

The Influence of Employee Satisfaction in Supporting Employee Work Performance and Retention Moderated by the Employee Engagement Factor of an Institution (An Empirical Study of Binus Business School)

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ABSTRACT

Employees are an important part of any organization. They play an important role as workforce providers and expertise in creating value and are one of the primary sources needed in every production process. Therefore, every organization needs reliable workforce support that can help reach their vision and mission. This includes the BINUS BUSINESS SCHOOL institution, which is trying to achieve its long term vision to become a “World-Class Knowledge Institution” by 2020. It is even more so by looking at the condition of the Indonesian upper educational industry that since early 2000 has been competing to provide new educational services to society, especially in the form of business school service. Therefore, it is crucial to maintain employee satisfaction along with their commitment and involvement in supporting the effort to achieve the long term target. The purpose of this research is to analyze the influence of employee satisfaction moderated by employee engagement towards employee work performance and retention. The respondents participated within the study are all employees of the institution, with the data gathering techniques applied include questionnaires and multiple regression analytical method with moderating variable. The study results show that employee satisfaction has significant positive influence towards employee work performance and retention. In contrast, employee engagement does not provide a significant influence toward employee work performance nor retention.

Keywords: employee satisfaction, employee engagement, employee work performance, retention, moderating variable.

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Any remaining errors or omissions rest solely with the author(s) of this paper.

INTRODUCTION

Indonesian tertiary education industry since the beginning of 2000 has brought the business education in becoming a new-fast growing industry. Djatmiko (2009) stated that private and public tertiary educational institutions are in the process of incessant educational development in the business field or what is better known as business schools or Master's Degree in Management (MM) programs. This is as a result of the increasingly intense competition within the upper education industry and demands institutions to possess superiorities over their competitors.

As well as in all service and non-educational sectors, employees in educational institution play an important role. Education sector is seen as more to be a pure service. As workforce and expertise providers, employees are actively involved in the production or creation of a value within a company and are one of the primary resources needed in every production process. Every company should consider their employees as valuable assets. This asset need to be develop starts from the recruitment process until their development which is a considerable cost for any organization. Moreover, by looking at the condition of industry competition that is increasingly intense these days, every company needs employee support and reliable employees that can assist them to reach their objectives.

Previous studies indicate that employee satisfaction consider to be a valuable factor for any company, especially in reducing the turnover cycle which would leads to cost consequences for the firm. Customer satisfaction is one of the factors in measuring how an employe likes his or her job related to the workplace environment. Employees who have a high degree of satisfaction toward a company tend to be more productive and loyal (Macey and Schneider, 2008; Eskilden and Dahlgaard, 2000; Ericson, 2005). In higher level of their job satisfaction, employees can show a higher form of commitment and loyalty, which is usually known as employee engagement (Ericson, 2005). This concept states that employees with a high level of satisfaction will be motivated to be more engaged in every work process enthusiastically along with having a high level of commitment in doing their job.

Many consultation agencies believed that there is a correlation between the value of strong employee engagement and company or institution performance. Employee engagement is an important aspect within an organization, because employees who feel involved with their organizational goals are expected to be more productive and be more aware to achieve higher level of contributions to organization compared with employees who do not possess an engagement value (Trich, 2003).

BINUS BUSINESS SCHOOL (BBS) is a fast growing educational institution, one of the business units owned by Bina Nusantara Institution. This institution has almost all level of educational offering, from preschool to doctorate program (first commencement on 2011). BBS, as one of the entities of the Bina Nusantara Institution, has a vision to become a world-class knowledge institution by the year 2020.

In its effort to achieve the desired long term vision, BBS needs the support from its employees, with high qualifications and long term commitment to the institution. Departed from the background, this research was developed in order to explain the aspect of employees satisfaction in relation with their involvement to the institution and the implication the employees' retention and performance.

Research Problem

Referring to research background, the research problems can be formulated as follows; an institution needs support derive from their employees' performance in order to achieve its long term objective, where the performance is influenced by the employees satisfaction and engagement towards the institution. Moreover, the institution also needs a long term commitment from its employees in order to help achieving its objective.

Research Question

Research question for this research will be; does employee satisfaction influence employee work performance and retention where this influence is moderated by the employee engagement.

THEORITICAL BACKGROUND

In the modern management world, employee satisfaction is considered as one of a company's primary motivators in creating quality, customer satisfaction, and productivity. In the the concept of Total Quality Management (TQM), it is believed that employees who possess a high level of satisfaction will have strong motivation, good morals, and will be effective and efficient in their work performance (Eskilden & Dahlgaard, 2000). Satisfied employees will also be more committed to improve continuously and improve the quality. This satisfaction also influences the quality process. This quality process determines company costs along with customer satisfaction. According to Matzler *et al.* (2004), employee satisfaction is shaped by several factors, including one's job, colleagues, remuneration, responsibility, and recognition.

Employee engagement is a relatively new term in human resource knowledge, where the term is often used by consultant agencies that operate especially in the human resources field. A definition can be found that is often used by a consultant agency in the human resources field named the Gallup Organization, which states that employees who have an engagement value are workers that have total involvement and enthusiasm toward their jobs (Tritch, 2003). Besides this definition, a popular viewpoint states that employee engagement does not only make employees provide more contributions, but it also makes them to be more

loyal to the company, which reduces their desire to leave the company voluntarily (Macey & Schneider, 2008). The factors which signal that an employee possesses an employee engagement value can be seen from the factors of readiness and willingness to exert all of one's energy into a physical, cognitive, and emotional expressive form to finish one's tasks. Besides that, the pride factor towards one's job is also a motivational factor from employee engagement (Gibbons, 2006).

The effects from the employee satisfaction factor to employee work performance have already been discussed at great length in the researcher sphere since long ago, where researchers try to look for a consistent relationship between the two factors. From various early study, Robbins (1996) states that early viewpoints about the connection between satisfaction and work performance can be clarified in the following sentence: "A happy employee is a productive worker". According to Robbins (1996), in order to measure a company's or institution's employee work performance, firms must have to carry out performance evaluations. Work performance evaluations are needed by management to make decisions that are related to human resource policies. This includes promotion decisions, training along with appropriate career development, to employee termination. Employee work performance itself can be evaluated through three kinds of criteria that are most often used; two criteria which are stated by Robbins (1996) are individual task outcome to see the work results of an employee through a grading system that is developed by each institution and the behavior to see the perceptions of an employee towards their evaluation. The next criterion is stated by Kanz (1998), where he adds that the opportunity factor which is given after an evaluation done to measure employee work performance.

Satisfaction in job and employee retention has a strong relationship with work performance (Harter, Schmidt & Hayes, 2002; Bernotavic, 1997). Companies which fail to create a basic loyalty from their workers will only have people lacking in experience in their front lines. This has an especially big effect in cases where companies are involved in the service area (Batt, 2002). In explaining the retention motivational factors, Bernotavic (1997) are actually work factors like workload, basic job characteristics, complexity of a task and agency factors like work development, supervisor behavior, and policy clarity. Leadership behavior argued as one of the retention motivational factors based on the agency category as supported by Bubenick (2004), who states that supervisor behavior is included in one of three retention supporting critical factors.

Methodology

Within this study, the research framework is developed based on measuring the employees' job satisfaction of BBS in relation to the retention and work performance by also investigating the moderating effect of employee engagement in carrying

out their tasks to the satisfaction-performance relationship. Based on the current thought framework, the conceptual model of this research is developed as follows:

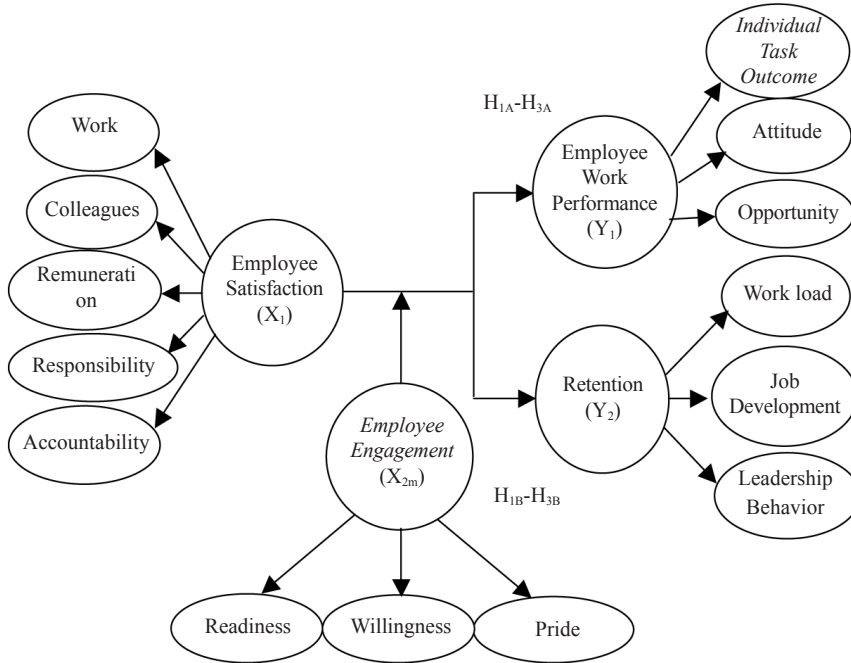


Figure 1 Conceptual model

In this research, hypotheses are developed based on sub-models from the conceptual model of this research. The sub-models will analyse the effect of the dependent variable, moderating variable and each of the independent variables, which are employees work performance and retention. Therefore it will comprise of six main hypotheses.

Data for all variables of the study were collected through a questionnaire survey method. The survey involves whole population of permanent employees who work at BBS, which include all director and staff member. A total of 63 respondents were available and willing to participate within the study.

The respondent profiles of this research indicate an equal gender composition of the respondents; where the majority of the respondents age was between 25 and 35 years old with a Master's Degree as their last educational degree. Additionally, 50% of all respondents have already worked for 1-3 years at the institution.

The data was analyzed by applying the multiple linear regressions method, by assuming that all of the data gathered has a normal distribution. To test the hypotheses as well as explaining the effects together from all of the independent variables to the dependent variable, an F value was used from ANOVA table. Moreover, in order to observe the effect from each independent variable towards the dependent variable, it will be determined from the t Test value which compared to the p-value, where in this research the level of significance (α) values was determined at 0.5 or 5%.

RESULTS AND DISCUSSION

To ensure the validity of the questionnaire developed, expert judgment approach was applied during the pre-test period within data collection process. The method involved six academicians with a minimum of three years experience of teaching in human resource and management discipline. This process was conducted in order to ensure the content (face) validity, criterion-related validity, and construct validity as proposed by Cooper and Schindler (2008). In order to ensure the internal consistency of all indicators within the study, a reliability test using Cronbach's alpha coefficient approach was applied. The result value showed 0.89, suggesting a good internal consistency result. After both tests proved that the indicators are all valid and reliable, the data is being process into the following stage, which was hypothesis testing phase.

The following Table 1 summarizes the hypothesis test results by applying multiple linear regressions with moderating variable method, between the independent variables towards the employee work performance variable (Y_1):

As seen on Table 1, H1A is supported by the data (sig.=0.003), where it concluded that here is a significant influence of employee satisfaction towards employee work performance. It is also found that H2A and H3A are not supported by the data where there is no significant influence from employee engagement to work performance and Employee satisfaction moderated by employee engagement found has significant no influence to employee work performance.

Furthermore, Table 2 summarizes the hypothesis test results by applying multiple linear regressions with moderating variable method, between the independent variables towards the employee retention variable (Y_2):

From the results within Table 2, it is shown that H1B is the only supported hypothesis with significant value equal to sig.=0.000. The result also signifies the influence of employee satisfaction towards the employee retention.

CONCLUSION AND IMPLICATION

Study result shows that the firm need to focus on developing employees' satisfaction since from the finding, customer satisfaction has significant influence to both

The Influence of Employee Satisfaction in Supporting Employee Work Performance

Table 1 Hypothesis A: Influence of employee satisfaction and Engagement toward work performance

	Hypothesis A	Table	Results	Conclusion
H1A: Employee Satisfaction towards Employee Work Performance				
H ₀	Employee satisfaction has no significant influence to employee work performance.	Regression Coefficients	Sig = 0.003 Sig < 0.05	H ₀ is rejected
H ₁	Employee satisfaction has significant influence to employee work performance.			Employee satisfaction has significant influence to employee work performance.
H2A: Employee Engagement towards Employee Work Performance				
H ₀	Employee engagement has no significant influence to employee work performance.	Regression Coefficients	Sig = 0.877 Sig > 0.05	H ₀ is accepted
H ₁	Employee engagement has no significant influence to employee work performance.			Employee engagement has no significant influence to employee work performance.
H3A: Employee Satisfaction Influenced by Employee Engagement towards Employee Work Performance				
H ₀	Employee satisfaction moderated by employee engagement has no influence to employee work performance.	Regression Coefficients	Sig = 0.123 Sig > 0.05	H ₀ is accepted
H ₁	Employee satisfaction moderated by employee engagement has influence to employee work performance.			Employee satisfaction moderated by employee engagement has no influence to employee work performance.

Source: Primary data analysis

Table 2 Hypothesis B: Influence of Employee Satisfaction and Engagement toward Employee Retention

	Hypothesis B	Table	Results	Conclusion
H1B : Employee Satisfaction towards Employee Retention				
H ₀	There is no significant influence of the employee satisfaction to employee retention.	Regression Coefficients	Sig = 0.000 Sig < 0.05	H ₀ is rejected
H ₁	There is a significant influence of the employee satisfaction to employee retention.			There is significant influence of the employee satisfaction to employee retention.
H2B: Employee Engagement towards Employee Retention				
H ₀	There is no significant influence of the employee engagement to employee retention.	Regression Coefficients	Sig = 0.963 Sig > 0.05	H ₀ is accepted
H ₁	There is a significant influence of the employee engagement to employee retention.			There is no significant influence of the employee engagement to employee retention.
H3B: Employee Satisfaction moderated by Employee Engagement to Employee Retention				
H ₀	Employee satisfaction moderated by employee engagement has no significant influence to employee retention.	Regression Coefficients	Sig = 0.777 Sig > 0.05	H ₀ is accepted
H ₁	Employee satisfaction moderated by employee engagement has significant influence to employee retention.			Employee satisfaction moderated by employee engagement has no significant influence to employee retention.

Source: Primary Data Analysis

employee's performance and retention. This result support Eskilden and Dahlgaard (2000) which argued that employees who satisfied will have more efficient and effective work performance and have more willingness to stay in the company. Besides, firm may focus on the enhancement and development of drivers to employees' satisfaction such as job environment, the employees' interaction (collegial interaction), remuneration, authority and freedom to work and employees actualization as proposed by Matzler *et al.*, (2004).

However, employees' satisfaction when moderated by employees' engagement does not significantly influence employees' performance. This may due to the concept of engagement may perceived as 'more work' to the employees. Therefore when satisfaction is interacted with engagement, it shows no effect to performance. The similar result showed that employees' satisfaction when moderated by engagement do not significantly affect the employee's retention.

Limitations of the Research

The research strategy applied within the study, which is case study, has resulted in several limitations towards the study itself. First concern would relates to the fact that the applied strategy provided such small population of full-time employees (N=63) to participate as respondents. Other limitation would relate to the differences within the employees performance measurement report. Where the performance of full-time employees is being assessed using key performance index (KPI), whereas performance for the part time or outsourced employees within BBS institution is assessed using different measurement, thus could not be compared one to another.

Further Research

Possible further researches should consider the following suggestions in order to overcome the limitations of the study. First suggestion is to increase the number of research respondents. Next, the future researches should test other dimensions that shape the employee engagement variable besides from the attitude (behavioral) dimension, such as readiness, motivation, and pride. Other dimensions that can be used to measure employee engagement cover involvement, commitment, and empowerment (Macey & Schneider, 2008). Nevertheless, a study comparison using permanent employees compare to outsourced employees in the same organization in order to get more rigor understanding of the relationship between engagement and other variables should be considered. Final suggestion would suggest that further research needs to consider the cultural and value factors of organization.

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