The Determinants of Employee Satisfaction in Financial Services Outsourcing Companies in Indonesia

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This study aims to examine the effects of organizational climate and leadership on employees' job satisfaction, mediated by psychological empowerment. The respondents in this study were all employees of financial services outsourcing companies in Surabaya. The data analysis used partial least square from 150 respondents, showing that organizational climate and leadership have positive and significant effects on job satisfaction, as well as on psychological empowerment, while psychological empowerment in turn has a positive and significant effect on job satisfaction. Similarly, psychological empowerment can significantly mediate the organizational climate's effect on job satisfaction, and psychological empowerment can significantly mediate the effect of leadership on job satisfaction.

Keywords: organizational climate, leadership, job satisfaction, psychological empowerment

Introduction

The role of employees is very important in supporting the operation of an organization, which consists of a group of people who play active roles in achieving the goals that the organization was formed to achieve. According to Azim, Haque, and Chowdhury (2013), each employee's job satisfaction is of primary importance in the field of organizational behavior and modern human resource management practices. Job satisfaction has a big effect, as satisfied employees are believed to be more productive than their unsatisfied colleagues.

Theoretically, the factors that affect employee satisfaction are position, rank, age, financial and social security, quality of supervision (Rivai & Sagala, 2009, p. 249), mentally challenging work, proper rewards, supportive work conditions, supportive colleagues, and work-related compatibility (Robbins, Judge, & Breward, 2008, p. 181). From empirical studies, the

factors affecting job satisfaction are psychological empowerment and leadership (Wong & Laschinger, 2012). However, Thamrin (2012) found that leadership does not significantly affect job satisfaction. The results of this study indicate that leaders' ability to develop pride in employees and give them attention and respect does not necessarily affect their satisfaction.

Psychological empowerment is a person's perception that he or she can help determine his or her role at work, complete meaningful work, and influence key decisions. Empowerment is considered important because of its potential benefits, including better decision-making, improved quality, more innovation, and increased job satisfaction (Yukl & Becker, 2006). Wang, Zhang, & Jackson (2013) examined the effect of organizational climate on psychological empowerment by taking samples from teachers in China, finding that the former had significant influence on the latter. The results of the study are also in line with those of Mok and Au-Yeung (2002), who found that organizational climate has a positive effect on psychological empowerment.

In addition to organizational climate, the second factor that can affect psychological empowerment is leadership (Wong & Laschinger, 2012; Raub, Steffen, & Christoper, 2012; Lee, 2014). Empowering leadership can impart to employees feelings of empowerment and meaningfulness, both in general and in terms of their roles in the company. By influencing the effort put into improving the group and its culture (Nurkolis, 2003, p. 153), leadership has an impact on individual behavior in a leader-led group. As Morgan, Howard, Harkins, and Goldsmith (2006, p. 322) pointed out, effective leaders are those who have the ability to recognize and provide the right amount of coaching for subordinates.

Based on previous studies, the current research examines the interrelationship of these factors to form employees' job satisfaction. The object of this research is financial services outsourcing companies in Surabaya (the second-largest city in Indonesia), which serve many major banks in Indonesia.

Literature Review

Wang et al. (2013) provided a definition based on the opinion of James and Jones (1974), stating that the organizational climate is a set of work environment properties that can be measured and perceived by employees directly or indirectly and can affect employee motivation and behavior in the workplace. Aryansyah and Kusumaputri (2013) mentioned that the organizational climate is the perception by organizational members of what exists or occurs in the internal environment of the organization on a regular basis, affecting the attitudes, behaviors, and performance of members of the organization.

In regard to leadership, Sims (2002, p. 216) defined leaders as individuals who are responsible for providing direction in the form of vision and strategy for the organization and team. The leader is the person who decides what the goals of the organization or group are and directs the activities necessary to achieve that goal.

Leadership is the art of influencing others to work on something they believe must be done (Kouzes & Posner, 2002, in Sims, 2002, p. 216). According to Hasibuan (2006, p. 170), leadership is defined as the way a leader affects the behavior of subordinates to want to work together and productively in order to achieve organizational goals.

Human activities are diverse, including work. Work means carrying out a task that ends with the fruits of work that human beings can enjoy. This is driven by the human desire to meet our needs. Job satisfaction is a person's general attitude toward his or her work (Robbins et al., 2008, p. 147). Rivai (2008, p. 249) also explained that job satisfaction is the worker's assessment of how well his or her job satisfies his or her overall needs.

Hardcastle, Powers, and Wenocur (2011, p. 299) mentioned that psychological empowerment is a link between a person's sense of competence, desire, and willingness to act in the public sphere. Spreitzer, Kizilos, and Nason (1997) defined psychological empowerment as an enhancement of intrinsic motivation manifested in four cognitions, reflecting one's orientation to the role of the work.

Based on the above-mentioned definitions, psychological empowerment is an increase in mental and physical energy that makes a person appreciate his or her role in activities so that he or she can have meaning and make a positive impact on the environment. The following is a conceptual framework of this study, which can be seen in detail in Figure 1.

According to the scientific method, any research on an object should be under the guidance of a hypothesis that remains to be empirically verified. Based on the above description and conceptual framework, the hypotheses proposed in this study are as follows:

H1 *Organizational climate has a positive and significant effect on job satisfaction.*

H2 *Leadership has a positive and significant effect on job satisfaction.*

H3 *Organizational climate has a positive and significant effect on psychological empowerment.*

H4 *Leadership positively and significantly affects psychological empowerment.*

H5 *Psychological empowerment has a positive and significant effect on job satisfaction.*

H6 *Psychological empowerment significantly mediates the effect of organizational climate on job satisfaction.*

H7 *Psychological empowerment significantly mediates the influence of leadership on job satisfaction.*

Method

This study used purposive sampling method by providing a questionnaire on the entire population or employees of Financial Services Outsource Companies in Surabaya, the 2nd largest city in Indonesia, which amounted to 240 employees. The independent variables used are (1) organizational climate, consisting of 7 indicators (Wang et al., 2013), and (2) leadership, presenting 4 models adopted from Wong and Lacshinger (2012). The mediated variable used is psychological empowerment, consisting of 4 indicators and adopted from Fook, Brinten, Sidhu, and Fooi (2011). On the other hand, the dependent variable is job satisfaction, which uses the 6 models of Wong and Laschinger (2012)

All the variables are subjected to a pre-screening phase in evaluating its reliability and validity, resulting in all the items and indicators being satisfactory, valid and reliable. The data processing technique used was SEM-based partial least square (PLS), using the latest version of SMARTPLS version 2.0 M3 (Ghozali, 2011).

Results

A total of 150 responses to the evenly and proportionally distributed questionnaire were returned. Below is an inner model/structural model drawing to see the relationship between significant value constructs and the *R*-square of the research model.

Hypothesis Testing

The significance of the estimated parameters provides useful information on the relationships between research variables. In the PLS statistical test, each hypothesized relationship was tested using a simulation. The test results from PLS analysis are presented in Table 1.

Hypothesis 1. After hypothesis 1 was tested, the value of the original sample estimate was equal to 0.173, proving that organizational climate has a positive effect on job satisfaction. This result was reinforced by the *t*-test, which obtained a *t*-count value of (2.038) > *t*-table (1.96), which shows that the effect is significant. Thus, it can be concluded that organizational climate has a positive and significant effect on job satisfaction. This means that if the organizational climate gets better, then job satisfaction increases too. Therefore, the first hypothesis is accepted.

Table 1   Direct Effect of Hypothesis Test

Item	(1)	(2)	(3)	(4)	(5)	(6)
OC → JS	0.173068	0.182597	0.084904	0.084904	2.038393	Sig.
OC → PE	0.267775	0.282945	0.081693	0.081693	3.277817	Sig.
JS → L	0.353084	0.351512	0.085244	0.085244	4.142060	Sig.
L → PE	0.536184	0.533560	0.079287	0.079287	6.762558	Sig.
PE → JS	0.335165	0.335649	0.091142	0.091142	3.677377	Sig.

Notes   Column headings are as follows: (1) original sample (O), (2) sample mean (M), (3) deviation standard (DEVST), (4) error standard (ERRST), (5) *t*-statistics (|O/STERR|), (6) note.

Hypothesis 2. After hypothesis 2 was tested, the value of the original sample estimate was equal to 0.355, proving that leadership has a positive effect on job satisfaction. This result was reinforced by the *t*-test, which obtained a *t*-count value of (4.142) > *t*-table (1.96), which shows that the effect is significant. Thus, it can be concluded that leadership has a positive and significant effect on job satisfaction. This means that if leadership gets better, then job satisfaction increases too. Therefore, the second hypothesis is accepted.

Hypothesis 3. After hypothesis 3 was tested, the value of the original sample estimate was equal to 0.267, proving that organizational climate has a positive effect on psychological empowerment. This result was reinforced by the *t*-test, which obtained a *t*-count value of (3.277) > *t*-table (1.96), which shows that the effect is significant. Thus, it can be concluded that organizational climate has a positive and significant effect on psychological empowerment. This means that if the organizational climate gets better, then psychological empowerment increases too. Therefore, the third hypothesis is accepted.

Hypothesis 4. After hypothesis 4 was tested, the value of the original sample estimate was equal to 0.536, proving that leadership has a positive effect on psychological empowerment. This result was reinforced by the *t*-test, which obtained a *t*-count value of (2.038) > *t*-table (1.96), which shows that the effect is significant. Thus, it can be concluded that organizational climate has a positive and significant effect on psychological empowerment. This means that if leadership gets better, then psychological empowerment increases too. Therefore, the fourth hypothesis is accepted.

Hypothesis 5. After hypothesis 5 was tested, the value of the original sample estimate was equal to 0.335, proving that psychological empowerment has a positive effect on job satisfaction. This result was reinforced by the *t*-test, which obtained a *t*-count value of (3.677) > *t*-table (1.96) which shows that the effect is significant. Thus, it can be concluded that psychological empowerment has a positive and significant effect on job satisfaction. This

Table 2 Testing Results: Indirect Hypothesis through Psychological Empowerment

Relationship			Coefficient		Note
X	Y	Z	Indirect	t-count	
OC	JS	PE	0.090	2.446	Sig.
L	JS	PE	0.180	3.230	Sig.

means that if psychological empowerment increases, then job satisfaction increases too. Therefore, the fifth hypothesis is accepted.

Hypothesis 6. The mediation effect of psychological empowerment is significant on the relationship between organizational climate and job satisfaction. This is evidenced by the *t*-count value of 2.446 ($t > 1.96$). Thus, the hypothesis that psychological empowerment significantly mediates the effect of organizational climate on job satisfaction is accepted.

Hypothesis 7. The mediation effect of psychological empowerment is not significant on the relationship between leadership and job satisfaction. This is evidenced by the *t*-count value of 3.230 ($t > 1.96$). Thus, the hypothesis that psychological empowerment significantly mediates the effect of leadership on job satisfaction is accepted.

Discussion

Within the context of the current study, if the organizational climate gets better, then job satisfaction increases. Therefore, the first hypothesis is accepted. The results of this study are supported by Susanty (2012) and Rahmawati and Supartha (2015), who found that organizational climate has a significant effect on job satisfaction. Moreover, the present sample showed that leadership has a positive and significant effect on job satisfaction. This means that if the leadership gets better, then job satisfaction increases. Therefore, the second hypothesis is accepted. This is in line with Riana, Sintaasih, and Suprapta (2015), who found that leadership has a significant, positive effect on job satisfaction and on employee performance.

Hypothesis 3 proposed that organizational climate has a positive effect on psychological empowerment, and this was also supported by the results. This means that if the organizational climate gets better, then psychological empowerment increases. These results are also supported by Koberg, Boss, Senjem, and Alwi (1999), who argued that employees with longer tenure experience feelings of empowerment. Ozaralli (2003, in Dickson & Lorenz, 2009, p. 174) also stated that employees have a longer working life within the company if they feel more empowered, which suggests that increased empowerment with respect to employment is due to increased experience. Koesindratmono and Septarini (2011) stated that there is a

positive correlation between years of service and psychological empowerment.

The reinforcement of psychological empowerment should be in balance with the positive attitude of leadership, and the research proves that leadership has a positive and significant effect on psychological empowerment. This means that if the leadership improves, then psychological empowerment increases. Therefore, the fourth hypothesis is accepted. This follows Gunawan and Surya (2015), who stated that leadership has a positive effect on employee empowerment. Cahyono, Maarif, and Suharjono (2014) also stated that leadership has a significant and positive impact on employee empowerment. Finally, Suhanto (2009) reported that leadership has a positive effect on employee empowerment, and Widiasih (2017) stated that leadership has a significant influence on psychological empowerment.

The current study also showed that psychological empowerment has a significant and positive effect on job satisfaction. This means that if psychological empowerment increases, so does job satisfaction. This supports Armanu and Mandayant (2012), Rahayu and Sudibia (2013), and Debora (2006), who all showed that psychological empowerment can enhance job satisfaction.

Mediation analyses in this study also showed that psychological empowerment mediates organizational climate and job satisfaction. This result is congruent with Teh (2014) and Jyoty (2013), who showed that, to enhance job satisfaction, positive psychological empowerment needs to be paid attention to, as does positive organizational climate.

The last mediation analysis showed that psychological empowerment does not serve as a mediation variable of leadership and job satisfaction. Castro, Perinan, and Bueno (2008) made this argument by showing that transformational leadership may lead to better psychological empowerment but does not necessarily serve as a mediation variable.

Conclusion and Recommendations

Conclusion

Based on the data analysis and discussion, this research concludes that organizational climate affects employees' job satisfaction at financial services outsourcing companies. This is because superiors and colleagues support each other in their work, and tasks are divided according to the employees' respective roles. Because the employees perceive a good organizational climate, they have high job satisfaction. Furthermore, leadership affects the job satisfaction of employees at financial services outsourcing companies. This is because the application of leadership is matched with each employee's condition, so his or her needs can be channeled, listened to, and fulfilled with ease, leading to job satisfaction.

Organizational climate affects the psychological empowerment of employees at financial services outsourcing companies. This is because a well-implemented organizational climate is open, so employees can easily express their interests and dissatisfaction without fear, and psychological empowerment can be managed properly, which is congruent with Vijayaban, Anand, Kumar, Therasa, and Daisy (2017). Leadership also affects the psychological empowerment of employees of financial services outsourcing companies. Courteous leadership behavior within a firm and a wise attitude make employees sympathetic and close to the leadership and organization, allowing empowerment and evaluation.

It was also found that psychological empowerment affects the job satisfaction of employees of financial services outsourcing companies. This is because psychological empowerment of employees is easy to manage, making it easy to know their needs and desires so that their job satisfaction is also easily achieved.

The mediation effect of psychological empowerment is significant on the relationship between organizational climate and job satisfaction. Organizational climate and psychological empowerment together have a positive impact on job satisfaction. A conducive organizational climate reinforced with psychological empowerment encourages employees to achieve job satisfaction. Another mediation analysis revealed that psychological empowerment significantly mediates the effect of leadership on the job satisfaction of employees at financial services outsourcing companies. Leadership and psychological empowerment together have a positive effect on employee job satisfaction. Using minimal disciplinary practices and easy management of employees through psychological terms puts employees at ease so they feel satisfied with either the benefits that the company provides or the result of cooperation that has been established between their leadership and colleagues.

Recommendations

Based on the present study's limitations, some suggestions and recommendations for the development of further research may be given:

1. Further research can consider other variables that are suspected to have effects on job satisfaction with psychological empowerment as mediation, for example, motivation, organizational commitment, and employee performance.
2. The effect of leadership is important for service companies to improve. Financial services outsourcing companies require leaders who have an effective leadership style to encourage and direct their employees; this creates a sense of satisfaction from their work because

they feel that work assignments are given appropriately and that leadership listens to employees' aspirations. Thus, leadership can inspire them to work hard to achieve their common goals while maintaining high job satisfaction.

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