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## TQM Soft Practices and Job Satisfaction; Mediating Role of Relational Psychological Contract

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### Abstract

The present study examines the direct and indirect effect of total quality management (TQM) soft practices on job satisfaction within the context of Pakistan banking industry. Relational psychological contract (RPC) mediates the relationship between TQM soft practices and job satisfaction. A questionnaire was designed and distributed to 400 employees of different management cadres. The useful response rate was 74% (236 employees). The data were analyzed through SEM-PLS technique. The main findings are: (1) Three TQM soft practices (Teamwork, Rewards & Recognition and Education & Training) have direct and indirect significant effect on job satisfaction. Organization culture (OC) does not have a direct effect on job satisfaction; however, RPC significantly mediates the indirect effect of OC on job satisfaction. This is one of the few papers that have successfully integrated the four exogenous constructs and one mediator into a single framework to investigate their effects on employees' job satisfaction in the context of Pakistan banking industry.

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### 1. Introduction

The importance of employees' job satisfaction and its association with TQM practices is gaining significance in contemporary businesses since it affects organizational performance significantly (Gray

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*et. al.*, 2003). Job satisfaction effects on employees' performance, leading to organization performance. Saleem, (2015) defined job satisfaction as a sense of pride and internal satisfaction while performing a specific task. Spector, (1997) explained that job satisfaction is directly linked to the feelings of employees about their job content and environment. Job satisfaction is a psychological state that develops employees' evaluation about their work and work experience (Poon, 2003). It is a multi-dimensional phenomenon which is affected by different internal and external aspects, for instance, individuals' beliefs and values, principles, personality characteristics, job content, working environment, and career growth etc. (Kabak *et. al.*, 2014). Scholars suggested different variables to measure the employees' job satisfaction, for instance, financial benefits (pay, bonus, increments, conveyance etc.) and non-financial benefits (promotion, working environment, respect, liberality, nature of work and coworkers relationship etc.) (Spector, 1997; Kabak *et.al.*, 2014). Any increase or decrease in these financial and non-financial benefits determines the employees' job satisfaction level. However, job satisfaction is not a constant phenomenon; its change with any external (organizational change) or an internal change in employees' behavior or attitude (Kabak *et.al.*, 2014).

Merger and acquisition (henceforth M&A) deals bring transformational changes in organizational structure, culture and human resource & management policies. At the post-M&A stage, employees interact with new work follows in a changed organizational culture and environment which create the changes/ incidents of employees and cultural clashes. Such a changed and stressful environment creates stress, tension and sense of insecurity among employees which ultimately effect on employees job satisfaction and performance. From 2002-2011, fifty-seven deals of M&A were performed in the banking industry of Pakistan in which 38 mergers and 19 were acquisition deals (Abbas *et. al.*, 2014). Several authors found that M&A performance in Pakistan banking industry is not satisfactory and newborn organizations as a result of M&A could not perform well (Abbas *et. al.*, 2014; Kouser & Saba, 2011; (Haider, Shoaib, & Kanwal, 2015). Employees' dissatisfaction due to changed and uncertain environment at the post-M&A stage can be a reason of M&A underperformance (Buiter & Harris, 2013).

In literature, multiple Total Quality Management (TQM) soft practices (People related TQM practices) are recommended that effect on job satisfaction. For instance, Boon Ooi *et. al.*,(2007) concluded that TQM soft practices i.e. organizational trust, customer focus, reward and recognition, teamwork and organizational culture have an impact on employees' job satisfaction. Another study explains that employees training and education, relation and teamwork, reward and recognition, quality culture and employees empowerment positively effect on employees' job satisfaction (Kabak *et.al.*, 2014). Prajogo & Cooper, (2010) reported that senior managers commitment, empowerment, training involvement, teamwork, work and growth satisfaction effect on employees soft performance or job satisfaction. Changes in the organization due to M&A may create uncertainty and distrust between employees and employer that may trigger the job dissatisfaction. This scenario indicates the need of relational psychological contract (RPS) between employees and employer to make TQM soft practices more rewarding to increase the employees' job satisfaction. An extensive body of literature explains the association between TQM practices and job satisfaction in various contexts (Noorliza & Zainal, 2000; Boselie & Wiele, 2002; Boon Ooi, *et. al.* 2007; Prajogo & Cooper, 2010; Kabak *et. al.*, 2014). However, As per authors knowledge, there is no existing literature that explains the relationship between TQM practices and job satisfaction in the post- M&A scenario within the context of Pakistan banking industry.

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