



How Does Engagement Moderate The Effect of Job Characteristics, Extrinsic Compensation and Authentic Leadership: A Research Proposal

¹Setyo Hermawan, ²Fibria Indriati

¹Graduate Program Scholar, ²Assistant Professor

¹Faculty of Administrative Science,

¹Universitas Indonesia

Abstract: Employee performance has direct impact on organization performance. Therefore, the role of human resources to elevate the organization performance is essential. Many factors affect employee performance. This study proposes five hypotheses for empirical research aiming to examine the role of engagement in mediation the effect of job characteristics, extrinsic compensation, and authentic leadership on employee performance. The results of empirical studies, designed based on these hypotheses, help the organization to underline which factors that influence employee performance and how engagement can moderate those factors to stimulate the employee performance.

Keywords – Job Characteristics, Extrinsic Compensation, Authentic Leadership, Engagement, Employee Performance

I. INTRODUCTION

The dynamics of technological progress and development has pushed organizations both public and private sector organizations to continue to move dynamically toward the direction of digitizing technology. Changes in the structure, systems, and ways of work in organizations must be balanced with quality human resources (HR). The aim is to continue to guarantee that the organization's performance is at the highest level. Therefore, HR is indeed a valuable asset for an organization in running the organization's wheels to achieve organizational goals. To have quality human resources, organizations are competing to invest in developing the competencies, skills, knowledge, and attitudes they have. With competence, skills, knowledge, and attitudes possessed, HR plays a role in managing existing resources in the organization to achieve organizational goals. These resources can also change following the dynamics of environmental change. The existing human resources are also required to be able to adapt in adjusting these changes in managing them. Quality and adaptive human resources are one of the keys in ensuring the high performance of an organization.

Organizational performance that becomes a gamble in managing HR makes decision makers have to be more careful in making policies for the organization. Missteps and calculations can be the cause of failure in producing the best policies in managing human resources. Finally, these errors can have an impact on declining organizational performance. To guarantee the performance of the organization is at the highest level, we need HR who also have high performance. Good HR management is a form of long-term investment that can be a determinant of organizational success in the future. Organizations that want to succeed in achieving their goals in the future must prepare their human resources to be able to display consistently high performance. Employee performance and organizational performance have a very close attachment (Pasolong, 2010). Individual characteristics, individual motivation, expectations, and judgments made by management on the achievement of individual performance results have an influence on individual performance as a basis for organizational performance (Gibson, 2014). Organizational goals can be achieved on the active role of employees with resources that act as the main driver of efforts to achieve organizational goals. Organizational performance is the cumulative performance of employees consisting of various functions and tasks each. If the employee's performance is high, the organizational's performances is high too (Sinambela, 2012). Thus, organizational performance can be seen as a reflection of the individual performance of its employees.

One key to the high performance that employees have is engagement with the employee itself (Khan, 1990; Louis, B.R., 2010). An employee can have high performance if the employee has been engaged or bound to the organization where he works (Anitha, 2014; Sanneh, 2015). It happens when the employees are committed to their work and organization and are motivated to achieve high performance (Armstrong, 2016). Employees who have been engaged will feel more sensitive to their responsibilities in achieving organizational goals and motivating themselves in the success of achieving organizational goals.

Organizational steps to increase employee engagement directly will be able to improve the performance of employees themselves and indirectly it will also affect overall organizational performance. This was also stated by Anitha (2014) and Sanneh (2015) in their research which stated that engagement had a significant effect on employee performance. Employees who are engaged are more motivated in showing their best performance, even more than what is their main task. Khan (1990) explains that employees will feel more meaningful in organizations when they are given the characteristics of challenging, varied tasks that require different skills, allow for discretion and make

important contributions to the organization. This is based on the job characteristic concept delivered by Hackman & Oldham (1976). Agarwal & Gupta (2018) found similar things in his research in eight private companies in India with the result of the influence of job characteristics on employee engagement. Saks (2006) in his research put job characteristics together with compensation as antecedents for employee engagement. Indriyani & Heruwasto (2017), Hoque et al. (2018) in their research on private sector organizations stated that compensation has a positive correlation with employee engagement. A research on public sector organizations stated that compensation and leadership affect employee engagement which ultimately also affects the employee's performance (Sanneh, 2015). The research was also supported by research conducted by Jihye Oh, Daeyeon Cho & Doo Hun Lim (2017) and Mc Auliffe, Bostain & Witchel (2019) showed that authentic leadership had a positive influence on employee engagement. The majority of these studies were conducted at public and private organizations with a focus on services in the service sector. Based on related research conducted the relation on performance into engagement, job characteristics, compensation and leadership in public organizations with a focus on performance in the field of security and public order.

II. THEORETICAL FRAMEWORK

Variables of the study are dependent variable, moderating variable, and independent variables. This study used employee performance as independent variables, engagement as moderating variables. Meanwhile job characteristic, extrinsic compensation and authentic leadership are determined as independent variables.

2.1 Performance

Performance is a behavior or something done by an employee, not about what results from the employee's performance. Performance has two dimensions, namely task performance and contextual performance Aguinis (2009). Kasmir (2016) said that a person's performance is influenced by various factors, including: a) ability and expertise; b) knowledge; c) work design; d) personality; e) work motivation; f) leadership; g) leadership style; h) organizational culture; i) job satisfaction; j) work environment; k) loyalty; l) commitment; m) work discipline. This study uses performance measurements proposed by (Aguinis, 2009).

2.2 Engagement

Engagement refers to an understanding of employee motivation and performance in an organization. This is due to requests from managers for solutions regarding problems that arise related to motivation and performance (Little & Little, 2006). Engagement is used to improve the situation in the work environment related to motivation and performance issues. Engagement is an understanding of how far an employee is committed to something or someone in the organization (Lockwood, 2007). Engagement is a unique and different construction consisting of cognitive, emotional, and behavioral components that are associated with individual performance models. Furthermore, engagement can be divided into several related constructs, specifically organizational commitment, organizational citizenship behavior and job involvement (Saks, 2006). Engagement is also a positive attitude, full of meaning and motivation divided into three aspects, namely vigor, dedication, and absorption (Schaufeli, Baker, & Salanova, 2006). Vigor is characterized as a high level of energy, resilience, the desire to try, and not give up in facing challenges. Dedication is characterized by a sense of value, enthusiasm, inspiration, valuable and challenging. Absorption is characterized by full concentration on the task. The study chooses the definition of engagement efficiency from Schaufeli, Baker, & Salanova (2006) which is considered the most appropriate condition for the locus and object of research. In addition, the measurement of engagement also uses the Utrecht Work Engagement Scale (UWES) which was also developed by Schaufeli, Baker, & Salanova (2006).

2.3 Job Characteristics

Job Characteristic is a theory that can determine the conditions under which individuals are expected to succeed in their work. Job characteristics theory was developed by Hackman in 1976. Initially, this theory was known as work motivation theory which saw that a person could characterize the theory as a tool for analyzing the suitability of job characteristics, abilities, and needs of jobholders (Hackman & Oldham, 1976). Psychological value that can be obtained due to varied and challenging work characteristics can encourage users to use different skills and opportunities to contribute to work (Khan, 1990).

Job Characteristics shows how much decision making an employee makes to his job and how many tasks must be completed by the employee. A Job characteristic is an approach that emphasizes the importance of compatibility between the character of an occupation and the character of the performer of work. When a match is formed, the job characteristics can predict the desired results by the organization and employees (Kulik, Oldham, & Hackman, 1987). A job can be redesigned with a view to helping employees regain the opportunity to feel the challenges that come with a job's success. This is a form of attention to employees with their work to be able to develop better competencies. Specifically, the job characteristic model is a reference used in enriching certain elements of a job which is an effective way to change the psychological state of employees in an effort to increase the effectiveness of their work (Hackman & Oldham, 1976). The following is a job characteristic model presented by Hackman & Oldham (1976) in his research

2.4 Extrinsic Compensation

Martocchio divides compensation into two, namely intrinsic compensation and extrinsic compensation. Intrinsic compensation or intrinsic compensation reflects the psychological mind-set of employees for the resulting performance. Extrinsic compensation refers to monetary and non-monetary compensation (Martocchio, 2004). Monetary compensation represents core compensation which includes: basic salary, seniority wages, service wages, incentives, wages for knowledge plans and wages based on employee skills and benefits. While non-monetary compensation includes protection programs (such as health insurance), leave rights and services (such as health services). Extrinsic compensation is used to satisfy basic needs for survival and security, while intrinsic compensation is more useful in meeting higher-level needs (Long, 1998). For a group of employees who already have guaranteed physiological needs, then intrinsic

compensation will be considered more useful in increasing their self-esteem and become the main motivation in working (Balchard & Harsey, 1995). Thus, extrinsic compensation is used as compensation used to meet basic needs will be a priority to be met first. This study chose the definition of extrinsic compensation from Martocchio (2004) which clearly states that extrinsic compensation is a core element of compensation.

There are several variables related to compensation which is one of the important things in managing human resources (Kasmir, 2016; Saks, 2006; Indriyani & Heruwasto, 2017; Hoque, et al, 2018). The following are some of the variables that are affected by compensation: Work motivation; Work atmosphere; Commitment; Job satisfaction; Performance; Employee turnover; Engagement. Martocchio (2004) provides an explanation that extrinsic compensation is divided into two forms namely monetary compensation and non-monetary compensation. Monetary compensation then has 6 (six) elements which are the core of compensation, including: a) Base Pay (hourly pay or wages or as salary); b) Cost of Living Adjustments (COLAs); c) Seniority Pay; d) Merit Pay; e) Incentive Pay; and f) Pay for Knowledge Plans and Skill-Based Pay. Whereas non-monetary compensation consists of protection programs (health insurance), leave rights and other services (health services).

2.5 Authentic Leadership

Authentic leaders have a unique way of leading that is developed through experience, learning, consultation and self-introspection and their consistency with values and character and personality (Bass, 2003). In addition, they are also leaders who have characteristics: self-aware, humble, always looking for improvement, aware of those who are led and maintain their welfare, cultivate high trust by building ethical and moral frameworks, and have a commitment to achieve organizational success (Whitehead, 2009). Meanwhile, according to George & Sims (2007), authentic leaders are leaders who are honest with themselves and what they believe in, foster trust and develop sincere relationships with others, motivating others to achieve high levels of performance based on this trust (George & Sims, 2007). Authentic leaders are more interested in serving others than pursuing their own success or recognition from others. Avolio et al. (2004) states that authentic leadership is leadership that realizes how to think and behave and is perceived by others as self-aware and others; have moral values / perspectives, knowledge, and strengths; aware of the context in which they operate; and have confidence, hope, optimism, resilience, and high moral character (Avolio, Gardner, Walumbwa, Luthans, & May, 2004). The definition presented by Avolio et al. (2004) was chosen by researchers as the definition of authentic leadership in this study.

Gardner, Cogliser, Davies, & Dickens, (2011); Oh, Cho, & Lim, (2017) and McAuliffe, Bostain, & Witchel, (2019) state that authentic leadership can influence several variables including a) personal & social / organizational identification; b) positive leader modeling; c) trust in leadership; d) follower job satisfaction; e) organizational commitment by followers; f) follower work engagement; g) follower job performance; h) leader and follower well-being; and i) follower withdrawal behavior. There are 4 (four) dimensions of authentic leadership known as the Authentic Leadership Questionnaire (ALQ) developed by Walumbwa, et al. (2008) namely: Self-Awareness; Relational Transparency; Internalized Moral Perspective; Balanced Processing (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008).

III. HYPOTHESES DEVELOPMENT

3.1 The Relationship Between Job Characteristic and Engagement

The relationship between job characteristics and engagement is explained in several studies conducted by Khan (1990) which state that a meaningful psychological condition can be obtained from job characteristics that provide a challenging, varied job, allowed to use a variety of skills, personal discrete and there is an opportunity to be able to contribute. Saks's research (2006) also places job characteristics as an antecedent of engagement. Hackman & Oldham (1976) states that redesigning jobs such as job enrichment can enhance the work experience of an individual in an organization. Agarwal & Gupta (2018) also stated that job characteristics can influence engagement in the results of their research.

H1: Job characteristics significantly influence engagement

3.2 The Relationship Between Extrinsic Compensation and Engagement

In several studies linking compensation and engagement, Khan (1990) states that individuals have different levels of engagement as a function of their perceptions of the benefits they receive from their roles. Saks (2006) also places reward and recognition as antecedents of engagement. Whereas the research conducted by Indriyani & Heruwasto (2017) and Hoque et al. (2018) states that compensation has a positive correlation with employee engagement.

H2: Extrinsic compensation significantly influences engagement

3.3 The Relationship Between Authentic Leadership and Engagement

Authentic leadership provides an understanding that a leader is a direct example for employees. A positive relationship between leaders and employees will be able to create trust between the two parties. So that trust will provide motivation to display high performance which will ultimately create engagement. Authentic leaders can influence follower engagement (Gardner et al., 2011). The same thing was also found in the results of research conducted by Jihye Oh, Daeyeon Cho & Doo Hun Lim (2017) and McAuliffe, Bostain & Witchel (2019) showed that authentic leadership provides a positive correlation with employee engagement.

H3: Authentic leadership has a significant effect on engagement

3.4 The Relationship Between Engagement and Employee Performance

Optimal performance is expected by the organization to achieve organizational goals that have been previously determined. One effort that can be done by an organization to improve employee performance is to increase the engagement that exists for these employees (Saks, 2006). The engagement that employees have will encourage commitment and motivation to increase work and organization in achieving high-level performance (Armstrong, 2010). The results of research conducted by Anitha (2014) & Sanneh (2015) also showed a positive and significant correlation between employee performance and engagement.

H4: Engagement has a significant effect on performance

3.5 The Relationship Between Engagement and Employee Performance

Research conducted by Anitha (2014) and Sanneh (2015) shows a correlation between compensation and leadership with positive and significant employee performance with engagement as a mediating variable. Then Hackman & Oldham (1976); Agarwal & Gupta (2018) mentioned the output of job characteristics including internal work motivation, quality work performance, satisfaction with the work, absenteeism and turnover & engagement.

H5: Job characteristics, extrinsic compensation and authentic leadership affect performance

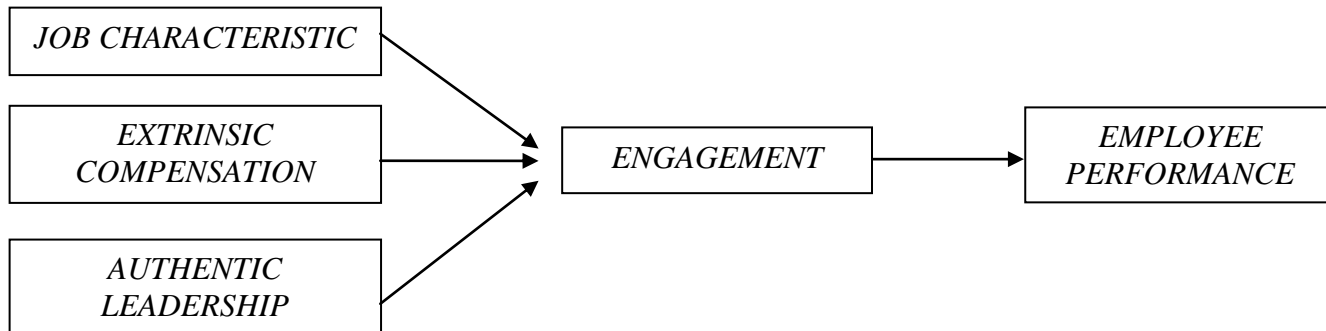


Figure 1. Model Analysis

IV. CONCLUSION

Quality human resources are needed by organizations to maintain organizational performance at its highest level. Both public and private sector organizations alike need quality human resources in providing services according to their respective fields. In addition, organizational performance is also a reflection of the performance of its employees. If the employees have a good quality of performances, so the organizations have it too. Good performance and consistency of an employee can be ensured consistency if the employee has engaged.

Engagement in an organization is very important in maintaining organizational performance. On the contrary, disengagement is also one of the crucial problems for employees who can be in the form of a lack of commitment and motivation at work (Saks, 2006). Employees who are disengagement will tend to make rejection that can make performance not optimal by causing relationship gaps, being passive and avoidance (Khan, 1990). So it becomes important for organizations to know the level of engagement of their employees. If employee engagement is already high, it will also have a positive impact on organizational performance, and vice versa (Anitha, 2014; Sanneh, 2015). Employee engagement is influenced by various factors, three of which are job characteristics, extrinsic compensation and authentic leaders (Saks, 2006; Agarwal & Gupta, 2018; Indriyani & Heruwasto, 2017; Hoque et al., 2018; Sanneh, 2015; Jihye Oh, Daeyeon, Daeyeon, 2018; Cho & Doo Hun Lim 2017; and McAuliffe, Bostain & Witchel 2019).

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