

**THE EFFECT OF EMPLOYEE ENGAGEMENT ON JOB
PERFORMANCE:
THE CASE OF ETHIOPIAN PRIVATE BANKS**

*A Thesis Submitted to Addis Ababa University School of Commerce in
Partial Fulfillment of Masters of Art in Human Resource Management*



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STATEMENT OF DECLARATION

I, Jemal Abuna, declare that the thesis entitled “The Effect of Employee Engagement on Job Performance: The Case of Ethiopian Private Banks” is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Abeba Beyene (PhD). Any other contributors or sources used for the study have been appropriately acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

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Statement of Certification

This is to certify that the thesis prepared by Jemal Abuna entitled: The Effect of Employee Engagement on Job Performance: The Case of Ethiopian Private Banks and submitted in partial fulfillment of the requirements for the Degree of Master of Arts in Human Resources and complies with the regulation of the University and meets the accepted standards with respect to originality and quality.

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The Effect of Employee Engagement on Job Performance:
The Case of Ethiopian Private Banks

*A Thesis Submitted to Addis Ababa University School of
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List of Abbreviations

CIPD Chartered institute of personal development

EI Emotional Intelligence

EE Employee Engagement

HR Human Resource

IES Institute of engagement survey

SET Social exchange theory

UWES Utrecht Work Engagement Scale

ABSTRACT

The main objective of this paper is to examine the effect of Employee Engagement on Job Performance: The case of Ethiopian Private Banks. This study depends on data gathered from managers/supervisors, Professionals and Clerical employees of Head Office of the Ethiopian Private Banks. The study used quantitative research approach and Explanatory research design. The data used in the study was primary data collected through questionnaires adopted from prior literatures. The scope of the research was delimited to Head Office of the 16 private banks geographical and conceptually the three dimensions of employee engagement: vigor, dedication and absorption were used. The Utrecht Work Engagement Scale (UWES) was used to measure engagement level. Job Performance was measured through three dimensions: trait emotional intelligence, in-role performance and extra-role performance adopted from literatures.

Information gathered from respondents using five points likert scale was analyzed using inferential and descriptive statistics. The findings of the study demonstrated that there was a positive effect of employee engagement on job performance.

The result of the present study proposes the significance of employee engagement for the success of organizational performance through different contributions engaged employees deliver to their organizations.

Key words: *Employee Engagement, Vigor, Dedication, Absorption, Job Performance, trait emotional Intelligence, in-role performance, extra-roe performance.*

CHAPTER ONE

INTRODUCTION

The chapter deals about the background of the study, followed by the problem statement, purpose of the study and research objectives. Next, the significance of the study, delimitations, definition of terms and organization of the study will be discussed.

1.1 Background of the Study

Employee engagement is an emerging concept in business, management, organizational psychology and human resource development fields (Wollard & Shuck, 2011). Around the world there is currently great deal of interest in the concept of employee engagement. Employee engagement is the extent of employees' involvement to their works which depends on organizational practices to achieve organizational goal. Gruman and Saks (2011) have identified employee engagement as the key to achieve organizational success and competitiveness. In fact, engaged employees are significant for organizations since they were said to significantly contribute to the bottom line (Demerouti & Cropanzano, 2010). Prior studies showed a positive influence of employee engagement on employee attitude, behavior and performance such as job satisfaction (Hakanen & Schaufeli, 2012); work ability (Bakker, Demerouti & Lieke, 2012) and innovative behavior (Slatten & Mehmetoglu, 2011) and negative influence on turnover intention (Agarwal, Datta, Blake-Beard & Bhargava, 2012); deviant behavior (Shantz, Alfes & Latham, 2014) and absenteeism (Schaufeli & Bakker 2004). Macey, Schneider, Barbera & Young, (2009) also asserted that organizations can achieve a competitive advantage through employee engagement. To curb this issue, scholars' attention has given the focus upon the enhancement of

employee engagement. Though employee engagement found as an important determinant for organizational competitiveness, at the recent time, many researches have shown the declining pattern of employee engagement which has created a deepening disengagement among employees as well (Richman, 2006; Bates, 2004). For example, Gallup's survey (2012) have identified that around the world, 63% of employees are not engaged at their job suggesting that most of the employees are not motivated to do their job properly which leads to a poor employee Performance. Kahn (1990) stated that disengaged employees are found as psychologically absent during their role performance which ultimately have the negative impact on their productivity. It has been also noted that the most of the workers today, around half of all Americans in the workforce, are not fully engaged or they are disengaged which will lead to an engagement gap (Bates, 2004; Johnson, 2004). On the other hand, despite the recognized importance of engagement, it has been found that a limited research on employee engagement in the academic literature (Robinson, Perryman & Hayday, 2004). More specifically, different studies took different construct to measure employee performance rather to give focus on comprehensive analysis of employee engagement on employee performance.

Based on the backdrop of importance of employee engagement to employee outcomes, along with the higher level of disengagement among employees around the world, the crucial issue is how employee engagement may enhance the level of employee performance at work. Therefore, the main objective of this study is to investigate the effect of employee engagement on employee and organizational performance.

1.2 Background of the Organization

The history of banking in Ethiopia dates back to the era of the Axumite dynasty. However, modern banking in Ethiopia started in 1905 with the establishment of Abyssinian Bank

based on a 50 years agreement with the Anglo-Egyptian National Bank. In 1908, a new development bank (named Societe Nationale d’Ethiope Pour le Developement de l’Agriculture etdu Commerce) and two other foreign banks (Banque de l’Indochine and the Compagnie de l’AfriqueOreintale) were also established Pankhurst (1968) cited in Alemayehu Geda (2006). These banks were criticized for being wholly foreign owned. In 1931 the Ethiopian government purchased the Abyssinian Bank, which was the dominant bank, and renamed it the ‘Bank of Ethiopia’—the first nationally owned bank on African continent Belay, (1990); Befekadu, (1995).

In 1943, the Ethiopian government established its own bank called State Bank of Ethiopia, which was serving both the commercial bank and central bank activities. Later on it is further dissolved into today’s National Bank of Ethiopia (NBE) and Commercial Bank of Ethiopia (CBE). Before the Derg regime (1974 through1991), there were private and state owned banks operating in the country such as CBE, AIDB (DBE), and HSB (CBB). By then, all financial institutions including banks were nationalized. After 1992, the financial sector has been deregulated that gives birth to private banks, insurance companies and micro finance institutions. Recently, the number of banks operating in the country reached 19 of which 3 of them are owned by the state and the remaining 16 are private commercial banks.

After the fall of the socialist regime in 1991, the financial sector of the country witnessed a major shift of paradigm. Numerous private banks, insurances, and micro financial institutions were established.

The private banks business on which the study will be conducted is a recent phenomenon in the country’s history. The banks’ operation has been re-emerged in Ethiopia before two decades. These private banks come to existence following the proclamation No. 84/1994 under the title ‘Licensing and Supervision of Banking Business’, which is latter repealed by

proclamation No. 592/2008 under the title 'Banking Business Proclamation'. The proclamations have endowed Ethiopian citizens to own and run private banking organization. Based on the privilege given for Ethiopian citizens, to establish private banks, 16 private banks are under operation as of today (NBE, 2016).

Today, the lists of private banks in Ethiopia are: Awash International Bank, which is the first private commercial bank in the country and others followed are Dashen Bank, Bank of Abyssinia, United Bank, Wegagen Bank, Nib International Bank, Cooperative Bank of Oromia, Lion International Bank, Oromia International Bank, Zemen Bank, Buna International Bank, Berhan International Bank, Addis International Bank, Abay Bank, Dehub Global Bank, and Enat Bank.

1.3 Statement of the Problem

In recent years, there has been a great deal of interest in employee engagement. Many have claimed that employee engagement predicts employee outcomes, organizational success, and financial performance (e.g. total shareholder return) (Bates, 2004). Thus, the literatures indicate that employee engagement is closely linked with organizational performance outcomes.

On the other hand, companies with disengaged employees suffer from waste of effort and ineffective talent, earn less commitment from the employees, face increased absenteeism and have less customer orientation, less productivity, and reduced operating and net profit margins (Rampersad, 2006)

As people spend most of their waking hours at the workplace, workplace psychology and behavior provokes a lot of interest for researchers. Managing and enriching the work environment is challenging and critical for organizations from a working relationship point of view and a competitive advantage standpoint (Harter, Schmidt & Hayes, 2002).

Gebauer (2008) highlights the importance of investing in organization's human capital in the form of increasing employee engagement. She outlines how people are an essential source of a company's competitive advantage. Gebauer articulates how only one in five workers today is "giving full discretionary effort on the job, and this 'engagement gap' poses serious risks for employers because of the strong connection between employee engagement and company financial performance." Even more worrying is the fact that from previous Towers Watson research, results have shown that "close to four out of 10 (38%) are what we called disenchanted or disengaged." (Gebauer, 2008).

According to Robison (2007), engaged employees work with passion and feel a profound connection to their organization. They drive innovation and move the organization forward. Not-engaged employees are employees who are at work, but are making no active contribution to the success of the organization. They are putting in their time, but no energy or passion into their work. Actively disengaged employees are not just unhappy at work, but also act out their unhappiness. These workers undermine the efforts of engaged workers.

The survey data collected by Gallup during 2014 of US companies showed that 31.5% of employee were "engaged", 51.0% were "not engaged" and 17.5% were "actively disengaged" (Adkins, 2015). Nearly 70% of all employees are not committed to the organization and lack a level of enthusiasm for work. The implications of this can be staggering when we consider the possibilities of engaging even a small portion of disengaged population.

Changes in engagement have the potential to affect the employees, the organization, and the customers. Organizations faced with this stark reality can no longer choose to do nothing about this issue. Leaders need to seek out information about employee engagement and begin to

transform their organizations from the current reality of disengagement to a future hope of engagement.

According to industry data obtained from Human Resource Process of each bank, the Ethiopian private banks are suffering from high attrition rate which has indirect connection with employee engagement because one of the outcomes of employee engagement is retention (Agarwal, *et al*, 2012).

1.3 Research Question

The study will be guided by the following key research question:

1. Are employees of the Ethiopian Private Banks engaged?
2. Do employee engagement and job performance have relationships?
3. Does Employee Engagement have an effect on job performance of Ethiopian private banks?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study is to investigate the effect of employee engagement on organizational performance in the case of private banks in Ethiopia.

1.4.2 Specific Objective

The specific objectives of the study are:

- To assess whether employees of the Ethiopian Private Banks are engaged or not.
- To examine the engagement level of employees of the Ethiopian Private Banks.
- To determine the relationship between employee engagement and job performance.

- To investigate the effect of engagement on the job performance of the private banks of Ethiopia.

1.5 Significance of the Study

The concept of employee engagement has gained considerable popularity in the last two decades. But the concept remains in the need of more empirical research especially in our country and specifically for Ethiopian Private Banks.

The findings of the study will also have practical significance in helping the banks in developing best engaged human capital. Thus, this study provides information to the organizations on the level of engagement of their employees, give strategic implication for higher officials of the banks and take actions against any signs of employees' disengagement if any to get higher effort in the form of vigor, absorption and dedication for superior job and organization performance.

For the researcher, besides acquiring academic qualification, it broadens the understanding of employee engagement issues. It can also serve as an ingredient for other researchers who would like to conduct research in the subject of employee engagement in the future.

1.6 Scope of the study

Currently, there are 16 private banks licensed by National Bank of Ethiopia to give commercial banking service in the country. Each bank is operating through its branches spread in the country. However, for the purpose of this study, concerning methodological scope, the study used only quantitative research design. The rationale behind using quantitative approach is the nature of the research questions and the most appropriate method to address the research questions.

Conceptually, the study covers only the three dimensions of employee engagement developed by Utrecht Work Engagement Scale (UWES) due to its wide acceptance and validity in many countries in academic research of the area although various conceptual models identify various dimensions of engagement. On top of that the scale is permitted by the authors to be used for academic research purpose. Therefore, the study's conceptual scope is limited to the three dimensions; namely, vigor, dedication and absorption. Job performance was measured through three dimensions namely trait emotional intelligence, in-role job performance and extra-role job performance due to their wide applicability.

Geographically, the study is delimited to Head Office of each bank. The logic behind this is that though it is possible but it is difficult to cover all areas and branches throughout the country. This is because of time and resource constraint and as a result the researcher decided to conduct the research through sampling method and hence believes that the chosen sample represents the whole population.

1.7 Definition of Terms

For the purposes of this study, the following words and phrases are defined as follows:

Employee Engagement: It can best be described as a harnessing of one's self to his or her roles at work. In engagement, people express themselves cognitively, physically, and emotionally while performing their work roles (Kahn, 1990).

Disengagement: In disengagement, people withdraw and defend themselves physically, cognitively, or emotionally while performing their work roles (Kahn, 1990).

Job Burnout: A special type of job stress — a state of physical, emotional or mental exhaustion combined with doubts about your competence and the value of your work (Maslach, Schaufeli, & Leiter, 2001).

Vigor: Refers to high levels of energy and mental resilience while working (Bakker, Demerouti & Xanthopoulou, 2007).

Dedication: refers to being strongly involved in one's work, and experiencing a sense of significance and enthusiasm (Bakker, Demerouti & Xanthopoulou, 2007).

Absorption: Refers to being fully concentrated and happily engrossed in one's work. (Bakker, Demerouti & Xanthopoulou, 2007).

1.8 Limitations of the study

The limitations of the study are, first, that there are likely to be others factors contributing to job performance not identified in the study. Second was related to extraneous variables that needed to be controlled that has/have a constraining or facilitating effect on the relationship between independent variables (employee engagement) and dependent variable (job performance). So far, there was no any external factor to the researcher that needed to be controlled. Third the researcher had opted only in closed ended questionnaire or quantitative analysis only.

1.9 Organization of the Study

The study is classified in to five chapters. These are the introduction, the review of the related literature, the research methodology, result and discussion, and conclusion and recommendation parts. Chapter one is an introductory part which consists of back ground of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study and organization of the study.

Chapter two discusses review of related literatures on areas of the research topic. In chapter three the study covers the research methodology applied to conduct the study. This chapter constitutes description of the study, research design, types of data, sources of data,

sampling and sample size determination, data collection methods and instruments, data analysis and presentation and ethical issues will be considered in the study.

The result and discussion of the study builds the fourth chapter. The fifth chapter includes major findings, the conclusion and recommendation of the research. Other accompanying parts are presented as preface and appendix at the beginning and ending part of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The purpose of the literature review is to examine key concepts and related research relevant to employee engagement. This chapter presents the literature that was reviewed to provide a theoretical and conceptual ground for the study. It starts with definition and evolution of employee engagement, continues with categories of employee engagement, models of employee engagement, employee and organizational performance and finally the effect of employee engagement on organizational performance will be discussed based on reviewed literatures. It also identifies the research issues that will be addressed and a detailed discussion of the underlying concepts and variables.

2.1 Theoretical Literature Review

2.1.1 Evolution and Definition of Employee Engagement

Employee engagement is a relatively new concept in the academic community but has been heavily promoted by consulting companies (Wefald & Downey 2009b). Scholars and practitioners in the HRM field tend to agree that the fundamental concept of engagement may help explain behavior at work, but they present different definitions of it. The concept of engagement was first introduced by Kahn to explain how people are personally engaged and disengaged at work.

Kahn defined 'job engagement' as 'the harnessing of organizational members' selves to their work roles where people express themselves physically, cognitively, and emotionally during role performances' (Kahn 1990, p.694).

Stockley (2007) defines engagement as the extent that an employee believes in the mission, purpose, and values of an organization, and demonstrates that commitment through their actions as an employee and their attitude towards the employer and customers.

Robinson's definition of engagement (2004) is the employee's positive attitude towards the organization and its value. Employee engagement means working with co-workers and being conscious of the business context to advance performance in the job for the advantage of the organization.

Rothbard (2001) also defines engagement as psychological presence but goes further to state that it involves two critical components: attention and absorption. Attention refers to "cognitive availability and the amount of time one spends thinking about a role" while absorption "means being engrossed in a role and refers to the intensity of one's focus on a role."

Schaufeli, Salanova, Gonzalez-Roma & Bakker (2002, p. 74) defined engagement "as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption." They further state that engagement is not a momentary and specific state, but rather, it is "a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior".

Therefore analyzing both academic and practitioner understandings of employee engagement could add to the knowledge of how employee engagement is understood as well as whether or not employee engagement is a meaningful concept and warrants further academic research to strengthen its theoretical foundations and practical application.

On the other hand, Burnout researchers define engagement as the opposite or positive antithesis of burnout (Maslach et al., 2001). According to Maslach et al. (2001), engagement is characterized by energy, involvement, and efficacy, the direct opposite of the three burnout

dimensions of exhaustion, cynicism, and inefficacy. Research on burnout and engagement has found that the core dimensions of burnout (exhaustion and cynicism) and engagement (vigor and dedication) are opposites of each other (Gonzalez-Roma, Schaufeli, Bakker & Lloret, 2006).

Schaufeli et al. (2002:74) define engagement “as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption.” They further state that engagement is not a momentary and specific state, but rather, it is “a more persistent and pervasive affected cognitive state that is not focused on any particular object, event, individual, or behavior”.

In academic literature, engagement is said to be related to, but distinct from, other constructs in organizational behavior.

Organizational commitment differs from engagement in that it refers to a person’s attitude and attachment towards their organization. Engagement is not an attitude; it is the degree to which an individual is attentive and absorbed in the performance of their roles (Saks, 2006). And while organizational citizenship behavior involves voluntary and informal behaviors that can help co-workers and the organization, the focus of engagement is one’s formal role performance, rather than extra-role and voluntary behavior.

Engagement also differs from job involvement. According to May, Gilson & Harter (2004), job involvement is the result of a cognitive judgment about the need satisfying abilities of the job and is tied to one’s self-image. Engagement has to do with how individuals employ themselves in the performance of their job. Furthermore, engagement involves the active use of emotions and behaviors in addition to cognition. May et al. (2004:12) also suggest that “engagement may be thought of as an antecedent to job involvement in that individuals who experience deep engagement in their roles should come to identify with their jobs.”

2.1.2 Categories of Employee Engagement

According to the Gallup Consulting Organization (The Gallup Organization, 2004), there are different types of people in terms of engagement: Engaged, not engaged and actively disengaged.

Engaged

"Engaged" employees are builders. They are more committed to the organization. They are naturally curious about their company and their place in it. They perform at consistently high levels. They want to use their talents and strengths at work every day. They work with passion and they drive innovation and move their organization forward. They are less likely to leave the organization.

Not Engaged

Not-engaged employees tend to concentrate on tasks rather than the goals and outcomes they are expected to accomplish. They want to be told what to do just so they can do it and say they have finished. They focus on accomplishing tasks versus achieving an outcome. Employees who are not-engaged tend to feel their contributions are being overlooked, and the company is not harnessing their potential. They often feel this way because they do not have productive relationships with their managers or with their co-workers.

Actively Dis-engaged

The "actively dis-engaged" employees are the "cave-dwellers." They are "consistently against virtually everything." They are not just unhappy at work; they are busy acting out their unhappiness. They sow seeds of negativity at every opportunity. Every day, actively dis-engaged workers undermine what their engaged co-workers accomplish. As workers increasingly rely on

each other to generate products and services, the problems and tensions that are fostered by actively dis-engaged workers can cause great damage to an organization's functioning. They increase the cost of the organization by low quality, customer dis-satisfaction, and missed opportunities.

The following figure shows what each category of employee do for/ to the company.

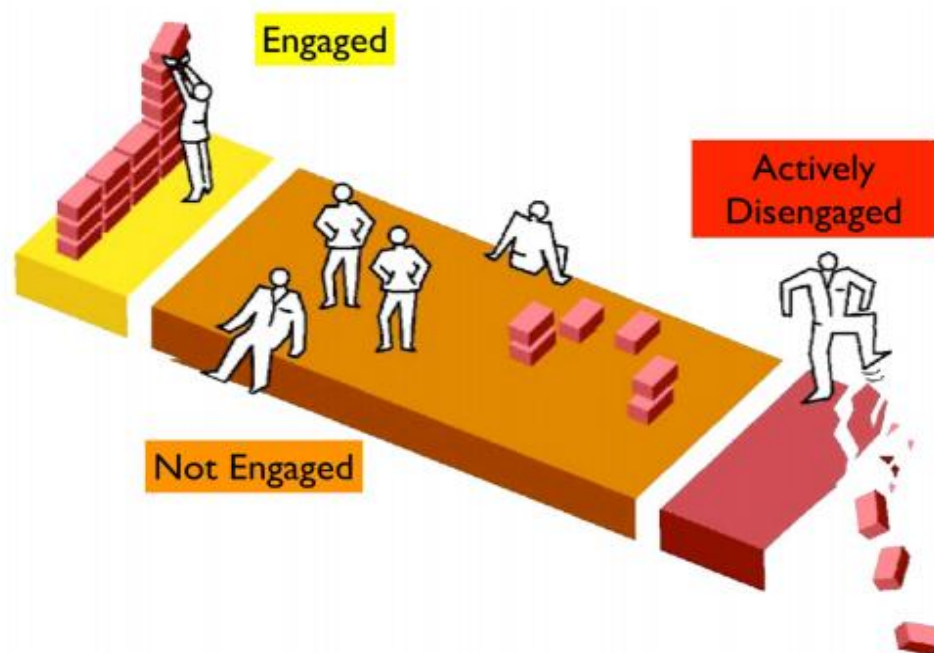


Figure 1 Measurement of employee engagement (source: [http://: www.infosurv.com](http://www.infosurv.com))

2.1.3 Models of Employee Engagement

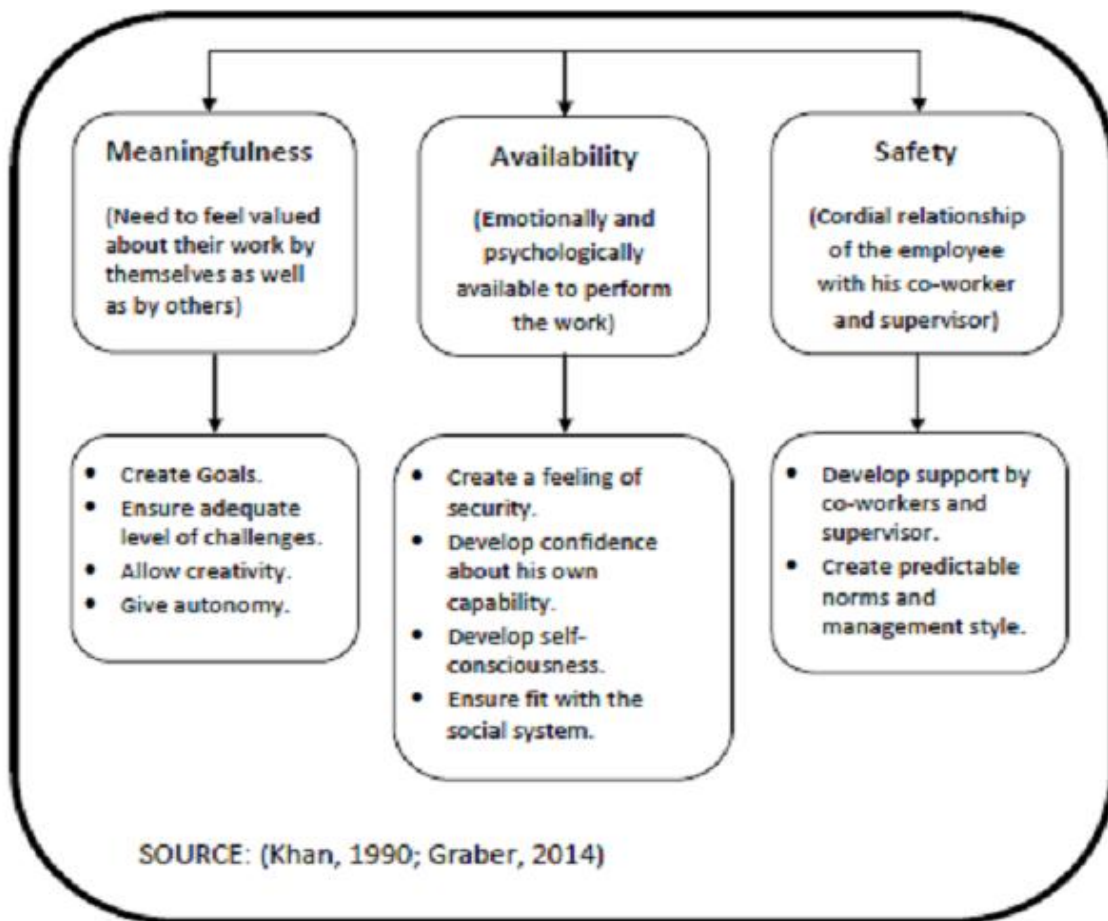
While elaborating the concept of employee engagement, researchers like Khan (1990), Maslach et al. (2001), Robinson et al. (2004), Saks (2006) and Aon Hewitt (2011) formulated different models that categorically discussed about the various dimensions of employee engagement. Those essentially highlighted about the engaged employees, the environment and facilities that keep them motivated and dedicated to work for a mutual benefit while

establishing a work life balance in the day-to-day schedule. On this context, a detail investigation about these models have been made here and the outcomes are hereunder:-

2.1.3.1 Kahn's Model

Kahn's model (1990) of employee engagement is considered to be the oldest model of employee engagement. His model emphasizes that there are three psychological conditions that are associated with personal engagement and disengagement of work: meaningfulness, availability and safety. For the purpose of his study, Kahn interviewed summer camp counselors and organizational members of an architectural firm about their moments of engagement and disengagement at work. He found that, workers were more engaged at work situations that offered them more psychological meaningfulness and psychological safety, and when they were psychologically available.

Figure 2.1 Kahn's model of engagement

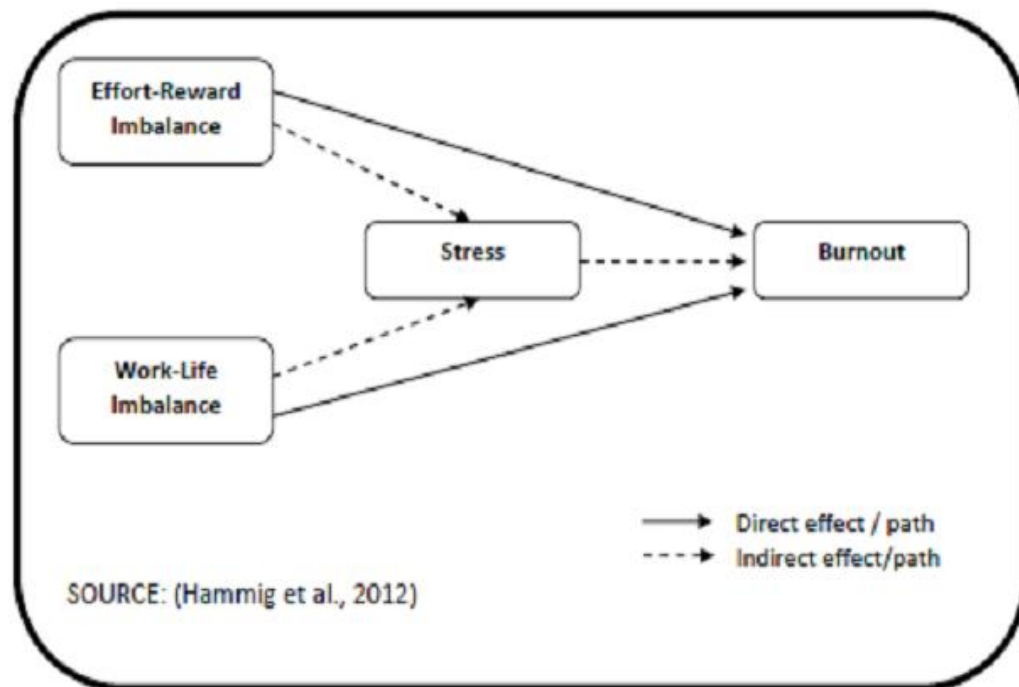


2.1.3.2 Maslach, Schaufelli and Leiter Model

Another model of engagement comes from the research work of Maslach, Schaufelli and Leiter on “Job Burnout” in the year 2001. According to them, six areas of work-life lead to burnout and engagement: (I) work load (II) control (III) rewards and recognitions (IV) community and social support (V) perceived fairness, and (VI) values. In their model, they argued that job engagement is associated with various characteristics like (i) sustainable workload (ii) feeling of choice and control (iii) appropriate recognition and reward (iv) a supportive work community (v) fairness and justice, and (vi) meaningful and

valued work. It came to light that like burnout, engagement is expected to mediate the link between the six work-life factors and works out-comes. Further, they argued that job characteristics, especially feedback and autonomy, have been constantly related to burnout.

Figure 2.2 Maslach, Schaufelli and Leiter Model



2.1.3.3 Robinson, Perryman and Hayday Model

The model developed by Robinson, Perryman and Hayday (2004) described engagement as a two-way relationship between the employer and employees (Hewitt Associates, 2004). Their model was described in the research work entitled “The drivers of employee engagement”, where they suggested that employee engagement is a positive attitude held by the employees towards the organization and its values. The model further identified that an engaged employee is one who is aware of business context and works with colleagues to improve performance within the job to add value to the organization. The model emphasizes, the commitment of

employees is possible when the organization continues to focus on developing and nurturing the employees.

Figure 2.3 Robinson, Perryman and Hayday Model

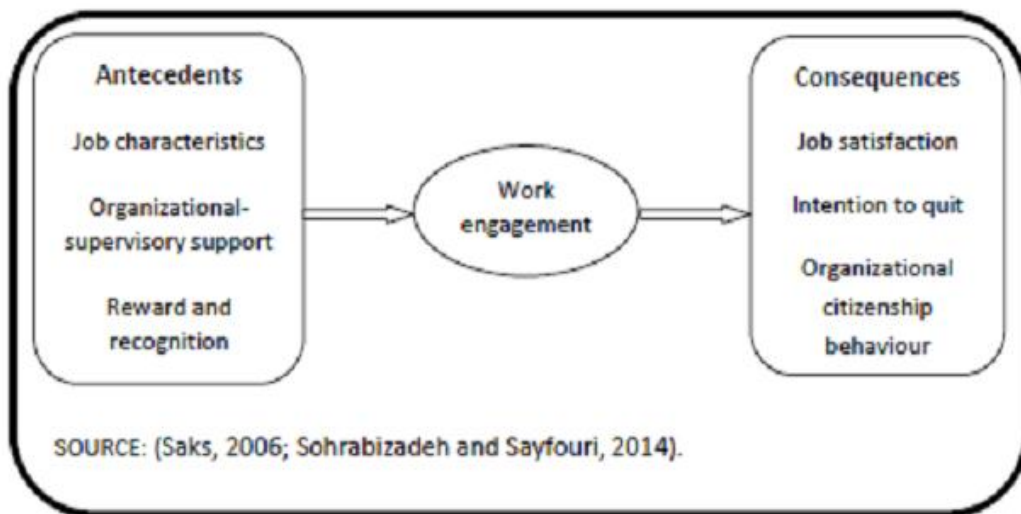


2.1.3.4 Saks Model

A conceptual model was developed by Saks in the year 2006 in the context of his research work on “Antecedents and Consequences of Employee Engagement” that focused on three basic aspects of employee engagement: (i) the employees and their psychological makeup and experience (ii) the ability of the employer to create a conducive environment that promotes employee engagement and (iii) interaction between employees at all levels. The researcher developed an evaluation process and showed the interconnection between three parameters: antecedents, employee engagement and consequences. Factors like job satisfaction, training and development, reward and recognition, and assertive relationship with peers and supervisors have been taken as antecedents that impact directly the state of engagement of employees that can be attributed to the factors like commitment, ownership, satisfaction, participation etc. The

consequences are the end result of the evaluation process that can be evaluated with customer satisfaction and enhanced performance measures.

Figure 2.4 Saks Model

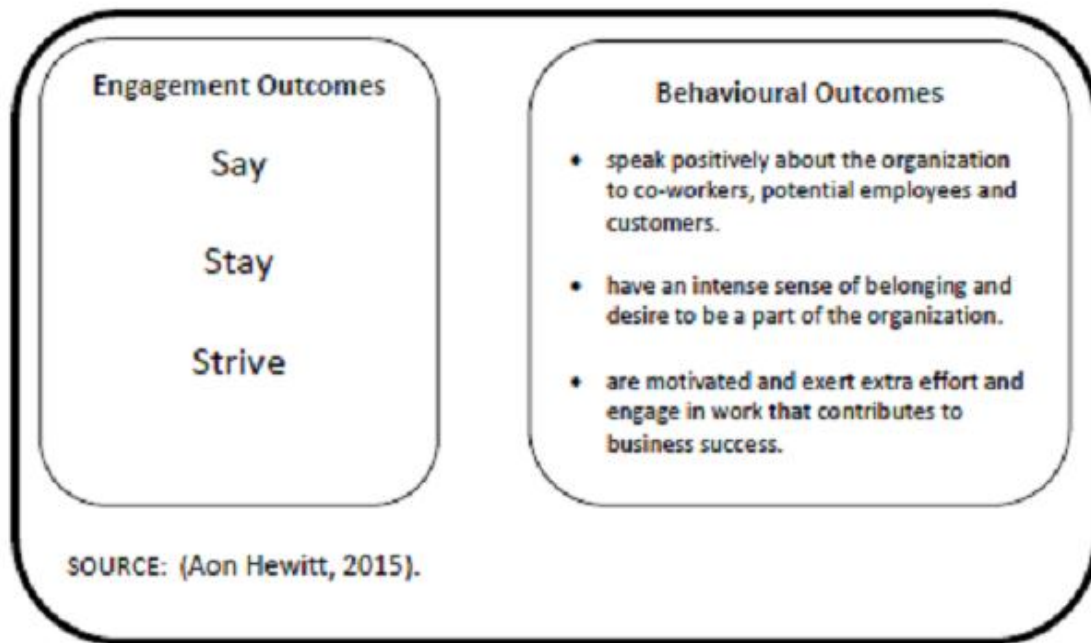


2.1.3.5 Aon Hewitt Model

The Aon Hewitt model (2011) examines both the individual state of engagement as well as the organizational antecedents. It states engagement as the state of emotional and intellectual involvement that motivates employees to do their best work. The model has a global validation supported by over 15 years of research in the area of organizational psychology.

According to this model, engagement is an individual, psychological and behavioral state and the behavior of the engaged employees demonstrates positive outcomes in the business like customer satisfaction, increased sales, and other positive extra role behaviors.

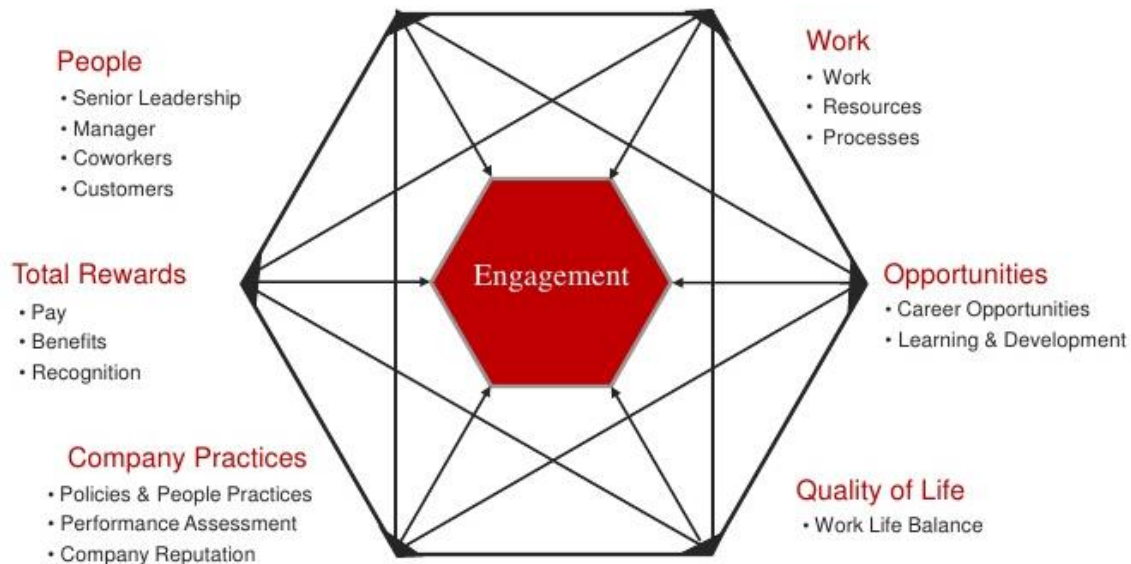
Figure 2.5 Aon Hewitt Model



Further, according to this model, there are typically six engagement drivers and twenty two organizational antecedents attached to these drivers that lead to individual's engagement in an organization.

The engagement drivers are identified as (i) quality of life (ii) work (iii) people (iv) opportunities (v) total rewards and (vi) company practices. However, apart from the people factor rests are resulting through the people factor itself. Hence the people factor is the most crucial element driving the rest of the factors. Further, the model says that the engagement drivers are interrelated, and they do not operate in isolation.

Figure 2.6 Modified Aon Hewitt Engagement Framework Model



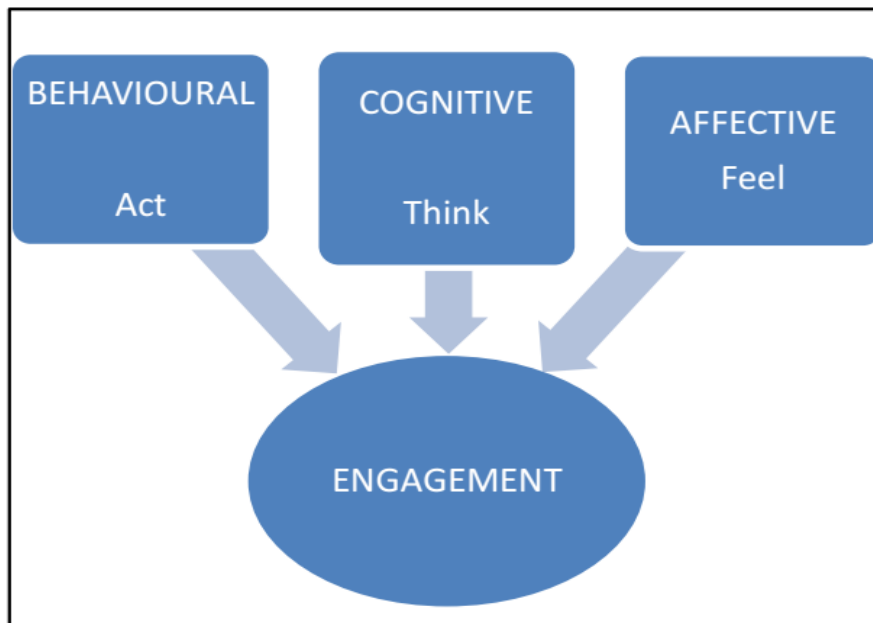
Source: <https://www.infotech.com>

2.1.3.6 The ISR Model

According to ISR, cognitive (think) occurs when an individual agrees with the mission, values and goals of the organization in question and buys into them, resulting in a sense of belonging to and contributing towards the organization.

In relation to the affective (feel) element of the model, ISR comments that as a positive consequence of attaining “buy in”, engaged employees feel a sense of pride in their association to the organization. Affective is the element within the model which can be closely correlated with organizational loyalty. The last and most critical element of the ISR model is the behavioral (Act) element. This element consists of the actions the individual within the organization will display, thus reinforcing their beliefs and feelings.

Figure 2.7 The ISR Model adapted from Robert Knight, August 2011



2.1.3.7 Job Demands–Resources (JD-R) Model and Differentiated JD-R Model

Although both Kahn's (1990) and Maslach et al.'s (2001) models indicate the psychological conditions or antecedents that are necessary for engagement, they do not fully explain why individuals will respond to these conditions with varying degrees of engagement (Saks, 2006; Bandura, 2001; Hirschfeld & Thomas, 2008).

To address the issue, Demerouti et al. (2001) introduced the Job Demands – Resources (JD-R) Model, which is one of the most often used models to explain engagement. The starting point of the JD-R model is that regardless of the type of job, the psychosocial work characteristics can be categorized into job resources, personal resources (including personal traits) and job demands (Demerouti et al., 2001; Schaufeli & Bakker, 2004). Schaufeli and Bakker (2004) state that job resources and job demands evoke different processes: job demands

drain the employee's energy resources, leading to burnout and health impairment, whereas the availability of personal and job a resource stimulates work engagement.

Resources can come from the task (e.g., skill variety, task identity, task significance, autonomy, performance feedback), organization of work (e.g., role clarity, participation in decision making), organization (e.g., pay, career opportunities, job security, training and other organizational processes), interpersonal and social relations (e.g., supervisor and coworker support, team climate, person's family; Shuck et al., 2011) or from the employees themselves (e.g., health, self-beliefs of efficacy, resiliency, optimism, trust, motivation, feeling valued, a desire to learn, ownership and the need for challenge; Bakker & Demerouti, 2007; Shuck et al., 2011).

The proposition is that resources are then used to overcome or buffer from job demands, such as physical demands (the amount of physical effort necessary for a job), work conditions (health hazards, temperature and noise), or other psychological, social, organizational aspects of the job, which require sustained physical and/or psychological effort or skills (Bakker, 2011; Christian et al. 2011).

This model is used in this study because it constitutes dimensions used to measure job performance.

2.2 Measuring Employee Engagement

Engagement is a measurable construct. At present number of consultants and practitioners are analyzing and depicting employee engagement with their own style and way. The oldest is Gallup Organization and afterwards Towers Perrin, Hewitt Consultants, Blessing White, Decision Wise, CIPD, Tower Watson etc.

There is no generalized way to measure employee engagement. For example Gallup suggests 12 questions (Q12) to measure engagement whereas Towers Perrin uses their 9 questions to measure engagement and then they put respondents into three "buckets"- Highly engaged, moderately engaged and disengaged.

In academic field also few academicians developed few scale to measure engagement. The Utrecht Work Engagement Scale (UWES) developed by Wilmar Schaufeli & Arnold Bakker is permitted by them for the research work and is widely used. It includes the three constituting aspects of work engagement: vigor, dedication, and absorption.

2.2.1 Utrecht Work Engagement Scale (UWES)

Because of the importance of the work engagement construct, the Utrecht Work Engagement Scale (UWES; Schaufeli and Bakker, 2003) was developed to measure the underlying dimensions of work engagement including vigor, dedication, and absorption. UWES is available in 17 languages (Schaufeli & Salanova, 2007) and have been psychometrically evaluated in over ten countries including China (Yi-Wen & Yi-Qun, 2005), Finland (Hakanen, 2002), Greece (Xanthopoulou, Bakker, Demerouti, & Kantas, 2007), South Africa (Storm & Rothmann, 2003), Spain (Schaufeli, et al., 2002), and The Netherlands (Schaufeli & Bakker, 2003; Schaufeli, et al., 2002), Japan (Shimazu, et al., 2008).

In most of these countries, the factor validity studies show that scores on the UWES are best represented by three factors (e.g., Schaufeli, Bakker, & Salanova, 2006); however, not all items are invariant across countries (Schaufeli, et al., 2006). Due to the fact that UWES has been validated across many cultures, researchers (e.g., Storm & Rothmann, 2003) have acknowledged that it can be used as an unbiased instrument to assess work engagement because the three-factor model has proven cross-national validity.

2.2.2 Gallup Workplace Audit (q12)

This measure of employee engagement is based upon the work of Buckingham and Coffman (1999), who derived 12 questions to measure employee engagement from thousands of focus groups across 2,500 business, healthcare and education units. The questions address issues such as understanding what is expected of you at work, having the resources to perform well, recognition and praise, encouragement to develop, being listened to and friendships at work (Bates, 2004).

Responses to these questions have been linked to business outcomes such as bottom-line profit, productivity, employee retention, and customer loyalty and engagement. Whilst the tool has undergone tests of its reliability, Bhatnagar (2007) asserts that the q12 contains some contamination from concepts such as employee satisfaction, commitment and involvement and so further work is required to determine the validity of this measure.

2.2.3 Towers Perrin Rapid Engagement Diagnostic Survey

This web or paper based survey offers the ability to measure and benchmark organizations' engagement levels and identifies what may drive engagement in a given organization, and where organizations can intervene. The survey is developed from work undertaken with 40,000 employees in northern America (Towers Perrin, 2003 & Towers Perrin, 2005). The survey is grounded in nine factors that Towers Perrin propose 'truly define' engagement. According to Towers Perrin, the advantage of this survey is that it is faster and cheaper than more traditional measures of engagement (Towers Perrin, 2005).

2.2.4 Institute for Employment Studies (IES) Engagement Survey

The engagement indicator consists of twelve attitudinal statements that examine organizational citizenship, organizational commitment, the extent to which individuals identify with the values of the organization, and their belief that the organization enables the individual to perform well.

Respondents mark their level of agreement with each statement on a scale of one to five. It is also available in a shorter five statements indicator, and has demonstrated good statistical reliability (Robinson, Hooker and Hayday, 2007).

2.2.5 Measures Adopted by the researcher

Though different researchers have used different mechanisms to measure the effect of work/employee engagement on job/organizational performance, the researcher preferred to use the following measurement methods due to the fact that they are widely used by academic researchers. All measures used a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

2.2.5.1 Work engagement

Work engagement was measured using the 17-item version of the Utrecht Work Engagement Scale (UWES-17; Schaufeli, Bakker, & Salanova, 2006). This scale measured the three sub-dimensions of work engagement: vigor, dedication and absorption.

2.2.5.2 Trait emotional intelligence

Trait EI was measured using the 5-item TEIQueSF which has been designed to measure global trait EI. The TEIQue-SF is derived from the full version of the TEIQue (Petrides & Furnham, 2003), which lists 15 different facets.

2.2.5.3 In-role job performance

In-role job performance was measured using nine items developed by Goodman and Svyantek (1999).

2.2.5.4 Extra-role job performance

Extra-role performance was measured using eight items developed by Williams and Anderson (1991) which measured organizational citizenship behaviors (e.g., help others who have been absent, attendance at work is above the norm).

2.3 Employee Performance

Employee performance is all about outcome of the employee which may be financial or non-financial. However all measures will be ultimately linked to the success of the organization through the employees. Studies show that an important way to enhance the employee performance is to focus on fostering employee engagement as a driver of increased performance. Empirical evidences (Christian, Garza and Slaughter, 2011 ; Fleming and Asplund, 2007; Rich, LePine and Crawford, 2010; Richman, 2006, Macey and Schneider, 2008, Holbeche and Springett (2003), Leiter and Bakker, 2010) also suggests that the presence of high levels of employee engagement enhances job performance, task performance and organizational citizenship behaviors, productivity, discretionary effort, affective commitment, continuance commitment, levels of psychological climate and customer service. Therefore it was intended to study the strength of impact employee engagement has on employee performance. Based on a review of a number of theories, Demerouti and Cropanzano (2010) concluded that engagement can lead to enhanced performance as a result of a number of mechanisms. Their conclusions are supported by a growing number of studies demonstrating a positive relationship between

engagement and individual performance (e.g., Xanthopoulou et al., 2008, Halbesleben, 2010, Mone and London, 2010).

In spite of the same being proved in various researches, this study aims in identifying the effect of the key dimensions of employee engagement, recognized in this study, on employee performance or job performance.

2.4. Job Performance Consequences of Engagement

As stated previously, the overarching purpose of this research is to provide insight into the role that engagement plays in relationships with job performance. Here we define job performance as the aggregated value to an organization of the set of behaviors that an employee contributes both directly and indirectly to organizational goals (Borman & Motowidlo, 1993; Campbell, 1990). We chose a behavioral conceptualization of job performance because engagement is a concept that reflects human agency, and thus it is appropriate to focus on consequences that are largely under an employee's volitional control. Moreover, because behavioral performance has multiple dimensions, this perspective can provide insight into the specific types of employee behaviors that transmit the effects of engagement to more "objective" outcomes, such as productivity, efficiency, and quality.

Kahn (1990) did not explicitly outline a relationship between engagement and job performance. However, we have strong theoretical reasons to believe that such a link exists. At a general level, employees who are highly engaged in their work roles not only focus their physical effort on the pursuit of role-related goals, but are also cognitively vigilant and emotionally connected to the endeavor (Ashforth & Humphrey, 1995; Kahn, 1990). In contrast, employees who are highly disengaged in their work roles withhold their physical, cognitive, and emotional

energies, and this is reflected in task activity that is, at best, robotic, passive, and detached (Goffman, 1961; Hochschild, 1983; Kahn, 1990).

At a more specific level, theoretical research has linked investments of the three energies of engagement to job performance. First, investment of physical energy into work roles contributes to organizational goals because it facilitates the accomplishment of organizationally valued behaviors at increased levels of effort over extended periods of time (Kahn, 1990, 1992). Because people's work roles are defined largely by behavioral expectations of others in their organization (Katz & Kahn, 1978), investments of physical energy toward role accomplishment should result in a greater likelihood of meeting these expectations, and thus, judgments that the role holder is a positive contributor to the organization. Brown and Leigh (1996) found in multiple samples that employees who worked harder exhibited higher levels of job performance.

Second, investment of cognitive energy into work roles contributes to organizational goals because it promotes behavior that is more vigilant, attentive, and focused (Kahn, 1990).

Weick and Roberts (1993) used the term "heedfulness" as a label for behaviors that possess this same set of characteristics, and those authors noted that when heedfulness declines because of reductions in investments of cognitive energy, performance decrements result from failures to see, to take note of, or to be attentive to one's work role. In their research on flight deck operators on an aircraft carrier, Weick and Roberts observed that as the degree of heedfulness increased, crucial operational errors decreased.

Finally, investments of emotional energy into work roles contribute to organizational goals in a number of related ways (Kahn, 1990). Those who invest emotional energy into their roles enhance performance through the promotion of increased connection among coworkers in pursuit of organizational goals (Ashforth & Humphrey, 1995). Investments of emotional energies

also help individuals meet the emotional demands of their roles in a way that results in more complete and authentic performance (Kahn, 1990, 1992).

2.5 Effects of Employee Engagement on Job Performance

Bakker (in press) mentions four reasons why engaged workers perform better than non-engaged workers. Engaged employees: (1) often experience positive emotions, including happiness, joy, and enthusiasm; (2) experience better psychological and physical health; (3) create their own job and personal resources (e.g., support from others); and (4) transfer their engagement to others. Whereas positive emotions broaden people's thought-action repertoire (Fredrickson, 2003), good health facilitates performance because individuals can use all their mental and physical resources (skills, abilities, knowledge, etc.).

Further, employees who create their own resources are better able to deal with their job demands and to achieve their work goals (Bakker & Demerouti, 2007). Finally, in most organizations performance is the result of the combined effort of individual employees. It is therefore conceivable that the crossover of engagement among members of the same work team increases performance.

Only a few studies have examined the relationship between work engagement and job performance (Bakker & Demerouti, 2008). Nevertheless, the results obtained so far look promising. Bakker, Demerouti, and Verbeke (2004) showed that engaged employees received higher ratings from their colleagues on in-role and extra-role performance, indicating that engaged employees perform well and are willing to go the extra mile. Further, in their survey among Dutch employees from a wide range of occupations, Schaufeli, Taris, and Bakker (2006) found that work engagement is related positively to in-role performance. These findings were expanded in another study among secretaries; Gierveld and Bakker (2005) found that engaged

secretaries scored higher on in-role and extra-role performance. In addition, results suggested that engaged secretaries had more influence on daily business.

They were more often asked to carry out additional tasks, including personnel pre selection, the organization of trade exhibitions and conventions, and website maintenance. Salanova, Agut, and Peiro' (2005) conducted an important study among personnel working in Spanish restaurants and hotels. Contact employees from over 100 service units (hotel front desks and restaurants) provided information about organizational resources, engagement, and service climate. Furthermore, customers from these units provided information on employee performance and customer loyalty. Structural equation modeling analyses were consistent with a full mediation model in which organizational resources and work engagement predicted service climate, which in turn predicted employee performance and then customer loyalty.

Finally, Xanthopoulou, Bakker, Demerouti, and Schaufeli (in press) conducted a diary study among employees working in a Greek fast-food restaurant, and found that daily levels of work engagement were predictive of objective daily financial returns.

We can conclude that research supports the link between work engagement and performance. Employees, who feel vital, strong and are enthusiastic about their work, show better in-role and extra-role performance. As a consequence, engaged workers realize better financial results, and have more satisfied clients and customers.

2.6 Empirical Literature Review

A significant amount of research has indicated that engaged employees tend to outperform their disengaged counterparts (Fleck & Inceoglu, 2010; May et al., 2004; Saks, 2006; Shuck & Reio, 2011). For instance, Saks (2006) suggested that engaged employees are more committed, satisfied, and productive. Similarly, in attempting to understand the business-unit-

level relationship between employee engagement and business outcomes, Harter, Schmidt, and Hayes (2002) conducted a meta-analysis and concluded that engagement is related to “meaningful business outcomes” (p. 276) and that these relationships generalize across companies.

May et al. (2004) argued the condition of psychological meaningfulness (Kahn, 1990), a key antecedent to employee engagement, has been linked to not only attitudinal outcomes (such as satisfaction, motivation, and turnover cognitions) but also to many behavioral outcomes such as performance and absenteeism (May, 2003, as cited in May et al., 2004)

Maylett and Waner (2014) shared results of studies conducted over a period of 14 years in 70 countries and with 14 million employee engagement survey responses. The results showed that highly engaged employees are 87% less likely to leave their organization and companies with low engagement scores earn an operating income 33% lower than companies with more engaged employees. Equally interesting was the finding that engaged companies grow profits as much as 300% faster than their competitors.

According to Gallup’s latest findings (2014), 87% of workers are not engaged or actively disengaged and are emotionally disconnected from their workplaces and less likely to be productive. The proportion of actively disengaged employees has decreased from 27% to 24% in 2014 compared to 2013. However, actively disengaged employees continue to outnumber engaged employees by nearly 2 to 1, implying that at the global level, work is more often a source of frustration than one of fulfillment. It also means countless workplaces worldwide are less productive and less safe than they could be and are less likely to create badly needed new jobs and happy thriving human beings.

Another study by B. Shuck, Reio, and Rocco (2011) examined the links between job fit, affective commitment, psychological climate, and employee engagement, and the dependent variables, discretionary effort, and intention to turnover. An Internet-based survey battery of six scales was administered to a heterogeneous sampling of organizations from service, technology, healthcare, retail, banking, nonprofit, and hospitality fields. The results indicated Job fit, affective commitment, and psychological climate were all significantly related to employee engagement, while employee engagement was significantly related to both discretionary effort and intention to turnover.

Arnold B. Bakker, Demerouti, and ten Brummelhuis (2012) examined whether the relationship between work engagement and job performance is moderated by the extent to which individuals are inclined to work hard, careful, and goal-oriented using sample of 144 employees from several occupations. Results indicated that work engagement was positively related to task performance, contextual performance, and active learning, particularly for employees high in conscientiousness.

Bakker, Gierveld & Van Rijswijk, (2006) conducted a study on engagement and performance among 105 school principals and 232 teachers. Their study showed significant and positive associations between school principals' work engagement scores and teacher-ratings of school principals' performance and leadership. In addition, engagement was strongly related to creativity; the higher school principals' levels of work engagement, the better they were able to come up with a variety of ways to deal with work-related problems.

Finally, engaged school principals were seen as transformational leaders – being able to inspire, stimulate and coach their co-workers.

Xanthopoulou, Bakker, Demerouti & Schaufeli,(2007a) made a compelling case of the predictive value of work engagement for performance, on a daily basis on the basis of their study among Greek employees working in a fast-food restaurant. Results showed that employees were more engaged on days that were characterized by many job resources. Daily job resources, like supervisor coaching and team atmosphere contributed to employees personal resources (day-levels of optimism, self-efficacy and self-esteem), which in turn explained daily engagement. Importantly, this study clearly showed that engaged employees perform better on a daily basis.

As noted earlier, researchers have reported similar findings of this study, such that work engagement does in fact positively impact both in-role and extra-role performance (Bakker, Tims, & Derks2012b; Kim, Kolb & Kim, 2013; Xanthopoulou, Baker, Heuven, Demerouti & Schaufeli, 2008), and that the accumulation of job resources (Bakker et al., 2004; Leiter & Bakker, 2010), the experience of positive emotions (Frederickson, 2001; Frederickson & Branigan, 2005), and psychological and physical health (Salanova, Schaufeli, Xanthopoulou & Bakker 2010) make this relationship possible. In addition, the more recent work of Alessandri, Borgogni, Schaufeli, Caprara, and Consiglio (2014) reported a significant relationship between work engagement and performance (i.e., ratings obtained from supervisors), and also found work engagement to mediate the relationship between positive orientation (e.g., viewing and facing reality in a positive view) and performance. Such findings not only demonstrate the utility of engagement as an indicator of one's success at work, but also the influence that one's positive outlook on life (i.e., positive orientation) can have on the engagement-performance relationship.

In addition to the above, this study provided a novel perspective on work engagement and how this relates to trait emotional intelligence (EI). Specifically, the results indicated that

engaged workers are more likely to report high levels of trait EI, suggesting that work engagement is indeed associated with specific affect-related personality traits that could be used as a personal resource in the workplace. These findings align with the COR theory (Hobfoll, 2001), which postulates that individuals strive to protect and retain valued resources, and that it is through certain personality traits (e.g., trait EI) that individuals are able to handle job stressors effectively and also obtain resources. The COR theory also proposes that one's positive personal orientation is the "key resource" in ultimately attaining successful performance on the job (Alessandri et al, 2014; Hobfoll, 2001).

The Gallup Organization did a survey in 2004 on the effects of engaged and unengaged workers. In the UK, unengaged workers cost their companies \$64.8 billion a year. In Japan, the loss in productivity was \$232 billion due to a low engagement ranking of 9%. An engaged employee or employees can be valuable assets to the organization when it comes to competitive strength (Joo and Mclean, 2006). Productivity and employee retention increases with employee engagement (Lad and Wilson, 1994).

In 2006, a groundbreaking survey of 664,000 employees globally was conducted on employee engagement by the Society for Human Resource Management (SHRM). The study revealed that there was a differential of 52% for increased operational income from those organizations who had poorly engaged employees and those having highly engaged employees.

Another survey was conducted in 2006 that surveyed on 7939 business units in 38 countries and showed that customer satisfaction, profitability, turnover of staff and less work mishaps were due to a higher satisfied and engaged staff (Norwack, 2006). Engaged and satisfied employees tend to be top performers who are committed to the organization (Woodruffe, 2006;

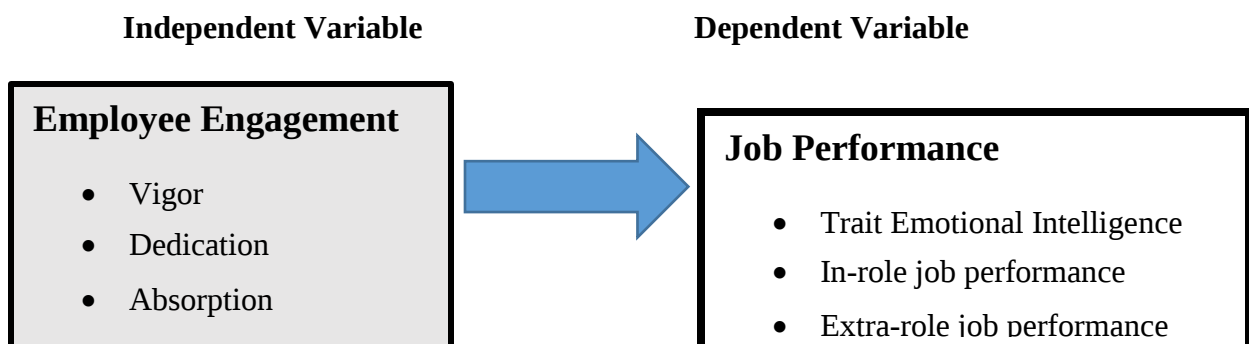
Lockwood, 2006). When an employee is engaged they serve customers better and therefore contribute more to the organization's ongoing profitability.

True engagement occurs when all employees in an organization are passionate about the business strategy and are committed to its success (Right Management, 2006). Employees have more than work satisfaction; they are gratified to serve and are promoters of the products and brand name.

There is evidence that employee engagement increases productivity and overall performance, creates a better and more productive work environment, reduces non-attendance and employees leaving (Caplan, 2013). In a study in the GCC countries it was discovered that when employees are engaged, they tend to produce more and put in more effort to help their organizations (Singh et al., 2012). There are however challenges faced by employers to determine what employee engagement is and what values create it as there are many theories that are unclear concerning the subject (Saks and Gruman, 2014).

2.7. Conceptual Framework

With reference to the literature review and the research problem, the conceptual framework has been developed. TEIQue (Petrides & Furnham, 2003) for trait emotional intelligence, Goodman and Svyantek (1999) for in-role job performance, Williams and Anderson (1991) for extra-role job performance and the Utrecht Work Engagement Scale for measuring engagement were used to develop the conceptual framework of the research.



CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents a description of the methodology that will be employed in the study. It spells out the techniques and methods of sampling, data collection, processing, analysis, and the area in which the study is carried out.

3.1 Research Approach

This study has adopted quantitative research approach. A quantitative approach is one in which the investigator primarily uses postpositive claims for developing knowledge, i.e., cause and effect relationship between known variables of interest or it employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data (Creswell, 2003). The rationale for using quantitative approach is grounded in the fact that the data collection instrument i.e. the questionnaire is best for this approach. Moreover, quantitative research is beneficial because it enables the researcher to collect objective and numerical data to apply statistical tools and establishes relationship and causation between variables.

3.2 Research Design

The research design that was used for this study is explanatory research design. The purpose of this study was to assess the effect of employee engagement on job and organizational performance at Ethiopian private banks. An explanatory research design was used to achieve the objectives of the study. Because explanatory research helps to connect ideas, to understand cause and effect, meaning researchers want to explain and what is going on.

3.3 Population and Sample

In order to get more trustworthy and representative data the researcher have used 16 private banks as a population for the study those are currently operating in the country. All banks head office employees were taken as a population. Employees working at head office of each bank who are in the job category of clerical, professional and managerial were used. Non-clerical /manual and custodial employees were purposely excluded from the population because they are outsourced employees who are permanent employees of agents who supplied manpower to the banks. Higher officials of the bank such as Directors, Presidents and Vice presidents were excluded from the population because of difficulty getting access to them.

There are a total of 342 employees; 64 managerial, 136 professional and 142 clerical employees at head office of the banks. Based on the formula and table developed by Krejcie & Morgan, (1970) to determine a sample size from finite population at 95% confidence, 181 employees were selected as a sample through stratified random sampling.

A stratified random sample is obtained by separating the population into mutually exclusive sets, or strata, and then drawing simple random samples from each stratum. The employees will be divided as clerical, professionals and Managerial employees.

Table 3.1 Sample population

Job category	Number of Employees	Proportion	Sample
Managerial	64	0.53	34
Professionals	136	0.53	72
Clerical	142	0.53	75
Total	342		181

Source: Computed by the researcher

3.4 Data Sources and Types

Data worth for undertaking this study was collected from employees of the banks at head office through questionnaire designed for this purpose and the data type is primary data.

3.4.1 Data Sources

Primary data was collected from target population sampled through questionnaire designed to serve for such purpose. Secondary data was collected from websites of each bank.

3.4.2 Data Types

The study used both primary and secondary sources of data. Questionnaire was prepared for clerical, professional employees and managers. A five point Likert Scale questionnaire was used to measure the variables of the study. Secondary data will be gathered from published and unpublished theoretical literatures and empirical studies, books, journal articles, internet and other publications.

3.5 Data Collection Procedures

The data used in this study was collected through questionnaires from the selected target group population sample. The researcher has distributed his questionnaire to the randomly selected respondents by the system of stratified random sampling technique through the HR staffs at each bank. The researcher didn't face much difficulty in distributing the questionnaire because he knows most of the HR staffs as he also works in one of the private banks. On top of that the industry Human Resource data was easily accessible to him whereas it is very difficult to the external researchers in connection with confidentiality issues.

3.6 Validity and Reliability

In order to ensure the quality of the research design, content and construct validity of the study was checked. The content validity was verified by the advisor of this research, who looked

into the appropriateness of questions and the scales of measurement. The questionnaire involved the six dimensions from an organizational perspective to measure employee engagement and job performance. The questionnaire consisted of 36 items in which five points rating scale was used. one of the most commonly used indicator of internal consistency is Cronbachs coefficient alpha.

Cronbach Alpha α reliability coefficient for the 36 statements in the questionnaire was found to be 0.829. George and Mallery (2003) provide the following rules of thumb while interpreting reliability coefficients: $\geq .9$ --Excellent, $\geq .8$ -- Good, $\geq .7$ --- Acceptable, $\geq .6$ -- Questionable, $\geq .5$ -- Poor and $.5 \leq -$ Unacceptable. Thus the reliability for the scale was found to be good.

Table .1 Reliability Statistics

Dimensions	No. of Items	Cronbach's Alpha
Vigor	6	.667
Dedication	5	.776
Absorption	6	.677
Trait Emotional Intelligence	5	.653
In-role performance	5	.727
Extra-role performance	9	.639
Total	36	.829

3.7 Data Collection Instruments Design

For the purpose of this study, the primary data collection technique is utilized through structured questionnaire which consists of three main sections. Part 1 contains information regarding the respondent's demographic features which include gender, age, educational qualification, work experience, job category and marital status. Part 2 of the questionnaire

consists of structured five point Likert scale questions related to measuring level of engagement of employees. Part 3 also consists of different statements with five point Likert scale related with the three dimensions by which Job performance is measured.

Level of employee engagement on each dimension of employee engagement are calculated by assigning a score of 1 to 5 to the likert scale of —Strongly disagree to —Strongly agree as indicated in the appendix.

The questionnaire is adopted from reviewed literatures. The questionnaires validity was tested by different academic researchers and practitioners in the researches done earlier.

3.8 Ethical Issues

The researchers has used proper citation, follow systematic collection and analysis of data techniques, maintain data confidentiality, obtained the consent of the case organizations and staffs and based on their consent to meet the ethical obligation of research.

3.9 Methods of Data Analysis

The researcher has used SPSS version 20 for the analysis of data collected. As the study focuses on the effect of independent variable (employee engagement) on dependent variable (Job/organizational performance) different statistical analysis that could show the effect between the two have been used. Data is analyzed quantitatively by statistical techniques i.e. descriptive and inferential statistics. Descriptive analysis; mean, frequencies and standard deviation are used to describe the profile of respondents, employee engagement levels and level of job performance.

Pearson correlation test was used to determine the nature, direction and significance of the relationship between employee engagement and job performance.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION, AND DISCUSSION

The purpose of this paper is to investigate the engagement level of employees in Ethiopian Private Banks and its effect on job performance. To achieve this purpose, relevant literature was reviewed and methodology was set in chapters two and three respectively. This chapter outlines the result of data analysis obtained from data collected from respondents. The information gathered is analyzed, and the results are presented in the following sections.

4.1 Response Rate of Respondents

A total of 181 questionnaires were distributed, out of which 123 (68 %) were returned on time and hence used in the analysis process.

4.2 Demographic Profile of Respondents

This section summarizes the demographic characteristics of the sample, which includes age of the respondent, gender, education level, work experience, employment category and marital status. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the proportion of males and females in the sample, range of age, education level, marital status and employment group, so that the analysis could be more meaningful for readers.

Table 4.2 Demographic Profile of Respondents

Gender		Frequency	Percent
1	Male	98	79.7
	Female	25	20.3
Age		Frequency	Percent
2	20-29	81	65.9
	30-39	31	25.2
	40-49	10	8.1
	Above 50	1	0.8
3	Educational Qualification	Frequency	Percent
	Diploma	4	3.3
	BA Degree	107	87
	Master's Degree	12	9.7
4	Work Experience in Years	Frequency	Percent
	0-1	7	5.7
	2-5	86	69.9
	6-10	22	17.9
	11-20	7	5.7
	Above 21	1	0.8
5	Job Category	Frequency	Percent
	Managerial	23	18.7
	Professional	65	52.8
	Clerical	35	28.5
6	Marital Status	Frequency	Percent
	Single	56	45.5
	Married	65	52.8
	Divorced	2	1.7

Source: Survey data

Table 4.2 above shows the demographic profile of 123 respondents. In terms of gender, respondents were more of male and female are very few in number as compared to male (female 20.3%, male 79.7%). This shows that females are less in number at head office of Ethiopian private banks.

Regarding the age of respondents, the sample population is largely dominated by the age group of 20-29 (65.9%) followed by the group comprise age of 30-39 (25.2%). This indicates that most of the sample populations are youngsters. The reaming group of respondents consist 10 employees (8.1%) with the age of 40-49 and 1 employee (0.8%) above the age of 50 years. Referring to the data we can say that the employees of the Ethiopian private banks are dominated by young group who can transform their organization to the future.

In terms of education, the distribution is not very equally distributed. 87 % of respondents have attained Bachelors of Arts Degree, while 9.7% of the respondents are Postgraduate degree holders. Only 3.3% of the respondents are at the diploma level in terms of education. This shows that, most of the employees are graduates and the banks hire employees at the graduate levels or encourages employees to upgrade their education.

By the same token, demographic profile of respondents shows 45.5% are single, more than half percent which is 52.8% are married employees and only 1.7 % of the respondents were divorced in terms of their marital status.

When looking at the tenure of respondents in the company, most of the respondents 69.9 % have served their respective bank for 2-5 years followed by 17.9% who have served for 6-10 years. Employees who have served about one year are 5.7 % and also those who have stayed for 11-20 are 5.7%.

Furthermore, the majority of the respondents 52.8 % are in professional job category, 18.7% are Managerial and the remaining 28.5% of the respondents are clerical position. This shows that most of the employees at head office of the private banks are professional in terms of job category.

4.3 Assessing the Level of Employee Engagement

In order to see the general perception of the respondents regarding the selected dimensions in the subject banks, the researcher has summarized the measures with the respective means and standard deviations. Thus, the mean indicates to what extent the sample group averagely agrees or disagrees with the different statements. The lower the mean, the more the respondents disagree with the statements. The higher the mean, the more the respondents agree with the statement. On the other hand, standard deviation shows the variability of an observed response from a single sample Marczyk, Dematteo and Festinger (2005). The mean values are presented in table 4.3, together with standard deviation values for each variable

Table 4.3 Descriptive Analysis on the Level of employee Engagement

Variables	Mean	Std. Deviation
Vigor Dimension of Engagement		
At my work I feel like bursting with energy	3.75	.708
At my job I feel strong and vigorous	4.07	.492
When I get up in the morning, I feel like going to work.	4.15	.491
I can continue to work for long periods of time.	4.08	.742
At my job, I am mentally resilient	3.89	.722
At my job, I always persevere, even when things do not go well	3.73	.811
Vigor Aggregate result	3.95	.661
Dedication Dimension of Engagement		
	Mean	Std. Deviation
I find the work that I do meaningful and purposeful.	4.12	.836
I am enthusiastic about my job.	4.24	.897
My job inspires me.	4.24	.840
I am proud of the work that I do.	4.35	.757
My job is challenging enough	3.85	1.092
Dedication aggregate result	4.16	.884
Absorption Dimension of Engagement		
	Mean	Std. Deviation
Time flies when I am at work	3.84	.862
When I work, I forget everything else around me.	3.67	.835
I feel happy when I work intensively	3.98	.891
I am immersed in my work.	3.99	.565
I get carried away when I work	4.01	.794
Absorption Aggregate result	3.90	.789

Source: Survey data

As shown in table 4.3 above, the mean score for vigor is relatively moderate ($M=3.95$, $SD=0.66$). This indicates that employees' willingness to invest their efforts into their job, the high levels of energy and their endurance and persistence in the face of difficulties. This implies the majority of the respondents agree that they are willing to invest their efforts into their job, the high levels of energy and their endurance and persistence in the face of difficulties.

Table 4.3 shows that the mean for dedication is high ($M=4.16$, $SD=0.88$) which indicates that the employees' strong involvement in their work, their feelings of enthusiasm and significance.

The third dimension of engagement also exhibits moderate mean ($M=3.90$, $SD=0.79$) which similarly shows that employees are pleasantly occupied with work, this can be seen by the employee not keeping the track of time and their inability to separate themselves from the job at hand.

Overall the employees' response on the agreement of the statement "My work is challenging" varies relatively higher (std. deviation= 1.092) when compared to the responses to other questions.

4.4 Analysis on Employees Job Performance

Table 4.4 Assessing Level of employee job performance

Variables	Mean	Std. Deviation
Expressing my emotions with words is not a problem for me	3.53	.944
On the whole, I'm a highly motivated person.	3.96	.853
I usually find it difficult to regulate my emotions	3.17	1.061
I can deal effectively with people.	3.90	1.097
I feel that I have a number of good qualities.	4.26	.584
	3.74	.908
In-Role Performance	Mean	Std. Deviation
I help others who have been absent.	4.09	.800
I take the time to listen to co-worker's problems and worries	4.23	.867
I take a personal interest in other employees	3.59	1.158
I go out of the way to help new employees	3.73	.984
I give advanced notice when unable to come to work.	4.07	.951
	3.94	.952
Extra-Role Performance	Mean	Std. Deviation
My attendance at work is above the norm	3.64	.985
I tend to take undeserved work breaks	2.97	1.078
I adhere to informal rules devised to maintain order.	3.35	1.079
I fulfill all the requirements of my job.	3.90	.882
I demonstrate expertise in all job-related tasks.	4.08	.622
I could manage more responsibility in my job than is typically assigned to me.	4.20	.623
I feel I appear suitable for a higher level role	4.15	.610
I am competent in all areas of my job, handling tasks with proficiency	4.37	.590
I perform well in my overall job by carrying out tasks as expected.	4.43	.602
	3.90	.786

Source: Survey data

Table 4.4 above indicates that the mean for trait emotional intelligence is ($M=3.74$, $SD=0.952$) is relatively high which shows that the respondents exhibit positive psychological variables. According to a recent study conducted by Di Fabio and Saklofske (2014) reported that together the Big 5 personality factors followed by self-reported EI were the most powerful

predictors of self-evaluation, resilience, and life satisfaction over ability EI and fluid intelligence. These findings indicate that those reportedly higher in trait EI are likely to experience greater levels of self-esteem, self-efficacy, internal locus of control, and lower levels of pessimism than those who experience lower levels of trait EI.

The other moderate mean is that of in-role-job performance which is ($M = 3.94$, $SD = 0.952$) which indicates that respondents viewed themselves as consistently able to meet the demands of their job and perform well on basic tasks. On the other hand, participants also reported moderate levels of extra-role behaviors such as helping new employees or taking a personal interest in others at work ($M = 3.90$, $SD = 0.786$).

4.5 Relationships between Dependent and Independent Variables

One of the major objectives of this study is to assess the relationship that employee engagement have with job performance. For this purpose, inferential statistics of correlation and regression analysis have been used and the results are presented in the below sections.

Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (-1.0 to $+1.0$). Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005).

According to Marczyk, Dematteo and Festinger, (2005) correlations of $.01$ to $.30$ are considered small, correlations of $.30$ to $.70$ are considered moderate, correlations of $.70$ to $.90$ are considered large, and correlations of $.90$ to 1.00 are considered very large.

Table 4.5 Relationships between dependent and independent variables

		Vigor	Dedication	Absorption	Employee Engagement	Job Performance
Vigor	Pearson Correlation	1	.496**	.339**	.789**	.223*
	Sig. (2-tailed)		.000	.000	.000	.013
Dedication	Pearson Correlation	.496**	1	.449**	.895**	.249**
	Sig. (2-tailed)	.000		.000	.000	.005
Absorption	Pearson Correlation	.339**	.449**	1	.604**	.377**
	Sig. (2-tailed)	.000	.000		.000	.000
Employee Engagement	Pearson Correlation	.789**	.895**	.604**	1	.333**
	Sig. (2-tailed)	.000	.000	.000		.000
Job Performance	Pearson Correlation	.223*	.249**	.377**	.333**	1
	Sig. (2-tailed)	.013	.005	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

For most of the relationships, the inter correlations among variables were found to be in the expected direction. Significant correlations were observed between dedication and employee engagement ($r=.895$, $p<.01$). Similarly the correlation between vigor and employee engagement was ($r=.789$, $p<.01$), followed by absorption ($r=.604$, $p<.01$) which shows that all the three dimensions of employee engagement are positively and significantly correlated to employee engagement

Similarly, significant correlation exists between absorption and job performance ($r=.377$, $p<.01$). On aggregate employee engagement has also significant correlation with job performance whose correlation coefficient was ($r=.333$, $p<.01$). The correlation vigor and dedication had with job performance was not significant at $p=.01$ which implies that among the three dimensions used under employee engagement to see the relationship they have with job performance, absorption contributes more than the rest of the dimensions.

4.6 Effect of Employee Engagement on Job performance

Table 4.6 Multiple Regression Result of Employee Engagement and Job Performance.

Table 4.6.1 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.333 ^a	.111	.104	3.94020

a. Predictors: (Constant), Employee Engagement

Table 4.6.2 Anova

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	234.522	1	234.522	15.106	.000 ^b
	Residual	1878.543	121	15.525		
	Total	2113.065	122			

a. Dependent Variable: Job Performance

b. Predictors: (Constant), Employee Engagement

Table 4.6.3 Beta Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	29.149	3.390		8.600	.000
	Employee Engagement	.291	.075	.333	3.887	.000

a. Dependent Variable: Job Performance

In order to see contribution of employee engagement to job performance, standard multiple regression analysis was employed. The regression model presents how much of the variance in job performance is explained by the selected employee engagement. As shown in the table 4.6.3 above, 11.1% variation in job performance is explained by employee engagement

(where by R square is .111 and adjusted R square is .104) as shown in table 4.6.2 above and the rest variations may be due to other factors or reasons not considered in this study.

Furthermore, the ANOVA table shows the overall significance / acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value .000, which is less than $p < 0.05$, implies the model is significant. This indicates that the variation explained by the model is not due to chance.

As it is stated earlier in first chapter, this study aims to identify the effect of independent variables on the dependent variable. Thus, the strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated via standardized Beta coefficient. Hence, the regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the findings acquired from the analysis and discussion of the collected data, conclusions derived from the findings of the study and recommendations drawn to address the identified problems if any.

5.1 Summary of Major Findings

The objective of the study was to find out whether there is employee engagement in private banks and to determine the current level of employee engagement at private banks. It was also intended to investigate the effect of employee engagement on job and organizational performance. Accordingly, the following major findings were made from the results that have been discussed in the previous chapter.

- The numbers of male respondents in the sample population is higher (female 20.3%, male 79.7%) and it is largely dominated by the age group of 20-29 (65.9%) which shows that they are dominated by youngsters.
- The largest group of the population comprises first-degree holders, which accounts 87% of the total respondents. Furthermore, 69.9 % of the respondents have 2-5 years of experience in the company and these take the majority and also more than half of the respondents 52% are married employees.
- The mean score for the measures of dedication was relatively high (4.15), followed by vigor (3.95) and absorption (3.90).
- Pearson coefficients implies that employee engagement is positively related with job performance within 0.333 which is significant at $p < 0.01$ level.

- Findings from the multiple regression analysis depict, 11.1% variation in job performance is explained by work engagement (where by R square is .111 and adjusted R square is .104%).
- The result of the study shows that 2.4% of employees were disengaged in the vigor dimension, 5.7% are not engaged and 91.9% of the employees are engaged on this dimension.
- Results on dedication dimension show that only 0.8% of the employees are not dedicated (disengaged), 7.3% are not engaged and 91.9 employees are engaged or dedicated.
- Third dimension, absorption results indicate that 4.1% of the employees were not absorbed or immersed in to their duties (disengaged), 5.7% are not engaged in the absorption dimension and finally, 90.2% of the employees exhibited or believe that they possess this dimension.
- According to the data analyzed employees of the private banks have shown high level of job performance in all the three dimensions of trait emotional intelligence, in-role-job performance and extra role job performance.
- There is positive correlation between employee engagement and job performance.

5.2 Conclusions

According to data analyzed, there is high level of employee engagement in Ethiopian private banks and job performance is more affected by the absorption among the three dimensions on employee engagement. There is positive and significant relationship between employee engagement and job performance. Therefore, we can conclude that the employee

engagement has a positive direct impact on job performance. The job performance can also have an effect on organizational performance.

According to the findings of this research, there is high engagement among head office employees of the Ethiopian private banks. However, most of the reviewed literature shows that there are disengagement signs of employees globally. The researcher has abided by the research ethics and has presented the findings accordingly. The probable reason beyond this may be employees were not willing to expose their real feelings or they are really engaged employees. Though it looks like exaggerated, the findings of this research are in line with the findings of other researchers conducted in Ethiopian context to measure the engagement level of employees of the Commercial Bank of Ethiopia (Yohannes, 2016) in which he found out that about 50.8% of the respondents were engaged and 42.9% were neutral and only 6.3% were disengaged.

Finally, the reviewed literatures conducted globally have also showed that there is a positive effect of employee engagement on job performance at individual level which also leads to organizational performance.

However, the researcher found that based on the dimensions used in this study, the findings regarding disengagement were below the magnitude stated in different literatures. Possible reasons could be due to lack of integrity of respondents to the questions, contributions of other factors not included in the study or employees of the private banks responded to the questionnaires were really engaged as state in the findings.

5.3 Recommendations

Based on the findings the researcher recommends the following:

- Though the findings, of the study shows that there is high engagement level, Private Banks of Ethiopia should give attention to employee engagement as it has positive

effect on job performance. This is because as engaged employees contribute positively to the success of the organization, if employees were not given attention to keep them engaged, they will negatively affect the performance of the banks.

- From the findings, most of the respondents were male which indicates that the proportion of female is low. This shows that the findings contradict with the national initiatives set to empower women and increase their participation in the countries socio-economic initiatives. Therefore, the banks should increase their female employees at head office positions.
- The other finding shows that most of the respondents were in the age range between 20-29 years. This indicates that most of employees at head office are youngsters who can contribute more to the effectiveness of their organization. As a result, the Management of each bank should design the engagement strategy to increase retention in order to get more out of the young employees.
- For future, other studies see additional dimensions of Employee Engagement which can influence job performance and see the reasons behind the difference in engagement levels across different categorical groups.
- Among the three dimensions, absorption contributes more to the job performance and hence banks should focus more on this dimension of engagement.
- The researcher recommends other studies to use different employee engagement measuring tools and other dimensions of measuring job performance other than those used in this research for more recommendations and better knowledge regarding employee engagement.

- Finally, continuous measurement of employee engagement level, assessing engagement practices throughout the organization and taking timely action on issues identified as crucial and important is recommended.

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Annex

VIII



ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

GRADUATE STUDIES PROGRAM IN HUMAN RESOURCE MANAGEMENT

QUESTIONNAIRE

.....

Dear Respondents:-The aim of the questionnaire is to gather data in order to assess the engagement level of employees in private banks and to measure the extent to which employee engagement affect job performance for academic purpose. Therefore I kindly request you to fill this questionnaire genuinely and freely assuring that the data will be used solely for the intended academic purpose (for partial fulfillment of MA in HRM). Please follow the instructions and answer all questions. Your answers will be treated strictly confidential. You don't need to reveal your identity.

You can call Jemal Abuna @ +251911962058 or email me jemal96@gmail.com for any inquiry or explanation you need.

Thank you for your participation and valuable time.

.....

Part One: - Demographic and other information

Please put tick mark (✓) in the circle with most closely represent your personal situation. Please mark one item only per question.

1. Gender: Male ☐ Female ☐

2. Age: 20-29 ☐ 30-39 ☐ 40-49 ☐ Above 50 ☐

3. Educational qualification:

Diploma: ☐ First Degree ☐ Master's Degree ☐ PhD. ☐

Other ☐

4. Work experience in your current organization in years

0-1 ☐ 2-5 ☐ 6-10 ☐ 11-20 ☐ Above 21 ☐

5. Job Category: Managerial ☐ Professional ☐ Clerical ☐

7. Marital Status: Single ☐ Married ☐ Divorced ☐ Widowed ☐

Part Two: - Employee engagement level survey questions

Please put tick mark (✓) in the box corresponding to the option that identifies your level of overall (agreement) on the true feeling you have on a five point scale ranging from extreme disagreement to extreme agreement where 5 is “extremely agreement” and 1 is “extremely disagreement”.

(1=strongly disagree 2=disagree 3=neutral 4=agree 5=strongly agree)

No	Description of the Item	Strongly Dis Agree	Dis Agree	Neutral	Agree	Strongly Agree
	Vigor Dimension					
1	At my work I feel like bursting with energy.					
2	At my job I feel strong and vigorous.					
3	When I get up in the morning, I feel like going to work.					
4	I can continue to work for long periods of time.					
5	At my job, I am mentally resilient.					
6	At my job, I always persevere, even when things do not go well.					
	Dedication Dimension					
7	I find the work that I do meaningful and purposeful.					
8	I am enthusiastic about my job.					
9	My job inspires me.					
10	I am proud of the work that I do.					
11	My job is challenging enough					

No	Description of the Item	Strongly Dis Agree	Dis Agree	Neutral	Agree	Strongly Agree
	Absorption Dimension					
12	Time flies when I am at work.					
13	When I work, I forget everything else around me.					
14	I feel happy when I work intensively.					
15	I am immersed in my work.					
16	I get carried away when I work.					
17	It is difficult to detach myself from my job.					

Part three: Job Performance level Questions

No	Description of the Item	Strongly Dis Agree	Dis Agree	Neutral	Agree	Strongly Agree
	Trait Emotional Intelligence Dimension					
18	Expressing my emotions with words is not a problem for me.					
19	On the whole, I'm a highly motivated person.					
20	I usually find it difficult to regulate my emotions					
21	I can deal effectively with people.					
22	I feel that I have a number of good qualities.					
	In-role performance Dimension					
23	I help others who have been absent.					
24	I take the time to listen to co-worker's problems and worries					
25	I take a personal interest in other employees.					
26	I go out of the way to help new employees.					
27	I give advanced notice when unable to come					

	to work.					
	Extra-role performance Dimension					
28	My attendance at work is above the norm.					
29	I tend to take undeserved work breaks.					
30	I adhere to informal rules devised to maintain order.					
31	I fulfill all the requirements of my job.					
32	I demonstrate expertise in all job-related tasks.					
33	I could manage more responsibility in my job than is typically assigned to me.					
34	I feel I appear suitable for a higher level role.					
35	I am competent in all areas of my job, handling tasks with proficiency					
36	I perform well in my overall job by carrying out tasks as expected.					

Thanks!!!