The Impact of Communication Climate and Job Satisfaction in Employees’ External Prestige Perceptions

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ABSTRACT
The importance of perceived external prestige (PEP) has gained importance recently because of its significant effects on organizational outcomes. The primary aim of this study was to explore the antecedents of perceived external prestige. The important constructs which were included in the two different models were communication climate and job satisfaction. To explore their effects on PEP, data were collected from a sample of 375 employees. Three stage multiple regression method was used to test the mediating effect of job satisfaction and hierarchical regression analysis was conducted to test the moderating effect of communication. The results indicated that job satisfaction mediated the relationship between communication climate and PEP, but communication climate did not have a moderating effect.

Key Words: Perceived External Prestige, Job Satisfaction, Communication Climate

Örgütsel İletişim İklimi ve İş Tatmininin Çalışanların Kurumsal İtibar Algıları Üzerindeki Etkileri

ÖZET

Anahtar Kelimeler: Algılanan Dış İtibar, İş Tatmini, Örgütsel İletişim İklimi

Introduction
Considerable research attention has been devoted to the subject of organizational image in management literature. Organizational image can be seen as a reciprocal message between the organization and outsiders (Whetten and Mackey, 2002:395). Namely, the organizational image consists of messages transmitted by management, e.g. marketing and communication practices, to
present the organization to outsiders in a more coherent and positive way (Herrbach, Mignonac and Gatignon, 2004:1391).

Although it has mostly been studied using an external perspective focused on strategy and marketing issues (Herrbach and Mignonac, 2004:77), some research (e.g., Dutton and Dukerich, 1991; Riordan, Gatewood and Bill, 1997; Carmeli and Freund, 2002; Herrbach et al., 2004) showed that image also had internal consequences especially on workplace attitudes of employees. Klein and Leffler’s (1981) study demonstrated that organizational image was related to stakeholder decisions about the organization such as consumers’ perceptions of price level for goods or services. Similarly, Milgrom and Roberts (1986) found a consistent relation between the organizational image and investors’ decisions to invest in the firm. Ashforth and Mael (1989) proposed that employees who identified strongly with their organizations were more likely to show a supportive attitude toward them. Simon (1997) stated that employees associated with the positive organizational image of an organization could make decisions that were totally consistent with organizational objectives.

Cable and Graham’s (2000) research revealed that companies which conveyed a positive image to the job market were more likely to attract quality applicants. These research findings found strong support from Greening and Turban (2000) by adding that organizational image could be helpful not only in attracting the new applicants but also in retaining the employees. Riordan et al. (1997) and Carmeli and Freund’s (2002) research findings also linked organizational image to a wide array of variables including job satisfaction, turnover intentions, organizational commitment and organizational citizenship behavior. It is obvious that employees’ perception of organizational image is important since they are essential to organization’s performance. In this study, it is aimed to examine the image perceptions of stakeholders especially from the employees’ perspective and its relation with job satisfaction. Communication’s influence as a mediator or a moderator was also tested in the model with the expectation that a positive communication climate would increase the level of job satisfaction and strengthen the perception of employees’ external image of the organization. Hence, the indirect (mediating) effect of communication on employees’ image perception via job satisfaction and its moderating role on the job satisfaction-employee image perception relationship were hypothesized.

I. Perceived External Prestige (PEP) and Job Satisfaction

By looking at the literature, it is likely to say that much importance is attached to the organizational image concept and the concept was widely used in explaining both the internal and external stakeholders’ behaviors which could be effective on firms’ performance (Hammond and Slocum, 1996; McMillan and Joshi, 1997; Roberts and Dowling, 1997). But as noted by Thompson (1967), an organization does not present one image since “each of the various stakeholder groups relates differently to the organization” (Freeman, 1984). According to Riordan et al. (1997:401), “various stakeholders or organizational audiences have
different images of the same organization”. Dutton, Dukerich and Harquail (1994:239) propose that “an individual holds two images of her/his organization; one image reflects an individual’s own assessment about what the organization represents or stands for and the other image reflects his/her assessment about what other people outside the organization think the organization represents or stands for”. Accordingly, it is likely to conclude that the consequences of different images of various stakeholder groups on firms’ performance may vary and these varieties should be explained by different constructs. Organizational image notion is more appropriate in addressing the external stakeholders’ image perceptions such as corporate reputation, quality, customer loyalty, business prestige etc., rather than the internal issues such as work and workplace attitudes, since its meaning is about the perception of an organization’s identity from the outside or interpretations made by outsiders about the company (Herrbach et al., 2004:77). But employees receive the messages and form an opinion about how outsiders perceive the organization.

For this reason, in order to make a better explanation to the variations in workplace attitudes of employees, the literature brought a new definition to this phenomenon as “perceived external prestige” (Mael and Ashford, 1992), “interpreted reputation” or “construed external image” (Dutton and Dukerich, 1991; Dutton et al., 1994). Carmeli and Freund (2002:53) emphasize that “organizational image and perceived external prestige (PEP) are suggested to be distinct constructs”. Whereas organizational reputation refers to outsiders’ beliefs about what distinguishes an organization, PEP refers to a member’s own view of the outsiders’ beliefs (Dutton and Dukerich, 1991; Dutton et al., 1994). Since PEP refers to employee views, it is assumed to be related to several workplace attitudes such as job satisfaction, organizational commitment and pleasant effective states at work (Herrbach et al., 2004:77). Among these workplace attitudes, the concept of job satisfaction is one of the few themes that received considerable attention in the literature. Locke (1969) defined job satisfaction as “complex emotional reactions to the jobs”. It is also regarded as an important indicator to the employee’s relationship to the organization (Locke, 1976). According to Herman and Hulin (1972), job satisfaction is strongly influenced by organizational characteristics and PEP, as an organizational characteristic, is supposed to have an effect on job satisfaction.

While there have been a few studies that have directly measured the relationship between PEP and job satisfaction, Wortruba’s (1990) study found that the similar construct of job image was positively correlated to job satisfaction for sales personnel. Some research (Bergami and Bagozzi, 2000; Smidts et al., 2001; Dukerich et al., 2002) revealed a strong relationship between PEP and pleasant affective states at work. In all these studies, a strong PEP brought about pleasant affect and employees high in pleasant affect perceived the most favorable aspects of their job, which in turn increased their job satisfaction. Findings of Herrbach et al.’s (2004) study specifically confirmed the correlation between job satisfaction and PEP. Dutton et al. (1994:240), suggest that if organizational
members see their organization as more respected or prestigious by important outsiders, job satisfaction is more likely to take place, because it could increase someone’s self-esteem. In another research, Carmeli and Freund (2002) hypothesized that employees with high job satisfaction would develop favorable PEP. The results supported the hypotheses as job satisfaction significantly associated with PEP.

Despite some effort shown by the researchers (e.g. Bergami and Bagozzi, 2000; Smidts, Pruyn and Van Riel, 2001; Dukerich, Golden and Shortell, 2002; Carmeli and Freund, 2002), it is likely to say that the relationship between job satisfaction and PEP is relatively understudied and some important missing links still need to be addressed (Carmeli, Gilat and Weisberg, 2006). It is believed that this study can bring some insights to the issue for a better understanding.

II. Perceived External Prestige (PEP) and Communication Climate

Communication is among one of the most elusive organizational variables and has a vital importance to all functions of organizations. Katz and Kahn (1978:430) suggest, “communication - the exchange of information and the transmission of meaning - is the very essence of a social system or an organization”. In a similar vein, Scott and Mitchell (1976:192) note, “Communication is the critical process in organizing because it is the primary medium of human interaction”. According to Bartels et al. (2007), communication is crucial when creating an effective organization. Communication climate can be defined as “the perception of employees with regard to the quality of the mutual relations and the communication in an organization” (Goldhaber, 1993:19).

Jones and James (1979:232) state that communication climate is a facet of the broader construct of psychological climate and “includes communicative elements such as judgments on the receptivity of management to employee communication or the trustworthiness of information being disseminated in the organization”. Positive communication climate plays important roles in organizational effectiveness. Studies in which the concept of communication climate is explicitly linked to organizational identification, organizational commitment and job satisfaction are abundant (Scott et al., 1999; Van Riel, 2000; Smidts et al., 2001; Bartels et al., 2006). Pettit, Goris and Vaught (1997:81) support that communication plays a major role in one’s job satisfaction which usually measured in multidimensional terms. They explain this role as “how an employee perceives a supervisor’s communication style, credibility, and content as well as the organization’s communication system will to some extent influence the amount of satisfaction (morale) he or she receives from the job” (Pettit et al., 1997:81). However, seldom has research been conducted on the relationship between communication climate and PEP. Carmeli and Freund (2002:53) propose that communication plays a significant role in creating a favorable image. Referring to the results derived from the studies, it is expected that a positive communication climate would increase the level of job satisfaction and this, in turn, would affect PEP. So, it is obvious that there is a relationship between
communication climate, job satisfaction and PEP but the nature of the role of communication and its influence in this interaction is still vague. The influence of communication climate is likely to surface at two stages in the job satisfaction and PEP model most often used in the research literature; a mediated and a moderator effect (Herrbach et al., 2004). Initially, we can conceive of communication climate as having an indirect or mediating effect on PEP via job satisfaction. It should, therefore, be proposed that communication climate influences job satisfaction, in turn, job satisfaction influences PEP. The direct and significant effect of communication climate on PEP can be called as its moderating role. Stone (1988:194) defines the moderator variable as “a moderator variable is a variable that interacts with another variable in explaining variance in scores on a dependent variable”. That is, as the value of the moderator variable changes, there are systematic changes in the relationship between the other two variables. In this case, it should be anticipated that communication climate may play such a role in the relationship between job satisfaction and PEP. In this study, the moderator role of communication climate is examined.

III. Model and Hypotheses

Two different models were developed in order to test two different hypotheses. In previous studies a significant relationship between communication climate and job satisfaction have been observed (Ilozor, Ilozor and Carr, 2001; Frone and Major, 1988; Trombetta and Rogers 1988). Additionally, Carmeli and Freund (2002) not only theorized a significant relationship between communication and organizational image, but also observed that job satisfaction predicted perceived organizational prestige. In order to reveal the nature of the relationship between these three constructs, namely, communication climate, job satisfaction and PEP, the indirect (mediating) effect of communication climate on employees’ image perception via job satisfaction and its moderating role on the job satisfaction-employee image perception relationship were hypothesized. So, in the first model, the mediating (indirect) effect of communication climate on the other two constructs was examined. Therefore it is hypothesized that communication climate predicts PEP via job satisfaction.

\( H_1: \) Job satisfaction mediates the relationship between PEP and communication climate.

As communication climate plays an important role on predicting PEP (Smidts et al., 2001), and job satisfaction has also an important impact, it is deemed that the interaction of these two variables will have a higher effect in
predicting PEP. In other words, communication’s influence as a moderator was also tested in the second model with the expectation that a positive communication climate would increase the level of job satisfaction and strengthen the perception of employees’ external image of the organization significantly. Namely, it is likely to say that the significant and direct effect of communication climate on the interaction of the other two constructs was hypothesized as $H_2$.

$H_2$: Communication climate plays a moderating role in the relationship between PEP and job satisfaction.

\[ \text{Job Satisfaction} \rightarrow \text{PEP} \]

\[ \text{Communication} \]

\[ \text{Figure 2. The Moderating Effect of Communication} \]

IV. Methodology

a. Sample

The survey was conducted to the sample of 375 employees at six different companies. The sample consisted of managers and supervisors of which majority were males (78.6% males and 21.4% females). The questionnaires were distributed personally and in turn return rate was relatively high (85.7%).

b. Measurement Instruments

The questionnaire that was prepared to measure job satisfaction consists of fifteen items taken from Hackman and Oldham’s (1975) Job Diagnostic Survey. A six item scale by Riordan, Gatewood and Bill (1997) was used to measure the employees’ perceived external prestige of the organizations. Another six items to measure communication climate were developed by the researchers based on the communication questionnaire by Downs and Hazen (1977). The questions were developed upon the interviews conducted by the researchers with employees at various levels. After the finalization of the questionnaire, it was given to two organizational behavior specialists in order to sustain face validity. After making some necessary corrections, a preliminary survey was conducted to a sample of 30 people. All of the questions were asked on a five-point Likert scale ranging from “completely agree” to “completely disagree”.

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V. Results
Reliability of all the scales at acceptable levels, with Cronbach Alpha coefficients, 0.75, 0.83, 0.79 for job satisfaction, perceived external prestige and communication climate scales respectively. Exploratory factor analysis for all of the variables yielded only one factor which had Eigen values over 1.00. Job satisfaction factor explained 67.5%, perceived external prestige factor explained 68.1% and communication factor explained 61% of the total variance.

a. The Mediating Effect of Job Satisfaction
The three stage multiple regression method was used (Baron and Kenny, 1986) to test the mediating effect of job satisfaction. Baron and Kenny (1986) indicate that to test for mediation, three regression equations should be estimated. First, the mediator should be regressed on the independent variable, second, the dependent variable should be regressed on the independent variable and, third, the dependent variable should be regressed both on the mediator and on the independent variable. If the independent variable affects the mediator in the first equation; if it also affects the dependent variable in the second equation; and if the mediator not only affects the dependent variable in the third equation, but also the effect of the independent variable on the dependent variable is less in the third equation, then it can be said that there is a mediation effect.

In accordance with the above mentioned method, firstly, job satisfaction was regressed on communication and communication was observed to have a significant effect on job satisfaction. Secondly, perceived external prestige was regressed on communication. The results indicated that communication had a significant effect on perceived external prestige as well. Thirdly, perceived external prestige was regressed on communication and job satisfaction and job satisfaction was observed to mediate the relationship between communication and perceived external prestige since there was a significant decrease in the effect of communication on perceived external prestige when job satisfaction was included in the equation. This can be gathered by Beta level decrease from 0.476 to 0.310 in the third regression equation. These results are shown in Table 1.
Table 1. The Mediating Effect of Job Satisfaction

<table>
<thead>
<tr>
<th>First Stage</th>
<th>Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>.523 ***</td>
</tr>
</tbody>
</table>

| R² | .273 |
| Adjusted R² | .272 |
| F Value of Model | 298.264 *** |

<table>
<thead>
<tr>
<th>Second Stage</th>
<th>PEP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>.476 ***</td>
</tr>
</tbody>
</table>

| R² | .227 |
| Adjusted R² | .226 |
| F Value of Model | 232.285 *** |

<table>
<thead>
<tr>
<th>Third Stage</th>
<th>PEP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>.310 ***</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>.318 ***</td>
</tr>
</tbody>
</table>

| R² | .300 |
| Adjusted R² | .299 |
| R² Change | .300 *** |
| F Value of Model | 170.290 *** |

Independent Variable: Communication
Dependent Variable: Perceived External Prestige
*p<0.05 **p<0.01 ***p<0.001

b. The Moderating Effect of Communication

The moderating effect of communication between job satisfaction and perceived external prestige was analyzed by hierarchical regression. To find out the moderating role of a variable, first of all the data related with each scale were tested for normality and as they were not normally distributed, mean scores were subtracted from raw scores and they were divided by their standard deviations. In order to find out the interaction effect of job satisfaction and communication, the calculated data for job satisfaction and communication were multiplied. At the first and second stages, job satisfaction and communication were added to the regression equation respectively. The calculated interaction variable was added at the third stage. The interaction effect of communication and job satisfaction was not found to be significant. Therefore H₂ was rejected (see Table 2.).
### Table 2. The Hierarchical Regression Results of Job Satisfaction and Communication Interaction on Perceived External Prestige

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Beta</th>
<th>Adjusted $R^2$</th>
<th>$R^2$ Change</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>.269</td>
<td>.310***</td>
<td>.231</td>
<td>.300***</td>
<td>238.095***</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>.259</td>
<td>.318***</td>
<td>.300</td>
<td>.070***</td>
<td>170.293***</td>
</tr>
<tr>
<td>2. Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication x Job Satisfaction</td>
<td>-.041</td>
<td>-.047</td>
<td>.303</td>
<td>.002</td>
<td>98.510</td>
</tr>
</tbody>
</table>

Dependent Variable: Perceived External Prestige

*p<0.05  **p<0.01  ***p<0.001

**Discussion**

The results of this study yielded the finding of an indirect (mediating) effect of communication climate on employees’ image perception via job satisfaction, which is consistent with the findings of the previous study of Trombetta and Rogers (1988). In their study, Trombetta and Rogers (1988) observed that job satisfaction mediated the relationship between communication openness and organizational commitment. Herrbach et al., (2004) also observed that job satisfaction mediated the relationship between PEP and intention to leave. Whilst communication climate was found to be an important predictor of job satisfaction, it did not play a major role in the interaction of job satisfaction and PEP as a moderator. Results of the study as a mediating effect of communication climate on the relationship between job satisfaction and PEP also imply the importance of job satisfaction once more. Accordingly, an increased level of job satisfaction is therefore likely to lead to a stronger effect on PEP compared to the effect of a more positive communication climate itself. Although inconsistent results have been observed in various studies done on job satisfaction-productivity relationship (Luthans, 2002), job satisfaction affected many important organizational variables including organizational commitment, affective well-being and PEP (Hochwarter, Perrewé, Ferris, and Brymer, 1999; Cranny, Smith and Stone, 1992; Rusbult, Farrell, Rogers, and Mainous, 1988).

While the study produced firm results, some limitations should be taken into consideration. Firstly, it is not possible to completely rule out the presence of bias due to common method, a self-evaluation instrument which might have influenced the strength of the relationships between the constructs. But since the focus of the study was on individuals’ perceptions, the influence of using a percept-percept research methodology is not necessarily to be problematic (Crampton and Wagner, 1994). Another limitation is that the direction of job satisfaction and PEP still could be questioned. It is postulated in the study that job satisfaction influences the level of PEP but the reverse could also be argued. Some researchers (Herrbach et al., 2004:84) stated that a strong PEP is likely to
promote a more positive perception of one’s own job and make employees feel pride in belonging to their company. Accordingly, a strong PEP can increase the level of job satisfaction and this suggestion is likely to explain the opposite direction of job satisfaction and PEP relationship. In this case, PEP can be strengthened via some marketing and PR efforts to influence intrinsic job satisfaction in an organization. However, the common view on the issue is that job satisfaction influences PEP. Although, more elaborate research designs should be used in future studies to tackle these shortcomings.

Despite its limitations it is believed that the study made some contributions to the issue. The emphasis for the importance of job satisfaction can be stated as a managerial implication that managers should not underestimate the effect of job satisfaction on individual and organizational performance. For this reason, organizational variables should be effectively used to increase the level of job satisfaction and communication is among them.

REFERENCES


