

## Linking employee engagement towards individual work performance through human resource management practice: From high potential employee's perspectives

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### ABSTRACT

Most previous studies of employee engagement and performance have been rooted in either Social Cognitive Career Theory (SCCT) or the Social Exchange Theory (SET), giving often inconclusive outcomes. In fact, there are only a few researchers in social science focusing on the level of high potential employee's engagement towards individual work performance through human resource management practices. The purpose of this study is to investigate the relationship between employee engagement and individual work performance with mediation role of human resource management (HRM) practices for selected manufacturing organizations in Malaysia. Two hundred and fifty-two usable questionnaires are collected to empirically test the hypotheses using IBM SPSS software and Smart Partial Least Square (SmartPLS) version 3. The results suggest that high potential employee engagement positively and significantly influence on individuals' work performance. Additionally, human resource management practices play significant role in mediating the relationship between employee engagement and individual work performance among high potential employees. Therefore, these results should provide insight towards managing high potential employees, especially in the manufacturing sector.

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## 1. Introduction

The seen and the unseen economic turbulences have generated a talent paradox. Presumably, the organization with a high quality of workforce and lower churning will sustain during the crisis. Fundamentally, well-meaning leaders and employers have their own ways of winning the war of talent. Most organizations face challenges in producing high potential employees and implement effective strategic key in managing their best people. According to Asian Institute of Finance (2013), today's complex business environment has become highly competitive, constantly evolving, economic uncertainty and unpredictable climate of business. During the economic uncertainty or financial crisis, employees worried about the security of their jobs. Demoralizing or disengagement, especially among high potential employees, will lead to less participation and productivity. In the worst scenario, if employers left this uncorrected, high potential employees will disengage and feeling invaluable. Hence, failing in cultivate positive engagement among employees

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may jeopardize their day-to-day operations. Additionally, one of the primary challenges is to retain these employees. Highly and productive workforce may not remain engaged for a long period without support or initiatives provided by their organization. When plateau state is reached, a fallout of disengagement and gradual declining on performance are notable. The real stunned amount of losing highly potential employees can be costly. Besides, organizations will also encounter the cost of labor, recruitment, development, losing knowledge, valuable skills, critical expertise, and productivity. This immeasurable cost is extremely damaging and, organizations should consider the strategic intervention of human resource function to overcome this conundrum. A significant effort from employers is needed not only for retaining but also in identify and developing these high potential employees.

In achieving higher day-to-day productivity, profitability, and performance, the key positions should be filled up by the high potential talent. Therefore, organizations should deep dive their future direction to create a solid foundation of talent pipeline. Malaysia has a long history and remains as one of the biggest exporters that undergo the transition economy towards manufacturing-based. Under the national transformation, the manufacturing sector in Malaysia is expected to increase the number of skilled employees by 2025. Generally, identifying qualified and high potential employees are great challenges while finding highly engaged employees is another challenge. From the global trend of employee engagement score worldwide report, it is found that the Asia Pacific region score for employee engagement remains the lowest and unchanged with 58 percent (AON Hewitt, 2013). It is also reported that the worldwide employee engagement level has been declined since the year of 2007 and 44 percent of respondents have an intention to leave from their current employer (Hay Group, 2012). In Malaysia, employers still grappling to win the war of talent as they found challenges in retaining them due to the lack of engagement. Additionally, Watson (2012) revealed the intention to leave the organization increasing within two years by seven percent. Actively disengaged employees causing a turnover, kill morale, dissatisfaction and cascading negative outcomes for organizations. This disturbing trends giving direct and indirect impacts on business. In one of the recent report released by Hays Asia, (2018), there are eight reasons given the employees for looking at new employers in Malaysia. The first reason is the salary or benefits package, followed by a lack of career progress, seeking new challenges, management style, lack of developmental opportunities, job security, poor work-life balance, and work location. Additionally, manufacturers located at emerging markets found difficulty in attracting and retaining qualified employees, (Deloitte Touche Thomatsu, 2007). As mentioned earlier under national transformation, the manufacturing sector is expected to hire 35 percent of highly skilled employees and every employee is estimated to boost productivity per person at 30 percent, (MITI, 2018). Therefore, this is a call to action for employers in creating a higher performing workforce and urgency in acquiring high engaged employees.

### *1.1 Research Questions*

- R1: What are the relationship between employee engagement and individual work performance?
- R2: What are the relationship between human resource management practices and individual work performance?
- R3: Is human resource management able to mediate between employee engagement and individual work performance?

### *1.2 Research Study Hypotheses*

These hypotheses are derived from a rigorous review of literature and two underpinning theories were used namely Social Cognitive Career Theory (SCCT) and Social Exchange Theory (SET).

- H<sub>1</sub>: There is a positive and significant relationship between employee engagement and individual work performance.
- H<sub>2</sub>: There is a positive and significant relationship between human resource management practices and individual work performance.

H<sub>3</sub>: There is a positive and significant relationship between employee engagement and individual work performance mediated by human resource management practices.

## 2. Literature review

### 2.1 Employee Engagement

Specifically, employee engagement at the workplace reflects the dedication given, high focus, passionate, and obligation of an individual in giving services to their employer as part of the employment obligation. The terminology of employee engagement is more than a buzzword and it has been defined in many different contexts. Employee engagement becomes an emerging topic has gained wide attention from employers worldwide and the fundamental concept should be understood clearly. Originally, employee engagement terminology has been coined by Kahn (1990), as the attaching of organization members selves to their work roles that is engagement, people employ and express themselves physically, cognitively and emotionally during roles performance. In previous work accomplished by Katz and Kahn (1966), they believed that employee engagement concept has an association with the effectiveness of an organization. Later, it is claimed by Mone and London (2018) that this domain of employee engagement could be one of the key drives in fostering a high level of employee performance. Meanwhile, in another definition, Harter et al. (2002) defined that employee engagement could be an individual's involvement and satisfaction with as well as enthusiasm for work. Additionally, Czarnowsky (2008) defined engagement as employees who are mentally and emotionally invested in their work and in contributing to their employer's success. Thus it is agreed by Bhatnagar, (2007) that the level of engagement of employees also will naturally influence employee's behavior and affecting their level of contribution in work-related activities. Menguc et al. (2013) conducted a study to identify employee engagement interaction of resources in the Canadian retail industry. They managed to receive a total of 482 questionnaires from employees and 488 questionnaires from customers. The result revealed that employee engagement shows a positive significant result towards employee performance. While employee engagement was able to fully mediate between the relationship of customer feedback and employee performance. Rasli et al. (2012) investigated employee engagement response to basic needs, management support, team-work and career growth in Malaysia F&B industry. However, they found an insignificant results of management support and growth towards employee engagement. The authors urged replication of the study in the manufacturing industry with a different context of domains. While Anitha (2014) conducted a research to identify determinant of employee engagement and the impact on employee performance. The determinant includes work environment, leadership, compensation, organization policies, workplace well-being, training, and career development and co-worker relationships. Statistically, the author found employee engagement path validity on employee performance represented a highly significant value. She claimed that the working environment influenced 53 percent on employee engagement. Furthermore, Alejandro and Helena (2017) recommended future researcher to focus on employee engagement by increasing the resource use in the work environment with an opportunity for the development program.

### 2.2 Human Resource Management Practices (HRM)

The utmost valuable source in the organization is associated with employees who operate the business operations. Additionally, the human resource department plays a vital role in carrying out a wide range of human resource management practices and the role has become more strategic in recent years. Traditionally, the human resource department merely focused on administrative and employment law. However, year by year the role of human resource has become critical and the backbone of any company. The employees are important resources in an organization and become the lifeblood of any organization. Human resource management should not only manage high potential employees but also need to create a productive place to work. Centralization of human resource is needed to enhance its functional role, helping the organization stand above the crowd and maintain the competitive advantage for a longer period. Due to the functions of human resource management, the conceptualization of this domain should be defined clearly. Wright and McMahan (1992) defined human resource as a pattern of planned human

resource deployment and activities, which is intended to achieve organization goals. Meanwhile, Ganesan (2014) defined human resource management as management functions which are involved in recruiting, selecting, training, developing employees and as a process of efficiently getting the use of the human resource in achieving the set goals. One of the main functions of human resource management practices is recruitment and selection. According to Kianto et al. (2017) recruitment can be defined as practices or activities carried out by an organization as their fundamental step in attracting candidates and identification of possible future employees. In the other hand, selection can be defined as the process of selecting candidates, which has the most possibility to succeed in position and predicting those who had the best fit with the culture of the workplace. The second function of human resource management practices highlighted in this research is training and development. Training and development is the developmental program to fill the existing gaps, to upgrade the knowledge and skills needed in performing the current work related task and meet the future demands (Ganesan, 2014). A good training and development program should be well-planned to fulfilling the organization's goal, mission, and vision. Every organization should focus on developing and ensuring the function of human resource management not only benefit to employees but also to the organization, it is a win-win situation. The third practice of human resource management is compensation and benefit. Sherman and Snell (1998) mentioned that the compensation and benefit consist of all forms of rewards, commission, payments, recognitions, leaves, bonuses, insurance, and flexible working arrangement. While Ganesan (2014) stated that compensation is a form of payment, incentives, and benefits given to employees for performing assigned jobs. In today's emerging markets, the human resource department needs to tailor its strategy in approaching talent challenges that has been arisen. The most critical challenges for the human resource department are to find individual employees that possess a critical level of skills and abilities as part of the survival planning of an organization for future competitiveness within the modernized duties at the company. Schuler et al. (2011) believed that in responding towards talent challenges arising in an organization, there is a need to implement international human resource policy. The authors also suggested future scholars to address talent challenges from their research model derived based on the extended version of Social Cognitive Career Theory (SCCT). Therefore, human resource management practices should become the main key elements in helping the organization to recruit, select, training, development and providing a comprehensive compensation package to employees to ensure their talented employees highly engaged and able to increase their individual performance. The implementation and re-evaluating of human resource department function is necessary to allow maximum roles of HRM practices with strategic utilization being carry out for employees and employers benefit.

### *2.3 Individual Work Performance*

The war of getting the right talent is escalating and organization should quickly learn the importance of having the right people as part of their workforce. Additionally, the value of having the right skillful talent makes one's organization different from others due to the quality of manpower. In most organizations, employers commonly practice assessing individual work performance as annual valuation rather than periodically. In order to create great manpower, organizations have to empower the workforce with ongoing support and progressively conduct assessment of performance. Organizations and employers should understand that the success of any business highly depends on the performance of their employees. It is clear that the profitability, output, productivity or services were significantly impacted by the performance. Properly assessment is needed to help organizations consistently meet their set goals, mission, and vision. Consistency by producing a high level of productivity and standardizing working habits will help in achieving stability of output. Generally, support in helping to increase employee's performance will give a positive association to an organization's productivity. According to Sheehan et al. (2015) organization that endorses investment on their manpower as an internal intervention will affect the quality of human capital within the organization which later gives a significant impact on performance. According to Campbell (1990), work performance not only relates to task performance but it is also related to the contextual element that is motivational and interpersonal elements, which is significantly contributing to the performance construct

of two dimensional. Meanwhile, Anitha (2014) believed that employee performance defined as an accomplishment or an achievement at the workplace. Performance is defined as keeping up with the plan and achieving desirable of the end result, (Anitha, 2014). Additionally, the author stated there is an indication on the non-financial and financial outcome which significantly linked with employee success and organization. Specifically, the efficiency and effectiveness of work performance postulate on achieving the maximal output of work with fewer resources as the input, meet with the organization set goals and achieving the main agenda, (Sujatha & Krishnaveni, 2018). Work performance is said to be highly influenced by several major interventions such as developmental programs, incentives, remuneration and many more, (Ibrahim et al., 2017). Proper intervention support is needed and should be coordinated by the human resource department. As claimed by Anitha (2014), individual work performance is affected by organizational practices or policies such as human resource activities. Through human resources, it is believed that these activities or practices will become as one of the key determinants in boosting performance. Bedarkar and Pandita (2014) proposed an integrated model of employee engagement which describes the expected outcome from employee engagement is employee performance and this significantly results in positive organizational performance outcomes. Meanwhile, a study conducted to investigate the clarification of the human resource system and the association towards employee performance (Jiang et al., 2012). The authors clarified the human resource system domain of knowledge, skills, abilities, motivation, and effort give a great impact on employee performance as a mediator. The policies or practices involved consists of recruitment, selection, training and compensation practices. Thus it is claimed that these human resource policies and policy implementation are the desirable goals in improving employee performance. The author recommended future researchers to focus on examining the purpose of human resource, organizational outcomes and embark different scale of research context in the manufacturing industry. In most organizations, employers always want to create a productive workforce, high potential and helping them in attaining maximum productivity. However, neglecting the support from the organization will lead to undesirable outcomes and employers should have strategic planning in dealing with their high potential employees. Fig. 1 demonstrates the proposed model of this paper.

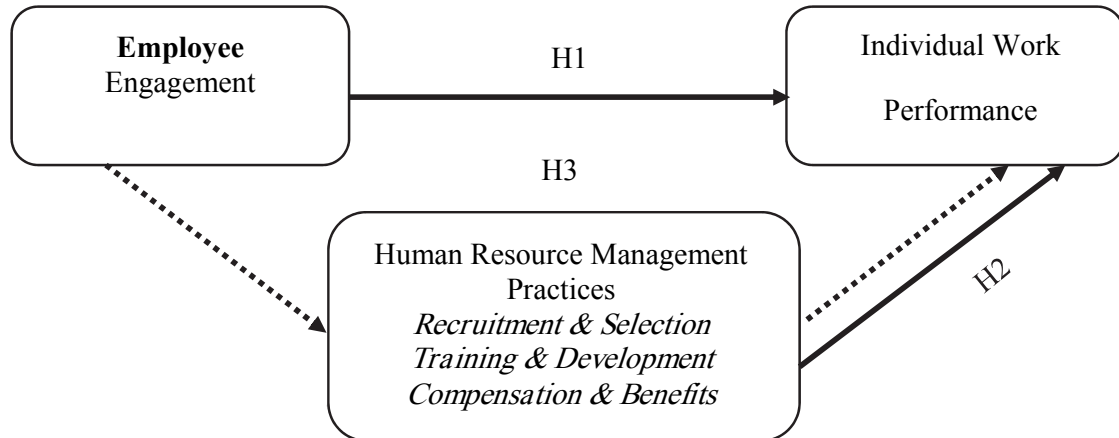


Fig. 1. The proposed study of the paper

### 3. Research methods

In supporting any claim made during the interpretation of data, researchers require a scientific and systematic research methodology to recognize the evidence. The research method is a systematic procedure in conducting research which normally involves specific procedures, tools, and techniques in the process and analyzing data. Fig. 1 shows the research design activity flow for this research study adapted from Zikmund et al. (2013). There are seven phases involved in this research design starting with review of literature. Phase two involves problem discovery, problem statement and establishing systematic research methodology. After identification of the domain is accomplished, the researchers developed a research instrument to collect quantitative data. The formation of the research questionnaire begins with collecting the respond-

ent's demographic profile. Section II is the employee engagement construct comprising of twelve indicators. Followed by Section III which is human resource practices as a mediating variable with fifteen indicators. Section IV includes individual work performance which consists of nineteen indicators. The indicators for employee engagement are adopted and a revise from originally proposed by Juhdi et al. (2012), Saks (2006) and Hussain et al. (2013). Meanwhile, human resource practices measure the recruitment, training and development and compensation and rewards. The indicators are revised and adapted from Zubair et al. (2015). The last construct indicator for individual work performance was revised and adapted from Juhdi et al. (2012). Phase four involves expert validation to validate the instrument for every constructs studied namely employee engagement, human resource management practices, and individual work performance. After undergoing a pilot study with minimum amendment, the research has embarked into a full-scale research study among high potential employees in the manufacturing industry located at Klang Valley, Malaysia. These high potential employees were drawn from the executive and managerial level positions. Respondents were given an average of four to twelve weeks to complete and return to the researchers. From a total of 400 sets of questionnaires, the researchers managed to retrieve 252 usable questionnaires. The last phase is associated with the analyzing data and two statistical software packages were used namely IBM SPSS version 24 and SmartPLS version 3. Additionally, the measured indicators for every construct were based on the Five-point Likert scale. The statistical calculation was performed and the results of findings are interpreted in the next section.

#### 4. Data analysis and results

##### 4.1 Summary of Respondent's Profile

Fig. 2 shows the summary of the respondent's profile among high potential employees in selected manufacturing organization in Malaysia. The results indicate that the majority of respondents were female with 61.0 percent. Meanwhile, the study shows most of the respondents were between range age of 26 until 30 years old with a percentage of 55.2 percent. Additionally, Malay participated dominantly and most of the respondents had a range of services between two to four years by 63.5 percent.



Fig. 1. Personal characteristics of the participants

#### 4.2 Internal Consistency, ( $\alpha$ , $\rho_c$ )

The measurement of internal consistency for research instruments was assessed by computing the value of Cronbach's alpha and composite reliability. Table 1 shows the value for each construct. Employee engagement with ( $\alpha = 0.92$ ,  $\rho_c = 0.93$ ), human resource management practices ( $\alpha = 0.94$ ,  $\rho_c = 0.95$ ) and individual work performance ( $\alpha = 0.95$ ,  $\rho_c = 0.95$ ). According to Hair et al. (2010), all values yielded 0.70 is highly suggested as the level of acceptance.

**Table 1**

Cronbach alpha and composite reliability

Latent Constructs	Cronbach's Alpha	Composite Reliability
Employee Engagement	0.92	0.93
Human Resource Management	0.94	0.95
Individual Work Performance	0.95	0.95

#### 4.3 Assessment of Collinearity Issue

According to Kock (2015), collinearity helps in measuring similarity of two or more indicators that are in the same domain. In this step of assessment, the rule of thumb is less than 5.0 as suggested by Hair et al. (2017). The values of variance inflation factor (VIF) were less than 5.0. Table 2 presents the summary for the outer VIF value across constructs. There are three main constructs and each construct surpasses the rule of thumb as suggested by Hair et al (2017). The construct for employee engagement indicates the value of outer VIF by 1.441 and human resource management practices at 1.000. Hence the assessment for VIF has been achieved.

**Table 2**

Summary of outer VIF value across constructs

Latent Constructs	Employee Engagement	Human Resource Management	Individual Work Performance
Employee Engagement	1.441		
Human Resource Management		1.000	
Individual Work Performance			

#### 4.4 Assessment of the significance and relevance of relationship

In this assessment, the procedure of the bootstrapping technique was used with 3000 subsamples. The large sample is needed for identifying and detecting any bootstrapping standard error. According to Ramayah et al. (2018), the researchers should observe the path coefficients as that is significant to the tested hypotheses between constructs. After conducting a bootstrapping procedure, the following results are found and presented in Table 3.

**Table 3**

Summary of significance and relevance relationship

Relation	Beta Value	Standard Error (STDEV)	T- Statistics Value	P Value	Significant
Employee Engagement→ Human Resource Management	0.637	0.050	12.774	0.000	Positive
Human Resource Management→ Individual Work Performance	0.733	0.035	20.172	0.000	Positive

Notes: t values >1.65\*(p<0.10); t values>1.96\*\* (p<0.05); t values> 2.58\*\*\* (p<0.001)

#### 4.4 Assessment Level of $R^2$ , Coefficient of Determination

The assessment level for a coefficient of determination measuring model's accuracy was based on both exogenous and endogenous constructs. Statistically, this assessment range was between 0 to 1 in explaining the level of accuracy between the association of exogenous and endogenous constructs (Ramayah et al., 2018). Table 4 shows the summary coefficient of the determination result for this study. The result of the exogenous constructs (employee engagement) explains the endogenous variables at (HRM = 0.54) and (IWP = 0.53). According to Hair et al. (2017) the level of coefficient of determination that range on

0.25 considered weak, 0.50 moderate and 0.75 is substantial. Therefore based on the results attained, this assessment for coefficient determination falls within moderate according to the acceptance rule of thumb.

**Table 4**

Summary coefficient of determination result

Variables	Value of R <sup>2</sup>	Value of R <sup>2</sup> adjusted
Human Resource Management	0.548	0.545
Individual Work Performance	0.538	0.536

#### 4.5 Mediation Analysis

According to Hair et al. (2017), mediation also known as indirect effect and the mediation can be beneficial in determining the association between independent and dependent constructs. In this study, a further test on mediation analysis is applied to human resource management practices as a mediator to investigate the role in mediating between employee engagement and individual work performance. According to Preacher and Hayes (2008), the mediation analysis requires the bootstrapping procedure for assessing the mediator constructs. Table 5 shows the hypothesis on the mediation report analysis.

**Table 5**

Hypothesis on mediation report analysis result

Hypothesis	Beta Value	Standard Error (STDEV)	T- Value	Confidence Interval (BC)		Decision
				LL	UL	
Employee Engagement→Human Resource Management→Individual Work Performance	0.467	0.045	10.347	0.376	0.554	Supported

Note: \*p<0.05, \*\*p<0.01, BC = Bias Corrected, LL = Lower Level, UL = Upper Level

As illustrated in Table 5 above, human resource management practices play a mediating role significantly between employee engagement and individual work performance. Therefore, the third hypothesis decision is supported

## 5. Summary and conclusion

This study intended to present empirical evidence of the association between employee engagement and individual work performance among high potential employees in selected manufacturing organizations in Malaysia. Researchers have further examined whether human resource management practices were able to play the mediating role in linking between employee engagement and individual work performance among high potential employees. Generally, the result of this study has discovered an indirect and direct effect from the perspective of high potential employees. As previously underlined, this paper adds to the underpinning theories of Social Cognitive Career Theory (SCCT) and Social Exchange Theory (SET). A total of 46 indicators represent three latent constructs and the research questionnaire has been answered by high potential employees in the manufacturing sector located in Malaysia.

The direct relationship was found to have a t-value  $\geq 12.774$ . The indicator of employee engagement ( $\beta = 0.421$ ,  $p < 0.01$ ) is positively related to human resource practices. Human resource practices ( $\beta = 0.733$ ,  $p < 0.01$ ) are also positively related to individual work performance. Furthermore, the third hypothesis assessing the mediation role of human resource management practices in linking between employee engagement and individual work performance shows the t-value at 10.347 ( $\beta = 0.467$ ,  $p < 0.01$ ) which supported the hypothesis generated. Based on the findings and a rigorous review of the literature, investing to increase high potential employee's level of engagement will result in increasing individual work performance. Additionally, progressively intervention of human resource management practices is needed in managing high potential employees and helping the organization maximize productivity with full utilization of its employees. The manufacturing sector always remains as one of the fastest evolving sectors due to globalization and the changing of technology. Therefore, the organization should consistently optimize their effectiveness and retain their best key person to ensure they become one of the main key players in this sector. In the light of these research study, future scholars may replicate with a different context of respondents, sectors or other talent challenges constructs.



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