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## Work Climate Drivers and Employee Heterogeneity

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# **Work Climate Drivers and Employee Heterogeneity**

## **Abstract**

We examined how sociodemographic variables affect the relationship between work climate constructs (motivation, satisfaction, and loyalty) and work climate drivers (empowerment, image, leadership, pay, and work conditions) in the banking sector. We implemented a partial least squares structural equation model to test the general model and then tested heterogeneity using the multi-group parametric test and Pathmax analysis to determine how employee groups were segmented in the structural model. Our results show that empowerment has the greatest impact on work climate and that not all employees respond in the same way to different work climate drivers. As sources of heterogeneity, we identified three groups of employees, namely, executives, senior employees, and junior employees, finding that leadership is important in defining the loyalty of junior employees, whereas work conditions are crucial for senior employees and executives. While pay is one of the most important corporate tools for attracting, retaining, and motivating younger talent, we found that it becomes less relevant as employees ascend the company hierarchy. Our findings provide interesting insight into how companies might customize human resource management strategies according to different employee profiles.

**Keywords:** work climate; job satisfaction; job motivation; loyalty; PLS-SEM; heterogeneity.

**Word Count:** 11,893 (incl. references, tables and figures)

## **1. Introduction**

Many studies have extensively examined the linkage between human resource (HR) practices and firm performance. In line with Bowen and Ostroff's (2004) strategic perspective, researchers have examined the fit between various HR practices and the competitive strategy of organizations using an approach based on two principle pillars: what HR practices determine work climate perceptions, and how is the organizational climate related to higher-level behaviors and employee skills development, knowledge, and motivation?

In relation to the organizational climate, studies have considered a range of industries, work environments, and labor market specificities (Bright, 2008; Crossman & Harris, 2006; Yang, 2010; Sellgren, Ekvall, & Tomson, 2008; Valaei & Jiroudi, 2016). A company's work climate, reflected in constructs such as motivation, satisfaction, and loyalty, is affected by a variety of heterogeneity factors derived from sociodemographic variables (Valaei & Jiroudi, 2016; Tlaiss, 2013; Eskildsen et al., 2004) such as age, gender, job grade, and tenure. Not all employees will perceive the work climate in the same way, nor will they react in the same way to HR strategies.

In the banking sector, the impact of the work climate on the relationship between strategic HR management (HRM) and organizational performance is especially crucial (Bartel, 2004; Richard & Johnson, 2001; Kaya, Erdogan Koc, & Topcu, 2014). Growing competition means that better financial and customer services are becoming increasingly important from a profitability perspective, with bank services relying greatly on employees' direct contact with customers (Glaveli & Karassavidou, 2011). In recent decades, the work climate in the banking sector has been the subject of several studies, covering issues such as improving job

satisfaction (Abdolshah et al., 2018; Kaya, Erdogan, Koc, & Topcu, 2014; Clark, 2002; Tlaiss 2013; Sekaran, 1989; among others), reducing staff turnover (Huselid, 1995), and ultimately, increasing profitability (Ali, Lei, & Wei, 2017; Glaveli & Karassavidou, 2011; Fey, Björkman, & Pavlovskaya, 2000).

A number of banking sector studies have analyzed sociodemographics in conjunction with work climate (Abdolshah et al., 2018; Kaya, Erdogan Koc, & Topcu, 2014; Tlaiss, 2013). For executives in the Iranian banking sector, Abdolshah et al. (2018) found that specific factors with an impact on work climate were, in order of importance, colleagues, upgrades, and compensation. Using a sample of 346 employees from 19 Turkish banks classified by age, gender, education, work experience, and job grade, Kaya, Erdogan Koc, and Topcu (2014) reported a significant effect for HR practices and organizational climate on job satisfaction. Tlaiss (2013), in an analysis of the impact of age, educational level, marital status, job grade, tenure, salary, and bank size on women managers in a Lebanese financial institution, reported women's dissatisfaction with remuneration, promotion, and fringe benefits, but general satisfaction with their careers as a reflection of the hard work invested in accessing echelons long reserved for men.

While it is well established that work climate constructs can be enhanced by different work climate drivers, such as empowerment, corporate image, pay, work conditions, and leadership, there is a lack of research into how the heterogeneity derived from sociodemographic variables may affect the relationship between work climate drivers and work climate constructs.

Our objective was to address this gap in the literature. We started by considering a holistic model that related three work climate constructs (satisfaction, motivation, and loyalty) with five work climate drivers (empowerment, corporate

image, pay, work conditions, and leadership) (Gaertner, 1999; Eskildsen et al., 2004, 2004a, 2010; Kristensen & Westlund, 2004; Lane, Holte, & Anne, 2010). We then tested all relationships against the four sociodemographic variables of gender, age, job grade, and tenure. On this basis, we were able to determine which HR strategies would increase job satisfaction, motivation, and loyalty for heterogeneous employee groupings.

The paper is organized as follows. We first consider the theoretical background and describe our conceptual model and research hypotheses. We then describe the study objectives, data, and methodologies. We next report our results, fitting the model and testing the effects of heterogeneity so as to identify how sociodemographic variables affect the relationship between work climate constructs and work climate drivers. We finish with a discussion of the results and concluding remarks regarding our findings and their implications.

## **2. Theoretical background**

### ***2.1. Work climate***

The work climate – the “weather of the workplace” – refers to how organizational environments are perceived and interpreted by employees (James & James, 1990; Schneider & Bowen, 1995). We approach the work climate by considering the three constructs of motivation, satisfaction, and loyalty.

Motivation is the inner force that drives individuals to accomplish personal and organizational goals. Motivated employees are more productive, and they are especially important in rapidly changing workplaces for organizations’ survival and growth. Satisfaction, which is more related to positive inner feelings, refers to “a pleasurable or positive emotional state resulting from the appraisal of one’s job or

job experience” (Locke, 1976, p. 1300). Since satisfaction reflects how much people like or dislike their jobs (Bruck, Allen, & Spector, 2002), it depends on the extent to which the work environment fulfills personal expectations, needs, and values (Abraham, 2012).

While both motivation and satisfaction reflect a sense of responsibility in doing a job, they are quite different from each another in terms of return and performance (Hersey & Blanchard, 1988). Differences between satisfaction and motivation are also intrinsic to their definitions. Whisenand and Rush (1988), for instance, describe motivation as the individual’s pay-out in doing something that satisfies needs, whereas Locke (1976) defines satisfaction as simply a positive emotional state associated with a job. According to Kian (2014), while motivation is influenced by current interpretations or forward-looking perceptions about the relationship between performance and returns, satisfaction involves how people feel about the returns or rewards received for their past performance. This means that motivation relies on future expectations, while satisfaction is the result of past events (Carr, 2005). On the basis of those distinctions, several researchers have concluded that work motivation and job satisfaction should be treated separately (Stringer, Didham, & Theivananthampillai, 2011; Igalens & Roussel, 1999; Pool, 1997).

Motivation and satisfaction are undoubtedly related. A high degree of motivation without a high degree of job satisfaction will not be sustained over the long run, while a high degree of job satisfaction without a high degree of motivation is not a desirable situation for the organization (Eskildsen, Kristensen, & Westlund, 2004). The causal link between motivation and satisfaction is underpinned by Herzberg’s motivation-hygiene (or two-factor) theory (Herzberg, 1968) which identifies achievement, recognition, and the job itself as intrinsic motivators, and

hygiene factors such as company administration, supervision, and salary as extrinsic factors. Herzberg considers that intrinsic factors, in particular, lead to job satisfaction because they satisfy an individual's need for self-actualization (Maslow, 1954; Tietjen & Myers, 1998). Several authors who have studied the relationship between motivation and satisfaction have found a significant positive association between the two constructs (Moynihan & Pandey, 2007; Wright & Kim, 2004; Pool, 1997).

Regarding the satisfaction-motivation relationship, in line with the above, we propose that motivation has a bearing on satisfaction and distinguish between those constructs to identify two different aspects of a job: one related to the job itself (i.e., motivation), and the other related to the positive feelings of the performer of the job (i.e., satisfaction).

As for employee loyalty, this can be defined as “a psychological inclination, a ‘feeling’ such as identification with, or attachment or a commitment to, the organization” (Guillon & Cezanne, 2014, pp. 840). This observable workplace phenomenon can be demonstrated by an employee remaining in an organization over the long term and showing little inclination to seek or explore alternative work (Guillon & Cezanne, 2014). Several researchers have argued that greater satisfaction and motivation result in greater employee loyalty (Abraham, 2012; Brunetto, Shacklock, & Farr-Wharton, 2012).

## ***2.2. Work climate drivers***

The work climate drivers of motivation, satisfaction, and loyalty can broadly be encapsulated by macro characteristics as follows (Kaya, Erdogan Koc, & Topcu, 2014; Boswell & Boudreau, 2000; de Jonge et al., 2001; Eskildsen, Kristensen, & Westlund, 2004a; Gaertner, 1999):

- Organizational vision - management vision (vertical versus horizontal), cultural/ethical orientation, management capacity to make sound decisions, and management willingness to inform employees about the state and direction of the organization.
- Superiors - the relationship between employees and their immediate superiors and the perceived professional and leadership skills of managers.
- Colleagues - the social climate among co-workers, the sense of social belonging, and cooperation between them.
- Conditions - the physical work environment, job security, and the pay and benefits package, i.e., all aspects of the job in isolation from the sociocultural context.
- Corporate image - the perceived trustworthiness and reliability of the company; covering a broad range of activities related to formal communications via name, logo, signage, corporate advertising, and public relations.

For our research referring to the banking sector, we considered a set of drivers derived from the above classification:

1. Empowerment - a measure of employee perceptions of management vision (vertical or horizontal);
2. Image - a measure of employee perceptions of the company's reputation;
3. Leadership - a measure of employee perceptions of leadership practices such as feedback; and appraisal by superiors
4. Pay - a measure of employee perceptions of compensation and of its equity;
5. Work conditions - a measure of employee perceptions regarding the conditions in which they perform their tasks.

In terms of the theoretical relationship of each of the above drivers with the work climate constructs of motivation, satisfaction, and loyalty, empowerment refers to people feeling encouraged to make decisions without intervention from higher management (Handy, 1993). Lawler and Mohrman (1989) define empowerment as enabling employees to perform in a way that enhances their commitment to the organization, enabling it to grow and succeed. For the purposes of our research, we define empowerment as an employee's perceptions of their autonomy, initiative, and responsibility, and the corresponding recognition. Ugboro and Obeng (2000) find support for the notion that empowerment is positively related to job satisfaction, while Pelit, Ozturk, and Arslanturk (2011) report that empowered employees have higher motivation levels.

Hechanova, Alampay, and Franco (2006) found empowerment and job satisfaction to be significantly related in different service sectors (hotels, food service, banking, call centers, and airlines). In specific relation to the banking sector, several studies have identified positive links between empowerment and job satisfaction (Mahmood et al., 2019; Ullah et al., 2013).

Image is related to corporate reputation. Firms with a positive image are seen as enhancing the self-esteem of employees, with several studies pointing to a positive relationship between corporate image and employee behavior (Carmeli & Freund, 2002; Herrbach, Mignonac, & Gatignon, 2004; Helm, 2011). According to Davies (2008), since company brand associations can be used to predict employee satisfaction and loyalty, a strong reputation needs to be carefully nurtured. While the importance of image to satisfaction-motivation-loyalty among employees is well established, most banking sector studies focus on the impact of image on customer satisfaction and loyalty (Helm, 2007; Bontis, Booker, & Serenko, 2007), whereas

specific evidence is lacking regarding the effect of image on satisfaction-motivation-loyalty among employees.

Leadership pertains to management ability to guide and lead staff and involves tasks such as establishing action plans, allocating resources, organizing, staffing, solving problems, and monitoring results (Kotter, 1999). It also includes communicating objectives and motivating the staff to attain them. Ugboro and Obeng (2000) found a significant positive correlation between leadership and job satisfaction. Walumbwa et al. (2005), in a comparative study of Kenyan and US financial firms, also reported that leadership has a significant effect on job satisfaction. More recently, Puni, Mohammed, and Asamoah (2018) confirmed the positive relationship between leadership and job satisfaction for a sample of 315 bank employees.

Pay is defined by Lawler (1971) as the overall compensation that an employee receives for services to their employer, including both monetary income and fringe benefits. The literature documents ample evidence that higher salaries enhance satisfaction among employees and lead people to remain with their current employer (Selden, Schimmoeller, & Thompson, 2013; Guan et al., 2014). Mahmood et al. (2019) confirmed this positive relationship between pay and job satisfaction for the banking sector.

Work conditions are defined by Raziqa and Maulabakhsha (2015) as including many different characteristics of a particular job, including the way tasks are carried out and completed, training, control over one's own job-related activities, a sense of achievement in work, variety in tasks, and the intrinsic value of tasks. A positive link has been reported between work conditions and intrinsic aspects of job satisfaction (Eskildsen, Kristensen, & Westlund, 2004a). Regarding the banking sector, Cambré

et al. (2012) reported that work conditions are a crucial aspect of job satisfaction. Other studies have identified training as relevant to improving job satisfaction (Glaveli & Karassavidou, 2011; Kaya, Erdogan Koc, & Topcu, 2014).

In our model (Figure 1), which is an adaptation of models proposed in previous research (Gaertner, 1999; Eskildsen et al., 2004, 2004a, 2010; Kristensen & Westlund, 2004; Lane, Holte, & Anne, 2010), we assume that all five work climate drivers are antecedents of motivation and satisfaction, and thus, of employee loyalty.

[Figure 1 about here]

### ***2.3. Employee characteristics***

In accordance with the literature, we analyzed four employee sociodemographic characteristics: gender, age, job grade, and tenure (Kaya, Erdogan, Koc, & Topcu, 2014; Tlaiss, 2012; Eskildsen, Kristensen, & Westlund, 2004).

**Gender.** The principal hypothesis related to gender is that workplace inequality may produce differences in how women and men perceive job satisfaction (Clark, 1997). Despite progress towards overcoming gender inequality in the workplace, e.g., increased representation of women in corporate leadership roles, as recently reported by the *Harvard Business Review* (Georgeac & Rattan, 2019), workplace gender issues continue to generate controversy, with contradictory findings regarding job satisfaction as perceived by men and women employees (Eskildsen, Kristensen, & Westlund, 2004a; Eskildsen, Kristensen, & Antvor, 2010; Clark, 1997; Ellickson & Logsdon, 2001; Sloane & Williams, 2000).

Linked to the effect of the gender gap, the importance of leadership has also been analyzed. It is widely acknowledged that women employees are more sensitive to leadership than men employees, with Smith and Smith (1994) arguing that successful leadership includes traits that are usually associated with women, such as

helpfulness to subordinates and a tendency to foster a family atmosphere in the workplace. In relation to the banking sector, Crossman and Abou-Zaki (2003) found female employees to be less satisfied with all facets except pay, and Okpara (2006) and Gooderman et al. (2004) found that male bank managers were more satisfied than female bank managers with salary and promotion policies.

Bearing in mind the above, we explored the gender effect on pay and leadership, hypothesizing as follows:

*H1a: Male employees attach more importance to pay in defining the work climate.*

*H1b: Female employees attach more importance to leadership in defining the work climate.*

**Age.** According to Mollik, Talukder, and Quazi (2015), conventional wisdom suggests that older (implicitly more experienced) employees are likely to be more satisfied and work better, due to their better understanding of the job and job expectations, as well as due to maturity in decision-making. In the banking sector, several empirical studies have documented a positive relationship between age and satisfaction (Tlaiss, 2013; Metle, 1997; Clark, Oswald, & Warr, 1996). Other researchers have investigated the U-shaped or linear nature of this relationship (Eskildsen, Kristensen, & Westlund, 2004; Clark, Oswald, & Warr, 1996). However, few efforts have been invested in understanding how different employee age groups value different work climate drivers. Thompson and Gregory (2012) reported, in relation to millennials, that attention/recognition and relationships with immediate superiors can contribute to loyalty and retention. Accordingly, we hypothesize as follows:

*H2a: Younger employees attach more importance to leadership and pay in defining the work climate.*

*H2b: Older employees attach more importance to image, work conditions, and empowerment in defining the work climate.*

**Job grade.** Job grade is an important predictor of job satisfaction in the banking sector, with more senior positions usually associated with higher pay, greater autonomy, responsibility, better promotion prospects, and overall work conditions (Robie et al., 1998). The evidence is that employees in management positions have higher levels of job satisfaction (Tlaiss, 2013; Eskildsen, Kristensen, & Westlund, 2004a). The evidence also shows that compensation is more relevant for lower-level employees (Arnolds & Boshoff, 2000). However, literature regarding how job grade can affect the work climate, and thus, motivation, satisfaction, and loyalty remains scarce. We suggest that job grade does affect the work climate, and in particular, we hypothesize that lower-level employees at the beginning of their career value pay and leadership from above, whereas empowerment and work conditions matter more for higher-level employees. Furthermore, considering the stronger link to the company usually manifested by higher-level employees (Olmedo-Cifuentes & Martínez-León, 2014), we propose that these employees may attach more importance to corporate image. Accordingly, we hypothesize that:

*H3a: Lower-level employees attach more importance to leadership and pay in defining the work climate.*

*H3b: Higher-level employees attach more importance to empowerment, work conditions, and image in defining the work climate.*

**Tenure.** Tenure is another important determinant of job satisfaction. Numerous studies have found that employee satisfaction is closely related to length of service (Boğan & Dedeoğlu, 2017; Tlaiss, 2013; Oshagbemi, 2003; Sarker, Crossaman, & Chinmeteepituck, 2003). Length of service can affect work climate in different ways. According to Boğan and Dedeoğlu (2017), shorter-tenure employees are more sensitive to work-related variables, such as leadership, and need closer communication with their supervisors. Another consideration is that shorter-tenure employees are more likely to be on the lookout for better jobs and career opportunities even if satisfied with their current jobs. Longer-tenure employees, to the contrary, learn to overcome or cope more effectively with difficulties, because of their time of service with the company and the psychological contract with their employer (Rousseau, 2001). We can therefore infer that shorter-tenure employees value pay and leadership more, whereas longer-tenure employees value image, empowerment, and work conditions more. Accordingly, we hypothesize that:

*H4a: Shorter-tenure employees attach more importance to leadership and pay in defining the work climate.*

*H4b: Longer-tenure employees attach more importance to image, work conditions and empowerment in defining the work climate.*

### **3. Methods**

#### **3.1 Objectives**

Using the theoretical model depicted in Figure 1, our objective was to analyze the relationships between work climate constructs and drivers according to sociodemographic variables in order to identify heterogenous employee sub-groups. For this purpose, we first used least squares structural equation modeling (PLS-

SEM) to estimate the global model, and then we used the multi-group parametric test and Pathmox analysis to test for heterogeneity (Lamberti, Aluja, & Sanchez, 2016, 2017).

### **3.2 Dataset**

The data, obtained from an organizational study of a Spanish bank co-working with a Spanish university statistics department, consisted of 41 variables measured for a sample of 2,000 employees working in the bank's branch network. The data was collected through a survey (run by the bank's HR department) consisting of a questionnaire emailed to employees, whose anonymity was guaranteed. The response rate was 94%. Variables were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The collected data were processed and analyzed by the university statistics department.

The 41 variables were divided into two categories: a set of four qualitative variables reflecting gender, age, job grade, and tenure (the segmentation variables); and a set of 37 indicator variables (Table 1) for the measurement model (the manifest variables). The four segmentation variables served as potential observed sources of heterogeneity.

[Table 1 about here.]

Descriptive information for the bank employees, provided in Table 2, indicates that the employees were mostly men (69.70%) and mostly younger than 45 years old (80.55%). Lower-grade employees represented 39.55% of the sample, followed by higher-grade employees (35.10%) and intermediate-grade employees (25.45%). The majority of the employees (72.45%) had been working in the bank for more than five

years.

[Table 2 about here]

### ***3.3 Methodologies: PLS-SEM, multi-group parametric test and Pathmox analysis***

PLS-SEM was chosen to estimate the conceptual model, given the useful guidelines provided in an excellent and comprehensive critical review of its use in 77 HRM studies published over a 30-year period in leading journals (Ringle, Sarstedt, Mitchell, & Gudergan, 2018; see especially pp. 5-7). PLS-SEM has already been used to evaluate the organizational work climate (e.g., Nedkovski, Guerci, De Battisti, & Siletti, 2017). Several scholars have argued that PLS-SEM is especially useful for testing models when research objectives are exploratory in nature and when the objective is prediction. PLS-SEM is also indicated when assumptions cannot be fulfilled regarding covariance-based structural equation modeling (SEM), including regarding the multivariate normality of the data.

The effect of heterogeneity was assessed using the multi-group parametric test (Hair et al., 2018; Sarstedt, Hensler, & Ringle, 2011; Keil et al., 2000) and Pathmox analysis (Lamberti et al., 2016, 2017). The multi-group parametric test is a procedure for statistically testing for between-segment differences in path coefficients. It consists of separating the data into groups (i.e., segments) according to segmentation variables and, for each group, calculating path coefficients that are then compared to check for significant differences. In our study, path coefficient differences were examined using a procedure proposed by Keil et al. (2000).

Pathmox analysis applies the principles of binary segmentation to produce a tree with different models in each of the obtained nodes. The algorithm starts by fitting a

global model to all the data, thereby defining the root of the tree; it then identifies, in an iterative procedure, the models with the greatest differences in each child node. The available data is thus recursively partitioned so as to identify the iterations whose segmentation variable yields the most significant differences after comparing two PLS-SEM models of the child nodes. To avoid overfitting, Pathmox adopts a pre-pruning process (i.e., stopping rules) based on maximum depth, minimum node size, and non-significance of the statistic associated with the comparison of the PLS-SEM models of the child nodes. The approach provides perspective in attempting to detect heterogeneity when many segmentation variables are present, and it is difficult to determine which of those variables are responsible for differences.

The SmartPLS 3.2 software (Ringle, Wende, & Becker, 2015) and the genpathmox package in R software version 0.1 (Lamberti, 2014) provided the model estimates (global and multi-group analysis) and the Pathmox analysis, respectively.

## **4. Results**

### ***4.1 PLS-SEM***

As a prior, but necessary, step to performing the sociodemographic analysis, we estimated the global model. In line with Ringle et al. (2018), common reliability indexes were computed for each latent variable to assure the validity of the measurement model.

According to the results reported in Table 3 and Figure 2, the main driver for motivation was empowerment ( $\beta=0.254$ ), followed by work conditions ( $\beta=0.224$ ), image ( $\beta=0.201$ ), and leadership ( $\beta=0.199$ ); in contrast, the value for pay was low ( $\beta=0.020$ ). Satisfaction was primarily influenced by motivation ( $\beta=0.334$ ), followed by empowerment ( $\beta=0.244$ ) and pay ( $\beta=0.162$ ), with leadership achieving the lowest

value ( $\beta=0.092$ ). All path coefficients were highly significant ( $p\leq 0.001$ ), except for pay as a driver for motivation ( $p=0.293$ ).

Regarding predictability, results for  $R^2$  and the Stone-Geisser test ( $Q^2$ ) were considered adequate. The  $R^2$  values for the motivation, satisfaction, and loyalty constructs were 0.401, 0.564, and 0.495, respectively, and  $Q^2$  was positive for all the predicted variables, with values of 0.209, 0.288, and 0.265 for the motivation, satisfaction, and loyalty constructs, respectively.

[Table 3 about here.]

[Figure 2 about here.]

#### ***4.2 Multi-group parametric test***

***Measurement invariance test.*** Before making the group comparisons we checked measurement invariance following the measurement invariance of composite models (MICOM) procedure (Henseler, Ringle, & Sarstedt, 2016), which ensures that model estimate differences do not result from distinctive content or meanings for the latent variables across groups (Hair et al., 2018). The procedure involves three ordered steps: configural invariance, compositional invariance, and equality of composite mean and variance values. According to Hair et al. (2018), multi-group analysis requires establishing configural (Step 1) and compositional (Step 2) invariance. If these two steps support measurement invariance, then partial measurement invariance is established.

Configural invariance ensures that each latent variable has been specified equally for all groups; it exists when constructs are equally parameterized and

estimated across groups. Compositional invariance means that composite scores measure the same construct across groups, for which reason it is a key step in assessing measurement invariance. For this purpose, the correlations for composite scores between groups are computed and compared with the reference distribution of correlations obtained by permutation of the two groups. If the observed correlation falls in the upper 95% of the distribution, the null hypothesis that the theoretical correlation is 1 is accepted, and composite invariance of the specific construct is established. If, additionally, the composites have equal mean values and variances across the groups, full measurement invariance is confirmed, allowing the data of different groups to be pooled. Even in this case, however, it makes sense to analyze the homogeneity of the model, to assess whether the path coefficients are equal between groups (Hair et al., 2018).

Regarding configural invariance, each latent variable in the PLS-SEM model was specified equally for all the groups. We ensured identical indicators for each measurement model, data treatment, and algorithm settings across groups, thereby establishing configural invariance.

Appendix 1 reports the MICOM procedure results. Each table reports the observed correlation, the 5% lower quantile of the reference distribution, the observed difference in means between the two compared groups, and the log ratio of variances for both groups with their corresponding 95% confidence intervals (obtained by group permutation).

Looking at the results, we can appreciate that compositional invariance is verified in the large majority of cases, with very few exceptions (less than 5% of all comparisons). In these cases, the observed deviation occurs in the third decimal, and consequently, we can globally accept the compositional invariance of constructs.

Regarding the equality of means of the composite scores, the fact that we can appreciate differences in most cases confirms the existence of different segments according to gender, age, job grade, and tenure. However, in terms of the variability of the composite scores for these segments, in many cases, the variance between groups is similar. An exception is job grade, where the highest job grade appears to have less variability. This would suggest that the considered groups yield different levels per composite scores but with a generally similar spread.

Since our results confirmed partial measurement invariance, we then proceeded to multi-group analysis.

***Multi-group parametric test results.*** The multi-group parametric test results are presented according to the segmentation variables as follows: gender (male and female) in Table 4; age (three groups: A1 <31 years, A2 31-45 years, and A3 >45 years) in Table 5; job grade (three groups: G1 low, G2 mid, and G3 high) in Table 6; and tenure (three groups: An1 <5 years, An2 5-15 years, and An3 >15 years) in Table 7. The tables show the path coefficients and p-values for differences between the compared groups (an asterisk indicates a significant difference between path coefficients).

[Table 4 about here.]

Regarding gender (Table 4), we found a significant difference only for leadership as a driver for satisfaction ( $p=0.049$ ), finding this driver to be significantly more important for female employees than for their male counterparts. We can therefore conclude that H1b, but not H1a, was confirmed.

For age (Table 5), we found that work conditions were significantly more important for employees in the oldest group (>45 years) than for employees in the intermediate group (31-45 years) ( $p=0.048$ ). Regarding satisfaction, the image, leadership, and pay drivers were significantly different for employees in the youngest group (<31 years) compared to employees in the intermediate group (31-45 years) ( $p=0.001$ ,  $p=0.032$ , and  $p=0.012$ , respectively). Pay and leadership were more important for the younger employees, whereas image was more important for intermediate group. For loyalty, we also observed two distinct effects; motivation as a driver for loyalty was significantly more important for the younger employees than for the intermediate group ( $p=0.035$ ), while satisfaction as a driver for loyalty was significantly more important for the two older age groups than for the youngest group ( $p=0.010$  and  $p=0.019$ , respectively). Thus, both H2a and H2b were confirmed.

[Table 5 about here.]

Regarding job grade, classified as lower, intermediate, and higher (Table 6), work conditions as a driver for motivation were significantly more important for lower- vs higher-grade employees ( $p=0.044$ ). Considering satisfaction, image was more important for high- and intermediate-grade employees than for lower-grade employees, and this difference was significant for low- vs intermediate-grade employees ( $p=0.015$ ) and for lower- vs higher-grade employees ( $p<0.001$ ). As for loyalty, we found differences in both motivation and satisfaction for low- vs intermediate-grade employees, and for lower- vs higher-grade employees (motivation:  $p<0.001$  for both; satisfaction:  $p=0.018$  and  $p=0.002$ , respectively).

Thus, motivation was more important than satisfaction for lower-grade employees, whereas satisfaction mattered more than motivation for intermediate- and higher-grade employees. We conclude, therefore, that H3a and H3b were both confirmed.

[Table 6 about here.]

Regarding tenure, classified as <5 years, 5-15 years, and >15 years (Table 7), in relation to motivation, we found significant differences for image ( $p=0.039$ ) and leadership ( $p=0.011$ ) for intermediate-tenure employees vs longer-tenure employees, with image more important for the latter and leadership more important for the former. Comparing shorter- and longer-tenure employees, we found significant differences for pay ( $p=0.017$ ) – more important for shorter-tenure employees – and for work conditions ( $p=0.019$ ) – more important for longer-tenure employees. In the case of satisfaction, leadership mattered differently for the shortest tenure group with respect to the other groups, significantly so for shorter- vs intermediate-tenure employees ( $p=0.038$ ) and for shorter- vs longer-tenure employees ( $p=0.046$ ). As for image, the difference was significant for shorter- vs intermediate-tenure employees ( $p=0.006$ ) and for shorter- vs longer-tenure employees ( $p<0.001$ ). Loyalty did not vary across the groups. We thus conclude that H4a and H4b were both confirmed.

[Table 7 about here.]

#### **4.3 Pathmox analysis**

Pathmox analysis was carried out using the variables listed in Table 3 as input for the segmentation procedure. Due to the complexity of the model, we limited the

segmentation tree to a maximum depth of two levels, bounding the final number of segments to a maximum of four. The minimum admissible size for a node was set to 10% of the total sample, and the threshold significance for the partitioning algorithm was set to  $p=0.05$ . The resulting Pathmox tree had a total of three nodes (Figure 3).

[Figure 3 about here.]

The algorithm selected job grade as the variable with the greatest discriminant power ( $p<0.001$ ), distinguishing between higher-grade employees and lower-grade employees. The lower-grade employees were further differentiated according to tenure ( $p<0.001$ ). Thus, three local models (LMs) were identified: higher-grade managers (LM1), lower-grade employees with longer tenure (LM2), and lower-grade employees with shorter tenure (LM3). Hereafter, we refer to these groups as executives, senior employees, and junior employees, respectively.

We used the F-coefficient test to identify which predictors were responsible for partitioning (Table 8). Regarding the first partition (discriminated by job grade), the most significant differences between the two nodes depended on three satisfaction drivers, namely, image ( $p<0.001$ ), pay ( $p=0.049$ ), and work conditions ( $p=0.027$ ), and on two loyalty drivers, satisfaction ( $p<0.001$ ) and motivation ( $p<0.001$ ). For the second partition (discriminated by tenure), only leadership was identified as having a significantly different coefficient for satisfaction ( $p=0.050$ ) for senior and junior employees.

[Table 8 about here.]

Table 9 shows the path coefficients calculated for the groups defined by the Pathmox analysis (*italics followed by NS* indicates non-significance according to the t-test). The most important driver for motivation in all three employee segments was empowerment, followed by leadership for executives, work conditions for senior employees, and image for junior employees. The value of the pay variable was small and non-significant for executives and senior employees, but was large and significant for junior employees. Regarding satisfaction, the second most important driver (after motivation) was empowerment for executives and senior employees, and leadership for junior employees. Finally, satisfaction was the most important driver of loyalty for executives and senior employees, whereas motivation was more important for junior employees.

[Table 9 about here.]

## **5. Discussion**

The findings of our research confirm the evidence reported in the literature indicating that work climate drivers are positively related to both employee motivation and satisfaction, and thus, also to loyalty (Mahmood et al., 2019; Ullah et al., 2013; Herrbach, Mignonac, & Gatignon, 2004; Glaveli & Karassavidou, 2011; Kaya, Erdogan Koc, & Topcu, 2014; Puni, 2018). We found that all effects were significant, except for pay on motivation, for which the path coefficient value was very low and non-significant. This finding is in line with that reported by Trivellas, Kakkos, Blanas, and Santouridis (2015).

The novelty of our research lies in taking heterogeneity in terms of sociodemographic variables (gender, age, job grade, and tenure) into account in analyzing differences in how work climate drivers (empowerment, corporate image,

pay, work conditions, and leadership) affect work climate constructs (satisfaction, motivation, and loyalty).

The multi-group comparison confirmed that work climate is affected by gender, age, job grade, and tenure, corroborating the findings of Tlaiss (2013) and Eskildsen et al. (2004). Interestingly, the only evidence regarding a gender gap is that leadership is relevant for female employees, with pay making no difference. As for age, job grade, and tenure, our results point to important differences. Leadership and pay are more relevant to younger, lower-level, and less experienced employees, whereas work conditions and image matter more to older, higher-level, and more experienced employees. This finding corroborates reported findings regarding the need for closer communication by superiors with shorter-tenure employees (Boğan & Dedeoğlu, 2017), higher-level employees usually manifesting a stronger attachment to the company (Olmedo-Cifuentes & Martínez-León, 2014), and retention of younger employees being enhanced by attention/recognition and relationships with immediate superiors (Thompson & Gregory, 2012). Pay is not significant as a driver for motivation in the global model, but it becomes relevant once we consider sociodemographic variables. Thus, junior employees respond especially well to pay, as it enhances their job satisfaction and loyalty.

The Pathmox approach pinpointed job grade and tenure as the most important factors in segmenting employees. Those two variables distinguished between three employee categories of executives, senior employees, and junior employees.

The multi-group parametric test and Pathmox methods yielded similar results concerning significant differences between path coefficients. Corporate image is significantly more important for senior employees and executives, and less important for junior employees, who value leadership and pay more. Likewise, the

impact of motivation on loyalty is more important among junior employees, whereas satisfaction matters more for senior employees and executives. Empowerment has one of the strongest effects in defining both motivation and satisfaction, and the effect is similar for the different employee sub-groups. Finally, the different ways in which employees perceive loyalty also points to the importance of considering motivation and satisfaction as two different constructs.

### ***5.1 Theoretical implications***

From a theoretical point of view, our principal contribution to the literature is a new focus on sociodemographic aspects of employees in the banking sector. While evidence has been reported regarding employee satisfaction according to sociodemographic characteristics, to date, no analysis has been done regarding the effect of sociodemographics on the relationship between work climate constructs and drivers. To the best of our knowledge, ours is the first study that performs this kind of analysis for the banking sector. The fact that sociodemographic variables not only affect job satisfaction but also the relationship between work climate constructs and their drivers would indicate that this issue needs to be considered when investigating the work climate.

Concerning how work climate drivers affect the work climate, we show that (a) women employees value leadership more than men employees; and (b) younger, lower-level, and shorter-tenure employees value leadership and pay, whereas older, higher-level, and longer-tenure employees value image and work conditions. In the Pathmox analysis of interactions among the sociodemographic variables, we find that (a) job grade and tenure are the main determinants of the work climate; and (b) three different employee segments are identifiable, namely, executives, senior

employees, and junior employees. This new knowledge is valuable, as it can be used to shape better and more specific HRM policies.

## ***5.2 Management implications***

From our research, it is clear that employee loyalty to a company is enhanced by feelings of both motivation and satisfaction. Harter and Schmidt (2002, p. 268) suggest that “changes in management practices that increase employee satisfaction may increase business unit outcomes, including profit.” It has also been demonstrated that companies tend to be more profitable when employees are more satisfied (Lussier & Halabi, 2010). As a result, companies have begun to focus on HRM strategies to better understand issues that influence the work climate. Our contribution goes in this direction. Based on the results of the stated models for the three identified employee groups (Figure 4), we suggest that managers could consider four actions, described below.

- (1) Monitor and develop empowerment. The sense of self-enablement is clearly a key driver for improving the work climate in companies. The impact of empowerment is consistently important for motivation, satisfaction, and loyalty for all employee profiles (executives, senior employees, and junior employees). Nevertheless, empowerment is especially important for senior employees, for whom a feeling of satisfaction with their position is especially relevant. From a practical HRM perspective, according to Lee, Willis, and Tian (2018), this requires: (a) inspiring a greater sense of autonomy or control over tasks; (b) ensuring that employees feel that their job has meaning and is aligned with their values; (c) encouraging employees to feel that they are competent and can make a difference.

Moreover, since not all employees respond in the same way to the different work climate drivers, we suggest that management needs to develop different strategies depending on the employee profile.

- (2) Improve leadership for younger employees at the outset of their careers, as more effective interaction with supervisors clearly enhances their loyalty. Thompson and Gregory (2012) recommend: (a) cultivating genuine and meaningful relationships; (b) building mutual trust; (c) adopting a coaching approach; and (d) understanding personal and professional needs at the individual level.
- (3) Improve work conditions for senior employees and executives as a major motivational factor in defining their loyalty. Organizations should, for instance, avoid making excessively difficult job demands and creating stressful work conditions, as these are major predictors of employee exhaustion and burnout (Xanthopoulou et al., 2007). To foster a better work environment, Guest (2017) and Attridge (2009) recommend practices such as eliminating problematic or disliked tasks and technical operations, using better workplace equipment, incorporating flexibility into work schedules and workloads, clarifying roles and decision-making authority, and fostering opportunities for positive social relationships at work.
- (4) Monitor pay as one of the most important corporate tools for attracting, retaining, and motivating talent. Bearing in mind, however, that pay becomes relatively less important as employees ascend the company hierarchy. Organizations could implement a two-step HR strategy based on using pay to attract and retain junior employees and incorporating work conditions and

image with pay to minimize burnout and reinforce loyalty among senior employees and executives.

[Figure 4 about here.]

Finally, in relation to gender, our results underline the importance of leadership for women employees' satisfaction, which would suggest that organizations need to take the leadership factor into account in differentiating policies for women and men employees.

Based on the Pathmox analysis F-test statistic, Figure 5 depicts a ranking of employee sociodemographic characteristics associated with different HR strategies, indicating that job grade, followed by tenure, are the most important factors defining employee sub-groups.

[Figure 5 about here.]

### ***5.3 Limitations and future research***

Although this study provides an interesting perspective on different aspects of the work climate, it has a number of limitations. First, it may not be possible to extrapolate the results to different national (Eskildsen, Kristensen, & Antvor 2010) or sectoral settings, as the results are specific to the Spanish labor market and to the banking sector. Further studies in other contexts would therefore be necessary to confirm our findings. Nonetheless, it should be borne in mind that our research is

based on one of Spain's largest banks, with an extensive network of branches and a large employee data sample. Furthermore, although just one organization is involved, the sample size (2,000 respondents) justifies the extension of the findings to other organizations in similar contexts, such as Latin American countries. On that basis, it may therefore be considered a benchmark for the banking sector worldwide.

An interesting future line of research could be to analyze the sociodemographic aspects of other specific segments of bank employees, for instance, central services employees or millennial employees.

## **6. Conclusions**

In this article, by demonstrating that sociodemographic variables affect work climate constructs, work climate drivers, and the relationships between constructs and drivers, we highlight the importance of considering heterogeneity in any analysis of the corporate work climate.

From the perspective of HRM strategies, our results indicate that empowerment is one of the most important drivers behind motivation, satisfaction, and loyalty in employees. Our findings also suggest that sociodemographic heterogeneity is a key factor to take into account, as the relationships between work climate drivers – empowerment, corporate image, work conditions, leadership, and pay – and work climate constructs – motivation, satisfaction, and loyalty – vary across different employee segments. We find, for instance, that leadership, pay, and motivation are more relevant for junior employees, whereas image, work conditions, and satisfaction matter more to senior employees and executives. Our findings would suggest that companies could consider customizing their HRM strategies according to employee profiles.

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