneficial acts that create a strong obligation to reciprocate (Coyle-Shapiro and Kessler 2002; Gouldner 1960). For Shore et al. (2006), social exchange relationships at work can be characterised by four key factors: they rely on a high degree of trust; require investment by the organisation in employees; emphasise a long-term commitment based on a sense of obligation; and focus on delivering socio-emotional rather than purely financial benefits to employees.

On the other hand, where employees perceive that they receive low levels of organisational support they are likely to respond by forming an economic exchange relationship with their employer. Such relationships are of a short-term duration and linked to an explicit monetary exchange for specified levels of performance (Rupp and Cropanzano 2002: 926). When employees view their relationship as based primarily on economic exchange, they will meet the terms of the agreement but perform only at the minimum level required of them (Millward and Hopkins 1998). Previous studies have been not been able to find strong support for the relationship between POS and economic exchange relationships (Eisenberger et al. 1990). Several studies, however, have found POS to be negatively related to absenteeism (Eisenberger et al. 1986, 1990) and to turnover intentions (Guzzo et al. 1994).

The relevance of these theories to employment relationships in a Sri Lanka organisation was tested through a study carried out in 2007 in Sri Lanka Telecom (SLT). We explore the links between POS and social and economic exchange relationships and suggest that perceptions of high levels of organisational support will give rise to a social exchange relationship. On the other hand, employee perceptions of limited organisational support are likely to result in the emergence of an economic exchange relationship and a more transactional, *quid pro quo* approach to both effort and rewards. These relationships were tested through two hypotheses:

◇ **Hypothesis 1:** Perceived support is positively related to social exchange.

◇ **Hypothesis 2:** Perceived support is negatively related to economic exchange.

In social exchange theory, a sense of being treated fairly by the organisation and its representatives creates the basis for strong social exchange relationships and increased employee commitment (Rupp and Cropanzano 2002: 929). For example, perceptions of organisational support are likely to increase where employees believe that there is procedural fairness in performance appraisal decision-making and where objective measures of performance are being used to assess the performance of job tasks (Fasolo 1995; Moorman, Blakely and Niehoff 1998). This requires performance management processes that provide employee participation in goal setting, and for supervisors to be trained to provide meaningful and constructive feedback on employee performance (Hutchison and Garstka 1996).

Employees who believe that they are being treated fairly are also seen as being more likely to work flexibly, to undertake tasks that go beyond the minimum expectations of their position, and to work diligently to solve organisational problems (Aselage and Eisenberger 2003: 49; Shore and Barksdale 1998). In previous research, social exchange relationships have also been found to generate improvements in firm performance (Shore et al. 2006). This involves reductions in levels of absenteeism and evidence of employees demonstrating citizenship behaviours by undertaking tasks that extend beyond their specific job responsibilities and involve assisting others. Aselage and Eisenberger maintain that 'employees who are well treated are more likely to become affectively committed to the organisation, to exceed their explicitly required work responsibilities, and to respond flexibly to organisational problems and opportunities' (2003: 49).

Where employees perceive that the organisation is failing to deliver on its obligations, they are thought to be likely to be less committed but may feel compelled to remain in the organisation because of a lack of alternative employment opportunities (Aselage and Eisenberger 2003). This is likely to give rise to continuance commitment and sub-optimal work behaviours. Continuance commitment reflects employees' pragmatic assessment of the costs and benefits of remaining with an organisation (Meyer and Allen 1988). Employees with strong continuance commitment stay because the costs of leaving exceed the benefits they currently receive. They may also believe they have no alternative but to stay because of investments in firm specific knowledge and skills that they would lose if they quit. Nevertheless, such employees are likely to be less motivated than other employees and to receive poorer performance evaluations. In addition, continuance commitment can be positively correlated with stress and work-family conflict because employees may feel trapped in a particular organisation, causing stress both at work and at home (Meyer et al. 2002: 40). The relevance of these theoretical constructs was tested through two more hypotheses:

◇ **Hypothesis 3:** Social exchange is positively related to affective commitment.

◇ **Hypothesis 4:** Economic exchange is positively related to continuance commitment.

Perceptions of high levels of organisational support and affective commitment are seen as likely to give rise to increased job satisfaction (Rousseau 1996; Shore and Shore 1995). Job satisfaction represents a tabulation of the favorableness of various aspects of the job (Shore and Tetrick 1994), or of specific tangible aspects of the work environment (Mowday, Porter and Steers 1982). There are many facets to job satisfaction that include pay, promotion opportunities, benefits, supervision, leadership, coworker support, job conditions, the intrinsic challenge of the work itself, communication and job security. When employees experience a discrepancy between what they expected and what was received, they are likely to experience a decrease in job satisfaction (Rousseau 1996). Meyer et al. (2002: 38) believe that 'job satisfaction and affective commitment should both be considered when seeking to understand and manage employee behavior'.

Where there are perceptions that organisational support is low, this may encourage employees to consider leaving the organisation and exploring alternative employment opportunities. Intention to leave captures employees' perceptions and evaluations of job alternatives (Mobley, Griffeth, Hand and Meglino 1979) and represents 'a conscious and deliberate willfulness to leave the organisation' (Tett and Meyer 1993: 262). Turnover intention involves a cognitive process of comparing the benefits of a current job compared with an assessment of the costs, as well as the future possibilities, that can arise from decisions to quit (Hulin, Roznowski and Hachiya 1985). Eisenberger et al. (2002) have noted that perceptions of levels of supervisory support may result in reduced turnover, while other studies have found that employees' experiences of fair procedures and outcomes results in the development of stronger attachments to the organisation and reduced intentions to quit (Loi et al. 2006). In addition, Carsten and Spector (1987: 379) have found that the rate of unemployment at the time a study is being undertaken was an important consideration when considering employees' intention to quit because relatively limited turnover can be expected when unemployment is high and there are few alternative sources of employment.

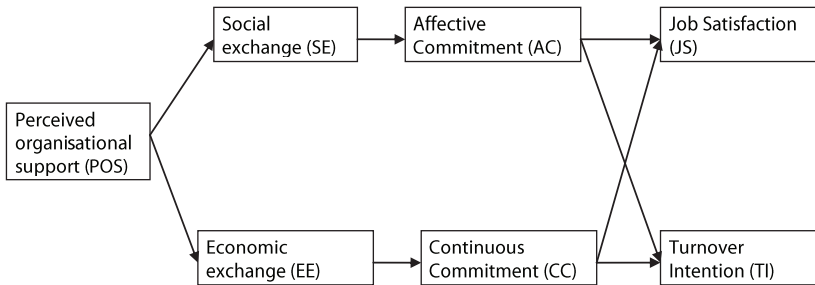
We explore the potential for a relationship to exist between employees who have a strong affective attachment to the organisation to experience high levels of job satisfaction and limited intentions to quit. Alternatively, employees who experience high levels of continuance commitment may feel trapped in the organisation because of investments in firm level skills, or because of the lack of alternative job opportunities.

◇ **Hypothesis 5:** Affective commitment is positively associated with job satisfaction and negatively related to turnover intentions.

◇ **Hypothesis 6:** Continuance commitment is negatively associated with job satisfaction and positively related to turnover intentions.

Thus through survey data collected in SLT, the article explores how employees respond to perceptions of high or low levels of organisational support, how this influences the exchange relationships they form with their organisation (social or economic), and the effect on employee commitment (affective or continuance), job satisfaction and turnover intentions.

**Figure 1: Model of inter-relationships, perceived organisational support, job satisfaction and turnover intentions**



These relationships were explored by analysing the responses of 278 SLT workers in 2007 to a questionnaire exploring their perceptions of organisational support, and their commitment, job satisfaction and turnover intentions. All too often, studies of employee commitment and retention behaviour are carried out in a way that ignores context. In order to understand how well this model applies in SLT, it is necessary to understand both the external and firm-internal context in which attitudes were being measured.

## Economy and Labour Market in Sri Lanka

The first contextual point to note is the relative dynamism of the Sri Lankan labour market at the time of the study—a situation that might have been expected to increase labour mobility and weaken employees' intention to stay with their current employer. The Sri Lankan economy grew at more than 5 per cent of GDP per annum from 2002 to 2008, with per capita GDP in excess of US\$2000 by 2008. Adult literacy in Sri Lanka stood at more than 90 per cent of the population, while life expectancy was in excess of 72 years. This highlights the strong commitment to investing in education and health care by the Sri Lankan state in the post colonial period (Labour Relations and Manpower 2010: 51). The economy shifted away from agriculture (down from 15 per cent to 12 per cent of GDP and from 39 to 33 per cent of the workforce) between 1999 and 2008 towards services and manufacturing. Services contributed 59 per cent to GDP in 2008, with employment in services increasing from 39 to 41 per cent of the workforce from 1999 to 2008 (Labour Relations and Manpower 2010: 8).

The manufacturing sector in Sri Lanka benefited from the focus of multinational manufacturers and retailers on environmental sustainability and social responsibility over the last decade. The garment sector accounted for 40 per cent of total exports in 2008, though the Global Financial Crisis (GFC) has reduced clothing exports. The ending of the conflict in the North of Sri Lanka led to increased foreign direct investment and post conflict reconstruction in the North. Remittances from Sri Lankans working abroad (US\$2.6 billion in 2008), especially those working in the Middle East, represented a further important stimulus for the economy. Ongoing economic problems of high inflation (28 per cent in 2006) and large government budget deficits persist, however, while

poverty remains a substantial challenge for many rural part of Sri Lanka, where 82 per cent of the poor live. Overall, almost 15 per cent of the population were classified as poor in 2006–07 (Labour Relations and Manpower 2010).

Whilst there are significant gender pay gaps and more limited job opportunities for females than for males in Sri Lanka's labour market, women experience less gender pay inequity in the public sector. Women workers in the informal sector have the lowest average wages, less than half the rate of males in the public sector. Women also make up a small proportion of the membership of trade unions, even in predominantly female dominated industries. This may be because of 'social and cultural constraints, such as a perceived stigma in women engaging in trade union activity' (Labour Relations and Manpower 2010: 24).

The informal sector accounted for approximately 60 per cent of the workforce in 2008. It is difficult for trade unions to organise these workers as they are dispersed across many small firms. Informal sector workers are also not covered by the *Termination of Employment of Workmen Act 1971*, one of the major pieces of legislation constraining employers' ability to lay off staff by stipulating severance payments in the formal sector. Informal workers are also ineligible for unemployment benefits, are more likely to be in casual employment, and to experience limited job security (Labour Relations and Manpower 2010).

The unemployment level in Sri Lanka declined from 9.2 per cent to 5.2 per cent from 1998 to 2008 because of increasing job creation, an aging workforce, and increased emigration. However, those with high levels of education are over represented in the unemployment numbers. Youth unemployment accounts for over half the total, with particularly high rates of unemployment among more highly educated young people and females. This indicates the willingness of educated young people and females to wait for secure jobs in the public sector (Labour Relations and Manpower 2010: 18).

On the other hand, in the aftermath of the global financial crisis, employers experienced a substantial increase in bargaining power, particularly in the private sector. There was no recognised peak federation representing trade unions, while private sector employers were represented by the Ceylon Employers Federation. In the public sector, limited processes for resolving grievance have given rise to ongoing industrial conflict and an antagonistic relationship between managers and unions. Following the GFC private sector employers have found themselves in a stronger position to lay off staff, reduce allowances and working hours, close factories and avoid, or minimise, payments under the *Termination of Employment of Workmen Act 1971* (Labour Relations and Manpower 2010: 35). To minimise job losses, employers have been provided with increased flexibility by state regulators to reduce the working week and to defer payments into the Employees' Provident Fund (Labour Relations and Manpower 2010: 36).

It is against this wider backdrop that we investigate SLT employees' perceptions of employer support, and the affective and instrumental dimensions of their relationship with the organisation. Equally important is an understanding of the dynamics of employment relations within the organisation.

## Organisational Context

SLT in 2007 was a partially privatised former public monopoly that was 51 per cent owned by the Sri Lankan government and 49 per cent owned by a Japanese telecommunications firm. The organisation had an annual turnover in excess of US\$40 million and provided voice, data, mobile and broadband services to over 1.3 million corporate and residential customers in 2007. SLT had a long history of rule-bound and bureaucratic management while under state control in the post independence era. The organisation also experienced frequent interference in management decision-making by politicians linked to particular trade unions (Wickramasinghe and Hopper 2004). As part of the agreement to introduce new management, SLT's 35 trade unions negotiated a 'no redundancies' agreement with the government.

Under a Japanese CEO a new organisational structure was introduced to speed up telephone line installations and to improve customer service, which had historically been poor. A more 'flexible' approach to management decision-making was also encouraged to increase workplace managers' discretion in place of the former focus on rules and procedures (Wickramasinghe and Hopper 2004: 99). A new performance evaluation system was introduced, with employees increasingly expected to meet performance targets and to work within tight budget limits.

While SLT's revenue and profitability increased by the late 1990s, the new management style met with resistance from older workers used to a slower pace of work and the potential to make 'illicit earnings', and from the board of directors and chairman, and trade unions, whose former influence over workplace decision-making had declined markedly (Wickramasinghe and Hopper 2004: 104). Conflict within the workforce also emerged between younger workers (whose attitudes and behaviours were more aligned with the new Japanese-inspired workplace culture) and older workers and between engineering employees (whose power had been enhanced under the new regime) and non engineers. Complaints by the board to the Japanese parent led to the CEO being recalled and replaced by a Japanese manager more sympathetic to reinstating the primacy of bureaucratic processes within SLT (Wickramasinghe and Hopper 2004: 108).

The highest paid workers in Sri Lanka are males in the public sector, followed by male employees in the formal sector (Labour Relations and Manpower 2010). SLT is one of the highest paying employers in the formal sector in Sri Lanka. Indicators of key workforce characteristics of the workforce can be derived from our 2007 survey. The overwhelming majority of survey respondents had worked for SLT for 10 or more years. Some 40 per cent had 20 years of service with the company, another 15 per cent had worked with the organisation for over 15 years, a further 26 per cent for over 10 years, and merely 19 per cent had less than 10 years' service.

Whilst SLT was an attractive employment option for female workers in Sri Lanka, a below-average proportion of employees were women. Some 73 per cent of the total sample of responses were from men and 27 per cent from women. This reflects the labour market participation rate of women in Sri Lanka's labour force at the time of the survey (2007), which stood at 38 per cent for women and

76 per cent for men. Compared with other Asian countries, only Afghanistan, Pakistan and India have wider gaps in gender participation rates (Labour Relations and Manpower 2010: 45). Women workers experience considerable gender pay gaps in Sri Lanka, with the exception of the public sector, and tend to prefer public sector employment as a result.

The age distribution and education qualifications of employees surveyed at SLT may have made them reluctant to seek alternative job opportunities. Among respondents, 56 per cent were aged over 40 and 34 per cent were aged 31 to 40. While Sri Lanka's workforce is aging, this age distribution also reflects the long job tenure of employees at SLT. Employees in secure and well paid employment in Sri Lanka, such as those at SLT, may be reluctant to leave their positions because of the lack of alternative employment options in the formal labour market, particularly as the highest qualification for the majority of survey respondents was a secondary school education. The highest qualification of some eighty per cent of employees surveyed was GCE Ordinary level, 12.5 per cent were educated to GCE Advanced level and 2.5 per cent possessed a university degree. The proportion with higher level qualifications broadly mirrored educational levels among the Sri Lankan workforce, where in 2008, 48 per cent had a lower secondary school qualification, 12.6 per cent GCE Advanced level qualifications and 3.4 per cent tertiary qualifications (Labour Relations and Manpower 2010: 7). It was therefore appropriate to ask employees who might be dissatisfied with the level of organisational support they received whether they would be prepared to leave, or whether the costs of leaving outweighed the costs of staying.

## Method and Results

It is within this context of tensions between the SLT traditional culture of rule-bound management and Japanese management techniques that employees were surveyed in relation to their views on organisational support, commitment, job satisfaction and turnover intentions. POS was measured using the eight-item scale of Eisenberger et al. (1986) which includes items such as: 'The organisation values my contribution to its well being'. The nature of exchange relationships at work was measured using a sixteen-item questionnaire; eight items for social exchange, and eight for economic exchange developed by Shore et al. (2006). Job satisfaction was measured using a five item scale: two items from the works of Cook and Wall (1980); two items from the work of Hackman and Lawler (1971); and one item from Warr et al. (1979). Affective commitment was measured using Meyer and Allen's (1984) eight-item scale. Continuance commitment was measured by three items used by Jaros et al. (1993). A four-item questionnaire developed by Rosin and Korabik (1991) was used to measure employees' intention to leave.

The data were analysed using structural equation modelling (SEM) with the facilities available in AMOS 16. The maximum likelihood method was employed alongside chi-square statistics ( $X^2$ ) to test the model's fit to the data (Fan et al. 1999; Hu and Bentler 1999). Furthermore, comparative fit indices (CFI), the Tucker-Lewis index (TLI) and the root mean squared error of approximation (RMSEA) were employed to determine whether the data fitted the model of the factor structure (Fan et al. 1999; Hu and Bentler 1999). The null hypothesis



tested in  $X^2$  in the context of CFA (confirmatory factor analysis) is that the assumed covariance matrix is equivalent to the observed covariance matrix; thus the failure to reject the null hypothesis is an indication of model fit. TLI and CFI greater than 0.90 indicate a good fit of data (Kelloway 1998). A RMSEA value less than 0.08 indicates a reasonable model fit (Fan et al. 1999) while a value close to 0.06 indicates a relatively good fit (Hu and Bentler 1999). While  $X^2$  is considered to be sensitive to sample size (Fan et al. 1999), RMSEA is known to be less influenced by the sample size. In addition to CFI, TLI and RMSEA, following Hair *et al.* (2006: 774), we also considered two parsimony fit indexes namely Parsimony Goodness-of-Fit Index (PGFI) and Parsimony Normed Fit Index (PNFI) to compare these competing models. The higher PGFI and PNFI means the best fit of model compared to the competing model.

**Table 1: Items and factor loadings for social and economic exchange scales**

Item	Two-factor 16 items correlated model		Two-factor 14 items correlated model	
	Standardised regression weights		Standardised regression weights	
	Social	Economic	Social	Economic
My relationship with my organisation is based on mutual trust.	0.646		0.646	
The things I do on the job today will benefit my standing in the organisation in the long run.	0.669		0.669	
I do not mind working hard today – I know I will eventually be rewarded by my organisation.	0.764		0.764	
Even though I may not always receive the recognition from my organisation I deserve, I know my effort will be rewarded in the future.	0.902		0.902	
I try to look out for the best interest of the organisation because I can rely on my organisation to take care of me.	0.586		0.586	
My organisation has made a significant investment in me.	0.742		0.742	
There is lot of give and take in my relationship with my organisation.	0.622		0.622	
I worry that all my efforts on behalf of my organisation will never be rewarded.	0.385		0.385	
I do not care what my organisation does for me in the long run, only what it does right now.		0.628		0.629
I do what my organisation requires simply because they pay me		0.294		0.295
I only want to do more for my organisation when I see that they will do for me.		0.745		0.744
The most accurate way to describe my work situation is to say that I give a fair day's work for a fair day's pay.		-0.007		
All I really expect from my organisation that I be paid for my work effort.		0.554		0.554
My efforts are equal to the amount of pay and benefits I receive.		0.577		0.577
I watch very carefully what I get from my organisation relative to what I contribute.		-0.012		
My relationship with my organisation is strictly an economic one – I work and they pay.		0.374		0.374

Sources: As in text

Following Hair et al. (2006: 902), who state that a '... valid structural theory test cannot be conducted with bad measures' we employed the two-step approach in relation to social and economic exchange in which the measurement model is tested before the structural model. Consequently, confirmatory factor analysis (CFA) was used to analyse the factor structure of economic and social exchange. First a one-factor model was analysed and it was compared with a separate, but correlated, two-factor model of social and economic exchanges.<sup>1</sup> The fit indices of the two-factor model indicated a reasonable fit, particularly when two observable variables of economic exchange i.e. 'I watch very carefully what I get from my organisation relative to what I contribute' and 'The most accurate way to describe my work situation is to say that I give a fair day's work for a fair day's pay' were dropped after they returned negative standard regression weights.<sup>2</sup>

Having established the construct validity of our social and economic exchange variables, we tested the model of the hypothesised relationships among the constructs; perceived organisational support (POS), social exchange, economic exchange, affective commitment and continuance commitment. The initial model contained several items that were subsequently dropped to enhance model fit indices (one item from social exchange and intention to leave, four items from economic exchange, two items from affective commitment).<sup>3</sup> In addition, the researchers examined the discriminant validity of these constructs. As shown in Table 2, the constructs also indicate an acceptable level of discriminant validity.<sup>4</sup> Finally, we diagnosed the data for common method bias, as the present study collected data on both the predictor variable and criterion variables from the same respondents. We concluded that the relationships found among the constructs might be marginally influenced by common method bias.<sup>5</sup>

**Table 2: Means, standard deviations, correlations and estimates of discriminant validity**

Construct	Mean	Std.	POS	AC	CC	EE	SE	JS	TI
<b>POS</b>	3	0.74	<b>0.66</b>						
<b>AC</b>	4	0.77	0.579**	<b>0.60</b>					
<b>CC</b>	3	0.84	-0.381**	-0.361**	<b>0.60</b>				
<b>EE</b>	3	0.76	-0.391**	-0.460**	0.321**	<b>0.54</b>			
<b>SE</b>	3	0.83	0.729**	0.601**	-0.393**	-0.427**	<b>0.68</b>		
<b>JS</b>	3	0.95	0.645**	0.728**	-0.372**	-0.489**	0.733**	<b>0.68</b>	
<b>TI</b>	3	0.88	-0.594**	-0.612**	0.425**	0.510**	-0.638**	-0.598**	<b>0.64</b>

Sources: See text

\*\* Correlation is significant at the 0.01 level (two-tailed)

The means, standard deviations and correlations are shown in Table 2. As hypothesised (Hypotheses 1 and 2), perceived organisational support (POS) was positively correlated to social exchange; ( $r = 0.729$ ,  $p < 0.01$ ) and negatively related to economic exchange ( $r = -0.391$ ,  $p < 0.01$ ) and these relationships were significant. In addition, social exchange was positively related to affective commitment ( $r = 0.601$ ,  $p < 0.01$ ) and negatively related to continuous commitment ( $r = -0.393$ ,  $p < 0.01$ , Hypothesis 3 and 4). Both relationships were also significant. Further, affective commitment was found to be positively related to job satisfaction ( $r =$

0.728,  $p < 0.01$ , Hypothesis 5). However, continuance commitment showed a low correlation to job satisfaction ( $r = -0.372$ ), albeit in the direction as hypothesised. Turnover intention was significantly and negatively related to affective commitment ( $r = -0.612$ ,  $p < 0.01$ ) and significantly and positively related to continuous commitment ( $r = 0.425$ ,  $p < 0.01$ ).

### **Mediating Effects of the Constructs**

Furthermore, as shown in Table 2, POS had a strong positive influence on employee outcomes such as job satisfaction and turnover intentions. where POS was strongly correlated to job satisfaction ( $r = 0.645$ ,  $p < 0.01$ ), and strongly negatively related to turnover intentions ( $r = -0.594$ ,  $p < 0.01$ ). The results in Table 2 also indicate that social exchange and economic exchange are strongly correlated to the outcome variables in distinct ways. Social exchange positively influenced job satisfaction ( $r = 0.733$ ,  $p < 0.05$ ) and negatively influenced turnover intentions ( $r = -0.638$ ,  $p < 0.05$ ), while economic exchange positively influenced turnover intentions ( $r = 0.510$ ,  $p < 0.01$ ) and negatively influenced job satisfaction ( $r = -0.489$ ,  $p < 0.01$ ).

The model and correlation analysis suggest the relationship between POS and the outcome variables are mediated by the nature of the exchange relationship between employees and the organisation, and the form of commitment that employees displayed towards their organisation. We analysed the mediating effect of exchange and commitment on the relationship between POS and turnover intentions and job satisfaction.

### **Mediating Effect of Nature of Exchange and Nature of Commitment**

We followed procedures recommended by Kelloway (1998) to test the mediating effect of exchange relationships and commitment on employees. The researchers decided to follow Kelloway instead of the much cited three-steps criteria of Baron and Kenny (1986) as the later approach, which uses regression, fails to reduce measurement error which is corrected in SEM's latent variable approach (Rupp and Cropanzano 2002). Contrary to Baron and Kenny, Kelloway uses SEM, and the procedure recommended by Kelloway requires comparing the fit of the hypothesised mediated model with two other alternative models — a partially mediated model (full model or saturated model) and a non-mediated model. In the partially mediated model, in addition to mediated paths from POS to outcome variables via exchange relationships and modes of commitment, the direct paths from POS to outcome variables are included. In the non-mediated model, the paths from POS to social and economic exchange relationships and, in turn, to affective and continuance commitment are constrained to zero, while estimating the direct path from both POS and each mode of commitment to outcome variables. Again following Kelloway (1998), we used the chi-square difference test to determine the best fitting model among these alternative models. Accordingly, Chi-square, CFI, TLI and RMSEA were used to examine the adequacy of model fit to the data of the present study.

The SEM results, providing analysis of a partially mediated model, a non-mediated model and a hypothesised mediated model, support the conclusion that both the exchange relationship and commitment partially mediate the effect of POS on job satisfaction and turnover intentions. First, the partially mediated model was found to have a reasonably good fit to the data ( $X^2 [889, 278] = 1784.013$ , RMSEA = 0.060, CFI = 0.855, TLI = 0.846). This partially mediated model consists of direct paths from POS to the outcome variables, as well as mediated paths through economic exchange and continuance commitment and social exchange and affective commitment to the same outcome variables.

The analysis reported in table 3 highlights that the paths from continuance commitment to job satisfaction are not statistically significant. These outcomes suggest that POS impacts on job satisfaction directly through social exchange and affective commitment only. We compared the partially mediated model with the non-mediated model. The Chi-square reported for the non-mediated model is 2415.889 with  $df = 893$ . Thus the non-mediated model has an increase in chi-square and the difference of  $X^2$  between these two models is statistically significant ( $\Delta X^2 = 631.88$ ,  $\Delta df = 4$ ,  $p < 0.001$ ). Thus, it can be said that the non-mediated model has a worse fit than the partially mediated model. This conclusion is further supported as the fit indices of a non-mediated model (TLI = 0.739, CFI = 0.754, RMSEA = 0.078) also indicate that the non-mediated model has a worse fit to the data than the partially mediated model.

Finally, we compared the hypothesised mediated model to the partially mediated model. The hypothesised mediated model reports ( $X^2 (892, 278) = 1853.472$ , RAMSEA = 0.062, CFI = 0.845, TLI = 0.835). As shown in Table 3, the hypothesised mediated model had an increase in chi-square which is statistically significant ( $\Delta X^2 = 69.46$ ,  $\Delta df = 3$ ,  $p > 0.001$ ). It can be said that the hypothesised mediated model has a worse fit than the partially mediated model.

**Table 3: Results of test of mediation**

	$\chi^2$	$df$	SRMR	TLI	CFI	RASEA	$\Delta\chi^2$	$\Delta df$
Partially mediated model	1784.01	889	0.068	0.846	0.855	0.060		
Non-mediated model	2415.89	893	0.260	0.739	0.754	0.078	631.876	4
Hypothesised mediated model	1853.47	892	0.071	0.835	0.45	0.062	69.46	3

Sources: see text

The reported standardised regression weights, as shown in Table 4, support the hypothesised effect of POS on social exchange ( $H_1$ ) which in turn influences affective commitment ( $H_3$ ), and this in turn has positive effects on job satisfaction ( $H_5$ ) and a negative affect on turnover intentions ( $H_6$ ). Similarly, as hypothesised, the effect of POS on economic exchange ( $H_2$ ) was found to be negative and, in turn, influences continuance commitment ( $H_4$ ) positively. As hypothesised, the results show that continuance commitment is significantly and positively related to turnover intentions ( $H_6$ ). However, the effect of continuance commitment on

job satisfaction was not statistically significant, though it is negatively related, as was hypothesised.

**Table 4: Standardised regression weights (partially mediated model)**

Independent variable	Dependent variable	Standardised regression weights
POS	SE	0.927***
	EE	-0.608***
	JS	0.515***
	TI	-0.425***
SE	AC	0.912***
	CC	0.600**
EE	JS	0.471***
	TI	-0.394***
	JS	-0.070 <sup>‡</sup>
	TI	0.238**

Sources: see text

\*\*\* Significant at 0.001 (one-tailed)

\*\* Significant at 0.01 (one-tailed)

<sup>‡</sup> Not significant

As shown in Table 4, the relationship between POS and social exchange was strong (0.927,  $p < 0.001$ ). The relationship between social exchange and affective commitment was also strong (0.912,  $p < 0.001$ ) and positive. Meanwhile, the  $R^2$  reported for social exchange was 0.86, indicating that POS accounted for a significantly high variation (86 per cent) in social exchange. Furthermore, social exchange accounted for approximately 63 per cent of the change in affective commitment. Therefore, changes in POS that result in the emergence of social exchange relationships can have a highly significant impact on affective commitment. The relationships between affective commitment and job satisfaction and turnover intentions were 0.471 and -0.394, and thus can be considered weak.

The analysis shows that the relationship between POS and economic exchange is moderate (0.608,  $p < 0.001$ ) though negative, while the relationship between economic exchange and continuance commitment was also moderate (0.600,  $p < 0.01$ ) but positive. POS accounted for only 37 per cent of the change in economic exchange. Consequently, the effect of POS on economic exchange can be said to be relatively low, when the effect of POS on social exchange is taken into account. The relationship between continuance commitment and job satisfaction was not statistically significant.

Nevertheless, the relationship between continuance commitment and turnover intentions was positive (0.238,  $p < 0.001$ ). According to Hair Jr. et al. (2006: 893), the indirect effect is the function of direct effects; the effect of independent variables on the mediator and the effect of the mediator on the dependent variable. Consequently, it is found that the indirect effect of POS on turnover intentions through economic exchange relationships and continuance commitment is approximately 8 per cent.

This study supports earlier research that found that the effect of POS on job satisfaction occurs directly as well as indirectly via social exchange and affective commitment. The total effect size ( $R^2$ ) reported for job satisfaction was 0.89, thus POS can be considered to account for 89 per cent of the changes in job satisfaction directly, as well as indirectly via social exchange and affective commitment. The indirect effect of POS on turnover intention via social exchange and affective commitment was also found to be approximately -33 per cent, though the indirect effect of POS on job satisfaction, via social exchange and affective commitment, was approximately 40 per cent.

## Conclusion

This study supports earlier findings that emphasise the relationship between high levels of organisational support and employee reciprocity through the formation of social exchange relationships at work (Eisenberger et al. 1986; Eisenberger et al. 1990; Shore et al. 2006). In this Sri Lankan study, POS was found to account for 89 per cent of the changes in job satisfaction, shown either directly, or indirectly through changes in social exchange relationships and affective commitment. Therefore, perceptions of high levels of organisational support by SLT employees facilitated the emergence of affective commitment and increased job satisfaction. Many workers at SLT valued support from their employer in the form of higher levels of job security, compensation and pension benefits than are available elsewhere in the formal economy. They reciprocated with high levels of affective commitment to the organisation and long job tenure, with over 80 per cent of employees surveyed having ten or more years of service.

We also found economic exchange to be positively related to continuance commitment, though this evidence was relatively weak as economic exchange accounted for merely 33 per cent of the change in continuance commitment. The positive relationship found between economic exchange and continuance commitment relates to the specific context of the Sri Lankan labour market. The above average compensation paid to employees and the relatively low (GCE Ordinary level) educational qualifications of most employees surveyed, meant that the costs of leaving, such as lower compensation and benefits, and loss of firm-specific knowledge and skills, were likely to make employees reluctant to quit SLT.

The large informal economy in Sri Lanka (60 per cent of the labour market), and high educational expectations of other employers in the telecommunications industry, add to the difficulties of finding alternative comparable employment. Nevertheless, employers need to monitor employees' perceptions of organisational support and their levels of commitment, because although dissatisfied employees are likely to stay with the firm in a developing country such as Sri Lanka, this may only be because they feel they have too much to lose if they quit. Such continuance commitment is likely to be associated with withdrawal behaviours involving reduced work effort and/or increased absenteeism because of frustration with organisational policies and processes or with the perceived level of organisational support.

## Notes

1. Model fit indices of the two-factor model are: [ $X^2$  (103, 278) = 175.839, RMSEA = 0.051, TLI = 0.932, CFI = 0.942, PGFI = 0.702 and GFI = 0.928] and indicate a better fit than the one-factor model [ $X^2$  (105,278) = 383-25, RMSEA = 0.098, TLI = 0.747, CFI = 0.778, PGFI = 0.653 and GFI = 0.846].
2. Model fit indices of this new model are: [ $X^2$  (76, 278) = 113.887, RMSEA = 0.042, TLI = 0.963, CFI = 0.969, PGFI = 0.685 and GFI = 0.947], and indicate better fit than the sixteen-item, two-factor correlated model.
3. Fit indices of this new model are: ( $X^2$  [1214, 278] = 2480.144, RMSEA = 0.61, TLI = 0.804, CFI = 0.814). Accordingly, TLI, CFI, and RMSEA indicated an acceptable level of model fit.
4. According to Howell and Avolio (1993), if the square root of AVE out of a construct is placed in the relevant position on the diagonal of the correlation matrix, the relevant construct can be considered to possess an adequate discriminant validity, provided the square root of AVE of each and every construct is greater than the relevant column and row entries.
5. Harman's one factor test was conducted using a principle component analysis of all variables measured (Podsakoff et al. 2003) in order to diagnose the extent to which common method variance was an issue. Results indicated the presence of eight components with an eigen value greater than 1 that together accounted for around 61 per cent of the total variance. The first factor accounted for around 37 per cent of variance. Alternatively, the 'measurement plus method factor' was also employed. In this analysis, the researchers first examined the measurement model which includes all the variables with the finally selected items and then added a common method latent factor where 'items are allowed to load on their theoretical constructs, as well as on a latent common method variance factor ...' (Podsakoff et al. 2003). This second model — 'measurement plus method factor' had a better fit ( $\Delta X^2 = 248.5$ ,  $\Delta df = 44$ ,  $p < .001$ , RMSEA = 0.051, CFI = 0.902, TLI = 0.889) than the measurement model (RMSEA = 0.058, CFI = 0.869, TLI = 0.859). When variance was partitioned (Williams, Cote and Buckley 1989) the trait factor explained 46 per cent and the method factor 32 per cent.

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