

THE IMPACT OF EMPLOYEE ENGAGEMENT ON EMPLOYEE PERFORMANCE IN SRI LANKAN LICENSED COMMERCIAL BANKS

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ABSTRACT

This paper serves to find out the impact of Employee Engagement (EE) on Employee Performance (EP) in selected Licensed Commercial Banks (LCBs) in Sri Lanka. The data were gathered from a randomly selected sample of 250 non-managerial employees in four reputed LCBs in Sri Lanka through the use of a self-administered online questionnaire, with a five point Likert scale. The data analyses were conducted using univariate and bivariate methods. The outcomes of this paper exposed that there was a positive impact of EE on EP in LCBs in Sri Lanka. In the regression analysis, there was an EE impact of 56.1% on EP rendering to the outcomes of the study that there is a significant impact of EE on EP in LCBs in Sri Lanka. Accordingly, the findings of the study propose that engaging employees in a better way leads to improved performance at work.

Keywords: *Employee Engagement, Employee Performance, Licensed Commercial Banks*

1. INTRODUCTION

Commercial Banks portray a dynamic perspective in the improvement of an affluent, vigorous and a fruitful economy of any country. Hence, LCBs are responsible for the improvement of work life of their employees to achieve the goals of the economy. Thus EE is a very crucial concept for an effective workforce. The impression of employee engagement is a level to which employees are happy with their particular careers and how competent their performance levels are in their working atmosphere. However, organizations with low levels of EE are less productive and less profitable than those organizations with high levels of EE.

According to Markos and Sridevi (2010), EE is the interaction with, and desire for work. EE has been identified as a predictor of organization's as well as individual employee outcomes and successful financial performance (Shuck and Reio 2011 cited in Rana *et al.* 2014). Most organizations invest in EE because it has an impact on organizational and employee related outcomes. Many studies (Albrecht 2015, Frank *et al.* 2004) have found that there is a positive impact of EE on EP. So, the core purpose of this paper is to find out the impact of EE on EP in selected LCBs in Sri Lanka.

Bridging the Gap

Upon examining the prevailing studies in the EE context, a study of this nature is deemed rare and, during the researchers' survey of literature in the Sri Lankan context it was identified especially in LCBs was lacking and unavailable. Despite the unpublished works which are not captured in the search, there is a dearth of local recognized empirical studies which can be linked to EE on EP. However, studies which are similar in context can be

found in Asian and other regions (Kim *et al.* 2013; Markos & Sridevi, 2010) except in Sri Lanka. Thus, this study bridges the gap in Sri Lankan studies by investigating the context of EE on EP in selected LCBs.

2. LITERATURE REVIEW

This paper has opted to use EE as the main construct of the study, as this concept is popular among many scholars in the area of Human Resource Management. EE was initially coined by Kahn (1990, p.693-694) who enunciated the concept as “the harnessing of organizational members’ selves to their work roles where people express themselves physically, cognitively and emotionally during role performances”. With reference to the definition the physical, mental and emotional presence at work has been highlighted. Further, Schaufeli *et al.* (2002, p.74) enunciated EE as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption”. For the purpose of this paper, Table 2-1 explains the dimensions of EE based on Schaufeli *et al.* (2002).

Table 2-1 Dimensions of Employee Engagement

Dimensions	Description
Vigor	Energetic behavior of the employee as well as hard work devoted to one’s work and job, even in problematic situations.
Dedication	Employee experiences his/her work, is proud of his/her work, and there is meaningfulness in his/her work.
Absorption	Employee gets immersed in his/her work and gets pleasure and satisfaction from his/her job according to the factors that he/she is engaged in at work.

According to Koopmans *et al.* (2011, p.859) EP consists of three main notions: firstly, defining performance in relation to behavior other than results; secondly EP consist of the behaviours which are in line with the organization's goals and thirdly the performance is multi-dimensional. After an intensive search of the prevailing literature, Koopmans *et al.* (2011, p.860) concluded that the totality of EP consisted of four dimensions. Table 2-2 explains the dimensions of EP based on Koopmans *et al.* (2011).

Table 2-2 Dimensions of Employee Performance

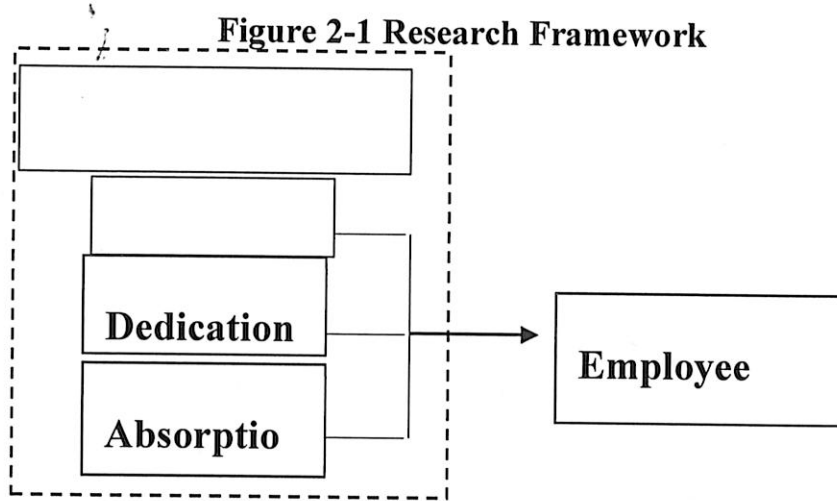
Dimensions	Description	Source
Task	The effectiveness with which job employees perform duties that contribute to the organization's technical nucleus.	Borman & Motowidlo (1997)
Contextual	Non-direct behaviours which support psychological and social grounds in which task activities are executed.	Borman & Motowidlo (1997)
Adaptive	Employees' ability to cope up with the changes of the working environment.	Griffin et al.(2007)
Counter-productive	Non-task behaviours of employees which will produce negative consequences	Rotundo & Sackett (2002)

Frank *et al.* (2004) disclosed a firm connection between EE and EP. However, they were of the view that EE is a human resource practice which has a strong impact by engaging workers on EP. Macey et al.(2009) records that according to their studies the variable that has been obtaining added focus as a key determinant of performance is EE. It has been proved in many scholarly

studies that engaged employees demonstrate better performance than non-engaged employees in the workplace (Albrecht *et al.* 2015; Karatepe & Olugbade, 2016). EE is considered as fostering employee performance which ultimately leads to improved organizational performance (Kim *et al.* 2012).

3. RESEARCH FRAMEWORK

The research framework (refer Figure 2-1) aims at bridging the gaps in existing literature in the LCBs in Sri Lanka. EE is considered as the independent variable, and consists of vigor, dedication and absorption; whereas the dependent variable of the study which is EP consists of task performance, contextual performance and adaptive performance.



Shraga and Shirom (2009) discuss that a certain degree of vigor is essential for motivational processes in work organizations in order to attain employee performance. Further, Bakker and Bal, (2010) as well as Shirom (2011) explained the impact of vigor on employee performance. Considering the above literature, the first hypothesis of the study is derived as follows:

H1: There is a significant impact of vigor on employee performance.

According to Schaufeli *et al.* (2002), and Markos and Sridevi (2010), employee dedication has an impact on employee performance. It is assumed that there is a positive and significant impact of employee dedication on EP. Therefore, the second hypothesis is developed as:

H2: There is a significant impact of dedication on employee performance.

According to Schaufeli *et al.* (2002) and Albrecht (2015), established absorption has an impact on employee performance. It is assumed that there is positive and significant impact of employee absorption on EP. Therefore, the third hypothesis is developed as:

H3: There is a significant impact of absorption on employee performance.

4. METHODOLOGY

In consideration of the objective of the study, this can be classified as an analytical study which attempts to establish the impact of EE on EP. Additionally, this study adopts the cross-sectional study. This study was conducted using a self-administered closed ended questionnaire ranging with a strongly disagree to strongly agree likert scale as the data collection technique. As a result, all dimensions in the employee performance were measured through 19 statements put forth by Koopmans *et al.* (2012), and EE was measured with 12 statements put forth by Schaufeli *et al.* (2006). The data collection was mainly based on electronic versions using Google form.

5. RESULTS

The external reliability of the constructs used to gather data was tested by the Test - retest method. The test was carried out using 30 respondents from LCBs of Sri Lanka within a two-week interval. According to Table 2-3, the coefficients of the Test - retest of the constructs shows that each construct has a high external reliability.

Table 2-3 Results of Test- retest

Constructs	Test - retest coefficient
Employee Engagement	0.865
Employee Performance	0.856

The inter-item consistency reliability was tested with the Cronbach's Alpha test. The results of the Cronbach's Alpha test are given in Table 2-4 which proposes that the internal reliability of each construct is satisfactory.

Table 2-4 Cronbach's Alpha Coefficients

Constructs	Cronbach's Alpha
Employee Engagement	0.891
Employee Performance	0.860

The content validity of the constructs was ensured by the validated statements in prior researches. The construct validity of the constructs of the study was endorsed by the fact that the correlation and Regression Analysis supported the hypotheses formulated relating to the relationship between the independent and the dependent variables.

The data was analyzed using the computer-based statistical data analysis package, SPSS (version 16.0) and Regression Analysis. The data analysis included univariate and bivariate methods.

This study opted for Skewness and Kurtosis as the assessment measures of the normality. With reference to Table 2-5 the Skewness value is less than 2 and Kurtosis value is less than 7, suggesting that there are no serious violations of the normality (Curran, West and Finch, 1996).

Table 2-5 Assessment of Normality of Study Constructs

Construct	Skewness	Kurtosis
Employee Engagement	.057	-.109
Vigor	-.421	1.197
Dedication	-.461	-.614
Absorption	-.600	-.104
Employee Performance	-.082	-.192
Task Performance	-1.101	.756
Contextual Performance	-1.086	..881
Adaptive Performance	-1.138	1.143

With reference to Table 2-6, the values of KMO were above the cutoff point of 0.5 which indicates a good range of sample adequacy and the values of constructs were significant as per the Bartlett's Test of Sphericity.

Table 2-6 Summary of Hypotheses Testing

Construct	Number of items	KMO > .5	Bartlett's Test of Sphericity P < .05
Employee Engagement	12	.782	.000
Employee Performance	19	.812	.000

Regression Analysis was done to discover the impact of EE on EP in LCBs in Sri Lanka. As shown Table 2-7 of the model summary, the value of R square is .561, depicting that EP is explained by 56.1% through variation in EE. The p-value is less than .001. This means EE has an impact on EP.

Table 2-7 Regression Analysis

Model	R	R Square	Adjusted R Square	Sig.	Std. Error of the Estimate	B
1	.591	.561	.556	.000	.17520	-0.591

Hypotheses are tested with Regression Analysis and all p values are significant (refer Table 2-8).

Table 2-8 Summary of Hypotheses Testing

No	Hypotheses	Value	Remarks
H1	There is a significant impact of vigor on employee performance.	b= 0.452, sig=.000	Accepted
H2	There is a significant impact of dedication on employee performance.	b= 0.410, sig=.000	Accepted
H3	There is a significant impact of absorption on employee performance.	b= 0.618, sig=.000	Accepted

6. DISCUSSION AND CONCLUSION

This paper considered the intention of inspecting the impact of EE on EP in selected LCBs in Sri Lanka. Considering the research framework EE was the independent variable while EP was the dependent variable. The result of R square is .561 indicating that EE has a positive impact on EP in selected LCBs in Sri Lanka. The findings of the study are consistent with the empirical and theoretical studies (Albrecht *et al.*, 2015; Rich *et al.*, 2010; Anitha, 2014; Mensah, 2015). All hypotheses highlighted a significant impact of EE on EP. Therefore, all three hypotheses were consistent with the previous studies. In addition this paper has the potential and great ability to contribute and make a valuable connotation of linking EE and EP in the banking sector. This paper inspects the impact of EE on EP which is vital as a timely necessity in making more scientific assessments related to investing in these practices to expand employee performance, thereby attaining the goals of an organization, strategically.

7. RECOMMENDATIONS

The results are based on survey data collected from selected LCBs. Thus, the findings may not be appropriate for other forms of organizations and industries. Hence, conducting research on EE and EP in a Sri Lankan framework supports to validate or reject prevailing results to a certain extent and this also serves as a path for further studies. Additionally, surveys in other types of organizations and industries will provide more insight into the results of the study.

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