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**Mediation Effect of Psychological Contract on the Role of Perceived
Supervisor Support (PSS) and Turnover Intention:
A Study in Multinational Companies (MNCs) in Sri Lanka**

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Extended Abstract

Human resources act as an undoubted differentiator (Shubaka, 2014) in the highly competitive global corporate business environment where multinational companies play a leading role. But due to high employability status that employees gain after working in a multinational corporation even for a short period, there is a higher intention among the newly joined junior executive level employees in those organizations, to quit their jobs within a short period of time. Employees believe this experience for a short period will act as a passport in getting access to other leading local corporations, as throughout the corporate community, MNC experience is highly regarded. It is a pressing issue among most of the multinational companies with regard to their newly recruited junior executives, as these organizations incur a huge cost during recruitment, selection, and induction processes and ultimately when these employees quit, all these money spent over the resourcing process go wasted. Furthermore, it is a loss for the company as these employees who were recruited after incurring a huge cost, within a short period, lose focus with the job in the current organization and search for other careers. Though most of the managements and HR Departments are worried about this, most of them have not taken the trouble to investigate the reasons behind this. Rather, they exert more manpower and financial efforts on employer branding campaigns to fill the recurrent vacancies. However, most of the HR Departments encounter the struggle of finding the right people who can match the demands of the performance driven business environment of MNCs and aligning them to the corporate culture. A research gap is observed among studies exploring this issue, as research evidence which explain and predict why junior executives have a high intention to quit their jobs in multinational contexts, remain inconclusive and underdeveloped. Hence, the problem addressed through this study is ‘Why junior executives in multinational companies have a high intention to quit their jobs?’ Accordingly, the purpose of this study is

to investigate the contextual factors/antecedents predicting intentions among junior executives to leave a job or better referred to as intention to quit (turnover intention). Turnover intention is the cognition of employees to leave the current job (Tett & Meyer, 1993). In this study the researcher is using turnover intention as it is believed to be the strongest predictor of turnover (Bhatnagar, 2014).

Based on the general understanding, how much ever efforts HR Departments in most organizations take to retain employees in the organizations, the role of line manager plays a major impact on employee work related attitudes and behaviours (French, 2000). Hence, the researcher decided to look at mainly the support of supervisors or line managers in determining the intention of junior subordinates to stay or quit their jobs. Accordingly, two research questions were raised as; is Perceived Supervisory Support (PSS) an antecedent of Turnover Intention (TI)? based on Organisational Support Theory (OST) and does psychological contract mediate the negative relationship between PSS and TI? based on the Psychological Contract Theory (PCT). The next few paragraphs of this extended abstract explain how the researcher designed the study to deal with the above research questions.

There is sparse literature on different concerns among the employees in the multinational companies world over, but, none of them according to the limited knowledge of the author have dealt with this issue, especially in the Sri Lankan context. As such, this research focuses on the support extended by the immediate supervisor by looking at how employees perceive their support at a time where they have newly joined the organizations and may need the support of their supervisors. PSS is the perception of an employee concerning the degree to which their supervisor values their contributions to the organization and cares about their well-being (Kottke & Sharafinski, 1988). As such it is possible to argue, based on OST that employees feel obligated towards the organization and the supervisor and tends to pay back positive support received by the organization, in this case in the form of having a negative intention to quit the job. Furthermore, this support which the newly joined junior executives perceive as extended by the supervisor would lead to create a psychological contract within the mind of the employees, according to the PCT.

PCT has its historical roots in Barnard's (1938) theory of equilibrium and Gouldner's (1960) theory of reciprocity. Psychological contract was defined by Rousseau (1995, p.9) as "the individual beliefs, shaped by the organization, regarding terms of an exchange agreement between the individual and their organization". According to the PCT, when the organization provides something to the employee (or if the employee perceives so), the employee develops a cognitive relationship with the organization which may lead to reciprocity and go beyond the

legally binding employment contract. This relationship would further produce positive work related attitudes such as commitment, satisfaction, and low intention to quit within the minds of employees (Staufenbiel & Konig, 2010).

Two hypotheses – There is an impact of perceived supervisory support on employee intention to quit and the impact of perceived supervisory support on employee intention to quit is mediated by psychological contract -were established and tested in line with the research questions stated above, based on theoretical support. Hypotheses were tested using data collected from a self-administered anonymous questionnaire. All variables were measured using standard measures. PSS is defined in this study as the general view developed by employees concerning the degree to which supervisors value their contributions and care about their well-being (Kottke & Sharafinski, 1988) and was measured using the four item scale adapted from the survey of perceived organizational support (Rhoades, Eisenberger, & Armeli, 2001). Turnover intention is the measurement of whether a business' or organization's employees plan to leave their positions and was measured through the use of a short three-item scale that assessed an individual's intention to leave their organisation (Landau & Hammer, 1986) Psychological contract is referred to as “the individual beliefs, shaped by the organization, regarding terms of an exchange agreement between the individual and their organization” (Rousseau, 1995, p. 9) and was measured using the Psychological Contract Inventory proposed by Rousseau (2008). The population of the study is junior executive grade employees working in the permanent carder of MNCs operating in Sri Lanka. Out of 200 questionnaires distributed among randomly selected junior executives in the permanent cadre of 03 MNCs in Sri Lanka, 132 usable questionnaires were completed and returned indicating a response rate of 66%. Hence the sample frame of the study is 200 and the sample size of the study is 132. This was a positivistic study conducted following the quantitative research approach and the survey research design strategy. The whole sample comprised of Sri Lankans and reported an average age of 25-30 years.

Main data analysis was done using SPSS 16.0 and AMOS 16.0 was used to perform the Confirmatory Factor Analysis (CFA) under the preliminary analyses. Preliminary analyses were performed initially and next the two hypotheses were tested. Under the preliminary analyses, data were tested for entry accuracy, normality, linearity, reliability, validity, common method variance, correlation, and multi-correlation. There were no any issues related to the figures pertaining to the variables with regard to those analyses. The first hypothesis was tested using simple linear regression and the second hypothesis was tested using the four steps three regressions approach recommended by Baron and Kenny (1986) for Mediator testing. It was

confirmed that there is a negative impact of PSS on turnover intention of junior executives in MNCs and that psychological contract partially mediated that relationship, indicating both arguments proposed were supported. All these results are consistent with the main arguments of the theories used and previous literature related to other contexts.

It is suggested based on the findings that supervisors of these junior executives need to monitor relationships with their subordinates as employees who perceive high levels of PSS report low levels of turnover intention. Finally, this study throws important light on research on turnover intention and has significant theoretical and practical implications. It gains significance as it is conducted in a research context which is rarely used by most of the researchers, due to practical difficulties in accessing those organizations and their employees due to their busy schedules and access restrictions. Furthermore, the need to look at this research context is important as these organizations have institutionalized a very sophisticated set of internal business practices and procedures regarded as best practices by the corporate headquarters and therefore the talent that can deal with these kind of processes are rare in smaller job markets like that of Sri Lanka. As such, the findings of this study will be of immense value to those organizations in retaining their current stock of employees as finding replacements is a laborious task. The study makes a significant contribution to the employee retention literature and the stock of knowledge having its roots on norm of reciprocity and social exchange. Further, it could be suggested for future researchers, to extend this study as a comparative study using a sample of MNCs operating in Sri Lanka and the leading local corporations operating in Sri Lanka.

Keywords: Perceived Supervisor Support, Turnover Intention, Psychological Contract, Multinational Companies in Sri Lanka

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