EMPLOYEE ENGAGEMENT SYSTEM: EMPIRICAL EVIDENCE FROM THE SRI LANKAN BANKING SECTOR

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Abstract. Employee engagement builds positive attitudes toward the organization. According to researchers, no studies have examined the mediated relationship of employee engagement between high-performing work practices, religiosity, personal character, leadership and work-life balance, and performance in banking. Two hundred managers were randomly selected from banks in Sri Lanka, and data were collected using a structured online questionnaire. The results showed a mediating relationship of employee engagement between high performance practices, religiosity, and job performance. The results of this study add new insights to systems theory and are necessary for policymakers and practitioners to improve performance in the banking sector.

Key words: employee engagement, high-performance work practices, religiosity, banking sector.

JEL Classification: M12, G21

1. Introduction

Organizations have realized that in today's everchanging business scenario, the most valuable resource that needs to be engaged is human resources. Employee engagement is a human resource (HR) concept that describes it as a level of employee enthusiasm and dedication to their work. Engaged employees produce better business results, don't quit their jobs, care about their work and the company's bottom line, and feel that their efforts matter. This engagement is achieved when people feel that the organization respects their work, contributes to its goals, and, more importantly, satisfies their personal aspirations for growth, reward, and pay. Saad et al. (2021) argue that employee engagement has attracted the attention of both scholars and practitioners because of its importance in improving the profitability and performance of organizations.

Iddagoda and Opatha (2020) identified a research gap, i.e., there is no empirical evidence concerning the mediating effect of employee engagement on the relationships between religiosity, HPWPs, personal character, leadership, work-life balance, and employee job performance in the Sri Lankan context as well as in the international context. They address this research gap in the context of Public

Listed Companies (PLCs) in Sri Lanka. In this study, researchers will fill this research gap as a population gap in publicly listed banks in Sri Lanka. The reason is that Iddagoda and Opatha's (2020) study did not look specifically at the banking sector or any other sector. They took listed companies in general. The research objectives of this study are to identify the mediating influence of employee engagement on the relationship between high performance work practices (HPWPs) and employee performance; to identify the mediating influence of employee engagement on the relationship between religiosity and employee performance; to identify the presence of a mediating influence of employee engagement on the relationship between personal character and employee performance; to reveal the presence of a mediating influence of employee engagement on the relationship between leadership and employee performance; to determine the presence of a mediating influence of employee engagement on the relationship between work-life balance and employee performance. Tennakoon and Lasanthika (2018) conducted a study to test the association between religiosity and employee engagement. Their study was quantitative and was conducted with a general

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sample drawn from Sri Lankan institutions (public or private, not including self-employment).

The purpose of this study is to fill the research gap identified in the Sri Lankan banking sector by Iddagoda and Opata (2020). This gap is population-based. The purpose of the study is to determine the mediating effect of employee engagement on the relationship between the dynamics of employee engagement, i.e., High Performance Work Practices (HPWP), religiosity, personal character, leadership, and work life balance, and employee performance. In addition, Iddagoda and Opatha (2020) conducted a reliability and construct validity analysis of the questionnaire and a relationship analysis using SPSS software. In this study, a full reliability and validity analysis was conducted using discriminant validity and mediation using partial least squares modeling, helping to bridge the methodological gap.

2. Literature Review

2.1 Employee Engagement

Employee engagement is the dominant source of competitive advantage. In any changing environment, employee engagement is important. Engaged employees have unity with the organization and its goals; they feel a sense of responsibility and value to the organization – this is Harshitha's view (Harshitha, 2015). According to Kaur and Randhawa (2020), engaged employees express themselves emotionally, physically, and intellectually during their roles. Engaged employees know the business context and work with colleagues to improve productivity levels in the workplace for the benefit of the organization, Sundarai argued in 2011. Meanwhile, Anitha in 2014 found that employee engagement leads to high levels of productivity, and researchers such as Harter et al. (2002); Iddagoda and Gunawardana (2017) found that employee engagement leads to high levels of organizational financial performance.

Engaged employees who are engaged and committed to their organizations provide companies with critical competitive advantages, including lower employee turnover and higher productivity. According to Iddagoda et al. (2016) and Iddagoda and Gunawardana (2017), engaged employees work with their bodies and minds as well as their "heart". Organizations and engaged employees will do their best, and they see the mutual benefits of investing in their relationships for each other. A highly engaged employee will consistently perform above and beyond expectations. Iddagoda et al. (2016) defined employee engagement as the degree to which an employee is cognitively, emotionally, and behaviorally engaged in the workplace and organization. This is the working definition of this study.

2.2 High Performance Work Practices (HPWPs)

High performance work practices help achieve organizational goals and objectives efficiently and effectively by effectively attracting, hiring, selecting, developing, and retaining high-performing employees (Perdomo-Ortiz et al. 2021; Iddagoda and Opatha, 2018; Arachchige and Robertson, 2015). Here are some management practices, such as teamwork, empowerment, functional flexibility, evaluation, employee development, counseling, and productivity, that supposedly improve the overall productivity and effectiveness of the organization by better utilizing the skills of employees and increasing their commitment to the organization (Iyanda Ismail et al. 2021; Kotzé and Mostert, 2021; Kaur and Kaur, 2021). According to Iddagoda and Opatha (2018), HPWPs can be defined as a set of certain human resource practices that have a relatively greater impact on organizational performance. This serves as the working definition for this study. Tang Yu et al. (2017) said that the high-performance of work practices is a set of human resources practices (HRM) practices which creates to promote employees skills, motivation and to gain suitable competitive advantage to firms. The practice of human resource management, improving the knowledge and skills of employees. Supporting the organizational process, systems and strengthening their internal and external relationships, and building the firm's resources for sustainable competitive advantage.

2.3 Religiosity

Since ancient times, religion has played an important role in human life. The term religiosity contains many definitions, but they do not reflect the whole idea of religiosity, they need to be clarified. Many different religions with basic beliefs, values, rituals, and practices of human beings have arisen. Sri Lanka has a variety of religions such as Buddhists, Hindus, Muslims, and Christians. The main religion followed in Sri Lanka is Buddhism. However, according to the Sri Lankan constitution, there is freedom to choose and express one's religious affiliation. Meanwhile, Iddagoda and Opatha (2017) define religiosity as the degree to which a particular employee believes in and venerates the founder, gods or goddesses of the respective religion, practices the respective teachings, and participates in the respective activities. This is the working definition for this study. Religiosity presupposes that one is sincerely and genuinely religious, not frivolous and nominal. Religiosity is necessary not only in the form of beliefs and practices, but also includes a dimension of spirituality in Islamic religion, which Robbie and Novianti discussed in 2020. Koenig (2012) mentions that practices, beliefs and rituals related to the transcendent involves religion. Religion pervades

Vol. 3 No. 1, 2022

all aspects of human life. Awuni and Tanko (2019) pointout that religion has been a great force shaping human history since prehistoric items by (Awuni and Tanko, 2019). The duties and responsibilities of workers and employers, as well as the need for good relations between them, are explained in the 'Sigalowada Sutra'. This underscores the fact that religiosity paves the way for the ideology that religiosity influences employee performance. A 2014 study by Grim and Finke also confirms this. According to them, religiosity is one of the most important things that can increase productivity and commitment in an organization.

2.4 Personal Character

"Character", as defined in the Pocket Oxford English Dictionary (1997), is "the qualities that distinguish a person from other people". Personal character is an attitude toward activities and problems. Depending on the situation, it can be positive or negative. But a positive character will lead to better achievements. Character is a quality a person possesses that makes him or her a person, and it can vary from person to person. Good characters are reliable and honest, and bad characters are unreliable and dishonest. Opatha (2010) defines personal character as a person's moral qualities. Moral qualities or characteristics are their essence. It is the degree to which they are moral and immoral. A good character is moral and civil, while a bad character is immoral or illiterate. In an organization, the development of human resources is done through character building. The aggregate of all the relatively persistent moral qualities a person has that combines to form his/her real nature by (Opatha, 2014). For an organizational research, individual character study is an essential area and it instrumental in ensuring ethical behavior at individual and organizational level by (Weragoda and Opatha, 2016). Personal character distinguish from one person to another person, behavior over a range of situations, it does not alter dramatically over time by (Opatha, 2014). Personal character is the power or ability of a person to contemplate the importance of having a high level of virtues in one's life while eradicating vices or bad qualities - this is the definition given by Iddagoda in 2020. It serves as the working definition for this study.

2.5 Leadership

Leadership is that the art of motivating a group of people to act toward achieving a standard goal. "Leadership is the ability to evaluate and or forecast a long term plan or policy and influence the followers towards the achievements" (Mayowa, 2009). According to Hao and Yazdanifard, 2015, good leaders are willing to set optimistic goals and objectives and guide the corporation toward those goals through effective

strategies. Leadership is not an attribute only of the business context. In government, in universities, in the military, in hospitals, and wherever there are people in groups, a leadership function arises. There has to be someone who instructs, inspires, and influences that group. Leaders are people who willingly guide and support their subordinates to achieve their personal vision and that of the organization. Juneja (2019) argues that leadership is the process by which a leader can guide, direct, and influence the behavior and performance of others to achieve specific goals in a particular situation. Mohammed et al. (2018) argue that leadership is a must in a globally competitive environment. From now on, an organization needs a leader who can understand and cope with the complexity of the world. Therefore, as a leader, they should improve the standard of data related to leadership and implement it in the area in which they contribute. Meanwhile, Iddagoda (2021) defines leadership as inspiring, leading, and influencing people when necessary. This is the working definition of this study.

2.6 Work Life Balance

Work-life balance is a technique that helps employees in an organization balance their professional and personal lives. It is the amount of time spent at work versus the amount of time spent with family and enjoyable activities. Mendis and Weerakkody (2017) note that these days many workers around the world are faced with work-life balance, which has become a key issue in a dynamic business environment. Opatha (2010) defines work-life balance as your ability to meet the expectations of your employer and your family members to the extent that makes them happy. According to Lockwood, (2003) in organizations and on the home front, the issue of work-life balance rises to the top of many employers' and employees' minds. According to Lewis et al. (2002), "Work-life balance is established on the basis of careers and personal lives that should be conducted equally". The view of Dhas in 2015 is that, in organizations and on the house front, the challenge of work-life balance is rising to the highest of many employers and employees consciousness. Human resource professionals are looking for options to positively impact the bottom line of their organizations, retain employees with valuable knowledge of the organization, improving employee morale is a trend that can be seen nowadays. According to Ramawichrama et al. (2018), corporate work life quality can be a challenging factor in making decisions about employee-related outcomes in today's organizations.

Obiageli et al. (2015) mentions that work-life balance is extremely important phenomenon that's of great concern to varied employees in both public and personal sectors. Obiageli et al. (2015) further mentions that work life balance goes beyond prioritizing one's personal life and the role of work, this also affects the psychological, social, economic and mental well-being of the individual. The definition provided by Iddagoda et al. (2021) is the working definition of this study. Iddagoda et al. (2021) define work life balance as ensuring the balance between fulfilling the duties for the family members, either in a nuclear family or extended family, and fulfilling duties for the employer.

2.7 Employee Job Performance

Iddagoda et al. (2021) identify employee contributions to tasks and jobs to create a positive work environment while eliminating negative or harmful actions; this serves as the working definition of this study.

3. Methodology

Deductive reasoning and quantitative methods are used to examine the mediating effects of employee engagement on the relationships between religiosity, HPWPs, personal character, leadership, work-life balance, and employee performance in this study, which is based on a positivist paradigm.

By the end of 2020, Sri Lanka's banking sector consisted of 30 banks, including 24 licensed commercial banks, including 11 foreign bank branches, and six licensed specialized banks (CBSL, 2020). The banking sector plays an important role in Sri Lanka, as it is a significant provider of domestic credit, providing about 50% of credit to the private sector (Worldbank, 2020). The COVID-19 pandemic has significantly affected the banking sector in Sri Lanka. However, the banking sector is using digital platforms to survive in this situation. Therefore, the banking sector plays an important role in Sri Lanka's economy. In order to improve the efficiency of the banking sector, it is necessary to improve the efficiency of the banking sector. This study will help determine if employee engagement mediates the relationship between HPWP, REL, PC, LED, WLB, and job performance. Therefore, the study population consisted of managers of banking companies listed on the Colombo Stock Exchange. The sample for this study was initially formed from a randomly selected 250 managers working in the banking sector in Sri Lanka. In this study, there were 200 completed questionnaires and the response rate was 80%.

All variables in this study were derived from previously tested scales. All items were rated on a five-point Likert scale, where 1 indicates strong disagreement and 5 indicates strong agreement. The operationalization of the variables is shown in Table 1.

Iddagoda and Opatha (2020) derived five hypotheses based on general systems theory. This study used the same hypotheses to test the demographic gap and the methodological gap for the chosen research gap. Rana (2014) determined that there is a relationship between HPWPs and employee engagement. There is a relationship between religiosity and employee engagement (Tennakoon and Lasanthika, 2018); personal character and employee engagement (Iddagoda and Opatha, 2020). Employee performance is a consequence of employee engagement, a conclusion Anita came to in 2014. Hypotheses as follows:

H1: There is a mediating effect of employee engagement on the relationship between HPWPs and employee performance;

H2: There is a mediating effect of employee engagement on the relationship between religiosity and employee performance;

H3: There is an indirect effect of employee engagement on the relationship between personal character and employee performance;

H4: There is an indirect effect of employee engagement on the relationship between leadership and employee performance;

H5: There is an indirect effect of employee engagement on the relationship between work-life balance and employee performance.

This paper used Harman's (1976) one-factor test to examine general method bias. The first factor was extracted without rotation using the principal axis factorization method, and it accounts for only 40.5% of the total variance, indicating that general method bias is not present in our data and will not affect subsequent data analysis.

Table 1

Variable	Abbreviation	Questionnaire Items	Reference
High Performance Work Practices	nance Work Practices HPWP 14 Iddagoda a		Iddagoda and Opatha (2018)
Religiousity	REL	07	Iddagoda and Opatha (2017)
Personal Character	РС	19	Iddagoda (2020)
Leadership	LED	10	Iddagoda (2021)
Work Life Balance	WLB	09	Iddagoda et al. (2021)
Employee Engagement	EE	12	Iddagoda et al. (2016)
Employee Job Performance	EJP	6	Iddagoda et al. (2021)



Source: Iddagoda and Opatha (2020)

4. Data Analysis

Using Smart PLS software, the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach evaluated the proposed model and tested the proposed hypotheses (v.3.2.8). PLS was chosen because (1) the research model is complex in terms of the types of relationships (direct, indirect, and mediated) (2) unlike covariance-based structural equation modeling (CB-SEM), PLS-SEM is a soft modeling method that does not require a large sample size and is not based on the assumption that the data are normally distributed (Hair et al., 2019). In addition, PLS is now widely used in many areas of human resource management (Ringle et al., 2020).

4.1 Reliability Analysis

Cronbach's α , composite reliability, and Average Variance Extracted(AVE) were used to assess data reliability. Cronbach's $\alpha \ge 0.70$, composite reliability ≥ 0.70 , and AVE ≥ 0.50 are considered as the criteria for the construct reliability (Hair et al., 2019). Cronbach alpha value of this study ranges from 0.845(EJP) to 0.948(PC), which ensures strong reliability. In addition, composite reliability ranges from 0886(EJP) to 0.953(PC), which further confirms reliability. Convergent validity is assured because AVE values range from 0.503(WLB) to 0.654(REL). Accordingly, we can conclude that all constructs have met the threshold criterion and are therefore regarded as reliable and may be used for further research analysis.

4.2 Factor loadings

The validity of the data at the indicator level is assessed using Factor loadings (Henseler et al., 2015). When the indicators had a factor load greater than 0.60, it was decided that they met the criterion of validity (Hair et al., 2019). This study excluded three indicators, including those that did not meet the recommended criteria. Table 3 presents statistical results for all valid items.

Table 2
Reliability Analysis

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
EE	0.908	0.912	0.923	0.523
EJP	0.845	0.849	0.886	0.565
HPWP	0.939	0.942	0.947	0.58
LED	0.907	0.909	0.923	0.545
PC	0.948	0.949	0.953	0.53
REL	0.912	0.917	0.93	0.654
WLB	0.876	0.879	0.901	0.503

4.3 Fornell–Larcker criterion

Along with the validity of the indicators, the Fornell–Larcker criterion was used to determine the construct level validity (Fornell & Larcker, 1981). Each construct should have a greater diagonal value than its adjacent constructs(Fornell & Larcker, 1981). These diagonal values represent the square root of AVE. Additionally, these numbers show the correlation between the research variables, and the accompanying signs (positive and negative) indicate the direction of the association. The analysis determined that all constructs met the Fornell–Larcker criterion (see Table 4).

4.4 R Squared

 R_2 was used to determine the overall model's predictive capability. According to Hair et al.'s (2019) criteria, R_2 is 0.19, judged to be weak, R_2 is 0.33 thought to be moderate, and R_2 is 0.69 assessed to be strong. The findings indicated that the study model has a robust predictive capacity for EE ($R_2 = 62.7\%$) and EJP ($R_2 = 71.7\%$), which are greater than 0.69 (see Table 6).

4.5 Hypotheses testing

Direct effects

The path coefficients, t values, and p values test the proposed hypothesis. The strength and direction of the

	EE	EJP	HPWP	LED	PC	REL	WLB
EE1	0.652						
EE10	0.73						
EE11	0.665						
EE12	0.698						
EE2	0.625						
EE4	0.647						
EE5	0.75						
EE6	0.767						
EE7	0.822						
EE8	0.322						
EE9							
	0.819	0.700					
EJP01		0.788					
EJP02		0.735					
EJP03		0.787					
EJP04		0.733					
EJP05		0.793					
EJP06		0.665					
HPWP1			0.663				
HPWP10			0.802				
HPWP11			0.836				
HPWP12			0.793				
HPWP13			0.733				
HPWP14			0.776				
HPWP2			0.718				
HPWP3			0.661				
HPWP5			0.803				
HPWP6			0.782				
HPWP7			0.732				
HPWP8			0.711				
HPWP9			0.859				
LED01				0.739			
LED01				0.706			
LED02				0.703			
LED03				0.709			
LED04				0.737			
LED05				0.789			
LED00 LED07				0.739			
LED07				0.696			
LED09				0.804			
LED10				0.768	0.7		
PC01					0.7		
PC02					0.682		
PC03					0.699		
PC04					0.705		
PC05					0.776		
PC06					0.77		
PC07					0.761		
PC08					0.704		
PC09					0.762		
PC10					0.722		
PC11					0.732		
PC12					0.762		
PC13					0.69		
PC14					0.722		

Vol. 3 No. 1, 2022

(End of Table 1)

	EE	EJP	HPWP	LED	PC	REL	WLB
PC15					0.698		
PC17					0.739		
PC18					0.732		
PC19					0.732		
REL1						0.772	
REL2						0.846	
REL3						0.812	
REL4						0.833	
REL5						0.76	
REL6						0.793	
REL7						0.842	
WLB01							0.735
WLB02							0.761
WLB03							0.743
WLB04							0.678
WLB05							0.674
WLB06							0.643
WLB07							0.746
WLB08							0.713
WLB09							0.682

Table 4

Fornell-Larker Criterion

	EE	EJP	HPWP	LED	PC	REL	WLB
EE	0.723						
EJP	0.615	0.752					
HPWP	0.775	0.69	0.761				
LED	0.585	0.717	0.714	0.739			
PC	0.642	0.786	0.792	0.785	0.728		
REL	0.671	0.498	0.725	0.605	0.608	0.809	
WLB	0.564	0.795	0.703	0.79	0.804	0.576	0.709

Table 5

R Squared

	R Square	R Square Adjusted
EE	0.627	0.617
EJP	0.717	0.708

Table 6

Direct Effects

Relationship	Path Coefficient	Standard Deviation (STDEV)	T Statistics
EE -> EJP	0.192**	0.08	2.403
HPWP -> EE	0.568***	0.104	5.44
PC -> EJP	0.311**	0.107	2.903
REL -> EE	0.227**	0.074	3.049
REL -> EJP	-0.146**	0.057	2.534
WLB -> EJP	0.427***	0.094	4.547

association are illustrated by the magnitude and sign of path coefficients. t values and p values were interpreted as t = 1.96, p < 0.05; t = 2.403, p < 0.05; and t = 2.534, p < 0.1. Table 6 illustrates that all the relationships are significantly associated.

Mediating effects

Williams and MacKinnon's (2008) approach was used to conduct mediation analysis. VAF score was examined to analyze the mediation (Iacobucci, Saldanha, & Deng, 2007). The VAF scores are calculated by dividing

Table 8 Mediation Effect

	Total Effect		Direct Effect		Indirect Effect		
	Path	T Statistics	Path	T Statistics	Point Estimate	Confidence	VAF
	Coefficient	1 Statistics	Coefficient	1 Statistics	Point Estimate	Interval	VAF
HPWP -> EE -> EJP	0.152*	1.684	0.043	0.445	0.109**	(0.02,0.218)	0.717
REL -> EE -> EJP	-0.102*	1.784	-0.146**	2.534	0.044*	(0.006,0.094)	-0.431

indirect effect by total effect. When the VAF score is>20% confirms as significant mediation (Iacobucci et al., 2007). This study revealed that EE powerfully mediates the associations between HPWP and EJP (71.7%) and REL and EJP(43.1%) (see Table 8).

4.6 Discussion

The P-value is greater than 0.005 for the relationships between leadership and employee engagement, which is 0.856; personal character and employee engagement, which is 0.621; work life balance and employee engagement, which is 0.811. There is a relationship between religiosity and employee engagement, i.e., the p-value is 0.003. There is also a relationship between high-performance work practices, i.e., the p-value is 0.000. Regarding the mediating effect, employee engagement has a mediating effect on the relationship between PVP and employee performance. The p-value is 0.000. There is also a mediating effect of employee engagement on the relationship between religiosity and employee performance.

Here the researchers used a questionnaire that measures high-performance work practices such as realistic job previews, pay by performance, staff attitude surveys, self-directed teams, extensive training, regular appraisals and symbolic egalitarianism. Realistic job previewing is a technique that presents job seekers with a "realistic" idea of what they should expect from an organization, and realistic job previewing can potentially derail potential employees' expectations (Iddagoda and Opatha, 2018). Pay-forperformance should be linked to the organization's payfor-performance system. Cost-conscious companies believe that by paying by results, employees will be motivated and the organization will be able to control payroll costs, an opinion Appelbaum and Mackenzie expressed in 1996. Staff attitude surveys are conducted not only to assess job satisfaction, employee morale, and attitudes toward the company, but also to focus on the strategic imperatives of the organization (Iddagoda and Opatha, 2018). Rowley (1997) argues that self-directed teams (SDT) refer to a small group of employees who are responsible for managing themselves and their work on a daily basis. Spinks (1999) argues that conducting performance review interviews at frequent intervals is important because it allows employees to understand where they stand. According to Pfeffer (1999), extensive training is training an employee with a broad

perspective, with the intention of expanding a wide range of skills, not just training to do a limited job. Symbolic egalitarianism can be realized in an organization through a single dress code, a common cafeteria, shared parking, and consistent office locations, according to Iddagoda and Opatha in 2018. This study showed that senior leadership in the banking sector is paying more attention to implementing High Performance Practices.

In a study by Iddagoda and Opatha (2020), they determined that there was a partial correlation between religiosity and employee engagement. They attributed this result to locus of control theory. Employees who are more likely to have an internal locus of control practice religious scripture to achieve KPIs. Employees who are more oriented toward the external locus of control take vacations and participate in religious activities. Absenteeism is a characteristic of uninvolved employees. Their study focused on managerial employees in publicly traded companies. They did not isolate specific results by sector. This study found a higher importance between these two constructs. This underscores the fact that these managerial workers practice religious scripture training in order to be active, energetic, and productive employees.

5. Conclusions

This study examines the relationship between high-performing work practices, religiosity, personal character, leadership, and work-life balance and job performance and the mediating effect of employee engagement on the relationship between these variables in the banking sector. This study confirms the reliability and validity of the questionnaire and uses a partial least squares modeling method to examine the relationship. The results of this study provided empirical evidence of hypothesized relationships between employee engagement as a mediator between high-performance work practices, religiosity, and job performance.

The results of this study have implications for policymakers and companies in the banking sector. First and foremost, policymakers, such as the central bank and the Securities and Exchange Commission, need to implement policies to improve highperformance work practices to improve performance by engaging employees. In addition, banking authorities





Figure 2. Represents the structural model for all effects

should consider adopting religiosity and highperformance work practices to improve productivity, which is necessary to achieve higher organizational performance.

The findings of the study should be viewed in light of its limitations, which may open up a new line of research. Despite its usefulness in establishing directional relationships among variables, cross-

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