

Employee Engagement & Industrial Relations Climate in a Large Public Sector Organization

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Based on an organization climate survey in a large PSU in India, an analysis was carried out through the structural equation model (SEM) using partial least square path model with XL STAT software to identify the dimensions which will have maximum impact on improving employee engagement parameters like intrinsic motivation, job satisfaction of employees as well as industrial relations climate. The results indicate that leadership behavior has a strong positive impact on employee engagement parameters, viz. intrinsic motivation, job satisfaction of employees, organization values, as well as industrial relations. Salary and benefits, in contrast, had not been found to have any impact on employees' intrinsic motivation and job satisfaction; it has positive bearing on industrial relations, however.

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Introduction

One of the large public sector organizations in power generation and distribution in India from West Bengal recently carried out an organization climate survey (OCS). The organization has been running in loss for the last few years. The management of the company decided to undertake the survey and initiate strategic action following the findings of a diagnostic study for improving organization performance. The survey was conducted during November-December 2011. One of the objectives was to identify the key reasons for low level of apparent employee engagement and have a special strategic focus on the same to improve organizational performance. This paper highlights the approach used to identify the key areas for organizational intervention for improving employee-engagement.

Research Objectives

The conventional approach to OCS is to identify the satisfaction level of each area of organization diagnostic indices by calculating the mean value and standard deviation and compare the same with those from a study of previous years, if

available (Dickson, Resick & Hanges, 2006). This conventional approach normally is taken to draw the action plan to improve the organizational performance and employee motivation based on the identified areas of low satisfaction and or drop in satisfaction level in particular dimensions compared to those in previous studies. In the present study, the basic research question is: "What are the critical constructs explained by the manifested variables of the OCS in this organization which have major bearing on the employee engagement?" The conventional approach of comparing the satisfaction level of each diagnostic dimension with the corresponding level from a previous period is simply incapable of addressing this question and any such approach if resorted to will be misguiding the organization to meet the core objective of improving the organization performance and employee motivation.

For the present study, based on literature (Hartler, Schimdt & Hays, 2002; Macey & Schneider, 2008) 'intrinsic motivation', 'job satisfaction', 'organization values' and 'leadership style' have been conceptualized as drivers of employee engagement. Addressing the basic research question calls for using appropriate advanced statistical methods to establish the causal relations of various constructs, derived from measured variables, with the employee intrinsic motivation, job satisfaction, and leadership behavior, and also in area of industrial relations.

Organization Climate Survey

According to Hay Group (2010) climate affects organizational performance

by influencing employee motivation. In most jobs, especially in the complex ones, there is a gulf between what employees need do to 'get by' and what they can do if they perform at their full potential. A positive climate will encourage this discretionary effort and commitment. Organization climate, as represented by the aggregation of perceptions of individual employees within the organization can be traced back to the work of Lewin, Lipitt & White (1939). Although organization climate has been defined in many different ways (Litwin & Stringer, 1968), there seems to be consensus that it includes three behavioral levels, namely the individual, the interpersonal and the organizational. Organization climate dimensions on the formal level are structure, policy, objectives, management practice, task specialization, decision making, standard and reward (Cilliers & Kossuth, 2002). At the informal level, it refers to identity, employee needs, responsibility, interactive communication, information sharing, support, warmth and conflict handling (Kline & Boyd, 1991). Sampane, Ringer & Roodt (2002) and Hutcheson (1996) viewed organization climate as the description of the organization's "objective" variables like structure, size, policies and leadership style, by the employees.

Extensive research proved that job satisfaction does not happen in isolation, as it is dependent on organizational variables such as structure, size, pay, working conditions and leadership, which constitute organization climate (Sampane, Ringer & Roodt, 2002). Kline & Boyd (1991) conducted a study to determine the relationship between organization

structure, context and climate with job satisfaction amongst the three levels of management. Their study revealed that employees at different levels of the organizations are affected by different work factors. Based on the outcome of this study, they recommended that different aspects of the work environment be looked into when addressing the issues of job satisfaction amongst different positions in the same organization

Organization climate is an inherently multilevel construct involving distinct perceptions and beliefs about an organization's physical and social environment

Organization climate is an inherently multilevel construct involving distinct perceptions and beliefs about an organization's physical and social environment (Dickson et al, 2006). At the individual level, psychological climate refers to individuals' perceptions of and the meanings they assign to their environment. As a higher level construct, organization climate reflects beliefs about the organization's environment that are shared among members and to which members attach psychological meaning to help them make sense of their environment (Schneider & Reichers, 1983).

Statistical Methods

Causal inference is an important goal of social science, the meaning of something being "causal" is often not made explicit in applied studies, for example, what does it exactly mean that x causes

y ? Is it different from x having a positive causal effect on y ? Indeed, there are numerous types of causal questions one can ask about a given set of variables, and one must choose appropriate methods to analyze different types of causal hypotheses (Teppei, 2012)

First-generation techniques, such as regression-based approaches (e.g., multiple regression analysis, discriminant analysis, logistic regression, analysis of variance) and factor or cluster analysis, belong to the core set of statistical instruments which can be used to either identify or confirm theoretical hypothesis based on the analysis of empirical data. (Haenlein & Kaplan, 2004).

Viewed as a coupling of two traditions—an econometric perspective focusing on prediction and a psychometric emphasis that model concepts as latent (unobserved) variables that are indirectly inferred from multiple observed measures (alternately termed as indicators or manifest variables)—Structural Equation Model (SEM) has allowed social scientists to perform path analytic modeling with latent variables (LVs), which in turn has led some to describe this approach as an example of "a second generation of multivariate analysis" (Fornell, 1987). When applied correctly, SEM-based procedures have substantial advantages over first-generation techniques such as principal components analysis, factor analysis, discriminant analysis, or multiple regressions because of the greater flexibility that a researcher has for the interplay between theory and data (Chin, 1998). Specifically, SEM provides the researcher with the

flexibility to: (a) model relationships among multiple predictor and criterion variables, (b) construct unobservable LVs, (c) model errors in measurements for observed variables, and (d) statistically test a priori substantive/theoretical and measurement assumptions against empirical data (i.e., confirmatory analysis) (Chin, 1998)

Structural Equation Models (SEM) include a number of statistical methodologies meant to estimate a network of causal relationships, defined according to a theoretical model, linking two or more latent complex concepts, each measured through a number of observable indicators; the basic idea is that complexity inside a system can be studied taking into account a causality network among latent concepts (LVs), each measured by several observed indicators usually defined as Manifest Variables (MV) (Vinczi, Tinchera & Amato, 2010). In general, there are two approaches to estimating the parameters of an SEM, namely, the covariance-based approach and the variance-based (or components-based) approach (Haenlein & Kaplan, 2004). Covariance-based SEM, in particular, has received high prominence during the last few decades and, “to many social science researchers, the covariance-based procedure is tautologically synonymous with the term SEM” (Chin, 1998).

Unlike covariance-based SEM, partial least squares method (PLS) first introduced by H. Wold (1975) under the name NIPALS (nonlinear iterative partial least squares), focuses on maximizing the variance of the dependent vari-

ables explained by the independent ones instead of reproducing the empirical covariance matrix (Haenlein & Kaplan, 2004). Like any SEM, a PLS model consists of a structural part, which reflects the relationship between the latent variables (LVs), and a measurement component, which shows how the latent variables and their indicators are related; but it also has a third component, the weight relations, which are used to estimate case values for the latent variables (Chin & Newsted, 1999). The researcher needs to measure indicators instead, which cover different facets of the unobservable variable (Bogazzi, 194). In general, indicators can be split into two groups: (a) reflective indicators that depend on the construct and (b) formative ones (also known as *cause measures*) that cause the formation of or changes in an unobservable variable (Bollen & Lennox, 1991). Reflective indicators should have a high correlation (as they are all dependent on the same unobservable variable), formative indicators of the same construct can have positive, negative, or zero correlation with one another (Hulland, 1999), which means that a change in one indicator does not necessarily imply a similar directional change in others (Haenlein & Kaplan, 2004).

An underlying assumption for SEM analysis is that the items or indicators used to measure an LV are reflective in nature (Chin, 1998). Because SEM techniques such as LISREL attempt to account for all the covariance among its measures, the inclusion of formative measures becomes problematic. All items must be reflective to be consistent with

the statistical algorithm that assumes that the correlations among indicators for a particular LV are caused by that LV (Chin, 1988). Partial least square (PLS) SEM, as against, can model both formative and reflective indicators (Haenlien & Kaplan, 2004). The first form of specification, that is, the reflective measurement model has a long tradition in social sciences and is directly based on classical test theory, which postulates that measures denote effects (or manifestations) of an underlying latent construct (Bollen & Lennox, 1991)

The second form of specification, that is, the formative measurement model, was first proposed by Curtis & Jackson (1962) who challenged the characteristic of positively correlated measures as a necessary condition. In a formative model measures are cause of the construct rather than its effect, in other words, the indicators determine the latent variable which receives its meaning from the former (Diamantopulos et al, 2008)

Assessment of reflective outer models involves determining indicator reliability (squared standardized outer loadings), internal consistency reliability (composite reliability), convergent validity (average variance extracted, AVE), and discriminant validity (Hair et al, 2011). In case of a formative model correlations between formative indicators may be positive, negative or zero and thus, reliability in an internal consistency sense is not meaningful for formative indicators (Hulland, 1999). However, one of the most controversial issues in formative

measurement literature is the validity assessment. (Diamantopulos et al, 2008). According to Hair et al (2011) the primary statistic for assessing formative indicators is their weight, evaluation of indicator weights should also include examining their significance by means of re-sampling procedures with t-values and corresponding p values.

PLS is not usually appropriate for screening out factors that have a negligible effect on the response. However, when prediction is the goal and there is no practical need to limit the number of measured factors, PLS can be a useful tool (Tobias, 1995). PLS PM has the advantage over SEM that it “involves no assumptions about the population or scale of measurement and consequently works without distributional assumptions and with nominal, ordinal, and interval scaled variables (Haenlien & Kaplan, 2004). Because the case values for the latent variables in PLS are aggregates of manifest variables that involve measurement error, they must be considered as inconsistent (Fornell & Cha, 1994). Despite the problem of inconsistency at large, PLS comes into its own principal in situations in which covariance-based SEM tools reach their limit, namely, when the number of indicators per latent variable becomes large (Haenlien & Kaplan, 2004). Given PLS PM’s ability to work efficiently with a much wider range of sample sizes and increased model complexity, and its less restrictive assumptions about the data, it can address a broader range of problems than SEM, moreover, because the constructs’ measurement properties are less restrictive with PLS PM, constructs with

fewer items (e.g., one or two) can be used than those that SEM requires (Hair, Ringle, & Sarstedt, 2011). According to these authors the overall, when measurement or model properties restrict the use of SEM or when the emphasis is more on exploration than confirmation, PLS SEM is an attractive alternative to covariance-based-SEM and often more appropriate and they conclude that PLS-PM path modeling, if appropriately applied, is indeed a “silver bullet” for estimating causal models in many theoretical models and empirical data situations. While offering many beneficial properties, PLS-SEM’s “soft assumptions” should not be taken as carte blanche to disregard standard psychometric assessment techniques. (Hair et al, 2012)

Hypotheses

Intrinsic motivation has been defined as the activation or energization of goal-oriented behavior within an individual due to internal factors within a person rather than due to some external factors acting on the individual (Deci & Ryan, 1985). Job satisfaction is defined as the enjoyment that employees experience by performing their jobs (Brown & Huning, 2011). The intrinsic components of motivation refer to job content factors such as the nature of the work, achievement, responsibility and growth in skill while the extrinsic components refer to job context factors such as working conditions, salary, security, and co-worker relations (Saleh & Hyde, 1969). These theories suggest that job satisfaction is positively related to intrinsic motivation.

Hypothesis 1: Higher the job satisfaction higher is the employee’s intrinsic motivation

Organizational cultures significantly and positively are correlated with leadership behavior and job satisfaction, and leadership behaviors significantly and positively are correlated with job satisfaction (Tsai, 2011). Empowering leadership positively affects psychological empowerment, which in turn influences both intrinsic motivation and creative process engagement (Zhang, 2010)

Leadership behaviors significantly and positively are correlated with job satisfaction.

Hypothesis 2: Effective leadership behavior positively impacts employees’ intrinsic motivation

Introduction of extrinsic rewards for intrinsically rewarding may decrease rather than enhance the overall motivation (Deci & Ryan, 1985, Ryan & Deci, 2000). Pinto (2011) observed that wages paid by the companies do not significantly influence the motivation and satisfaction of the employee. Thus it appears that salary and benefit may not significantly influence in enhancing the intrinsic motivation, though in real life, organizations pay strong attention to employees pay in increasing employee motivation and engagement.

Hypothesis 3: Salary and benefit do not enhance intrinsic motivation to employees

Investments in human resources policies and practices are associated with lower employee turnover and greater productivity and higher corporate financial performance (Huselid, 1995). This suggests that the human resources policies, practices as well as effective functional interface of human resources department of an organization can enhance employee intrinsic motivation.

Hypothesis 4: Human resources function effectiveness positively influences employees' intrinsic motivation.

Hypothesis 5: Human resources function effectiveness positively impacts job satisfaction

Employees who share values with the organization are more likely to be empowered with decision-making (but independent of control on job that is more likely to be associated with uncertainty caused by task characteristics), and allows organizations to reduce the monitoring at workplace as well as stronger relationship between value congruence and relational performance indicates that value congruence enhances employees' devotion to service provision, which is a substantive consequence of employee intrinsic motivation (Ren, 2010). Thus the organization values do have positive relation with employee intrinsic motivation.

Hypothesis 6: "Organization values" have positive impact on employee's intrinsic motivation

Hypothesis 7: "Organization values" plays a positive role in improving job satisfaction

Transformational leadership is an important leadership style to increase subordinate job satisfaction (Bakely, 2011). Tasi (2011) in his study of leadership behavior and job satisfaction observed that organizational cultures were significantly (positively) correlated with leadership behavior and job satisfaction, and leadership behavior was significantly (positively) correlated with job satisfaction.

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Hypothesis 8: Effective leadership behavior improves employee job satisfaction

Increased earnings increase job satisfaction (Artz, 2008) and low-paid jobs are jobs of inherently low quality, in which case we should expect that job satisfaction would be lower in low-paid jobs (Jones & Sloane, 2007).

Hypothesis 9: Higher the salary & welfare satisfaction, higher is the job satisfaction

Hoffman, Bynum, Piccolo & Sutton (2011), in their study on transformational leadership found that work group effectiveness flows through follower perceptions of person-organization or person-supervisor value congruence. The group-level effect of transformational leadership on work group effectiveness was

fully accounted for by the group-level impact of transformational leadership on follower perceptions of person-organization value congruence, not by its impact on follower perceptions of person-supervisor value congruence.

Hypothesis 10: Effective leadership behavior enhances perceived organization values

Industrial relations are forever evolving. The social, legal and economic influences on business make it impossible to avoid change. It is vital for businesses to adapt and manage these changes effectively. Some businesses have wholeheartedly embraced the concept of family friendly workplaces and flexible working conditions, workplaces where employees have a sense of belonging and are proud of their work and workplaces (Hartley, 2007)

Hypothesis 11: Effective industrial relations climate has a positive bearing on employee's intrinsic motivation.

Hypothesis 12: More the effective leadership behavior, better will be the industrial relations climate

Hypothesis 13: Higher the salary & welfare satisfaction better will be the industrial relations climate

Hypothesis 14: More effective the HR function, better will be the industrial relation climate

Methodology

The survey was conducted by distributing printed questionnaire amongst

the executives and non-executives of the organization during October - November, 2011. A large team from the consulting firm was deployed at various units of the organization located across eastern India. The team members interacted with the employees in groups and individually, whenever, required to explain the questionnaire to the employees and also to collect qualitative data. The questionnaire was administered both in English and Hindi. A total of 1504 executives and 4016 non-executives responded to the questionnaire. For the purpose of the present study the responses of 1504 executives were taken in to account only.

The consulting firm used the standard organization climate survey questionnaire developed and improved over the years by them while using it for surveys in various other organizations. Since, one of the key objectives of the exercise was to improve employee motivation the intrinsic motivation questionnaire developed by Herpen et al (1996) was used.

As per the past practice of the consulting firm on OCS a 4-point scale was used to avoid central tendency of responses in an internal organization study by the employees.

Analysis

In the OCS the micro dimensions studied were: Job content & clarity, empowerment, Boss-subordinate relations, Top management, Salary & benefits, Welfare & working conditions, Human resources policies & practices, Human resources functional interface, Industrial

relations and employee motivation. Scale validity and reliability test through Corrected Item Total Correlation (CITC) and Cronbach's alpha was done for each of these dimensions. The ques-

tionnaire items with CITC less than 0.4 have been dropped. Table 1 shows the descriptive statistics of & reliability. Table 2 shows the formative model of latent variables.

Table 1 Descriptive Statistics & Reliability

Variable	Mean	Std. Deviation	Cronbach's Alpha
Job Content	2.144	0.603	0.662
Empowerment	2.323	0.648	0.668
Top Management	2.406	0.627	0.825
Boss-Subornate Relation	2.815	0.598	0.751
HR Policies	2.115	0.691	0.757
HR Interface	2.060	0.725	0.869
C&B	2.763	0.729	0.690
Working Condition & Welfare	2.498	0.640	0.681
Intrinsic Motivation	3.264	0.666	0.746
IR	2.299	0.580	0.780
Ogr. Value	2.336	0.636	0.683

Table 2 Formative Model of Latent Variables

Measured Variables (MVs)	Latent variable (LV)
Job content & Clarity Empowerment	Job Satisfaction
Boss-Subordinate relations Top management	Leadership Behavior
Human Resources Polices&Practices Human Resources Functional Interface	Human Resource Management Effectiveness
Compensation & Benefits (C&B) Working Condition &Welfare	Salary & Welfare
Organization Value	Organization Value
Industrial Relations	Industrial Relations
Intrinsic Motivation	Intrinsic Motivation

Descriptive Statistics

To objectively assess the impact of various constructs as considered in the research hypotheses, the measured variables (MVs) were grouped as follows:

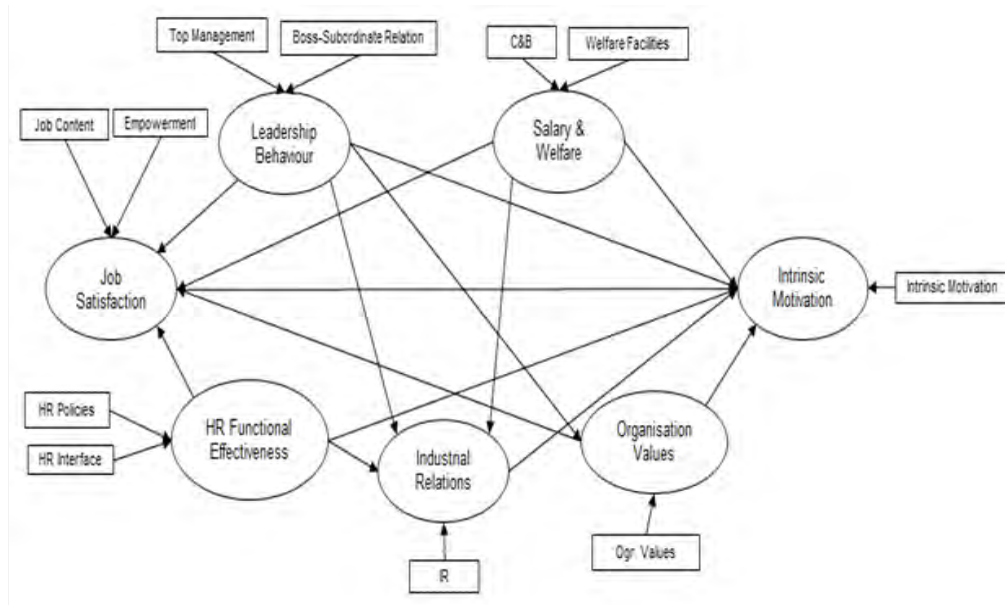
The Research Model (Fig. 1)

Since the proposed model is having many manifested variables and a complex and multi block structure with exogenous and endogenous characteristics of a num-

ber of constructs, and moreover, the latent variables are in formative mode, partial least squares path model (PLS PM) has been used to test the hypotheses. Partial least squares (PLS) is a method for constructing predictive models when the factors are many and highly collinear and when prediction is the goal and there is no practical need to limit the number of measured factors, PLS can be a useful tool (Tobias, 1995). PLS path modeling provides a very flexible environment for

the study of multi block structure of observed variables by means of structural relationships between the LVs. Furthermore, such a general and flexible framework also enriches the data analysis methods with non-parametric validation process such as bootstrap, jack-knife and blind-folding for the estimated parameters and fit indices for the different blocks that are more classical in a modeling approach than the data analysis (Tenenhaus, Vinzi, Chatelin & Lauro, 2005)

Fig. 1 The Research Model



PLS PM test has been done using XL STAT software. XLSTAT-PLSPM is the ultimate PLS Path Modeling software implemented in XLSTAT data analysis and statistical solution for Microsoft Excel (Vinczi, Tinchera & Amato, 2010). XL STAT offers an intuitive and flexible interface, XLSTAT-PLSPM permits to build the graphical representation of the model, then to fit the model, to display the

results in Excel either as tables or graphical views.

All the variables in this study are modeled as formative indicators as their respective measures are linearly combined to determine the variables. This means that a change in one indicator does not necessarily imply a similar directional change for other indicators (Chin, 1998).

Internal Consistency & Reliability

Since in the model, all indicators of latent variable are in formative mode (mode B), internal consistency and reliability could not be assessed by commonly known methods as in the case of reflective indicator mode. When evaluating how well constructs are measured by their indicator variables, individually or jointly, researchers need to distinguish between reflective and formative measurement perspectives (e.g., Diamantopoulos et al. 2008). While criteria such as Cronbach's alpha and composite reliability are commonly applied to evaluate Reflective measures, an in-

ternal consistency perspective is inappropriate for assessing formative ones (e.g., Diamantopoulos & Winklhofer 2001). Several statistical criteria have been suggested to evaluate the quality of formative measures the primary statistic for assessing formative indicators is their weight, the evaluation of indicator weights should also include examining their significance by means of re-sampling procedures (Hair, Sarstedt, Ringle & Mena, 2012). We, thus, measured the quality of formative mode of the latent variables by weights (not below 0.2) and by doing the t test by bootstrap re-sampling procedure. Table 3 shows the results.

Table 3 (Internal Reliability and consistency)

Latent variable	Manifest variables	Outer weight	t (Bootstrap)	t value (p < 0.05)
Outer weight				
Job Satisfaction	Job Content	1.043	1.044	19.059
	Empowerment	0.754	0.760	18.038
Leadership Behaviour	Top Management	1.563	1.566	68.9966
	Boss-Subordinate Relation	0.069	0.073	7.2656
HR Functional	HR Policies	1.150	1.140	15.1373
Effectiveness	HR Interface	0.335	0.349	10.3152
Salary & Welfare	Comp. & Benefit	0.235	0.238	32.2279
	Welfare Facilities	1.398	1.398	43.1193

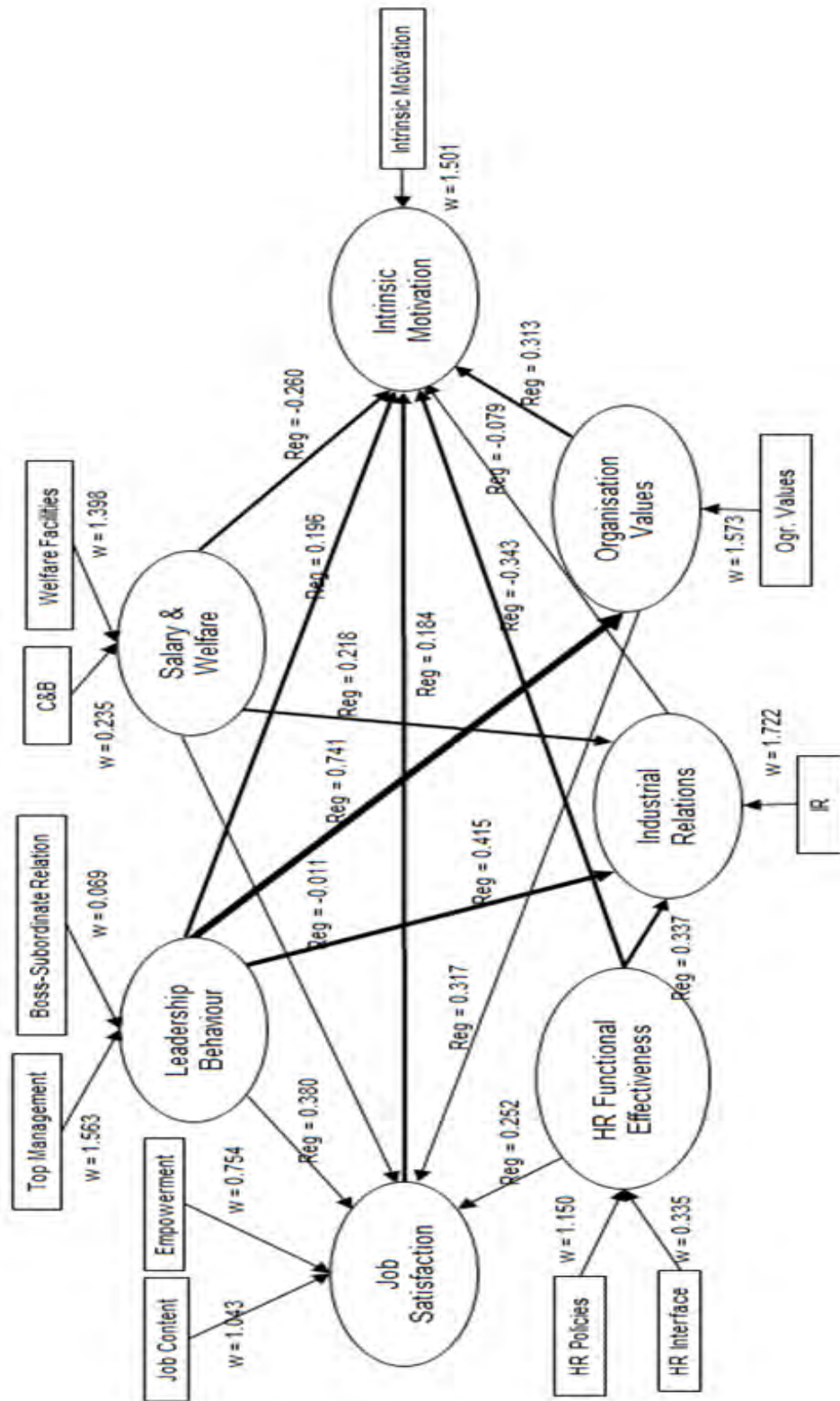
The weight of Boss-subordinate to Leadership behavior is found to be low. The weights of other manifest variables and t test values of respective latent variables confirmed the validity of the formative model of all the latent variables namely, Job satisfaction, Leadership behavior, Human resources functional effectiveness and salary and welfare. The other constructs considered in the study, namely Intrinsic motivation, Organization values and Industrial Relations variables

were measured with single variables (aggregate of item values of questionnaire which were validated through CITC test and Cronbach's alpha value).

Structural Model (Inner Model) & Hypotheses Test

Fig. 2 shows the path model with the weights for all formative indicators on respective latent variable and the path coefficient from one latent variable to the

Fig. 2



other (inner model) as theorized in this study. Table 4 shows the significance of each model in terms of R^2 , F value, p-values as well as the significance and the causal effect of each variables (exogenous) on the respective construct (endogenous) in each model as theorized in the study by path coefficient value, t-values and p value. $R^2(0.275)$ values of Intrinsic motivation being explained by Organization values, Leadership behavior, Job satisfaction and also the other variables like HR Functional effectiveness, Salary & welfare (though shows negative impact) are quite significant. Organization values (path coefficient 0.313, $t = 8.57$, $p < 0.05$) has the highest impact on Job satisfaction besides Leadership behavior (path coefficient 0.196, $t = 5.054$, $p < 0.05$) and Job satisfaction (path coefficient

0.184, $t = 4.895$, $p < 0.05$), who have statistically significant impact on Intrinsic motivation. HR Functional effectiveness (path coefficient -0.343, $t = -10.346$, $p < 0.05$) and Salary & welfare (path coefficient -0.260, $t = -8.718$, $p < 0.05$) though statistically significant have negative relation with Intrinsic motivation. Industrial relations have no statistically significant relation with Intrinsic motivation. These findings support hypotheses 1, 2, 6, however, they do not support hypotheses 3, 4 and 11. $R^2(0.656)$ value of Industrial relations reveals that Leadership behavior, Human resources (HR) Functional effectiveness and Salary & welfare have high contributions in improving Industrial relations climate. Leadership behavior has a strong (path coefficient 0.415, $t = 22.629$, $p < 0.05$) bearing on Industrial relations.

Table 4 PLS-SEM Statistics

Latent Variable	Value	t	Pr> t	R ²	F	Pr>F
Impact & Contribution of Variables on Intrinsic motivation						
Organisation values	0.313	8.570	0.000	0.275	94.62	0.000
Leadership behaviour	0.196	5.054	0.000			
Job satisfaction	0.184	4.895	0.000			
HR Functional effectiveness	-0.343	-10.316	0.000			
Salary & welfare	-2.60	-8.718	0.000			
Industrial relations	-0.079	-2.040	0.041			
Impact & Contribution of variables on Job satisfaction						
Leadership behaviour	0.380	15.899	0.000	0.657	716.59	0.000
Organisation values	0.317	13.758	0.000			
HR Functional effectiveness	0.252	12.261	0.000			
Salary & welfare	-0.011	-0.557	0.577			
Impact & Contribution of variables on Industrial relations						
Leadership behaviour	0.415	22.629	0.000	0.656	951.77	0.000
HR Functional effectiveness	0.337	16.737	0.000			
Salary & welfare	0.218	11.107	0.000			
Impact & Contribution of variable on Perceivsd Organisation values						
Leadership behaviour	0.741	42.791	0.000	0.549	1831.11	0.000

Of course, the other variables namely HR Functional effectiveness (path coefficient 0.337, $t = 16.737$, $p < 0.05$) and Salary & welfare (path coefficient 0.218, $t = 11.107$, $p < 0.05$) also have quite significant effect on Industrial relations. Thus, hypotheses 12, 13 and 14 stand fully supported. Leadership behavior is found to be having very strong impact in improving Organization Values actualization by employees (R^2 0.549, path coefficient 0.741, $t = 42.79$, $p < 0.05$)

Discussion

Leadership behavior is found to be having maximum bearing on Job motivation, Industrial relations and Intrinsic motivation. This finding is a strong indicator to the effect that the concerned organization can maximize improvements in all the above areas by focusing on improvement in Leadership behavior. As could be found from the findings that the weights of the two formative indicators of Leadership behavior, namely Boss-Sub-ordinate relations (Weight 0.069) and Top management (weight 1.563) suggest that strong initiative in improving Top management leadership quality is critical toward improving employees' Intrinsic motivation, Job satisfaction, Organization value actualization and improving Industrial relations climate. Human resources functional effectiveness and Salary & welfare are found to be having no bearing on Intrinsic motivation. With regard to improved Job satisfaction, besides Leadership behavior, Organization values and Human resources functional effectiveness need attention. Of

course, serious attention needs to be given to both the formative indicators of Job satisfaction viz., Job content clarity and Empowerment (both low mean value and having almost equal weight). Salary & welfare found to have no significant role in improving job satisfaction. Salary & welfare has, understandably, impact only on Industrial relations. To improve Industrial relations, Human resources functional ability also needs to be improved. In short, the foremost area for the concerned organization that calls for strong actions and initiatives is improving Top management leadership capability.

Managerial Implications

This study seems to have significant implications with regard to the organization initiatives for improvements in Employee satisfaction, Engagement and organization performance etc. This study suggests a break-through approach in analyzing the survey findings deviating from the conventional approach of mean and standard deviations. Using PLS PM, though it has its own limitations, could be an effective statistical method to analyze the internal employee survey data as the analytical measurement model of latent variables, predominantly in formative mode.

Limitations

One of the major limitations of this study is that the formative mode of latent variables is constructed based on the common understanding with nomological perspective and not based on strong

theories. Other major shortcomings in this study is the use of non-standard 4 point scale (common practice in industry for this kind of internal survey to avoid central tendency of response) as against usual research practice of using either 5 or 7 point of Likert scale. Another limitation of this study is the use of only a few formative indicators per latent variable. More indicators per latent value may lead to fewer improper solutions and more stable results (Haenlien & Kaplan, 2004)

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