THE INTERVENING EFFECT OF EMPLOYEE ENGAGEMENT ON THE RELATIONSHIP BETWEEN HIGH PERFORMANCE WORK PRACTICES AND EMPLOYEE JOB PERFORMANCE

Anuradha Iddagoda (PhD)¹, Hiranya Dissanayake²

Abstract. It is evident that high performance work practices are bringing competitive advantage to the organizations. On the other hand, employee engagement is all about employee's cognitive, emotional and behavioral involvement of his/her job as well as with the organization. The purpose of this study was to investigate the intervening role or the mediating role of employee engagement on the relationship between high performance work practices and employee job performance. Methodology. Data gathered from 135 managerial level employees in the Sri Lankan public listed banks. Hypothesis was developed based on the theoretical assertions and empirical evidence. Three hypotheses were tested in a non-contrive study setting as a cross sectional study. After the reliability is ensured the correlation, regression and sobel test used to examine the hypothesized relationships. Results. The findings of this study reveals that significant mediating effect of employee engagement on the relationship between High Performance Work practices and employee job performance. Practical implications. This study is beneficial for the banks to improve their job performance by adopting high performance work practices including realistic job preview, pay for performance, staff attitude surveys, self-directed teams, regular appraisals, extensive training and symbolic egalitarianism. Originality. This study makes two theoretical contributions. A novel theoretical framework built on the foundation of system theory is presented first, laying the groundwork for further investigation. Secondly, this study adds new knowledge to signaling theory by ensuring the high-performance work practices such as symbolic egalitarianism signals the employee that the organization recognize their worth and enhance their job performance.

Key words: high performance work practices, employee engagement, employee job performance, intervening effect.

JEL Classification: M12, G21

1. Introduction

Employee is our most important asset, is a common statement in the annual reports of the organizations. This is far from the truth. Only the engaged employees are the asset to an organization. High level of employee engagement promotes the organizational image in the society high retention rate less absenteeism, innovativeness and good team sprit (Iddagoda and Opatha, 2020; Graça et al., 2019; Sendawula et al., 2018). The ultimate result of high level of employee engagement is high level of employee job performance and organizational financial performance (Anitha, 2014; Iddagoda and Gunawardana, 2017). According to Gallup (2017) report there are 38% of employees engaged in Sri Lanka. High performance work practices (HPWPs) is a Human Resource Management (HRM) practice that gives a higher impact on organizational success (Iddagoda and Opatha, 2018; Arachchige and Robertson, 2015). Arachchige and Robertson (2015) state that High performance work practices lead to increased productivity and profits and thereby they provide a competitive advantage for the relevant organizations. Rana (2015) found a theoretical linkage between HPWPs and employee engagement.

Endeavor was taken to review the literature of employee engagement. Sun and Bunchapattanasakda
(2019) state that there is lack of research on the mediating role of employee engagement. Unavailability of empirical evidence about the mediating effect of employee engagement on the relationships between HPWPs and employee job performance in the Sri Lankan context as well as in the international context is an important research gap in the literature of employee engagement. Meanwhile Iddagoda and Opatha (2017) identified that there is no empirical evidence which indicates the linkage between employee engagement and HPWPs. It reveals that the impact of the HPWPs on employee engagement has not been empirically tested in the Sri Lankan context, perhaps in the international context. These two research gaps are empirical gaps. According to Miles (2017) empirical gap often addresses that no study to date has directly attempted to evaluate a subject or topic from an empirical approach. Meanwhile Iddagoda and Opatha (2020) in their study made an attempt to bridge this empirical research gap using the managerial employees in the Public Listed companies in Sri Lanka. These listed companies have a wide range of industries in Sri Lanka and it can be categorized into sectors. They are namely, Banking Finance and Insurance, Manufacturing, Information Technology, Beverage Food and Tobacco, Chemicals and Pharmaceuticals, Construction and Engineering, Diversified Holdings, Footwear and Textiles, Health Care, Hotels and Travels, Investment Trusts, Land and Property, Motors, Oil Palms, Plantation, Power and Energy, Services, Stores and Supplies, Telecommunications and Trading. In their study they gather data from banks as well, but they have not specifically mentioned sector wise. This study attempts to bridge the identified research gaps by Iddagoda and Opatha (2017) using a hypothetico deductive approach using the empirical evidence from the managerial employees in the Sri Lankan public listed banks. The research objectives are; To identify the level of high-performance work practices HPWPs, employee engagement and employee job performance as perceived by the managerial employees in public listed banks in Sri Lanka; To identify how HPWPs significantly effect on employee engagement; To identify how employee engagement significantly effect on employee job performance; To identify whether employee engagement significantly mediate the relationship between HPWPs and employee job performance.

2. Literature review

2.1 High performance work practices (HPWPs) and employee engagement

Arachchige and Robertson (2015) state the organization that implements HPWPs increases productivity and profits and the like, thereby delivering a competitive advantage for it. Appelbaum et al. (2011) and Rana (2015) conducted literature studies on the relationship between HPWPs and employee engagement. High performance work practices enhance employees’ motivation and commitment, which turns into an organizational and labor-management climate, in which employee engagement in problem solving and performance improvements is motivated and supported is the view of Appelbaum et al. (2011). Arefin et al. (2019) through his empirical study found a positive link between HPWPs and employee engagement in the Bangladeshi context.

Greenberg and Baron (2007) defined organizational justice as people’s perceptions of fairness in organization (Opatha, 2015). Greenberg and Baron (2007) as cited in Opatha (2015) state that distributive justice, procedural justice and interactional justice are the three dimensions of organizational justice. According to Opatha (2015) distributive justice is the degree to which employees perceive their receptive outcomes as fair. Here the employee is motivated by the comparing his/her inputs i.e. skills, effort and knowledge and the outcome i.e. salary with other employees. Pay for performance is a high-performance work practice. Pay for performance is closely linked with individual performance (Iddagoda and Opatha, 2018). McPhie and Sapin (2006) point out those brilliant performers will receive the highest financial and non-financial rewards. When it comes to the average and poor performers McPhie and Sapin (2006) point out employees who perform in the average level receive small increment and poor performers receive no increment. Distributive justice is provided by pay for performance. Saks (2006) states that positive perceptions of fairness and justice in the organization leads to employee engagement.

Signaling theory introduced by Spence in 1973. Arefin et al. (2019) state that HPWPs signal to employees that organization emphasizes employee contribution, recognizes their worth, fosters their development, cares about their skills and knowledge, and helps them to interpret the HR practices positively as like the organization. Hysa and Mansi (2020) found that happiness of the employee leads to employee job performance which is a consequence of employee engagement. According to Kahn (1990) that employees experience psychological meaningfulness when they feel worthwhile or useful and no fear of tarnishing a person’s self-image or status. Symbolic egalitarianism is identified as a high-performance work practice by Pfeffer (1995) and Iddagoda and Opatha (2018). Symbolic egalitarianism means using visible signs such as dress and the use of physical space such as common cafeteria and parking areas (Iddagoda and Opatha, 2018) minimize differences among all the levels of employees who work towards achieving a common organizational goal (Pfeffer, 1995). Researchers can say symbolic
egalitarianism signals the employee that the organization recognize their worth irrespective of their designation. This ultimately leads to psychological meaningfulness which is an employee engagement driver.

These relationships between HPWPs and employee engagement lead to the following hypothesis,

**Hypothesis 1:** High performance work practices (HPWPs) is positively related to employee engagement.

2.2 Employee engagement and employee job performance

Engaged employees go beyond the call of duty in order to perform their job in an excellent manner (Tennakoon, 2019; Bulińska-Stangrecka and Iddagoda, 2020). Anitha (2014) found that Employee engagement had significant impact on employee performance. Demerouti and Cropanzano (2010) argue that engagement can lead to enhanced performance as a result of various factors. Scholars such as Rich et al., (2010) provided empirical evidence that job involvement, job satisfaction, and intrinsic motivation failed to exceed engagement in predicting performance-related outcomes. Evidence of this growth can be operationalized in the growing body of research on engagement as well as the numerous practitioner-based commentaries touting unique engagement interventions aimed at increasing organizational performance (Shuck et al., 2012). It is a known fact that all organizations, other than philanthropic ones, are concerned about increasing their financial performance (Iddagoda, 2020).

Researchers like Harter et al., 2002; Saks, 2006; have shown that the concept of employee engagement shares an important relationship with productivity and organizational financial performance and intention to turnover which is an outcome variable employee job performance.

**Hypothesis 2:** Employee engagement has a significant and positive effect on employee job performance.

2.3 Employee engagement, HPWPs and employee job performance

There are inputs, process and output in the systems theory. According to Wright and Snell (1991) skills and abilities are treated as inputs from the environment in the systems theory. Training should provide knowledge, skills and attitudes to both new and present employees need to be trained as and when it is required. Extensive training is a high-performance work practice (Pfeffer, 1995; Iddagoda and Opatha, 2018). According to Pfeffer (1995) extensive training is training the employee with broad perspective, with the intention of enhancing a wide range of skills, rather than training them simply to complete a restricted job. Therefore, HPWPs become an input. Bevan et al (1997) as cited in (Armstrong, 2009) engaged employee is someone ‘who is aware of business context and works closely with colleagues to improve performance within the job for the benefit of the organization. Hewitt (2015) reveals that engaged employees talk positively about their organization when they move with the society. Iddagoda et al., (2016) state that employee engagement is a combination of attitude and behavior.
In a behavior there are some actions and do the action is employee engagement. According to Wright and Snell (1991) in systems theory employee behavior treated as a throughput. Therefore, employee engagement becomes a process. Anitha (2014) and Demerouti and Cropanzano (2010) point out that employee engagement leads to employee job performance. Wright and Snell (1991) state employee satisfaction and performance are treated as output. Consequently, employee job performance becomes the output. Below hypothesis is developed based on these assumptions.

**Hypothesis 3:** Employee Engagement will significantly mediate the relationship between HPWPs and employee job performance.

### 3. Methodology

According to Sekaran (2003) a research design is set up to decide on, among other issues, how to collect further data, analyze and interpret them, and finally, to provide an answer to the problem. Sekaran (2003) has identified six elements of research design. They are (1) Purpose of the study; (2) Type of investigation;

<table>
<thead>
<tr>
<th>Research objective</th>
<th>Research questions</th>
<th>Hypotheses</th>
<th>Analytical tool</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research objective 1:</strong> To identify the level of HPWPs, employee engagement and employee job performance as perceived by the managerial employees in public listed banks in Sri Lanka.</td>
<td><strong>Research question 1:</strong> What is the level of HPWPs, employee engagement and employee job performance, as perceived by the managerial employees in public listed banks in Sri Lanka?</td>
<td>N/A</td>
<td>Descriptive statistics: Minimum, Maximum, Mean, Standard deviation.</td>
</tr>
<tr>
<td><strong>Research objective 2:</strong> To identify how high performance work practices (HPWPs) significantly affect on employee engagement.</td>
<td><strong>Research question 2:</strong> Are high performance work practices (HPWP) significantly affect employee engagement?</td>
<td><strong>H1:</strong> HPWPs is positively related with employee engagement.</td>
<td>– Bivariate correlation</td>
</tr>
<tr>
<td><strong>Research objective 3:</strong> To identify how employee engagement significantly affect on employee job performance.</td>
<td><strong>Research question 3:</strong> Are employee engagement significantly affect on employee job performance.</td>
<td><strong>H2:</strong> Employee engagement has a significant and positive effect on employee job performance.</td>
<td>– Bivariate correlation</td>
</tr>
<tr>
<td><strong>Research objective 4:</strong> To identify whether employee engagement significantly mediate the relationship between HPWPs and employee job performance.</td>
<td><strong>Research question 4:</strong> Is employee engagement significantly mediate the relationship between HPWPs and employee job performance?</td>
<td><strong>H3:</strong> Employee engagement has a significant mediating effect on the relationship between HPWPs and employee job performance.</td>
<td>– Multiple regression analysis</td>
</tr>
</tbody>
</table>
(3) Extent of researcher interference; (4) Study setting; (5) Unit of analysis; (6) The time horizon. In this study the extent of the researcher’s interference is minimum. Type of investigation is correlational in a non-contrive study setting. Cross sectional is the time horizon of this study. Purpose of the study is hypothesis testing. The unit of analysis is managerial employees in the public listed banks in Sri Lanka.

Theoretical assertions derived by the justice theory, systems theory and signaling theory when developing hypothesis. Implications for theory and practice going to be discussed as a part of this study. Data gathered through a self-directed questionnaire. According to Dewasiri et al. (2018), the research questions of this study are in accordance with the quantitative methodology. Hence, the quantitative methodology is employed in investigating the phenomenon. Narration of the conceptualization and operationalization of some variables have been published; Iddagoda, Opatha, Gunawardana, 2016 for the construct of employee engagement and Iddagoda and Opatha (2018) for the construct of HPWPs. Likert scale was used as the measurement scale, with a rating scale of five-points; strongly agree, agree, neutral, disagree and strongly disagree. Researchers used non-probability sampling. Sample size is 135 and the sampling rule is given Roscoe (1975), as cited in Sekaran (2003). According to them the sample sizes should be more than 30 respondents and less than 500 respondents. Population is approximately 710. Response rate is 86% since we distribute 160 questionnaires and 139 responded. However only 135 questionnaires were in usable state. Statistical Package for Social Science 23 was the software package that was used.

4. Results

4.1 Reliability test for the constructs

In social sciences Cronbach’s alpha values range from 0 to 1, values at or above 0.7 are desirable (Nunnally & Bernstein, 1994 as cited in Andrew et al., 2011). The Cronbach’s alpha of all the variable were in a desirable level. Refer to Table 2.

Sekaran (2003) highlighted the importance of content validity and it can be achieved proper conceptualization and operationalization. Content validity of all the instruments ensured through proper conceptualization and operationalization. Question statement was developed for each element of the dimensions.

For HPWPs minimum is 2 and for employee engagement and employee job performance it are almost that level. The maximum is 5.00. Based on all this, it is evident that the respondents of this study answered within the range of low to very high according to the descriptive statistics of “HPWPs”, “employee engagement” and “employee job performance”. When it comes to the standard deviation for instance the standard deviation of HPWPs is 0.751, which is small. Most of the respondents “agreed” in the five point Likert scale of the construct of HPWPs, “employee engagement” and “employee job performance”. It can be concluded that level of “HPWPs”, “employee engagement” and “employee job performance” is high among the managerial employees in the public listed banks in Sri Lanka based on these findings.

4.2 Testing the hypotheses about the selected dynamics of employee engagement

4.2.1 High performance work practices and employee engagement

H1: HPWPs is positively related with employee engagement

The investigation of the Pearson correlation matrix of the variables is shown in Table 4. A one-tailed test was conducted. This is a non-directional hypothesis. The reason is HPWPs are high, the level of employee engagement should be high where there is a bivariate hypothesis. The relationship between HPWPs and employee engagement is significant.

Table 3
Descriptive statistics for the constructs

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HPWPs</td>
<td>135</td>
<td>2.00</td>
<td>5.00</td>
<td>3.6794</td>
<td>0.58797</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>135</td>
<td>1.92</td>
<td>5.00</td>
<td>3.9235</td>
<td>0.62907</td>
</tr>
<tr>
<td>Employee job performance</td>
<td>135</td>
<td>1.83</td>
<td>5.00</td>
<td>4.1210</td>
<td>0.75157</td>
</tr>
</tbody>
</table>

Source: Survey data
4.2.2 Employee engagement and employee job performance

H2: Employee engagement has a significant and positive effect on employee job performance.

The investigation of the Pearson correlation matrix of the variables is shown in Table 5. A non-directional hypothesis. A one-tailed test was conducted. Employee job performance should be high when the level of employee engagement is high where there is a bivariate hypothesis. There is a significant relationship between employee engagement and employee job performance.

4.2.3 Testing the hypotheses about mediating role of employee engagement

H3: Employee engagement has a significant mediating effect on the relationship between HPWPs and employee job performance.

Frazier et al. (2004) developed a method for testing mediation in research. According to Frazier et al. (2004) there are four steps with regression equations for establishing the mediation effect. They are, Step 1 – predictor is significantly related to the outcome (Path C in Figure 4); Step 2 – predictor is significantly related to the mediator (Path A in Figure 4); Step 3 – mediator is significantly related to the outcome variable (Path B in Figure 4); Step 4 – when the mediator is added to the model, the strength of the relation between the predictor and the outcome is significantly reduced (compare Path C with Path C/ in Figure 4).

The studies stipulate that the employee engagement variable mediates the relationship between HPWPs and employee job performance. Consequently, of the significant relationship between HPWPs and employee engagement which is exemplified in Table 6.

5. Discussion and conclusion

Frenzy or passion of the researchers all over the world leads to research on employee engagement, but there are research space in employee engagement still exists (Iddagoda and Opatha, 2020; Saks and Gruman, 2014). This is an attempt to fill a population gap in employee engagement. Employee engagement leads to high level of employee job performance, which is the dream of any chief executive officer.
that reason both business and academic world have an aspiration to understand the essence of employee engagement. Based on theoretical and empirical justifications a set of hypotheses was developed. It is apparent that there is a significant relationship between HPWPs and employee engagement. Appelbaum et al., (2011) and Rana (2015) has done conceptual studies and Iddagoda and Opatha (2020) about the link between HPWPs and employee engagement. Anitha (2014) found that employee engagement leads to employee job performance. The results of this study congruence with the finding of Anitha in 2014. Fourth objective is to investigate whether there is a mediating effect of employee engagement on the relationship between HPWPs and employee job performance. This study reveals that there is a significant mediating effect of employee engagement on the relationship between HPWPs and employee job performance. When it comes to the level of HPWPs, employee engagement and employee job performance is high among the managerial employees in the public listed banks in Sri Lanka based on these findings.

Limitations
The current research is based on cross sectional design. According to Saunders et al., (2007) the cross-sectional study as a particular phenomenon (or phenomena) at a particular time, i.e. a “snap shot”. The reasons are the time constraint and the other reason is the organizations main concern on profit making. Therefore, they do not allow their employees to spend time on answering the questionnaires several times.

Delimitations
The characteristics that limit the scope and define the boundaries of the study are delimitations. Suresh (2015) mentions that the boundaries of the study can be the sample size and geographic size and etc. Suresh (2015) further mentions that delimitations help to define the scope clearly and make the research study more practical and feasible. Sample size of this study is restricted to 135. One reason is most of the participants are reluctant to participate in the survey because they see this as time consuming. Through personal contact the organizations have been selected.

Managerial Implications
In order to enhance the level of employee engagement the findings imply that HPWPs need to be used appropriately. It is suggested that the organization should give attention to high performance work practices i.e., realistic job preview, pay for performance, staff attitude surveys, self-directed teams, regular appraisals, extensive training and symbolic egalitarianism which the researchers used for this study. The endeavors which take to enhance the level of employee engagement ultimately lead to higher level of employee job performance.

References:


