

# Organizational Investment in Social Capital (OISC) and Employee Job Performance: Moderation by Employee Job Engagement

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## Abstract

*This paper investigates the interactive effect of employee job engagement on the direct relation of organizational investment in social capital (OISC) and employee job performance. A lot of researchers studied on direct relationship of organizational social capital investment and job performance of the employee in west and east as well. This research will contribute to improve the performance of the frontline managers and to identify the organizational culture which keeps the employee engage. The employee job engagement moderates the effect of organizational social capital investment and job performance of the employee. According to the author this paper will assess the investment of organization for the development of human resources. Authors based on social capital theory, purposed a model that test the relationship of organizational investment in human capital and job performance of the employee with interactive effect of employee job engagement. This study is questionnaire based and results are based on 150 frontline managers from multiple kinds of organization and suggest that organizational investment in social capital positively affect the performance of the employees, but the interactive effect of work engagement weaken this relation.*

**Key Words:** Organization, work engagement, job performance, OISC

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## Introduction

Term capital used in different field like in finance, Capital is the economic resources of an organization. The term social capital is introduced recently by different scholars. Social capital used for human being because human being is the most important resource for organization. As generally we know that capital is depleted with use but the social capital is the capital which is useless with not-using i.e. use it otherwise you will lose it. The term organizational social capital has got a considerable attention recently from scholars. Human resource in the organization is having and reflecting social relational with each other's and also with the boss as well social. So, these relations called organization social capital. It can be achieved through the individual levels of collective action toward goal and shared trust, which compelled the employee toward successful collective action. Ellinger, Musgrove, Ellinger, Bachrach, Baş and Wang (2102) reported that frontline employees from multiple service organizations indicate that making

investments in social capital by organization favorably effect service employees' commitment, loyalty, job performance that leads to organizational citizenship behavior. so organizational investment in social capital improve the employee skill that consequently increase the performance of the employee as well firm performance. Bowen (1996) contends that managerial behaviors critically shape organizational culture and that in world-class service operations managers leverage intangible aspects of employee coaching and development to help service employees better serve customers. Employee engagement is the full involvement of the employees in struggling toward the organization vision and mission. Welbourne (2007) in an executive forum says that employee engagement is systematic approach that begins with the leadership team. Firms gets maximum market share in the market when they develop the competitive skill of their human resources in a way that is not easy for the competitor to replicate. Improving employee engagement calls for specifying the behaviors (not just the attitudes). Menguc, Auh, Fisher and Haddad (2012) reported that if the employee are more engaged then they provide a quality service and employee perform excellent. Employee job Engagement as mediator between supervisory feedback and employee job performance. They work as a full mediator.

According to the author knowledge this will be the first study that explores the knowledge about the employee engagement moderation of the relationship between organizational social capital investment and performance of employee. Although many studies have been done about organizational social capital investment and job performance of employees. As we know that if organizations invest more in their social capital consequently the performance of human being will improve as a result the organization perform will. This study will add the knowledge of affect of employee engagement on this relation and will also highlight the importance of investment in social capital for organization. It will also highlight the importance of work engagement of the employee.

## Literature Review

### a. Employee Engagement

Employee job Engagement is a business education and management terminology, which is used in different organization that is also called employee job engagement. According to Scarlett Surveys, "Employee Engagement is a measurable degree of an employee's positive or negative emotional attachment to their job, colleagues and organization that profoundly influences their willingness to learn and perform at work". Employee job engagement does not mean employee satisfaction or employee happiness. Many companies and management talk says that their employees are satisfied but still its graph of productivity is low why? Because may be a satisfied employee do his job daily without any complaint but the same satisfied employee may not go for extra effort for the productivity of the company and same is the case for employee happiness. So, the employee job engagement is the poignant commitment, it means that employees care about their work and also for their company.

Literate review suggested that employee engagement is very critically variable in an executive Theresa M. Welbourne says that when we talking about engagement so a long term commitment of marriage come to our mind. So, employee engagement long term commitment of employee with organization. They say firms win in the market when they improve the employee as well as employee engagement behavior in a productive way for the company. Employee engagement has two aspects cognitive and emotional. If a manager support or help to create an environment that employee engaged emotionally and cognitively in achieving mission and purpose then the company will perform well.

According to the research in this paper he is investigating the moderating effect of employee job engagement in the relationship of organizational social capital investment and job performance of employee. Recent studies that asses customer facing in a lot of service organization so for service organization investing in social capital positively affect the service employee commitment and job performance. (Ellinger et al- 2012) and the study different work related behavior organizational investment in social capital but they also suggest to study employee engagement as a moderator then what will be the effect on employee job performance in case of organization investment in OISC.

*H1: employee job engagement moderating the effect of organizational investment in social capital and employee job performance*

**b. Organizational investment in social capital**

Social capital is the predictable combined or economic benefits resulting from the better treatment and assistance between individuals and team. (Wikipedia) in other word we can say it human capital. The network of social associations that influence individual actions and thereby affect economic expansion (Pennar 1997, p. 154). So the social capital is used as an independent variable. Social capital is very important factor for organization.

It is very important for service organization to invest in social because in service organization the employee are facing customers. If they invest in employee so they will automatically improve the service which lead to employee as well as contribute to organization performance. (Ellinger et al., 2012) organizational social capital is resources that show the character of social relation within the organization (Leana and Van Buren, 1999). Human capital is an ability that provides opportunities for corporation and groups to way in information, knowledge, and capital existing in their social net. (Maurer and Ebers, 2006).

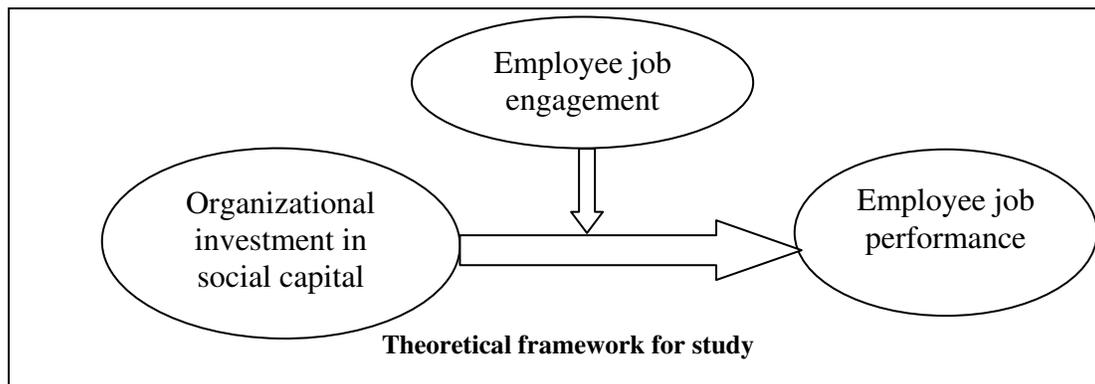
Cohen and Prusak (2001) classify social capital investment into three interconnected categories: making relations; enabling faith; and, nurturing collaboration. Making relations encompass behavioral values and norms that intensify uncompetitive relationships, and generate a strong logic of society. Enabling faith involve behavioral values and norms that provide employees reasons to have self-confidence in the organization, as an alternative of giving them reasons to react to the organization and its representatives defensively. Nurturing collaboration entail behavioral value and norms that give confidence and motivation collaborative, rather than personal hard work.

**c. Employee job performance**

Work exhibition is the way workers perform their work. An agent's exhibition is dead set throughout work exhibition audits, with a business considering variables for example administration aptitudes, time administration, organizational abilities and benefit to dissect every agent on a distinctive foundation. Work exhibition surveys are frequently finished yearly and can certify raise suitability, if a worker is ideal for announcement or regardless of the possibility that a representative ought to be terminated.

Recently studied that in service industries just like hotel the high performance wok practices like training, empowerment and rewards improve the job performance and work engagement perform as a mediator in this relation (kartep, 2012). In all organization high performance work system of organization is due to the social capital interaction supportive environment, which leads to high financial performance and sustainable performance of organization (Evans and Davis, 2005). Some of the companies have great attention toward performance management system because they want to improve employee job performance. So it is possible when the employee perform incremental work, which is only possible by promoting employee job engagement (Gruman and Saks, 2011).

*H2: Organizational investment in social capital is positively related with employee job performance.*



## Methodology

### Measurements

All the variables used and the relations that are constructed were measured with multiple items questionnaire, which is taken from different studies in the extant of literature. Specifically Organizational investment in social capital was measured with seven items was adapted from Ellinger et al.'s (2011). All items are measured use a rating scale that consists of five points. (1=strongly disagree, 5=strongly agree). For example, "Managers are fair and provide equitable opportunities." Employee job engagement was measured with five items and was adapted from Babin and Boles (1996). All the items was measured use a rating scale that consist of five points. (1=strongly disagree, 5=strongly agree). For example, "I manage my work time effectively." Employee job engagement is measured with a modified nine items Schaufeli, Bakkar and Salanova (2006), use a rating scale that consist of five points. (1=strongly disagree, 5=strongly agree). For example, "I get excited thinking about new ways to do my job more effectively."

### Sampling and data Collection

In this empirical study, data gathered from a sample of Managers of public and private sector organizations like telecom sector, banking sector, chemical sector and textile sector of Khyber puhtoon khwa and federal area Islamabad. A questionnaire was designed for this purpose to collect the data from different organization managers. For data collection Researcher can select on sector as well but why they select the multiple sectors because to find out the variation and to generalize the result. As we know that the study is questionnaire based, so, the Questionnaire is filled with the different public and private sectors organizational Managers, but few Non-Managers are also included. The reason to include both types of respondents was to incorporate the behavior of the employee (subordinate) toward their Managers as well. A total of 180 questionnaires were distributed, among which 153 questionnaires received, in which 150 was usable and showing the response rate of 85 percent. In our sample a significance portion of Male Managers are taken into account because in Pakistani culture more likely male are Managers. Table 1 shows the demographic ratios of sample used for analysis, which show a suitable mix of demographic groups in sample used in data.

Table 1: Demographics of Respondents

	<i>f</i>	<i>Percentage</i>
<i>Age (n=150)</i>		
Under 35	53	35.3%
35-50	77	51.3%
Above 50	20	13.3%
<i>Sex(n=150)</i>		
Male	131	87.3%
Female	19	12.7%
<i>Profession(n=150)</i>		
Manager	140	93.3%
Non-Manager	10	6.7%

## Results of the Study

### Reliability

Tables 2 present Mean, Standard Deviation and inter co-relation of all the items used in the questionnaire for the measurement of the respective variables. Inter correlation is the measured of the reliability of the items. Reliability of the items is compared with Cronbach's alpha which is discussed as organizational

social capital investment Cronbach's alpha is 0.717 > 0.7 shows the reliability of items. Cronbach's alpha of Employee job engagement is 0.839 > 0.7 shows the reliability of items. Cronbach's alpha of Employee work performance is 0.726 > 0.7 shows the reliability of items and all the variables are significant on the level of 0.7, which was recommended by (Nunnally, 1978) and (Ndubisi, 2006). The following table show the reliability of the items selected for collecting data about the variables.

**Table 2:** Means, standard deviation, correlation of study variables and Cronbach's alpha

	Mean	SD	1	2	3
1. OISC	3.43	.616	(.717)		
2. Engagement	3.92	.654	.350**	(.839)	
3. performance	3.85	.706	.436**	.662**	(.777)

\*\* . Correlation is significant at the 0.01 level (2-tailed).

From above Table 2, we can also see that the correlations between Employee Job Performance and Organizational Investment in Social Capital (OISC) are correlate at 0.01 level significant. Employee Job Engagement is work as moderator in the above direct relation and it is correlate at the 0.01 level. The value of VIF of independent variables is less than 0.98, so multicollinearity does not exist between the independent variables. This is acceptable for our examination resolutions and additionally matches up absolutely with quality figured by (Goldsmith et al., 1999).

Two Hypotheses are presented in this study. The analysis of the study and result is presented in the following table, which support the results of the studied hypotheses.

**Table 3:** Regression analysis for the study

	R <sup>2</sup>	ΔR <sup>2</sup>	β
<b>Step 1</b> Gender	0.047	0.047	-.216
<b>Step 2</b> OISC Employee Job Engagement	.500	.453	.219 .572
<b>Step 3</b> OISC x Engagement	.524	0.024	-1.215

Table 3 shows the regression analysis between Organizational Investment in Social Capital as independent variable, Employee job Engagement as Moderate variable and employee job performance as a dependent variable.

The result of regression analysis as shown in table 3 shows that relationship between Organizational social capital investment and performance of employee is positive and significant ( $\beta=0.219$ ,  $\rho<0.01$ ). So, the hypothesis (**H2: Organizational investment in social capital is positively related with employee job performance.**) is accepted because the p value is less than 0.01.  $\beta$  value shows the rate of change dependent variable with respect to independent variable. One unit increases in OISC then employee job performance will be increased by 0.219 multiple of OISC. The result of regression analysis as shown in table 3 shows that the interactive effect of employee job engagement on direct relationship Organizational social capital investment and performance of the employee is negative and significant ( $\beta=-1.215$ ,  $\rho<0.01$ ). So, the hypothesis (**H1: employee job engagement moderating the effect of organizational investment in social capital and employee job performance.**) is accepted because the p value is less than 0.01.  $\beta$  value of H2 shows that increases employee job engagement weaker the relationship of OISC and employee job performance.  $R^2$  value is also computed for our model, the  $R^2$  value is equal to 0.524.  $R^2$  show that the independent variables of the model explain the 52.4 percent variation of dependent variable of Model.

## Discussion

In this study we proposed model that investigated the direct relationship of organizational social capital investment and performance of employee and also studied the interactive affect of employee job engagement. Now we are going to discuss the strength of the study which is given below.

In this study there is an evaluation of the influence of an organizational initiative for the employee development. The proposed model tests the manager's attitude toward the organization investment on social capital (on employee) that leads to employee job performance. The results of the study shows that developmental initiative of the human resource department of the organization like OISC positively contribute toward the employee job performance because it produce a favorable internal organizational culture that leads toward work commitment, which in turn to employee job performance. As in the hypothesis (*H2: Organizational investment in social capital is positively related with employee job performance.*)The direct relation is significant. The direct relation of organizational social capital investment and job performance of employee is also supported by the social capital theory. Organizational citizenship receives support from OISC and employee commitment leads to employee job performance, these results are from Cohen and Prusak (2001). The result is also supported by previous research studies that show that Managers effort for support of their employees, and in turn employees committed to job and they will perform more in their job. Managers and employees relation will be strong only when they have know how about their responsibilities and duties, it is only possible when the organization invest some of their capital on employees. Thus, the relationship shows that if an organization is highly committed to invest on social capital in turn the employee job performance will increase.

In the proposed model the research also investigate the interactive effect of employee job engagement on the relationship of OISC and Employee job performance. According to the data which is used for the analysis the result suggest that in the proposed model the interactive effect of Employee job engagement is negative on this relation. . Employee engagement has two aspects cognitive and emotional. If a manager support or help to create an environment that employee engaged emotionally and cognitively in achieving mission and purpose then the company will perform well. If the manager is not willing to create a supportive environment then the employee will consider the job engagement as a burden as a result the employee job performance will go in negative direction.

## Management Implication

According to the result of this study management should employee oriented if they expect maximum/high job performance from their employee. Management must to introduce such type of organization investment on their employees which in turn produce output for the organization. It means that organization must to invest on their employee. So, first of all management must to produce and maintain the organization environment that is supportive for the frontline managers where they easily communicate with their subordinate, which is only possible when an organization invest on their frontline managers like training, communication skill development. So due to these they will stimuli their subordinate toward the organizational goals and employee will perform their job well. Secondly this study will guide the management toward a special training program for the frontline managers; they could increase the employee self confidence and feeling of work engagement, that in turn leads to employee job performance. The most critical implication of the study is that if the management invests on their employee. This investment will increased the loyalty of the employee toward their parent organization so, the chances of switching will be decreased and retention rate of the organization will increase and employee will be maintained for the long time with the same organization. So, it will also increase the firm performance.

## Limitations and future research

According to the author advice, readers are advised to read the paper and its result in the presence of some constraint in mind because there are some constraints of the design of this research. Firstly, the researcher

used the convenience sample for this study, which does not represent the whole populations of all the Managers, so the result is not generalizable. In this kind of studies always random sampling is preferable as compared to convenience sampling method, but random sampling is not possible because of non availability of a comprehensive and exhaustive list of Managers and organizations. However there is an advantage of the study current sampling approach that sample is consist of 150 frontline Managers that directly communicate employees and also know how with the employee work place as well. Frontline managers are selected from multiple and variety of industries to avoid the limitation of using one industry data. Secondly, in this study the unit of analysis is frontline Managers from different private and public sectors organizations, but the common constraint for our study is that the higher management of some public sector organization did not allow us to directly contact with frontline managers. So, the questionnaire is distributed to those Managers that have direct access or through a higher management. It may be possible that managers are biased response to questionnaire due to collecting data through higher management. It may be possible that the higher management did not distribute the questionnaire according to our guidelines. So, it means that the selection bias may be involved in the process of data collection, that's why it may be possible that we ignore that part of sample which may increased the explanation of the paper. Thirdly, we conduct this study of job engagement only in specific region and single country like Pakistan. So, it may create the problem of generalizability. In future these studies can be replicate in different culture because this study in the context of Pakistan considers a few cities due to time constraint, while it can be possible country wise as well.

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