

# **The Relationship Between Management Excellence And Employee Engagement: A Study in Islamic Banking Sector, Malaysia**

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## **Abstract**

Employee engagement has received a great deal of attention in the recent years from research settings, academicians and organizational applications. This study was carried out to test the relationship between management excellence and employee engagement. Data was collected from 200 employees of 16 Islamic banks in Malaysia. The t-test, ANOVA and statistical tool of Structural Equation Model- AMOS 2.0 were used in analysing the data. The results indicated that there was significant relationship between management excellence and employee engagement. Organisations need to understand the changing factors of engagement as well as the demographic factors of their employees. So that, the potential effectiveness of corporate reputation adoption, the selection of strategies and the development of employees may be conducted more effectively.

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## **I. INTRODUCTION**

In Malaysia it is a common phenomenon that employees shift from one organization to another within a period of five years. Employees would tend to leave their companies to slightly better pay due to low emotional attachment with their organization. The achievement of an organization does not only rely on how the organization utilizes its human capitals and competencies but also on how it incites commitment to the organization. Thus, the biggest challenge for Malaysian organizations is to promote a sense of commitment and belonging among their employees. Engagement of employee comprises both of it. The question here is, what causes employees to be engaged or disengaged in the Malaysian context? Therefore, this study is to fill up the gap by examining the relationships of management excellence and employee engagement.

## **II. BACKGROUND OF THE STUDY**

Management Excellent is a broad definition of quality in management. Researchers in industry define Management Excellence as the art of reconciling all stakeholder needs, from the outside-in as well as from the inside-out (Oracle, 2008). It has four main components: quality planning, quality assurance, quality control and quality improvement (Rose & Kenneth H. , 2005). Fombrun et al (2002) remarked it with the characteristic of leadership, involvement of people, process approach, system approach to management, continual improvement and social image of company. Obviously, these characteristics of management excellence is parallel to the The International Standard for Quality management (ISO 9001:2008) that adopts a number of management principles that can be used by top management to guide their organizations towards improved performance. Excellence in management also has a unique definition, EFQM stated that excellence is the outstanding practice in managing the organization and achieving results. Excellent organizations are those that strive to satisfy their

stakeholders by what they achieve, how they achieve it, what they are likely to achieve and the confidence they have that the results will be sustained in the future (EFQM, 2007).

A long list of factors that promote employee engagement had been provided by researchers around the world. Managers, supervisors or seniors are drivers that influence employee engagement (Cooper, 2014). Managers who considered as the common form of employees' leaders play a key role which will influence the capability of an induction process that encourages the engagement of employees. Leaders are the major drivers which escalate employee engagement. Meanwhile, The Aon Hewitt Engagement Model (2016) listed company practice, the basic, the work, performance, leadership and brand that including reputation as the main drivers of employee engagement. However, corporate reputation dominated the list. From 1984, Freeman exclaimed that putting stakeholder's engagement at the centre of reputation development enables the company to satisfy the needs of multiple categories of stakeholders including employees. Towers Perrin (2003 & 2005) remarked that the company's reputation like a good employer is among the most important element of employee engagement. Riel and Fombrun (2000) identified the reputation drivers as: vision and leadership, financial performance, internal organization climate, social responsibility, quality of products and innovation, function as starting points for stakeholder engagement. Corporate reputation also reflects the level of credibility, reliability and trustworthiness (Christiansen and Vendelo, 2003). Additionally, researches from Aon Hewitt (2013; 2014) has consistently shown that corporate reputation were important for improving engagement.

Although career opportunities took the first place as a key driver for employee engagement in 2013, the perception changed in 2014 with the decrease by three percent. Global Workforce Study (2014) indicated that many employees are starting to expect that their employer emphasizing employer's responsibility to know the employees' needs and meet them. About 40 percent of employees agree that their organization should understand employees to the same degree that employees are expected to understand their customers. There is where an employment deal defines the 'give and get' between the organization and its employees. Employees who feel their organization is effective in areas of the employment deal are likely to be highly engaged than employees who do not.

Michelloti (2010) recorded several elements derived from corporate reputation from employee's perspective. Reputation is the true reflection of company's value, culture and strategies. Corporate reputation influences various stakeholders of organizations and shapes their attitude towards corporation. A study also found significant influence of corporate reputation on consumer satisfaction and loyalty in the cellular industry of Pakistan. There is stream of literature that documents the influence of corporate reputation on various stakeholders including customers and investors. However, less work has been done in the perspective of employee engagement.

Researchers also have claimed that employee engagement is dependent on both organisational and individual factors. Different studies have included diverse independent variables of organisational and individual significance. Scholars like Shuck et al. (2003) claimed that employee engagement is depend upon various aspects in the workplace. However, few others like Harter et al. (2002) and Goddard (1999) asserted that engagement is also result of individual factors. Ferguson (2007) stated that individual differences are crucial and could have significant effects on employee engagement. Furthermore, Kahn (1990) argued that psychological differences may have a decisive impact on individuals' capability to engage or disengage in their role performance. Individual factors such as gender and age may shape an employee's ability and willingness to be involved and committed at work. People get engage differently at work place depending upon their experiences of psychological meaningfulness, safety and availability in specific situations.

## 2.1 How Management Excellence Influence Employee Engagement?

A survey conducted by International Survey Research (ISR, 2003) revealed that company management is an important determinant of employee engagement among countries such as Australia, Singapore, and Hong Kong. However, for countries such as UK and US, a more important factor is the degree to which organizations are able to provide long-term employment and career opportunities. Moreover, Gallup's studies (2004) had found that the levels of employee engagement are also varied across countries. Many researchers agreed on the relationship between quality of management and employee engagement. MacLeod Report (2009) has pointed to the relationship between effective management and employee engagement. When performance management is done well, employees become more productive, profitable, creative contributors (Harter and Adkins, 2015) more engage (Gallup, 2016) and place a strong emphasis on engagement with the organization (Lewis et al 2011).

Meanwhile, Micheloti (2010) listed several items in measuring management excellence. The list is including vision, leadership, power, recognition, resources, communication and status. Additionally, studies also found that the common factors identified as affecting engagement are management and supervisor support (Maslach et al., 2001; May et al., 2004; Saks, 2006). According to Kuratko et al. (2014), management support refers to the extent to which one perceives that top managers support, facilitate and promote entrepreneurial

behaviour, including the championing of innovative ideas and providing the resources people require taking entrepreneurial actions. In the words of Richman et al. (2008) through the principal of exchange, higher levels of organizational and management support will be related to higher levels of employee engagement. Management and supervisor support is stated as affecting employee engagement (Maslach et al., 2001; May et al., 2004; Saks, 2006).

Evidence from leadership research has suggested a key role for transformational leadership in engagement (Macey and Schneider, 2008), and consequently Xu and Thomas (2011) adopt it in their study of the relationship between leader behavior and follower engagement as a framework for investigating the association of leader behaviors with engagement, although they had noted the overlap of transformational leadership with other neocharismatic conceptualizations of leadership. The concept of transformational leadership has four components: Idealized influence, with followers trusting and identifying with their leader; inspirational motivation, by which leaders provide meaning and challenge in followers' work; intellectual stimulation, whereby leaders invigorate followers' adaptivity and creativity in a blame free context; and individualized consideration, in which leaders support followers' specific needs for achievement and growth. These leadership behaviors have clear links with engagement constructs. Trust in the leader, support from the leader, and creating a blame-free environment are components of psychological safety which enable employee engagement (Kahn, 1990). The experience of meaningful work is an antecedent of engagement also, through psychological meaningfulness (Kahn, 1990). Further, adaptivity and proactivity, which is encouraged via intellectual stimulation, are elements of engagement (Macey and Schneider, 2008). Leadership research shows consistent links between transformational leadership and constructs that are argued by researchers to be part of engagement, such as motivation, job satisfaction, organizational commitment, proactive behaviors, and organizational citizenship behaviors. In a meta-analysis, showed that transformational leadership is strongly positively correlated with follower job satisfaction and follower motivation. Research has shown that transformational leadership is positively associated with organizational commitment; that leader vision interacts with personal characteristics to positively predict follower adaptivity and proactivity; and that high quality leader-member exchange positively predicts organizational citizenship behaviors.

Equally important, evidence from three engagement researches claims to have directly correlated the relationship between leadership behavior and employee engagement. First, subordinate, peer, and supervisor multisource feedback and engagement. Second, the ranges of positive correlations between the leadership scales of their (Engaging) Transformational Leadership Questionnaire with criterion variables that include job- and organizational commitment, motivation, and job satisfaction. Similarly in third evidence from Papalexandris and Galanaki (2009) present a combined engagement measure comprising subordinates' commitment, effectiveness, motivation and satisfaction.

In summary, it is important for managers to understand how they impact on employee engagement. To achieve sustainable employee engagement in their teams, so that people are engaged but not to the level where they overwork or become stressed, managers need to be competent under this area (Leweis et all, 2012). Therefore, prior research suggests that leadership behaviors should be positively associated with employee engagement and it is hypothesized that:

H2: Management excellence has a positive significant influence on employee engagement.

### **The relationship between management excellence and employee engagement.**

This research had discovered something different. Contrary to the expectations, this study did not find any significant relationship between management excellence and employee engagement ( $r = -0.215$ ,  $p = >0.05 = 0.318$ ). It seems that management excellence was not a factor to engage employees in Islamic banking sector as for other sectors. This finding will refer to the study from Aon Hewitt (2014) as the result is parallel to the finding that indicated that management performance were not contributed to the level of engagement among employees in global engagement trends particularly in North America. The result would probably come out differently if the concept of religiosity were included. A finding from Abu Bakar (2013) suggested that empowering leadership behaviour would have a greater effect on the engagement level of an employee who experiences a higher feeling of religiosity. The government of Malaysia has been implementing an Islamization process in which its ultimate goal is to infuse Islamic values throughout the society at all levels, from individual to institutional including in banking sector and particularly in Islamic banking sector. Moreover, Muslim countries are lacking references sources for learning and rely heavily on Western Theories and model.

## **III. METHODOLOGY**

A total of 215 questionnaires were received from Islamic Banking employees and only 200 were usable, counting a response rate of 20%. According to Hair (2010), this number of responses is reasonable for SEM-AMOS analysis. The hypotheses were tested by examining the relationship of variables by using a series of multiple regressions using SEM-AMOS. According to Hair (2006), multiple regression analysis produces the

best estimates of a dependent variable from a number of independent variables. The most popular method of analysis for this type of relationship is Structural Equation Model (SEM), and the most appropriate analysis for SEM is Analysis of Moment Structures (AMOS).

#### IV. FINDINGS

Table: The Regression Path Coefficient between the Construct and Its Significance Effects

Variable		Variable	r	P-Value	Result
Employee Engagement	<---	Management Excellence	-0.215	.214	Not Significant

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#### V. CONCLUSION

Obviously, this study concentrated on various level of employees within the banking sector in Malaysia. Future research could extend the investigation to different sectors and countries to obtain a wider generalization of the study. In-depth interviews with employees would be helpful, especially because corporate reputation has many different definition and many researchers define it with various dimensions, construct and antecedence. The practice also may vary according to sectors and countries. Future studies can also be tailored to investigate the effects of corporate reputation on EE, using multiple respondents in a given organization. This may shed greater understanding and knowledge on how corporate practices affect employee's attitude and behaviour.

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