



## **LINKING COMPENSATION, EMPLOYEE ENGAGEMENT, EMPLOYEE LOYALTY AND ORGANIZATIONAL PERFORMANCE: THE MEDIATING ROLE OF ORGANIZATION COMMITMENT**

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### **ABSTRACT**

In this current era of a competitive world, it's has become necessary to every organization to maintain its sustainable performance and retain its employees. Researchers have reported that there are different factors that relate to organizational performance. Therefore, this study tries to find out relation of under study variables with organization performance. For comprehensive understanding mediation mechanism has been applied. This research has investigated the mediating role of organizational commitment in the relationship between Compensation, Employee Engagement, Employee Loyalty and Organization Performance. Data were collected from 278 respondents from bank through questionnaire. Structural equation modeling was conducted by using Smarts PLS 3. The findings of the study have discovered that direct and significant positive relationship exists between Compensation, Employee Engagement, Employee Loyalty and organization performance. So, organization must give importance to these factors in order to increase their performance and sustain in business world.

**Keywords:** Employee Loyalty, Compensation, Employee Engagement, Organizational Commitment and Organizational Performance

**JEL Codes:** J54, P47

### **I. INTRODUCTION**

In current scenario service sector is growing rapidly because of banks as they are directly related to economy of any country and they would be the 5<sup>th</sup> largest industry globally in 2020 (Timespro, 2019). Banks are the main stakeholder in market as they create 2.7 million job opportunity in European Union (EU page, 2018). On the other side, banks are considered a strong economic pillar in India as they contribute more than 7.7% in Indian GDP and generate about 1.5 million employment opportunities (Timespro, 2019). In Pakistan, bank is the main factor that contributes more than half in Pakistan economy. According to survey held in 2019 agriculture contributes 22.04%, industry 18.34% and service 53.86% in Pakistan GDP. (Plecher, 2020). Moreover a survey held in 2018-2019 shows that service sector contribution in overall GDP is 4.71% with a growing rate of 3.11% which is more than other sectors. This sector is sub divided like Transport, Storage, Communication but Banks are considered main among them the reason behind the contribution of bank is high. The contribution of Schedule banks or non-schedule banks is 5.3% and 24.6% respectively which is higher than other sub division of service sector individually (Pakistan Economic survey). Banking sector in Pakistan has become more important than other but this sector also faces some crisis in the economy of Pakistan. Study aims to find out the factors that can increase or decrease the performance of any bank or organization. Nowadays, Organizational performance is considered important to achieve organizational set goals, aims and strategies. If any organization wants to survive in this competitive world, they should improve their performance to achieve sustainable competitive advantage (Fiaz, 2015).

However, every organization is implementing performance appraisal system to evaluate, control and improve the firm performance, which is very crucial for any firm for survival (Demirbag, 2006). Moreover, according (Deming,

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1986) improvement in firm performance cannot be done without proper check on outcomes. Organization performance is based on employees' performance so most organizations give more importance to employees. This is recommended that employees are source of firm competitive advantage. Indeed, the firms are recruiting best employees to achieve set goals, which ultimately sustains a competitive advantage which in turn leads to higher firm performance. During this decade, the idea of workplace participation is widely discussed in human resource management literature. Employee involvement is characterized as the degree to which an employee has an emotional and intellectual contribution to an agency or firm (Lookwood, 2007). A variety of scientific researches associated to this have begun to attract the interest of other researchers, even it is comparatively small. Employees expect to be engaged in operational work in the present sense, that's why, their position would contribute and have a greater effect on the enterprise (Marciano, 2010). Now employees are considered being more engaged with organizational working as employees' engagement has a greater effect on organizational performance (Marciano, 2010). Most of the researches guide association among business performance and employees' engagement, for example (Altarawneh, 2014).

Compensation is known as a pool of advantages that is provided to workers of a company. Compensation has different forms, such as wages, incentives, salary, workplace condition, work opportunities, insurance plan, bonus and promotions. All this compensation is given to the employees' groundwork of their work performance (Bhatnagar, 2007). Absence and excessive job leaving are the essential issues that are confronted by many organizations. But if the inspiration and participation degree of workers increase at place of job via providing them extraordinary services like handsome primary salary, bonuses and correct working situation etc, then these factors can be decreased up to a minimal. Nowadays, the compensation turns out to be the main concern for Human Resource practices in all businesses and organizations. Mostly employees deem compensation in the shape of economic advantages that is given to them for their performance. However remaining advantages are not viewed (Ghazanfar, 2011). Employers must be somewhat competitive with some type of compensation in order to withdraw and retain competent employees. According to Sasrtohardiwiryo, compensation is rewards or services that have been provided by companies to workers who contribute their energy and thoughts for the sake of company progress in achieving the company's goal that has been established.

Organizational commitment has become crucial topic in these days and researchers give it importance more than before (Brown, 1996) (Zafar, 2006) (Mowdy, 1979) (Yahaya, Journal of Management Development). Organizational commitment has great influence on work environment and employees' performance toward organization (Meyer J. P., 2002). Furthermore organizational commitment is described as mental attachment of employees towards their organization (Mowday, 1982). It also refers to a relation between organization and employees and its effect on long run sustaining decision with business entity (Meyer N. J., 1997). Organizational researchers give more emphasis on this topic than other organizational behaviors (Meyer J. S., 1993) (Meyer J. A., 1991) (Matheiu J, 1990). Organizational commitment attracts people by providing them opportunities and fulfills their demand; on the other hand people move toward organization with some expectations. If organizations fulfill the demand of workers it will increase the commitment of employees with organization (Vakola, 2005). Outcome of HRM practices can be referred to as organizational commitment and it is considered very significant in declining turnover of employees and is also helpful in increasing work potential of employees (Ahmad, 2003).

Loyalty is known as work in a company that includes owning it. Research by (Schaufeli, 2004), (Saks, 2006), (Shuck, 2010) and (Ram, 2011) find that loyal workers concerned have minor expectation of withdrawing from the business they operate in. This can be built mentally by using methods that are capable of understanding the emotions of an individual against the working company. It comprises four measures for workplace loyalty: willingness to start, willingness to make extra contributions, sense of belonging and willingness to take on increased responsibilities (McCarthy, 1997). This helps employees behave the best because workers have a high degree of loyalty, which in turn has a clear and remarkable influence on success of the organization (Tomic, 2018). The definition of employee loyalty has undergone massive changes, as the association between a manager and an employee is evolving in it. Indeed, in a recent workplace study, about 80% of respondents indicated that their definition of job loyalty has evolved over period (Murdock, 2018). Now employees are extra committed to jobs that are relative to their organization. Employees' loyalty is still at the defining moment in the Indian sense. Employee loyalty is an outcome of increasing employee satisfaction which contributes extensively in components of an accurate organizational development policy, expands performance and allows the employer to attain closer to accomplishing its goals.

Many researchers find the relationship or effect of the variables discussed in this study with different aspects. Some of researches have made measures about the relation between employees' loyalty and organizational performance, some others find out the effect of employees' engagement over organizational performance. But there is still a gap in related literature so this study tries to overcome this gap that is why, different variables are studied like compensation that remain a neglected factor although it is considered as a crucial issue of organizations. These days, it is also considered a sensitive issue for the human resource management, so the organization has to deal with it very cautiously. Current study has carried out the focal point of analyzing association between employee loyalty, employee engagement and compensation on organizational performance, and has also investigated the role of organizational commitment as a mediating variable among bank employees in Pakistan. This study may contribute in the existing literature and explore some important factors that are related to organizational performance.

## **II. LITERATURE REVIEW**

### **II.I. COMPENSATION AND ORGANIZATIONAL PERFORMANCE**

Many organizations know that workers are company's essential human capital that can compete with inside and exterior companies in their zone. Employees' expectation toward organization has increased these days and they want some more benefits than pay which may move enterpriser's focal point to assure worker commitment practices. According to Mathis & Jackson (2006: 419) in the Journal of (Horiatis, 2016), Compensation is an important factor that influences how and why people select work in an organization as a substitute than another. Employers must be truly competitive with compensation so as to withdraw and retain an employee. Compensation is the entirely accepted reward that can be physical or non-physical that should be counted and given to any person who is commonly an object that is excluded from income tax. In this current era, every organization tries to maintain a competitive edge and make a properly regarded status that allows organization to obtain its deliberate objectives. According to researchers, Compensation is a set of pay, salaries, rewards and allowances received by employees from employers. As there are many theories for measuring compensation like Equity theory, Reinforce theory, Social exchange theory, so in this study, social exchange theory is used. If a company gives value to its workers and rewards them in a fair manner, then workers feel themselves as a part of organization, at the end workers are more committed to organization. Many researchers have discovered that there is a strong link among revenue pleasure and work interest. However, many other researchers show a fair reward system can affect employee commitment. According to Giancola (2012), the part of compensation cannot be described in proper because it remains controversial in attracting and maintaining employees. According to (Lee H. W., 2014), in this competitive world it is important to satisfy employee by the reward against their services if they are not happy with their compensation that may lead them to quit the job.

**H 1:** There is a significant relationship between compensation and organizational performance.

### **II.II. EMPLOYEES ENGAGEMENT AND ORGANIZATION PERFORMANCE**

The idea of worker engagement has been mentioned in the journalism of human resource management all through this decade. An employee who is satisfied it is not necessarily a healthy employee. Employee engagement has been a challenge of improved interest to companies as research in high quality organizational phenomena has expanded. Nowadays companies are working constantly closer to reach excessive degrees of employee engagement due to the fact that it leads to increased monetary performance and a number of fine employee outcomes. Many researchers and employers additionally declare that an engaged team of workers demonstrates a higher interest in their work which directly impacts productivity, innovation and performance, and results in reduced employee turnover (Rich, 2010; Mehmood et al., 2019; Schaufeli, 2004) Employees turnover is low in such companies where employees are more bound to business sector. Such employees are more dedicated towards company. Employee devotion has an influence on employee engagement as stated by Varian (2005).

Haid and Sims (2009) refer to those workers who are engaged to a company and are more devoted towards organization and it makes them proud to be a part of such business unit. Workers with more devotion for company have low level of moving from the organization. The research done by Shuck of 283 employees of several manufacturing division has determined that worker engagement is negatively associated to turnover intention. From some other meaning, the loyal staff are greater committed to organization (Shuck, 2010). Employers give the extra importance to workers' engagement as organizations' success is based on it. that's why, it has become very necessary to retain in the world of severe competition (Anitha, 2014). Different companies have different set of rules which make them unique from other business enterprises and can be adopted easily. Employees who are engaged towards organization have a strong positive relation with company and give their best to increase company's

performance (Karatepe, 2011). Many of studies, along with this study, agree that engagement influences performance, few researchers beg to differ.

**H2:** There is significant relationship between employees engagement and organization performance.

### **II.III. EMPLOYEES LOYALTY AND ORGANIZATIONAL PERFORMANCE**

When Employees keep excessive level of loyalty, this makes the employees act as excellent as they can, this in turn, holds a direct and noteworthy effect on the organizations' performance. Employees' loyalty generates devotion to business unit which shows workers are performing at superior level, which in turn, will have a subsidiary impact and a high-quality affect on performance at functional level. Worker loyalty has been passed through different concepts because of relation between enterprise and workforce does not remain same. The organizational loyalty is a situation that has received extensive interest from researchers in the area of organizational conduct in the recent period. According to (Niehoff, 2001) loyalty is "active behaviors that show satisfaction and support for the organization. Defending the business enterprise against criticism, emphasizing the effective elements of the organization, and refraining from complaining about the company would be examples of such behaviors as loyal workers are beneficial for company in different aspects. Workers achieve extra activities in their duty, act as beneficial agents of organization, and operate well beyond the standard and in doing the reputedly insignificant important points that assist the business enterprise work effectively (O'Reilly, 1986).

When workers are emotionally attached in achieving business goals, morals and standard it is stated as worker loyalty. The greater the employees' loyalty is, the greater chances of their stay in company (Chen, 2016). Employee loyalty is an indication that how an employee is taking part in business oblique and how much he recognizes his position in a business unit (Guillon O. C., "Employee loyalty and organizational performance: a crucial survey" 2014). Moreover loyalty can be considered as an organizational behavior to its worker which may promote business enterprises (Waqas, 2014). To assume higher degree of loyalty from its employees, business enterprise should exhibit comparable or even greater degree of loyalty towards them. Loyal employees give their best to organization in increasing the overall performance of business unit (Jauch, 1978), (Bloemer, 2006), (Narteh, 2015). High level of employees' loyalty make any organization to stand in market rather than corporations with fewer number of loyal employees (Kim, 2016). The key success of any business is the greater degree of workers loyalty to organization as workers are the main assets of business.

**H3:** There is a significant relationship between employee loyalty and organizational performance.

### **II.IV. ORGANIZATIONAL COMMITMENT AS A MEDIATOR**

Organizational commitment receives great attention from researchers these days (Zafar, 2006). Commitment imitates the relation between employees and organization performance and how it affects the firm performance (Meyer J. ., 1997). (Fornes, 2008). Organizational commitment is recognized as the level at which any employee is related with organization and committed to his/her job (Pool, 2007). An employee's intention to stay with an organization for a in long time period and make efforts to achieve organizational goals in increases organization profitability (Aydin, 2011). Commitment is described in many different terms by the researchers. That's the reason there is need to more reliable definition of organizational commitment (Mat Zin, 1998). As organizational commitment is widely discussed aspect of organization behaviors, several researches show that it gives positive outcome. According to Suliman and Iles a workforce which affects the organization performance is organizational commitment. Likewise other research has showed that organization performance is optimistically significant with organizational commitment (Suliman, 2000). In 2000 a study by Yousef demonstrates a positive relationship between performance, job satisfaction and organizational commitment (Yousef, 2000).

Commitment is an emotional attachment of employees toward business entity through which any worker can demonstrate his/her affection toward the growth and competitive position of firm in market. It also reflects level of loyalty that an employee has with an organization (Northcraft, 1996). Employee loyalty is a broader aspect of HR although it covers organizational commitment and job satisfaction as well. Walker states that employees who are satisfied with company are more loyal to it hence they enjoy opportunities to learn and grow abilities and forecast a successful career in this way, they become more committed to firm (Walker, 2005). Employees' commitment for an organization can be treated as reciprocates relationship (Gouldner, 1960), (Shore, 1991). So to measure the depth of relationship social exchange theory is recommended (Blau, 1964). The firm may give incentives and opportunities to employees and in this exchange, an employee becomes more committed to organization (Tansky, 2001).

Different researchers give different definition of organizational commitment. But these days, researchers consider the definition by (Porter, 1974) more reliable than the other ones mainly in non-western countries (Yousef, 2000). According to Porter et al, commitment is referred to as a bond of workers with organization and the level of participation of an employee in a particular firm (Porter, 1974). In this competitive world, it has become necessary to every organization to satisfy its employees by giving a fair compensation to them against their services in this way they become more committed and do not quit the job (Lee H. W., 2014). According to Piyasena and kottawatta, an employee's engagement has a positive significant relation with organizational commitment. Employee loyalty is considered as an important factor that influences performance level for any organization. A body of literature has recommended that employee's commitment has effect on performance of organization and also employee performance. Employees who are loyal to organization want to stay with the company for a long time. They not only stay with organization, but do not search for alternatives also. Commitment is considered as an important determinant of employee loyalty.

**H4:** Organizational commitment significantly mediates the relationship of compensation and organizational performance.

**H5:** Organizational commitment significantly mediates the relationship of employee engagement and organizational performance.

**H6:** Organizational commitment significantly mediates the relationship of employee loyalty and organizational performance.

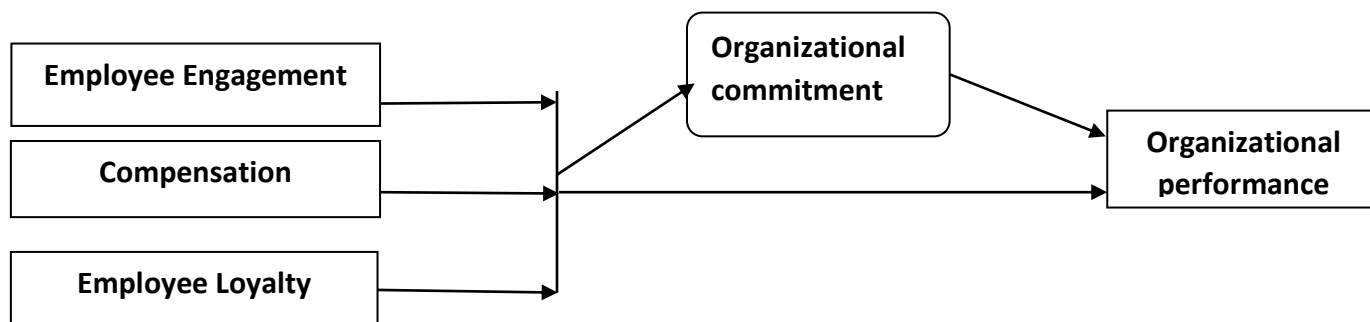
## **II.V. ORGANIZATION PERFORMANCE**

Organizations are defined as instruments of motive (March, 1997). An Organization consists of a number of components working in coordination toward reaching a common goal. Organizational performance set outputs that are achieved by an organization via comparing them with standard objectives (Alfred, 2012). Business performance includes the set of continual activities which are setup for attaining business goals with flexibility and modifies these activities for more efficient working (McNamara, 2016; Şentürk and Ali, 2021; Roussel et al., 2021; Audi et al., 2021). Research on organizational performance (OP) shows different result on both dimensions either financial or operational. These results consist of various distinctive elements, a few of them are described in this research like compensation to employees, employees, engagement and employees' loyalty. Company success or growth can be measured by two dimension monetary and non-monetary performance. In addition, to create employee commitment a work strategy is driven by enterpriser and it gives the guideline to achieve the business objectives. When organizations undertake decentralized decision making, their employees experience extra value and in return perform tasks successfully (Macky and Boxall, 2007). Furthermore, when workers are permissible to make contributions in the decision making, and raise their recommendations and opinions, this fosters engagement (Crawford et al. 2014; Morrison, 2011; Ali, 2011, Ali, 2015). Also, the leaders of high engagement places of work continually try to create such an environment where employees feel that their contribution in the companies is being valued and emphasized upon (Audi et al., 2021; Albrecht and Marty, 2017; Sundry, 2011; Rees et al. 2013). under the mechanism of decentralized decision making, employees work in groups, share their experiences and make more efforts. Such efforts enable corporations to accomplish their goals as properly (Guest, 2004; Audi et al., 2021, Ali and Senturk, 2019). And make them extra loyal to business enterprise in this employees turnover move towards decline which will increase the organizational performance.

The link between compensation, employee engagement, employee loyalty and organizational overall performance can be explained by the usage of SET. Employees who feel valued by employer give better performance and realize the duty to pay back company with efficient performance. According to different authors, if enterprises want to retain a sustainable effective business performance then they have to give importance to their workers (Jaros, 1993), (Luchak, 2007). It is the responsibility of an enterprise to realize its employees are special for business result this in turn makes employees more committed to organization which will increase organizational performance (Meyer J. P., 2013). For achieving business goals, any business unit should maintain emotional attachment with its employee. On the other hand, employees should also have a strong connection with company so that enterpriser can achieve the desire business position in market (Meyer, 1997). (Gould-Williams, 2003), refer that excessive employee loyalty and commitment result in increased in organization performance. Moreover, an effective reward system is required in any business enterprise to assure that employees are being rewarded fairly according to their performance. Through this, employees become extra committed to work additionally in business growth. Hence previous literature describes the importance of variables that have been discussed in this study and how they relate with organizational performance.

### III. RESEARCH FRAMEWORK

Based on the literature now the dependent, mediating and independent variables are specified. The relation between variables shows through the research framework. Social exchange theory has been used for theoretical support. The core aim of the theory is employees who give their best to organization and seek development and benefits from the particular organization.



#### III.I. SUPPORTING THEORY

For increased understanding, the researcher has used the Social Exchange Theory to support the research.

#### III.II. SOCIAL EXCHANGE THEORY

Blau's social exchange theory (Blau, 1964) has come from industrial organizational psychology that remain ahead as important explanation for employment associated mindset and conduct (Andrew & Sofian, 2012; Saks, 2006). The concept speculates an employment association is an exchange system in that a company offers incentives to employees in return for their dedication to organization. The fundamental assumption is the standard of reciprocity through which duties on the part of one individual swap duties for the other individual (Blau, 1964; Gouldner, 1960). The social exchange theory proposes that employees reciprocate the incentive provided through the organization with the strength they use in the company (Saks, 2006). And as a result, they become reliable to both, organization and the enterprise in everyday (Lee, 2014). The present research finds out about extends of this thinking via analyzing the association among organization performance, employees' loyalty, employees' engagement, compensation and organizational commitment given to employees. Employees' engagement is considered as a concept of reciprocation between organization and employee. The organizations that fulfill employees' expectations and give them more opportunities employees are more engaged to such organization (Schaufeli, 2004). Employees who are loyal to company and perform at their best level, this in turn, have an oblique impact and a positive influence on organizational overall performance (Ali et al., 2010). Workers realise that they get appropriate services and are given importance from the organization. They realize that it is their duty to pay back to business enterprise by for example, working better. This is implicitly mentioned in the trade principle that is based on Social Exchange Theory. A suitable association present among two parties that carry trust, loyalty, and dedication from time to time however provides advantages to everyone (Cropanzano, 2009).

### IV. METHODOLOGY

The respondents of the study are employees working in a bank of Pakistan that play a dynamic role in the way of success of country. Commercial banks are helpful in growth of Pakistan's economy and an essential element for bringing balanced state of economy (Javed, 2017). The sample of research consists of bankers working in Bahawalpur region. For data collection the main five banks HBL, UBL, MCB, Allied Bank and Meezan Bank are selected from Bahawalpur region as these banks are contributing a great deal to the economy of Pakistan. The sample size for the research is 278 from the table of sakaran and Bougie proposed (Sekaran, 2013).

#### IV.I. DATA COLLECTION MEANS

There are various sampling techniques used by researchers in different researches. In this research, the purposeful convenient sampling technique is used. Data were collected by using questionnaire technique all the items were measured on 5 point likert scale that is used to get more close emotional indication of research variables from the aspect of population (Hartley, 2006; Gee, 2013).

#### IV.II. MEASUREMENT SCALE

The present study is based on single dependent variable (Organizational Performance) and also three independent variables (Compensation, Employee Loyalty, Employee' Engagement). Different measuring tools are adopted for measuring association of these variables with organizational performance. Organizational performance is measured on 7 items of questionnaire developed by the Hernaus. On the other hand, independent, employee engagement is measured on 6 items scale that is derived from employee loyalty that is measured on 5 items derived from Matzler and Rentzl's (2006) and compensation measure on 5 items by Lamin 2015. While organizational commitment plays a mediating role in this study which is measured on 5 items.

#### V. ANALYSIS AND FINDINGS

The main idea of this research is to give authentic results and for this purpose all possible dimensions are covered for attaining fair data collection that shows the practical implementation of the research variables. Respondents considered for this research are the employees of banking sector. This study covers many aspects regarding responses like demographics and how they interpret the study variables in their practical life. After that the internal relationship of the variables are discussed in this chapter. The segment of this chapter is about hypothesis testing of the study.

#### V.I. AGGREGATE RESPONSES

As mentioned above, the population of study is five commercial bank (Allied, HBL, UBL, MCB and Meezan Bank) chains that are working in Bahawalpur region. Data were collected from 278 employees of these Banks. To make it more reliable, data were collected with personal interaction with employees although somewhere online data collecting techniques were also used. About 290 questionnaire were given to employees from which 278 responses were collected which lead to 95.86% of Aggregate Responses that are used for further research.

**Table 1: Aggregate Responses**

| Responses                   | Frequency |
|-----------------------------|-----------|
| Distributed questionnaire   | 290       |
| No. of Questionnaire Return | 278       |
| Questionnaire not Return    | 12        |
| Aggregate Respondent (%)    | 95.86     |

#### V.II. DESCRIPTIVE ANALYSIS OF DEMOGRAPHICS

This segment is about the general information about respondents like their Gender, Age, Education and Marital Status. If talk in depth males respondent are comparatively more than female which are 75.53% and females are 24.46%. On the other side, the age of respondents mostly lie in age group of 20-30 which is 60% of total responses, 34.53% respondents lie in age group 31-40, 7.19% responses are related to 41-50 and 1.43% responses are related to above 50 age group. About 63.66% respondents are married and unmarried having 36.33% of overall responses. The next demographics is about education and mostly respondents are post graduate (58.99%) some (39.56%) of the respondent are having graduation degree and very few (1.43%) having intermediate degree.

**Table 2: Descriptive Demographics**

|                       | Demographics  | Frequency | %  |
|-----------------------|---------------|-----------|----|
| <b>Gender</b>         | Male          | 210       | 75 |
|                       | Female        | 68        | 25 |
| <b>Age</b>            | 20-30         | 159       | 57 |
|                       | 31-40         | 96        | 35 |
|                       | 41-50         | 20        | 7  |
|                       | Above 50      | 3         | 1  |
| <b>Marital status</b> | Married       | 177       | 64 |
|                       | Unmarried     | 101       | 36 |
|                       | Intermediate  | 4         | 1  |
| <b>Education</b>      | Graduation    | 110       | 40 |
|                       | Post-Graduate | 164       | 59 |

### V.III. ANALYSIS THROUGH PLS-SEM

PLS-SEM is considered more reliable in these days as it gives result mostly related to actual. In respect of this analysis of inner model and outer model can be done by using the Smart PLS. Analysis of result and interpretations are made in the light of Smart PLS version 3.0 .

### V.IV. MEASUREMENT MODEL

#### V.IV.I. RELIABILITY AND VALIDITY

The first step is to check the validity and reliability of outer model as these two are main component of measuring the outer model. To check the reliability and validity, different tests are run on PLS like Cronbach's Alpha which shows the reliability of inner model, Average Variance extracted is used to check the convergent reliability of model and the last one is Fornell and Larcker criterion to check discriminate reliability.

#### V.IV.II. CRONBACH'S ALPHA

As it is described earlier that cronbach's Alpha shows the internal consistency of studied variable. According to Hulland a value 0.7 or higher is acceptable and preferable. Table 4.3 shows that all the values are above 0.6 so they are acceptable.

**Table 3: Cronbach's Alpha**

| Variables                     | Cronbach'Alpha |
|-------------------------------|----------------|
| Compensation (Com)            | 0.795          |
| Employee Engagement (EE)      | 0.826          |
| Employee Loyalty (EL)         | 0.837          |
| Organization Performance (OP) | 0.72           |
| Organization commitment (OC)  | 0.803          |

#### V.IV.III. COMPOSITE RELIABILITY

Composite reliability is further used to measure how much inner model is reliable. Like cronbach's Alpha, a value more than 0.6 is preferable. If the value lies between 0.6 and 0.7 it is considered as average reliability, if the value increases to 0.9 it would be considered as more reliable.

**Table 4: Composite Reliability**

| Variables | Composite Reliability |
|-----------|-----------------------|
| Com       | 0.861                 |
| E E       | 0.873                 |
| E L       | 0.885                 |
| OP        | 0.822                 |
| OC        | 0.862                 |

Table 3 and 4 shows that values are more than suggested value 0.07 hence all are accepted and reliable.

#### V.IV.IV. AVERAGE VARIANCE EXTRACTED (AVE)

Average variance related to convergent validity of under study variables shows how much variables of same build up are linked. AVE values are acceptable if they are 0.05 or above such value show possible convergent validity.

**Table 5: AVE**

| Variables | Frequency |
|-----------|-----------|
| Com       | 0.565     |
| E E       | 0.536     |
| E L       | 0.606     |
| OP        | 0.547     |
| OC        | 0.557     |

Table 4.4 shows the result convergent value. As it is shown in table, all the values are acceptable as all the values match to the threshold value 0.05. The result of AVE ranges from 0.565 to 0.557 that confirm the convergent reliability of measures.



#### V.IV.V. DISCRIMINANT VALIDITY

According to Fornell and Larcker square root of AVE in each underlying variable can be used as determinant of discriminant validity. According to research, the most validated and authentic way to measure the discriminant validity is Fornell and Larcker method.

**Table 6: Discriminant Validity**

| Variables | Com          | EE           | EL           | OP           | OC           |
|-----------|--------------|--------------|--------------|--------------|--------------|
| Com       | <b>0.752</b> |              |              |              |              |
| EE        | 0.446        | <b>0.732</b> |              |              |              |
| EL        | 0.256        | 0.446        | <b>0.778</b> |              |              |
| OP        | 0.295        | 0.329        | 0.319        | <b>0.739</b> |              |
| OC        | 0.505        | 0.631        | 0.612        | 0.408        | <b>0.746</b> |

If the value of square root for any variable is higher than its AVE value and at the same it also has higher value of correlation than it creates discriminate validity. So, table 6 shows the result of Fornell and Larcker square root criteria. The square root in bold is higher than its AVE and it is also higher than the correlated value with other variables, so discriminate validity is crated.

#### V.V. STRUCTURAL MODEL

##### V.V.I. DIRECT RELATION

This session of chapter is about direct relation of research variables and proposed model of study. To create authenticity, Smart PLS software is used for testing hypothesis and gives a clear visual of study. As PLS is very smart software, so to measure the direct relation of Com, EE, EL (independent Variable) and OP as dependent variable, Smart PLS is used.

**Table 7: Direct Relation**

|           | Beta  | Standard Deviation (STDEV) | T Statistics ( O/STDEV ) | P Values | Analysis |
|-----------|-------|----------------------------|--------------------------|----------|----------|
|           |       |                            |                          |          | Accepted |
| Com -> OP | 0.173 | 0.07                       | 2.463                    | 0.014    |          |
| EE -> OP  | 0.159 | 0.072                      | 2.196                    | 0.029    | Accepted |
| EL -> OP  | 0.207 | 0.081                      | 2.568                    | 0.011    | Accepted |

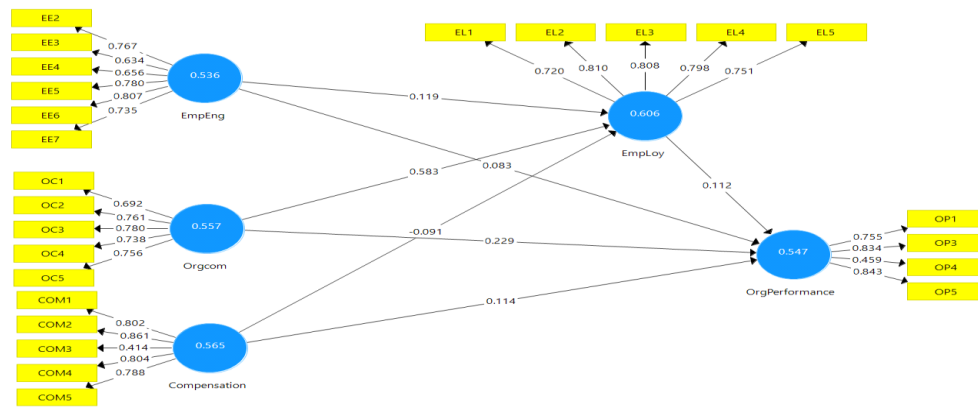
Table 7 shows the results of PLS which show that the entire hypothesis is accepted which is further described as under:

- The result shows that there is positive significant relation between compensation and organizational performance as  $P < 0.05$ ,  $\beta = 0.173$ ,  $t = 2.463$  so the hypothesis 1 is accepted.
- The result shows that there is positive significant relation between employee engagement and organizational performance as  $P < 0.05$ ,  $\beta = 0.159$ ,  $t = 2.196$  so the hypothesis 2 is accepted.
- The result shows that there is positive significant relation between employee loyalty and organizational performance as  $P < 0.05$ ,  $\beta = 0.207$ ,  $t = 2.568$  so the hypothesis 3 is accepted.

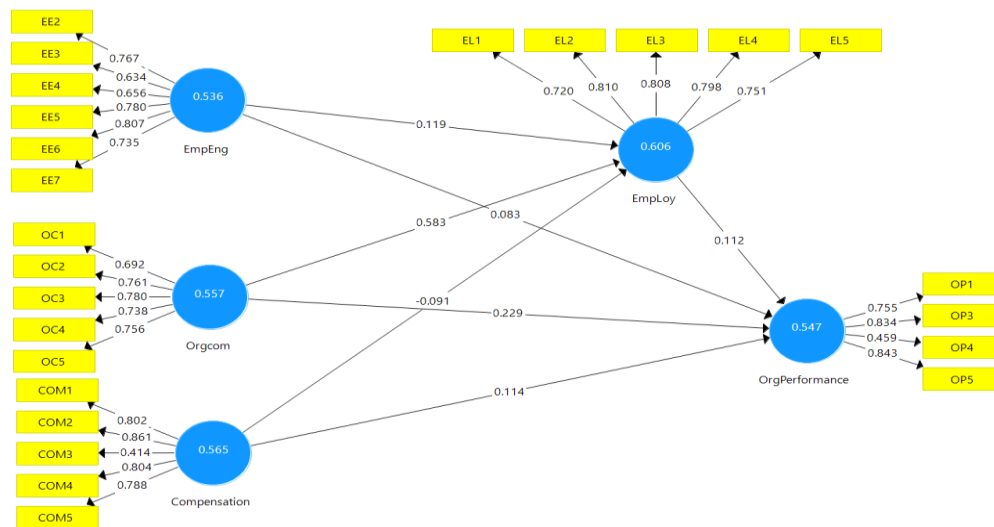
##### V.V.II. INDIRECT RELATION

The next step is study variable with mediation which shows how an intervening variable can affect relation. This study shows that how organizational commitment mediates the relationship of Compensation, Employee Engagement, Employee Loyalty and Organizational Performance.

There are various methods that are used to measure mediation like casual steps, the other one is sobel test (Tavakoli, 2013) and the other one is distribution of product approach. Also bootstrapping is most reliable mediation technique and many researchers prefer the bootstrapping technique to others.



PLS-SEM Algorithm Mediation



PLS-SEM Bootstrapping

**Table 8 Result of Mediation test**

|                    | Original Sample<br>(O) | Sample Mean<br>(M) | Standard<br>Deviation<br>(STDEV) | T Statistics<br>(O/STDEV) | P Values |
|--------------------|------------------------|--------------------|----------------------------------|---------------------------|----------|
| Com -> OC -><br>OP | 0.052                  | 0.055              | 0.032                            | 1.613                     | 0.107    |
| EE -> OC-> OP      | 0.075                  | 0.079              | 0.043                            | 1.749                     | 0.081    |
| EL -> OC -> OP     | 0.08                   | 0.08               | 0.04                             | 1.997                     | 0.046    |

Table 8 shows the mediation result of study variables and this relation is further described as follows

- The result of table shows the intervening effect of **OC** between **COM** and **OP**. the result shows that hypothesis 4 is rejected because there is no significant relation between **OC** , **Com** and **op** ( $p > 0.05$ ,  $t=1.613$ ,  $\beta=0.052$ ).
- The result of table shows the intervening effect of **OC** between **EE** and **OP**. the result shows that hypothesis 5 is reject because there is no significant relation between **OC** , **EE** and **op** more over ( $p > 0.05$ ,  $t=1.749$ ,  $\beta= 0.075$ ).
- Further the result shows that hypothesis 6 is accepted as **OC** significantly mediates the relationship of **EL** and **OP** as ( $p < 0.05$ ,  $t=1.997$   $\beta=0.08$ ).
-

## **VI. DISCUSSION OF THE RESULTS**

This research is aimed to find out the factors which may relate to performance of banks in Pakistan. For achieving this purpose conceptual framework is developed on the basis of hypothesis. There is one dependent variable (Organizational performance) and 3 independent Variables (Compensation, Employee Engagement, Employee loyalty) with a mediating Variable of organizational Commitment for investigating the association between them. The research is quantitative in nature and the data were collected by using purposeful convenience sampling technique from the employees of banks in Pakistan through a survey questionnaire. Smart PLS is used for analyzed the data. Moreover, 278 responses were used to further analysis. Different tests were adopted for measuring the reliability and validity of data. The result shows all the variables lie in ranges. The values of Cronbach's Alpha are above 0.6 as shown in table 4.3 for dependent and independent variables so these all are in acceptable ranges. Hypotheses were tested on two techniques: Bootstrapping and Algorithm Mediation. The results of these test show that out of the 6, 4 hypothesis were accepted which is supported by previous studies. The hypothesis H1, H2, H3 and H6 are supported by the study of other researcher like (Rodríguez et al., 1999).

## **VII. CONCLUSION**

This study examines the factors that may relate to organizational performance with a mediating role of organizational commitment in banking sector as this sector is considered more important in the economy of any country. Moreover, banks are also considered as top service sector in Pakistan. To maintain their growth such organizations have to focus on Employee Engagement, Employee Loyalty and Organizational Commitment as these are the main factors that influence organizational performance (Mahmoud Al-dalahmeh, 2018). In brief, data were collected from banks which show that organizational performance is significantly related to compensation, Employee Engagement, Employee Loyalty and there is also mediation between employees' loyalty and organizational performance. There may different reason for rejection of hypothesis H4 and H5. There may be interruption while collecting data or there may be no mediating association between employee engagement and employee loyalty. This shows the importance of different variables associated with organizational performance. Employee engagement, employee loyalty and compensation are significantly related with organizational performance so the organization should develop the strategies that ensure the essence of these variables in the organization. The result of study also gives theoretical and practical implications theory. In practical, by adopting such measures any organization can maintain its performance and get a competitive edge. By the outcomes of this study, the policy makers and upper management level peractioners should also know what factors should be considered important while making strategies for business growth. On the other hand, this study also contributes to the previous literature and integrates the efforts of previous researchers. Current study is contributing in enhancing the economy of Pakistan and performance of banks are measured here, and banks are considered as an important factor in the economy of Pakistan. The factors that enhance and decrease bank performance are highlighted in this study. In the last, this study also provides a new area to researchers and strategy makers to think about such factors that are directly related to organizational performance.

## **VIII. LIMITATIONS AND FUTURE RECOMMENDATIONS**

Like other studies this research also has some limitations, but these limitations are very useful as they give a direction for future research. Firstly, this study is cross-sectional in nature and was collected from the bank employees of Bahawalpur region and due to small sample size result is limited so future research may be held on different sample size. Secondly, variables are measured on single dimension, therefore future research is held on different dimensions of under study variables which may give deep information about them. Lastly, this research focuses on banking sector, hence future research may move to other business sector and other variables that have impact on organization and may also add to current model expanding the scope of this study.

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