HOW EMPLOYEES' PERCEPTIONS OF COMPETENCY MODELS AFFECT JOB SATISFACTION? MEDIATING EFFECT OF SOCIAL EXCHANGE

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ABSTRACT

With growing emphasis being placed on human resource competencies as a means to be the indicator of employee potential to produce performance outcomes i.e. employee creativity and in turn organizational innovation, this study seeks to determine if competencies are predictive of employee behavior; determine if there is a relationship between competencies and job satisfaction of employees' perceptions; and determine the mediating effect of social exchange in this relationship. Analyses of 207 employees working in banking, telecommunications, health care, aeronautical and food industries in Turkey show that perceptions of competency model relevance and fairness has a positive effect on intrinsic and extrinsic job satisfaction. Also results show that social exchange partially mediated the relationship between perceptions of competency model relevance and fairness and intrinsic and extrinsic job.

INTRODUCTION

In today's competitive marketplace, firms in every industry are seeking new ways for gaining and sustaining competitive advantage. Human resource competencies are viewed as the critical resource behind a firm's core competencies, and, thus, competitive advantage (Redmond, 2011; Lawler, 1994; Nordhaug & Gronhaug, 1994; Wright, McMahan & McWilliams, 1994). In this context, firms' human resources management should focus on competencies for gaining and sustaining competitive advantage. In human resource management literature, competency is defined as "a set of observable performance dimensions, including individual knowledge, skills, attitudes, and behaviors, as well as collective team, process, and organizational capabilities that are linked to high performance, and provide the organization with sustainable competitive advantage" (Athey and Orth, 1999:216). Competency approach in human resources management is used as a tool for performance evaluation, career development, remuneration and dismissal decisions because competencies is considered to represent an area affecting behavior of individual performance and therefore business success. Hence competency models has gained a great deal of interest and seen as a method of directly focusing on the management system contributing to organizational success and sustainability (Dubois & Rothwell, 2004; Levine, 1997). If employees' competencies, skills, ideas and labor are used effectively in business operations, output and efficiency in terms of business and job satisfaction in terms of employees will be positively affected. It is important both for employees and businesses that employees comprehending the necessity of competency-based approach and employees perceptions about the fair applications of competency models for each employee. Employee's job satisfaction and organizational commitment will be positively affected if employee perceives his/her competencies assessed fairly, in this case both employee's and business performance will

increase (Campion et. al., 2011). The relationship between employees and their organizations are basically conceptualized as a social and economic exchange. Social exchange relationship is emerged when the relationship between employee and organization rely on trust and a high degree of mutual obligation (Shore et. al., 2006). Research show that competency models have positive effects on employee performance and outputs providing transparency about objectives and performance measures set for employees and improving the consistency of human resources applications (Redmond, 2013; Ramlall, 2006). In contrast, there are studies examine the situations of competency models viewed as a source of tension for employees. In these studies, employees' lack of trust in management's strategies and the situations that employees fail to understand their individual fit within a competency framework are discussed. Thereby, the main object of this paper is to examine how employees perceive competency model relevance and fairness and this perception's effect on job satisfaction. In this context, mediating role of social exchange is investigated. For purposes of this study, first, prior theories and research focusing on competency models, job satisfaction and social exchange are reviewed. Second, research hypotheses are developed and research model is presented. Third, discussion of the methods and findings are explained in the light of the research conducted. Finally, discussion about the research results is stated expressly.

LITERATURE REVIEW

Competency and Competency Models

The concept of competency was developed in the 1960s incorporates elements such as leadership and superior performance. The concept of competency including behavior, knowledge and attitudes that enables creation of high performance level consistently and effectively is important for the sustainability of business (Cira & Benjamin, 1998). Today competencies are a significant source of data relating to employees' qualifications at the individual level and in the business. This data is an important criterion in training and development, performance evaluation, career development, remuneration and hiring decisions by human resources management. To this end, many businesses tend to associate the concept of competency with business mission, vision, and objectives. The purpose of determination of competencies depends on the vision that the company wants to achieve, the mission that the company should accomplish and the formulation and implementation of strategies needed for achieving this mission. Competency in terms of human resources is summarized as the knowledge, skills and abilities that distinguish high performance from average performance, as the structures that help to define the knowledge and the skill level, as the observable behavioral characteristics that is important to realize the fundamental responsibility of a role or a job (Schippmann, et. al., 2000; Zemke & Zemke, 1999; Parry, 1998). Competencies owned by a business are a collection of characteristics and skills of the existing workforce. The success of the various functional departments of the company depends on the qualifications, knowledge, skills and competencies of the employees in those departments. The differences in the skills and competencies of employees lead to companies' competencies to be different (Alldredge & Nilan, 2000). Due to the individual-based content of competency concept, individual analysis and the results of this analysis subjected to human resource management in the management of competency provide an opportunity for the creation of action at the organizational level (Lahti, 1999). The potential of employees is associated with their competencies. Identification of individual competencies, also the revelation of the individual's potential, ensure the recognition of the strengths and

insufficient abilities. Identification of competencies, directs individual behavior and the organization in order to get the results wanted. Well-defined competencies that can be measured, allows the assessment of the behavior and attitudes able to achieve superior performance. With this feedback, deficient competencies can be developed. Competencies also make business can be distinguished. Businesses will acquire a different identity from other businesses by their specific competency criteria that they determined. To achieve this, businesses should determine distinctive competencies and should pay attention to alignment of these competencies with the business strategy, goals and the culture. Competencies are integrated with management practices and these competencies can be integrated with functions such as recruitment and performance evaluation, etc. (Smallwood, et. al., 2000). Competency models are developed derived from its strategic importance in terms of employees and businesses. What is meant by competency model is that "a decision tool used in determining and developing the competencies required to perform employees' jobs and responsibilities undertaken in line with the strategic objectives of the business completely and accurately as expected from employees" (Chen & Naquin, 2006). In this context, the competency model has been described as a systematic process aimed at eliciting both as an individual and organizational level of competence in detail (Mirabile, 1997). Based on the concept of competency, Schippmann et al made efforts to develop competency models. In the literature, research focused on the processes that contribute to the development of competency model and competency model contributing to each of these processes are discussed. Competency models basically serve as employees' complete and accurate understanding of what is expected from them in line with the objectives of the company. Therefore, it is possible to address the competency model as a descriptive tool providing a consistent framework for all employees (Hill, 2012; Vazirani, 2010; Green, 1999). Competency models has added a strategic dimension to the traditional concept of business analysis, has an important place in human resources practices and particularly played an important role in recruitment, training and development and talent management becoming compliant practices. Identification of competencies and their levels are considered as the first step in the process of creating a competency model. First, competencies should be converted into observable behavior and should be identified and should be measured (Derven, 2008). Only in this way it will be able to benefit from the competencies and competency models. The primary purpose of competency models is to influence strategically aligned behavior by outlining the behavioral themes that are expected and rewarded across all jobs in the organization (Sanchez & Levine, 2009). How the competency models are perceived by the employees in the organization plays an important role on employee outcomes (Serim, et. al, 2014) Employee perceptions of competency models is defined as the degree to which employees perceive the organization's competency model to be both strategically and personally relevant and that they are fairly rewarded for displaying the behavior outlined in the competency model (Redmond, 2013, 2011). Herein, employees' perceptions on competency models are based on relevance and fairness: "Relevance" indicates whether employees perceive competency models as important to reaching both organizational and individual goals; "Fairness" refers to employee perceptions of whether competency models are impartial (Redmond, 2013, 2011). Fairness is often assessed along the dimension of distributive justice, referring to the perceived fairness of rewards (Bowen, et. al., 1988). It is important for business that management's support to the competency models and their practices and employees' both strategic as well as personal perceptions on competency models as relevant and fair.

Social Exchange

Most of the studies about the exchange relationship between businesses and their employees are based on "Social Exchange Theory" (Masterson, et. al., 2000). "Social Exchange Theory", under certain conditions, expresses individuals tend to respond in a positive way against the person or persons who benefit them. Positive relational interaction between supervisors and employees are provided through social exchange and in this case the employees are spending more time and energy to their job, and it makes them to be more creative and more responsible. And as a result, it makes a positive effect from various perspectives for the whole organization (Wayne, et. al., 1997; Graham, 1991). Social exchange relationship will be affected positively if employees perceive a fair structure in the organizations they work in. Because social exchange approach is emerged in case of relationship between employees and their organization based on trust and a high degree of mutual obligation. Relations based on social exchange approach can create beneficial effects on behalf of organizations White & Yanamandrama, 2012). Studies about psychological contract, perceived organizational support, and employment relationships reveal that employees respond with more positive attitudes towards positive organizational behavior and show higher performance (Shore, 2009).

Job Satisfaction

Since Herzberg, Mausner, and Snyderman (1959) published their book 'The Motivation to Work', many studies about classifying job factors into intrinsic and extrinsic categories have been done. Intrinsic factors are defined as those directly related to the actual performance of the job (i.e., achievement, responsibility, nature of work, etc.), while extrinsic factors are defined as those related to the environment in which the job is being performed (i.e., company policy, working conditions, interpersonal relationships, security, etc.) (Saleh & Grygier, 1969). From this point of view, job satisfaction refers to the employee's overall affective evaluation of the intrinsic and extrinsic facets of the job (Bettencourt, et. al., 2001). Job satisfaction is the extent to which people like their jobs (Hirschfeld, 2000). In other words, job satisfaction can be described as an affective or emotional reaction to the job, resulting from the incumbent's comparison of actual outcomes with the required outcomes (Cranny, Smith & Stone, 1992; Locke, 1976). From the literature review, it is seen that job satisfaction is a widely researched topic and many studies relate to the significant associations of job satisfaction with several variables. Namely, it has a positive association with many job outcomes such as employees' job performance, organizational commitment, organizational citizenship behavior, etc.

RESEARCH METHODOLOGY

Research Goal

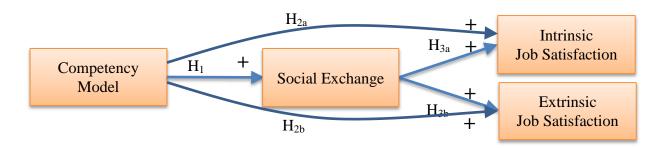
Our research goal is to investigate the mediating effect of social exchange on the relationship between competency model and (intrinsic and extrinsic) job satisfaction. To test the propositions, a field survey using questionnaires was carried out.

Proposed Model

In the current study, we investigated the role of competency model to advance our understanding of how competency model influence job satisfaction and the mediating effect of

social exchange support on competency model – intrinsic and extrinsic job satisfaction relationship. The hypothesized model is shown in Figure 1.

Figure 1 RESEARCH MODEL



- H1: Perceptions of competency model relevance and fairness has a positive effect on social exchange.
- H2: Perceptions of competency model relevance and fairness has a positive effect on job satisfaction.
- H2a: Perceptions of competency model relevance and fairness has a positive effect on intrinsic job satisfaction.
- H2b: Perceptions of competency model relevance and fairness has a positive effect on extrinsic job satisfaction.
- H3: Social exchange has a positive effect on job satisfaction.
- H3a: Social exchange has a positive effect on intrinsic job satisfaction.
- H3b: Social exchange has a positive effect on extrinsic job satisfaction.
- H4: Social exchange has a mediating role between perceptions of competency model relevance and fairness and (a) intrinsic job satisfaction (b) extrinsic job satisfaction.

Sample

This study was conducted in Istanbul by using convenient sampling method on participants working in banking, telecommunications, health care, aeronautical and food industries implementing competency model. A total of 300 questionnaires were provided for distribution, of which 239 (79.7 %) were returned. After deleting the semi-filled ones 207 (69.0 %) questionnaires were analyzed using SPSS statistical program and tested through hierarchical regression analyses.

Measures

Competency model was measured by the scale developed by Bowen and Ostroff (2006). Participants were asked to rate each of the six items using a 5-point Likert scale so that they can select a numerical score ranging from 1 to 5 for each statement to indicate the degree of agreement or otherwise, where 1, 2, 3, 4, and 5 denote "Strongly Disagree", "Disagree", "Neither Agree nor Disagree (Neutral)", "Agree", and "Strongly Agree", respectively.

Social exchange was measured eight item scale, as an adopted from English scale used by Shore et al. (2006). Participants are asked to rate each of the items using a 5-point Likert scale (1=strongly disagree, 5= strongly agree). The validity of the in Turkish translated scale has been substantiated by Göktepe (2012).

For measuring *job satisfaction* Weiss et al.'s (1967) scale known as the Minnesota Satisfaction Questionnaire's short form capturing 12 intrinsic job satisfaction items and 8

extrinsic job satisfaction items were used. In this study, Minnesota Satisfaction Questionnaire translated into Turkish by Oran (1989) was used. All the variables were measured by participant responses to questions on a five-point Likert-type scale ranging from "very dissatisfied" to "very satisfied" for the variable job satisfaction.

Findings

The demographic characteristics of participants were subjected to frequency analysis. Of the 207 participants, 111 (53.6 %) were female. The mean age of participants was 31.10 (σ =7.16). Education varied at six levels, ranging from elementary level education (1) to doctoral level education (6) (\bar{x} =3.91, σ =1.04). Sector information of participants: 56 (27.1%) banking, 38 (18.4%) telecommunications, 40 (19.3%) were health care, 37 (17.9%) aeronautical and 36 (17.3%) food sector. The average of job tenure was 5.60 (σ =5.91).

To control for common method bias in line with the original -factor test was conducted, although the explanatory power of it is controversial and no single factor emerged in exploratory factor analysis (EFA) (Podsakoff et al, 2003). In line with Knight (1997), in international studies it is important "to evaluate the dimensionality of the scale" and to control for factor structure and loadings. Two separate EFAs using Varimax Rotation were conducted for the dependent variables (intrinsic and extrinsic job satisfaction), the independent variables (competency model and social exchange) following generally accepted procedures. For exploratory research, a Cronbach α greater than 0.70 is generally considerate reliable (Nunnally, 1978). The results of Cronbach's alpha, % of variance explained and factors analysis of our study are depicted in Table 1.

Table 1 FACTOR ANALYSIS								
Factor Score % of Variance Total α								
Intrinsic Job Satisfaction		25.239	8.581	0.921				
IJS15	0.794							
IJS08	0.779							
IJS10	0.775							
IJS07	0.754							
IJS02	0.730							
IJS09	0.706							
IJS01	0.691							
IJS20	0.691							
IJS16	0.681							
IJS11	0.666							
IJS04	0.650							
IJS03	0.611							
Social Exchange		15.385	5.231	0.915				
SE3	0.830							
SE5	0.819							
SE6	0.781							
SE2	0.778							
SE1	0.738							
SE8	0.707							
SE7	0.698							
SE4	0.697							

	Factor Score	% of Variance	Total	α
Competency Model		13.928	4,736	0.933
CM4	0.849			
CM2	0.841			
CM1	0.817			
CM5	0.801			
CM3	0.758			
CM6	0.723			
Extrinsic Job Satisfaction		13.488	4,586	0.928
EJS12	0.790			
EJS05	0.772			
EJS13	0.767			
EJS06	0.752			
EJS14	0.684			
EJS19	0.682			
EJS18	0.644			
EJS17	0.600			

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)=0.915 $X^2_{\text{Bartlett test}}$ (561)=5360.020 p=0,000

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 2 reports the means, standard deviations and correlations. According to Table 2 most of the respondents expressed the presence of a relatively higher level of intrinsic job satisfaction (\bar{x} =4.07). This was followed by extrinsic job satisfaction (\bar{x} =3.98) and competency model (\bar{x} =3.81). The lowest item is social exchange (\bar{x} =3.48). After analyzing the table, we can see that the relations between competency model, social exchange, intrinsic and extrinsic job satisfaction have positive correlations in the level of p<0.01.

Table 2									
MEANS, STANDARD DEVIATIONS, ALPHA COEFFICIENTS, AND CORRELATIONS									
AMONG STUDY VARIABLES									
Variables	Mean	S.D	1	2	3	4			
1 Competency Model (CM)	3.81	0.830	1						
2 Social Exchange (SE)	3.48	0.868	0.436^{**}	1					
3 Intrinsic Job Satisfaction (IJS)	4.07	0.928	0.473^{**}	0.372^{**}	1				
4 Extrinsic Job Satisfaction (EJS)	3.98	1.179	0.535^{**}	0.419^{**}	0.671^{**}	1			

** p <0.01 (two-tailed tests); N=207

As seen in Table 3, the findings from regression analyses conducted to test the first three hypotheses.

Table 3 SUMMARY OF REGRESSION ANALYSIS								
Ind. Var.	Dep. Var.	Std. β	t	$Adj. R^2$	F	P	Нур.	Result
CM	SE	.436**	6.94	.186	48.14	.000	H_1	Supported
CM	IJS	.473**	7.69	.220	59.15	.000	H_{2a}	Supported
CM	EJS	.535**	9.07	.283	82.19	.000	H_{2b}	Supported
SE	IJS	.372**	5.73	.134	32.91	.000	H_{3a}	Supported
SE	EJS	.419**	6.61	.172	43.73	.000	H_{3b}	Supported

** p<0.01

A three-step regression analysis suggested by Baron and Kenny (1986) was used to test the mediating effect SE between CM and IJS/EJS relationships. According to this method, to be able mention an intermediary effect, the following conditions are expected to be seen:

- (1) Independent variable (CM) must have an effect on dependent variables (IJS/EJS),
- (2) Independent variable (CM) must have an effect on intermediary variable (SE),
- (3) Intermediary variable (SE) must have an effect on dependent variables (IJS/EJS),
- (4) When intermediary variable (SE) is involved in a regression analysis with independent variable (CM), intermediary variable (SE) must have an effect on dependent variable (IJS/EJS) as the regression coefficient of independent variable (CM) upon dependent variable (IJS/EJS) drops.

The independent variable coefficient of decline was part of the mediation, this relationship completely, the disappearance of an expression with a statistically significant avoid the situation is exactly the mediating relationship is expressed.

Table 4 SUMMARY OF HIERARCHICAL REGRESSION ANALYSIS								
Ind. Var.	Dep. Var.	Std. B	T	Adj. R ²	F	p	Нур.	Result
CM SE	IJS	.384** .204**	5.73 3.05	.251	35.42	.000	H_{4a}	Supported
CM SE	EJS	.435** .230**	6.82 3.60	.322	49.92	.000	H_{4b}	Supported

** p<0.01

The mediating effect of regarding the Baron and Kenny (1986) by the requirements set out in the first three H_1 , H_{2a} / H_{2b} and H_{3a} / H_{3b} hypothesis with the adoption has occurred in the last row of the regression model SE be included along with the CM regression coefficient of the decline shown by the SE and, together with the in the model, the effect of significant observed. This conclusion is based on the mediation for the effect of the sought-after in the last circumstance is also occurred; the partially mediating effect of SE was seen between CM and IJS/EJS. And H_{4a} / H_{4b} hypothesis has been accepted.

CONCLUSION

Human resources' competencies assessed as a factor that creates innovation and value to the organizations is becoming extremely important for organizations. An approach based on the development of competencies; improve the performance of employees in the individual sense; so it will also help to improve the performance of organizations.

In this study, the mediating effect of social exchange on the relationship between competency model and (intrinsic and extrinsic) job satisfaction was investigated in Turkey. As the results of analyses, perceptions of competency model are positively related to intrinsic and extrinsic job satisfaction. Perceptions of competency model relevance and fairness are positively related to intrinsic and extrinsic job satisfaction. In other words, as the employees perceive the competency models applied in organization as fair and relevant, more satisfied employees exist in competency based organizations. These findings are consistent with previous findings about competency models based on relevance and fairness lead to positive job outcomes. On the other hand, results show that social exchange partially mediated between perceptions of competency model relevance and fairness and intrinsic and extrinsic job satisfaction. And these findings

support existing findings in the literature that when employees perceive competency models fair and relevant, social exchange reveals and they have intrinsic and extrinsic job satisfaction. As a result, our findings suggest that competency models perceived as strategically and personally relevant and fair enhance perceptions of social exchange relationships, which, in turn, increase employees' job satisfaction. Accordingly, efforts to increase perceptions of relevance and fairness of the organization's competency model would likely be reciprocated with higher levels of such outcomes (Redmond, 2011). These positive outcomes will increase organizational performance and create competitive advantage for organizations resulting from implementation of competency models in human resource practices.

This study's theoretical contribution is examination of the mediating effect of social exchange on the relationship between competency model and (intrinsic and extrinsic) job satisfaction; proposing new variables in the model and filling this gap in the research. Furthermore, this study's practical contribution is there is lack of research that consists of all stated variables in our model conducted in different industries. And finally, the methodological contribution of this study is investigation of consequences of employee's perceptions of competency model relevance and fairness and job satisfaction in Turkey, a developing country; it shows the external validity of these theories which were tested in Western developed countries.

LIMITATION AND FUTURE RESEARCH

This study was limited and only focused on the effects of employees' perceptions of competency models on job satisfaction and the mediating role of social exchange in this effect of the banking, telecommunications, health care, aeronautical and food industries in Istanbul. This study was not conducted on a single industry. However each industry has its specific conditions which may affect. Therefore, future research may replicate this study in a single industry and should focus on other positive organizational behavior variables.

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