THE MEDIATING EFFECT OF ORGANIZATIONAL JUSTICE ON THE RELATIONSHIP BETWEEN ECONOMIC PERFORMANCE AND EMPLOYEE ENGAGEMENT

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ABSTRACT
Employee engagement and Organizational justice has been emerged as the hottest topic on the discussion boards for many years in Human resource management, organizational behavior and organizational psychology. Recently, its’ have been interesting subject for academicians and business practitioners due to the increasing importance. Additionally, according to Social Exchange Theories, when individuals received economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization. The aim of this study is to test whether there is mediating effect of organizational justice between the relationship of economic performance and employee engagement. Data was collected from 200 employees of 13 Islamic banks in Malaysia that consist of 55.5% male and 44.5% female. Their ages are ranging from 20 to 50 years old from Sijil Tinggi Pelajaran Malaysia to professional qualification of academic background that appointed as clerk, executive and top management team. Their minimum duration of services from 6 months to over than 20 years with the salary that range from RM1,500 per month to RM10,000 per month. The statistical tool of Structural Equation Model- AMOS 2.0 was used in analysing the data. The results indicated that there is mediating effect of organizational justice between the relationship between economic performance and employee engagement. The key findings of this study suggest that the organisations and managers need to understand the changing factors of engagement as well as the demographic factors of their employees. So that, the potential effectiveness of corporate reputation adoption, the selection of strategies and the development of employees may be conducted more effectively.

Keywords: Organizational Justice, Economic Performance, Employee Engagement

1.0 INTRODUCTION
The uncertainty in business environment forces organizations to continuously adapt variety of changes. Rather than emphasizing on the low cost strategy, efficient marketing and quality of supplement, organization nowadays focuses to employees as a main contribution for profit. Previously, many terms represent the behavior of employees such as employees’

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loyalty, employees’ satisfactions and employees’ achievement. However, in the last decade, employee engagement has received a great deal of attention in organizational performance and a deciding factor in organizational success (Lockwood, 2007). The great concern is not only from corporate firms but academicians and the practitioner community as well. Many researchers suggest that engagement has significantly positive impact on performance, productivity and organizational advocacy and significantly negative impact on intention to quit and absenteeism from the work place. It can increase customer satisfaction, profitability & productivity, and reduce employee turnover (Markos and Sridevi, 2010, Harter et al., 2002); heightened job satisfaction, organizational commitment, organizational citizenship behavior, loyalty and reduced intentions to quit (Saks, 2006; Mani, 2011) and exhibit tendencies to go the extra mile and perform at superior levels (Bakker, Demerouti & Verbeke, 2004; Schaeflli, Taris & Bakker, 2006; Gierveld & Bakker, 2005). Additionally, organization that is successful in supporting and developing engaged employees can achieve significant organizational benefits such as higher retention rates, improved productivity, and increased profit (Shuck, 2010). The above literatures and findings tell us that failure of supporting and developing employee engagement may harmful for organizations throughout the world. It can create not only decrease in organizational profit but also supporting the employee turnover and employee shifting.

In Malaysia it is a common phenomenon that employees shift from one organization to another within a period of five years (Noraani, 2014). Employees would tend to leave their companies to slightly better pay due to low emotional attachment with their organization. Additionally, Nijhof, de Jong and Beukhof (1998) stated that the achievement of an organization does not only rely on how the organization utilizes its human capitals and competencies but also on how it incites commitment to the organization. Thus, the biggest challenge for Malaysian organizations is to promote a sense of commitment and belonging among their employees. Engagement of employee comprises both of it.

2.0 PHENOMENON OF THE STUDY

Researchers found that organizations that did not focus on increasing their employees’ engagement levels suffered decreases in organizational performance (Asplund et al., 2007; Harter et al., 2002; Krueger & Killham, 2005; Lockwood, 2007; Luthans & Peterson, 2002; O’Connell & Kung, 2007; Ott, 2007). This situation was often attributed to low employee satisfaction, which contributed to lower customer satisfaction and higher employee turnover. Moreover, according to a research conducted in 2011, on banking sector of UK, up to 72% employees are not happy with their current jobs and 66% employees want to change their jobs. Researchers of the Gallup concluded that 3 out of 4 workers were not engaged during their jobs. The Gallup’s study in 2006 found that more than 70% workers from different American organizations were not engaged. The findings about the concept of engagement mentioned that the wide range of employees today, approximately half of all American employees are disengaged with their organizations (Bates, 2004; Jonhson, 2004 and Kowalski 2004).

Furthermore, the U.S. Department of Labor’s Bureau of Labor Statistics estimated that costs for private industries total over $13,000 to replace an individual employee (O’Connell & Kung, 2007). Private research groups such as Gallup Consulting (Asplund et al., 2007; Harter et al., 2002) and Towers Perrin (2007), have completed formidable
engagement studies. These studies also consistently showed that employee disengagement costs companies billions of dollars every year as a result of high turnover and low employee and customer satisfaction (Krueger & Killham, 2005; O’Neal & Gebauer, 2006; Towers Perrin, 2007). Estimates based on a 2005 Gallup Consulting survey showed that decreased productivity of disengaged employees affected the overall economy in the United States by approximately $300 billion (Krueger & Killham, 2005). Organizations who do not address these needs may find themselves in the company of other organizations who have employees negatively affecting their businesses, which may lead to their future demise. Therefore, organizations are becoming more demanding from their workers than ever before (Sahoo and Mishra, 2012). A research by Echols (2007) cited in (Bux and Tay, 2010) found that 85% of value creation is driven by tangible assets such as people or employees and not by assets on the balance sheet. Pfau and Kay (2002) note that companies cannot please their shareholders unless they satisfy their employees. Dissatisfy employee will reduce engagement and financially harmful for organizations throughout the world (Shuck, 2010).

As the result from the many benefits of having an engaged workforce, organizations are increasingly turning toward human resource researchers and practitioners to develop and support strategies that facilitate engagement—encouraging cultures (Vance, 2006). Among the strategies are, enhance structured courses used to educate managers on increasing their communication and management skills(Gebauer & Lowman, 2009), developing employee climate surveys, establishing flexible training programs, and creating long range strategic plans, all in hopes of developing an engaged workforce (Ayers, 2008; Gebauer & Lowman, 2009). However, these strategies for understanding and developing employee engagement seemed inadequate (Vance, 2006). The literature on employee engagement has had a practitioner influence and research studies are sparse in this area (Bhatnagar, 2007). In addition, Saks (2006) and Robinson et al. (2004) argue that employee engagement studies in the academic literature are not sufficient. While several studies in developed western economies (Brown & Leigh 1996; Demerouti et al., 2001; Hakanen et al., 2006; Llorens et al.,2006; Maslach et al., 2001; Richardsen et al. 2006, Saks, 2006) indicate positive relationships between employee engagement and work outcomes.

3.0 THE THEORY
The theory that explains and predicts the relationship between variables used in this research is Social Exchange Theory (SET). It is a stronger theoretical rationale for explaining employee engagement (Saks, 206). SET argues that obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence. A basic principle of SET is that relationships evolve over time into trusting, loyal, and mutual commitments as long as the parties abide by certain ‘rules’ of exchange (Cropanzano and Mitchell 2005). Such rules tend to involve reciprocity or repayment rules, so that the actions of one party lead to a response or actions by the other party. For example, when individuals receive economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization (Eisenberger et al., 2002). This is consistent with Robinson et all’s (2004) description of engagement as a two-way relationship between the employer and employee. Saks (2006) also proposed that one way for individuals to repay their organization is through their level of engagement. In other words, employees will choose to engage themselves to varying degrees and in response to the resources they receive from their organization. Bringing
oneself more fully into one’s work roles and devoting greater amounts of cognitive, emotional, and physical resources is a very profound way for individuals to respond to an organization’s actions, as suggested earlier by the work of Kahn (1990). Thus, employees are more likely to exchange their engagement for resources and benefits provided by their organization.

In summary, SET provides a theoretical foundation to explain why employees choose to become more or less engaged in their work and organization. In terms of Kahn’s (1990) definition of engagement, employees feel obliged to bring themselves more deeply into their role performances as repayment for the resources they receive from their organization. When the organization fails to provide these resources, individuals are more likely to withdraw and disengage themselves from their roles. Thus, the amount of cognitive, emotional, and physical resources that an individual is prepared to devote in the performance of their work role may be contingent on the economic and socio-emotional resources received from the organization. Many scholars argued on the link between stakeholders’ impressions and behaviour towards companies requires explicit investigation (Balmer, 1995; Cornelissen, 2000; Van Riel, 1995). Some reputation factors may become of greater importance according to the type of stakeholder decision considered with regards to a company (Bromley, 2002; Caruana, 1997; Shenkar and Yuchtman-Yaar, 1997). For example, potential employees making employment decisions are more likely to evaluate the reputation of a company as a good employer, while investors making investment decisions are more likely to evaluate its reputation as a wealth creator (Lewellyn, 2002; Thevissen, 2002).

4.0 PAST EVIDENCE

Economic conditions continue to be a leading indicator for investments in talent and employee engagement in today’s global environment. Economic performance of a company is directly affected by economic global situation. Global GDP grew in 2014 and is forecasted to grow 4% in 2015 (World Bank, 2016). Historically, GDP growth is generally followed by investments in people and a subsequent increase in employee engagement (Aon, 2014). Employee engagement levels have increased 1 point to 62% in 2014, and the graph on the following page suggests that the relative economic tailwinds in 2014 and those forecasted for 2015 should drive human capital investments and incremental improvement in global employee engagement in 2015 and 2016. Some researchers noted economic performance as efficiency (Mihaiu et al. 2010) or the amount of good or marketable output producible from productivity, technical efficiency, or cost effectiveness (Chaterine and Siegel, 2006). However, among the most popular indicators applied as proxies for economic performance in the long run research are: ROS (Preston and O”Bannon, 1997; Ruf and al., 2001), ROA (Preston and O”Bannon, 1997; Turban and Greening, 1997; Makni, Francoeur, Bellavance, 2009), ROI (Preston and O”Bannon, 1997), ROE (Makni, Francoeur, Bellavance, 2009; Fu, Wang and Jia, 2012), growth in sales (Ruf and al., 2001). Blajer-Golebiewska, A. (2014) suggest that banks and insurance companies can have economic performances different than companies in other sectors, due to their specific core businesses and risk profile. However, the indicators suggested by Michelloti (2010) represent the economic performance Islamic banking on the whole. Prospect for future growth, outperform competitor, risk management, profitability, assets management, relationship with competitors and suppliers represent the whole performance of banking sectors.
Economic performance according to Michelloti (2010) is including corporate financial strategies, investment, corporate asset, growth and profitability. According to Social Exchange Theories, when individuals received economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization (Choo, Mat and Al-Omari, 2013). In other words, obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence. This is supported by Robinson et al. (2004), who assert that employee engagement is a two-way relationship between the employer and employee. Employees are more likely to engage themselves in work in return for the resources and benefits provided by their organization. Schneider (2003) found that three of the employee attitude survey scales revealed an interpretable significant pattern of relationships with Return On Asset (ROA) and Earning Per Share (EPS). Employees satisfy on pay, security and overall satisfaction when their company provide financial performance.

Moreover, organizational practices do have a major impact on employee engagement (Choo, Mat and Al-Omari, 2013). They suggest that organizational practices have 43.2 percent impact on employee engagement, which is consistent with previous research by Koyuncu et al. (2006). In managing financial crisis, downsizing is practise by companies. The most important reason for downsizing is to improve employee productivity and a firm’s financial performance through decreasing labor costs by reducing employment levels (Freeman and Cameron, 1993; Cascio et al., 2003). This strategy is proven has relationship with employees attitudes and performance (Yu and Park, 2006). From the perspective of network theory, downsizing disrupts existing social networks in the organization, which are intangible assets of firms developed in the long periods (Shah, 2000) where employees may lost their certain psychological condition, meaningfulness and safety. It happened in Korean firms and Western firms (Yu and Park, 2003; Choi and Lee, 1998; Park et al. 2001). The studies concluded that downsizing would have a negative effect on employee productivity, engagement and performance.

Another strategy in managing corporate economic performance is through profit sharing (Cahill, 2000), whereby employees receive shares, fixed in advance, of the profits” (Schloss, 1898). Employees receiving profit sharing are more satisfied with their jobs (Heywood and Wei, 2006; Green and Heywood, 2008; Kruse et al., 2010).

According to the Global GDP grew in 2014 and is forecasted to grow 4% in 2015. Historically, Aon (2014) remarked that GDP growth is generally followed by investments in people and a subsequent increase in employee engagement. Employee engagement levels have increased 1 point to 62% in 2014, and relative economic tailwinds in 2014 and those forecasted for 2015 should drive human capital investments and incremental improvement in global employee engagement in 2015 and 2016. Therefore,

H1: Economic performance has a significant influence on employee engagement.

5.0 RESEARCH METHODOLOGY
5.1 Research Design
In order to achieve research objectives, to address research questions and to test the research hypotheses, quantitative study is implemented. The correlation research design is
used in this research to describe the strength and direction of the linear relationship between variables (Pallant, 2007). Measures developed or selected should be appropriate indicators of the construct to be investigated and these instruments need to have satisfactory reliability and are valid to measure the constructs to be investigated (Ary, et al. 2006). This study intends to examine the role of organizational justice functions as mediator in the relationship between economic performance and employee engagement. It is predicted that the independent variable significantly predicted employee engagement. It is also predicted that organizational justice is a good mediating variable for the correlation between both kinds of variables. Employee engagement measured the extent to which employee’s engage with their organization in response to economic performance practiced by their organization.

5.2 Population and Sampling
This study is based on secondary data which has been collected from employees of 16 Islamic Banking Institution in Malaysia. According to Financial Stability and Payment Systems Report, Central Bank of Malaysia (2011), total of 9,505 employees represent in Islamic banking sector with different amount of employees for each institution. Researcher needs to split the target population into groups so that the elements are homogenous within group and heterogeneous between groups. Then the researcher obtain random sample from each group to ensure the representativeness of the group in the overall study. The number of sample taken from each group is proportionate to the number of elements in the group. Krejcie and Morgan (1970) indicated the sample size for the population is 368. However, there are certain requirements regarding the size of sample needed for the study that employs Structural Equation Modeling (SEM) as part of analysis. According to Hair et al. (2009), a suitable sample size for Structural Equation Modeling analysis is in the range of 150 – 400 respondents. The sampling process went through Stratified sampling strategies when subpopulations within an overall population vary, it is advantageous to sample each subpopulation (stratum) independently. The sampling started by selecting the respondent from the list at random and then every \( k \)th element in the frame was selected, where \( k \), the sampling interval (sometimes known as the \( skip \)); n is sample and \( \sum n \) is total size of sample; researcher intends to obtain 368 (\( \sum n \)) sample (Krejcie and Morgan, 1970), this was calculated as:

\[ n = \frac{k^{th}}{\sum k \times \sum n} \]

5.3 Scope of The Study
The study was undertaken in 5 states in Malaysia (Kelantan, Terengganu, Pahang, Kuala Lumpur and Johor) due to the earlier response to participate in the study. The subject were Islamic banking employees throughout the country. Screening for sample was done by contacting headquarters of 16 Islamic banking in Malaysia which started in January 2015 to May 2015. Thus, the result might only be generalized to the Islamic banking employees in these states of Malaysia. The finding might be different if the scope is increased to other country.

5.4 Subject of The Study
The subject of the study consisted of Islamic banking employees attached either with government, private sector or international Islamic banks. Thus, the result might only be
generalized to the above population. In other words, the finding might different if the scope is increased to include other kind of bank for example is conventional banks. Different type of banks might pose different characteristic. To be qualified as research participants the must be also 20 years old and above. A more detail description of their demographic characteristics will be discusses in chapter IV.

5.5 Measurements.
The instrument to measure employee engagement is adapted from from Alimo-Metcaf and Alban-Metcafe (2002). It is assessing using 6 items measured for example (I know the goal and objectives of my job). Contextualized by a clear line of sight to the organization’s overall goals and objectives provides a clear sense of job meaning. Additionally it refers to a rational appraisal by individuals that the organization is likely to meet employees objectives in term of contribution, support and advancement. A 7 items for economic performance were adapted from Michelloti (2010). This resulted in a final corporate reputation measure, describing various qualities of companies and their performance. The performance of company in form of economic and financial are asked for example (My company has a low-risk investment). Organizational justice was measured using an 8 items adapted from Niehoff and Moorman (1993) covering perceptions of distributive justice (ex: My work schedule is fair), procedural justice(ex: My manager makes sure that all employee concerns are heard before job decisions are made) and interactional justice(ex: When decisions are made on my job, the manager treats me with consideration).

5.7 Data Collection Procedure
These institutions were contacted by e-mail and phone call to gain access for their cooperation in answering the questionnaire that will be post to them later. One thousand surveys were distributed to their offices all around Malaysia except Sabah and Sarawak. Respondents were given approximately two weeks in which to respond. An e-mail reminder was sent to the liaison officer who had been selected by the top management. The liaison officer was expected to use the company’s internal e-mail during the second week to encourage non-respondents to take part in the survey. After one month, the number of employees responding only 1% and a second e-mail reminder was sent during the fifth week by the liaison officer. E-mail reminders are crucial in gaining a higher response rate (Sheehan & McMillan 1999). The survey took ten months to complete due to the initial low response rate from all locations. A total of 215 questionnaires received and only 200 were usable, yielding a response rate of 20%. According to Hair (2010), this amount of data is acceptable to run SEM-AMOS.

6.0 FINDINGS AND DISCUSSION
6.1 Demographic profile
The result indicated that the respondents are represented almost equally in both gender categories namely male and female. A 55.5% respondents are male and the rest of 44.5% are female. Their ages are ranging from 20 to 50 years old and most of them (39%) are around 31-40 years old followed by 37% age of 20-30 years old. A 20% represent the age of 40-50 years old, 5% below 20 years old and the rest is 3% for over than 50 years old. the respondents are taken across all education levels. The highest level of education attained by respondents ranged from SijilPelajaran Malaysia (SPM) to Postgraduate. Most of the respondents (36%) completed their education with a Bachelor Degree, 31% with Diploma, 30.5 % with SijilPelajaran Malaysia (SPM). A 1.5% represented the holder of
professional qualification and 2% of them are Sijil Tinggi Pelajaran Malaysia (STPM), almost half of respondents (52.0%) are executive, 38% clerk and 5.5% are manager. Meanwhile 4.5% are appointed as sales agents. (47%) are from the group that get RM1, to RM3,000. Follow by the second group (33%) that get payment RM3,001 to RM4,000. Only 11% of them get the salary over RM5,000 and the rest of 4.5% are get paid below RM1,500. 39% have being working there for about 1 to 10 years that represent the very large percentage from respondents. It is follow by the respondent that have been working there 10 to 20 year with 29%. Only 15.5% of them were working there over than 20 years and the rest of 16.5% is below than 1 year.

6.2 Analysing the Mediating Effects Using Amos Graphic for the Observed Variables

The test of mediator is only meaningful if the direct effect is statistically significant (Zainuddin, 2014). If one or more of these relationships are not significant, is not possible or likely (MacKinnon, Fairchild, & Fritz, 2007). Zainuddin (2014) proposed a three step approaches in which several regression analyses are conducted and significance of the coefficients is examined at each step. Firstly, modelling the simple effect of X₁ on Y and test the direct effect in order to get the output of B₁. It has a significant effect on Y if p-value is less than 0.001. Secondly, enter the mediator variable into the model and test the direct effect of X₁ on Y. Finally, test the hypothesis for B₂ and B₃, if these two hypotheses are significant, then the type of mediation is complete mediation.

Table 1: The direct effect of X₁ on Y

<table>
<thead>
<tr>
<th>Variable</th>
<th>Variable</th>
<th>Estimate</th>
<th>S. E.</th>
<th>C.R.</th>
<th>P-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>Economic Performance</td>
<td>.962</td>
<td>.114</td>
<td>8.42</td>
<td>7</td>
<td>***</td>
</tr>
</tbody>
</table>

The test of mediator is meaningful since the direct effect is statistically significant.

Figure 1: Modelling and The result of direct effect of Economic Performance

Next, the mediator entering the model and some changes happened as in the graphics and table below:-
Figure 2: The AMOS output showing regression Coefficient between variables.

Table 2 : the Path Coefficient and its significance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Variable</th>
<th>Estimate</th>
<th>S. E.</th>
<th>C.R.</th>
<th>P-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>Economic Performance</td>
<td>.569</td>
<td>.11</td>
<td>5.14</td>
<td>9</td>
<td>***</td>
</tr>
<tr>
<td>Organization Justice</td>
<td>Economic Performance</td>
<td>.704</td>
<td>.09</td>
<td>7.39</td>
<td>7</td>
<td>***</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>Organization Justice</td>
<td>.559</td>
<td>.10</td>
<td>5.55</td>
<td>8</td>
<td>***</td>
</tr>
</tbody>
</table>

The output in the table 2 shows the coefficient value for B₁ is reduced from 0.962 to 0.569 when mediator (Organizational Justice) enters the model, and the direct effect of B₁ on dependent variable (Employee Engagement) is still significant. The type of mediation here is called “partial mediation”. Therefore, the hypothesis is supported.

H1: Economic performance has a significant influence on employee engagement.

7.0 CONCLUSION
The current study reinforced the proposition by Saks (2006) that the SET can provide a meaningful theoretical basis for understanding and studying employee engagement. Accordingly, this study showed that the relationship between the organisation and its employees can be viewed as a mutually beneficial arrangement in a reciprocal exchange. Likewise, when employees perceive the existence of organisational and management support, they will respond by showing vigour, absorption and dedication to their job and organisation. Higher level of understanding of this characteristics and motivation can increase the level of organizational citizenship amongst employee. Therefore organizations are called to emphasize on these factors to be emphasized to in order to promote engagement amongst their employees.

REFERENCES


